



CASE STUDY

On Solid Ground

**Community collaboration helped
Risen Christ Catholic School get
out from under its crushing debt**



Risen Christ
CATHOLIC SCHOOL



Introduction

In 2019, things were looking dire for Risen Christ, a dual-immersion K-8 Catholic school located in Minneapolis' Powderhorn Park neighborhood.

The school was formed in 1993 as a consolidation of five nearby parish schools. It served 322 students over the 2020-2021 school year, most from lower-income Spanish-speaking immigrant households. The only dual-immersion school in Minneapolis, Risen Christ is supported by an engaged team of teachers, parents, volunteers and donors, but it was struggling under a heavy load of debt. The debt resulted from loans that dated back to the 1990s and the construction of an addition to the school building, which it leases from one of the founding parishes. The school was also behind on payments to the Archdiocese for staff pension, insurance, and medical benefits. Efforts to address these financial challenges began in 2017 with the Fulfilling the Promise capital campaign, which plateaued after raising nearly \$1.8M.

There was no denying it: Risen Christ was on shaky ground. By the fall of 2019, school administrators and members of the school board were seriously considering closing the school down. It was an all-too-common discussion at a time when many Catholic schools experiencing similar challenges were closing at an alarming rate.

Cesar Morales, a 2010 Risen Christ graduate, first got wind of the school's financial crisis when he agreed to join the advancement committee.

"It was a little surprising to hear about the debt they were carrying," Morales said. "Everyone everywhere goes through times where they struggle with their finances, but this sounded really bad. I thought it was cool that they are trying to do something about it — and that they were asking for my insight."

Morales and his family consider Risen Christ the center of their community. They first heard about the school when they moved to Minneapolis from Chicago to open La Poblana, a restaurant and tortilleria on East Lake Street and representatives from the school reached out to them.

"They knew our primary language was Spanish," he said. "They were able to communicate with my mom, who mostly speaks Spanish, and tell her all about the school. She could see there was something different about this school, so they decided to send me there for kindergarten."

Morales, along with his cousin, attended Risen Christ through 8th grade. These days, his younger brother, niece and nephew are students. The possibility of Risen Christ closing made Morales feel like the sturdy foundation of his childhood was crumbling.

“It has always been there,” he said of the school. “When the rioting happened after George Floyd was killed, the school reached out to our family. They said, ‘Is there anything we can do? Do you need food?’ It honestly feels like an extension of our family, like a big community. I just didn’t want to believe that they could close.”

Because of that commitment to Risen Christ, Morales said he was more than happy to help in any way.

“I always thought one day I would go back to my old kindergarten class,” he said. “I even thought about how in the future I might take my own kids there and say, ‘This is where I went to school. I used to walk those hallways.’ I just didn’t want it to close.”



The first day of Kindergarten is a really big deal, so Risen Christ greeted Giancarlo and his classmates with a grand arrival to celebrate the beginning of their educational journeys.

Dire straits

School board chair Teri McCloughan loves Risen Christ and enthusiastically supports its mission.

“This school serves a community that I am passionate about,” she said. “Catholic education is a leg up that kids need as they start the journey of life. Risen Christ was serving an underserved community and doing a good job of it.”

But, because she is a pragmatist at heart, McCloughan believed that the time had come to acknowledge that the school had painted itself into a corner with no clear way out. With a staggering debt initially topping \$4.5 million, yearly interest payments alone were approximately \$120,000, an amount the school could no longer afford.

“The numbers were not working, to be very blunt,” McCloughan said. “It was an unsustainable model going forward. As with any organization, there gets to be a point where you have to do some soul searching and ask yourself, ‘Can we keep this going?’”

With the school’s life on the line, McCloughan and her fellow board members held a series of emergency meetings with school staff and leadership, including Michael Rogers, Risen Christ’s president.

Tough decisions needed to be made, McCloughan recalled: “You get to the point where you’ve got to pay the teachers. But you just cannot keep paying debt service bills. Getting further and further behind is not a viable option.”

In the meetings, McCloughan made it clear to everyone that something had to be done or Risen Christ would have to shut down before the beginning of the next school year. “We were shouting from the rooftops that our situation had become dire,” she said.

Morales recalled when he and other advancement committee members were brought up to date on the school’s situation. “They told us, ‘This is what’s going on. We want to bring you on board to see if you have any perspectives,’” he said. “We all knew it was serious and that they really needed our help.”

Rogers, who’d been hired in 2015, was aware of Risen Christ’s financial situation. “From the beginning, I’d been trying to wrap my head around everything,” he said. “It was a hard place to be in.”

