

The Lutheran High School
Association of Greater Milwaukee

Stakeholder Meeting

January 12, 2010

Welcome to Hales Corners
Lutheran Church!

Opening Remarks

Tom Schoewe

Chairman of the Board

The Lutheran High School Association

Agenda

- An update from our schools
- State of the Association
- Introduction of Todd Moritz
- Action items
- Your help is needed!

Milwaukee Lutheran High School

Mr. Paul Bahr
Principal

Lake Country Lutheran High School

Mr. Mark Bahr
Principal

Martin Luther High School

Dr. Wayne Jensen

Principal

State of the Association

Tom Schoewe

Chairman of the Board

The Financial Realities

- Debt is too high
 - \$27MM
- Components:
 - Lake Country
 - Operating Deficits
 - Prior Investments
(e.g., fieldhouse, bleachers)

Financial Realities

- Lake Country Lutheran
 - Mortgage Payments = \$1.4+ million annually
- Operating Deficit
 - Last several years—cumulative \$4.2 mill. loss
 - Released \$1.4 million from endowment
 - "Maxed" \$1.5 million Line of Credit
 - Depleted cash reserves
- Current cash reserves not adequate!
- Not a sustainable model

How did we get here?

- Lake Country building project
 - Momentum—lawsuit victory cleared way to build
 - Prior investment—over 10 years (e.g., legal fees, land prep.)
 - Indicators of support for project
 - Stepping out in faith to continue Association's mission!

How did we get here?

- Operating Deficit
 - Giving Down
 - Individual giving
 - Church giving—quota system "broken"
 - Financial Aid applications up
 - Pressure to keep tuition low
 - Economy accelerated the impact
 - Enrollment Down
 - Personnel & Systems
 - Association slow to react to changing environment
 - Not providing accurate, timely management information

Changes: Personnel & Systems

- CFO:
 - 5 year CFO resigned in November 2008
 - Hired Karen Walrath, February 2009: 20+ years experience as CFO @ Cardinal Stritch University
- Development Director:
 - 18 year Development Director resigned in May 2009
 - LCL Development Consultants terminated May 2009
 - Hired Tim Young Eagle, June 2009: 20+ years experience in marketing & educational ministries

Changes: Personnel & Systems

- CEO:
 - 20 year CEO/Superintendent retired in May 2009
 - Paradigm shift: Search for replacement included non-educator
 - Hired Todd Moritz, May 2009: 20+ years of experience in business and financial management
- Systems:
 - July 2009, 25+ year old financial system & "manual" development system replaced by Blackbaud Information System—leading system for non-profits.

Chief Executive Officer

Todd Moritz

About Me

- Relationships
- My Mission
 - To simplify the administrative burden of ministry
- MBA / CPA
- 28 years in Financial / Executive Management
- 11 years in LCMS ministry
- Why am I here?
 - God's calling
 - I have a passion for His Church
 - My high school experience

My Style

- Relationships
- Honest
- Candid
- Transparent
- Collaboration
- Participatory

We have really good schools!

Our Strengths

- Strong spiritual student community
- Outstanding academic education
- Passionate / dedicated faculty and staff
- Strategic Leadership Team
- Rich history

My Vision

Three healthy, viable and growing
schools

Economic Realities

- Preliminary budget (\$900K) deficit
- 6% Health Care Increase
- 13% Retirement Increase
- 5% Utilities Increase
- Declining Choice Revenue per student
- Lost Thrivent Matching Funds
- Less than 3% Tuition Increase
- Declining Church Support

Operating Fund Action Steps

- Revenue Increase
 - Adjusted Development Efforts
 - MLHS Collaboration
 - Increased Fees (Elementary Band)
- Expense Reduction
- Deferred spending
- “People” impact
 - Six Full Time
 - Multiple Part Time
- Current FY 2010 Shortfall (\$200K)

FY 2011 (Operating Fund)

- Doing nothing ...
 - Forecast is (\$551K) loss
- Imperative that we have positive cash flow
- Current Forecast \$250K positive Cash Flow
 - Some staffing changes at all schools
 - Tuition / Fee Adjustments

With man this is impossible, but with God, all things are possible. Matt. 19:26

Governance Quota Changes

- Committee working on Suggestions
- First presentation tomorrow night
 - Wednesday, 7pm, Milwaukee Lutheran
- Key Discussion points:
 - Non-LCMS involvement in Association
 - Flexible Board / Delegate Structure
 - “partnership formula” based on congregation financial and student involvement
 - Dissolution language

Campaign for our Association

- \$3.0MM challenge if we can raise \$6.0MM by February 28, 2010
 - \$1.4M annual interest expense for 2010
 - \$1.6M annual interest expense for 2011
- Inability to raise funds needed could result in loan default
 - Cash reserves depleted
 - Debt capacity extinguished
- \$1.0M + road construction remains

Campaign Info

- Gifts and Pledges currently at \$3.5M
- \$2.5M remaining by February 28
- Campaign Gatherings:
 - This Friday – Martin Luther Fish Fry (RSVP tonight or tomorrow morning)
 - Saturday, January 23 in Germantown
- Student DVD

Critical Organizational Goals

- Successful Association Campaign
- Balanced Operating Results
- Marketing Plan
- Governance / Congregational Quota
- Strategic Plan

My Vision

Three healthy, viable and growing
schools

Realities

- This campaign is about “us” as an Association.
- “We” stepped out in faith at LCL
- Failure is not an option
- We could lose our schools

How you can help ...

- Pray for the schools and our leadership
 - Weekly prayer meetings
- Consider your congregations role
 - Owner or Consumer?
- Help us with a successful campaign
 - Make a gift
 - Help me work with your congregation / school
- Speak positively about our schools
 - seek clarification where necessary
- Tell me how we can do better

More Information

- Information in back
- www.lhsagm.org
 - Click on CEO
 - Frequent Updates
- My information:
 - tmoritz@lhsagm.org
 - (414) 421-9100 ext. 222
 - (414) 208-8469 (cell)
 - Come see me 😊

Questions & Answers