**PPSE Finance Committee Meeting (2023-06-22 09:47 GMT-7) - Transcript**

# **Attendees**

+1 480-\*\*\*-\*\*09, +1 814-\*\*\*-\*\*70, +1 814-\*\*\*-\*\*94, Alan Algan, Allison Macy, Amber Powell, Andrew Johnston, Cheri St.Arnauld, Colin Malchow, Connie Bonner, Damon Nolan, Daylan Childress, Doug Ball, Elyse, Glenda Despenza, Guillermo Lopez, Jacqueline Rome, James Tito, Jamie Illingworth, AHIT, Jane Eldred, Jeff Berggren, Joanne Weiss, Keith Blanchard, Kevin La Mountain, Kevin La Mountain's Presentation, Lanna Dueck, Lauren Marocco, Len Munsil, Michael La Montagne, Michael Werner, Nichol Andler, NYAZUT 1, Paul Mittman, Raymond Asad, Teresa Lewis, Tiffany Glazier

# **Transcript**

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Paul Mittman: It is 10 o'clock. And the Arizona Board for Private secondary Education. Finance Committee meeting on June 22nd here by commences pursuant to ARS 38-431.02 notices here by given to the general public and two members of the Arizona Board for Private Post. Secondary Education at the Board will hold a finance committee meeting, open to the public on the date and time indicated above. The meeting will be held digitally online a full meeting agenda and list of applications to be considered can be found online at PPSE.AC.GOV The board reserves, the right to change the order of items on the agenda. Except for those matters set for a specific time, the formal hearings and formal interviews are scheduled to be heard during specific time. Blocks The board chairperson, however, reserves the right to call cases in random order and be fun.

Paul Mittman: Americans with Disabilities Act persons with a disability, may request a reasonable accommodation such as a sign language interpreter or a copy of this document in an alternative format. by contacting the executive director, Kevin, the mountain at 602-542-5716, or the Tdt number at eight hundred three, six, seven, eight, nine three, nine, And with that Mr. Lamont, can you call the roll?

Kevin La Mountain: Dr. Mittman is president Mr. Ball's president and…

Paul Mittman: Present.

Kevin La Mountain: Mr. Wallace's the For staff. Jacqueline Rome. Keith Blanchard.

Jacqueline Rome: Present.

00:15:00

Kevin La Mountain: keith, I think I'll join later and then Kevin La Mountain, executive director,

Paul Mittman: Okay, next item on the Agenda Review discussion and possible action on acceptance of Finance Committee meeting minutes. So I will make a motion to accept the audio recording of the March 23rd. 2023 Finance Committee meeting as the official meeting minutes Mr. Ball. Can I get a second?

Doug Ball: A second.

Kevin La Mountain: Mr. Ball.

Paul Mittman: And Mr. LaMountain. I Mr. Ball All right, we're gonna save some team here since there's Not that many All right, first On the Agenda Review discussion and action on the financial status and license renewals. And first up is Arizona, Automotive Institute.

Paul Mittman: and so, please introduce yourself from AAI or from anchor and…

Daylan Childress: Yes, sir, I agree.

Paul Mittman: feel free to make an opening statement.

Daylan Childress: Yes, sir. Greetings all Introduction is all in core representatives. We have Colin malchow our CFO myself. Daylan Childress VP of Operations, Lauren Marocco executive director of the AAI and Amber Powell, our manager of regulatory operations. So, opening statement? We're both excited to come to this meeting to participate and to outline the financial performance and trajectory of our encore platform as well as our AAI campus. We want to accomplish a couple things as you outlined is our request for licensure renewal.

Daylan Childress: The performance. And then emphasize our formal requests that was submitted back in April to reduce the surety bonds back to their original amount. We're excited as we recently just closed out our April monthly operating review and are preparing to Our May operating review. We're pleased to share that as a company. Our turnaround continues with positive contributions. From all of our business units and overall positive, evita from our continuing operations for the first time in 2023 and we project positive Evita from our continuing up since 7 out of the next eight calendar months.

Daylan Childress: We've also completed our fifth class start of the year and exceeded budget, in four out of those five narrowly missing, our May by three students. And, in addition to the start over performance, we're continuing to see, retention improvement across the platform as well. Exceeding our budgeted drop rates, out of five months. As we give a little insight and look into our May operating review. That review consists of both June population, performance and made financials. Both are online platform and encore training and recorded a record revenue that's posted and our ground business continues to outperform population budgets by closing out the month of June, with greater than 100 students to plan. We feel that we've developed the operating rhythm.

Daylan Childress: That's both deliberate and repeatable and I think that speaks to the trajectory of the business. And you also hear some of that outlined in the way Lauren has, repositioned her campus from both population performance but also the financial health of the campus. So Lauren can you give us your input for AI, please?

Lauren Marocco: Absolutely. Good morning. Wanted to,…

Daylan Childress: That.

Lauren Marocco: as Dale and We feel good about the campus operating and infrastructure and the rhythm we have in place to deliver on our population and financial targets. As well as our purpose, in supporting trades in our local community. So June's an important month as it will solidify our quarter two, and the first six months of the year, As we sit today, we're pacing to end the month, plus 60 to our population, budget at a student count of 336 students. Although that is an achievement in itself. I'm proud of the team. In the processes we have put in place since the overage comes not only from an over-delivery of our start which accounts for the plus 32 of that plus 60, but also the strong retention of our active students with our drops,…

Daylan Childress: it's

Lauren Marocco: your AI accounting for only 3.34% of our total population.

Lauren Marocco: I did the exercise recently a forecasting out the second half of our ears projections and it has a staying above population, targets for the entirety of 2023.

00:20:00

Daylan Childress: Somebody else up.

Lauren Marocco: So knowing that population is the driver of financials, I want to move to our current financial landscape, so our may financials will lock on the 26th. But preliminarily, year-to-date financials have us at an evita of approximately 480,000. we end in 2022 with an overall,…

Daylan Childress: Something.

Lauren Marocco: EBITDA of 1.1 million and we are projecting to meet likely exceed that for 2023, which will give us two years, consecutively of positive icon, financial contribution of a million plus

Lauren Marocco: So in summary or conclusion, we feel we're at a very different place, financially than we were back in early 2022 and we feel we have the right people, in the right positions with the right processes that have a set up to having successes. So we just want to thank you for your consideration of a request for a license renewal and the $100,000 security bond amount.

Paul Mittman: Thank you very much, both of you. And Daylan. I assume that you're not here in Arizona because you've got a sweatshirt with a hoodie on

Daylan Childress: Yeah, I'm close. I'm in St. Louis right now. Which is better than Texas,…

Paul Mittman: Okay, good. Thanks a lot.

Daylan Childress: where I left in the heat index is terrible. So I feel your Arizona pain here recently.

Paul Mittman: Yeah, it's all good. But it comes around so in January and…

Daylan Childress: Yeah.

Paul Mittman: February and March, everything comes back. Mr. Ball, do you have any questions for either Lauren or Daylan?

Doug Ball: I have no questions. They may look good to me.

Paul Mittman: Yeah, so I just want to congratulate you on the turnaround and…

Daylan Childress: Me.

Paul Mittman: like you said, you expect two years of profitability.

Daylan Childress: Degrees.

Paul Mittman: And so what we'll be able to do at that time would be an entertain going off of quarterly reporting, that would be after your audited financials and…

Daylan Childress: Right.

Paul Mittman: then we can adjust the surety bond at this point. I'd like to make a motion to The 2023, regular vocational, and degree granting program, license with the wrong stipulation. We will lower the surety bond to 771,823 And that is based on the gross tuition revenue for the students in Arizona, which is 10%. And do I have that right? Mr. The Mountain, in terms of the 10% of the gross tuition revenue. Okay, and…

Kevin La Mountain: Document.

Paul Mittman: then to continue quarterly reporting which we would look forward to ending at the end of another successful year. And so, do you will take the vote in a sec to, you agree to those stipulations.

Daylan Childress: Yes.

Paul Mittman: All right, Mr. LittLaMountain.

Kevin La Mountain: Dr. Mittman's outside.

Paul Mittman: I,

Kevin La Mountain: Mr. Ball Votes. I bought your vote of two eyes. One absent, that motion passes.

Paul Mittman: Thank you very much and congratulations. And, I know it didn't get everything that you're hope for. But clearly, we're moving in the right direction. We appreciate what you do here in Arizona.

Daylan Childress: Appreciate you guys and look forward to the next report out.

Paul Mittman: Okay.

Daylan Childress: Thanks guys.

