

**Van Lunen Fellowship Program Project Report—July 2009**  
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**Introduction: Is the future funding of Christian Education sustainable?**

There are serious questions to be asked regarding the funding of Christian schools. Is the present tuition and charitable giving model viable given the current and projected governmental controls exerted over otherwise private entities and threatened reductions or eliminations of the charitable exemption currently afforded to private schools? For church or diocese supported schools, will we continue to see a greater strain and decline in funding and support for their educational ministries? For independent schools will there be increased adverse legislative actions that erode the charitable giving model or compromise the selection of staff, curriculum and students?

Further questions need to be asked in light of the fact that in our nation Christian education is provided mostly to those who can afford it or afford most of it with tuition subsidy or scholarships. Is this Biblical or is this model a result of pragmatism derived from years of financial struggle? If we all were given the opportunity to answer honestly, wouldn't we all want a model that had sustainable funding that could educate children in our communities on a sliding scale basis tied to economic means? The greatest parent partners in education often are those who can least afford it. Those with great means can unfortunately slide to being strictly consumers of the educational product rather than co-laborers in the battle for the hearts and minds of our children. While vouchers in a very limited way have helped a few states and a few schools within those states, the projected political climate does not show a favorable expansion of these programs and one must ask whether those schools which are currently receiving voucher support will truly be able to proceed along a Kingdom, transforming and distinctly Christian trajectory unfettered by government control and adverse legislation.

My intent is not to paint a grim or hopeless forecast for the future of Christian education, but rather to make a case for a new model of funding. This model has tremendous potential to provide a sustainable and more Biblical model of funding a distinctively Christian education. In my view this model is not to the exclusion of tuition or charitable giving but rather in addition to these more traditional methods of funding. In order to be successful and in light of current and projected political, economic and spiritual direction of our world, we must think outside of the box. It would be wise to re-examine our role as stewards in the Kingdom and maximize the gifts that our Master has given to us to reach a coming generations who will be leaders for the cause of our faith in Christ.

**Project Focus:**

My project plan has primarily been centered on Business Development as a supplement to the tuition model. This third source of revenue has been critical to our school. As a young school in a geographic and cultural area where most of our families are first generation Christian school parents, we have faced a barrier towards establishing financial health due to costs of a quality education. Constant financial pressure has had a significant effect on leadership, donors and staff members. God blessed our school with the opportunity to purchase a property in 2000 that had available and unused square footage. The property had over 135,000 sq feet of existing building space on 20

acres and this property was a commercial real estate property that included an abandoned multi-cinema complex. Our initial vision for 3<sup>rd</sup> party sourced revenue began then. We started a leasing business with various businesses, non-profits and churches.

At Front Range Christian we believe that stewardship is key to our obedience and calling. We have secured this facility and supported the debt from the purchase with this leasing income. We believe that more must be done. We must find ways to increase funding sources outside the traditional ways. We would not exist today if we would not have utilized this approach in purchasing a property capable of producing revenue. We will struggle to thrive in the future if we do not expand on this revenue production. I am pursuing a model of funding that can make a sliding scale tuition structure and increased teacher salaries needed for a quality education financially possible and sustainable.

### **Processes:**

My project is to take this initial vision and expand upon it to develop the maximum revenue possible through our property and to set a vision for future growth and expansion that will extend beyond our property. Here are the primary initiatives my project is working on.

- 1) Increasing rental rates for standard tenants through property improvement and management.
- 2) Changing the mix of tenants to include student and child centered businesses that can enhance our school programs. Examples include a dance studio, youth sports association and a karate studio and abstinence based training ministry. This has the added benefit of serving parents with convenience and one stop shopping.
- 3) Beginning partnered businesses that can produce more revenue than a traditional lease of space utilizing school areas where possible. Examples of this include a music academy, a hot lunch program and an eBay/thrift store business.
- 4) Having school owned businesses that can produce revenues using our existing spaces. These include an on-site coffee shop (Holy Grounds), a coffee roasting business, and indoor baseball training facility and a community conference and concert series.
- 5) Evaluating the purchase of an on-site day-care and preschool business.
- 6) Considering the potential of a church plant or partnership with an existing church would allow us to rent the space, or share in offering revenue in addition to supporting our parent education and student ministries and missions programs.
- 7) Starting summer programming.

In order to pursue such a plan multiple strategic and structural decisions were made.

- We needed to establish a property model with the most flexibility. We decided upon setting up a commercial condominium that allowed us to separate our property by legal title into school parcels and individual commercial condominiums of any size.
- We set up a new LLC that is a single member LLC with Front Range Christian Ministries as the sole member. This provides legal protections but also allows appropriate control of the new entity to assure that it continues to support Front Range Christian mission and vision.

- Consolidated financial statements are produced for our external audit but internal and separate financials allow us to measure the financial strength of both part of the organization. Having the LLC also allows for clear distinction of school operations and revenue producing operations.
- Leasing operations for profit are subject to unrelated business income tax. Non-profit tenants and rates allow for property tax exemption to school parcels and all lease spaces that are for non-profit organizations thus reducing tax liability to the greatest extent possible.
- Lease agreements have been developed for rental businesses
- Special usage agreements have been developed to share revenue with partnered businesses.
- Separate business units have been established for school owned businesses.
- A parent volunteer organization P<sup>3</sup>(P-cubed or the Parent Partnership Program) was established to provide volunteers to serve in the school owned businesses i.e. the Holy Grounds coffee shop in order to maximize profit margins.
- Specific businesses and ministries are being intentionally pursued in order to increase the ministry effectiveness from our property and provide greater exposure to our school in our community.

