

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

September 24, 2015 Finance Committee Meeting Minutes

Members present: David Walser, Chairman
KC Miller, Member

Also present: Teri Stanfill, Executive Director
KD, Licensing

I. CALL TO ORDER

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

II. Discussion and Action on:

A. June 25, 2015 Finance Committee Minutes: Mr. Walser made the motion to approve the June 25, 2015 Finance Committee Minutes. Ms. Miller seconded the motion and the motion carried.

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

1. Arizona School of Integrative Studies. Represented by Joseph Rongo, founder and part owner.

Mr. Rongo explained that ASIS has been licensed for over 20 years. Mr. Rongo explained the last two years have been difficult, due primarily to the opening of the Tucson location, seeking accreditation with ACCET and Title 4 eligibility, successfully. To date, ASIS is again profitable.

Ms. Miller stated the letter from Mr. Merwin was very helpful in explaining the financial position of ASIS.

Motion: Ms. Miller made the motion to approve the 2015 Regular Vocational Program License Renewal with the stipulation to post a \$15,000 Surety Bond. Mr. Walser seconded the motion and the motion carried. Mr. Rongo agreed to the stipulation.

2. Executive Academy of Scottsdale. Represented by Magdalena Cutler.

Ms. Cutler explained that operations have meet expectations; EAS submitted their application with DEAC. DEAC requested additional information that EAS has submitted; EAS is waiting final approval from DEAC to accept their application and continue the progress towards accreditation.

Motion: Ms. Miller made the motion to recommend to the State Board the approval of the EAS Provisional License Renewal with the stipulations to maintain the surety bond and continue quarterly reporting. Mr. Walser seconded the motion and the motion carried.

3. UEI College. Represented by Joe Fox, President (by phone) and Todd McDonald, Campus President.

Mr. Fox explained the IEC is committed to the Phoenix campus; reduced tuition and working to improve the market recognition. Mr. Fox stated the year has been difficult, primarily due to the unexpected costs and challenges of the acquisition.

Mr. McDonald explained the campus is focusing on cost controls and increasing enrollment.

Mr. Walser asked about the quick ratio of less than 1. Mr. Fox explained the acquisitions costs of the FCC/Anthem schools and that IEC had made the determination to not take an infusion of cash to purchase the FCC/Anthem schools.

Mr. Walser asked about the break-even point with the reduced tuition and expenses. Mr. Fox stated the break-even point with these changes has not yet been calculated. Mr. Walser requested the break-even point be re-calculated on the next report.

Motion: Ms. Miller made the motion to approve the 2015 Regular Vocational Program License renewal with the stipulation that the \$120,000 Surety Bond be maintained and to continue quarterly reporting. Mr. Walser seconded the motion and the motion carried. Mr. Fox agreed to the stipulations.

4. University of Medical Sciences Arizona. Represented by Dr. Janice Pitts

Dr. Pitts addressed the committee and explained that UMSAz was on quarterly reporting as a result of the clinical operations. Dr. Pitts explained the clinic was not function properly, but steps have been taken to re-structure the clinical operations and has seen improvement.

Dr. Pitts explained the first class is expected to graduate in December.

Dr. Pitts also explained that UMSAz will no longer proceed towards accreditation with TRACS and will continue with HLC. Dr. Pitts explained the reason for the change and that has affected the progress with HLC accreditation by approximately 6 – 8 months. It is the intent to submit the reports to HLC in the next month.

Motion: Mr. Walser made the motion to recommend to the State Board the approval of the Provisional Degree-Granting License renewal with the stipulation that the \$15,000 Surety Bond be maintained and to continue quarterly reporting. Ms. Miller seconded the motion and the motion carried.

IV. Review of Quarterly Reports

1. American Indian College. Represented by Dr. David Moore and Steve Chaney, CPA (by phone)

Ms. Miller requested an update on HLC. Dr. Moore explained that HLC will be meeting in November.

Mr. Walser requested an update on the requirements of the US Dept. of Ed. Dr. Moore explained that AIC posted a LOC and is provisionally certified. Mr. Walser asked what is the composite score. Mr. Chaney responded that it is expected that AIC will be above 1.0 and AIC is now making a profit.

2. Arizona Heart Foundation. Represented by Paula Banahan, Director and Sue Griffin.

Ms. Banahan reported that the hospital is moving to the Foundation building. Ms. Banahan explained that break-even is approximately 12-14 students and that 8 students are confirmed for the January start.

