

**State of the School
By Michael Ferachi
February 19, 2008**

Welcome, and thank you for coming to the third State of the School message. We recognize how difficult it can be to come to school on a school night, especially at supper time. We will go ahead and get started so that you can get home, help with homework and that science test tomorrow, all in time for you to watch Boston Legal.

It was Kay Betts's idea to have this meeting, so that we could give you a mid-year picture of Episcopal: our achievements, our plans, our challenges. We will both speak, but I know you are more interested in hearing from her than you are from me, so I will limit myself.

There's a question box in the lobby. Please put any questions you have after the meeting there, so that we can reply personally after the meeting tonight.

I. Introduction

First, let me introduce myself. My name is Michael Ferachi. I am the Chair of the Board of Trustees of Episcopal.

You have some information that gives you a snapshot of the school: a kind of abbreviated annual report. I think you will be pleased to see all that has been accomplished in the last three years since Kay Betts has been our Head of School.

II. How the Board is Chosen

I think the best way for me to organize my report to you is to describe the purpose of a Board of Trustees and some of the things we have been doing lately. Before I do, I want to explain how our Board is chosen and a little bit about our governance structure.

Our Board is nominated by our own Committee on Trustees, approved by our Board, and then formally elected by the Diocesan Convention.

We are a Diocesan School, as differentiated from the parish Day Schools, which are owned by the individual churches. The land under our buildings is

owned by the Episcopal Diocese of Louisiana. Bishop Charles Jenkins is a member of our Board and an active participant. The rectors of the three parishes that have Day Schools—Trinity, St. Luke's, and St. James—are also ex-officio members of the Board.

We have eighteen elected members, at least two-thirds of whom must be Episcopalians. The Chair must also be an Episcopalian.

With these strictures in mind, we also recognize the need for diversity on the Board and in our counsels.

Episcopal retains a large degree of independence compared to Catholic schools or others in more centralized systems. This is part necessity, and part the genius of the Episcopal Church. For example, there is no legal tie to allow the Diocese to move funds between schools. The money we raise for EHS, stays at EHS. There are two sides to this coin, however. There is no funding from the Diocesan level for schools. Our facilities, programs and endowment are ours to build. We nurture and teach by the example of our commitment.

III. Purpose of the Board

Let me give you an idea of what the Board is working on this year. We are studying the location of each and every bus stop to make sure that they are located in the most convenient spot for our students and parents. Also, we have decided to change the dress code to require all male students to wear ties and all female students to wear jumpers.

I am kidding. I only said those things to illustrate for you exactly what the Board of Trustees **DOES NOT** handle. Please do not leave this meeting thinking that the Board of Trustees is going to change bus stops or the uniforms. However, I will tell you that many calls I and other members of the Board receive relate to these types of topics.

Now that I given you an example of what the Board of Trustees does **NOT** do, let's examine what we do do.

Volumes have been written—mostly by educational consultants—on the role of the Board of Trustees of an independent school. Basically, there are three components:

1. Hire and evaluate the Head of the School.
2. Set policies and priorities for the direction of the school.
3. See to the future of the school.

A. Hire and evaluate the Head of the School

On the first count, hiring and evaluating the Head of School, I proudly give us an “A.”

I wager that few, if any, Heads of School have had to deal with the likes of an accreditation by two accrediting organizations, a new strategic plan, and a new campus master plan all in one year. Which was on the heels of a hurricane that increased our ranks of students tremendously as we strived to assist the families impacted by Hurricane Katrina. The school has prospered under Kay’s leadership.

B. Setting Policy and Priorities

This involves defining the mission then setting goals and measures to achieve that mission. Budget planning is integral to this role as unfunded policies can rarely be achieved.

Many of you who have heard me speak in the past have heard me talk about our Mission Statement. Tonight will be no exception.

The mission statement reads:

As a ministry of the Episcopal Diocese of Louisiana, Episcopal High School of Baton Rouge nurtures and develops the whole child -- spiritually, intellectually, morally, physically and artistically -- through challenging academic and co-curricular programs which prepare our graduates for college and for purposeful lives.

This is important. It is so important, I am going to read it again.

When the Board of Trustees is considering policies and priorities, then we weigh it against this Mission Statement. Does this policy advance the mission statement? Is this policy consistent with the mission statement? If the answer is “no,” then we know that the policy or procedure should not be implemented.

When the administration is considering a policy or procedure, it compares the impact of that policy or procedure to the Mission Statement. And when our teachers are teaching, they are making sure that what they are teaching and how they are teaching it fits with our Mission Statement. Hopefully, you have noticed that the Mission Statement is posted in all of the classrooms and offices of the school.

