

**Christian Education Activities Corporation
Stark College and Seminary
Hand and Dove Legacy Foundation
BOARD MEETING MINUTES
November 3, 2022 ~ 1:00 pm**

Present: Don Leavell, Juan Vega, Andrew Miller, Kathryn Albin, Dr. Karlene Lyn, Kevin Pagan, Dan Zamora, Dr. Albert Reyes, Gary Morgan, Jim Naismith, Dr. Ed Reyes, Jeanette Gordon, and Dr. Melinda Rodriguez.

Remote: Mark Casanova, Kevin Wood, Velma Kemp, Troy Riggs, Lee Ortegon, and Dr. Reaves.

Absent: Nidia Quintanilla.

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Call to order and invocation of CEAC & HDLF board meeting by Dr. Karlene Lyn, Chairwoman who prayed at 1:16 pm.

Consent Agenda Items

11.03.22 Memorandum of Dept. Highlights, Minutes, and Policies in review:

- July 2022 Executive Summary & Minutes
- 9.27.22 Executive Committee Meeting Minutes
- CEAC Policies for Review
 - Constitution (no changes)
 - By-Laws (no changes)
 - Fixed Asset Policy
 - Independent Study Policy (deletions in red, additions in blue)
 - Q: How many students requested independent study in 2021 vs 2022?
 - A: See memo of departmental highlights under academics.
- Updates resulting from ABHE's Site Team visit:
 - Employee Handbook (deletions in red, additions in blue)
 - Faculty Handbook (deletions in red, additions in blue)
 - Earl and Ohuita Hill Library Handbook 2022-2023 (new handbook)
- Proposed CEAC 2023-24 officer list:
 - Board Chair - Kevin Pagan
 - Vice Chair - Kathryn Albin
 - Treasurer - Jim Naismith
 - Secretary - Velma Kemp
 - Academic Chair - Dr. Derrick Reaves
 - Development - Andrew Miller
 - Governance - Kathryn Albin
 - Business/Finance - Kevin Wood

- Student Services - Troy Riggs
- Vote

Dr. Lyn explained what the consent agenda items are and that the items normally tend to have minimal changes as noted therein. She asked if there were any concerns and there were none.

Kevin Pagan moved to approve the entire consent agenda items as submitted, and Andrew Miller seconded the motion.

To provide some context Dr. Celelli shared that we answered a trustee's question regarding accreditation and referred trustees to the Memo of Department Highlights that reflected requests for independent studies had dropped from 20 to 1. Since SCS has changed classes to different modalities, it is helping students finish their degrees on their timetables.

Dr. Reyes had some questions regarding the independent study policy so Dr. Lyn moved this one item to new business.

***All trustees were in favor of approving the consent agenda items minus the Independent Study policy.

Before proceeding to the next portion, Dr. Lyn asked the trustees to share their name and title or role, which they did.

Dr. Lyn then acknowledged the new trustee candidate, Dr. Melinda Rodriguez, who has been vetted by Dr. Celelli and the Governance Committee.

Governance Committee Recommendation

- Trustee Candidate for November Vote
 - [Dr. Melinda Rodriguez CV](#)
 - [Dr. Melinda Rodriguez Letter Testimony](#)
- Vote

***The Governance Committee is recommending Dr. Rodriguez as a trustee to the full board; all in favor approved of adding Dr. Rodriguez as a trustee.

Dr. Lyn then passed it on to Dr. Stapper to facilitate the audit conversation with Tammara Williamson, who is a partner with CapinCrouse LLP, our audit firm.