Paul Mittman: All right, speaking of cooler climbs, although you guys are not headquartered in Colorado and alas, we're gonna do a site visit to Aspen.

Cheri St.Arnauld: Now.

Paul Mittman: That would have been good. Next up is asking Aspen University and I see. Dr. Saint Arnauld and please give us an update.

Cheri St.Arnauld: Yes. Thank you, Dr. Mittman. I am Cheri Saint Arnold. I'm the president of Aspen. Thank you again for having us come before you today in connection with our financial status and our licensed renewal for the coming year. Joining me today is Michael La Montagne. He can answer questions to the committee that you might have about Aspen's finances. We've been very busy serving our students in all of our programs. While continue continuing to meet the requirements from all of our regulatory bodies, I'm just going to give a couple updates and then Michael will give you financial update. First, I want you to know, we continue to work closely with the Arizona Board of Nursing to meet the requirements in our latest Consent Agreement amendment using our consultant in our clinical ombudsman going very well.

00:25:00

Cheri St.Arnauld: We welcome Deac to Phoenix for a special site. Visit on June 13th. And this board staff was in attendance as part of the process outlined in the Show Cause Directive, we received our first reimbursement from the Department of Education under Hcm2, Michael will give more color on that and we're still in the Financial Aid Program Review process with the US Department of Education. And we continue to stand ready to answer any follow-up questions that they may have. We're also working closely with Arizona and Colorado Veterans Affairs, departments to facilitate continued benefits for our military students. And finally we have submitted all the reporting. It's been required of us by our various regulators and with that, Michael can provide some additional context relating to the financial information. That's been provided to you a connection with our monthly report, Michael

Michael La Montagne: Thanks Good morning, everybody. We submitted new financial reporting to you guys this quarter. So I'm going to go ahead and just summarize the reports we've got them for both Aspen universities as well as a parent company, which was required. So at the end of it, I'll leave it open for questions, but in summary, Aspen's fiscal year, 2023 ended, April 30th revenue in the fourth quarter generated, 9.1 million dollars, 40.9 million dollars for the full year of fy23. The student population ended April 30th at 6,000 398, wild generating 57 new enrollments in the fourth quarter and we generated roughly 3,300 new enrollments and all of fy23.

Michael La Montagne: Instructional costs in the fourth quarter, came down by a two percentage points. 31.5% of revenue in the fourth quarter down, from our full year, run rate of 33.4. This is primarily due to reduction and pre-licensure nursing full-time instructors. As we continue to teach out that program. Aspen also continued to hold on to the marketing spend in the fourth quarter, while we continue to generate significant amount of leads through referrals, built up lead flow, and educational reputation. The net income before taxes for the fourth quarter was 1.1 million dollars and approximately 3.5 million dollars for the full year. The operating margins in the fourth quarter of 12.6 percent up from the full year, run rate of One of the things that I did want to mention that I didn't put in my executive summary, was that The adjusted even up.

Michael La Montagne: For the full year of fy23 with 6.6 million dollars, that's with taking out depreciation and That and as we also submitted a forward-looking forecast with you guys, you can see that the Ibadan adjusted E, but a numbers are significant as we continue to work through the Teachout and continue to rebuild the online programs.

Michael La Montagne: Let's see. That was the other thing. You guys had requested year over your decline, 50 million dollars in revenue from fy22 to 40.9 million dollars an fy23. And as we review this, we all understand this is primarily due to our Teachout and Pre-licensure nursing program. that's intended to be taught out by Q1 of fy25 operating income year over year went from 6.1 million to 3.5 As the university was put on show Cause and HCM 2, this last year Aspen has continued to make strategic adjustments to respond to the reduction in population enrollments.

Michael La Montagne: Population. And Romans asked as Cheri had mentioned Aspen's first reimbursement request for Hcm2 was received last week. That was submitted in May that took approximately 60 days in order to get that first payment made. There's a lot of review involved. The second reimbursement. Request for Hcm2 will be submitted shortly here within the next week and a half. And we're anticipating the funds within 30 days after that, since we've had our initial review with them Aspen, just the update for Ask and continues to meet our accounts. Payable obligations in a timely manner.

Michael La Montagne: And then on our parent company what I would say is that parent company AGI closed on an AR facility on May 12th that we had discussed in the previous Quarterly Review, the generating working capital is adequate to provide liquidity, that's helped US transition from the htm2 payment method. Previously discussed and the company believes that we'll have sufficient unrestricted, cash resources to meet the capital working needs for the next 12 months without additional borrowing. So we do feel that we're in a good position as we continue to teach out Pre-licensure and move on. That's my summary. I'm open for questions. if there are any

00:30:00

Paul Mittman: Okay thank you very much. I have just a couple of questions but first a comment. Congratulations on a lot of hard decisions. I know that there was a reduction in staff and it seems like even with the significant reductions in marketing expenditures, you've continued to meet your enrollment goals overall and so a couple of questions, first of all, did you get a sense from the Deac, visit, how it went and when do you expect to hear their report in the coming weeks or months?

Cheri St.Arnauld: Yes, no,…

Michael La Montagne: Yeah, I'm sure you go ahead.

Cheri St.Arnauld: I'll go ahead and take that. Yes, diac on other accreditors. They don't give you an exit interview. So I mean, they do speak to you but they don't give you any indication. The process will continue, The chairs report will be reviewed. We expect that in, I don't know, four weeks or so and then we'll review that and have a chance to comment. And we did have indication that the commission might hold a special meeting. I have no guarantees on that but perhaps, in October, but this was our full year review. re accreditation cycle. So we have a full review, slight visit schedule for October 19, and it is quite possible that they'll ask for additional information in that site visit and kind of wrap it together, we should be

Cheri St.Arnauld: Getting a letter, maybe but before the end of the year, but then, our full accreditation Commission meeting will be the end of January. And so somewhere in that time frame,

Paul Mittman: Okay, thank you and then tell us a little bit. And Isos question. And I understand that the ombuds role is confidential and it's also an independent and neutral party. But I was just wondering how is that going and was that part of A consent agreement with the Board of Nursing or is that a role that you've had at the university in the past?

Cheri St.Arnauld: No that's a new role that we agreed to in the new amendment and that person meets with our insurers, are the validity of our clinical placements and meets with board of nursing staff. I believe weekly. And so from all I've heard things are going very well. I know in our last monthly report, we submitted to Mr. Mountain, the number of clinical placements we've had and that we had no cancellations and they were all going well.

Paul Mittman: And does the ombuds also feel, issues or complaints, or either interpersonal or, issues, that students may have let's say with the clinical side or anything for that matter.

Cheri St.Arnauld: So we've only had one that's come to our attention and we are including her in that situation, but As students are free to talk to her. I mean she does meet with I'm not sure about that Dr. Mittmann I don't want to say anything inappropriate. So what I can do is follow up on exactly when the Ombuds person meets with our students. but, I know that both of our students are Ombuds person and our consultant are open to meet with the cohorts that we have left on a regular basis.

Paul Mittman: Okay and it's a really interesting role that I know that had aspen, was part of the agreement. On the other hand, it's a pretty interesting function. It's been something that we implemented here and then looking at the International Ombuds Association, codes of ethics and just I mean it's an interesting given all of the And, …

Cheri St.Arnauld: Right.

Paul Mittman: all things going on in higher Ed and in our environment. Big beyond higher Ed. No, it's an interesting position that I think will probably end up seeing more.

00:35:00

Paul Mittman: That great Mr. Ball. Did you have any questions? Sorry, I've been hugging the mic.

Doug Ball: Of, I have no questions.

Paul Mittman: Okay, so in that case, I'll make a motion to approve the regular degree granting license. Maintain the surety bun which is down to 5.5 million dollars and to continue follow terms of the third amended stipulated agreement executed on February 22nd 2023. So before we vote Dr. St, Arnold. Do you agree to the stipulations? Okay, okay,…

Cheri St.Arnauld: Yes.

Paul Mittman: so let's vote.

Kevin La Mountain: Dr. Mittmann Votes Mr. Ball Votesai by your vote of two eyes. One app says, that motion passes.

Paul Mittman: All right, We'll have a nice summer. You guys will see in a few months.

Cheri St.Arnauld: Yes, and thank you so much to board staff for coming to our school for our site, visit and to this committee for continuing to work with us. Thank you.

Paul Mittman: Yeah, you're very welcome.

Michael La Montagne: Thank you.

Paul Mittman: Right. Next section of the agenda review discussion and possible action and…

Paul Mittman: financial status. Including requests to remove financial reporting. Between taking personally,…

Kevin La Mountain: Dr. Mittman Dr. Raymond…

Paul Mittman: by the way, you

Kevin La Mountain: until one more license renewal For Arizona automotive dealership institute. And that also has a request for a bond reduction, elimination.

