

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

**September 26, 2013**  
**FINANCE COMMITTEE MINUTES**

Members present: David Walser, Chairman  
KC Miller

Also present: Teri Stanfill, Executive Director  
KD, Administrative Assistant

**I. CALL TO ORDER**

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

**II. JUNE 27, 2013 FINANCE COMMITTEE MINUTES:** Lacking a quorum, no action was taken.

**III. DISCUSSION AND ACTION ON THE FINANCIAL STATUS AND LICENSE RENEWALS:**

**1. Alpha Pacific Institute:** Represented by Michael Petry and Mike Swartz, CPA

Ms. Stanfill introduced this Agenda item stating that during the review of the license renewal, based upon losses in 2011 and 2012, Staff referred the renewal to the Finance Committee for review.

Mr. Swartz addressed the Committee and explained the difficulty that Alpha Pacific faced during the last two years. Mr. Swartz also stated that the institution is seeking a new location, applied for VA funding and other steps taken to improve profitability.

Ms. Miller noted that the retention rate is good.

In response to Mr. Walser's question regarding "not independent" as Alpha's CPA, Mr. Swartz explained he makes journal entries but does not have any ownership interest.

Mr. Petry stated that he is seeing improvement.

**Motion:** Ms. Miller made the motion to renew the 2014 License Renewal with the stipulation that the \$18,000 Surety Bond be maintained and quarterly reporting was not required. Mr. Walser seconded the motion and the motion carried.

**2. Executive Academy of Scottsdale–** Magdalena Cutler and Greg Cutler

Ms. Stanfill introduced this Agenda item and stated that Executive Academy of Scottsdale (EAS) is seeking renewal of the Conditional to Provisional License Renewal. EAS is on quarterly

reporting and the Finance Committee is to review the financial position of EAS and provide recommendations to the Board at its meeting in October.

Ms. Cutler explained EAS began enrollment in January and has 41 students.

Mr. Walser asked if the \$3,371 tuition amount is correct. Ms. Cutler explained that because EAS is not accredited and the students are from poorer countries, the tuition is intentionally kept low. Ms. Cutler also stated costs are kept low and retention has been good.

**Motion:** Ms. Miller made the motion to recommend to the State Board that EAS maintain the \$45,000 Surety Bond and continue quarterly reporting. Mr. Walser seconded the motion and the motion carried.

**3. Khalsa Montessori School – Represented by Janice Mayhew and Nirvair Khalsa**

Ms. Stanfill introduced this Agenda item stating that Khalsa Montessori School is seeking renewal of the 2013 License and based upon losses in 2011 and 2012, the renewal has been referred to the Finance Committee for review. Khalsa submitted a plan to improve financial stability and it was provided to the Committee.

Ms. Khalsa addressed the Committee and the management plan was discussed.

**Motion:** Ms. Miller made the motion to approve the 2013 Regular Vocational Program License Renewal with the stipulations that the \$15,000 Surety Bond be maintained and submit to quarterly reporting. Mr. Walser seconded the motion and the motion carried.

**IV. REVIEW OF QUARTERLY REPORTS**

**1. ABC Bartending. Represented by Edward Raymond**

Mr. Raymond stated he is behind in projections, but has cut costs; moved the defensive driving school to the Bartending school location. Mr. Raymond also stated the landlord has made some concessions.

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

Dr. Moore explained that fall enrollment is up by 11% and revenue from the dorms has also increased. Ms. Stern, CPA, explains that expenses have been better managed and that the loans have been renegotiated.

Ms. Miller asked what funding is available to cover any shortfall. Ms. Stern responded that AIC have a line of credit and the asset to debt ratio is low.

Ms. Miller asked why the last 3 quarters of projections were not provided. Ms. Stanfill explained that AIC's fiscal year end is June 30<sup>th</sup> and that projections for the new fiscal year should be available on the next report.

**3. Arizona Automotive Institute.** Represented by Michael Zawisky, new President of the re-organization/COO of STVT-AAI Education, Inc., Sean Kerrigan, CFO and Art Rodriguez, Compliance, by phone.