Audit Presentation

- 2021-22 CapinCrouse Financial Audit
 - [Management Letter](#)
 - [2021-22 Audit Report](#)
- Q&A

Dr. Stapper asked Tammara to review the process of performing the audit. Tammara shared the different personnel and various levels of review on the audit from CapinCrouse accountants. Dr. Stapper referenced the management letter that states the purpose of the audit. Tammara shared that they do not see every detail, but do seek to look at the riskier and significant areas of financial operation to make sure they are free from errors or misstatements. CapinCrouse reviews the procedures of SCS that are expected to be in place but then performs different tests to review those procedures. Dr. Stapper highlighted that our engagement with Capincrouse does not only look at our numbers, but our processes. He then asked Tammara what things are you looking for in control processes? Tammara responded that for Stark, we look at your contributions process, tuition process, endowments, and payroll along with how the money comes in and how the money goes out to make sure the transactions are being recorded correctly. Also, they look at internal procedures and IT controls. All of these areas inform the level of detail the finances are reviewed by the accountants, depending on the level of risk they find in the controls. Dr. Stapper added that this process also includes CapinCrouse requesting documentation for a specific transaction to see what was involved in the process.

On page 3 there are two “comments” on significant misstatement and cash disbursement. Tammara stated the audit revealed some changes from one year to the next. She highlighted that Dr. Stapper is not responsible for the day-to-day transactions but rather an outsourced, third-party bookkeeper. That third party company had a change of personnel who balanced Stark’s books. After the transition of that individual, there were quite a few items that were not entered correctly so that’s the primary reason for the comment. The second comment arose from Dr. Stapper’s access to potentially create an invoice and make payment without any other party from Stark. CapinCrouse recommended changing Dr. Stapper’s access level so no single person could approve the payment and then disperse it; this recommendation has already been completed.

Questions?

Kevin Pagan asked if the adjustments contained on page 5 were directly related to the change of the bookkeeping services? Tammara answered yes as those misstatements were what drove this comment.

Dr. Reaves asked what is the formal bank account review of reconciliations? Dr. Stapper shared that he and Celina have a shared document regarding the bank statement that they complete and then submit to Dr. Celelli for his final review.

Dr. Stapper referenced the financial statements as they correlated with the audit. Dr. Stapper referenced page 3, which includes the opinion of CapinCrouse. Tammara stated that CapinCrouse gave SCS a *clean opinion*, which is good. Dr. Stapper referred to page 5 that references the consolidated statements of financial position. It went down below ten million dollars. Tammara highlighted that the investment market this past year did not do well, which led to the decrease. When the market increases or decreases, it affects the value of our assets. Dr. Stapper asked Tammara to explain the difference between the net asset categories including gifts with restrictions or non-restrictions. If a donor gives toward an

endowment or toward scholarships, it falls under the “with restrictions” category. Additionally, he noted the difference in permanently restricted gifts towards endowments vs. gifts with a specific purpose and time, such as scholarships. The non-restricted gifts can be used for anything, as they have no restrictions or designations.

On page 6 Dr. Stapper noted that 26% of our unrestricted revenue comes from tuition and fees. Dr. Stapper asked Tammara what she sees in other organizations? Tammara responded that SCS’s 26% of tuition revenue is a lot lower compared to other higher ed institutions. Additionally, SCS does not receive the same federal funding as others. This is a component of SCS’ diversified revenue approach.

On page 5 there is a negative change in our net assets. Tammara explained that the negative number is driven primarily by the same effect of the market that we saw in the decrease of overall assets.

Questions for Tammara? None.

Dr. Celelli expressed appreciation for Tammara answering all our questions, but asked if there was anything else she needed to tell the trustees? Tammara did not have anything in particular but shared her appreciation in working with Dr. Stapper and the team who worked on the audit.

Dr. Lyn thanked Tammara and Dr. Stapper. Tammara exited the meeting.

Dr. Lyn dismissed trustees on a break at 1:58 pm.

—Meeting resumed at 2:07 pm.

Dr. Lyn passed it on to Dr. Celelli for the President’s Report.

Dr. Celelli thanked everyone for coming to McAllen. We try to come to McAllen at least once every other year.

President’s Report

The President’s Report is like the state of the union address. We identified “KPI’s” (key performance indicators) and are watching the future trajectory. Dr. Celelli shared how he believes SCS is very strong in five different areas.