Paul Mittman: Sorry about that.

Paul Mittman: Okay, all right. Great.

Paul Mittman: Mr. Algan.

Alan Algan: Hi, my name is Algan. I'm the CEO and executive director of the Automotive Dealership Institute. The reason we're here for the quarterly reporting is We lost 133,000 back in 2021 and the reason for that was we canceled many of our classes to produce an online products within our offices. And in the classrooms, this took about eight months of filming and producing. We spent close to a million dollars. Now, that's completed and start selling their actual selling more of that, then it classroom program.

Alan Algan: in 2022 because 20 with 382,334 profit and our years today statements show that

Alan Algan: In.

Alan Algan: Jenner one to march 31st, we show 49,000 profit and year-to-date may 31st. We had 84,000 profit. So we're on the right track. We don't have any other

Alan Algan: destructions of their concentrating on our classroom program and especially on the online program which is selling well,

Paul Mittman: Okay.

Alan Algan: So I'm asking to be removed from the quarterly reporting. And it provider license.

Paul Mittman: And in that order.

Alan Algan: Yes, please.

Paul Mittman: There we go. The other order. Because it's more

Alan Algan: Yes, license and remove.

Paul Mittman: Okay. Mr. Ball Questions.

Doug Ball: I have no comments, looks good to be.

Paul Mittman: Okay, I'll just congratulate you on making the investment that you did and the fruits of those efforts that appear to be coming true at this point. I'm sorry, I'm looking. I've got 30 tabs open. So give me a second to just Get this together.

Paul Mittman: I think.

Paul Mittman: Looking, I don't see the report in front of me, but what I'd like to propose and then I'm going to ask staff to When you complete two years of finishing the year in the black would be happy to remove you from quarterly reporting unless Mr. LaMountain did. I don't have the staff recommendation in front of me. Was that the staff recommendation or did the staff recommend? Otherwise

00:40:00

Kevin La Mountain: Ms. Rome.

Jacqueline Rome: Yes, Dr. Mittmann we are actually recommending to remove from quarterly reporting. But again, it is up to financial committee, whatever they decide.

Alan Algan: I mean, they're very tiny school. We only take 10 students a month. I mean, Comparing to the other schools, we are nothing really and we've been 20 on the same building and

Paul Mittman: Okay.

Jacqueline Rome: And the risk is low because it's a small number of students which is the reason for the recommendation to remove from quarterly reporting.

Alan Algan: And our program is only four weeks long for the classroom students. So we don't even deposit their money in our operating account, until they graduate.

Paul Mittman: All right. Mr. Ball. Do you have any objections to the staff? Recommendation and Mr. Algan's request.

Doug Ball: I have no objections.

Paul Mittman: In that case. Do you have the staff recommendation? Because for whatever reason I'm having a hard time finding I've got

Kevin La Mountain: Yet Dr. Mittman if I'll go ahead and read it. So the staff post action is to rove. the regular vocational license and remove the institution from quarterly reporting.

Paul Mittman: So Mr. Ball, you want to make that motion?

Doug Ball: I'll make a motion that we remove automobile Dealership Institute. From quarterly reporting.

Paul Mittman: Don't forget to renew the license.

Kevin La Mountain: Yeah, approved. Yeah.

Paul Mittman: How do we just?

Doug Ball: If any questions? Yes.

Paul Mittman: Why don't we just move to what Mr. LaMountain just said and that will be recorded in the minutes. So we're going to approve the license renewal and we're going to remove from quarterly reporting and the details will be in the recording. And…

Alan Algan: So much that.

Paul Mittman: then I will second that motion. Mr. Elgin, do you agree to those stipulations?

Alan Algan: Yes, I do. Thank you so much.

Paul Mittman: Okay, let's vote.

Kevin La Mountain: Sure, Dr. Mittman. Both side, Mr. Wallace is absolute. So you're voted two eyes. One voting absent, that motion passes.

Paul Mittman: Okay.

Kevin La Mountain: And we'd like to thank Mr, Algan because it's 8 pm in Turkey and…

Jacqueline Rome: Yeah.

Kevin La Mountain: we had a great opportunity to look out his back window to see the beach that he is next to and thank you for allowing us to see that. It was great and we

Alan Algan: I appreciate all of you. Thank you so much.

Paul Mittman: That everybody, I didn't get to see that. Who got to see.

Kevin La Mountain: We get up early, we're on here So both Jacqueline I had the opportunity to see that it was great.

Paul Mittman: How about I make a motion that the rest of us get to see it Mr. Algan could you accommodate?

Jacqueline Rome: Face.

Alan Algan: Government. Can you see it?

Paul Mittman: And where are you in Turkey?

Paul Mittman: Are you very nice. have a wonderful trip and a visit and be safe and we wish you continued success.

Alan Algan: and in ballroom,

Alan Algan: Thank you so much. I appreciate everything.

Paul Mittman: All right,…

Kevin La Mountain: Thank.

Paul Mittman: I'm gonna say it again, Mr. LaMountain. Correct me if I'm wrong review. Discussion possible action on financial status, to remove financial reporting requests. Okay. All…

Kevin La Mountain: That's correct.

Paul Mittman: I know we are. First up, American Home Inspectors training.

Paul Mittman: Yeah, please go ahead and introduce yourself and give us an update.

Jamie Illingworth, AHIT: Good morning. Thank you very much for taking the time to hear from us. Today, I am Jamie Illingworth

00:45:00

Jamie Illingworth, AHIT: Have Damon Nolan from our accounting team and Nicole Andler Director of compliance to answer any questions. The board may have

Paul Mittman: Straight. Thank you,…

Jamie Illingworth, AHIT: Thank you.

Paul Mittman: Mr. Ball. Do you have any questions?

Doug Ball: I have no questions.

Paul Mittman: So I was a mom, I don't know. It could be that. I'm just confused all day. And so, the question that I have is it looked like through in some of the documents I saw that in the first four months of 2023 the CE shop, your parent corporation posted a loss of 6.3 million dollars on tuition revenue of 20.1 million dollars. that could have that correct.

Jamie Illingworth, AHIT: Damon, are you able to speak?

Damon Nolan: So that's going to be at the CE shop level.

Jamie Illingworth, AHIT: Go ahead.

Damon Nolan: So yeah, that is the case, the majority of that kind of loss is really being driven by depreciation amortization interest expense as well. So We definitely still have a very positive, Evita.

Paul Mittman: And then, you're currently. Maintaining a bond of 33,762 and I see. And so maybe Mr. LaMountain. Can correct me on this. your Arizona. Now that we know the lingo Jamie your Ahit revenue I am 106,186, is that correct?

Kevin La Mountain: That is what we have, Dr. Mittman for their previous.

Paul Mittman: Is that for the full year or is that just for the reporting period?

Kevin La Mountain: That would be for their previous reporting period for their last license, renewal that they completed. Correct.

Paul Mittman: okay, so a full year In the words, And so, is there? And I always thought that the bond is 10% of GTR.

Kevin La Mountain: So Dr. Mittmann and Mr. Ball, is the determining factor? All schools have a 15,000 bond regardless of their gtr at the time where we initially put Ahit on the Financial their revenue, they're gross tuition was higher which led to the bond of the 33,000. So if we go back to that time frame their GTR at that point would have been 337,000 which is why we granted the 10%.

Paul Mittman: And what are your thoughts about adjusting it to the gtr of the current? And I imagine it doesn't make that much difference, and I don't know if it makes a difference to either CE shop to the Ahit people, I know we were just talking about a school with a 5.5 million dollar bond. And so, it's a lot different. In any sense of what's your sense Mr. Lamattan on And the bon.

Kevin La Mountain: Again, Dr, Mittmann and Mr. Ball, that would be really up to In terms of risk, all of these students are entitled for students. So 100% of their tuition is potentially recoverable under strife that we have to us judge the risk. If we think that the institution has a possibility of closure, we think with the new ownership that they have, there's a possibility that that may not happen with that particular change. So it's really in terms of what you want to do, we could certainly Change adjust that back down to the minimum which would be the 15,000.

Paul Mittman: Okay.

Paul Mittman: so first of all, On your request. I think my recommendation would be that we continue financial reporting and I know that the

Paul Mittman: Ahit has been profitable, and I'm not sure how many years in a row. The challenge that we've sometimes faced with Arizona, schools, that are part of a larger parent organization, is that, if the parent organization is either losing money, or for other strategic reasons, we've seen school closures as a result of that. Even though the operations here in Arizona are contributing to increase in and assets or profits and so I'll make the motion to continue reporting on.

