

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

December 16, 2013 Finance Committee Meeting Minutes

Members present: David Walser, Chairman
KC Miller
Jason Pistillo

Also present: Teri Stanfill, Executive Director
Kimm Darling, Program Manager

I. CALL TO ORDER

Chairman Walser called the meeting of the Finance Committee to order at 10:00 a.m.

II. 1. Discussion and Action on the Minutes of the June 27, 2013 Finance Committee Minutes: Mr. Pistillo made the motion to approve the Minutes as written. Dr. Walser seconded the motion and the motion carried. Ms. Miller abstained.

2. Discussion and Action on the Minutes of the September 26, 2013 Finance Committee Minutes: Ms. Miller made the motion to approve the Minutes as written. Mr. Walser seconded the motion and the motion carried. Mr. Pistillo abstained.

III. Discussion and Action on the Financial Status and License Renewals:

1. Le Cordon Bleu College of Culinary Arts. Represented by Lloyd Kirsch, Campus President and Brad Brei, Regional Controller

Mr. Kirsch stated that CEC had sold its European assets with the hopes of improving the balance sheet and an infusion of cash.

Mr. Kirsch stated the College has improved over the last year and starts have increased by 30%.

The Finance Committee expressed their concerns with the following: the retention/placement rates, administrative costs from corporate expenses, fluctuating break-even point. These matters were discussed at length.

The FC also expressed their concern that two Arizona institutions are now in teach-out owned by LCB's parent company, CEC.

Motion: After discussion and review of the 2014 Regular Degree-Granting and Regular Vocational Program License Renewal, Mr. Walser made the motion that the Finance Committee recommend to the State Board the approval of the License Renewal with the following stipulations:

1. Post a surety bond based upon the Surety Bond Substantive Policy Statement;
2. Continue quarterly reporting;

3. A "Plan to Improve Financial Stability" to include the reduction of expenses, corporate administrative costs, marketing and the student breakeven point.

Mr. Pistillo seconded the motion and the motion carried.

2. Phoenix Computer Academy. Represented by Aparna Gupta

Ms. Gupta explained the financial improvement that has been made this year.

Motion: Mr. Pistillo made a motion to approve the 2014 Regular Vocational License Renewal with the stipulations that the \$15,000 Surety Bond be maintained and that quarterly reporting was no longer required. Ms. Miller seconded the motion and the motion carried.

3. Tucson College. Represented by Lillie Roman, Campus Director and Allen Smith, Director of Admissions

Ms. Roman highlighted the improvements as a result of the high school program, improved placement rate and the new training that has been provided to the campus.

Ms. Miller asked about the default rate. Ms. Roman responded that corporate has implemented a default management team and believes that the default rate should improve.

Mr. Walser questioned the break-even point and Mr. Pistillo had questions regarding the corporate expense structure. Ms. Roman agreed to have a corporate representative available to answer these questions at the next meeting.

Motion: Ms. Miller made a motion to approve the 2014 Regular Vocational Program License Renewal with the stipulation that quarterly reporting continue. Mr. Pistillo seconded the motion and the motion carried.

IV. Review of Quarterly Reports

1. ABC Bartending and Casino School. Represented by "Cosmo" Raymond.

Mr. Raymond stated the financial position has improved as a result of marketing on the internet, expenses are down and payroll is down. Mr. Raymond explained he continues to negotiate with the landlord regarding the lease.

In response to Mr. Pistillo's question regarding the fourth quarter, Mr. Raymond explained that December is the slowest time of the year, but expects improvement at the beginning of the year.

2. American Indian College of the Assemblies of God. Represented by Dr. David Moore, President and Monica Stern, CPA.

Ms. Stern explained the budget has been revised downward with expenses down, interest adjusted due to the loan renegotiated and contributions at budget.

Dr. Moore explained that enrollment, gift income, retention and students on campus have all improved.

Dr. Moore addressed the Probation imposed by HLC in October 2013 and explained the plan to address their concerns. Mr. Walser expressed his concern with the expense that may be incurred to address HLC concerns, noting a primary concern is the low number of faculty.

Mr. Pistillo asked how many faculty members were on staff. Dr. Moore responded there are 8 full-time faculty and 14 adjunct.

3. Arizona Automotive Institute – deferred review for the Board’s discussion and action on the Supplemental License Application for a Change of Ownership following this meeting.

4. Executive Academy of Scottsdale. Represented by Magdalena Cutler

Ms. Cutler explained the 3rd quarter revenue increase is due to the concessions given to international students and expenses are low. Ms. Cutler stated there were currently 45 students and on target for the 1st quarter in 2014.

Mr. Pistillo noted the inaccuracy in the 3rd quarter financial numbers and that the break-even point should be corrected.

5. Han University of Traditional Medicine. No one was present

Mr. Pistillo expressed his concerns that although revenue has increase, so have expenses. Mr. Pistillo stated that the school is not moving towards profitability and is concerned that the surety bond may not be sufficient.

The Committee members expressed their disappointment that no one was available to answer any questions.

6. Khalsa Montessori School. Represented by Janice Mayhew and Nirvair Khalsa

Ms. Mayhew stated that the teaching training program is making a profit; the next class does not start until June 2014.

Mr. Walser expressed his concern with the current ratio. Ms. Khalsa explained that the revenue received from the State is not on the report. This statement raised a concern with Mr. Walser if the revenue is correctly accounted for.

Ms. Miller questioned if quarterly reporting be continued. Mr. Pistillo stated that he thought quarterly reporting should be continued for now.

7. Medline School. Represented by Chad Sines, by phone

Mr. Sines reported there has been 100% placement since May 2012.

Mr. Pistillo expressed his concern that there was not an allowance for bad debt for accounts receivable. Ms. Sines stated it may be the student cancellation on the income statement but would have to find out.

Mr. Pistillo asked out the intellectual property on the balance sheet. Mr. Sines stated the accountant explained it needed to remain until the dispute has been resolved regarding the change of ownership. Mr. Pistillo questioned the amortization of the intellectual property.

8. Providence Training Institute. Represented by Craig Gatesman, CPA and Sharon Hudis

Ms. Hudis stated that enrollment is down but should increase in the last quarter.

Mr. Gatesman stated the balance sheet is very strong along with an increase in net income is expected for the year. Mr. Gatesman stated a vehicle was purchased to provide transportation for staff members to carry out their duties.

Mr. Walser noted the financial statements are prepared on the cash basis and asked to explain the affect if the financials were prepared on the accrual basis.

Mr. Gatesman stated the unearned revenue would offset the prepaid tuition.

V. Adjournment

The meeting adjourned at 11:37 a.m.

The December 16, 2013 Finance Committee Minutes were approved at the March 27, 2014 Finance Committee meeting.


Teri Stanfill, Executive Director