1. **SCS is strong financially.** We just spent time with Tammara from CapinCrouse and they are very thorough. While they are asking for additional items in our processes, it stung to have the two comments on our management letter. They were not fraud related. The bottom line was still the same. For example, the \$72,000 gift that was designated to SCS but had not yet been given. We had worked with Bilaye for 3 years and the accountant we used could not stay with us due to her husband having cancer. The new bookkeeper made mistakes in her recording of transactions. Bilaye said that they could not give us a CPA so we moved on. We tried to hire a CPA and

none of the applicants had the level of expertise we needed. CapinCrouse told Dr. Stapper about Bright CPA's, an organization like CapinCrouse. For twice the cost, we now have an experienced bookkeeper with oversight by two CPA's. Because we switched to Bright, we're going to have more time to level personnel time. While we had two comments on our audit, it was not due to financial fraud or mismanagement but rather due to growing pains of our institution. We have 1.2 million dollars in the bank and our annual budget is 1.6 million. We have a wonderful beneficiary trust (Borchard Estate) and we are 1/12 owner of the proceeds. The first quarter distribution was more than what we had budgeted for the year. Most Baptist colleges derive about 90% of their revenue from tuition. SCS moved from 3% to 26% over the last several years. Are donors still giving? Yes. Are we being frugal? Yes. The financial condition of Stark is stronger than we've had in four years.

Questions? Dr. Reyes mentioned that a faith-based Senior Living Community went bankrupt. I've asked my team to find out why as a case study. I only heard recently about Southwestern Baptist Theological Seminary (SWBTS) and maybe we can look into what went wrong so we can learn from that. Dr. Celelli said that we watch what's going on in Christian higher ed. Several institutions are going bankrupt or are on the edge of bankruptcy. The last ATS published statistic was that 65% of stand alone seminaries are having financial difficulty. SWBTS had 5,000 students and was the largest seminary in the world. Now they have about 1,200 students. Other challenges they faced was a contentious leadership transition about five years ago and the president resigned last month. The point being, we can never rest on our past because even the largest seminaries are entering into difficult times. Additional challenges coalesce around a college's business model that depends on tuition and government funding. If public policy changes, then Title IV funding (pell grants and school loans) can drastically change as well. There is significant fear of losing access to Title IV funding among Christian institutions because of claims of discrimination regarding sexual orientation and gender identity. As if these concerns were not enough, there is a high default rate of student loans across the country which is fueling the push to have a federal loan forgiveness plan. For these reasons, Stark's business model excludes Title IV funding, because the additional revenue was not worth the risk that came with strings from the government. Thus, our fiscally conservative approach alleviates many of the concerns other institutions fret over.

2. **SCS is stronger emotionally.** Coming on the other side of the pandemic, several members of our staff were under external and internal sources of stress. One of our former student interns committed suicide and it was a terrible blow to moral at SCS. In an effort to address the sadness, Dr. Celelli began to normalize and encourage mental health conversations and counseling options. Then, we experienced another emotional blow when BH Carroll dissolved the merger. A third setback was when Texas A&M Corpus Christi made an offer in February to buy our property only to back away from the offer in June. Although I experienced a temporary "quiet quitting" period, my team and I are refocused and recharged. Like Moses who needed help to hold his arms up, we rallied around one another. I am confident in saying SCS is stronger emotionally than we were at the beginning of the year.

3. **SCS is stronger spiritually.** We revamped the staff Monday devotional and prayer meeting that is now being led by faculty who share a devotional weekly. Leadership has encouraged all staff to “read through the Bible” and regularly hold one another accountable and we do.
4. **SCS is stronger organizationally.** In our [11.03.22 Memo of Department Highlights](#) we linked the results of our Staff Satisfaction Survey from 2019 and for 2022. It is managed by HR. The results say that we are at a healthy level in all five areas.
5. **SCS is results focused.** Enrollment is not as strong as during the pandemic but still strong. Fifteen percent year-over-year enrollment growth is practically impossible, but that is our goal nonetheless. There is a major enrollment cliff coming to colleges across the country because of the demographic changes happening in society. Although SCS is on an enrollment plateau, it is better than a decline. Our student demographics are continuing to persist (ethnic, gender, and age), which means that we are continuing to remain a minority driven institution.