00:50:00

Paul Mittman: To continue reporting and lower the surety bond to the 15,000 level. Mr. Ball. Can I get a second on that?

Doug Ball: I second.

Paul Mittman: okay, so Mountain and you agree to the stipulation, Either Jamie or Damon. Okay,…

Jamie Illingworth, AHIT: Yes, we'll agree.

Paul Mittman: okay, and let's vote.

Kevin La Mountain: Dr. Mittmann Dr,…

Paul Mittman: Hi.

Kevin La Mountain: Mittman voltsai. Mr. Ballvitzai by the vote of two eyes. One absent, that motion passes.

Paul Mittman: Okay. You have.

Jamie Illingworth, AHIT: You think thank you and no offense intended by our request for removal. So we look forward to continue to working with you all.

Paul Mittman: …

Jamie Illingworth, AHIT: We appreciate It always with respect.

Paul Mittman: you respectfully requested it. So we Knew our right off the bat. Thank you.

Jamie Illingworth, AHIT: Thank you very much.

Paul Mittman: I believe next Is another request. Hopefully, respectful also.

Raymond Asad: Always respectful.

Paul Mittman: They know, I'm just joking because you really are so it's good to see you,…

Raymond Asad: Yeah.

Paul Mittman: Mr. Asad. Do you care to make an opening statement for four theological seminary?

Raymond Asad: Sure, good to see you all as well and thank you for the invite. Although I am requesting not to be invited anymore. But happy to see you with me. Also is our director of compliance Teresa Lewis and yeah, It's very brief, really wanted to share with you June 10th, we had our commencement in Pasadena, we had about 570 students graduate from Fuller Theological Seminary that represent probably near 80 countries around the world. So we're always very proud to get to this point. That's what we work hard for all year long and to see or our students graduate and go out in the world.

Raymond Asad: Specifically with our Phoenix campus, we had 15 students, who graduated and completed their masters in marriage and family therapy.

Raymond Asad: Our clinic. And if you recall from prior conversations, we have acquired additional space, we've been building out our mental health clinic, and we are eager to open that to the community in the spring of 2024. It is where our students will do their practicum. And in between now. And then we've had about 15 therapy sites throughout the Phoenix area, actually, reach out to us looking for Fuller, students to participate in the various sites to provide mental health counseling. So we're very proud of the engagement and the reception we are receiving there and we continue to work on a larger program of opening, additional

Raymond Asad: Mental Health Clinics. Once we get the one on-site open, then we are looking at other sites In the Phoenix surrounding area. In terms of finances. for the first nine months of the fiscal year we've done very well as an institution overall and we've came in at a 2.9 million surplus. That's after amortization and depreciation. So that's actually very good and we'll see how we bring in the fourth quarter and I'm hopeful that we will bring the fiscal year to a balanced another Year in the Black for us. They'll give us three consecutive years of positive financial performance. so I believe we're going to get there specifically for the Phoenix campus.

Raymond Asad: The good news is we received cash gift very recently within the past couple of months of 1.5 million and our revenues they still remain at the same level of about three to 400,000 and we expect to see some growth and enrollment and next academic year. Yeah and we've actually grown our staff and faculty. So with there's a lot of emphasis and push to grow our Phoenix operations. So we're very excited about that. And that's where we are. So happy to answer any questions for you.

00:55:00

Paul Mittman: Mr. Ball any questions? Okay, I have a couple of questions.

Doug Ball: It's no questions.

Paul Mittman: First of all, congratulations on yet another gift because I remember, we had a similar presentation.

Raymond Asad: Yes. Yeah.

Paul Mittman: The last time we met. How did the camp I know that you were in the midst of a campaign or…

Raymond Asad: Yeah.

Paul Mittman: It's like, the end of a campaign and I know that you were hoping to close it out pretty soon.

Raymond Asad: Thank you for the question, Dr. Mittman we are extremely grateful for the performance of this campaign in very grateful to our donors and our development, team and staff for all the hard work and effort. The goal was 150 million. We're gonna come in at 150 152 million, probably even a little bit higher than that. It'll officially comes to conclusion at the end of this month. So we have one final push that we will be making here It's already kind of in progress, and yeah, it's been remarkable. And I think now, we'll take a pause from campaign and then just focus on a regular fundraising efforts. and then we'll see what comes next after that. But it turned out to be very successful. Thank you for asking.

Paul Mittman: All congratulations. And what usually comes next is the next campaign.

Raymond Asad: That's right. If it were up to me we'll do it. Then it started up the next days. but we got to keep our donors,…

Paul Mittman: Right. And so just

Raymond Asad: a break, a little

Paul Mittman: And I just want to give for anyone who's on the phone. around financial reporting when Fuller began financial reporting. If my memory serves in correctly it was because of any new school to Arizona is on quarterly reporting for two years. And throughout that time, floors between you're very strong balance sheet, endowment and financial performance. During this time it was really just a question of time. Assuming that everything went well and…

Raymond Asad: Yeah.

Paul Mittman: I will say that very good friend of mine is a minister. When I tell them I get to meet the folks at a full months.

Raymond Asad: Yeah.

Paul Mittman: He's like, my God, what a cool school. So we'll miss you.

Raymond Asad: All Nice day.

Paul Mittman: But I'll tell my friend, if he wants to reach out I have your contact information.

Raymond Asad: Please do happy to connect.

Paul Mittman: You can. And so with that, I will make a motion to remove Fuller Theological Seminary from financial reporting and lower the bond to $15,000. Mr. Paul Okay,…

Doug Ball: no, second

Paul Mittman: remember that we'll vote?

Kevin La Mountain: Dr. Mittman Votesai,…

Paul Mittman: I,

Kevin La Mountain: Mr. Ballville tied by the vote of two eyes known as that motion passes.

Paul Mittman: All right.

Raymond Asad: Thank you very much. And yeah, I hope we talk again soon under different circumstances.

Paul Mittman: Yeah, and next time I'm in Pasadena,…

Raymond Asad: They'll be a wonderful I look forward to that.

Paul Mittman: look you Okay. Bye-bye. All right.

Raymond Asad: Thank you, Dr. Maimon thanks, everyone. Bye.

Kevin La Mountain: Thank you.

Paul Mittman: Next up. Chord Health Institute and representing the two people. You guys want to introduce yourself. We have Nyazut 1.

NYAZUT 1: Good morning.

Guillermo Lopez: Good morning. Daniel Lopez here.

NYAZUT 1: daniel, HE

Paul Mittman: Disney and…

Kevin La Mountain: but,

Paul Mittman: Daniela Could you mute yourself? Because if you guys must be getting feedback from each other,

Kevin La Mountain: very, Okay.

NYAZUT 1: Yeah, thank you. We're next to each other, but

NYAZUT 1: He's a little big in size to fit in my screen. So I am the director of education. Thank you so much for having us into the Meeting Court. Healthcare Institute has been a trade school, vocational school that has been in the healthcare and being in the healthcare due to the last three years. Coming. Out of the pandemic, it hasn't been a very easy road for us. We try to through excellence for severance, in lifelong learning that into our students, we give a solid academic foundation in multiple vocational, skillsets, that makes those individuals successful in today's demanding workplace, we offer a learning experience because all the classes with the exception of the EKG program,

01:00:00

NYAZUT 1: Have clinical sites. We work the majority of our students even though is not through post-secondary, education Review. And yes, the Board of Nursing Review is the CNA program. The certified nursing licensed nurse assistant. And throughout the pandemic, we have been having very difficult times. For two main reasons, the fear of individuals to come back to the healthcare feel to work. And second…

Kevin La Mountain: Problem.

NYAZUT 1: because of the limited space that we had at school and the advice through the CDC on the specific.

NYAZUT 1: Space between individuals. So our classes were reduced from probably 20 students to about nine per class. And so due to the location where we are we occupied and in partnership with career success, high school tech campus located on 27th and Indian School, 27th Avenue and Indian school. We had to reduce having the same expenses with nurses and how to have more payment to them due to what it was offered to them outside of the training or education areas. As we all know, nurses came from probably 35 40 dollars an hour in some places to 9915 an hour.

NYAZUT 1: So being competitive in those areas having less students because of the space, it wasn't actually the best years for us, we have been working very diligently by continuing to work and providing the same services with the same as staff. but again, the pandemic, even though we never close the doors throughout those 2020, 21 and 22 years, we have been in some ways working To keep up with the school. And I think that is, the main issue that we had with the financial side, So I will leave it to Guillermo probably to go over the forms that we submitted to you for your review and open to any questions you guys might have.

