

## Notice of ATS Warning and United's Response

Updated February 2023

The Association of Theological Schools' (ATS) Commission on Accrediting issued a warning to United Theological Seminary of the Twin Cities, effective February 22, 2021, for being at risk of not meeting two of ATS' Standards of Accreditation: Standard 10.3, "The school has sufficient and stable financial resources to achieve its mission with educational quality and financial sustainability;" and Standard 10.5, "The school protects and preserves any endowed funds, including utilizing prudent endowment draws." The determination was based on the school's financial statements ending June 30, 2020.

A warning is the lowest level of the commission's three public sanctions, issued when ATS determines that a school substantially meets their standards but is at risk of not meeting one or more standards. This action does not put United in danger of losing its accreditation with ATS; it is merely a public statement of concerns that may lead to United not meeting the identified Standards. The seminary accepted the determination of ATS and also accepted responsibility to aggressively address ATS' concerns.

United has clearly demonstrated its progress over the past two years in regaining financial sustainability and protecting its endowment. Key examples include:

- a new budgeting process that regularly collects relevant information from across the seminary to accurately project revenues and expenses over a five year span;
- aggressive measures to control expenses including targeted workforce reduction and zero-based budgeting for non-compensation expenditures;
- stepped up efforts to increase tuition revenue through continued student enrollment growth;
- budgeting based on more realistic projections of donor giving;
- board policies and practices that more properly value and protect the seminary's endowed investments; and
- conducting an endowment clarification process to revolve restriction of older endowment funds, freeing up their investment revenues to be used toward operational expenses.

These steps have resulted in a significant reduction in spending, continued growth in student enrollment, and a dramatic decrease in endowment draws to sustainable levels. Based on its current five-year model, the seminary anticipates a zero net cash deficit in FY2025 and a net cash and accounting surplus starting in FY2026.

In November 2022, United submitted to ATS a report documenting evidence of its progress toward financial sustainability. Based on this report, in January 2023, the board of ATS' Commission on Accrediting extended for good cause the warning on finances to United for one year. According to the board's letter conveying its action, "The school has shown capacity to address its financial challenges during the period of warning; however, it is not clear if these

strategies can be sustained long term.” A one-year Extension for Good Cause is the maximum extension for a warning.

United will submit to ATS a follow-up report by November 1, 2023, to address ATS’ concerns about the sustainability of the seminary’s progress towards financial sustainability. ATS is subsequently expected to make a final determination regarding the warning issued to United in January 2024.