

Different Faiths, Common Challenge:

Maintaining the Affordability of a Faith-Based Education



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Executive Summary

The sustainability of religious private education is increasingly becoming a challenge in the United States due to a number of factors, including the current economic state, the affordability of private education, growing competition, decreased perceived value, and other additional influences. Currently, private religious schools face critical financial choices and must find a way to continue providing services, while having the added sense of responsibility to ensure the prolongment of religious education, community engagement and spirituality in their respective communities.

Throughout this whitepaper, we focus on the financial affordability of religious private education systems in Jewish and Catholic communities. We begin by examining the private religious school marketplace in order to contextualize the discussion. In our pursuit to gain insight into the latest financial interventions taking place in the Jewish and Catholic private school systems, Changing Our World has partnered with Erik Goldschmidt of the Church in the 21st Century Center at Boston College and Dan Perla of the AVI CHAI Foundation. Both are thought leaders in the field of religious school affordability in their respective communities. These leaders have shared their knowledge throughout this paper to present a variety of approaches currently adopted by religious schools, including those in incubation stage.

There is no doubt that the American Jewish and Catholic populations have their differences, not only in terms of beliefs but also in size, structure, philosophy, etc. However, as presented in the following pages, much work is being done in both communities with the parallel purpose of ensuring the future of their respective religious education systems and ultimately enhancing community engagement in the long run. The significance of this paper lies in setting the groundwork for continuous, meaningful conversation among and between the Jewish and Catholic communities to overcome the similar challenge of religious education affordability. We hope this paper will spur additional discussions and opportunities for mutual learning.

Chapter 1: Introduction

By Rachel Chasky, Changing Our World

Religious School Funding

Both the Catholic and the Jewish communities have a long tradition of investing in an education system that integrates both religious and secular studies. In the current economic and religious environment, however, both are finding it increasingly challenging to sustain their historic educational and financial models. Both communities are investing resources in researching the field of religious education sustainability to design innovative strategies or strengthen existing tactics.

Although the Catholic and Jewish educational systems differ, the similarities in the problem warranted the following whitepaper. Both communities **face the challenge of maintaining an affordable education for middle income and/or low income families**. As concerns for the future of these institutions become more acute, Dan Perla of the AVI CHAI Foundation, Erik Goldschmidt of the Church in 21st Century Center at Boston College, and Changing Our World bring their respective expertise to provide ground for mutual learning.

The following whitepaper aims to present private religious school financial models and interventions that the United States Jewish and Catholic communities have developed. This whitepaper is specially intended to serve as a starting point and resource for community and educational leaders, as well as key stakeholders, to learn and understand the many interventions implemented and (some) proposed in the two communities. We believe that great knowledge can come through shared learning.

Setting the Stage

Affordability is increasingly becoming a barrier for middle and low income families who wish to send their children to religious schools. Based on our observation of the market, there are three predominant variables that impact a school's ability to set an affordable tuition: school enrollment, cost, and sources of income. The goal is to find the best combination of the variables to create a sustainable and affordable institutional model. The degree to which the variables can be altered is situational, based on the culture of the community and the individual school.

The following chapters present how Catholic and Jewish communal thought leaders are engineering innovative strategies and strengthening traditional strategies to alter key elements. To further define these terms, religious schools must consider costs such as payroll, infrastructure and operations as they plan for long-term financial sustainability. At the same time, sources of income – from tuition to interest earnings, to public funding and philanthropic dollars – should be weighed to identify the best strategies to generate income and maintain financial health. The number of students attending a school is integral to setting tuition levels. Although increasing the perceived *value* of a religious education may be beyond

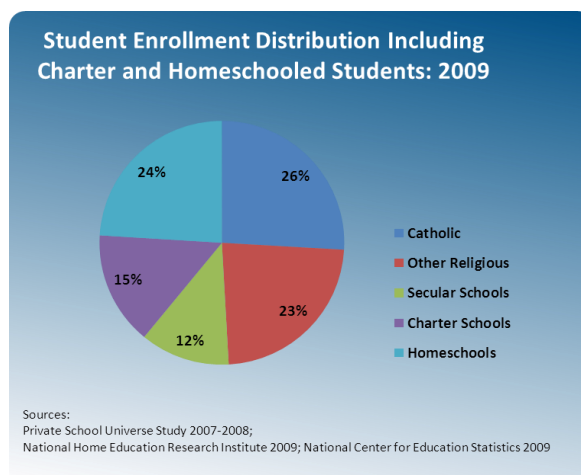
a schools immediate control, schools can impact enrollment by increasing the perceived *quality* of its education and school environment. The remainder of this chapter presents the marketplace in further detail.

The Marketplace

Religious schools exist in a dynamic and competitive marketplace where they compete with public schools along with other private educational institutions. According to Dr. Susan Raymond's paper published in 2009, the term "private education" groups together different types of schools, which can be divided into four categories:¹

- Schools with religious affiliation
- Secular independent schools
- Homeschooling
- Charter schools (maintain both private and public funding sources²)

In the fall of 2009, 4,700,119 students³ enrolled in 33,366 private schools across the country.⁴ This represents about 11% of total national student enrollment.⁵ Overall, as of fall 2009, about two-thirds of private K-12 schools were affiliated with a specific religion. This includes 77% of total students and 73% of teachers that are integrated in these private education institutions. Finally, most of the country's private school students are located in urban and suburban areas, as opposed to rural areas and small towns.



Before discussing the financial models and interventions, it is important to understand communal demographics and the philanthropic landscape of both communities.

Catholic Community

The total size of the Catholic American population in 2010 was estimated at 66 million.⁶ The composition of the American Catholic community and the Catholic private school student body has changed over time especially due to immigration; 47% of Catholics under the age of 40 are now Hispanic.⁷ In the 2012-2013 academic year, enrollment in the 6,685 Catholic elementary schools and high schools reached over 2 million students, nearly half of whom (47%) are located in the mid-East and Great Lakes region.⁸ In the recent school year, 14.3% of students enrolled in private Catholic schools were Hispanic.⁹ Catholic schools are predominantly located in urban or suburban locations.

The Catholic school demographic can be bifurcated into two main categories, the diocesan/parish schools and religious orders schools. This paper focuses mainly on the Catholic diocesan/parish inner-

city schools. There are many distinctions between the two school systems, including differences in financial, social, and organizational models. Schools associated with a religious order, such as Sacred Heart, charge much higher fees than Catholic diocesan or parish schools.

Catholic schools have evolved since their inception from parish schools into various structures. As described in-depth in “Sustaining Urban Catholic Elementary Schools,” written by Dr. Erik Goldschmidt and Dr. Mary Walsh, there are predominantly eight models of governance including parish schools, private schools, inter-parish schools, diocesan schools, consortium schools, private network schools, K-12 school systems, and university partnership schools. Some of these models are newer and have implications on the structure of the schools’ administrative, financial, and operational structures.

Since its peak in 2000, Catholic education has seen a decline in enrollment and consolidation of schools or closures. The decline in private school enrollment is apparent not only in Catholic schools, and can be explained by multiple factors that will be discussed throughout this paper.

Catholic philanthropy

Fundraising constitutes approximately 10% of Catholic schools’ budgets and is the second largest immediate source of capital after tuition revenue.¹⁰ The National Catholic Education Association (NCEA) reports that in 2010-2011, “28% of [Catholic elementary] schools had a development director. Of those schools with a director, 52% were salaried part-time, 42% were salaried full-time, and 6% were outside contractors.”¹¹ In terms of fundraising practices, the focus in elementary schools tends to be around alumni giving and less on planned giving.¹² A report issued by Philanthropy Roundtable revealed that, based on Changing Our World research, 82% of Catholic school alumni would contribute if asked to donate.¹³ Still, schools must learn to make ‘the ask’ and demonstrate return on donors’ investment.

On the other side of the market, philanthropic giving in Catholic communities across America is relatively limited. Only 15% of Catholics donate 10% or more of their income, as opposed to 27% of the non-Catholic population.¹⁴ This is not explained by socioeconomic discrepancies, as the Catholic population’s income is approximately at the national average level of income. An explanation given in a recent study published by University of Notre Dame suggests that low giving rates in the Catholic community are due to a “lack of spiritual engagement with money.”¹⁵ It is not seen as an integral part of Catholic life, but as a separate matter in and of itself.

Jewish Community

The total size of the American Jewish population is estimated at 6.9 to 7 million, of which 1.6 to 2.1 million are school-age (under 18).¹⁶ Compared to the United States adult population as a whole, the Jewish population is older, with nearly 25% aged 65 years and older and 60% aged 45 years and older.¹⁷ Nearly 44% of the Jewish population resides in the Northeast region and 37% in the Mid-Atlantic area.¹⁸

There are a wide range of Jewish educational options for Jewish children in the U.S. These include yeshivas, Jewish day schools and Jewish after-school programs, traditionally referred to as Hebrew schools. A 2008 study published by Jack Wertheimer, a professor of American Jewish History at the

Jewish Theological Seminary¹⁹ of America and a consultant to the AVI CHAI Foundation, estimated that the total number of children enrolled in Hebrew schools or similar after-school programs throughout the U.S. is approximately 230,000. Census data compiled by AVI CHAI consultant Marvin Schick in 2008-2009 suggests that there were approximately 228,000 Jewish children in full time Jewish educational programs. These children are enrolled in one of the 802 yeshivas or Jewish day schools throughout the United States.

