

The Colorado Lutheran High School Association

Lutheran High School

11249 Newlin Gulch Blvd.

Parker, CO 80134

Annual Report 2015-2016

June 2016

GREATER IMPACT

A Brief Financial History of the Colorado Lutheran High School Association

- 1952 The Colorado Lutheran High School Association is formed.
- 1955 Lutheran High School begins at 3201 W Arizona Ave.
- 2000 Lutheran High School of the Rockies - later renamed Lutheran High School Parker (LHSP) and North Lutheran High School are born. The Lutheran High School in Denver is renamed Denver Lutheran High School (DLHS).
- 2004 The CLHSA borrows 19 million dollars to build the current campus for LHSP and remodel the building at DLHS.
- 2006 North Lutheran is closed due to its inability to meet enrollment projections. The Lutheran Church Extension Fund (LCEF) assists the CLHSA in refinancing its 19 million debt to an amount of 14.5 million. The DLHS/LHSP community raises 1.1 million dollars in 30 days to assist this effort.
- 2009 LCEF extends a two-year interest-only period to the CLHSA.
- June 2010 DLHS is sold to Denver Public Schools for 5 million dollars. 2.25 million is applied to the principal of the loan. LCEF allows for 2.5 million to be placed in an escrow account to be used for the relocation of the campus to the northwest part of the Denver metro area. The CLHSA must then do a campaign to raise the remaining needed funds to relocate under the caveat that the first \$600,000 of the campaign goes to LCEF.
- Oct 2010 The campaign feasibility study indicates that the campaign will be well short of the funds needed to relocate the campus.
- Nov 2010 The CLHSA Board of Directors wrestles with questions about the financial viability of both campuses in light of dragging payables, lack of tuition income, and debt service. In light of the impending default on the loan with LCEF, it asks for a recommendation from LCEF on what to do moving forward.
- Dec 2010 LCEF recommends the consolidation of the two ministries to the Parker campus, thereby applying the 2.5 million in escrow to the principal of the loan.
- Jan 2011 LCEF offers to buy out the existing bond loan and convert the principal to a conventional 30-year loan with a 3-year interest only period. They also offer to match \$1 for every \$2 raised in a capital campaign to reduce debt service.
- Feb 2011 The CLHSA announces the consolidation of the two ministries for the 2011-2012 school year at the Parker campus. The CLHSA announces its goal to raise immediate money to address its short-term funding issues. The short-term *Hope for the Future* raises approximately \$250,000.
- Aug 2011 "Lutheran High School" begins the school year in Parker with 238 students.
- Oct 2011 The *Lights to the World* capital campaign begins its silent phase.
- Jan 2012 The *Lights to the World* capital campaign goes public.
- Mar 2012 The *Lights to the World* capital campaign reaches the 1 million mark in pledges.

- May 2012 Lutheran High School graduates its first graduating class as a consolidated Lutheran High School.
- Aug 2012 Lutheran High School starts the 2012-2013 school year with 290 students, up 52 from the previous school year. 290 students is 70 students ahead of the original 5-year enrollment projections.
- Aug 2013 Lutheran High School starts the 2013-2014 school year with 330 students, up 40 from the previous school year. The school year begins with 100 freshmen.
- Aug 2014 Lutheran High School begins the 2014-2015 school year with 356 students and 112 freshmen.
- Dec 2014 The *Lights to the World* capital campaign ends.
- Feb 2015 LuHIFuture.com is launched with vision for the future of Lutheran High School. Included on the website are plans for the "Academies at Lutheran High School" and future expansion plans. Future capital campaigns are named *Greater Impact* and broken down into distinct phases.
- April 2015 Loans A, B, and a short term line of credit are consolidated into one loan on new terms with LCEF. Debt service increases each year at a metric that will match enrollment growth.
- April 2015 *Greater Impact – Phase 1*, a plan to upgrade the current stadium with new turf, expanded bleachers, and lights is publicly launched. A pledge for lights and bleacher expansion is secured.
- Aug 2015 Lutheran High School begins the 2015-2016 school year with 390 students, up 34 from the previous school year.
- June 2016 New turf is purchased through the efforts of *Greater Impact – Phase 1*. Install is set for July 2016.

Welcome from the Executive Director...

Dear Lutheran High School Family,

The Lutheran High School story is presented throughout this annual report. I invite you to take a few moments to get to know our organization better and develop a deeper understanding of the institution of Lutheran High School and this ministry that God uses to transform the lives of young people.