He firmly believed that the school played a key role in the community, offering support and opportunities for its students and their families. He knew that as a historically underserved working-class immigrant community, facing systemic economic, linguistic, and racial marginalization, they would have a hard time finding a school that met their needs.

“Our dual immersion program has been designed especially to serve these students. The people who work here are here because they want these children and families to be successful.”

As the pressure mounted and it became clear the capital campaign alone was not sufficient to pay off the debt, Rogers and McCloughan considered a number of last-ditch options.

Making the case

The school, which allows families to pay tuition on a sliding-scale, is dependent on donors to support annual operations. Over the years, GHR Foundation had been a major supporter of Risen Christ, and so Rogers decided to lay out the situation for Meg Gehlen Nodzon, GHR's program lead for education.

The numbers Rogers presented at his meeting with Nodzon were stunning. He carefully presented the school's case, noting that the school had enough donor support to sustain its general operations if the debt was eliminated. Then, he shot for the moon and asked for a grant to cover the remaining debt.

Nodzon recalled that her first reaction was less than enthusiastic. "I said, 'We don't fund debt at GHR.' We really don't," she sighed, remembering that difficult conversation. This wasn't the first time she'd heard about Risen Christ's predicament: A year before, Nodzon had met with the foundation's board and cautioned that without significant help, the school was likely to close.

"This is not the kind of grant the board is interested in," she admitted. When she'd talked to them in the past, they'd said, "No. We only have \$3 million in our Education program to give out every year. A grant of this size would wipe us out. If we did this for Risen Christ, we couldn't help any other school."

Despite the daunting odds, Nodzon said she felt inspired to try to make something happen for the school. Staff at Risen Christ, she knew, were committed to serving a community that badly needed their support. She wanted the school to stay around to continue to serve families like Morales', and she was impressed with Risen Christ's leadership, a group that was not responsible for the crushing debt but was working mightily to solve the problem.

Nodzon, puzzled over Risen Christ's predicament, sketched out some bold solutions to the school's problems.

"If this was going to work, if they were going to survive," she said, "it felt like there were a lot of pieces of the puzzle that would have to come together."

Nodzon invited Risen Christ leadership to meet her at the GHR office. When school leaders were assembled, she laid out her ideas: "I said, 'Here are the things that could retire your debt: One is a grant. The second is a loan. The third is to get concessions or get the debt forgiven. The fourth is to inspire other funders to help the school out.'"

Nodzon recalled that she wrote out the four options on giant Post-It notes. She then told the Risen Christ representatives, "I think doing just one of these four options is not sufficient. Doing two is not sufficient. All four will have to come into play if we really want to make this work. With your permission, I would like to bring this idea to the GHR board to see if it is more attractive to them than a straight-up grant."

Rogers, McCloughan and their colleagues were excited to hear that Nodzon was willing to be their advocate. They eagerly gave her permission to take her plan to GHR's board. "It was so amazing to have Meg willing to advocate for us," Rogers said. "It gave us hope that maybe something could work out."

Later, when Nodzon met with GHR's board, she described the important role that Risen Christ played in the community and talked about her confidence in the school's revamped leadership team.

She told board members, “We have had other schools come to us in a time of desperation. I wouldn’t recommend us do this with those schools. The leaders who had gotten them into trouble were still there.” She argued that Risen Christ’s strong new leadership team, combined with the fact that the school was serving over 300 students, made a “pretty compelling case that they’re really working to close the opportunity gap in education in Minneapolis. It feels like a school we want to get behind.”

Nodzón’s plan to rescue Risen Christ involved restructuring the debt in order to retire it altogether, GHR guaranteeing a loan from a new bank at a lower interest rate and providing a grant of up to \$500,000 that could be used to leverage other donors to pitch in — and perhaps even encourage some of the school’s debtholders to concede the debt.

Surprisingly, the board agreed to this plan. Now Nodzón had to make it all come together.



From left to right, Teresa (grade 2), Camila (grade 5) and Dylan (grade 1) smile with their eyes on the first day of school.

Tapping networks of support

For the Risen Christ team, the news that GHR would give Nodzon's plan a try felt like a beam of light cutting through the clouds. "GHR took the incredible step of having confidence in our academic programming and board of directors to say, 'We want to keep this school going.'" Rogers said.

"It felt like a miracle," McCloughan added. "And Meg was our guardian angel."