The biggest project related to our job of setting policies and priorities is our recent Strategic Plan. I am not going to spend much time talking about our Strategic Plan because it has been the subject of separate meetings with you earlier this school year.

I do want to mention what our consultant, Walker Buckalew of Independent School Management, said after 3 days of working with the Board on the Strategic Plan said that this plan is “THE most exciting and most marketable strategic plan I’ve been a part of.”

Another project we are working on relates to our recent re-accreditations. Not surprisingly, we were re-accredited by both SAES and SAIS. The accreditation for SAES is for 10 years and SAIS for 5 years. Also during the accreditation, the National Association of Independent Schools oversaw the accreditation process. The Board is studying the commendations and recommendations of the accreditation teams and implementing them appropriately.

C. See to the Future of the School

The third task for the Board is to see to the future of the School. We are the stewards of this institution, and we take that stewardship very seriously. Tom D’Armond and Scott Singletary (before Tom) and the Finance Committee have done a fantastic job putting us and keeping us on strong financial footing.

Our finance committee has in place a rolling 5 year strategic financial budget. One of our main foci going forward is the salaries and benefits of our faculty.

The projected revenue for 2006-2007 (last year) was approximately \$13.7 million. There was no deficit last year. In fact, there was a slight surplus last year. This indicates that our budgeting process is on target.

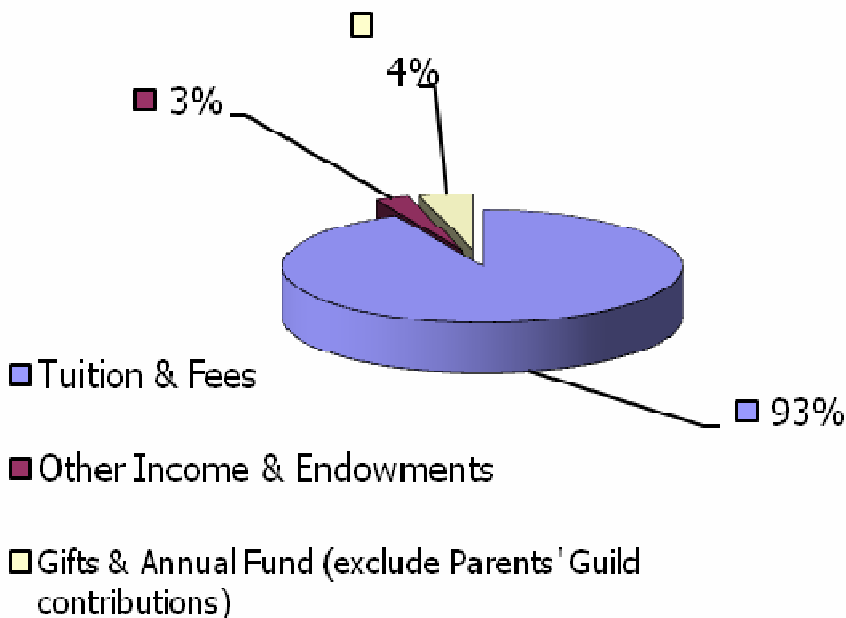
The projected revenue and expenses for the 2007-2008 budget is \$14.9 million. Last night the Board reviewed our actual versus budget as of mid year, and, again, I am pleased to report that we are on target to meet our budget for this year.

One of the biggest projects relating to Seeing to the Future of the School is the Campus Master Plan. As with the Strategic Plan, since we have had meetings about the Campus Master Plan, I am not going to spend much time on it. However, I would be remiss if I did not state that the Campus Master Plan and the campaign to raise the money for it and to increase our endowment will usher in one of the most exciting and dynamic periods in the school's history.

And I want to remind you of two things that we discussed in our initial presentations of this plan. One, the goal is to make our campus facilities reflective and supportive of the school's mission statement. We are not building for the sake of building. Two, we are not going to build these buildings by raising tuition. These changes will occur as the result of gifts, donations, and grants of our generous supporters.

