

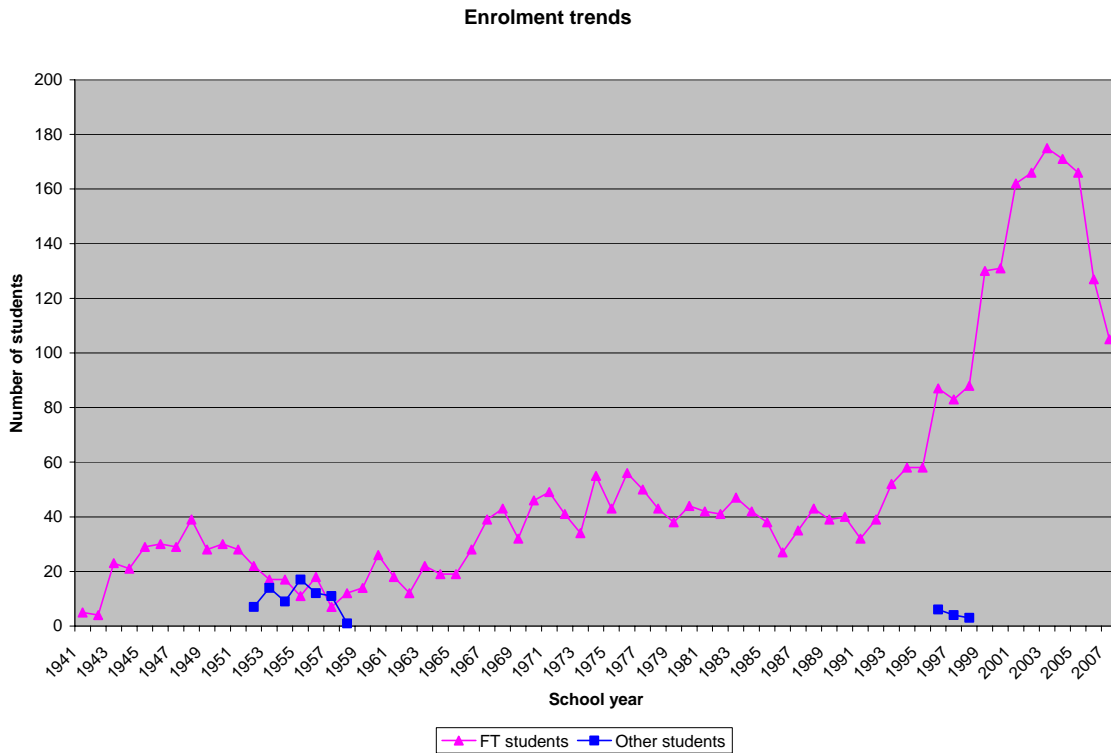
Recommended Closure of CBC – Additional Information

The recommendation to close CBC comes from the Covenant Bible College International board which is charged with stewardship of the entire ministry. That board is made up of Canadian and Americans with representation from both CBC C and CBC E campus boards and executives from both denominations. Briefly, the information leading to the recommendation is detailed below. No attempt is made here to analyze our history on a governance side, or to answer the broader question of “how did we get here” beyond the obvious financial and admissions factors. More detailed financial information can be found in the ECCC 2007 Annual Meeting report booklet or upon request (paul.lessard@cbei.edu).

In attempting to respond to rapidly declining enrollment we aggressively pursued *turnaround* over the last 12 months by significantly downsizing our ministry through the closure of CBC Colorado, the release of The Worship Center, additional parrying of operating budgets (the fourth year of cut backs) and the laying off of staff. In addition through the summer and fall we committed the bulk of our leadership energies and resources to student recruitment and fund development. Unfortunately, by January it was apparent this work had not produced the desired nor needed results and in many ways was too little, too late.

According to the Association for Biblical Higher Education (ABHE), enrollment at Bible colleges in Canada has dropped precipitously over several years paralleling the decline at CBC. Dr. Larry McKinney, former ABHE executive director, said last year that schools traditionally considered Bible colleges have transitioned to schools with general liberal arts curriculums. Only a handful of schools across the United States and Canada offer a discipleship program such as CBC, and those were experiencing declining attendance.