The Colorado Lutheran High School Association has had a unique and winding history since its inception in 1952. God deserves all of the credit for its perseverance and the fact that a Lutheran High School is thriving in the Denver metro area. God will use institutions for His purposes as He sees fit, and we are blessed that He has chosen 11249 Newlin Gulch Blvd. as a location to weave together high school education and the Gospel of Jesus Christ.

Lutheran High School is a place where high school students receive the very best education, taught by teachers who excel in their subject area and methodology and engage minds on a daily basis. But even more importantly, they excel at establishing relationships with students to maximize their potential and bring out the very best in each student academically. It is an educational environment that promotes and encourages excellence. Ninety-six percent of Lutheran High School graduates attend college.

Lutheran High School is a place where Jesus Christ is proclaimed in all that we do. Lutheran High School works with families and churches to encourage Christian students and turn them into spiritual champions. Lutheran High School graduates understand and live a Christian worldview and can defend their faith in the open marketplace of ideas. Many graduates who did not know Jesus Christ come to faith during their time at LuHi. Lutheran High School's consistency in theology and doctrine provides the perfect place for students of all denominational backgrounds to come together and learn God's Word. The Lutheran High School community is filled with incredible people who desire an experience that enables students to go where they could never go on their own. It is a place where faith is the foundation of its success and relationships are the lifeblood of its existence.

I continue to be amazed by the common thread that I have seen every day when I step foot in Lutheran High School: *God uses Lutheran High School to transform the lives of high school students.*

Greater Impact,



Dan Gehrke

Executive Director, Colorado Lutheran High School Association / Lutheran High School

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What we believe...

Our Vision

Lutheran High School exists to humbly serve and impact the people in our community to God's glory. We do that by hiring talented people who love students and their families and provide the highest level of customer service. We provide Christian secondary education at the highest level.

Our Mission

Lutheran High School is a Christian high school that nurtures academic excellence and encourages growth in Christ.

Our Core Values

We are a highly relational educational environment.

We present a Christian worldview, rooted in Holy Scripture.

We are dedicated to surrounding students with talented people.

Board of Directors

The Colorado Lutheran High School Association's Board of Directors is made up of people who support and promote Lutheran High School's development and growth. The board establishes the mission of Lutheran High School and sets policies to ensure high standards and fiscal stability. Operating under a policy-based governance model, it develops strategic end goals for the Executive Director to carry out on an annual basis.

Board Members

John Paulus, Board Chair

Mark Elmshauser, Board Treasurer

Rev. Dr. Michael Eckelkamp

Keith Rodefeld

Colleen Brewer

Brian Patton

Hon. Paul King

Sam Huebner

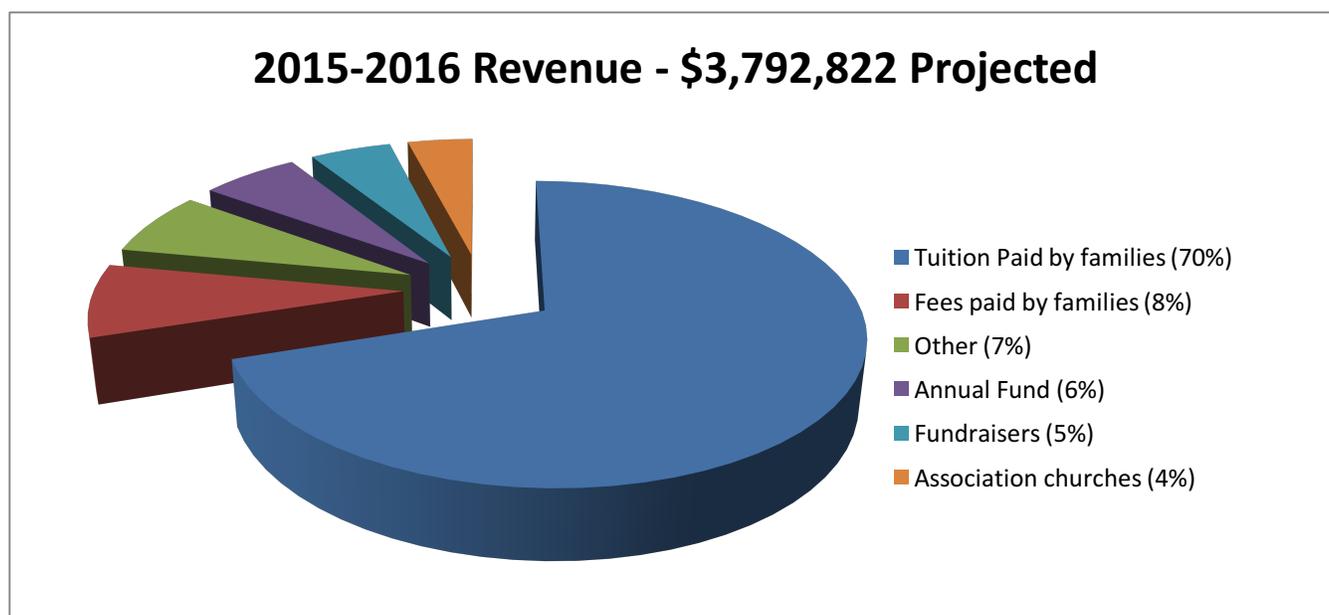
To maintain sustainability and growth of the ministry of the CLHSA, the following critical targets were/are the focus for the 2015-2016 school year:

