

Covenant Bible College Closure Review

Submitted to

**Evangelical Covenant Church
Executive Board**

By

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Introduction

The Executive Board mandate for the CBC Closure Review Team was to “Develop a report for the Executive Board of the ECCC. This report should focus on providing a financial accounting of events, lessons learned, best practices identified, and objective opinions of the team”. This direction was followed during the review of board documents, interviews, and administrative information.

When this task was initiated it was well known that it would be challenging but even this assessment was underestimated. The complexity of the assignment was like running alongside a moving train soon after it had left the station. The colleges were already in the process of being sold with the files being packed or on the move. The support staff whose job it would have been to pull together the information had moved on to other employment. Without the able assistance of Paul Lessard (Acting President) much of the information may have ended up anecdotal.

That being said, the amount of paper which was subsequently compiled would be a gift to a librarian! The information was sequenced to provide us with an understanding of the challenges facing the staff and volunteers in each of the colleges since each of their inceptions. Several hundred hours were spent reviewing information, conducting interviews, working together to analyze it, and preparing this report.

Throughout our enquiries we found that all persons were dedicated to the mission of CBC. They had worked tirelessly towards their goals of bringing our young people to better know Christ. Nothing of a suspicious or illegal nature was found.

No single cause for the demise of the colleges was identified. There were many contributing factors. It should be noted that this review is in retrospect. As a result of the Forsman Report many substantial improvements were in the process of being implemented, but the changes were too late to alter the outcome. The final report from the Executive Director of CBC-Canada (Todd Slechta) identified the changes being implemented on that campus as well as areas still needing to be addressed. His report was in keeping with our findings.

Recommendations

Financially and legally, organizational environments are becoming more complex. “Best practices” are under constant review and updating. This report has identified a number of practices in our current operations which, unless adjusted, may lead to similar results that led to the closure of CBC. The following recommendations are a departure from the way we have previously conducted business. It is our hope that they will be used to strengthen our existing practices and structures.

1. That the Executive Board makes adjustment to its bylaws to seek qualified ex-officio members in both legal and accounting to provide expert assistance to the Board.
2. That the Executive Board seriously considers appropriate full time administrative support for the conference suitable for running a medium size [million dollar] organization.
3. That training programs be put into place for all new Executive Board members regarding the scope of their responsibilities of performing due diligence, and that they receive this training prior to their first Board meeting.
4. That information packages for Executive Board members be provided at least a week prior to meetings so that additional information can be requested, if required.
5. That a database of potential candidates and their qualifications to sit on Covenant Conference and Denomination boards be immediately constructed by the ECCC Superintendent's office with the assistance of member churches within the conference.
6. That the development of the database concept be a recommendation to this years ECCC Annual General Meeting (AGM).
7. That the national database information that identifies peoples' skill sets be used as much as is practicable to build boards/committees for the conference and the denomination.
8. That a sub-committee of the Executive Board reviews the governance model and by-laws of the Conference every five years for any necessary updating.
9. That a borrowing/lending policy be established, within the bylaws, to prevent putting the Conference or any future part of its organization in financial jeopardy.
10. That a clearly defined conflict of interest policy is developed and guidelines be established that clearly prevent staff from holding voting positions on boards.
11. That ECCC Executive Board develop a binder of best practices and processes for operating a church and provide this information to the member churches
12. That a workshop on conflict management and strategic planning be developed and made available for ECCC churches.
13. That the Executive Board research and implement activities and events for the Conference that will foster cohesive relationships within the broader church family.
14. That this report, upon acceptance by the Executive Board, be presented for information to the ECCC Annual General Meeting and then distributed to the churches.

Governance

“**Governance**, in the non-profit sector, refers to the actions of a volunteer board of directors of an organization with respect to establishing and monitoring the long-term direction of that organization.”¹ It involves establishing the authorities, processes, and procedures that guide strategic and key operational decisions made for the organization. It clarifies roles, responsibilities, and relationships among the people and entities that make up the organization. **Leading** involves relating to people (e.g., partners) whereas **management** involves things (e.g., physical assets such as finances, processes, and structures).

The demise of several major corporations over the past couple of years illustrates the need for strong governance along with a strong balance of leadership and management. The world of religious institutions has been grappling with these same issues. They talk about stewardship but fail to employ people with financial management skills to help manage the millions of dollars contributed by many donors. All too frequently the mission, which has to come first, is all consuming and supersedes the acquisition and employment of people with the correct skill sets to carry it out. Religious institutions are generally charged with operating on a lean budget. The result is that they choose not to spend money on administration. This seemed to be the case with the CBC Colleges.

CBC had multiple boards: CBC Canada, CBC Ecuador, CBC Midwest, CBC International, and the CBC Foundation. While these Boards were a necessary part of the process, they were held in a somewhat “dismissive regard” by some staff due to the skill sets the members possessed and the limited amount of time members had to devote to the work. If these boards had been considered partners and been given information to form a full picture, they may have made some significantly different decisions earlier on in the melt-down of the colleges.