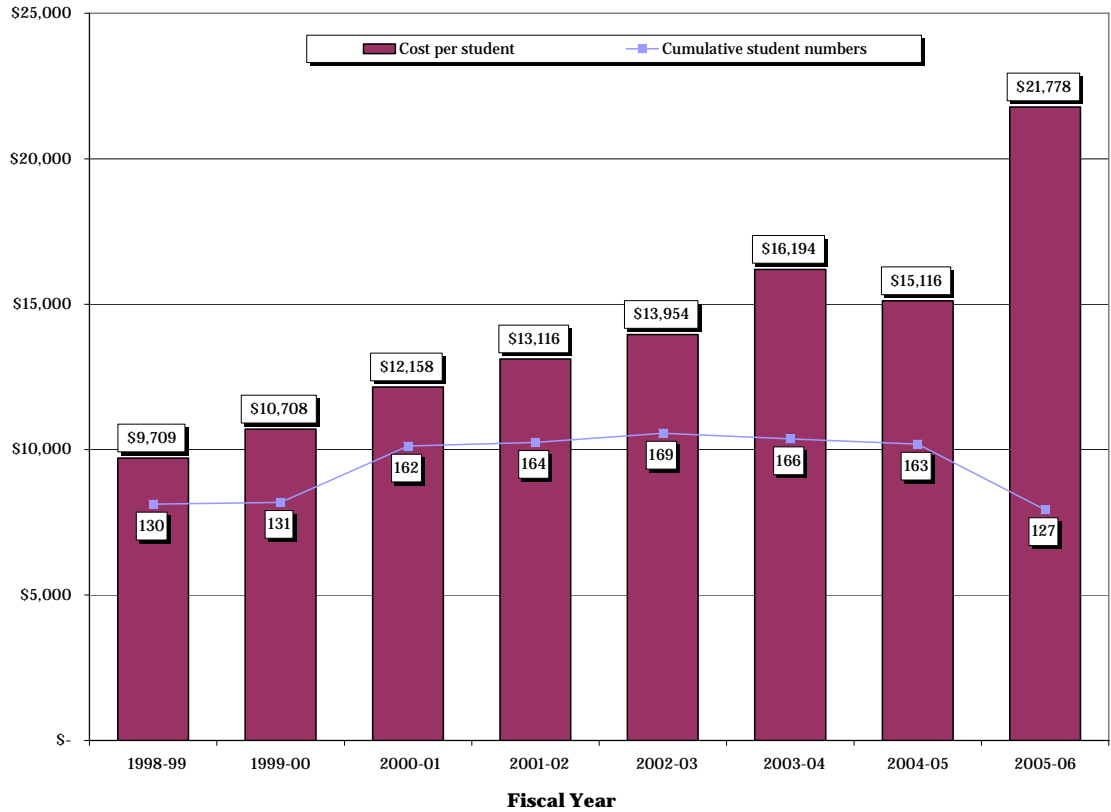
Admissions The following graph shows students numbers over the last 66 years.



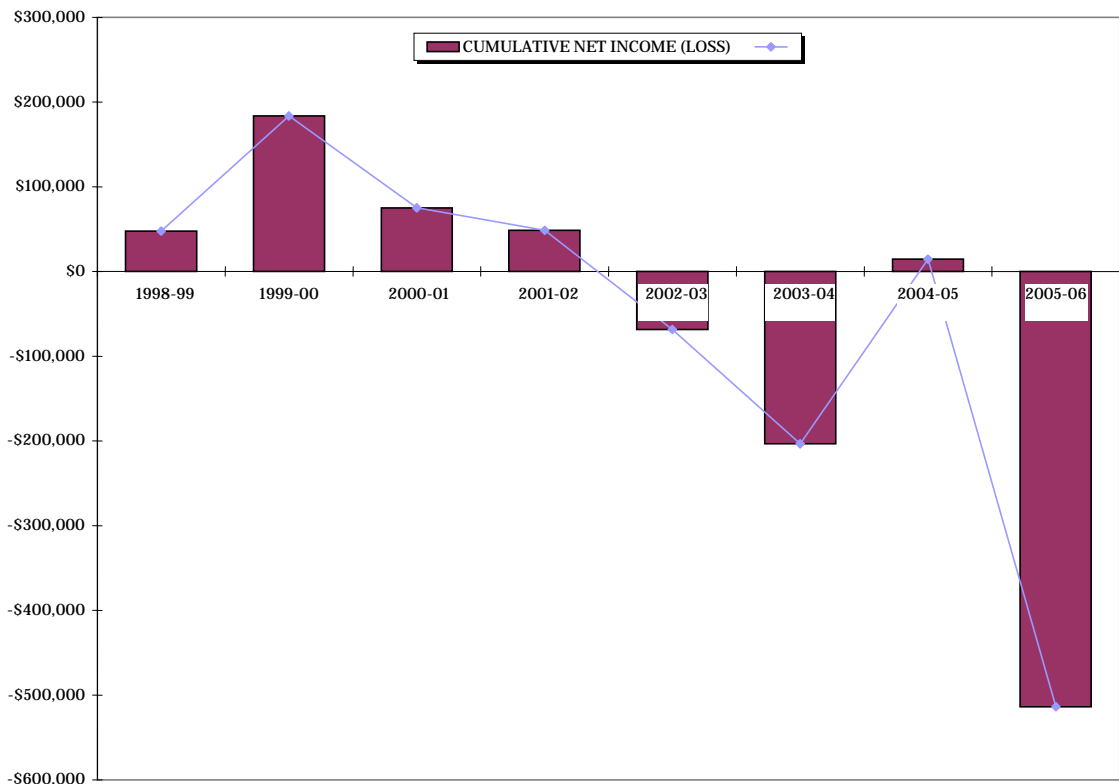
An initial analysis shows 3 major cycles in enrolment with us clearly on the downside of the third cycle and having not yet “bottomed” out as our current application rate has shown. For the class of 07/08, the student application trending tracked positively with the previous 2 years through the end of October but began to drop during November. By the end of January it was clear we were consistently running 22% behind last year. At the time of this writing projections put us at needing 50% more application now just to have *considered* remaining open on either campus. And, the decline in numbers has been particularly steady on the Canada campus over the last 4 years (this year’s numbers are artificially high due to transfer of students accepted to Colorado last spring.) all to reinforce the hard truth that even though we have been in contact with more prospective students, fewer are choosing CBC.

