

Financial Information for Decision-Making in Majority World Seminaries

Marcos Orison de Almeida
ScholarLeaders International

Introduction

During the COVID-19 pandemic, a seminary in Brazil decided to offer online courses, just like many other seminaries in the Majority World. They made the decision quickly because of the need to continue to offer classes during lockdown. Unusually, the school did not have a preexisting online program and therefore had no experience with running online programs. Some faculty and staff even resisted the idea that pastoral formation could be done remotely, without direct personal contact with teachers. However, after several months, although online courses had been implemented on an emergency basis to provide classes to students who had been onsite, the experience generated interest in establishing programs offered fully online.

Some important issues arise in this scenario. The first: Is offering online programs in line with the school's mission? The second: Are online programs economically viable? In other words, can the school ensure that it will be able to sustain the online programs? Will the financial and structural impact be within the capabilities of available resources?

Financial stability should be one of the first questions a seminary asks about any project, whether offering online courses or constructing a new building. For example, when thinking about online courses, seminaries need to consider:

- How much will it cost to buy, install, and maintain a learning management system? Who will run this system, and how much will it cost to train and pay them?
- How much will IT support cost, including equipment (computers, servers, modems, webcams, headsets, a recording studio, lighting, etc.) and personnel?
- Will courses be synchronous or asynchronous? Will faculty need teaching assistants, depending on the answer?
- Will faculty be able to create material, or will it need to be purchased?

- Do current faculty have sufficient time to write and record courses, interact with students, and mentor them in the intensive online environment? Or will the seminary need to hire more faculty?
- Will the library need to be updated for remote access? Will the seminary need to purchase digital resources?
- What is the minimum number of students needed to cover all these new costs? Realistically, will students be able to pay tuition sufficient to cover costs?
- Will students need to purchase their own equipment and/or internet access?

This list demonstrates the importance of having clear financial information to guide the seminary's decision-making. With clear financial information, these questions can be answered manageably; without that information, answering them is nearly impossible. Furthermore, most of the time, the primary challenges to a seminary's finances are not from new projects but from external events. The COVID-19 pandemic is one example, but political, social, and economic upheaval, denominational decisions, and government requirements can all change a school's financial situation – as can faculty illness or departure, deterioration of buildings through bad management or natural disasters, and even transitions from one seminary president to the next. Often, drastic changes happen simultaneously.

Thus, seminary administrators must maintain a routine for quickly checking the seminary's finances. If it is hard to respond to pandemics, political chaos, a hurricane, or even a key faculty member's retirement when the seminary's financial position is easily grasped, how much harder will it be to respond when finances are not being tracked at all?

Although one of the seminary president's primary jobs is making decisions based on finances, many seminary presidents do not have the data they need to make these decisions. Presidents find the job of examining seminary finances to be difficult, usually because of the confusing format and complexity of the information they receive. Four seminaries in Latin America produce monthly accountancy reports of 20 pages or more with detailed codes and numbers. These reports present every single income entry (checks, deposits, transfers, etc.), and every payment made or item purchased in cents. Their presidents struggle to wade through all this information.

Seminary presidents do not need special training in accounting to understand financial information and make wise decisions based on that information. They do not need a thorough knowledge of accounting to manage the seminary's finances responsibly. Instead, they should know enough about the seminary's finances to make decisions, to respond to crises or to opportunities wisely. Their staff should help them get the basic information they need to do this. To make this information

easily available so that seminary leaders can make wise decisions, schools need to follow these steps, as this article will discuss:

- Identify who is in charge of tracking finances
- Establish routines for tracking finances
- Organize financial information in functional, simple ways
- Use that information to make decisions

In essence, financial information should have one aim: to help the seminary president and team make wise decisions so that seminaries can thrive and serve the Church long-term.

Identify Personnel to Track Finances

The staff who track a school's finances depend on the school's size. Larger schools can hire several trained people; smaller schools might ask one person who fills other roles to add finances to her/his tasks, or they might ask a skilled volunteer who is willing to help.

In my experience with *VSI*, I have seen schools at both ends of this spectrum. One Latin American school has four people tracking finances. Because of governmental requirements, they use a computerized system that cost approximately \$70,000 (USD). At the other extreme, a school in Africa relies on one person who also does other tasks. An assistant to that person receives and makes payments. All their transactions happen in cash because this African country does not have an electronic banking system, and they track finances via paper notes that are later processed by an elderly volunteer who lives in another country.