NYAZUT 1: Are you?

Guillermo Lopez: Look yeah.

Paul Mittman: In, and

Guillermo Lopez: So I'm getting Lopez, I am the program for I like Health here Institute.

NYAZUT 1: Thank you.

Guillermo Lopez: And she gonna cover quite a bit of that as another issue the wheel. with a pandemic was the fact that we also raised the prices for a lot of little things that we didn't have before such as was continuous testing, we actually had to get up and staff because of different types of testing that we had to do before we send people out. And another part of the decline from our student population, was actually due to them, having to have been vaccinated. We had a lot of potential students that they don't want to come. maybe because the fact that every place that we were affiliated with when some of them have changed their rules now,

Guillermo Lopez: But it required vaccination which actually had us pretty hard. There was a lot of people that wanted to join the healthcare. Sorry if I'm slurring my speech. I just got a tooth pull. So if I saw the leader strange is just that But one of the reasons that we had also affected us quite a bit, was the fact that we cannot grab a student that we know is that when I get higher and because of that, we were, pretty far from with everybody, says Look if you're not gonna want to get vaccinated we understand but it's also gonna affect you because you are awesome. But We continue to actually shape, in a possibilities. Are you find a jobs or very close to zero without being vaccinated right now? That is changing right now. We actually seen it. I've gone to a few different sites and there's a lot of people that are now looking to possibly hiring. There are not vaccinated.

Guillermo Lopez: Mainly because the CDC has loosen those requirements and we're actually seeing a change of trajectory for us So, that is something that is, looking good for us in the horizon.

01:05:00

Paul Mittman: Thanks Guillermo's. And I guess a couple questions You're current year, your first three months.

Guillermo Lopez: Can you hear, okay?

Paul Mittman: Can you hear me?

Paul Mittman: hear? A man can you hear?

Kevin La Mountain: Yes. Yes. Okay.

Paul Mittman: Okay, okay, so question for Guillermo or Daniella, first.

Guillermo Lopez: Give me one quick second. Let me see if You hear me? Okay.

Guillermo Lopez: What's the question?

Paul Mittman: So, the question is, through the first three months of the year, you would post it a loss of, at least through March 23,902 dollars, Where are you at now?

Guillermo Lopez: Yes.

Paul Mittman: And what are you projecting through the entire fiscal year.

Guillermo Lopez: So that the issue with we had actually I guess the sources of funding that we give for the students is wioa Some of the funding for WO has changed us of the beginning of the year and how they're allocating their resources. So a lot of the students that we will get and that we send them. Normally, who end up being our students, essentially were Just left and roved. Some of them were actually not funded. Some of them were rejected actually was quite a bit. So we actually took quite a bit of loss from that. We have actually had increase in potential enrollments that we have had. We just had a bit of an issue with a funding part. We have changed some of these things.

Guillermo Lopez: With some contracts that we actually are trying to make those. we can't just sit here and do nothing, So we actually looking for funding from A different organizations, they're still working with Wii, a lot of times but they also have their own funding throughout the forces.

Guillermo Lopez: And At the moment, kind of working to finalize some of those different. Essentially contracts that we will have in order for us to get funding for those students. So we are actually these monthly looking probably in the next result to actually increase our enrollment significantly. Thankfully impossibly secure two different grants that would allow us to have different types of a income.

Paul Mittman: Okay so the previous two years if these are from my notes so I could be wrong your losses of 140 that 147,000 dollars and a 150,000. Do you feel that you're on track to repeat that? It looks like if you multiply your first quarter you'd come in with a net decrease in assets of twenty of about hundred thousand dollars. is that where you're seeing the year ending up?

Guillermo Lopez: this year, it looks like I think if we doing good we will break even And we are looking for some of the things that are, of course, changing some of these patterns. Looking the first half of these year has not be the kindest to us, either for different reasons that are not related to covid.

Paul Mittman: So instead of that, you're still expecting to break even for the year.

Guillermo Lopez: that does in the worst scenario. we're gonna take a loss of probably about a hundred grand. We have a couple of things to change our expenses, one of them is we have shrunken our classes to morning and afternoons. We are not open as long so we actually reduce our costs by doing so we were able to kind of condense classes and efforts a lot of

Guillermo Lopez: What do you call it? Trying to decrease our expenses as well. So there are two different factors that we're hoping that break even would be the best case scenario for us this year, but, we are expecting a loss this year as well.

Paul Mittman: And so, I guess, The reason that I asked the question Guillermo is

01:10:00

Paul Mittman: if you were to lose 147,000 again, just looking at your balance sheet, your current assets are a hundred and nineteen thousand dollars. I didn't see your current liabilities on there which would be good to make sure that you get us the next time that you report from a cash flow standpoint,…

Guillermo Lopez: Okay.

Paul Mittman: could you sustain another year, if you lost Kind of in the neighborhood of what you lost in the previous years, or do you have other funding mechanisms, let's say investments or, investors or other sources.

Guillermo Lopez: We could go another year. We are very aware of the fact that, if we come to a point in the business that we are not making

Guillermo Lopez: we're not making enough money to maintain the business open that we are if we were to, we need four months, I So that's our timeline that we have. That would be for us to teach every single student how to make sure that they are done with the externship and keeping the opportunity for them to do that. So we actually do have a kind of,

Guillermo Lopez: Exit strategy. if you wanted to but we are financially able to continue as long as we are able to secure a few different types of income revenue and funding for our students. We do see a opportunity for us to come out of this and be able to be successful again.

Paul Mittman: Okay.

Guillermo Lopez: We do have a fiscal year. we use for, tax purposes and some of that. But with you guys is actually

Guillermo Lopez: Our review is right now. We actually did not received our Which color approval this year. I don't know if these was what We were speak because we got a thing that was good, I reviewed this year. So we work on our waiting for these to happen. I'm just not sure if you are going to, release that to us. Or are we gonna stay in this review process?

Paul Mittman: I think here,…

Kevin La Mountain: That. Respond to that.

Paul Mittman: go ahead Muslim and

Kevin La Mountain: I don't know what you mean by not getting a. You did receive Your renewal certificate last year, your

Kevin La Mountain: Re your current license that you have today, expires 12:31/23, that renewal has not gone out.

Guillermo Lopez: Okay.

Kevin La Mountain: Yet we just sent out the October renewals so you'll get your renewal notification in September and then that will be for your renewal period. That's the

Guillermo Lopez: I'm going to look at a copy of the 2023. How do we get a copy of our

Kevin La Mountain: I'll send you a copy of it, you should have received it. I know that Guillermo, I know we've had some communication issues over the last, period of time.

Guillermo Lopez: Yeah.

Kevin La Mountain: So I'll send it to you again today. But you are good for the 2023 window,…

Guillermo Lopez: Okay.

Kevin La Mountain: through December 31,

Guillermo Lopez: That's my bad I assume no since we got placed on this review process that we need to be on review before we got it. So that's my

Kevin La Mountain: No, you're good. You will have to do that before your next renewal. So when you submit your renewal sometime in September, then you will have the opportunity to go before the board. because you'll still be on financial reporting that you'll go before the board and either in They probably won't be until January.

Guillermo Lopez: Okay.

Paul Mittman: You're at this meeting Guillermo & Danielle because you're on quarterly reporting. For having losses in two consecutive years. And so I would ask the next meeting that you come to, which

01:15:00

Paul Mittman: Theoretically should be in three months from. if you could, make sure that you have all of the materials that staff requested, I didn't see all of the elements of your balance sheet, which is important from, just in terms of what your financial health looks like. and also if you could please, when you come back, just share with us, a little bit more detail about what happened over the last few months. Because I know a lot of your presentation for both of you was around this dresses and struggles during pandemic, with, some issues around you were talking about vaccination or students, you don't want to get vaccinated loss of some funding sources. And so, just anything that you can prepare, maybe in

Paul Mittman: An executive summary, just like a one sheet saying, This is what we've been doing this. These are our plans moving forward because usually, when we have a full complement here, we've got, some accountants and some other people who are, super financially savvy and, if there's anything that we can do in the way of either advice or any kind of assistance, we would love to be available for that. All right.

Guillermo Lopez: Okay. Good.

Paul Mittman: All All right, have A good summer you guys. And with that, we're gonna move on. Next up.

Guillermo Lopez: Thank you.

Paul Mittman: Arizona, Christian University. President Munsil, I see in the room you want to introduce your team and…

Len Munsil: Yes.

Len Munsil: Yeah. Absolutely Mr. Chairman,…

Paul Mittman: give us an update.