To make the plan work, Nodzon leveraged her network, organizational standing, and access to financial resources. She enlisted the help of Donovan Walsh, owner and president of The Financial Services Consulting Group (TFSCG), a Minneapolis-based management consulting firm. Walsh, who attended Incarnation School, one of the parish schools that consolidated to create Risen Christ, was more than happy to pitch in.

"I heard it was a school that was important to GHR, one that they felt was worth saving," Walsh said. The goal, he recalled Nodzon explaining, was to, "figure out how to get this school out of trouble so they didn't have to close their doors. We had to find a solution, or they'd have to send out a notification to all their families that the school would be closing down."

The GHR board agreed to guarantee a loan — if Walsh and Nodzon could find a bank willing to provide the money. They found a partner in the community-focused, Twin Cities-based Sunrise Banks.

"We said," Walsh recalled, "We want to do this bridge loan — and by the way, the foundation will guarantee it." The bank was happy to help Risen Christ out, Walsh recalled. "They said, 'You can count on us to be able to provide the loan to the obligors.'"

With the loan secured, Walsh and Nodzon set out to line up donors willing to support this project — and convince the school's creditors to forgive some portion of their mountain of debt.

"The total set of liabilities at the school was millions of dollars," Walsh explained. To pull Risen Christ out of trouble, creditors would have to accept partial payment for the debt they were owed: "The approach we took was, 'We're not trying to be adversarial. What we're trying to do is seek a resolution that is in the best interest of everybody.'" If the school is able to provide upfront funding against the debt, and the obligors are able to recognize the value in bringing this funding forward, Walsh and Donovan argued, the school will close and no one will see any of the money that is owed.

Most of the school's debtholders agreed to this solution, but some needed further encouragement. In those cases, Mark Rauenhorst, GHR board member and former Opus Corporation CEO, stepped in to help. His years of experience in business and philanthropic circles gave the plan added heft and credibility.

"I would sometimes take the lead in scheduling a meeting and sometimes be a part of leading the meeting," Rauenhorst recalled. "Other times, depending on which stage we were at, I felt it was important that somebody speak with authority that we were committed to making this thing work, that there was money behind it to back it up. We were all interested in figuring out how we could finally get this albatross off the neck of Risen Christ."

To close out the campaign, Nodzon knew that she had to secure at least one donor willing to match GHR's initial \$500,000 contribution. She called Jim Hield, President of WEM Foundation, a longtime supporter of Risen Christ. "I said," Nodzon recalled, "'Would you match GHR? If you could give me that verbal commitment now, I could say to other donors, 'We have GHR and WEM in.' That would help encourage them to come join us.'"

Hield explained that his foundation supports schools, “that are seen as being good at helping to educate kids but are also reinforcing positive behaviors and instilling values.” This made Risen Christ a good candidate for some extra support, he said: “We thought, ‘This is a time when we could give special attention to helping them get over the hump. If we could team up with others, that would be a big win for the school and set them on a better path for success.’”

WEM agreed to be “last donor in,” offering to match GHR’s initial gift once other donors were able to meet the campaign’s goal. “We felt like Risen Christ was a school that was working hard to serve an important part of the community,” Hield said. “It seemed like the right thing to do, to finally get this debt retired and allow this school to keep doing their good work without having this debt burden weighing them down.”



Fourth grade Spanish teacher Susana Villalobos poses for a picture with a few of her new students on the first day of school.

With a secure future, a way forward

Once the rescue plan was in motion, it took only a few months to solve Risen Christ's debt problems. The Albert W. Cherne Foundation, which had already committed \$300,000 to the campaign in January 2018, increased its pledge to \$500,000, matching GHR and WEM as lead donors. By November 2020, during the peak of the COVID-19 pandemic in Minnesota, the deal was settled.

Morales recalled the meeting when it was announced that the debt was retired and the school would be able to continue serving the community.

"I remember they said they had a huge announcement for everybody," he said. "They told us, 'This is what happened and that means that our debt is going to get retired.'" The announcement triggered remote rejoicing, with participants all cheering the good news from their computer screens.

"We got super excited," Morales says. "We said, 'Really? Are you serious? It felt really good to know that my little brother's, my niece's and nephew's future, was secured.'"

While some of the school's debt is still outstanding, pending the fulfillment of promised donations, Walsh said that, "The problem is solved. All the obligations were satisfied. No further fundraising is needed. All we are doing now is collecting on pledge commitments from the funding partners. And we have up to three years for that."

Risen Christ played a key role in supporting the community amid the uprisings for racial justice in the summer of 2020. The police killing of George Floyd, which was just three blocks from the school, sparked outrage and protest – prompting nearby grocery stores to shutter and leaving residents with limited access to food.

