

Friends,

I'm dedicating this presidential update to financial responsibility, which is a hot topic at Guilford College and in higher education today. Guilford is fully committed to transparent, responsible financial management that ensures long-term stability for the College. As you may know, this commitment is the top priority of our 5-year strategic plan, [\*Envisioning Guilford College 2027\*](#).

This is a challenging time for higher education, and particularly for small liberal arts colleges like Guilford. As has been widely reported in the media, colleges and universities across the country are wrestling with budget deficits. Some colleges have closed. Our objective is to ensure our sustainability by eliminating our structural deficit, and this will require us to reduce some expenses and increase revenues.

Last December, following two years of financial monitoring, Guilford was continued in accreditation for Good Cause and placed on Probation by the Southern Association of Colleges and Schools Commission on Colleges for noncompliance with a financial responsibility standard. Even before we received that notice, we were taking steps to address a structural deficit of approximately \$5 million and improve the College's overall financial management.

A number of factors influence our financial standing. In terms of revenue, I am pleased that preliminary figures indicate that our discount rate for the first-year and transfer classes is significantly lower than previous years (the enrollment census for fall 2024 is Sept. 12). The entering class this fall has a discount rate of 57% compared to the incoming class in Fall 2023 having a discount rate of 68%. We will, therefore, see an increase in our net tuition when compared to Fall 2023.

The last four years have been difficult at times for our faculty, staff, students and alumni. I wish I could report that we have resolved all of our pain points, but we are not there yet. We do have a plan to get there, and I am committed to providing you updates along the way. This is a strong community, and we are committed to not only survive but thrive in the long term. As we move through a new academic year, I am optimistic about our future. Guilfordians have rallied in support of the College before, and your contributions of time, talent and financial resources are valued, welcomed and needed in this effort.

Sincerely,



Kyle Farmbry, J.D., Ph.D

President

# FINANCE UPDATE - SEPTEMBER 2024

## Approval of FY25 Budget

Trustees approved the College's FY25 budget with \$39.19 million in revenues and \$37.28 million in operating expenses. Combined with the debt service and capital expenses, we have an anticipated loss on activities of \$2.9 million. The budget anticipates a first-year class of 352 and transfers and readmits of 40 and a total fall headcount of approximately 1,200, with an overall 65% discount rate for first-year full-time students. We are hopeful to meet these targets; the official census for enrollment is Sept. 12.

Included in the FY25 budget are \$2 million in permanent Board-mandated expense reductions. These reductions are part of a three-year process of resolving a structural deficit that includes payments on debt for capital projects in the 2017-19 period. Another \$1 million in cuts are mandated for FY26 and a combination of increased revenues and cuts totaling \$1 million are expected in FY27.

In approving the FY25 budget, the Executive Committee of the Board acknowledged the implementation of new financial systems that have revealed more accurately the College's financial condition and set the stage for better financial tracking and reporting. Trustees noted successful efforts to address the structural deficit in FY25 including reducing certain expenses, lowering the tuition discount rate and increasing net tuition revenue.

The Executive Committee asked the President to "proceed forcefully to ensure a change in the financial trajectory of the College," anticipating significant cost-cutting measures for FY26, along with increasing revenue. The Committee asked that cost-cutting measures for FY26 be confirmed by the President and administration by Jan. 2025.

Additional adjustments in operations and personnel expenditures could be implemented as part of quarterly reviews. Some reductions in personnel costs

will be achieved through attrition.

## Resolving the SACSCOC Sanction

In [December 2023, Guilford was informed by the Southern Association of Schools & Colleges Commission on Colleges](#) (SACSCOC) that it continued accreditation for Good Cause and was placed on Probation. Probation means that Guilford maintains its accreditation and has 12-24 months to satisfy SACSCOC that it has come into compliance with accreditation standards<sup>13.3</sup>, financial responsibility. Resolving our structural deficit is important in proving our financial sustainability. We will meet with a peer review team about our probationary status in October and will appeal to SACSCOC trustees for the sanction to be lifted in a meeting in December. It is possible SACSCOC will extend the College's probation into 2025.

Additional adjustments in operations and personnel expenditures could be implemented as part of quarterly reviews. Some reductions in personnel costs will be achieved through attrition.

