ANTIOCH UNIVERSITY

Antioch College Financial Picture – Current & Projected

The information contained in this Fact Sheet is the financial data that was presented to the Board of Trustees at their June 9 meeting and led to the resolutions at that meeting.

1. The College ended this past fiscal year, 2006-07, with an estimated deficit of $1 million, as yet unaudited and excluding end of year accrual entries. During the fiscal year, College revenue was supplemented with $5 million of endowment funds that were released from restrictions by the donor to be used for instructional program expenditures. An additional $1.3 million was added to the revenue from a foundation grant for the same purpose. Without these gifts the operating deficit of the College would have been approximately $7.3 million.

2. The Board of Trustees (BOT) was presented with a proposed balanced College budget for fiscal year 2007-08. It included expending the remaining $5 million of the endowment funds released from restriction and a $1.2 million gift from the same foundation both to supplement the instructional program. Also, in order to cover the 2007-08 projected deficits, it will be necessary for the University to expend the unrealized gains on a portion of the unrestricted general operating endowment. This proposed budget was based on personnel reductions of over $1 million and other expense reductions of over $300,000. Without these gifts and the budget cuts, the projected deficit from normal operations would have been $7.5 million. This budget for the College was not acted upon at the June meeting and will be revised and submitted to the Board at their October board meeting.

3. Prior to the decision to suspend operations of the College, the 2008-09 through 2013-14 projected budgets indicated cumulative deficits for the College of over $17 million despite aggressive enrollment and fundraising goals. The projections included the private foundation support ending in 2009/10, but no additional endowment funds were available to be used.

4. Despite aggressive recruitment efforts, enrollment at the College has been either flat or on the decline over the last several years. The declining enrollment has resulted in reduced tuition and auxiliary income. In 2005-06, new student enrollments were originally projected for the College at 216 but only 57 new students enrolled; similarly the projected College enrollments for 2006-07 were 216 but only 120 new students enrolled. The initial budget projections for the 2007-08 academic year reflected 181 new students. In late fall 2006, based on actual applications, this enrollment goal was reduced to 150 and further reduced in early spring 2007 to 135, finally ending with a projected enrollment at the time of the June Board meeting of 110 new students resulting in a projected $1.2 million reduction in net tuition dollars.

5. The projected budgets for the period 2008-14 assumed a fall enrollment in 2008-09 of 307 and enrollment growth of 10% each year thereafter. This projection was based on very optimistic enrollment and retention rates. Since the 1970s, the College has never shown an enrollment growth at this level. Projected retention goals were projected at 70%, while in recent years as few as 50% of first year students returned for their second year.

6. The projected budgets for 2008 through 2014 did not include an estimated $50 million minimum needed to remodel and restore any College facilities. The $50 million estimate does not include any new buildings or facilities. Recent surveys taken of students who chose not to attend Antioch College after visiting the campus responded overwhelmingly that it was the poor condition of the facilities that turned them away.

7. Endowment income for future years was projected to be reduced substantially due to the expenditure of the $10 million of endowed funds that were spent in 2006-07 and will be spent in 2007-08 on College operations.

8. Donations from alumni and friends have not increased in several years. The 2006-07 revenue budget had a projected goal of $2.3 million in unrestricted operating gifts and $1.5 million in annual fund donations. Based on actual June, 2007 giving reports these targets were ultimately reduced to $500,000 and $1 million respectively.

9. The College cash flow includes approximately $740,000 annually from the other University units. In addition, the University provides substantial staff assistance in the areas of Human Resources, payroll, information technology, student loans and finances.

10. The cash flow projections for the University indicate that the University, would have depleted, within the next 12-18 months, its available liquid resources and all cash reserves, and would have been unable to meet its obligations if the Board of Trustees had not suspended operations of the College by July 1, 2008. With the depletion of all liquid resources and the expenditure of all cash reserves the University would have faced the possibility of total and permanent closure. This would have eliminated any possibility that the College could re-open and would have severely impacted the lives and education of over 4,500 students and 600 plus employees at the other five campuses.

Financial Summary

Enrollment at the College has not been at a sustainable level for several decades resulting in insufficient tuition revenue. Enrollment projections did not indicate significant near-term tuition growth adequate to alleviate the College's financial problems. Because of tuition discounting the tuition dollars needed for operations were not adequate. In the proposed $19 million College operating budget submitted at the June 2007 Board meeting, only $6 million was projected to come from tuition and the remaining revenue realized from gift, grants, auxiliary revenue and endowment earnings or reserves. In 2006-07 and 2007-08, $10 million of the endowment corpus will have been expended to keep the College operating. Endowment earnings will be significantly reduced in future years, and the College endowment will have been reduced to approximately $28 million because of the $10 million expenditure. Additionally, the minimum capital needed to remodel and restore the college facilities has been estimated to be at least $50 million. A detailed master plan will need to be commissioned to assess the actual capital needs of the College.