Len Munsil: thanks for the chance to be back with you. I apologize for the no video I'm up in Whitefish Montana. Which I'm happy to be here. It's great, but we're at the gathering of the Frontier Conference presidents and our football program has moved conferences up to so we'll be playing in Montana Idaho and Oregon this year which is an Exciting change. They're very excited to have us. but, I wanted to introduce James Tito's, our chief operating officer in Michael Werner is our vice president of finance and they're available to answer any detunes. Not a lot to add to the narrative that we provided other than we wanted to let you know that we did receive all of our employee retention, credit of both of the checks that we were expecting, have come in.

Len Munsil: as a small college that is growing very rapidly. it's exciting to have more operating cash in mid-summer than really at any point in our history. We're well on track with enrollment for a ninth straight year of record, enrollment will be above 1100, total students this year. And of course, we're adding graduate enrollment for the first time.

Len Munsil: We just had our two day board of trustee meeting last week and in past next year a very strong budget. We have, continued revenue growth and mostly holding expenses, flat for a very positive year next year. And we're more than halfway done with a feasibility, study of our major supporters for what will be the first comprehensive fundraising campaign really in the school's history. So we've or, support pretty substantially over the last decade, but this is the first time we're actually going to do a multi-year campaign. And we'll have the report in September but hearing some very positive things from the major supporters of the university. So with that I will stop and see if there's any questions.

Paul Mittman: Mr. Ball. Any questions?

Doug Ball: I have no questions.

Paul Mittman: You have. so,

Paul Mittman: For the employee retention. That was about a two million dollar. A grant is that right?

Len Munsil: It was about 2.4 million. I think Nolan included some interest from the IRS.

Paul Mittman: And so,

Paul Mittman: And maybe Mr. Werner, maybe you want to jump in on some of my questions here. You had a

01:20:00

Paul Mittman: and when I read the Executive summary, there was a lot of, positive news there, growth and enrollment and also talked about you…

Kevin La Mountain: True.

Paul Mittman: fundraising gifts that you received And then when I read the financial statements, your cash which is about to go up by 2.4 million dollars. Has been decreasing from 3.6 million and 21 to 1.9 million in 22 to 776,000 at the end of March of 23 and

Paul Mittman: Same kind of direction for your current ratio. It was at 3.2, it's at 0.73. and I know that You also have, in the notes on your most recent audit, there are some significant bank covenants and I was just wondering Where are you guys at given the direction that you've been going over the last two years in terms of meeting your debt service coverage ratio, and then also your second covenant, the day's cat as soon as days cash on hand is your second bank, covenant.

Len Munsil: Let me jump into that first. this is present months.

Paul Mittman: Sure.

Len Munsil: One of the things I've talked about before is the challenge of the 12-month snapshot. And so we made a significant move to a much larger campus four years ago. Now, and so when you look back at our finances, we had a 16 million dollar gain We had a 2.8 million dollar loss, then we had a 4.6 million dollar gain and when you're rapidly growing there's these back and forth that occur and so We have been in the process of basically Our revenue to the point where it overcomes expenses on the new campus. It was almost like a start over when we move there four years ago.

Len Munsil: And we've done that with the help of through the Arizona Industrial Development Authority through investor funding. We were talking to our investors about follow-on funding now, but the reality is, we've grown pretty rapidly and we finally got into in next year's budget where our revenues that have been growing by about two million, a year, cover our expenses, without any covid, relief money, without crazy fundraising and without borrowing But it's been a process that's taken, several years to get there and frankly covid, we grew through vid. Unlike 95% of colleges but not as rapidly as we expected to. So coming out of covid, we weren't at the size. We didn't have the revenues that we thought we would have at that point.

Len Munsil: So there's a lot of up and down variability, but the trends are very positive and I think our investors are confident in us. We hit all of our Bond covenants, last year. But it was close and I think we're going to be close again this year.

Paul Mittman: Okay, the unauded statements that we received through nine months. So to loss of 3.6 million dollars is that Either present months or Mr. Werner.

Len Munsil: Yes. Yeah, That is correct in.

Paul Mittman: Okay, and…

Len Munsil: It's gonna

Paul Mittman: so then you add the ERP funds and so that At ameliorates. Some of that.

Len Munsil: It from a Cassian point. Yes. I mean that's their years I've learned over 13 years of doing this and going from a six million dollar to 26 million dollar budget. There are years when the budget looks great in the cash isn't so great. And there other years, the budget doesn't look as good. The P&L doesn't look as good, but the cash is fine. and for us, this is one of those years where the piano is not gonna look as strong, but our cash position is very strong.

James Tito: yeah, we're sitting at almost three million in cash now,

Paul Mittman: Right. And so,

Paul Mittman: You had a note payable that was due on May 20th. Of this year.

01:25:00

Paul Mittman: and that was, For a bridge load. And I was wondering what was that paid off?

James Tito: Is That must for, be lending. Yeah, we refinance that.

Paul Mittman: Okay, so ina And had an interest rate of 12% and…

James Tito: Yeah.

Paul Mittman: what did you get it down to?

James Tito: 12%.

Len Munsil: it was extended with Yeah.

James Tito: Yeah, we extended it for another year. So, we were able to refinance her for another year.

Len Munsil: that's one of the things we're talking to our investors About reconancing that at a lower rate.

Paul Mittman: Okay.

Paul Mittman: And how much is that for? I'm sorry.

James Tito: It's a total of 8.8 million.

Paul Mittman: On the 12%. and so,

James Tito: Right.

Paul Mittman: I didn't see that, And didn't see that On your balance sheet, but I assume that that will be all current liability.

James Tito: And it will go on the balance sheet in April. so, I think we closed in April,

Paul Mittman: Okay.

Paul Mittman: all right, and then

Paul Mittman: What was your composite score last year?

James Tito: It was 1.09.

Paul Mittman: Are you on HCM one?

James Tito: We haven't received any. Information yet.

Paul Mittman: in time, I think that lags a little bit,

Len Munsil: It's about an 18 months process, like I said in the years, with the up and down, steady progress in terms of growth and growth and revenues. But our composite score,…

James Tito: There.

Len Munsil: his gone up and It's been in the zone a couple of times but it's usually about an 18 month delay. So we've been on HCM one before with no issues that could happen again. But it might not depending on the continued progress that we're making on a lot of fronts financially,

James Tito: Yeah, budget that we've just put together for 24 looks really, really strong. And we're gonna have high cash, balances over a million dollars in profitability. After interesting before in our new enrollment for this fall is strong and we've based our budget on a conservative enrollment number that looks like we're going to surpass.

Paul Mittman: And how did you do that? Was it. Did you make?

Paul Mittman: Cuts on your expense side or are you getting new sources of revenue?

James Tito: The new source of revenues, additional enrollment. So that's helping on the expense side, we went through every department with a fine-tooth comb. I mean, we cut every single expense that is just not critical to running the university and offering and giving the students the service that they're paying for at the same time. So we have a balance there that we have to provide a good service for the students. But at the same time we're not overspending, there's very, very little fat at all in the budget.

James Tito: We're lean and mean THE folks are enrollment We increased enrollment just by making more calls, working harder, Doing more training for the enrollment team, Getting good leads, and also because the UNIVERSITY itself is getting more and more known out in the MARKETPLACE and STUDENTS JUST WANT TO COME HERE. SO AS THE BRAND IS BECOMING MORE POSITIVE IN THE MARKETPLACE, IT MAKES IT EASIER TO WE'VE ALSO INCREASED ENROLLMENT ON THE ONLINE SCHOOL. SO ONLINE HAS GONE UP ABOUT 25, 30 PERCENT. And that's just pure profitability at 60 to 70 percent profit on online students.

Len Munsil: What we've been doing is essentially, holding expenses, flat slightly less while continuing to grow revenue. So since coming to the new campus in 2019, if you look at our tuition and fees and auxiliary revenue, set aside fundraising or covid relief or anything like that. We've gone from to 18 million to 20 million this year and will be at 22 million next year. And so, we're finally getting to the point where the tuition and fees and auxiliary revenue growth, it is able to cover all of the expenses of operating on a much larger campus in. But we've gotten to that point with the help of investor funding short-term loans when necessary. but the growth trajectory has continued to be very very strong.

01:30:00

Paul Mittman: And Given the size of your campus. What is your your annual depreciation cost?

James Tito: I think it's about 2.4 million.

Paul Mittman: You can't. So that will still hit your income statement next year. Right. so,…

James Tito: Yes, and…

Paul Mittman: that mean,

James Tito: the campus has gone up significantly and appreciation and value from an appraisal standpoint. But unfortunately, we can't move that appreciation over to the balance sheet. So our net worth is much bigger than it actually shows on the balance sheet.