- Elimination of the debt by reducing the principal on an annual basis, according to the agreed upon terms and conditions with Lutheran Church Extension Fund. Consider the use of budget surplus to accelerate debt service when appropriate.
- Develop, clarify, and implement a plan whereby faculty and staff intentionally and demonstrably reach out to the lost and unchurched.

- Leadership of the school directly allies with business and government leaders of the community.
- Increase employee compensation and/or benefits through a balanced budget.
- Development efforts lead to a growing donor base, engaged alumni and increased financial resources.
- Maintain vibrant and healthy relationships and communication with all Association congregations.
- Promote the academic excellence “brand” of Lutheran High School through the implementation of the Academies.
- Fund the vision to grow the school to 550 - 600 students.
- Continued development of third source income outside of tuition and donations.
- Develop a clearly defined plan for the financial processes including providing timely audited financials to the Board.

School Revenue – where does the money come from?

The following chart shows a breakdown of the revenue for the 2015-2016 school year:



Non-Tuition Revenue – Traditional Giving

Lutheran High School is *very dependent* on non-tuition revenue to meet its annual budget. Annual tuition would need to be significantly higher and the tuition assistance much less to operate Lutheran High School without the support of people who give generously to the school. As can be seen in the table below, the major avenues for annual giving are on track to meet the goals:

| Program | 2015-2016 Budgeted | 2015-2016 Actual/Projected | Where does it go? |
|---|---------------------------|-----------------------------------|--------------------------------------|
| Church Support | \$155,000 | \$140,000 | Operating |
| Annual Fund Ron Brandhorst Tuition Angel | \$220,000 | \$220,000 + | Operating to offset assistance given |
| Auction | \$90,000 | \$88,000 | Operating to offset assistance given |
| April Giving | \$30,000 | \$30,000 ** | Fund wish list items for next year |

** April Giving was covered by an estate gift so donors could focus on *Greater Impact – Phase 1 (new turf)*.

Giving in 2016-2017 – the GOALS!

| Program | 2016-2017 Budgeted | 2016-2017 Actual/Projected | Where does it go? |
|---|---------------------------|-----------------------------------|---|
| Church Support | \$140,000 | ?? | Operating |
| Annual Fund Ron Brandhorst Tuition Angel | \$220,000 | ?? | Operating to offset assistance given |
| Auction | \$100,000 | ?? | Technology for 16-17 and 17-18 |
| RRR Parent Project (see next page) | \$100,000 | ?? | Operating to ensure quality around the core value of Teacher Talent (see next page) |

RRR Parent Project – *Recruit and Retain “Rockstars”*

The fastest growing area of expense annually for Lutheran High School is adequate funding for salary and benefits to recruit and retain the very best teachers. With the cost of living in the Parker area on the rise, it is essential that more margin is created within the annual budget for the sole purpose of maintaining one of core values: surrounding students with talented adults.

New in 2016-2017 is the *RRR Parent Project* and every family will be asked to make a donation to that fund. The goal is to raise \$100,000 to supplement the annual budget and specifically fund a plan to improve the instructional quality of the current staff, recruit quality teachers to fill open teacher positions, and provide financial incentive to retain current employees. Next year’s annual report will detail how those funds were used and the impact of the gifts given. This is an amazing way for each family, regardless of means, to bolster and support one of the values that makes Lutheran High School a special place.