At first glance, one might think that the first example is ideal. However, a four-person financial department with such an expensive system is probably overkill for most Majority World seminaries. Financial operations at most Majority World seminaries are quite simple and do not need lots of personnel and expensive systems. Seminaries can find much more economical solutions. On the other hand, the second example puts the seminary's day-to-day administration at risk: If only one busy individual tracks the school's finances, and that person becomes distracted or ill, then the school's financial tracking can quickly fall behind.

Another school in Latin America found an interesting and functional solution. Its staff member responsible for finances is trained in administration with professional experience from working in a bank. The school receptionist/secretary helps by receiving tuition payments, organizing them, and passing them on to the financial professional. More complex accounting and legal compliance are done by a firm hired for the amount of a monthly minimum wage. This firm receives all documents, receipts, bank statements, etc. from the school's financial officer

and processes the information in the formats required by auditors, board, and government, with monthly and annual reports. It also issues legal fees and taxes to be paid. Finally, a fiscal council of board members voluntarily supervises the entire process throughout the year.

All these examples demonstrate that whether the school's financial department is large or small, faithful staff are necessary. Regardless of size, staff need to have clearly-defined roles and responsibilities. They need basic skills: attention to detail for verifying data, discretion for handling sensitive funds, organization, basic writing skills for composing reports, and a basic understanding of software. Technical skills, such as accounting, can be acquired as needed or transferred to an outside expert under contract.

The most important thing is that seminary staff understand their roles clearly. Unless the people involved know exactly who is doing what, tracking finances will be difficult. Once people understand their roles, they will more readily be able to organize financial information to help seminary leaders make wise decisions. In addition, the staff who are responsible for accounting need to know that the president will be relying on them for information that will guide decisions. They need to think about what kinds of information the president needs to make decisions and what layout of that information would be most helpful. When people know that they are responsible and know what the information they generate will be used for, the seminary can avoid the problem of president and financial staff talking past each other.

Establish Operations for Tracking Finances

The main financial operations are:

- **Cash flow control:** Tracking money as it comes into and leaves the seminary.
- **Assets management:** Paying attention to bank account levels, investments, debt payments, costs associated with real estate (if any), etc.
- **Planning:** Thinking about the future through forecasting financial income/expenses, budgeting, and, at the same time, planning the seminary's activities (everything including enrollments, courses offered, new projects, etc.).

Day-to-day, the seminary needs to focus on controlling the flow of money – the first point above. This is fairly straightforward, and the seminary should have at least one person dedicated to this activity. In most schools, the largest volume of money comes in on specific days when students pay tuition. Some expenses also occur on specific days, such as wages, rent, and utilities (water, electricity,

internet, etc.). Others are distributed throughout the month, whether they are purchases, maintenance, or emergency actions. Someone must constantly monitor when money comes in and goes out, whether payments are made in cash or online. Faithful management will guarantee that the seminary has enough money to make payments.

Assets management is more technical and will likely need concentrated effort at a specific time. If a seminary has significant holdings (business, real estate, equipment, stocks, capital, etc.), it might need to hire specialists who can manage them and provide an annual assessment of how they are doing. This work is a little more complex because it deals with the value of the business, real estate, etc. and considers its growth and/or depreciation. The person or firm doing this type of management must comply with local laws and produce the required reports. While important for long-range planning, asset management does not usually affect ongoing operational decisions.

For school leaders, all of this information and tracking ultimately serves the purpose of making decisions and developing long-range plans. Planning is one of the most difficult items on the list and has been neglected in most theological seminaries. To be done well, the leaders of every part of the seminary need to be involved, as well as the seminary's board and/or denominational leaders. Planning must be part of a clear strategy that fulfills the institutional mission. Much of what planning means in practice was addressed in the introduction to this article when we simulated a school's intention to start offering an online program. Because of the scope of the issues raised, people responsible from different sectors (academic, administrative, library, IT, etc.) will contribute with information so that the planning is done well. This information will predict the financial results of the actions taken – in the case of our example, an online program. Another important element of planning is the budget, which provides reference information for day-to-day financial management.

The three operations – cash flow control, assets management, and planning – are interconnected. Day-to-day cash flow is managed based on the budget, which comes from planning according to the resources described by asset management. In turn, day-to-day financial management directly impacts the institution's assets and plans for the coming year.

Organize Financial Information

The financial sector's main job is to produce reports that serve the seminary's president, its board, auditors, and/or the government. The financial sector will need to produce different reports for different people. For example, reports required by pre-established governmental forms often follow complex patterns with detailed information that is difficult for a seminary president or board member to understand. Therefore, a report produced for the government probably will not help a seminary president make day-to-day decisions. So the financial sector will most likely need to create reports in different formats – one format that meets government requirements; another format (simpler) that helps the seminary president make decisions; and so forth.