Paul Mittman: And hold on. One second. Is to the mountain. I'll be right with you. so, That means next year would have a loss in the neighborhood of about a million dollars.

James Tito: After depreciation.

Paul Mittman: I mean, as far as, whether it's your bank covenants or your composite score, all of that gets all that counts. On your income statement.

James Tito: yeah, the way that the debt service coverage ratio is Put together is it doesn't take into account appreciation. So we've actually budgeted for 24. We're going to beat our debt service. We need to have A One. Oh on our debt service coverage ratio for the bond and we're actually going to be around 1.45 1.550. On our days cash on hand, we're going to be next June. We need to be at 60 days. Which is about four million dollars, and we're going to beat that. By a couple of hundred thousand dollars. So we built into the budget this year. Looking at the ratio in days cash on hand to make sure that we're in compliance. And actually on the day on the debt service coverage ratio, we have about 700,000

James Tito: Give on that. So we're ahead by 700,000 on that in the plan.

Paul Mittman: And for this year, you expect to exceed both as well.

Len Munsil: We're. As you say,…

James Tito: It's good.

Len Munsil: we're very close on the day's cash on hand. The debt service coverage ratio is also going to be close. But part of it depends on We actually have a number of major gifts that are coming. by people close to the school related, to the fiscal year end which for us is June 30th.

James Tito: And the budget for 24 was built, without any extraordinary income coming in from the Feasibility study, So it's just based on a conservative fundraising goal. If that feasibility study comes through and we get some really large gifts. the numbers are going to look exceptional.

Paul Mittman: Okay, Mr. LaMountain. Sorry.

Kevin La Mountain: Dr. Mittmann. So, just a quick question, I believe that there was a statement that was made about your composite score. Could you provide that to me again really quick?

Len Munsil: Yeah, it was I think 1.09 so it was in the zone in the last fiscal year.

Kevin La Mountain: Just as because I know you had mentioned a component of growth being in your online. I just want to lay this out there so that you understand that that has the potential to challenge or your Arizona, Crazy Sarah status with a composite score in that range. We've seen it before. So I would anticipate and expect and certainly I will have a conversation with Lana at AZ Sarah, as we move this forward, but I just want you all to be aware that this may impact your ability to participate. in AZ, That would be something that I would recommend that the institution reach out to AZ Sarah to find out what the standards might be. But having a based upon what you've told me,

Kevin La Mountain: That could be a challenge for you.

Len Munsil: Okay, I appreciate that. We will definitely check in with them and I know we've been previously in the zone, in continue to be able to operate through AZ syrup, but if that's something that they're looking at, we definitely want to be in contact with them. Thank you.

01:35:00

Kevin La Mountain: It's great.

Paul Mittman: And just to follow up. I don't think that, Sierra is part of NC Sierra. And AZ Serra does not have any latitude around that. I think that they're Obligated to follow the guidelines from NC Sierra and so I echo what Mr. LaMountain just said, okay and…

Len Munsil: Okay.

Paul Mittman: All this is an update. I wish you well over the next.

Paul Mittman: Eight days for lots of fundraising, and I Thanks for your. Three-year answers and for persisting with my questioning.

Paul Mittman: I guess I'm concerned and I assume that that came through on the other hand, I know that you have been at this for a long time and I wish you the best over the next few months and We'll see in September.

Len Munsil: Sounds good. Thank you very much.

Paul Mittman: Okay.

Paul Mittman: All the way from Indiana. Or, hopefully it's nice and Beautiful summary. Or for you guys. So Connie. Are you on lead on this? Right.

Paul Mittman: Kind of I don't wait, what? Maybe I can't unmute Sorry you need to unmute.

Jacqueline Rome: It doesn't look like she is on the

Paul Mittman: Yeah. It's okay. Connie is a CPA. She's not, it person.

Jacqueline Rome: it didn't look like she was on me. I think she probably had to get out and come back in.

Paul Mittman: Yeah. Right? that's all take a mindfulness moment.

Paul Mittman: Deep breath in. and now,

Paul Mittman: Hey Connie.

Connie Bonner: Okay, can you hear me Sorry, I had to leave…

Paul Mittman: Yes, we can.

Connie Bonner: because I could not get it to work, so I apologize for that.

Paul Mittman: We were waiting. We baited breath you next So,…

Connie Bonner: Your anxious to hear my report. Okay.

Paul Mittman: while us with you,

Connie Bonner: I am very happy to have Jeff Berggren and Tiffany Glazier with me today, partly, because we're having some transitions as I mentioned in our executive summary and wanted to make sure that you are aware of something, these staff changes that we have that. We're excited about Jeff. Berggren will be moving to our Huntington location. He has been the director of HUAZ since inception. He's the one that got it going and we're very pleased with the work that he had done. But he's transitioning into a new role as the executive director graduate, and online programs that will continue him in oversight for Arizona admissions and recruiting. And so he'll be over that as well as our main campus online.

Connie Bonner: Graduate programs. So we're excited about that. And then we have Tiffany Glazier joining us today because she is going to be moving into the director of Huaz. Tiffany has been at Hoaz since July, I think June of 2020 and she's been serving as the coordinator of student support there. So she's going to take over some of the administrative responsibilities that Jeff handled and she'll also be continuing to do support services for faculty staff and students. And we're excited to see what Tiffany's going to do for us there and very pleased to have that opportunity to be promoted.

01:40:00

Connie Bonner: And then the last big change we have is that Dr. Jamie San Filippo will be joining the Huaz team as the dean of administration and she will be joining us in a week. Jamie worked for Huaz a few years ago and in the Student Recruiting and Services area. And she's been with the Council for Christian Colleges and Universities in Washington. DC has since gone. Her doctorate and will be bringing that talent and experienced to our campus. And she's going to be responsible for really assessing and target student markets hiring and directing campus, personnel, and providing oversight for recruitment marketing and student. Learnings, We are excited about this new opportunity and new venture for the university. And these changes that we're making locally in Arizona,

Connie Bonner: Also wanted to just let you know that early this month. We received the closeout letter from the city of Peoria regarding our economic development agreement. We had with them as I'm sure you're aware. We're invited to come to Peoria Arizona by the City of Peoria and we're in an economic development agreement with them. And we are pleased to say that we met all of the objectives. And we've been dismissed from those objectives. and then,

Connie Bonner: Wanted to let you know, we are may. 31st is our year in. So we are in the process of closing our books for the institution and getting final numbers. We will have our external audit. we are next And month of July. And we'll have that full report for Once we get that finalized with the auditors, And then, finally, our fall enrollment in Arizona is looking very good and wanted to share with you the undergraduate digital media arts program.

Connie Bonner: Our deposits are and our registrations are running. 15% ahead of last year and we're looking forward to meeting the goals that we've set there. Just having a good traction. We have a new person in our recruiting office that we're excited about and I can let Jeff speak to that if he wants to add any more in that area.

Paul Mittman: First up. Is Jacqueline Rome.

Jacqueline Rome: Thank you, Dr. Mittman. I just wanted to make sure Connie some of the changes that you mentioned with your staff, at the local campus in Arizona. Can you please make sure that those are transmitted to us so that we can update our software. So if Jeff isn't going to be submitting the applications,…

Connie Bonner: Certain.

Jacqueline Rome: we need to make sure first Salesforce software is updated with the proper communication channels. Thank you.

Connie Bonner: Certainly.

Jeff Berggren: Yeah and I can jump in here real quick Jacqueline just to say the transition and I want Kevin to know that I'm not leaving just because of I don't enjoy emails and interactions with Kevin and with you, but it does have to do with daughters in Indiana and a granddaughter. So, Hard for Kevin as enjoyable as he is to compete with grandkids.

Jacqueline Rome: More.

Jeff Berggren: So I will also say that it's going to be great to stay connected to the Arizona location. I came out and launched Arizona. So very much have enjoyed the interaction with

Jeff Berggren: With the group and with the team and I will stay connected with Tiffany as she goes through the next renewal process. So I will get you updates with that Jacqueline, but I'll still be playing a role in terms of the next renewal cycle and be making a visits out to Arizona, with some regularity, particularly with some intensity between that November and March times. So I'll be planning accordingly. Now that I'm a veteran, I'll be a snowbird. You will see me Dr. Mittman driving around in a silver PT cruiser going about half the speed limit, highway to Golden Corral. but no, I have a really enjoyed the interaction. This is an opportunity just to think the easy PPE overall, for just the reason the support As we launched the good partnership as we move forward and grown and expanded and I'll still be able to play a role but I will definitely get you updates. Jacqueline.