### **Project Results:**

We are making great strides and beginning to see the results of these activities. They are presently providing annual revenue in excess of \$700,000 per year and our planned expansion would have this grow to \$1,000,000 in the next three years.

Rental income has increased:

- Growth of rental income of 85% since 2000
- Rental income has increased while school has occupied more space
  - 47,000sq feet now versus 95,000 in 2007
- A church partner would provide another \$25,000-\$60,000 annual income

The program of elective offerings has been greatly enhanced.

- Karate, Dance, Music
- Purity Education
- Weight Training and Baseball Training
- After-school care

School community has grown.

- Coffee Shop
- Student Outreach to Tenants
- Mentoring of Pre-school Students
- Community Concerts
- Church Ministries

### **Project Lessons:**

Our challenges have included the following:

1. It can be difficult finding qualified and dedicated owners for partnered businesses who grasp the vision and the talent to be viable.
2. It is also a challenge to launch so many start-up businesses in this economy.

3. Tenants are facing financial strain due to the economy. We are blessed to have a built in hedge as we are the lower priced rental space in the immediate area. We provide a good option for tenants looking to save money and existing tenants who have few options that are less expensive.
4. We need to communicate more effectively with our business partners, our parents and community to grow these businesses from within and expand the vision.
5. We staff many of these businesses with parent volunteers and we must be careful to not overly tax that resource and deplete these resources that are available for our school operations.

### **Plans Forward:**

- We are planning to begin a student work study program in order to more effectively staff these initiatives and provide business education and service opportunities to our students.
- We are evaluating the purchase of a day-care/pre-school on the property to increase cash flow and provide a direct feeder into our Kindergarten program. This will also allow for parent education at the earliest of ages when educational goals and values are being formed with young parents. This also provides a wonderful ministry as we show the love of God to these young families.
- We intend to include a significant debt reduction program into our upcoming capital campaign that will be packaged as completing the purchase of this amazing facility. The effect of this will allow more revenue to go straight to supporting the educational ministry of the school. This option provides a great story for foundations or large donors who love creative and powerful financial strategies that can lead to financial strength for quality schools.
- The successful launch of a video business will allow for increased revenue, resources for our elective programs, marketing of our school and better web-site tools.
- We will intentionally pursue the donation and or purchase of other income producing properties i.e. rental centers, vacation condos, etc.
- An effective and integrated marketing program will be developed that differentiates our school using the uniqueness of our approach and our property.

### **Conclusion:**

This project has been successful to date but the future and ultimate impact of this initiative will be dependent upon increasing the vision among donors and constituents, expanding to other revenue income sources, reducing debt and potentially expanding this model to help other schools across the nation.

Dean Zerbe, a former aide to Mr. Grassley who works as a lawyer in Washington, said the (Obama) proposal amounts to a “gut-punch” for charities. But, he said, “the proposed limitation on deductions for charitable giving does provide an opportunity for Congress to bring leadership to bear and reexamine what should be the priorities for tax incentives for charitable giving.”

#### NEW CBO STUDY FINDS THAT ESTATE TAX REPEAL WOULD SUBSTANTIALLY REDUCE CHARITABLE GIVING by David Kamin

A new Congressional Budget Office study on the effect of the estate tax on charitable giving finds that elimination of the estate tax would cause charitable contributions to fall by large amounts.[1] CBO estimates that if estate-tax repeal had been in effect in 2000, charitable donations would have been reduced by \$13 billion to \$25 billion that year.[2] The amount by which CBO finds that charitable donations would fall exceeds the total amount of corporate charitable donations in the United States, which equaled \$11 billion in 2000. The amount by which charitable donations would shrink also approaches the total amount that foundations contribute for charitable causes each year.

Moreover, with the growth in wealth over time and the coming increases in the size of the elderly population — and, subsequently, in the number of people who die — the loss in charitable donations that would result from repeal of the estate tax would be even larger in the future.

'Gender identity' law under legal scrutiny

Charlie Butts - OneNewsNow - 4/14/2009 6:00:00 AM

California's "gender identity" law goes on trial today to determine its constitutionality.

The statute, which sent into effect January 1, 2008, prohibits any negative teaching or comments about homosexuality in public schools. Brad Dacus of the Pacific Justice Institute tells OneNewsNow it is a bad law.

"This, unfortunately, is contrary to the whole concept of education, which is to provide true and accurate information -- including with regards to health and hygiene coursework," he notes. "This will prevent minors from learning about the dangerous fatality issues and health issues that come into play."

Christians and others who are against the lifestyle and consider it sinful will be forced to be silent, the attorney explains. "It will act as a silencing, a censoring of thought and opinion contrary to embracing and accepting homosexual acts and practices as acceptable," he contends.

Dacus adds that unfortunately there are no exemptions in the law for



teachers who have a strong moral or principled issue against teaching in favor of homosexuality.

CitizenLink reports two examples of the effect of the gender identity law -- one in which a boy was forced to change clothes in a boys' locker room where a girl was dressing, and another in which students at a Northern California school will return from spring break to find a teacher who left school as a woman returning in men's clothing