There are differences between yeshivas and Jewish day schools. Yeshivas are traditional Jewish schools where the primary educational emphasis is on Judaic studies. Jewish day schools normally offer a more balanced dual curriculum consisting of both Judaic studies as well as secular studies. Jewish day schools are typically categorized along Jewish denominational lines and include day schools which self-define as Reform, Conservative or Orthodox. A large group of day schools now categorize themselves as community day schools and serve the full spectrum of religious denominations in their communities. While these schools may affiliate with one or more of the Jewish day school networks (e.g. RAVSAK, Solomon Schechter, or Torah U'mesorah), the schools predominantly function as independent entities.

AVI CHAI's Marvin Schick has compiled census data for the 2011-2012 time period. The census data indicates that there are approximately 286 Jewish day schools which educate approximately 84,000 children in the U.S. These Jewish day schools bear some resemblance to suburban Catholic schools. Both serve predominantly middle and upper middle income communities and both compete with a wide variety of alternative educational offerings including independent (private) schools, public schools and charter schools. This whitepaper focuses on the 286 aforementioned Jewish day schools.

Jewish philanthropy

Fundraising constitutes approximately 14% of Jewish day schools' budgets and is the second largest immediate source of capital after tuition revenue though some schools are able to generate more than 25% of their income through fundraising. In a sample of 40 day schools examined by Yeshiva University, fundraising per student appeared to be approximately \$1,700.²⁰

According to JData, nearly two-thirds of Jewish day schools employ a full-time development director and an additional 21% employ a part-time development director.²¹ In terms of fundraising practices, the focus in elementary schools resembles that of the Catholic schools—more emphasis on parent and alumni giving and less emphasis on planned giving.

The Jewish Federation system, a dominant institution in American Jewish communities, was founded at the end of the 19th century, due to an increasing need for mutual communal support of the Jewish population in the U.S. and globally. Today there are 154 federations and 300 independent network communities across North America,²² which are categorized according to the size of the region's Jewish population and annual campaign fundraising outcomes. In 2012, the Jewish federations in North America collectively raised \$900 million in the annual campaign to support community programs and organizations in their respective regions.²³

In terms of Jewish education, the AVI CHAI Foundation estimates that Federation's fund approximately 5% of total Jewish day school income. Historically, such funding was allocated to schools on a per student basis but increasingly, federations are moving to program-based allocations.²⁴

The Objective

With an overview of the marketplace, this paper now aims to discuss how each community is endeavoring to answer the following question:

What financial models and interventions will enable private Catholic and Jewish schools to become appealing and affordable for middle and/or low income families?

The following two chapters, written by the experts in their respective communities, Dan Perla and Erik Goldschmidt, present the interventions and financial models currently being leveraged in the Jewish and Catholic communities. Chapter four presents an overview of public funding, and in Chapter five, Changing Our World identifies five trends occurring across the communities as well as key observations on the future philanthropic landscape. This whitepaper aims to enrich conversations about religious school affordability and increase the knowledge sharing across organizations and communities.

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- ³ Institute for Education Sciences, National Center for Education Statistics, "Characteristics of Private Schools in the United States: Results from the 2009-10 Private School Universe Survey". 2011.
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- ⁷ Pew Research Center. "U.S. Catholics: Key Data from Pew Research".
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- ¹³ Lexington Institute, "Building 21st Century Catholic Learning Communities: Enhancing the Catholic Mission with Data, Blended Learning, and Other Best Practices from Top Charter Schools", 2012.
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- ¹⁶ E. Tighe, Leonard Saxe and Charles Kadushin. "Estimating the Jewish Population in the United States, 2000-2010". Brandeis University, 2011, 35.
- ¹⁷ Ibid, 21-23.
- ¹⁸ Ibid, 23-25.
- ¹⁹ The Jewish Theological Seminary is the founding institution of the Conservative movement.
- ²⁰ H. Bloom, "Jewish Day Schools 2030: Applying Cutting Edge Management Practices for Long-term Sustainability". Yeshiva University Institute for University-School Partnership, 2011.
- ²¹ JData is a not-for-profit project that collects and provides census-like information about Jewish educational programs in North America (jdata.com).
- ²² Jewish Federations of North America Website, "2012 Annual Report". <http://www.jfnareport.org/> (accessed July 8, 2013).
- ²³ Jewish Federations of North America Website, "2012 Annual Report: Highlights".
<http://www.jfnareport.org/highlights/> (accessed July 8, 2013).
- ²⁴ Dan Perla

Chapter 2: Jewish Day School Interventions

By Dan Perla, Program Officer at [AVI CHAI Foundation](#)

AVI CHAI is a private foundation endowed by Zalman C. Bernstein that is committed to the perpetuation of the Jewish people, Judaism, and the centrality of the State of Israel to the Jewish people. (See end of chapter for full description)

The Day School Enterprise and its Underfunding

The 286 Jewish day schools in the United States are estimated to spend \$1.5 billion annually to educate over 83,000 students. For the vast majority of these schools, net tuition (tuition net of scholarships and teacher discounts) covers just 70%-90% of the \$1.5 billion needed. At the mid-point of this net tuition range, the average day school takes in only 80% of its budget from tuition. In other words, there is the need for an additional \$300 million of additional revenue. Much of this additional revenue is attained, in the aggregate, through fundraising and endowment income, local federation and foundation support and government funding.

The percentage of budget coming from tuition, fundraising, endowment, local federations and foundations and governmental funding varies by community, type of day school, size of day school and other factors. For example, day schools in New York and New Jersey – representing approximately one third of all U.S. Day Schools – typically receive a modest allocation from their local federations. In fact, the estimated \$100 million of federation and foundation funding is fairly concentrated in cities that include: Baltimore, Boston, Chicago, Cleveland, Detroit, Los Angeles and Toronto. Public funding is similarly skewed toward a handful of states and provinces that provide tax credits or other forms of meaningful public funding. These include states such as Pennsylvania, Arizona and Georgia. It should be noted that Jewish day schools in New York are estimated to receive over \$40 million annually for mandatory services from the state. Combined with tax credit programs in other states, Jewish day schools are estimated to receive at least \$50 million annually from state funding throughout the country.

In short, the vast majority of Jewish day schools experience financial challenges as they attempt to balance their budgets. Over the past few years, the single largest driver of this financial pressure seems to be scholarship needs, which have increased in part because of a challenging economy and in part because of rapidly rising tuitions.

Tuition and Scholarship Increase

The average tuition in Jewish day schools is approximately \$16,000. This number is the culmination of average annual tuition increases of approximately 3%-6% over the past decade. More specifically, the

period between the early 2000s and 2008 saw average annual increases of 4%-6%. Since the financial crisis of 2008, the average annual increase has moderated to about 3%.

Because so many day schools (at least the Orthodox ones) are committed to providing a Jewish education for all families, nearly half of families in Jewish day schools now receive, on average, a nearly 50% reduction in their tuition. While scholarship dollars appear to be concentrated among families making \$200,000 or less, there are schools that offer scholarship or other forms of tuition discounts to families earning \$300,000 or more.

We estimate average financial aid nationally at approximately \$8,000 per scholarship student. The \$8,000 represents approximately a 50% discount from full or gross tuition. The percentage of students receiving financial aid has also increased-- from 35% to 46%. So while tuition has risen well in excess of wage growth, the amount of financial aid given out has increased at an even faster rate. This is why schools continue to increase tuition and engage in more aggressive fundraising. It is one of the factors that has led to a sustainability challenge for many Jewish day schools.

While the day school tuition increases can be seen against a backdrop in which independent schools and private universities were also increasing tuition at rates in excess of inflation, the schools would argue (and I concur) that higher tuition has led to a more robust program which the payers have historically sought. The more robust program includes a wider variety of enrichment programs, the servicing of more diverse learners and more extracurricular activities. In many (though sadly, not all) of our schools, teachers and other faculty are better compensated than they were a decade ago.

While affordability remains an important issue in non-Orthodox day schools, the significant enrollment declines in these schools is at least partially attributable to another factor: the decline of day school as a value in the non-Orthodox world. The Schechter (Conservative) system has witnessed a 1/3 decline in its enrollment since the mid-1990s and has seen a dozen or more of its schools close, merge or re-brand. Recent annual reports by AVI CHAI's Marvin Schick suggest that Community day school enrollment is also declining, albeit at a less alarming pace (4-5% over the past five years).

Financial Interventions

In response to the increasing monetary pressures on these schools, at least five dominant financial interventions have recently emerged within the day school field. The five are: enrollment growth, tuition pricing and middle income affordability, fundraising and endowment building, cost cutting through school collaboration (leveraging economies of scale) and communal funding initiatives. A newly emerging sixth intervention holds great potential to systemically lower school costs. It is a new, school-wide educational model that is called blended learning.

The careful reader will note that government funding is not one of the five interventions mentioned above. Government funding will be discussed in some detail later in this paper. Its vagaries and unpredictability lead us to exclude it from the list of most promising interventions. Having said that,

government funding, especially state tax credit programs, can be a real game changer at some point in the future.