1. Where Does the Money Come From?

Let's talk about our sources of revenue



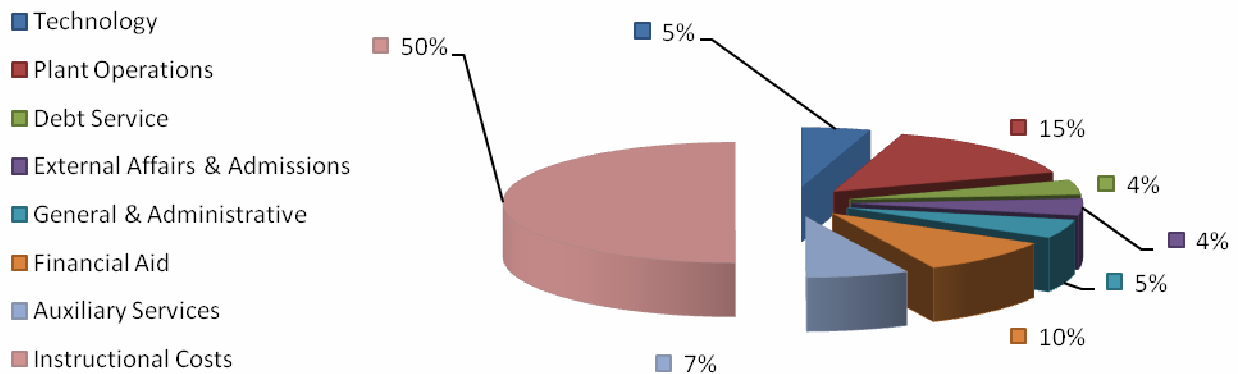
You will note that 93% of our revenue comes from tuition and fees. We would like to see that percentage be smaller. In order to reduce the reliance on tuition and fees, we have to increase the amount we receive from the endowment and gifts and annual fund.

The earnings generated from Episcopal's endowment provides financial stability and helps to control tuition increases. The recommended endowment for a school our size is \$28,000,000. Currently, our endowment is just under \$7,500,000. It is invested through the Baton Rouge Area Foundation.

I hope this helps you understand why we are beginning a campaign that will include a large component to grow the school's endowment.

2. Where Does the Money Go?

Now, let's look at where the money goes.



Half of our income goes toward instructional costs—which is mostly salaries of our teachers. I am going to talk a little more about salaries in a moment.

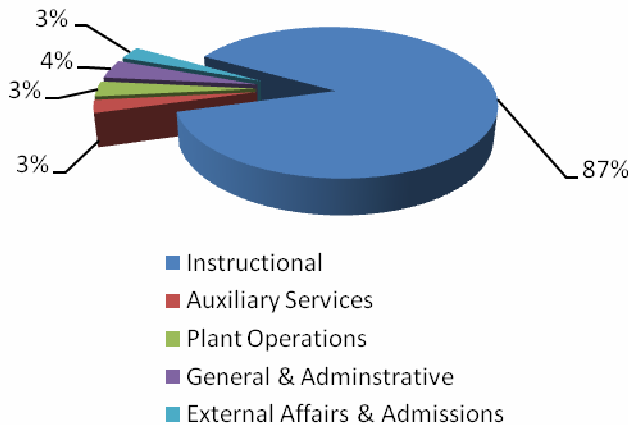
We have the best and most beautiful campus in town, if not the Southeast. However, due to a vigilant campaign to keep this campus in great shape, we only spend 15% of our revenue on Plant Operations. This includes security, maintenance, janitorial, utilities, insurance, and capital expenditures. Also, we have what we call the PPRSM fund which is a fund to handle major deferred maintenance issues.

We devote 10% of our revenue to financial aid.

Seven (7%) of our revenue is spent on Auxiliary Services. This includes the school's infirmary, food services, transportation, and extended care.

We expend 5% on general and administrative expenses, 4% on external affairs and admissions, and 4% on debt service. Let me address debt service, although it is such a small piece of the expenditures. Last year we decreased our debt by \$500,000, and we continue to knock down our debt. Again, I want to refer to a statement by Walker Buckalew of Independent School Management who said, "You are VERY healthy fiscally; get over the debt!"

3. Where is the Budget Increase Going?



This chart demonstrates the change in budgeted payroll costs between the years of 2007-2008 (this year) and 2008-2009 (next year).

Over 87% of the budgeted change is allocated to instructional employees, who represent 106 of the 180 full time employees. In other words, the vast majority of the budgeted change is going to the salaries of the teachers who have the day in and day out contact with your children.

IV. EHS by the Numbers

Let me bring my portion of this presentation to a close with what I like to call EHS by the Numbers. Here are some numbers I thought you might find of interest.

1,033 students

Waiting pools for some grades for next year. If you have not sent in your contract for next year, do it quickly!

7 National Merit Recognized Winners

11 Nationally Certified Teachers—More than any other school in this state

The Class of 2007 was awarded approximately \$2.4 million in scholarship, not including TOPS

The Class of 2007 sent 43 students out of state and 48 students stayed in state.

50 performances in the VPAC

80% of our students are involved in athletic

72 state titles

48 runner up titles

197 individual state championships

V. Conclusion

Well, that concludes my portion of the State of the School. Thank you for your attention, and now I turn it over to Kay.