

ARIZONA STATE BOARD FOR PRIVATE POSTSECONDARY EDUCATION
1400 W. WASHINGTON STREET, CONFERENCE ROOM B1
PHOENIX, AZ 85007

**FINANCE COMMITTEE MEETING MINUTES
DECEMBER 11, 2012**

Members present: David Walser, Chairman
KC Miller
Jason Pistillo

Also present: Teri Stanfill, Executive Director
Cassandra Pinon, Program/Project Specialist

I. CALL TO ORDER

Mr. Walser, Chairman, called the Finance Committee meeting to order at 10:02 a.m.

II. SEPTEMBER 27, 2012 FC MINUTES: Mr. Pistillo made a motion to approve the September 27, 2012 Minutes as submitted. Mr. Walser seconded the motion and the motion carried.

III. DISCUSSION AND ACTION ON THE FINANCIAL STATUS AND 2013 LICENS RENEWAL: PHOENIX COMPUTER ACADEMY. Represented by Aparna Gupta and Dr. Gupta, by phone.

The License Renewal for Phoenix Computer Academy (PCA) was referred to the Finance Committee due to staff's concerns regarding the financial position of the school.

Mr. Pistillo states he is concerned with the September 20, 2012 balance sheet with a current ratio of .2 and asked if there have been any changes. Ms. Gupta responded there has not.

Ms. Gupta asked if the members received PCA November 29, 2012 response. The Members stated they had. Ms. Gupta states that the company has been profitable and strong since inception and because they had been so busy, the March 2012 and September 2012 billings were delayed.

Mr. Walser requested Ms. Gupta to explain the \$58,277 Deferred Fees on the September 20, 2012 balance sheet. Ms. Gupta explained they are test fees paid up front by the students for vouchers to take the certification tests.

Mr. Walser stated there should be an off-setting debit or it is already cash spent. Ms. Gupta responded the fees will be paid out over a two to three year period. Mr. Walser then states that the institution does not have enough assets to cover the fees that will be due. Ms. Gupta again states that the vouchers for the students to take the certifications test will be paid out over the next two to three years.

Mr. Pistillo and Mr. Walser then express their concerns regarding the preparation of the financial statements based upon PCA's response that the March 2012 and September 2012 billings were delayed, but not recorded as earned revenue.

Mr. Walser states he is concerned with the response submitted by the institution: the billings were not accrued as revenue and management's inability to sending out invoices in a timely manner.

Committee members discussed possible recommendations of increasing the bond to \$40,000 and require quarterly reporting. Ms. Gupta and Dr. Gupta stated it was their position that quarterly reporting should not be required.

Action: Mr. Walser made the motion that the 2013 License Renewal for PCA be referred to the Board with the FC recommendation that the Surety Bond be increased to \$40,000, quarterly reporting be required and that the FC is concerned with the management capability. Ms. Miller seconded the motion and the motion carried.

IV. REVIEW OF QUARTERLY REPORTS

A. Arizona Automotive Institute: Represented by Mike Zawisky, ATI and Campus President Brett Idaspe. Also for ATI by phone: Michael Gries, CEO; Bill McManus, CFO and Art Rodriguez, Compliance.

Mr. Zawisky explains the current "state of affairs" of ATI as described in the November 15, 2012 letter. In summary, on November 1, 2012, ATI sent notice to its accreditor ACCSC announcing the closure of all ATI branded campuses, a total of 14 campuses in Texas, Oklahoma, New Mexico and Florida. ATI has been able to provide partners willing to teach-out @ 90% of the students. Mr. Zawisky explains that the teach-out with other institutions has helped with reduce losses and to improve the cash flow.

Mr. Pistillo notes that it appears that AAI is one that is profitable and providing the cash to ATI, the parent company.

Mr. Gries explains in detail the plans to restructure and to "reconfigure itself around a profitable core group of campuses", 7 in total which includes AAI.

Ms. Miller states here concern with the placement rates not at benchmark. Mr. Rodriguez explains some of the cohorts are closed and others are not.

Mr. Gries then explains the plans for the "old company" to go through bankruptcy and that the new company would emerge debt free; filing Chapter 11 to dissolve the "old company" and the "new company" will be owned by a few small lenders – a hybrid ownership of former lenders and valued investors.

B. Asian Institute of Medical Studies: Represented by Alex Holland, Jon and Stephanie Hu

Mr. Holland explained that AIMS continues to be in negotiations with the Chinese investors, Dr. Hu and his son, Xiaolei (Jon) to promote the growth of the institution, especially promoting the school in China to bring in qualified foreign students. Mr. Holland also explained that the investors have placed \$275,000 in an account specifically to be used only for emergency situations and \$25,000 in the business checking account. Mr. and Mrs. Hu have recently moved to Tucson to oversee the finances of the institution and oversee the investment process. Mr. Holland plans to transition from a sole owner to 10%, remaining as President for 3 years.

Mr. Holland responded to Mr. Pistillo's question regarding student visas stating they have retained an immigration attorney and the USCIS application has been approved.

Mr. Holland also explained the problems in finalizing the 2011 audit.

Mr. Holland asked the Committee members if AIMS would be allowed to offer different tuition rates for in-state students vs. out-of-state students. The Committee decline to answer the question.

C. Chandler University: Represented by Steve Cooper: Represented by Steve Cooper

Ms. Miller asked Mr. Cooper why there has not been more in an effort to securing more enrollments. Mr. Cooper explained that they were concerned over potential liabilities from the previous owner and the DETC time period. Mr. Cooper stated their goal is 25 students in the third year.

Mr. Pistillo notes that the quarterly reports are only for the 3rd quarter and not year to date. Mr. Cooper states he will send the year-to-date reports to Ms. Stanfill.

Mr. Waiser notes his concern that if the institution did have more students that they would have difficulty in meeting the financial obligations.

D. Medline School of Medical Transcription: Represented by Diana Hurkens Gabriel and Chad Sines, by phone

Ms. Gabriel explains the problems and difficulty in getting correct financial information and figures due to problems with the previous owner.

ADJOURNMENT: The meeting adjourned at 11:05 a.m.

The December 11, 2012 Finance Committee Meeting Minutes were approved at the March 28, 2013 meeting.


Teri Stanfill, Executive Director