## S&P rating affirmed as BBB-, outlook revised

On Aug. 30, Standard & Poor's (S&P) affirmed Guilford's debt rating at BBB- and revised its outlook from stable to negative. In the prior year, the outlook was revised from negative to stable. The current ratings and outlook are based on the College's audit completed in the summer of 2023. The rating reflects S&P's assessment of Guilford's weaknesses including declining overall enrollment and net tuition, a full-accrual operational deficit in FY23, an anticipated deficit for FY24, high tuition discounting and high debt.

The report stated, "Management is adjusting its expense base but anticipates an extraordinary endowment draw and another, albeit more modest, deficit on a full-accrual, unrestricted basis in fiscal

2024 (which ended June 30, 2024) before operations begin to improve in fiscal 2025," and it noted, "We could revise the outlook to stable if Guilford demonstrates sustained improvement in its financial performance while it maintains enrollment levels and financial resource ratios with a more typical endowment draw."

### **Recap of the 2023-24 Fiscal Year**

Our annual financial audit is nearly finished, and we should have the results this month. All indications are for a reduced loss or a small gain. Compared to budget figures shared with the campus community and trustees in the spring, the audit provides a more accurate and comprehensive view of our financial health.

In FY24, the College covered a revenue shortfall with a large bequest as well as a Board of Trustees-approved additional draw from the endowment that will be repaid over a period of years. Factors influencing the shortfall included:

- \$1.4 million in capital expenses, exceeding expectations.
- Overspending in some areas and not implementing some spending reductions identified in the spring semester in time to impact the fiscal year.
- Increased costs for cybersecurity resulting from a significant cyber attack in fall 2022.
- Lingering issues of inefficiencies and inaccuracies from the Banner system era.

Over the summer, the College prioritized payments on debt, utilities and payroll. There were delays in making other payments for other obligations due to cash flow issues. It was our goal not to borrow money to cover these payments.

### **Giving was at \$5.1 Million in FY24**

Giving to the College totaled \$5.1 million in the year ending June 30, 2024, including \$3.7 in cash gifts and pledges and \$1.4 million in planned gifts. More than 1,800 donors contributed more than 3,000 gifts. Most

notably, long-time Chemistry professors Anne Glenn and Rob Whitnell [committed \\$1 million](#) over 10 years – the largest gift from faculty in the institution's history. There were 1,300 gifts totaling \$1.6 million to the Loyalty Fund, and more than 400 donors made gifts totaling \$123,000 for intercollegiate athletics.

Guilford's financial sustainability depends on increasing philanthropic support from College alumni, families, friends, and the broader community. Even though we have many dedicated alumni, our alumni giving rate has hovered around 6 percent in recent years. Help us boost that rate, and giving in general, to ensure that Guilford has the funding to ensure its future.

### **Alumni Giving Rates**

Davidson College	- 38%
Washington and Lee University	- 37%
Centre College	- 35%
Sewanee, University of the South	- 34%
Randolph-Macon College	- 30%
Randolph College	- 23%
Hampden-Sydney College	- 22%
Elon University	- 20%
Millsaps College	- 18%
Furman University	- 17%
Transylvania University	- 15%
Presbyterian College	- 13%
Wofford College	- 13%
Wingate University	- 6%
Guilford College	- 6%

*Source: Voluntary Support of Education (VSE)*

### **Grants Totaled \$1.8 Million in FY24**

An objective in our strategic plan priority for financial stability is to increase revenues and diversify our revenue sources. In the past two years, we have strengthened our efforts to secure federal, state, and foundation grants. In FY2024, we were successful in obtaining \$1.8 million in funding for 11 grants. This is compared to only \$40,000 in grant revenue two years ago. Included was an [S-STEM grant from the National Science Foundation](#) for nearly \$1 million to award scholarships to 10 budding, underrepresented students

## Fiscal Year 2024 Grants

Funding Source	Project Title	Amount
National Park Service_Network to Freedom	Guilford College Underground Railroad Ethnobotany Project	\$42,800
NC Humanities	Guilford's Freedom Trails: An Interactive Learning Experience on the Underground Railroads	\$20,000
US Economic Development Administration (EDA)	Guilford College Innovation and Technology Transfer Program	\$218,582
NC IDEA Foundation	NC IDEA ENGAGE	\$5,000
Lettie Pate Whitehead Foundation	LPWF Proposal Letter	\$250,000
American Embassy Pretoria	US-SA Virtual Incubator Award	\$164,951
New Garden Friends Meeting	Performance and Climate Justice Workshop	\$500
Quaker Earthcare Witness	Performance and Climate Justice Workshop	\$500
Elon University	AMP Conference	\$500
NSF: S-STEM	Developing STEM Identity Through Holistic Student Support and Engagement	\$996,894
NSF Noyce	Providing Alternative Licensure for Science (PALS)	\$96,963
<b>TOTAL</b>		<b>\$1,796,690</b>