We ran various restructuring scenarios that would see one campus close and the other remain open (with that faculty running admissions and fund development as in the past.) But until we sell any of our properties a smaller class size only causes us to become even more dependent on student income increasing our risk of further indebtedness. The cost per student this year figures at just over \$22,000 while the projected cost per student if we ran one campus with a class of 45 would be over \$29,000. That would be a three fold increase in actual student cost over 9 years of operations.

As well, to continue one campus would require between \$500,00 and \$700,000 CAN in donations (depending on the campus), which is almost twice what is expected for this year – and again, depending on sale of properties, we would be obligated then to that fund raising goal for the following year as well. We struggle not just with accumulated debt, but with an increasingly expensive cost of doing ministry, and the fact that we have no working capital – and haven’t for some time.



Fund Development We spent the early summer and most of the fall working to raise the necessary funds for the current year by connecting individually with all our Canadian and US major donors. Both our spring 06 and fall 06 appeals spoke clearly to our operating shortfalls and projected need of, at that time, over \$400,000 and \$300,000 US respectively. As well both our own website and that of the Evangelical Covenant church posted articles covering our declining student numbers and increasing debt. When we realized 105 students in fall instead of the 120 projected, as stated in our fall mailing and email/website appeal, our fund development needs grew from a budgeted \$777,000 to \$955,600. The new goal represented a 47% increase over our charitable giving from last year. Our work in the fall did not produce the strong calendar year end giving we'd hoped for and consequently as of December 31st we were running 37% behind last year's donations at that time. At this point we stand to end the fiscal year with a deficit in the range of \$550,000 US. As the chart below shows, this is almost identical to where we landed last year. The chart also shows we have been trending downward financially for some time. Combined with last year's restated operating deficit it puts us at close to \$1.2 million US in operating debt in just 24 months.



Closure In the book *Beating the Odds: The Small College Guide to Financial Survival* it details recommendations for small college turnaround listing many actions that we've already taken including downsizing, restructuring of boards, roles and responsibilities and professional financial help. The book also points out that declining enrolment, increasing debt, tuition increases beyond the rate of inflation, and rising costs are the 4 main factors in the demise of small colleges. All too clearly this is our story.

At this point, if we sell our properties in Canada and Colorado in particular (it is unclear how saleable Ecuador will be, though it will be put up for sale as well) we have a *reasonable* hope of retiring all debt and paying all creditors. Our current building related debt is \$4,035,000 US. However, as noted above, to run another year with students and the attendant staff and programming costs, we run an unacceptably high risk of burning through what little equity we could have after these sales. We run that equity risk now in our current year, as we have no guarantee as to how quickly our buildings will sell. With our two sources of ministry income declining precipitously and an accrued debt of over 1.2 million US operational debt by May 31st, 2007 plus property debt and the high projected income needs for next year should we continue, the board believes the wise and prudent stewardship decision is to close and allow the two denominations to pursue other more relevant and cost effective means of discipleship.

The Way Ahead

A shoot will come up from the stump of Jesse; from his roots a Branch will bear fruit. Isaiah 11:1

I have come to believe that while the current form has outlived its effectiveness our mission is still relevant and necessary. Who we have been at our best – caring communities of discipleship led by passionate and articulate teachers and caring staff, and who the students have become at their best – thoughtful, affirming and practical people of Christian faith, has been a gift to the Covenant, the church at large, and indeed the world. In many ways we’ve been the “mouse that roared” with an influence all out of proportion to our actual size. There is something about who a CBC grad is and becomes that the world still needs.

With that in mind, I believe we must find the funds, either through remaining equity, an ECC/ECCC partnership and/or potential foundation grant funding, to fund a task force so that we, as a church that continues to care about and value young adults, can begin to think and pray toward the future. I believe that we have something yet to say to our world. And I think we can find a much more cost effective and culturally impacting way to grow the same kind of pragmatic, caring, Biblically literate Christian with greater attention to ethnicity, environmental and global concerns. Our Lord is in this, God is not absent in our story, and as we walk through the difficult days of closure, each step will find us that much closer to coming out on the other side into a place of peace filled with new opportunities.

Grace and peace,

Paul Lessard
Acting President CBC
paul.lessard@cbsci.edu