These boards were set up within varying jurisdictions, under a variety of legislative requirements, and with the direction of local lawyers. There could be some debate over their set up as each seemed to include different components with intent to relate to their local environment. The President of CBC- International had a major role in setting up this governance structure. Each board at its initial meeting acted correctly in accordance with its bylaws.

One aspect of a good governance model that was not installed, however, was that in most cases full time employees of non-profit organizations usually hold ex-officio positions on boards rather than being voting members. This process anticipates that the employees have extensive operational interests in the corporation and can find themselves in conflicts of interest. The intent of such a practice is to protect the staff against actual or perceived allegations of such conflict.

In the case of CBC International (CBC-I), the initial board formation was irregular and placed members in positions of conflict of interest. Having the majority of board members being staff members was not appropriate. This contributed to the lack of clarity both with staff members and in the affiliation agreements with the partner institutions. As time passed, the lack of clarity

¹ <http://www.envision.ca/templates/profile.asp?ID=56>

strained and exacerbated relationships. There was an attempt to modify the board structures during the closing years, but the modifications were too late.

In addition to transparent governance, elected board members must have the skill-sets necessary to provide due diligence over the actions, direction, finances, and administration of the organization. The denomination, for instance, has recognized that they manage millions of dollars and are actively seeking qualified people that can provide that due diligence. If an organization does not have members with the required skill sets, they often bring persons to the board table as ex-officio members with legal and financial expertise.

College Board members have stated that in retrospect they felt inadequate to question some of the actions of leadership. They remained fixed on the vision and mission and omitted setting the necessary policy direction and accountability monitoring of administration by staff. Several board members voiced that they felt inadequately prepared for the responsibility and were uncertain of the extent of their jurisdiction.

With the commencement of CBC-I, governance became even more challenging and complicated due to the inclusion of agreements between the colleges and CBC-I. Even though Executive Directors held positions on the CBC-I Board, they appeared to believe that direction came from the President of CBC-I. With key leaders carrying multiple responsibilities, communication was frequently slow to the point of being out of date. Responses to some requests were sometimes ignored.

CBC-I struggled with its own governance situations and without administrative support was caught between its vision of the future and managing the present. The Executive Directors were then caught between two masters; their individual Boards of Directors and CBC-I.

The political environment formed by the original expansion agreement and the need to conform to CBC standards consumed time and impacted decisions which in any organization may have been simple, but within the CBC reality they were complex.

Finances & Administration

This is perhaps the most challenging and complicated area and perhaps one that only a qualified forensic accountant could clarify. Even though no one on this committee is qualified in professional accounting practices, but it was evident that the money transfers and loan practices add to the lack of a clear understanding of the overall financial picture. There seems no thread to use as a starting point to analyze the finances. Therefore, this report can only refer to some practices.

The process of applying for loans from the denomination started out wisely and contributed significantly to the stability of CBC. Over time additional loans were authorized until a point was reached where a consolidation loan was requested to assist the three campuses. When this loan was provided, it is not apparent that adequate due diligence from the denomination's perspective

was done. There are also questions about whether due diligence was adequately conducted by the recipients and the impact this would have on their individual colleges.

Cross-collateralization for the first time brought an overall financial reality to the colleges with the first effort of a combined budget. This cross-collateralization process placed an unfortunate terminal burden on CBC-C. Some of the interviewed individuals involved in that decision indicated they felt harried, ill-prepared, and did not realize the full consequences of their actions. Some of the few persons that should have known the full context of these decisions (e.g., the debt load for all the colleges and the overall costs of operating three campuses) were the President of CBC-I and Superintendent of the Canada Conference.

A review of the material presented indicates that no financial advice was sought or received from anyone qualified in accounting. Or from anyone who had a complete picture of the three campuses.

In reviewing the movement of money between the corporate entities, a person with financial expertise may have questioned this process and whether it should have been permitted. We strongly doubt whether some of the movement would have been permitted.

Over the years, various people held part-time or full-time financial and administrative support positions but, once again, there was a deliberate decision by the leadership to concentrate on the vision with very little time or effort devoted to administration. One has only to look at the track record of CBC Canada and the sub-contracting of accounting over the years to be concerned. Multi-million dollar facilities were operating with too few permanent financial administrative staff. Despite urging by the CBC-I Board (in later years) for the establishment of a Chief Operating Officer (COO), this position was not created.

The revenue stream, reliant on donations and student fees for cash flow, was consistently over-estimated with minimal collateral supporting information, or utilization of experience, or demographical analysis. Boards of Directors accepted the information they were provided without causing changes or forcing accountability.

Changing financial statement formats, reporting methodology, cost centre (line item) modifications from year to year and non-standardization between reporting centers created confusion in actual reading and understanding the statements plus difficulty in usage or education by the common person.

CBC Vision & Brand

When Covenanters first heard about the proposed expansion of CBC to Windsor they accepted the vision and moved forward. Who could argue with the great commission? In fact the vision is the primary reason that the conference and the denomination were so firmly behind the expansions. The vision, outlined in all the documents for CBC, was consistent in its application

to each campus. Some flexibility in the operation of each college existed, but the effort to achieve the consistency of the vision was perhaps an Achilles Heel in the entire system.