Greater Impact – Phase 1 (Turf, Lights, and Bleacher Expansion)

| | | |
|------------------------------|-----------|--|
| Lights Bleacher Expansion | \$750,000 | Money has been pledged for the completion of the lights |
| New Turf | \$410,000 | \$400,000 Raised/Pledged \$10,000 Remaining |

Here is the Phase 1 update as of June 28, 2016:

Congratulations to the Lutheran High School community for raising the funds needed to install new turf for the football/lacrosse/soccer field in July! We are excited to be able to replace the existing worn-out turf with brand new turf for the 2016-2017 school year. Special thanks to every member of the Lutheran High School community who stepped up and made a gift to this project.

Adding lights to the field is still on schedule to happen prior to the first home football game in September. Please pray that everything comes together for this to happen.

Bleacher expansion has been delayed as the Town of Parker is requiring the addition of significant parking as a requirement for the additional bleachers. This part of the project is currently “on hold” as the scope and cost of parking expansion is looked into.

Why annual gifts are vital to Lutheran High School . . .

Lutheran High School prides itself in assisting families that cannot afford to pay full tuition. Without gifts from passionate people who support Christian education, tuition income on the 2015-2016 enrollment of 390 would have needed to be raised drastically to offer a quality product and pay the mortgage on the facility. Consider the 2015-2016 budget:

| No one really pays full tuition at Lutheran High School... | |
|--|----------|
| Suppose Lutheran High School had tuition income only and received no church support, had no annual fund, no capital campaign, or conducted no fundraisers. Each student would need to pay in full: | \$10,910 |
| Suppose Lutheran High School had church support, but received no annual fund giving, no capital campaign support, and conducted no annual fundraisers. Each student would need to pay in full: | \$10,490 |
| By reaching the goal of \$1,215,000 in giving revenue in 2015-2016 (capital campaign, church support, annual fund, and fundraisers) the budget is balanced by each student paying on average: Full price tuition during 15-16: \$9900 | \$6942 |

Development, Fundraising, and Donor Relationships

For most Christian schools, efforts to raise money are focused on three avenues:

1. Community fundraising events
2. Maintaining relationships with donors to support an annual fund
3. Major gift development

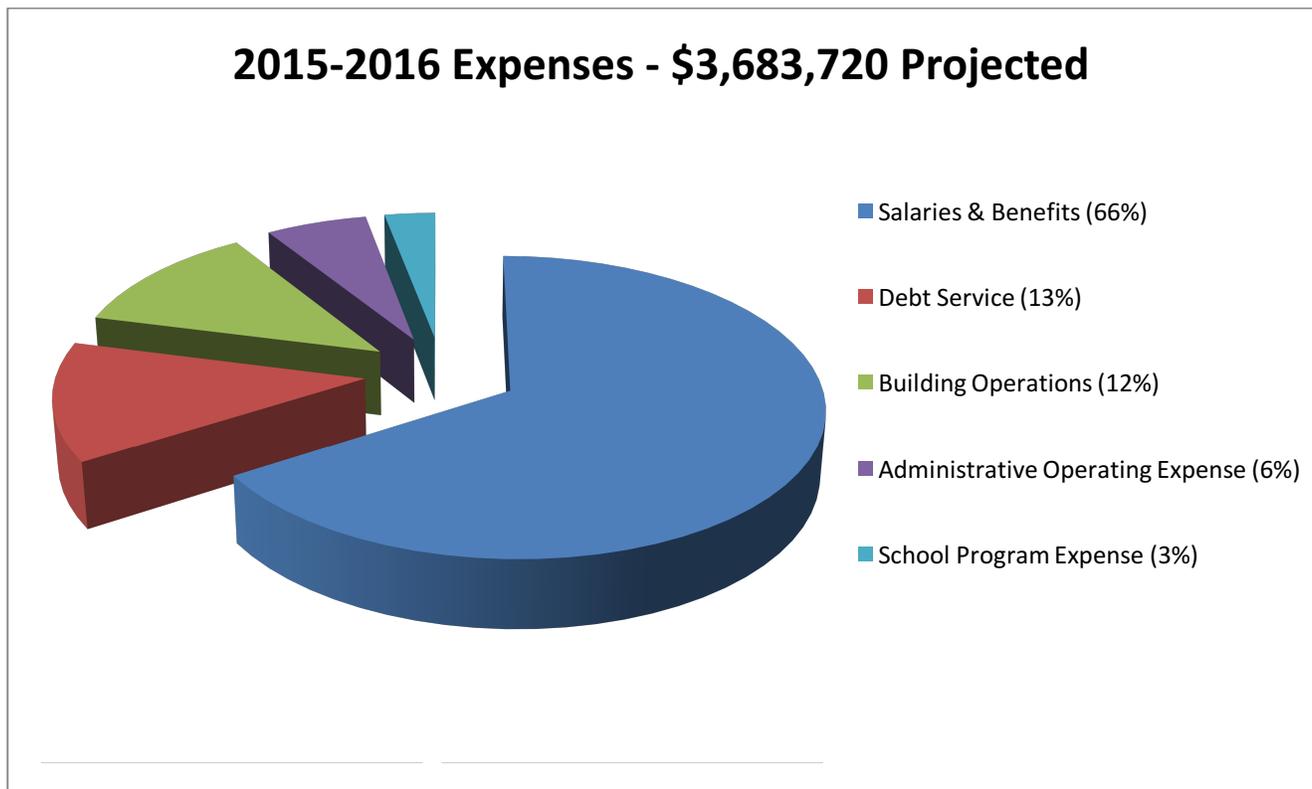
Over the last five years, Lutheran High School has developed and stabilized the first two avenues. As the future brings upgrades, renovation, and construction needs and opportunities, the development of the third avenue will be key to the future sustainability of the school.