"That whole neighborhood was cut off from food supply," Nodzon said. "Risen Christ created an emergency food shelf in their gymnasium so people could get what they needed to survive until things got back to normal." This action further solidified the important role the school plays in the community.

Rauenhorst agreed, adding that if the debt burden had forced Risen Christ to close its doors, that would have been a further blow to a historically marginalized neighborhood. "The school played a key role in supporting community members," he said. "That's why it's so good that it will be able to continue serving families."

Now that the debt albatross has finally flown away, staff at Risen Christ are able to think creatively about the school's future. Without the looming threat of heavy debt, they are making plans to expand the school's programming.

"They are considering opening an early childhood center," Nodzon said, adding that this program could help prepare younger children in the community for success in school. And there are other plans on the docket as well, she added: "They are looking into offering more robust before- and after-school programming, helping working parents and easing their childcare burden. This new beginning is allowing the school to become even stronger."

McCloughan said she still marvels that the GHR team was able to leverage its position creatively and strategically to support Risen Christ in its efforts to remain afloat.

“Meg proposed this overall plan,” she said. “She was able to marshal the resources of GHR and then bring in Donovan, who is really an amazing numbers guy with support from his team at The Financial Services Consulting Group.” Through those resources and through meetings and discussions with our biggest creditors and the board, she came up with this proposal that really was a miracle for Risen Christ. The school was hanging by a thread, but now it is healthy and on solid ground. It was nothing short of a miracle, and I don’t say that lightly.”

Morales agrees that “miracle” is a good word to describe what happened for Risen Christ.

“We had almost given up on the idea that it would work out, that the school would be saved, but then suddenly it all came together,” he said. “It is a huge opportunity for the school. We can now invest in new programs and new opportunities for students.”

With the present secure, Morales said that he and other members of the Risen Christ family feel comfortable thinking about a future that includes their beloved school.

“I love that my little brother, my niece, nephew and cousin all have this connection that is traced back to the school,” Morales says. “For us, it’s a root, and we’re so happy that it will continue to grow for others.”

Tools to Relmagine What's Possible

Funders that are considering helping struggling institutions pull themselves out from under the burden of debt can learn from GHR Foundation's experience with Risen Christ. Several creative financing tools were helpful in this process, including:

Bridge financing.

GHR chose to work with Sunrise Banks, a community-focused bank based in the Twin Cities. With the support of an unfunded guaranty from GHR, a bridge loan was secured with Sunrise. This allowed the school to consolidate its obligations into one low-interest loan and provided flexible terms including prepayment without penalty, and interest-only payments with periodic principal curtailment. Between receipt of the school's own pledged donations, and the funding commitments from GHR and the other funders made as part of this program, these amounts are sufficient to allow for the repayment of the school's loan without the need for new capital to be raised by the school.

Grant and unfunded guaranty support.

GHR provided a grant commitment of up to \$500,000 and an unfunded guaranty for the balance of the loan against commitments from the philanthropic funding partners and pledged school donations.

Funding partner commitments.

Through the leadership of GHR and its board, and with the support of its advisors and the school, funding partners provided both grants and grant commitments to the school as part of this program. Funding exceeded original projections and grant commitments were spread across three years instead of five, allowing the school to secure a smaller upfront loan. The school is now on track to pay down the bridge loan on an accelerated basis.

Ensuring no new costs adding to the debt.

Risen Christ leases its building from one of the original founding parishes. The parish that leased the building to the school was not charging rent because the school was so much in debt. By reconfirming there would be no unplanned increases to the rent., GHR was able to ensure that the school did not replace their debt with another huge cost.

Reductions to obligations sought and successfully obtained.

With the program framework in place, and a meaningful portion of the funder commitments in-hand, GHR was able to successfully negotiate the reduced amounts for each of the obligations. In discussions with obligees, the foundation demonstrated the school's limited ability to repay its obligations, outlined the benefits of the funding program being proposed, and asked the obligees to formally recognize the benefit of the time value of money in determining the settlement amount.

Closing on the transaction.

The program closing and funding was contingent on GHR's ability to mobilize commitments from the other funding partners for the full value of the new bridge loan via contractual obligations, which were successfully secured in total in late October 2020. This allowed for the school, GHR and the funding partners to move forward with the closing, enter into the bridge loan with Sunrise Banks, and settle each of the school's legacy obligations in full.

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First grade students Eithan (left) and Brad (right) give a thumbs up as they settle into the first day of school.



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