To help seminary presidents make decisions, the financial staff should create reports that allow the president to grasp overall income and expenditure easily. There is no one “right” way to do this, but from my experience with *VSI*, I will suggest an initial path that can be adapted depending on a seminary's unique situation.

First, I suggest that the seminary use simple spreadsheets built in Microsoft Excel or similar software. These can be quickly edited, shared, and printed, facilitating discussions.

Next, we need to consider the categories that should organize a school's financial tracking. A school should have at least three spreadsheets:

- a) Income and expenditure
- b) Allocations of faculty time
- c) Program costs per student

The allocations of faculty time spreadsheet (b) and costs of programs per student spreadsheet (c) feed information into the overall income and expenditure spreadsheet (a). The general spreadsheet (a) summarizes the school's primary information. Other categories could be added, but these three categories represent most of the information needed for common, recurring decisions.

In more detail, “income” means three basic sources: tuition, donations, and third-stream (see Table 1 below).

- **Tuition:** All funds from students, direct or indirect (paid by students themselves or paid by churches/denominations).
- **Donations:** All gifts, whether local or foreign. (Schools may want donations to be segregated by source (domestic, foreign), type of donor (church, individual, grant), relationship (alumni, other), etc. For reporting purposes, these categories can be condensed or expanded as needed.)

- Third-stream revenue: Funds generated by business projects not directly related to the seminary’s primary educational mission. Examples include rental facilities or guest houses. (Some seminaries even have bakeries or small farms.)

Other income – from event registrations, sale of books or souvenirs, etc. – tends to be minimal.

Table 1: An Example of an Income Spreadsheet

INCOME	Jan	Feb
Tuition	0,00	0,00
Bachelor	0,00	0,00
Masters	0,00	0,00
Doctorate	0,00	0,00
Donation	0,00	0,00
Local	0,00	0,00
Overseas	0,00	0,00
<i>Designated project - building</i>	0,00	0,00
Third Stream	0,00	0,00
Guest house	0,00	0,00
Meeting room rental	0,00	0,00
Bakery	0,00	0,00
Other	0,00	0,00
TOTAL INCOME	0,00	0,00

Grouping information this way allows the seminary’s leaders to grasp the financial situation more quickly and objectively so that they can make decisions. Of course, each group can be subdivided to help analysis. For example, tuition might be divided between undergraduate and graduate students. It could be further subdivided by program – license, diploma, BTh, MTh, MDiv, PhD, etc. Each program could be subdivided by concentration – leadership, counseling, missiology, education, Old or New Testament, etc. When to stop subdividing depends on the seminary’s size, situation, and the kinds of decisions that must be made.

This is also true for expenditure. Expenses can be divided into primary categories: personnel-related (salaries, etc.), academic-related (library, events, etc.), student-related (housing, etc.), administrative/financial (internet, etc.), infrastructure (building maintenance, etc.), and fundraising. Here, too, a seminary

can subdivide by groups according to its unique needs (see Table 2 below). For example:

- Personnel: Faculty and staff
- Students: Housing and dining
- Administration/finances: Accounting, bank fees, legal fees, taxes, and loans
- Infrastructure: Utilities, cleaning, internet, and security
- Advancement: Events, alumni, and printing costs

Table 2: An Example of an Expenditure Spreadsheet

EXPENDITURE	Jan	Feb
Personnel	0,00	0,00
Faculty	0,00	0,00
Staff	0,00	0,00
Academics	0,00	0,00
Library	0,00	0,00
Events	0,00	0,00
Student Related	0,00	0,00
Housing	0,00	0,00
Refectory	0,00	0,00
Administration and Finances	0,00	0,00
Accountancy and Audit	0,00	0,00
Bank fees	0,00	0,00
Infrastructure	0,00	0,00
Utilities	0,00	0,00
Maintenance	0,00	0,00
Security	0,00	0,00
Fundraising	0,00	0,00
Alumni	0,00	0,00
Events	0,00	0,00
Other	0,00	0,00
TOTAL EXPENDITURE	0,00	0,00

This general spreadsheet (a) contains three categories:

- **Budgeted:** The past – What did you think would happen financially? Budgeted numbers allow a leader to know whether what has happened over the past months is healthy or not, whether the budget is balanced or not.
- **Realized:** The present – What has actually come in? What has actually been spent out? If “Realized” deviates too much from “Budgeted,” the leader will know that the seminary’s financial health is in jeopardy and that s/he needs to make decisions to change course.
- **Projected:** The future – Where are things trending for decision making purposes?