Enrollment Growth

Stable or increasing enrollment is an essential component of a school's long term financial sustainability. For schools with a large number of empty seats, it may be the single most important component. Enrollment growth allows a school to leverage its costs, many of which are fixed. A growing enrollment also allows for greater flexibility in setting tuition, again assuming that costs are relatively fixed.

There are at least 100 Jewish day schools with excess capacity of 30% or more.

Therefore, higher enrollment can lead to improved affordability, assuming that a school does not need to open new, partially full classes to meet increased demand. There are at least 100 Jewish day schools nationally that are running at 70% or less of capacity. Most, though not all, of this excess capacity is in non-Orthodox schools. This is attributable, in part, to competition from both private and public schools. It is also partially attributable to a decline in the perceived value of a day school education among some members of the non-Orthodox Jewish community.

There are several national organizations whose work with day schools includes a focus on enrollment growth. These include The Institute for University-School Partnership at Yeshiva University (YUSP) and The Partnership for Excellence in Jewish Education (PEJE). Through a carefully structured benchmarking process, YUSP's benchmarking program compares individual day schools, one to the other, on a wide variety of academic and financial matrices. YUSP can then recommend targeted interventions to help address any programmatic or financial deficiencies. For schools where the benchmarking process indicates a larger than average number of empty seats, YUSP will focus on interventions to help improve enrollment at those schools. Interventions around enrollment growth may include market segmentation or the creation of a parent ambassador program. YUSP may also help certain schools to implement leading edge science, technology, engineering, or math programs. These are better known as STEM programs.

Tuition Pricing

The 15% of income cap is intended not only to alleviate current pressure but to reassure parents who have multiple children who will end up in the school or who worry about future tuition increases.

A number of individual schools and communities have used tuition reductions, tuition vouchers and first year free tuition programs as a tool to drive enrollment. There is little evidence that this approach has been successful at increasing enrollment beyond a one or two year time frame. In fact, parents surveys from consulting firm Measuring Success²⁵ have consistently found no relationship between tuition changes and enrollment. Based on approximately 22,000 day school parent surveys (conducted from 2007-2012), Measuring Success asserts that the overall

attractiveness of a Jewish day school is more dependent on its perceived value among parents than on its tuition cost. Consequently, Measuring Success works with schools to identify areas of improvement in (parental) perceived value. The three most important drivers of perceived value among parents are: 1) supporting the Jewish development that parents want for their child 2) academic preparation for high school or college and 3) responding to parental concerns about the child or the school.

Middle Income Affordability

According to Measuring Success' parental income data, approximately 75% of day school families have a pre-tax incomes of \$150,000 or higher. While this may sound high compared with family income levels at Catholic schools, the seemingly high income levels must be compared to tuitions at Jewish day schools. With an estimated national tuition average of \$16,000 per child, a day school family earning \$200,000 annually would still spend nearly 25% of its pre-tax income on tuition. Consequently, families earning \$150,000-\$300,000 are often considered "middle income" for purposes of day school affordability.

To alleviate the financial strain on these families and to possibly bolster retention and recruitment, a number of individual schools and communities have developed programs that offer these families a discount on full tuition. From the schools' perspective, retaining such families is crucial. Even if they don't pay full tuition, they typically pay a significant amount, which is especially important if the alternative is an empty seat.

Federation-led or foundation-led middle income affordability programs can be found in large Jewish cities including Boston, Montreal and Los Angeles. Smaller communities, such as the Metrowest region of New Jersey, have embraced this approach as well. Day schools in the Metrowest region typically offer discounts of \$2,000-\$7,000 per child depending on both family income and number of children attending a Jewish day school. These programs are typically referred to as sliding scale tuition programs and are often funded through endowment income. These programs require significant fundraising efforts. In general, a \$250,000 a year middle income program requires a \$5 million endowment (since endowments typically throw off about 5% annually). The Montreal and Metrowest programs rely on endowments in excess of \$50 million.

Several Jewish day schools have begun experimenting with programs that cap family tuition as a percentage of pre-tax income. The Solomon Schechter Day School (SSDS) of Greater Boston, with an enrollment of approximately 450 students, provides an interesting case study of an income cap model. The SSDS iCap program guarantees families earning up to \$400,000 that they will never pay more than 15% of their adjusted gross income in tuition. Bear in mind that full tuition at this school is approximately \$24,000 per child. A three child family earning \$400,000 per year would ordinarily pay a combined tuition of \$72,000 or 18% of their pre-tax income. This program would cap their tuition at \$60,000 or 15% of their income. The 15% of income cap is intended not only to alleviate current financial pressure but to reassure parents who have multiple children who will end up in the school or who worry about future tuition increases.

SSDS of Greater Boston did not fund its middle income program through any endowment fund. Rather, it raised the price of tuition (for full payers) to a level that better reflected the actual cost to educate a child. The tuition increase over the past two years has more than covered the subsidies under the program and has not lead to any noticeable adverse reaction from full paying parents.

Fundraising and Endowment Building

It is estimated that annual fundraising and endowment income represents approximately \$150 million of revenue for the 286 Jewish day schools in the U.S. This equates to approximately \$500,000 per school in fundraising. As noted earlier, fundraising represents approximately 14% of a typical school's budget. The majority of these funds are raised through annual programs which include: school dinners, the "annual fund," ongoing mail solicitations, phone-a-thons etc. Many Jewish day schools turn to parents, board members, alumni and community members for such annual support. A number of schools periodically employ matching grant programs. These may be national in scope or more local in scope. Through a matching grant program, a gift from a new or previous donor is "matched" by another organization or individual. This is done in order to promote new or increased giving. AVI CHAI was one of the first foundations to embrace the matching gift concept. Through AVI CHAI's MATCH program, schools receive 50 cents on the dollar match for new or increased donor gifts. Through the MATCH program, more than \$58 million has been raised for Jewish day schools across the country.

The Jim Joseph Foundation High School Affordability Initiative (JJFHSAI) has helped five Los Angeles-based high schools raise over \$8 million of endowment funds.

While a relatively small percentage of Jewish day schools have embraced endowments and planned giving as a major piece of their development efforts, it is estimated that day schools nationally have approximately \$300 million of endowment assets. These funds are fairly concentrated with approximately two dozen Jewish day schools that have an endowment of \$5 million or more. One half or more of Jewish day schools appear to have no endowment fund whatsoever. Nonetheless, interest in endowment building is on the rise.

There are several national or regional endowment building programs taking place in cities such as New York, Los Angeles, Montreal, Baltimore and Boston. The Jim Joseph Foundation High School Affordability Initiative (LAHSAI)²⁶ is a demonstration model that not only is designed to stabilize and to incrementally increase the enrollment of students from middle income families attending five high schools, in Los Angeles, but to build the capacity in the schools to support day school education through endowment development. The schools together are responsible for raising more than \$17 million towards their own endowment funds. In Montreal, a handful of donors have contributed \$40 million to establish a community endowment for the benefit of seven area Jewish day schools. These funds are being used principally for middle income affordability and for improvements in educational quality.

Generations, a program partially funded by AVI CHAI, was established with a goal of enabling 30 or more schools to raise \$1 million each, on average, in endowment funds within three years. Over ten years, it is

believed that each school can raise an average of \$5 million in endowment funds. The Generations program has thus far raised over \$12 million in new endowment gifts.

Leveraging Economies of Scale

Yeshiva University (YU) works with communities of schools on cost savings through the use of joint purchasing, outsourced maintenance and professional employment organizations (PEOs). YU has also worked with schools on staff re-alignment and salary structure. The Jewish day school field is also beginning to recognize that hundreds of thousands of dollars can be saved through school collaborations which include the following: school mergers, back office collaborations and joint purchasing of energy.

Communal Funding Initiatives

Communal funding initiatives attempt to shift part of the financial burden of Jewish day schools from the parent (the payer) to the community. The best example of such an initiative is Northern New Jersey Kehillot Investing in Day Schools (NNJKIDS). NNJKIDS has raised in excess of \$2 million over the past 3-4 years in Bergen County, NJ. NNJKIDS demonstrates that it is possible to raise Jewish communal funds to support day schools from non-day school parents. The Kehilla Fund in Chicago provides another communal funding model. Through this program, at least \$500,000 of annual funding is provided to all the day schools in Chicago via a per capita annual distribution. More recently, communities such as Central New Jersey and Boca Raton, Florida have embarked on communal funding initiatives aimed at raising funds for local Jewish day schools. Both efforts are led by boards which are comprised of both lay and professional leaders.

Innovations

Blended Learning

Online and blended learning holds the potential for a more student-centered, customized education along with a potential reduction in the cost of education. As AVI CHAI's Executive Director, Yossi Prager, noted in a recent article, "As we move into new forms of teaching, we see an interesting interplay between existing (Jewish day) schools and newly formed ones. Indeed, the pressure for more dramatic adoption of online/blended learning will likely come, in part, from a series of new Jewish day schools that integrate it across the school day." The newly formed schools, which Prager references, are typically priced at about half to two-thirds of the cost of a traditional Jewish day school. The lower tuition cost is the result of a lower school cost structure due to: 1) larger class sizes 2) lower administrative costs 3) less financial aid.