Thoughts?

Don Leavell asked how many SCS students go on to get a PhD? Dr. Celelli replied that Stark’s target audience is for work in the church, not in the academy but we do have students who are pursuing those degrees. Dr. Dunn shared that we track alumni and ask them in their exit survey. Our 2021-22 survey showed that 78% of our MA graduates were pursuing further education. Don Leavell knew of two to three younger people who are pursuing a doctorate. Dr. Reyes noted that the BGCT and Christian universities are expecting a decline or enrollment cliff. Dr. Celelli agreed that the number of students coming up will be dramatically lower than those that exist today. Dr. Reyes added that the Hispanic population increase has now made them the majority in the state of Texas and that we are now undergoing an “epic transformation.” Dr. Celelli believes that SCS is already in a position that many other institutions envy. Many Baptist schools are still behind. For example, HSU’s enrollment is down 25%. Dr. Reyes commended Dr. Celelli and the team as the model to be ahead in the future. Dr. Celelli affirmed that because of our privileged position, we’re not looking at today but rather 10 years down the road.

Dr. Reyes asked which organizational health survey Stark used and if it was the “best places to work” one. Dr. Celelli said it is similar, but I chose one from the Table Group (Patrick Lencioni) that is connected to the Five Dysfunctions of a Team book. Dr. Lyn asked if mental health has been an issue? Is there anything additional attached to the trend as far as to what students are going through? Vice President Tina Villarreal responded that SCS has changed our processes in supporting our students by connecting our prayer contacts with retention and check-ins with students. We now also ask them how we can help them with their school. We encourage them to keep going and to get the help they need.

Dr. Celelli mentioned that enrollment is tied to many things, including the classroom. Dr. Dunn shared that leadership recently did an analysis of the schedules that we have been offering. There was a trend of students not wanting to return to the classroom. The plan

originally was to transition by offering more online classes and by video. Then in March 2020, we were thrown into it. Since then, we're finding that our students like the flexibility of being able to take a class from their home or online. This semester we've had no more than 10 students on campus in person in Corpus Christi and 14 in McAllen. We actually made a transition to offer more online and video classes in the spring. Also, we're going to pilot three new "hyflex" classes this spring where the student can either attend in-person, online or watch a video within 48 hours after class. Don Leavell asked if this was an irreversible trend? Are we fighting for or against progress? Dr. Celelli has seen first hand the incredible difference pre-covid and post-covid attendance. Personally, I want to go back to in-person times, but I'm not sure this aspiration is reasonable. Dr. Dunn shared that the cabinet has been struggling with this question too. The three VP's are not Stark's target audience in terms of age. We must listen to their needs. There was discussion on the upsides and downsides of online education as well as the different results in levels of achievement. Dr. Dunn added that we're trying to address the concerns while also proactively meeting the students academic needs.

Juan Vega asked if we are able to measure the results of traditional vs. online? Dr. Dunn stated that one of the things that we can measure are grades and retention. We have not noticed a big difference. We're also in a better place because we're a high touch institution. VP Tina added that the K-12 public education is required to be in person. Our SCS students are college students who choose to come and also feel that they are answering a call. Dr. Celelli highlighted the fact that we are being led by highly competent educators in Dr. Dunn and VP Villarreal who are experts in instructional design.

Dr. Celelli then referenced the 3 Pillars [Strategic Plan Update](#).

- **Churches.** SCS exists for the local church and continues to work on our relationship with the 130 or so local churches connected with our students. Goal in 10 years is to have 1000 students connected to 500 churches.
- **Community.** We're praying for the money to establish an MLI endowment of \$5M and an additional \$7M to double the current endowment.
- **Campus.** Would like to focus on this "C" and the state of our goals.
 - We aim to have 10 teaching church sites by 2030 with a location and a person of record who teaches. We believe that the future of theological education is not in school campuses but in the local church.
 - We also need to make sure that our model is expense neutral. Dr. Stapper shared some expenses, including that SCS receives \$22,000 in rental income vs. \$10,000 previously. Also, so far this year, we have received \$16,000 in rental income. Last fiscal year, we spent much more in expenses in upkeep of facilities. We're paying about \$100,000 a year in upkeep and maintenance on buildings. We want to get to the place where we bring in rental revenue to cover this cost.
 - Competency Based Theological Education. We met with multiple focus groups last week. CBTE is based on the premise that students come with certain assets *instead* of assuming certain deficits.