Jacqueline Rome: Sounds good. Thank you.

Paul Mittman: It sounds like we're the private post-secondary, education, presented by the Hallmark Channel, any other good tidings for anybody. And I do have a question a finance committee.

01:45:00

Connie Bonner: Yes, it is.

Connie Bonner: Yes we do. As we talk to you the last quarter, we knew that the endowment and the market losses would have an impact on us and that we do anticipate an overall loss for the The Arizona campus. We were able to have a profit this year even though our revenue ran a little short, we were able to make some cuts in some more expenses and still finish in the black bear.

Connie Bonner: So, we will have a positive bottom line for that. But we have a lot of finalization still going on with the overall campus and trying to get fixed assets recorded in all those things that make a difference, once we capitalize those assets and that type of thing. So, I do not have a final number. But again, as I shared with you at the last quarter, we do anticipate to have a loss due to the market, and we will have a operating losses. I think you're aware that we mentioned in our executive summary that we did have A civil lawsuit brought against us here locally and in Indiana. And we have that impacted our fundraising for our athletic facility. So we have budgeted for that fundraising but we were not able to charge ahead with that as early as we plan until we had some of the

Connie Bonner: Just the effects of the lawsuit settled. And so that's had a bit of an impact on us than we do expect to have That's a laws due to that as well.

Paul Mittman: Okay, all right, Mr. Ball. Did you have any other questions?

Doug Ball: I have no questions.

Paul Mittman: And then, I guess the only question that I have Connie related to what you just shared with us. I think you're composite score. Was 1.6 based on the last audit, or I don't know. I'm looking at my notes.

Connie Bonner: It was 2.6 last audit.

Paul Mittman: I may have

Paul Mittman: No All right, so you've got plenty of room.

Connie Bonner: Yeah, and I'm estimating, it'll be 1.9 or two this time. Okay.

Paul Mittman: Okay All Hey best wishes, congratulations, Jeff. And also Tiffany, and Connie. It's always nice to see All right.

Connie Bonner: Thank you. All right. Bye.

Paul Mittman: We'll see you in a few months.

Jeff Berggren: That's good. Thank you women.

Paul Mittman: All right. Inspection go. Do I say that r? Is is inspection go.

Paul Mittman: Is there somebody here from inspection go? Because if there isn't that means that you blew us off, two meanings in a row. So this is gonna go into the minutes, right? Mr. LaMountain.

Kevin La Mountain: This is Allison or Casey either one there.

+1 814-\*\*\*-\*\*70: We are both here.

Paul Mittman: Okay, And I would say that you're the packet that you submitted.

Kevin La Mountain: Yeah.

Paul Mittman: At least to my review was not nearly complete. And so I'm gonna ask you guys to get with staff. and make sure that we're gonna come back and at our next meeting which I think is That be September will wait. Jacqueline is going to probably contradict me. Go ahead Jacqueline.

Jacqueline Rome: No, I'm not going to contradict I just want to make sure that the documents were requested multiple times.

Paul Mittman: Allison and Cassie.

Paul Mittman: This isn't good, and not just because it takes a lot of staff time, to support the schools here. In Arizona, there are, I think, 240 or 240, something schools in the state, so everybody gets a lot of attention. The fact that you weren't here last time and that we don't have the materials. This time is not good and it's not good because it's just like I'm not saying it's a personal front, although it might be but it calls into question.

01:50:00

Paul Mittman: A school's administrative and managerial capabilities, which is far as the board is concerned. gives us a feeling that the school and its students could be at risk. And so, we're going to have you guys come back at the next meeting and

Paul Mittman: And I'll just say, I expect full packet of materials with every single thing answered and just out of respect for our staff. I'd like you to start by responding because I saw the email chain from Ms. Rome. And I saw lots of emails from Ms, Rome, but I didn't see emails coming back the other way. So if there's a technology problem, please figure it And please get your materials in to staff in the next week and without another prompt from staff. Who have other things to do? All right.

Kevin La Mountain: Dr. Mittmann just for clarification piece, do you want? Them to report. Obviously they would be back in September. But do you want them to be at the full board meeting in August?

Paul Mittman: Yeah. Yeah. Okay.

Kevin La Mountain: Okay.

+1 814-\*\*\*-\*\*94: Yeah, I thought we submitted everything so I'm not sure what. Missing.

Paul Mittman: Okay, go back and look at emails from Ms. Rome. And it should be spelled out in there. Do your best to get them in. and then if all is good you'll get confirmation from staff. If not, they'll list out what needs to be submitted. All right.

+1 814-\*\*\*-\*\*94: Okay.

Paul Mittman: Moving on. Life work. So cool name for a company that had the cool name before that used to be wizard, medical education. So representing looks like Andrew Johnston.

Andrew Johnston: Yes, good morning. Ready. Yeah, my name is Andrew Johnston. I'm the regional director for life Education for our Arizona operations. And in the last quarter kind of update on our side. As we went through our app has site visit with our institutional accreditation as well as our recreditation filing with our programmatic accreditation, for the paramedic program. So, when it rains, it, pours, all of our accreditation filings, we do at the same time. So we were working our way through them but our finances continue a little bit positive year over year from the last couple years. We are in the process hopefully, within the next week of rolling out in total. What's going to be a 3,000 square foot expansion? Of our Dobson Road facility. And with that, is the plan to cons.

Andrew Johnston: A lot of the operations and courses and everything between the Dobson Road and the country club campus that we have, which are just a mere a couple miles from each other. So that's finally coming to fruition. We're just waiting for the keys pretty much to the new space and we'll be able to kind of start that next process for it. So, that's a little bit of the update. From us over the last quarter. And I'm happy to answer any questions. Anybody has

Paul Mittman: So you said that you were expecting or open to finish the year in the black As I know a couple years ago, you're a little over a million in the red and I don't have it in my notes. I'm right here where you finished 22 but are you expecting to finish the year in the back and that would be quite the Nice turnaround.

Andrew Johnston: We're not quite there this year. It's still some of the kind of startup costs, or for the last year, rather, for December our financial audit should be done any day now for the 2022 and we're happy to share that with For company-wide on it. But yeah, the trajectory is good and we're moving in the right direction, but we're not quite there yet. There's a lot still the startup cost of some of the new systems that we've been rolling out. We brought on two new dedicated, admissions faculty members in the last couple months as well, that are bringing in a lot of experience on the admission side and a changeover in our marketing department as well to Kind of get us back on track to a lot of the momentum that we had and prior years.

01:55:00

Paul Mittman: Okay, great, Mr. Ball, any other questions comments? Otherwise.

Paul Mittman: Mr. Ball. I'm sorry I didn't Cat.

Doug Ball: No questions.

Paul Mittman: All with that unless you have any questions for Dr. Johnston, I wish you the best of luck with the new facility. I think the one that' on country club that's There's a bike store right near there.

Andrew Johnston: There's a very large bike store, next to us there. Yes.

Paul Mittman: Yeah, So Yeah, I've retired my license to practice and…

Andrew Johnston: People.

Paul Mittman: so I've taken my last ACLs class from you guys, so I wish you …

Andrew Johnston: God. Thank you.

Paul Mittman: I wish you and we'll see you in a few months.

Andrew Johnston: thank you, I will say, kind of ancillary is during our AB, Visit Mr. The Mountain and Mr. Blanchard were president and we made a commitment to them on going through and digitizing paperwork by this meeting today. So I'm happy to report that we have gone through the painstaking process of digitizing. About a decade's worth of the paperwork to eliminate our filing cabinets, and our storage, everything that we had there for you. So I'm happy to send some pictures to you or whatever you would like for that.

Kevin La Mountain: That is great. Thank you so much. when we walked in there and we saw the file cabinets and you saw our eyes get really big. And I just want to thank you for doing that. That's very helpful to us as well.

Andrew Johnston: Absolutely, thank you.

Paul Mittman: Okay, that's a great way to conclude. Let me just see if we have any

Paul Mittman: No, I think that's it. We'll conclude a high note. Thanks to Mr. Johnston, thank you to staff for. I know that, I don't know, a bunch of years ago. I met you guys at an accreditation visit so I don't know. I thought it was a one-off that apparently you guys are, your support of, every possible way for our schools and so thanks a lot. Thank you, Keith and Jacqueline. Kevin and Doug, it's good to see you and it's 11:45. And this meeting is a giant.

Kevin La Mountain: Great. Thank you.

Jacqueline Rome: Thank you.

Meeting ended after 02:01:40 👋