An explanation about the Projected category in particular: Between the budget and the actual, leaders would do well to make projections.¹ These can be especially helpful for categories that do not occur in evenly distributed increments. For example, a school that collects tuition in January and August will often see huge spikes in income in those months, followed by relatively low income in between.

At the beginning of the year, the Projected column will match the budget. However, as the year progresses, it will adjust. For example, a large intake of students may have the school projecting ahead of budget for the year, while a lower than average intake may mean that the school begins to project that they will be behind budget. In the same way, knowing the rhythm for receiving donations will help with projections. Knowing that a large grant will not come until the final quarter allows the projection to be positive even while a significant gap lies between the Actual and the Budgeted lines.

Similarly, projections on the expense side can help guide decisions. For example, a colder than average winter may mean that a seminary in Russia spends more on heating in the first half of the year. Because six months remain in the calendar, the actual expenses still show a total below the utilities budget for the year. However, the projection would show that the school will most likely overspend in this category as expenses continue to occur during the second half of the year. Similarly, a communications budget may show a lot of surplus all year because the school’s annual mailing happens at the end of the fiscal year. Again, the actual spending makes it look like the budget has significant surplus. However, the projection shows that the school plans to spend all that money eventually, so therefore, communications is not a category with surplus.

Projections like these help to guide decisions and give important information to leaders about the relationship between the budget and the actual income/

¹ From our experience, many schools do not make projections in their budgets but may benefit from doing so.

expenses so far, rather than just dividing the budget category evenly over 12 months.

Table 3: An Example of a Full Income & Expenditure Spreadsheet

INCOME	BUDGET	REALIZED		PROJECTION
		Jan	Feb	
Tuition	0,00	0,00	0,00	0,00
Bachelor	0,00	0,00	0,00	0,00
Masters	0,00	0,00	0,00	0,00
Doctorate	0,00	0,00	0,00	0,00
Donation	0,00	0,00	0,00	0,00
Local	0,00	0,00	0,00	0,00
Overseas	0,00	0,00	0,00	0,00
<i>Designated project - building</i>	0,00	0,00	0,00	0,00
Third Stream	0,00	0,00	0,00	0,00
Guest house	0,00	0,00	0,00	0,00
Meeting room rental	0,00	0,00	0,00	0,00
Bakery	0,00	0,00	0,00	0,00
Other	0,00	0,00	0,00	0,00
TOTAL INCOME	0,00	0,00	0,00	0,00

EXPENDITURE	BUDGET	REALIZED		PROJECTION
		Jan	Feb	
Personnel	0,00	0,00	0,00	0,00
Faculty	0,00	0,00	0,00	0,00
Staff	0,00	0,00	0,00	0,00
Academics	0,00	0,00	0,00	0,00
Library	0,00	0,00	0,00	0,00
Events	0,00	0,00	0,00	0,00

The second important spreadsheet is faculty time allocation (b) (see Table 4 below). It allows seminary leaders to calculate program costs per student (c). In the faculty time spreadsheet, a seminary can chart how teachers' weekly working hours are distributed by percentages across various programs and according to work performed (teaching, mentoring, writing, researching, administering, etc.). This information helps the seminary's leaders understand how much labor each program requires, which is that program's primary direct cost.

Table 4: An Example of a Faculty Time Allocation Spreadsheet

Faculty	Activities	Bachelor	Masters	Doctorate	Total
Abraham Strong	Teaching	8	4		12
	Mentoring		4		4
	Research		2		2
	Writing		2		2
	Administration	10			10
	Total		18	12	0
Charles Joy	Teaching	2	4	8	14
	Mentoring			4	4
	Research			4	4
	Writing			2	2
	Administration			16	16
	Total	2	4	34	40
Total hours		20	16	34	70
%		29%	23%	49%	100%

This table is also useful for faculty planning and development. Deans want to figure out workloads to make sure that faculty are carrying equitable amounts of teaching. Financially, it is important to know how faculty workloads translate into programs, tuition, etc. and their impact on how to allocate salaries.

The third worksheet calculates program costs per student (c). It can also be divided into income and expenditure (see Table 5 below). The income section indicates the number of students enrolled and the tuition for each program offered. The expenditure section indicates how much cost each program requires in terms of personnel (faculty time is an expense because those faculty must be paid for their time, for instance), infrastructure (internet for an online program must be factored in, for instance), and so forth. These costs can be estimated as percentages. They do not have to be absolutely accurate. Instead, seminary leaders will be most helped with accurate estimates.

