

To the parents of Grace Christian School:

Recently, the board and administration had the opportunity to meet with Shaelynn Wachlin and Terri Tucker to discuss residual issues pertaining to the proceeds from the 2007 and 2008 GCS auctions. In that meeting we agreed that the concerns of many parents had not been adequately addressed, and that additional communication and action was needed by the board.

First, we would like to thank Shaelynn and Terri for their commitment to the success of GCS, their many hours of volunteer time spent organizing and promoting the auctions, and their spirit of reconciliation in dealing with this situation. We would also like to acknowledge that the board and administration of GCS bear full responsibility for the use of the auction proceeds. At no time were Shaelynn or Terri in a position to direct the usage of the auction proceeds. Statements made by them regarding the proposed use of the funds were made in good faith based on the stated intentions of the board and administration.

The issues surrounding the use of auction proceeds and the delayed bathroom remodel cannot be fully understood without putting them in context with the history of the school over the past several years. We are working on a more detailed document which will review that history, with a particular focus on school finances. That document will also review areas of school management which need improvement, and will detail the actions being taken immediately, and on an ongoing basis, to correct these issues. We expect that document to be released prior to the parent/board meeting scheduled for Monday, June 8th. This letter provides a summary of the longer document to follow.

In the 2005-06 school year, our enrollment in the upper grades declined significantly. We determined that our lack of a formal high school program was a major contributor to this decline, and were convinced that it would continue if action wasn't taken. In early 2006 the initial planning phases for our facilities expansion and the reestablishment of our high school program began. This project was the major focus of the board until completed in late summer 2008.

During these three years the GCS auction continued its growth. As was customary, proceeds from the auction were deposited into the school's general fund, and to the extent feasible, used in accordance with the wishes of the PTF. The PTF expressed a desire to use money from the 2007 and 2008 auctions for a renovation of the bathrooms. The board agreed with this desire, and intended for that to happen. Unfortunately, operating deficits precluded this from taking place, and the auction funds were used to cover general operating expenses.

Historically, in an effort to keep tuition and fees low, GCS has operated essentially at break even. Since 2005, each year has ended with a deficit. The reasons for this are many, but can be summed up in one word, change. Since 2005 enrollment has been

unsteady, expenses have grown, fundraising has declined, and tuition payment has become less reliable. And, in the midst of this, the most significant capital project in the school's history was undertaken.

During this time, financial oversight also changed. A paper-based cash accounting system was replaced with a computerized accrual based system. Budgeting became more formal, and school finances were discussed more frequently, and in more detail at the board level. Nevertheless, these changes were insufficient. Our financial management was unable to properly deal with the pace of change. As a result, we experienced unforeseen shortfalls, and were slow to deal with circumstances that were foreseen.

Also lacking was a regular program of communication with parents regarding the school's finances. It is understandable that parents were surprised and frustrated to learn of the deficits that have delayed the bathroom project and required cutbacks in school staff and other expenses. This is especially true given that little detail has been provided to explain these deficits.

Due to these circumstances, the board is reviewing possible actions in several areas, including administrative and front office responsibilities, overhead expenses, and financial management practices. We expect final decisions to be made this week with announcements prior to the meeting on June 8th. We will also be increasing parent accessibility to the board, and will be inviting the PTF President to our meetings on a regular basis to discuss school issues.

This is perhaps the most challenging time in the 30+ year history of Grace Christian School. Nevertheless, there are no issues we face which are insurmountable if we approach them with unity of purpose and a shared commitment to success. As we move forward swiftly and decisively to correct past problems, we hope that all current GCS families, and perhaps some former GCS families, will renew their commitment to the future of our school, and unite in the task of rebuilding it.

Pastor Watterud  
Steve Parker  
Bob Denham  
Bill Strauss