The politics of trying to achieve this vision caused much of the later meltdown. The process of trying to centralize recruitment, movement of students across borders, the movement of money between schools, the establishment of a one student fee for all, and the fees for CBC-I caused confusion and strained implementation. This created an independent system of colleges that were independently governed by boards of directors who had little say over major factors such as fees, curriculum, or length of stay at college. Each had an Executive Director who had two masters – the individual board and the President of CBC-I.

The Brand of CBC was extremely high both within the main denomination and within Canada. This can be verified by talking to any Covenant church in Canada. It was one of the key reasons that the denomination went to extraordinary lengths to assist CBC through loans.

Despite the Brand being held in high regard, a subtle shift in the church demographics was being evidenced in the early 2000's. Expansion of the schools diluted the sense of ownership. It appears that additional campuses caused people to take the position that "someone else will look after the farm". In addition, parents and students recognized a need for education beyond high school. CBC had priced itself out of the market and was unable to negotiate transfer credits to other colleges or universities

Environmental Scan

In the early years of CBC, students were encouraged to attend by their friends, church, and parents. The school was small enough that a sense of family existed. Parents and congregations took on specific projects and did fundraising to support the school. It was viewed as "our" school. Parents viewed a year at CBC as foundational to their child's future and often did not see additional years of education beyond this one year.

Communication among youth was also changing. They began to be influenced by the language of the culture. Not wanting to be responsible for encouraging or helping another to make a decision they took the neutral position. They would say things like, "I found it a positive experience but you need to make your own decisions". This approach was low key and less enthusiastic. These factors along with rising costs to attend CBC contributed to lower enrolment.

It was not just CBC that was struggling with enrolment and finances. Discussions with other Christian colleges and public educational institutions indicated that they too have been forced to deal with the documented fact that the average age for marriage has increased, that couples are delaying childbearing, that family size has decreased, and that a cultural shift in attitude towards education was occurring. The reality of this information rose to the surface for systems that depended on students for their existence. While low enrolment resulted in the closure of some schools, others reacted to the changes by moving to part-time and visiting staff to decrease the financial impact and to mitigate student fee increases. In an effort to attract students a plethora of different educational opportunities are now available to students. CBC might have had an enrolment edge if there had been a willingness look at different ways to provide the program.

CBC students spent a better part of a year in a cocooned intense, feel good, find yourself, discipline lacking experience and then returned to the community church. The transition from college back into the churches resulted in some becoming depressed, uninvolved and non-motivated to practice what they should have learned to enhance their own lives and their involvement within the church and community. While some students stayed within their home church, many moved to larger churches or to other organizations.

Leadership

The Executive Directors (ED) of the colleges were chosen to lead their respective colleges primarily for their pastoral qualifications and leadership. They then, with advice from the President of CBC-I, hired pastoral academics to manage and teach students. At each campus there was minimal administrative support and ED's found themselves responsible to locate and recruit donors, manage the college, attend meetings with their boards and other boards, and to also meet denominational commitments. Some ED's were quite proficient at raising funds but as one ED said, "Fundraising was not mentioned in the job description." In addition to the pressures of fundraising, lines of authority became more confused. ED's received advice and direction from their local boards but also had to answer to CBC-I. All ED's exhibited varying degrees of frustration at their (increasing) conflicting responsibilities and reporting. As the organization moved towards shutdown, this became more pronounced and as funding became tighter; their primary mission became the additional work of administration falling on their respective shoulders of the ED.

Campuses

The transfer of CBC from Prince Albert and the establishment in Strathmore went well and was moving towards a good financial balance. The opening of Windsor, Colorado was without a business plan or clearly identified sources of future operating funds. While the local support was good we were unable to find a clear pathway other than good feeling to support its establishment. There were concerns expressed by churches to the leadership prior to establishment of Windsor that the student support may not be there to provide a solid base. Not enough work was done on researching this expansion prior to making a commitment. There appeared to be a "jumping the gun" action to capitalize on a major donation without counting the full implication of additional costs.

The subsequent opening of Ecuador to relate to a different type of student had merit but, in retrospect, the allure and costs associated with another campus may have been premature. The complexities of this additional campus created substantial workload. Distance also was a complicating factor.

Summary

The demise of CBC, as mentioned previously, was not the result of one action or person but of many. The initial opening of Windsor was commenced too quickly. It lacked an appropriate,

well thought out plan and not enough consideration was given to the impact it would have on the existing college. The vision was sound but the strategic plan was absent.

The governance issues outlined were a major contributing factor as was the lack of a strategic business plan. If the actions of those who took leadership in 2005/07 had come into play much earlier (e.g., around 2000 /01) the results may have been different.

The Al Forsman report and the “Final Report of the Executive Director of CBC Canada” dated May 2007 very effectively outlines the problems which we found to be accurate.