## ACTIONS BEING TAKEN FOR FINANCIAL MANAGEMENT & STABILITY

pursuing degrees in Computer Technology Information Systems, Biology, and Chemistry. Other grants are listed in the chart.

**Enrollment and retention efforts:** Growing enrollment is essential to Guilford's financial stability. Trends are generally moving in a positive direction for traditional students, as we enrolled 405 new first-year and transfer students last fall, 401 in the fall of 2022 and 399 in the fall of 2020, around a pandemic class of 267 in the fall of 2021. Due to the pandemic, we had a small graduating class in May 2024 and will have another in May 2025.

This year, incoming enrollment dipped a bit to 380 new first-year and transfer students. This number will be officially determined on census day in mid-September. The FAFSA delays certainly did not help us and our drop in enrollment is on par with lower numbers being seen at many other higher education institutions.

Our retention rate for the incoming Fall 2023 first-year, full-time students is currently at 66% (the final number will be determined once the census date passes). This is consistent with previous semesters.

Our Retention Task Force, coordinated by Curtis Arena, is composed of a diverse team of staff and faculty. The

task force will meet throughout this academic year to discuss opportunities, best practices, trends and more toward the goal of improving retention. This year's meetings will alternate between full-team gatherings and subgroup sessions focused on specific projects or populations.

**Budget Committee:** Within parameters provided by the President, the 12-member Budget Committee of faculty, staff, administrators and a student serves an advisory role in formulating a clear and realistic annual budget that aligns with core values and institutional goals. The committee is responsible for reviewing and recommending to the President any changes in the current operating budget during the fiscal year. The group is co-led by the Clerk of the Faculty and Clerk of the Staff.

**Campus task groups:** Ensuring Guilford's financial stability is a community-wide effort.

- The President has asked the Chair of the Clerk's Committee and Chair of the Staff Council to recommend a **special committee of faculty and staff** to help provide guidance for systematic reforms in several of our institutional financial processes. More about the work of this advisory team will be shared shortly.
- A **debt consideration group** will help us better understand Guilford's debt and enhance strategies for managing it.
- Also, a **revenue generation team** has put forward a number of good ideas and is working on mini-business plans for some ideas the President is interested in pursuing.

**Alumni Financial Advisory Group:** Alumni with experience in finance have been invited to advise the Finance Division on an ongoing basis. These advisors include alumni who were active during a particularly challenging period four years ago. More information on this advisory group will be shared soon.

**New auditor:** Financial stability depends on a reliable audit of finances on an annual basis. Guilford has employed a new auditor with a deep background in the best practices of higher education accounting. Our partnership with Brown Edwards, a large, independent CPA firm serving the Mid-Atlantic Region, will help us become even more fiscally responsible by helping refine complex processes, tighten internal controls and run more efficiently with more transparency.

**Progress on Workday platform:** In July 2023 Guilford launched the Workday platform as the enterprise resource planning (ERP) system for Finance and Human Resources, succeeding Banner. The launch followed a year-long development phase and kicked off a break-in period during 2023-24 for administrators, staff, faculty, and vendors. The shift to Workday has been a large undertaking for Guilford, but the system is pushing us to be better. The transition from outdated and inefficient processes to a powerful tool that was yet not fully implemented has been challenging. In FY25, Workday will enable department-based budget management with spending controls.

**Indirect rate:** As Guilford continues to be awarded more federal grants and contracts, the indirect costs for managing those programs also grow. We recently negotiated a new indirect rate of 43 percent for managing those programs. Before this negotiation, the College had a 10% *de minimis* rate. Additional support for grants come from the College's general funds.

**Balloon loan renegotiation:** With assistance from some of our trustees, Guilford secured a more advantageous term loan from Peoples Bank for the remaining \$6.1 million of a 2019 \$7.2 million loan earmarked for residence hall renovations. The loan will be paid off in 2027.