Ms. Miller requested clarification on the two reports. Ms. Banahan explained one is for the Foundation and one is for Hospital.

3. Brookline College. Represented by Roy Hawkins, President and Sean Kerrigan, CFO.

Mr. Hawkins explained that Brookline continues to be profitable and that several changes. “downsizing”, were made to the online operations.

Motion: Ms. Miller made the motion to remove Brookline from quarterly reporting. Mr. Walser seconded the motion and the motion carried.

4. Cummings Graduate Institute for Behavioral Health Studies (Cummings). Represented by Dr. Janet Cummings, Dr. Cara English, Amy Burkhart and Bret Sabatini, CFO phone.

Dr. Cummings thanked the committee members for their “strong” advice regarding the unrealistic projections; as the projections were not met. Dr. Cummings explained that the school has developed a plan to ensure that the Cummings is profitable. Dr. Cummings also explained that recruiting had to be suspended in many states because of the state authorization requirements.

Mr. Sabatini explained that Cummings intends to change to a non-profit status and has a Foundation that is will to provide \$1.2 million annually. Dr. Cummings again thanked the Committee for their advice.

Mr. Walser asked what are the projections now. Dr. Cummings stated 26 in Spring I and 30 in Spring II.

Ms. Miller asked if Cummings was considering expanding the programs offerings. Dr. English responded that is a consideration as well as developing business workforce programs, continuing education courses and professional development courses.

5. Fletchers Pilates. Represented by Debra Mendoza.

Ms. Mendoza explained that significant progress has been made to become profitable; primarily due to an increase in the planned events. Ms. Mendoza stated that 10 students are starting next week.

Motion: Ms. Miller made the motion to remove Fletcher Pilates from quarterly reporting. Mr. Walser seconded the motion and the motion carried.

6. Fortis College. Represented by Glen Tharp, Campus President; Jason Pullman, Business Manager; Steve Budosh and Jason Mika, by phone.

Mr. Tharp stated that Fortis is meeting expectations; enrollment and retention is good.

Mr. Budosh explained that the financial re-structuring occurred on June 26th; all term debt has been extinguished and converted into equity. Mr. Budosh provided an in-depth explanation of the re-structuring.

Mr. Budosh further explained that ED and ACCSC did not consider the re-structuring as a change in control and ED actually reduced the LOC amount based upon the proforma.

7. Le Cordon Bleu College of Culinary Arts. Represented by Craig Bartholomew, Campus President, present and by phone Tom O’Donnell VP of Strategic and Michelle Peppers, CFO.

Mr. Bartholomew stated that there has been significant improvement over the last year as a result of improved admissions, limited expenses and improved efficiency.

Mr. Walser asked if there has been a reduction in the corporate allocation. Mr. O'Donnell responded yes, as the LCB schools are up for sale. Mr. O'Donnell stated that LCB is now operating with a profit.

Motion: Ms. Miller made a motion to remove Le Cordon Bleu from quarterly reporting. Mr. Walser seconded the motion and the motion carried.

7. Tucson College. Represented by Lloyd Kirsch, Campus Director, present and by phone Kevin Smith, VP of Finance and Katrina Van Natta, VP Accounting.

Mr. Kirsch explained that TC has increase referrals and is working to improve admissions. Mr. Kirsch also stated that TC is waiting on approved from ED for 2 new programs; and the CAR reported mid 80s for placement and retention.

Ms. Miller stated her concern that projections are not met. There was discussion on the breakeven calculation, but not sufficiently explained.

9. Unmanned Vehicle University. Represented by Kevin Kelly, President/owner and John Minor, Provost.

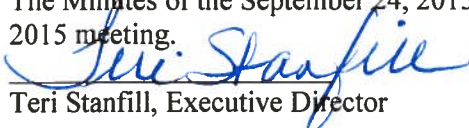
Mr. Kelly explained that Q2 has been very strong and there has been a strong demand for pilot training.

Mr. Minor explained that DEAC approved UVU to continue on the original track to pursue accreditation as a result of the re-structuring and stabilization of the company since the purchase and the untimely passing of Dr. Jerry LeMeux, the founder of UVU.

Motion: Ms. Miller made the motion to remove UVU from quarterly reporting. Mr. Walser seconded the motion and the motion carried.

V. Adjournment: The meeting adjourned at 11:27 a.m.

The Minutes of the September 24, 2015 Finance Committee Minutes were approved at the December 8, 2015 meeting.


Teri Stanfill, Executive Director