Overall, Stark is in a very good position.

[These items were on the agenda but not discussed in the meeting:

- *Hand and Dove Award recipient recommendation*
 - *Joe McCombs, member at FBC Corpus Christi, TX*
- [2022 Board Giving Report as of 10.26.22](#)
- *President's Gala tonight (6:30 pm-8 pm)]*

Dr. Lyn passed the floor on the financial update to Dr. Stapper.

Finance Update

- Stark College & Seminary
 - [Statement of Financial Position as of 9/30/22](#)
 - [Statement of Financial Activities as of 9/30/22](#)
- Hand and Dove Legacy Foundation
 - [Statement of Financial Position as of 9/30/22](#)
 - [Statement of Financial Activities as of 9/30/22](#)
- Investment Update
 - [High Ground Investment Ladder](#)

Dr. Stapper touched briefly on the reports. Some of the assets are going down because the market is down but you will see that our cash position has increased significantly thanks to the distributions from the Borchers's Estate. That extra cash has been used on projects like our McAllen campus. Also a new roof was installed and landscaping was done at the President's house. There was new technology added at the Corpus campus. We have changed our approach on the reserve fund, which is currently generating 2% interest. We have invested some of the funds from the reserve account into treasury bills, each generating over 3%. Andrew Miller mentioned that there are cash management funds that are yielding 3-4% and one can still have access to those monies within 24 hours. Kathryn Albin asked if there is a specific amount held in the reserve fund. Dr. Stapper noted that there is a reserve fund policy that specifies six months of critical operating funds should be held in reserve. Andrew stated that while the seminary is depending on oil and gas, SCS could get to a point where it can borrow from itself so you can have cash influx. Dr. Celelli agreed and affirmed that SCS could receive more from our quarterly distribution from Highground, if needed. Dr. Celelli shared that we can increase the percent we draw from our endowments but haven't had that need up to this point.

Dr. Stapper announced to the trustees that he is becoming the senior pastor of Third Coast Church in Corpus Christi while also maintaining the full-time CFO role at SCS.

Trustees went into executive session at 3:31 pm and discussed the following:

- [409A Presentation](#)
- Special Funding Request

***The board unanimously approved and amended the 2022-23 annual budget by an increase of \$60,000 (\$54,000 for the 409a retention bonuses and \$6,000 for the merit bonuses) as agreed upon in the executive session.

Board meeting resumed at 4:12 pm.

Dr. Lyn referenced the one item under new business.

New Business

- [Independent Study Policy](#)

Dr. Celelli asked if the independent study policy is working? Yes, it is. SCS previously had 20 students wanting independent studies under necessary circumstances to help them graduate. We now only had one. Dr. Reyes verified that he is not saying that there will be no independent studies but rather, not a lot of students want them. Dr. Celelli replied yes. The independent studies used to be free but the change in price adjusted the demand for them.

Dr. Celelli acknowledged and appreciated the service of all trustees who are returning to serve. Dr. Reaves will be serving as a trustee through April, when he reaches his 9 year limit. He is still waiting to hear back from two trustees.

Dr. Celelli thanked Dr. Lyn as she serves on her last meeting as board chair.

Dr. Lyn reminded trustees to sign the [CEAC Conflict of Interest](#) form and submit the [11.03.22 Board Meeting Evaluation](#).

The benediction was given by Don Leavell and meeting adjourned at 4:20 pm.

[**CEAC/HDLF Board Directory as of November 2022](#)

Items underlined are linked documents on the trustee website at [https://ceacboard.org**](https://ceacboard.org).*