Hundreds of thousands of dollars can be saved through school collaborations.

Given the nature of competition, it seems likely that new, blended learning schools will compel traditional Jewish day schools to examine their own student-teacher ratios through more on-line and blended learning. In addition, several schools in the New York area have either lowered or froze their tuitions in response to the opening of a new blended learning school. Prager notes that at the present time the opening of these new schools has not lead to a reduction in the educational costs per student at existing schools. Still, he notes, conversations within certain communities indicate that the existing schools understand the potential financial benefit.

Using Life Insurance to Help Fund Day Schools

We may not need entirely new programs but rather nuanced and more impactful versions of existing ones.

In spite of the low utilization of life insurance policies among day schools donors currently, interesting conversations are taking place around creative ways to use life insurance to help sustain Jewish day schools. Under an approach proffered by Rabbi Jay Kelman of Toronto,²⁷ Rabbi Kelman argues that tuition for Toronto day schools can be cut in half through the use of life insurance. With a lower tuition, each day school family could apply a small portion of the tuition savings toward the purchase of life insurance. Until the policy benefits are realized, leading philanthropists and foundations could provide an interest-free loan to fund the annual (school) budget shortfall. When the life insurance benefits are realized, the philanthropists and foundations would receive their money back and the schools would be flush with cash.

Rabbi Kelman's novel idea bears some resemblance to an idea first proffered by Jewish philanthropist Charles Kushner in 2010. Kushner proposed a program under which all day school parents would agree to be insured for a modest sum of money, with a group of wealthy donors paying the premiums.²⁸

One nuance to the traditional approach of soliciting life insurance gifts is the creation of an insurance premium matching program. A number of Jewish day schools have sufficient endowment funds to make such a program viable. By offering a match of 50% or more to the donor's money, schools are essentially co-investing in a triple-A rated insurance policy with a 5%+ expected annual return. Jewish day schools may also want to promote the concept of premium finance. Under such a program, an individual donor could borrow the money necessary to fund the life insurance premiums from a bank. So long as the returns on the policy exceed the interest on the loan, there should be a positive insurance benefit at the end of the policy holder's life.

Conclusion

I am cautiously optimistic that we are at an inflection point with respect to day school affordability. By inflection point I mean to say that things are actually getting better, not worse. This optimistic view is based on several factors. First, the issue of day school affordability is high up on the Jewish communal agenda. In the last two years alone, several national or regional organizations (e.g. PEJE/OU, NY Federation) have made full time hires in the day school finance arena. On the local level, day school affordability is the topic du jour and many heads of school and local lay leaders have their thinking caps

on with respect to this issue. Several schools have already come up with creative cost cutting and/or revenue-enhancing programs on their own. Second, I believe that on-line/blended learning will ultimately create a paradigm shift from a cost perspective, even though this is likely to be several years away. Finally, following the declines of the past couple of years, Jewish communal fundraising is increasing. Fundraising among Jewish day schools shouldn't be far behind. In fact, anecdotal evidence suggests that certain day schools are already experiencing an increase in annual fundraising. The challenges are real, but I believe that the future remains bright.

About AVI CHAI Foundation

The AVI CHAI Foundation was founded in 1984 by Zalman Chaim Bernstein. Since then, the foundation's mission has been and continues to be to strengthen Judaism, Jewish literacy, and Jewish tradition wherever his foundation was to operate—North America, Israel, and the former Soviet Union—and to sustain, enlarge, and enrich Jewish commitment to the State of Israel. As the foundation's work grew and its geographic reach broadened, Trustees and staff developed strategies appropriate to the regions in which they worked.

In North America, the focus has been to foster and nurture the energizing nucleus of the American Jewish community, by which the foundation means American Jews who are Jewishly literate, who view their lives through the lens of the Jewish religion and feel a deep connection to the world-wide Jewish people, with its center in Israel. Believing that the most effective educational vehicles to achieve this energizing nucleus are Jewish day school and overnight summer camps, the foundation has invested significantly in both fields. Fifty percent of AVI CHAI's spending is directed towards programs in North America.

AVI CHAI's Israel grant-making strategy focuses on three distinct goals: encouraging: 1) mutual understanding between Jews of different commitments to Jewish traditions; 2) a new Jewish leadership, with deep knowledge and respect for others, who will guide and influence the various communities in which they participate; and 3) Jewish study and literacy among secular Israelis so that they can become more active and knowledgeable partners in shaping Jewish life in Israel. Forty percent of AVI CHAI's grants budget is focused on its Israeli activities.

In 2001, AVI CHAI expanded its philanthropic reach into the former Soviet Union, where its central focus has been to encourage Jewish involvement. AVI CHAI-funded programs reach beyond conventional Jewish organizations to provide Jewish educational, academic and cultural offerings that capture the attention and interest of the widest and most diverse Jewish audiences. The foundation devotes ten percent of its grant-making budget to its work in the former Soviet Union.

²⁵ <http://www.measuring-success.com/ParentSurvey/>

²⁶ The Jim Joseph Foundation, “Los Angeles High Schools Affordability Initiative”.
<http://jimjosephfoundation.org/featured/los-angeles-high-school-affordability-initiative> (accessed August 14, 2013).

²⁷ Torah in Motion. “A Tuition Plan”, <http://www.torahinmotion.org/discussions-and-blogs/tuition-plan>.

²⁸ JTA, The Global Jewish News Source, “Op-Ed: Funding Jewish Education – a Self-sustaining Solution”.
<http://www.jta.org/news/article/2010/04/18/1011634/op-ed-funding-jewish-education-a-self-sustaining-solution>
(accessed August 15, 2013).

Chapter 3: Catholic School Funding Strategies

By Erik Goldschmidt, Director of The Church in the 21st Century Center at Boston College and co-author of ["Sustaining Urban Catholic Elementary Schools"](#) written by Dr. Erik Goldschmidt and Dr. Mary Walsh.

In their 2005 statement, *Renewing Our Commitment to Catholic Elementary and Secondary Education in the Third Millennium*, the United States Catholic Conference of Bishops (USCCB) challenged the entire Catholic community to support Catholic schools. Their exhortation helped to intensify a response not only from within the K-12 Catholic education community but also from Catholic higher education, the philanthropic community, and other stakeholders in Catholic education across the country.

In the last decade, numerous symposia, studies, academic conferences, philanthropic initiatives, and strategic planning consultations have focused on developing more sustainable ways to support Catholic schools.²⁹ The traditional approaches to funding schools (i.e., tuition, parish subsidy, and basic fundraising) have given way to a more sophisticated array of strategies. This chapter will outline an identified selection of strategies that are currently utilized by Catholic schools in an effort to improve financial sustainability. These strategies include not only ways to increase revenue, but also approaches that reduce costs and increase access to resources. This chapter concludes with a discussion of several trends of innovation that seem to cut across these strategies.

Tuition

Tuition and fees represent the most widely utilized source of income for Catholic elementary schools. A 2009 report from the National Catholic Educational Association (NCEA) reported that on average tuition and fees represent about two thirds (64%) of the operating income for Catholic elementary schools. This, of course, can vary greatly, depending on the demographic situation of a school. The tuition rate is typically set at a portion of per pupil cost that the market will bear. The average tuition rate for elementary schools in 2012-2013 was \$3,673, 68% of the reported per-pupil cost of \$5,387.³⁰

Sliding Scale Tuition Programs

Schools offer below-cost tuition to appeal to lower and middle-income families. However, an increasing number of schools are setting tuition at the actual cost-per-pupil. Families are presented with the cost-based tuition rate and invited to apply for tuition assistance. The advantage of cost-based tuition rates is that some families can pay the full cost while other families receive needed financial aid. However, principals express concern that the higher rate discourages middle to lower income families from applying.

Tuition rates are commonly adjusted to a family's ability to pay. Requests for tuition assistance, also known as financial aid or a scholarship, are typically submitted to the principal, pastor, or school board. This process can range from a simple conversation to a formal application. Schools are increasingly using

third-party tuition management services or federal poverty guidelines to determine need on a more objective basis.

Parish and Diocesan Subsidies

When schools run an operating deficit, they commonly draw upon sponsoring parish(es) to subsidize the budget. For parish and inter-parish schools, sponsoring parish subsidies might directly pay for operating costs, capital improvements, utilities, physical plant maintenance, or scholarships. A 2009 National Catholic Education Association (NCEA) survey of 1,243 parishes found that 82% of Catholic elementary schools received some parish subsidies. Almost one third of the schools received subsidies from multiple parishes.

Parish subsidies might come from the Sunday church collection, parish fundraiser, or specific funds designated for the school (e.g., restricted gifts, endowment). Some parishes offer the school a fixed yearly amount or a specified percentage of parish income. Other parishes adjust their contribution according to the financial needs of the school, which can fluctuate from year to year. Parish contributions to their school are commonly recommended to be no more than 25-35% of the overall parish budget. However, in drastic cases, more than half of a parish's Sunday collection income can go to the school, which is unsustainable for both parish and school.

A 2009 National Catholic Education Association (NCEA) survey of 1,243 parishes found that 82% of Catholic elementary schools received some parish subsidies.

