

Council on Finance

Report Number 9: Gift to Birmingham-Southern College

Three years ago, Birmingham-Southern College (the College) experienced serious financial challenges unprecedented in its history. The College had determined that growing its enrollment, and thereby increasing student revenues, was the best way to achieve a stronger financial position. To grow the enrollment, the College first needed to improve the condition of certain facilities on campus.

Improvements to facilities often require fundraising and/or withdrawals from endowment and reserve funds or from endowment income. As commitments were made to improve the facilities, the early effects of the recent recession began – thus lowering the value of the endowment funds, investment income, and the confidence of donors in their ability to make gifts to the College. This situation resulted in greater debt to pay for improvements to facilities and higher borrowing costs. In addition, due to deteriorating economic conditions, most students needed increased financial aid.

Related to this crisis, the Board of Trustees (the Board) accepted the resignation of the College's president and conducted a comprehensive review of the College's finances, resulting in more than \$10 million in budget cuts, staff layoffs, reductions in salaries and benefits, and the elimination of five majors. A search committee, chaired by Board Chair Dr. Wayne Killion, was formed to hire a new president. After a careful and thorough discernment process, the College hired an outstanding leader as its 13th college president, Gen. Charles C. Krulak.

As president of Birmingham-Southern College, Gen. Krulak is leading a remarkable turnaround at the College. The College operates with a balanced budget and remains a jewel in the field of liberal arts education. Some of the accolades of Birmingham-Southern College include:

- Ranked by *Forbes* magazine as the best college or university in Alabama – public or private – in its annual “America's Top Colleges” listing based on the quality of the education, the experiences of the students, and how much they achieve.
- Again listed by national higher education expert Loren Pope as one of 40 *Colleges That Change Lives*.
- Named one of the nation's “Best 376 Colleges” for undergraduate education, by *The Princeton Review* for its academic reputation, small classes, interaction with faculty, and beautiful campus, and.
- Included by *Kiplinger's Personal Finance Magazine* in its list of the “Best Values in Private Colleges”.

Today, the College finds itself at a critical juncture in which it needs to achieve certain financial benchmarks to best prepare itself for the future. The Council on Finance has noted the following historical levels of giving to the College by the North Alabama Conference compared with giving to Huntingdon College by the Alabama-West Florida Conference:

	<u>Birmingham-Southern College</u>	<u>Huntingdon College</u>
2008	\$298,424	\$568,010
2009	\$281,520	\$363,373
2010	\$290,009	\$489,977
2011	\$321,133	\$316,755
2012	\$323,363	\$504,984
5-year Total	\$1,514,449	\$2,243,099

Thus, over the last five years, the North Alabama Conference has given \$728,650 less to Birmingham-Southern College than the Alabama-West Florida Conference has given to Huntingdon College.

At the April, 2013 meeting of the Council on Finance, Gen. Krulak, Dr. Wayne Killion, Rev. Bill Morgan, Rev. Andy Wolfe, and other College representatives reported on the progress that has been made in achieving a stronger financial position and the College's plans for the future. The College reported that over \$14 million has been raised toward its fundraising goal of \$25 million – a remarkable achievement in a relatively short period of time.

In consideration of the Conference's historical relationship with Birmingham-Southern College, *the Council on Finance recommends to the Annual Conference an unrestricted gift of \$1 million to Birmingham-Southern College.* The gift will be funded by internal loans, similar to the manner funding was provided in part for construction of the new United Methodist Center, as follows:

Conference reserve funds	\$500,000 (1)
Board of Pension and Health Benefits reserve funds	<u>500,000 (2)</u>
Total	\$1,000,000

(1) At December 31, 2012, the Conference's total reserve funds are \$2.8 million (unaudited).

(2) Approved by the Board of Pension and Health Benefits in April, 2013. At December 31, 2012, the Board of Pension and Health Benefits total reserve funds are \$10.1 million (unaudited).

This is an exciting time in the life of Birmingham-Southern College and the Council on Finance is pleased to bring this recommendation.