To understand the method proposed here, recognize that the expenses of administrative staff, registrar, library, infrastructure, etc. serve all programs. It would be difficult to calculate exactly how much each of these items costs in direct relation to specific programs, but it is possible to make some approximations. For example, a program that contains more students or requires more administrative actions to register grades and issue documents will consume more of the registrar’s time. Therefore, we can estimate what percentage (based

on hours) of that sector is used by each program. The same reasoning can be applied to infrastructure. A program with resident students will consume more of the physical structures and utilities than one in which students work in a modular or intensive way. Again, it is possible to estimate the percentage of consumption in this spending group for each program, and so on.

Table 5: An Example of a Program Allocation Spreadsheet

PROGRAM ALLOCATION (COST PER STUDENT)

Income	Bachelor	Masters	Doctorate	Total
# Students	120	40	30	190
Tuition	100,00	220,00	400,00	
Total	12.000,00	8.800,00	12.000,00	32.800,00
Expenditure				
Faculty	29%	23%	48%	100%
	8.410,00	6.670,00	13.920,00	
Staff	40%	35%	25%	100%
	2.400,00	2.100,00	1.500,00	
Academics	50%	30%	20%	100%
	4.525,00	2.715,00	1.810,00	
Student Related	40%	25%	35%	100%
	440,00	275,00	385,00	
Administration and Finances	40%	35%	25%	100%
	360,00	315,00	225,00	
Infrastructure	45%	35%	20%	100%
	1.350,00	1.050,00	600,00	
Fundraising	40%	30%	30%	100%
	200,00	150,00	150,00	
Other	40%	35%	25%	100%
	160,00	140,00	100,00	
Total	17.845,00	13.415,00	18.690,00	49.950,00
Balance	-5.845,00	-4.615,00	-6.690,00	-17.150,00
Cost per student	148,71	335,38	623,00	

This spreadsheet allows leaders to evaluate programs depending on the number of students enrolled in them and tuition charged from those students. Note that in the faculty row, the percentage shown comes from the faculty time allocation spreadsheet (b). Leaders can then decide whether any particular program is profitable or failing.

Similarly, thanks to this spreadsheet, leaders can project goals for attracting more students. They can think about adjusting tuition fees and/or cutting specific expenses. The seminary's fundraising personnel can use this spreadsheet to create fundraising goals, and they can use it to tell students and donors the real values of their courses.

If financial information is organized in a way similar to what I have suggested here, it will help seminary leaders make wise decisions about how the seminary should function.

Use Financial Information to Make Decisions

The primary role of the seminary's executive leader is to make wise decisions about how the seminary uses its resources. The leader makes these decisions with the help of her/his team. Every decision must be aimed at helping the seminary fulfill its mission. Some decisions will be made to respond to immediate crises. Others will be made to plan long-term. Whether reacting to emergencies or looking ahead to positive opportunities, a seminary must remain focused on its mission. Focus on mission helps a seminary avoid waste and controversy.

I return to the example of creating an online program. If the leadership team decides that an online program will help the seminary fulfill its mission, then they will need to quantify the financial impact it will have. With the help of the spreadsheets I outlined above, the team will be able to estimate that impact. In the general spreadsheet (a), they will estimate possible expenses related to personnel, facilities, new equipment, etc. In the faculty time allocation spreadsheet (b), they can calculate how much time and salary will need to go to support those who will run the program. These expenses will help the leadership team revise the program cost per student spreadsheet (c). They will then be able to see how many students and how much tuition will be necessary for the new program to be successful – and that in turn will feed back into the overall tuition line of the general spreadsheet (a).

To make a final decision, the leadership team and financial staff will need to tweak the variables in the worksheets. They will need to imagine various scenarios, such as reallocating resources from other programs to prioritize the new program and fundraising to support the new program. Adopting this administrative perspective is a way to ensure that the school remains economically viable.

Conclusion

Although this article has focused on the internal benefits of tracking financial information, the benefits of this simple approach will extend to the seminary's board, partner churches, donors, employees, students, and accreditors because all of these stakeholders will now be part of a more financially stable seminary.

An executive leader or president will always be making decisions, but s/he does not need to have a background in finance. What s/he needs is to have clear and organized information to assist her/him in making decisions that will feed the school's long-term health. I invite readers to consider my suggestions above, apply them to their own reality, and adapt them as needed to help their seminary seek financial stability.



Marcos Orison de Almeida

Marcos has served with the *ScholarLeaders Vital SustainAbility Initiative* since 2016. Since 1998, he has worked at South American Theological Seminary in Londrina, Brazil as a full-time teacher and in many administrative positions, including as President from 2006 to 2010. Marcos is also an Evaluator of Theological Institutions and Courses for the Brazilian Department of Education. He is an ordained Presbyterian minister. He received a *LeaderStudies* scholarship for his PhD at Fuller. He and his wife Patricia have two children.