Stewardship programs have placed some parishes in a position to provide a tuition-free education to parishioners. The cost of educating the children of parishioners is covered entirely through Sunday collections. An exceptional example is the Diocese of Wichita, the only diocese in the United States where the children of active parishioners who participate in the stewardship program can attend Catholic school for free. In this diocese, parishioners are invited to donate 8% of their household income to their parish.

To offset the burden of parish schools in low income areas, many dioceses utilize a central fund to support struggling schools. Diocesan funds are distributed directly to very poor schools or to schools that have unforeseen financial difficulties. These subsidies typically cover operating deficits, assist with capital improvements, or address emergency expenses.

Dioceses increasingly require support for Catholic schools in the form of a “tax” on all parishes regardless of whether a parish has a school. The Archdiocese of Atlanta, for examples, requires a 13.25% tax on parish income above \$300,000.³¹ The Diocese of Bridgeport assesses all parishes at 8% of their offertory income, which resulted in an additional \$100,000 for each Catholic elementary school in the diocese. The Archdiocese of Washington assesses parish income at 3% for parishes with a school, 5% for parishes that co-sponsor a regional school, and 9% for parishes that do no sponsor a school.³²

Development and Endowment Building

Dioceses increasingly require support for Catholic schools in the form of a “tax” on all parishes regardless of whether a parish has a school.

Historically, Catholic schools have raised supplemental income through fundraising activities. Traditional fundraising initiatives include selling chocolate bars, religious calendars, baked goods, raffle tickets, and so forth. Higher yield events such as silent auctions, golf outings, or “black-tie” banquets require more intensive planning. School administrators are learning that fundraising efforts are more effective when they are part of a strategic development plan.

Development programs involve strategic capital campaigns for special projects such as a new facility (e.g. gym, library, science lab), improved technology, or an endowment. Development programs also utilize scholarship drives to increase enrollment. Capital campaigns tend to be directed toward alumni, parishioners, and other affluent members of the community. Corporations, foundations, and significant donors are more likely to contribute to campaigns that have targeted and measureable outcomes. Some schools work with foundations and consulting firms to attain specialized training and/or guidance on how to maximize the effectiveness of capital campaigns.

Elementary schools have begun to appeal to alumni in a strategic manner. Alumni outreach involves school newsletter updates (mailing and e-mail), reunions, invitations to special events, direct appeals for capital campaigns, and requests for planned giving (annual contribution or a specified amount upon the donor’s death). Trained development officers can assist donors with maximizing the tax benefit of charitable giving.

School administrators are learning that fundraising efforts are more effective when they are part of a strategic development plan.

A large outreach effort to Catholic elementary school alumni is the Catholic Alumni Partnership (CAP) run by Changing Our World, Inc. CAP was developed in collaboration with the Archdiocese of New York and first launched in November 2009. CAP offers a standardized diocesan-wide approach to help schools search archives to develop a list of graduates dating back to 1940. CAP obtains current addresses for alumni, conducts wealth screenings, and facilitates a diocesan-wide marketing campaign. To date, CAP is implemented in eight Northeastern dioceses and has secured over 57,000 gifts for \$8.2 million on behalf of 352 elementary schools.³³ Large, multi-diocesan initiatives such as CAP may prove to have a substantial and lasting impact for schools.

An example of a private foundation assisting schools is the Specialty Family Foundation in Los Angeles. In 2009, the Specialty Family Foundation launched a development and marketing program, called the Catholic Schools Consortium, to serve nine inner-city Catholic elementary schools. The Specialty Family Foundation funds nine professional directors of marketing and development who are charged with fundraising, increasing enrollment, and improving financial management for their respective schools.

Large-Scale Scholarship Funds

Many dioceses have centralized funds raised exclusively for scholarships or tuition assistance. These funds are managed by a non-profit charitable organization that can be part of a diocese or separately incorporated. These funds are typically raised through direct appeal fundraising and/or endowment income.

One example of a scholarship fund directed to children in urban Catholic schools is the Inner-City Scholarship Fund, a signature program of the Catholic Schools Foundation in Boston. Established in 1991, the Inner-City Scholarship Fund was modeled after the program in the Archdiocese of New York under the same name. Under the 20-year chairmanship of Peter Lynch, the Inner-City Scholarship Fund has raised upwards of \$100 million to provide over 60,000 scholarships for low-income children. Over the last decade, the Fund has consistently raised between \$8 and \$10 million annually.

Another example of a diocesan scholarship fund which includes a gift matching program is the Cardinal's Scholarship Program in the Archdiocese of New York. This is a collaborative program led by the Inner-City Scholarship Fund (New York), the Partnership for Inner-City Education and the Children's Scholarship Fund. The Children's Scholarship Fund matches \$1 for every \$2 raised by these organizations.³⁴ The matching program substantially enhances the Cardinal's Scholarship Fund's ability to support students, which as a result has awarded partial tuition scholarships to nearly 7,400 students since it was established in 2005, including \$12.8 million in 2010.

An example of a non-sectarian scholarship fund is the BASIC (Bay Area Scholarships for Inner-City Children) Fund, which was founded in 1998. The BASIC Fund obtains four-year pledges from donors to ensure that children receive a scholarship through grade eight. On a yearly basis, the BASIC Fund raises and distributes over \$7 million in scholarships to an average of 5,000 children in approximately 300 schools.¹ Catholic schools are typically the preferred choice in the inner-city. The BASIC Fund also benefits from matching funds from the Children's Scholarship Fund.

Large-scale scholarship funds can also benefit from tax credit programs. States that have tax credit programs allow individuals and/or corporations to reduce their tax liability by contributing to scholarship organizations. Tax credits are discussed at greater length in the "State and Local Government Funding" section of this chapter.

Endowments

Endowment funds are becoming a more common component in schools' strategic planning processes. In the NCEA's 2009 study of Catholic elementary schools, half (49.6%) of the schools reported having an endowment fund. Of those with an endowment, 37.4% report a principal investment of under \$100,000; 35.6% between \$100,000 and \$400,000; and 27.1% over \$400,000. A percentage of the earned interest on invested capital can be used toward pre-established goals, e.g.,

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scholarships, strategic capital improvements, etc. Endowment managers typically recommend spending no more than 5% of the amount of the principal investment in interest earnings. This strategy ensures availability of a fixed income into the future.

Large-scale endowment initiatives that focus on a number of schools are growing in popularity. Large endowments can be managed by a separate organization on behalf of the diocese. Collective endowment management allows individual schools to retain the services of a professional fund manager at a reduced cost. In addition, professional fund management provides transparency through timely reporting and auditing of investments.

The Archdiocese of Los Angeles continues to benefit from one of the largest and longest running endowment programs for Catholic schools in the country. Since 1987, the Catholic Education Foundation of Los Angeles has raised over \$100 million for an endowment to support scholarships.³⁵ In the Archdiocese of Seattle, the Fulcrum Foundation manages the combined endowments of 55 schools, which in 2010 totaled \$32.5 million. Fulcrum has raised and invested an additional \$37.4 million for the fund.

The Diocese of Memphis created the Catholic Memphis Urban Schools Trust (CMUST) to raise and manage funding for Catholic elementary schools in the inner-city and other impoverished areas. As a non-profit organization separate from the diocese, CMUST investors are assured of independent oversight of their contributions. As of 2010, CMUST raised a \$30 million endowment.¹ Endowment income is used for scholarships and other family support, such as supplies and uniforms.¹

Leveraging Economies of Scale

Increasing operational efficiencies through economies of scale is becoming more widely utilized. Multi-school collaboration has given schools increased purchasing power, greater capacity to share resources and personnel, and the option of centralizing specialized operations. A collective approach to purchasing and business practices can yield significant cost-savings, increased efficiencies, increased resources, and more professional operations.³⁶ For example, Pope John Paul II Catholic Academy, a consortium school at four campuses in Boston, reports substantial savings on collective purchasing of textbooks and technology. Centralizing finances, tuition collection and payroll, the consortium of four schools has collected 98% of tuition dues, a substantially higher rate than what these schools collected as individual parish schools.

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Some dioceses are centralizing business practices for schools. The Diocese of Bridgeport established diocesan-wide procedures and policies such as a standard salary scale for teachers and principals. Budgets follow standardized formats and are submitted for review to the diocesan Director of School Finance. A business manager oversees payroll, bill payment, and other general funding processes for

one of five school clusters across the diocese. Centralizing business operations allowed the Diocese of Paterson to negotiate contracts to outsource cleaning services and food services on behalf of all schools. Managing business practices was “distracting for principals” said former Superintendent John Erikson. He explained that this is “not a panacea but we are now losing a lot less money” (i.e., several hundred thousand dollars annually).³⁷

An example of a multi-diocesan collaborative is the Mid-Atlantic Catholic Schools Consortium (MACSC). MACSC includes the Archdioceses of Baltimore and Washington, and the Dioceses of Arlington, Richmond, Wheeling-Charleston, and Wilmington. It is managed by an executive director and governed by a board of directors, including six superintendents and people with business expertise. One such board member is Brian Crimmins, CEO of Changing Our World, who contributes his knowledge to the board. Collective purchasing power has allowed schools in these dioceses to negotiate lower costs. In fiscal year 2009, participating dioceses negotiated \$1.2 million in cost savings for utilities, as well as \$20,000 in rebates through collective purchasing from specified vendors.