Put simply, the school needs to find, develop, and maintain relationships with businesses, organizations, and individuals whose generosity will have a tremendous impact on the future of Lutheran High School.

School Expenses – Where does the money go?

Lutheran High School believes that the quality of the faculty is one of the most significant factors affecting student achievement. As a direct result, the largest portion of resources is appointed for salaries and benefits for the faculty and staff.

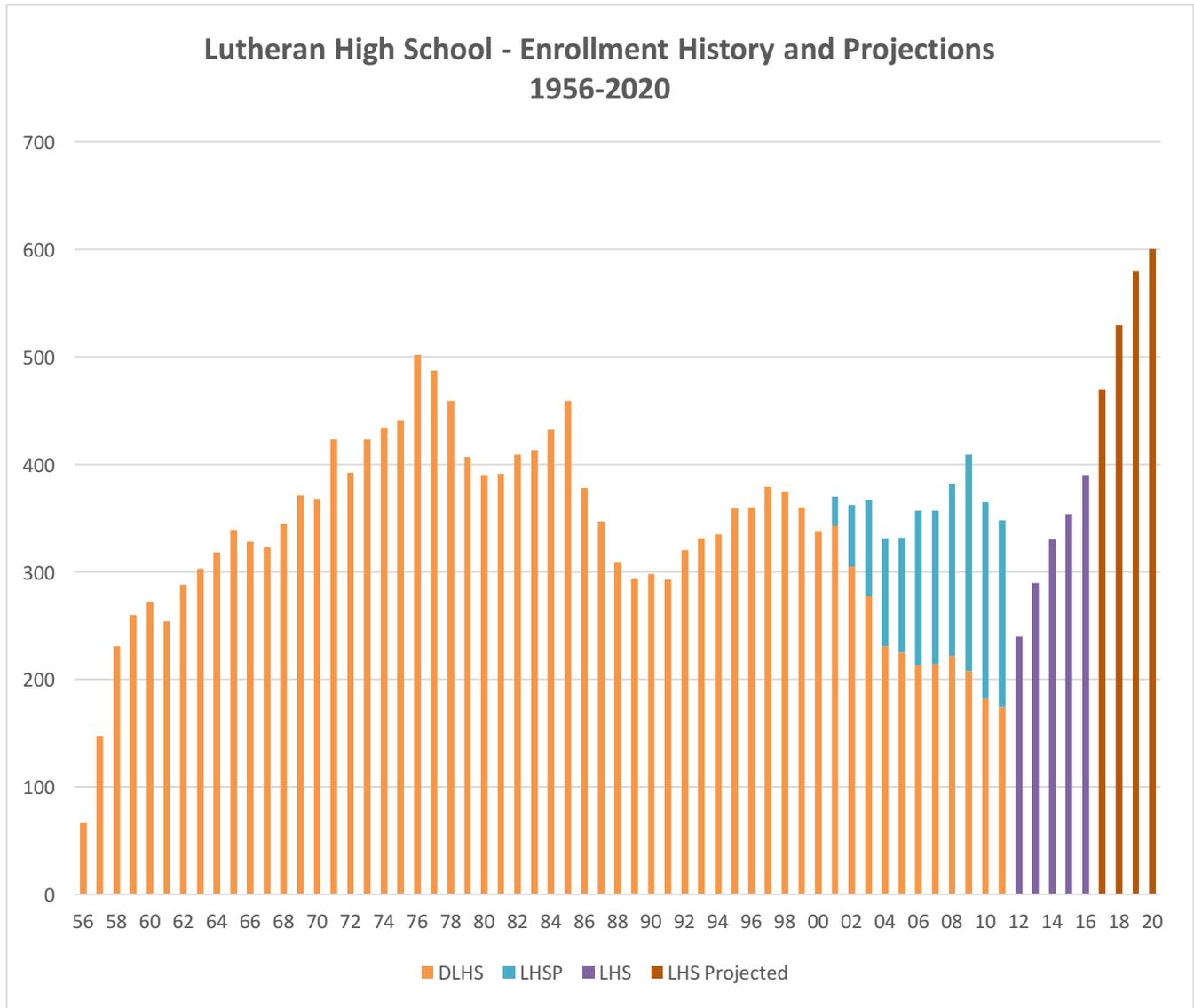
Lutheran High School also has a significant annual debt service due to the principal remaining on the loan that was used to build the current campus.