Partnerships

Catholic College and University Partnerships

Catholic colleges and universities continue to support urban Catholic schools in a variety of ways. In an attempt to ease the financial burden faced by Catholic schools personnel, Catholic colleges and universities often offer Catholic teachers tuition remission and/or significant discounts.

Participating teachers typically receive free tuition for Masters’ degrees in education at the host Catholic college or university and a school receives young, talented, and enthusiastic faculty members at a reduced cost.

One recent innovation in Catholic university outreach is the development of college graduate volunteer programs with a focus on teaching in Catholic schools. Participating teachers typically receive free tuition for Masters’ degrees in education at the host Catholic college or university and a school receives young, talented, and enthusiastic faculty members at a reduced cost. Over the last decade, a network of these innovative teachers programs has developed to form the University Consortium for Catholic Education (UCCE). UCCE programs annually place over 400 teachers in schools across 53 dioceses.

School Community Partnerships

Catholic schools are forming partnerships with community agencies and organizations to increase their access to a variety of services and resources for their students. School-community partnerships can provide an array of services in urban centers. Services delivered by community providers often come at no cost to the school because they are supported by grants, delivered by volunteers, or are reimbursed by students’ health insurance.

One example of school-community partnerships is in the Archdiocese of Boston. Since 2008, Boston College has collaborated with the Catholic Schools Foundation to coordinate and expand access to student support services for elementary school children in 14 urban Catholic schools. City Connects in Catholic Schools identifies the strengths and needs of every student in these schools and connects each to a set of tailored support services in the community: afterschool programs, tutors, mentoring services, anti-bullying programs, safety awareness campaigns, as well as health, counseling and social services. In 2009-2010, Site Coordinators formed partnerships with 164 community agencies, organizations and healthcare institutions that delivered over prevention, early intervention, and intensive intervention services to 2,292 students.

Schools partner with a variety of Catholic social and health services. Since 1998, the Diocese of Wichita Catholic Schools Office has partnered with Via Christi Health Systems, Newman University, and two other local colleges to address the health-related needs of poor parish schools. The School Nurse Program provides health screenings, specialized re-screenings, immunization audits, health education and professional consultations for two dozen Catholic schools.³⁸ In New Orleans, Project Fleur-de-lis (PFDL) is a school-based mental health program that involves a partnership among the Mercy Family Center, local health and human services agencies, and national experts. PFDL implements school mental health and preventive psycho-educational services to over 24,000 students at 60 participating schools.³⁹

Research and Professional Support

In light of the crisis in Catholic education, about a dozen Catholic universities have founded centers charged with the mission to address the needs of Catholic schools. At Boston College, the Roche Center for Catholic Education serves to develop and disseminate evidence-based best practices to revitalize Catholic education. The University of Notre Dame has expanded the Alliance for Catholic Education beyond the original teacher volunteer program to provide a wide range of Catholic school initiatives at the national level. The Loyola University Chicago Center for Catholic School Effectiveness provides tailored, on-site professional development coaching and consulting services to K-12 Catholic educators across the country, focusing on academic excellence and instructional leadership. Such centers allow universities to integrate their efforts to support Catholic schools under one institutional umbrella, enabling them to provide schools with greater access to resources and expertise, often at no cost.

Private Funding

Patron Programs

Traditionally, patron programs have been a central way to engage Catholic community members in local schools. Several dioceses in large urban areas have implemented “adopt-a-school” programs that facilitate partnerships between schools and the business community. Corporate sponsorship programs ask for a multi-year (three to five years) commitment by a wealthy individual or corporate patron. A commitment involves a combination of an annual financial gift and some form of consultation service to the administration. This often takes the form of sitting as a member of the school’s board. These

programs are managed by the diocese or an associated foundation with the goal to improve financial practices in the school, upgrade technology, assist in strategic planning, improve marketing, increase fundraising capacity, and/or build relationships with the community. These programs offer opportunities for a donor, not only to make a financial contribution, but also to help improve the sustainability of the school.

In the Archdiocese of New York, the Patrons Program assists 30 urban Catholic elementary schools. Patrons contribute at least \$150,000 each year for three years to support program enhancement, scholarships, and capital improvements. In addition, patrons are asked to partner with the school administration to improve the financial sustainability of the school and the quality of its programming. The Patrons Program (2010) lists among its outcomes improved tuition collection, enhanced arts and music programs, upgraded libraries, well-designed playgrounds, extended day programs, and additional specialty teachers. In 2009-2010, the program raised \$9.3 million for over 12,000 students. In late 2010, the Patrons Program merged with the Endowment for Inner-City Education and was retitled the Partnership for Inner-City Education.

These programs offer opportunities for a donor, not only to make a financial contribution, but also to help improve the sustainability of the school.

The Big Shoulders Fund also formed a patrons program to match donors to individual inner-city schools in the Archdiocese of Chicago. Since 2000, the Big Shoulders Patrons Program has asked donors to support a school for three years through a \$100,000 annual investment and strategic partnership to improve the viability and financial sustainability of the school. Over 10 years, patrons have committed more than \$18.5 million to 63 participating schools.¹ Patrons also recruit school board members, hire marketing directors, guide strategic planning, create alumni connections, enhance technology, improve professional development and establish tuition assistance programs.

Private Grantmaking

Catholic elementary schools have traditionally benefited from the generosity of wealthy donors and foundations. Individual Catholic schools and dioceses have received substantial gifts that range in size and purpose. Large donor gifts may be unrestricted or earmarked for a specific purpose such as a new facility, improved programming, tuition assistance, or technology improvements.

Many Catholic family foundations have directed a significant portion of their annual giving to urban Catholic schools. The John and Dorothy Shea Foundation is a substantial benefactor to the Catholic schools in the Archdiocese of Los Angeles, contributing over \$8 million in 2009 alone.⁴⁰ The Mathile Family Foundation gives approximately \$5 million annually to support Catholic education in the Dayton area.¹ In 2008, the Yawkey Foundation gave a \$15 million grant to the Pope John Paul II Catholic Academy.¹ An example of a donor outside of the Catholic community is Robert Wilson, who gave \$22.5 million in 2007 to the Archdiocese of New York's Cardinal Scholarship program. In 2010, Robert Wilson's \$8.3 million gift to the Archdiocese of New York established the Catholic Alumni Partnership.⁴¹

Concluding Remarks

If one simply looks at the rates of school closures and enrollment declines, one could conclude that many, if not most, Catholic schools are a risky investment. However, this chapter highlighted many schools and dioceses across the country that are respond to this crisis by developing innovative approaches to ameliorate their financial challenges.

This chapter highlights an array of funding approaches, cites specific examples, and presents trends of innovation that may be useful to dioceses and schools in their strategic planning. In short, traditional approaches are giving way to more strategic, data-tested practices that can increase revenue, reduce costs, and improve access to resources. Collective efforts to fund urban Catholic elementary schools appear to lead to more sustainability than the traditional single school approaches.

The future of urban Catholic elementary education requires the identification and implementation of professional strategies that ensure financial sustainability. Effective funding and cost-savings strategies will draw future investment. Wider communities, both Catholic and non-Catholic, recognize that Catholic schools are an important civic asset. Donors though will remain hesitant without proven funding strategies. A courageous, coordinated effort to support urban Catholic elementary education utilizing tested, innovative strategies will not save all schools but could ensure that this vital ministry will be preserved in some form in every urban center across the country.

²⁹ Foundations and Donors Interested in Catholic Activities, Inc. “Built to Last: Sustainable Partnerships for Catholic Schools of the Future”. Washington, DC, 2011.

³⁰ D. McDonald and M. Schultz, “The Annual Statistical Report on Schools, Enrollment, and Staffing: United States Catholic Elementary and Secondary Schools 2010-2011”. Arlington, VA: National Catholic Educational Association, 2011.

³¹ B. Wilson, In Foundations and Donors Interested in Catholic Activities, Inc. “(Ed). Built to last: Sustainable Partnerships for Catholic Schools of the future”. Washington, DC: FADICA, 2011, p.21.

³² T. Burnford, “Everyone is a Donor!”. Presented at the Mid-Atlantic Catholic Schools Consortium Catholic School Finance Meeting. Columbia, MD: Loyola University Maryland, 2011.

³³ Catholic Alumni Partnership, “Making the difference”. <http://clickyes.com>

³⁴ Endowment for Inner-City Education, The Cardinal’s scholarship fund.

<http://www.endowmentnyc.org/cspscholarship.html>

³⁵ McGladrey & Pullen, LLP, “Catholic Education Foundation of Roman Catholic Archdiocese of Los Angeles: Financial Report”. Los Angeles, CA, 2009.

³⁶ P. Grace, “Coordinated Procurement”. Presented at the 2010 Annual Meeting for the National Leadership Roundtable for Church Management. Philadelphia, PA: University of Pennsylvania, 2010.

³⁷ John Erikson, personal communication, July 22, 2010.

³⁸ E. Goldschmidt, M. Walsh and K. Kelly, “School Based Health Care Programs in Catholic Schools”. Momentum, February/March, p.22-30, 2006.

³⁹ J. Cohen, L. Jaycox, D. Walker, A. Mannarino, A. Langley and J. DuClos, “Treating Traumatized Children after Hurricane Katrina: Project Fleur-de-lis. Clinical Child Family Psychology Review, 12, p.55-64, 2009.

⁴⁰ John and Dorothy Shea Foundation, Tax Form 990-PF: Return of Private Foundation 2008.

<http://www.foundationcenter.org2010>

⁴¹ P. Cole, “Atheist Robert Wilson gives N.Y. Catholic Schools \$5.6 million”. Bloomberg Magazine.

<http://www.bloomberg.com/news/2010-08-089/atheist-robert-wilson-gives-n-y-catholic-schools-5-6-million.html>

Chapter 4: Public Funding

Securing **government funding** for private schools requires a familiarity with policies on the federal level as well as the state and local level. The discussion of public funding warrants a white paper in of itself, however, to begin the conversation, we present to you a brief overview of the topic and a number of examples from the Catholic and Jewish communities. Erik Goldschmidt, Director of the Church in the 21st Century in Boston College, reviews the main programs that offer funding opportunities to private schools along with examples provided by Erik Goldschmidt and Dan Perla.⁴²

Local public school districts receive **federal government funding** based upon the child population in their district, regardless of whether those children attend a public or private school. The districts are required to provide services and/or to fund services for eligible children. The eligibility criteria often include low-income status, English language learners or an identified disability.

The key federal legislation that ensures equitable funding is the *No Child Left Behind Act of 2001*. The eligibility requirement for funding from this legislation is particular to the specific title in the law. Title funding is restricted to a variety of specified uses, several of which are listed below.

Examples of Services Funded by the No Child Left Behind Act of 2001

- Supplemental academic services for economically disadvantaged children (Title IA)
- Improving reading programs for early elementary children (Title IB)
- Training and recruiting teachers and principals (Title IIA)
- Enhancing math and science programs through innovative partnerships (Title IIB)
- Enhanced learning through improved technology (Title IID)
- English language acquisition for immigrant children (Title IIIA)
- Drug abuse prevention programming (Title IV)

Religious private schools are eligible by law to access federal entitlement dollars to provide services to students, teachers and parents. According to estimates, hundreds of millions of federal entitlement dollars go unclaimed by religious private schools annually.

For example, Notre Dame's ACE Consulting has observed that "despite the clear intent of Congress for private school students and teachers to participate equitably ... equitable participation has not been experienced by most Catholic schools".⁴³ In terms of the *No Child Left Behind Act of 2001*, the NCEA reported that 87.2% of the 1,243 elementary schools surveyed indicated receipt of Title II services for faculty professional development.⁴⁴ In 2009, the Archdiocese of Philadelphia received \$15.8 million in Title funding. Several dioceses used Title funding to pay for student support services. The Diocese of St. Paul and Minneapolis uses Title I funding to partially reimburse Catholic Charities counselors in six inner-city schools. The Diocese of Camden and the Archdiocese of Indianapolis use Title IV funding to pay for Catholic Charities counseling services in inner-city Catholic elementary schools.

NCEA identified that 3,086 Catholic schools received E-Rate entitlement in 2012-2013, which provides discounts (20% to 90%) for specified telecommunications costs for schools in urban and rural areas, e.g., phone and internet services.⁴⁵ In 2009, participating schools saved an average of 42.9% of their telecommunications costs through the program.⁴⁶ E-Rate eligibility is determined by the percentage of students qualifying for the National School Lunch Program.

The Department of Agriculture ensures funding to non-public schools through the National School Lunch Program. The program is administered by the state education departments. Schools must be able to supply hot lunches onsite to benefit from this funding. Free lunch funding is available for children from families living at or below 130% of the poverty level (as defined by the federal government). Children living between 130% and 185% of the poverty level are eligible for a reduced-price meal. Parents must complete federal forms to document eligibility.

State and local Government funding streams vary by state. The most significant source of state funding is the so-called “school choice” programs. Twenty publicly-funded school choice programs operate in 12 states and the District of Columbia. This includes both school voucher programs and scholarship tax credit programs. Voucher programs provide tuition assistance for private schools, distributing an estimated \$425 million in scholarships in 2010-2011.⁴⁷ Seven states and the District of Columbia provide over 67,000 eligible students with an average of \$6,315 in scholarship funding to attend private schools. Over 20,000 of these students participate in the Milwaukee Parental Choice Program, the largest and longest-running voucher program in the nation.⁴⁸ Vouchers are typically designated for children from low-income families, children who attend a failing public school, or children with special education needs. Tax credits, the other school choice option, allow individuals and corporations to make pre-tax donations to non-profit scholarship granting organizations. In 2010, tax credit programs generated over \$289 million in scholarship donations for 123,544 children.⁴⁹

Catholic schools benefit from a variety of state and local government programs. Various state programs provide funding for direct and indirect educational services in Catholic schools. Over 2,000 elementary schools received free or subsidized transportation services for 282,593 students paid for by local and/or state governments.⁵⁰

To highlight a school benefitting from multiple government programs, Catholic Central School in Springfield, OH, a PreK-12 school system with three campuses, received over a third (37%) of its revenue from state funding in 2010.⁵¹ This includes \$1 million in tuition vouchers from the Ohio Education Choice Program, \$250,000 for administrative costs reimbursements, and \$500,000 for indirect services (e.g., text books). Other examples include:

- The Diocese of Bridgeport obtains approximately \$350,000 annually in tuition vouchers for preschool State Readiness Funds.¹
- The Archdiocese of St. Louis annually receives over \$300,000 from the Department of Social Services-Family Support Division for two early childhood centers that integrate children with developmental disabilities into mainstream programs.¹

- Pennsylvania Department of Education provides funding for instructional materials and equipment for private schools. In 2010, the Archdiocese of Philadelphia received \$9.3 million in textbook aid through this program.¹

According to a recent article from the Jewish Telegraphic Agency, New York state reimburses private schools for administering state exams and taking students' attendance — state-mandated tasks for which New York Jewish schools received \$42 million last year. The state also funds security programs (including homeland security grants), textbooks, busing, health services, computer software, teacher training and small-group tutoring in various subjects.

As noted earlier, there are seven states that offer state tax credits for education related contributions by corporations and (in some cases) individuals to school scholarship funds. Typically, corporations or individuals can contribute up to \$100,000 to a scholarship fund and receive a 75%-90% state tax credit. The combined size of these seven state scholarship programs appears to exceed \$500 million annually but there is a very wide range of program size among the states. Given the geographic concentration of Jewish day schools, it is scholarship programs in states such as Arizona, Florida, Georgia, Pennsylvania and Virginia that provide the most meaningful support. There are a dozen or more individual Jewish day schools in those states that receive six or seven figure scholarship awards on an annual basis. These scholarship funds are typically administered by nonprofit scholarship-funding organizations.

According to Nathan Diamant of the Orthodox Union (OU), the Jewish Federation of Philadelphia administers the scholarship fund for the Jewish day schools in Philadelphia. According to Diamant, the tax credit has enabled the Federation to increase its level of support for the day schools considerably. Diamant notes that these state scholarship programs “empower all schools to solicit funds from businesses large and small within their community on the basis of seeking investment in their school.”

⁴² E. Goldschmidt and M. Walsh, “Sustaining Urban Catholic Elementary Schools: An Examination of Governance Models and Funding Strategies”. Boston College, 2011.

⁴³ S. Perla, M. Doyle and C. Lamphier, “Elusive Equity: A Report on Superintendents’ Perceptions of the Participation of Eligible Catholic School Students and Teachers in Elementary and Secondary Education Act Programs”. Notre Dame, 2009. IN: Alliance for Catholic Education Press.

IN: Alliance for Catholic Education Press

⁴⁴ National Catholic Education Association, “Financing the mission: A Profile of Catholic elementary schools in the United States 2009”. Arlington, VA, 2009.

⁴⁵ D. McDonald and M. Schultz, “The Annual Statistical Report on Schools, Enrollment, and Staffing: United States Catholic Elementary and Secondary Schools 2010-2011. Arlington, VA: National Catholic Educational Association, 2011.

⁴⁶ National Catholic Education Association, “Financing the mission: A Profile of Catholic elementary schools in the United States 2009”. Arlington, VA, 2009.

⁴⁷ A. Campanella, M. Glenn and L. Perry, “Hope for America’s Children: School Choice Yearbook 2010-2011”. Washington, DC: Alliance for School Choice, 2011.

⁴⁸ National School Board Association, Milwaukee Voucher Program.

<http://www.nsba.org/MainMenu/Advocacy/FederalLaws/SchoolVouchers/VoucherStrategyCenter/MilwaukeevoucherProgram.aspx>

⁴⁹ A. Campanella, M. Glenn and L. Perry, "Hope for America's Children: School Choice Yearbook 2010-2011". Washington, DC: Alliance for School Choice, 2011

⁵⁰ D. McDonald and M. Schultz, "The Annual Statistical Report on Schools, Enrollment, and Staffing: United States Catholic Elementary and Secondary Schools 2010-2011. Arlington, VA: National Catholic Educational Association, 2011.