Debt service and the future

The Lutheran Church Extension Fund is the lender for the debt that still remains on the current Lutheran High School building. The current structure on the more than 9 million remaining on that loan is a “graduated debt service” where the payments increase annually to reflect a consistent metric that mirrors the predicted enrollment growth. The current debt structure is servicing both interest and principal, but not at a market rate. Debt service during the 2015-2016 school year was approximately 13% of the annual expenses, but the future projections show it as 10% of the annual expenses. Lutheran High School is committed to holding its annual debt service to 10% or less of its expenses in future school years.

Enrollment & FAQ



Current demographics and area growth combined with enrollment trends indicate that Lutheran High School *could* grow over the next 3 years to between 500 and 600 students.

With the modular classroom additions, Lutheran High School has 25 classroom spaces. Depending on how the master schedule is built and how many students are in a class at a given point in time, the current capacity of the school is around 550+ students. (Think an average of 20 students per space plus students that have a study hall or are off-campus.)

So why try and grow the enrollment to 600 students?

It goes hand in hand with the vision of the school! Lutheran High School exists to serve and impact the community so God can transform lives. The Parker community has a pressing need for expanded private educational opportunities to serve its expanding population. As the Parker area grows, the demand for a Christian high school that values highly relational community, excellence in academics/extracurricular activities, and the bold proclamation of Jesus Christ grows with it.

At 600 students, the remaining principal of the debt on the current campus can be paid down and eliminated in the coming years, thereby relieving future school years of the burden of debt payments. Enrollment growth has provided the margin to improve over the last five years and growth + giving will provide the margin to continue to excel without taking on additional debt burden.

How many students will Lutheran High School have next year?

The best estimate at this point in time is 470 students for the 2016-2017 school year, up 80 students from last year.

Will the growth affect class size?

No. Class sizes generally stay in the 15-26 range and rarely ever exceed 29 students. If anything, additional students means that more sections of a course can be offered, thereby making it easier to balance sections and keep class sizes down.

Are additional staff being hired?

Of course. With an additional 80 students and the needs that come with it, significant additions in teaching and student services staff are being added for the 2016-2017 school year.

What is the plan for expanding the facility?

As *Greater Impact – Phase 1* nears completion, attention can turn to Phases 2-3 – expanding the current facility to meet the needs of the Academies and adding a second gym and student commons space. Preliminary plans for the expansion can be found at LuHiFuture.com.

What about parking?

Very few private/Christian schools across the country have parking spots for every student who desires to drive to school. A parking plan for both priority and location for students and staff will be announced in late July / early August. Lutheran High School will exhaust all avenues to provide on-campus parking for students.

Please pray for God's continued blessings in 2016-2017!