⁵¹ Kenith Britt, personal communication, July 6, 2011.

Chapter 5: Trends Review and Observations

By Rachel Chasky, Changing Our World

Five Trends in Religious Education Funding

The range of funding strategies examined in this whitepaper demonstrates considerable thought in Catholic and Jewish education to reduce costs, increase revenue, and improve access to resources for religious schools. Common themes can be extracted to guide the exploration, development, and implementation of efforts to improve the sustainability and affordability of religious schools. In the long-run, the following trends can potentially change the way religious schools are financially managed, and can fundamentally affect enrollment, costs, and sources of income and the marketplace overall.

Trend 1: Enrollment Enhancement

Increasing enrollment is critical for long-term sustainability and therefore needs to be a central focus as religious school leaders look towards the future. On a macro level, school enrollment is challenged externally by shifting religious beliefs, fluctuating community demographics and the increased quality of alternative education. On a micro level, many factors come into play when a parent is deciding where to send their child to school. For example, ideals of dogma, quality and environment of the education, small class size and/or the values based education can all impact a parent's decision.

Both communities are facing a reality in which demand for religious education is declining, and both are looking to increase enrollment through multiple channels such as offering a high quality education or providing other competitive advantages. Additional strategies are being developed to increase the perceived value of a religious education, so that families are willing to allocate a larger portion of their household income towards tuition costs. This paper has not addressed this strategy because it is highly situational and is a long-term process, which many communal organizations are attempting to address.

Trend 2: Collaboration Aimed at Cutting Operational Costs

As reality enables a level of communication between schools that was not as necessary in the past, religious schools are working together to meet pressing financial challenges and focus on cutting operational costs. With the goal of overcoming the high costs of managing an independent private school, some Jewish and Catholic schools have partnered in an effort to reduce these expenses. By connecting with other schools that have similar needs, management is able to leverage economies of scale and reduce spending by undertaking larger group purchases, centralized payroll and reducing the costs of other service providers. Essentially, more schools can benefit when a full-time personnel is hired to cover a set of operations for a number of schools rather than each school hiring a part-time person.

Religious schools are also collaborating with universities or community organizations to reduce operating expenses. These partnerships are beneficial in multiple ways beyond cost cutting, since students receive access to services and personnel that would otherwise not be available.

Trend 3: Alternative Education Models

In today's competitive market, religious schools must work to attract students and parents. As discussed in Chapters 2 and 3, religious schools are exhibiting efforts to provide much more than just a religious education, which may have been sufficient to attract high enrollment in the past. Creative models, such as blended learning (seen in the Jewish community) or the Cristo Rey schools⁵² (seen in the Catholic community), enable religious schools to offer high quality educational experiences. Leveraging technology and including career development skills, make these models well suited for the 21st century student population and parent expectations.

Trend 4: Robust Philanthropic Programs

Due to growing financial needs, private religious schools are not sustainable on tuition and Jewish federation or parish subsidies alone. Diverse sources of income and external financial support are needed on an ongoing basis. As highlighted in the preceding chapters, Jewish and Catholic communities are both adopting multiple new approaches to generate income aside from traditional revenue models. While traditional fundraising and development approaches are still being used, many religious schools have come to an understanding that devoting more resources to philanthropy as a source of income can generate a high return on investment. From endowment building to centralized funds, to strategic planning for fundraising and leveraging life insurance – schools in both communities are increasingly implementing enhanced, smarter and more extensive philanthropic programs. Schools are implementing professional quality development programs, applying for competitive grants, engaging funders more effectively, and accessing government funds.

Trend 5: Public Funding

As presented in Chapter 4, federal, state and local government funding is, in fact, a source of income that cannot fully be controlled or predicted by the schools. Allocations are made based on policy formation and political considerations, which fluctuate and are impacted by numerous stakeholders. However, theoretical and working knowledge of federal, state and local government policies is increasingly becoming part of religious schools strategies. As noted in the preceding chapters, public funding is generally based on vouchers, credits, titles or other sorts of limitations on the use of funds, nevertheless, federal, state and local programs can provide a response to specific operational needs and free-up resources for other investments.

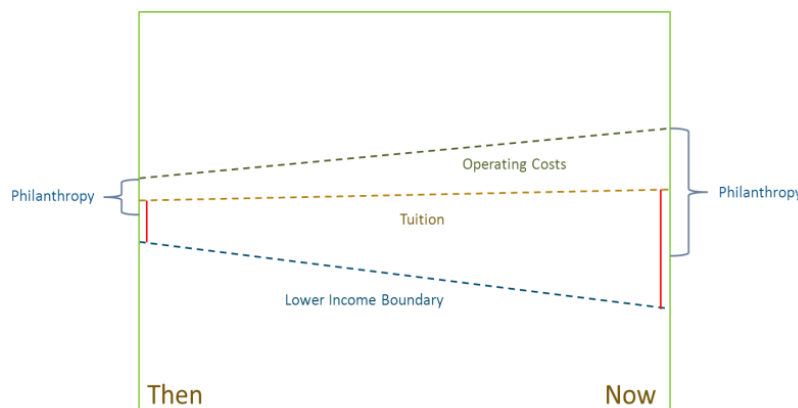
Observations on the Philanthropic Education Landscape

With the understanding of the trending interventions displayed in this whitepaper, Changing Our World has made a number of observations on the changing philanthropic environment and believes a strong philanthropic program will only become increasingly important in the coming years.

Changing Economic and Market Consequences

Philanthropy is a crucial component of income that needs to be fully understood and leveraged in order for religious schools to remain affordable. Research shows that the number of low income households will increase by 17.8% by 2020, while the number of affluent and wealthy households will decline by 9.2% and 5.5% respectively. The median household income has already fallen, and the middle class is predicted to continue shrinking over the next 3-5 years. Religious

communities feel an obligation to offer education regardless of a student's financial capability to pay. This begs the question, *what caliber of education can be provided ensuring enrollment stays steady in a time where families may struggle with tuition?*



Assuming tuition will increase to meet growing operating costs; the decline in average wealth will directly impact tuition. As tuition becomes a larger portion of household expenses, families formally not receiving scholarships will need assistance and those currently obtaining scholarships will need even greater assistance. As displayed in the diagram above, even if tuition is held steady, there will be an increased need for philanthropy to cover the spread between increasing operating costs and decreasing expected income.

It is imperative that both Catholic and Jewish school communities anticipate the increased need for capital, particularly scholarship dollars, with innovative philanthropic strategies. It will also be highly beneficial to include development departments in vision and mission related discussions. When questioned about the future of philanthropy for education, Brian Crimmins, CEO of Changing Our World, stated, "Development directors will ultimately be responsible for funding new initiatives. Their input is integral from the outset."

Concluding Remarks

Changing Our World recommends that both communities take into consideration the various tools that exist within their organizations and community, and decide what interventions present the greatest benefits and opportunities.

In finding the optimal strategy to address the problem of affordability, each community must face the challenging questions at hand. Leaders in the Catholic community must ask themselves, *Is it reasonable to take on the responsibility of educating all students, even though alternative quality schooling opportunities exist?* Similarly, the Jewish community must ask, *Is it the community's responsibility to offer an excellent level of education with the trade-off of affordability?* And for both communities, we must ask, *Who is responsible for addressing the issue of affordability or who should be making the decisions?* and *Is there innovation occurring in another community that can be leveraged for our community?*

Changing Our World, with the expertise of Erik Goldschmidt and Dan Perla, is pleased to present this report as a service to the nonprofit sector and look forward to continuing the conversation with subsequent pieces based on your feedback.

⁵² More information about the Cristo Rey Network at www.cristoreynetwork.org/.

About Changing Our World

Founded in 1999, Changing Our World is an international consulting firm providing personalized solutions in all areas of fundraising and philanthropy. In 2002, Changing Our World became part of the Diversified Agency Services group of Omnicom [NYSE: OMC]. At Changing Our World, we are comprised of a unique group of professionals who believes that everything we do should be grounded in a true understanding of our clients' distinctive challenges and opportunities.

While each of our four primary service areas provides specific expertise, our ability to effectively collaborate to deliver innovative solutions, share best practices, and understand the nuanced strategies that drive clients across the sector forward is what differentiates us from our competitors.

Fundraising: Changing Our World works closely with nonprofit institutions to help them develop and execute strategies that significantly enhance their abilities to secure revenue from both charitable and non-traditional sources. Our work in this regard ranges from multi-million dollar capital campaigns to comprehensive direct response initiatives to integrated annual fundraising programs.

Corporate Social Engagement: We help our corporate clients plan and implement authentic and robust social engagement strategies – around contributions, volunteerism, and cause marketing – that provide positive return on investment to both the community and the business.

Digital: Our Digital team analyzes clients' digital fundraising, communications and marketing, and program efforts, helping them to devise and implement innovative engagement strategies that increase their revenue and impact in a networked world.

Research and Analytics: Changing Our World uses data to create a value chain of analysis and decision metrics that provide the core and constant evidence upon which strategy and action are built.

We have more than 100 professionals and operate nationally with six main offices: our headquarters in New York City and our regional offices in Atlanta, Boston, Dallas, Washington, DC and London.