Mr. Zawisky addresses the Committee and reports the re-organization and COO was completed on August 12<sup>th</sup> and provided an update. Mr. Zawisky requested the Committee consider removing AAI from quarterly reporting and no longer require the \$100,000 Surety Bond.

Ms. Miller expresses her concern with retention and placement. Mr. Zawisky responded that there needs to be improvement to meet the ACCSC benchmark of 66% and there has been a 7% increase, reaching almost 60%.

Mr. Walser stated that quarterly reporting would continue and perhaps in December the request to remove from quarterly reporting and the bonding requirement could be considered by the Board in reviewing the Change of Ownership application.

**4. Chandler University** – closed, removed from Agenda

**5. Han University of Traditional Medicine, formerly Asian Institute of Medical Studies.** Represented by Alex Holland, by phone.

Mr. Holland explains that the institution has moved to a larger location and that enrollment has increased. Mr. Holland explained that significant marketing in China is being done and have secured 4 new students, for a total enrollment of 20.

Ms. Miller notes the improvement.

Mr. Walser asked if Mr. Hu been granted permanent resident status. Mr. Holland explains they are waiting.

**6. Le Cordon Bleu College of Culinary Arts.** Represented by Lloyd Kirsch and Ryan Benjamin, Regional Controller by phone

Mr. Kirsch provided an in-depth update. Mr. Kirsch stated that LCB continues to experience losses, but revenue has increased and expenses reduced.

Ms. Miller asked what effect will the gainful employment regulation have on LCB. Mr. Kirsch responds that it is a concern and explains that the entire company is closely monitoring the current situation. Mr. Kirsch explained that several years ago LCB re-worked their business model and only offered certificate program with lower pricing. However, LCB found that employers were asking for degrees and the students wanted the degree programs, so LCB is offering the degrees.

Mr. Walser noted that it was previously stated that an additional 100 students were required to meet the break-even point. However, it appears the number of students have decreased. Mr. Kirsch explained that is a result of the increase of the 90 graduates in this year. Mr. Benjamin also stated it is based upon the number of the graduates this year in the 12 month certificate program and the increase of student enrollment in the 20 month program.

**7. Medline School of Medical Transcription.** Represented by Diana Hurkens Gabriel

Ms. Gabriel states that the institution is doing very well and they have added more programs.

Mr. Walser stated that at the last meeting, he had a concern with the course materials that were acquired and that the intellectual property may have to be written off or reduced, yet the balance sheet showed an increase.

Ms. Gabriel explained that a significant amount of money has been expended to replace the old intellectual property and that she will be meeting with her accountant regarding the depreciated amount of the old intellectual property.

**8. Phoenix Computer Academy.** Represented by Aparna Gupta

No questions. Ms. Gupta stated the PCA has been profitable since they have been on reporting. Mr. Walser stated the Committee will review the quarterly reporting requirement at the license renewal.

**9. Providence Training Institute.** Represented by Craig Gatesman (accountant) and Sharron Hudis, administrator.

Mr. Gatesman stated that second quarter has positive net income, revenue is up by 15%, enrollment is up by 23% and net income has increased 52% quarter over quarter.

Mr. Walser asked about the Phoenix location. Ms. Hudis responded that the enrollment at the Glendale location is higher at this time. However, enrollment varies at each location.

Mr. Gatesman asked if additional information would be helpful. Mr. Walser stated the initial concern was the unexpected loss due to opening the Phoenix location and it appears the institution has made continued improvement. The Committee will discuss the requirement for continued reporting will be considered during the review of the renewal.

**10. Tucson College.** Represented by Lillie Roman, Campus President, Alan Smith, Director of Admissions and Sandra McIntosh, Financial Aid Director

Ms. Roman provided an in-depth update. Retention is 93%, Placement is 80% an above the benchmarks. The Management Plan submitted in March has proved to be highly effective. Enrollment is higher than expected. The financial position has improved which will show in the next report.

The new enrollment team has been very successful and the new high school program has helped significantly with offsetting the loss of the ATB student.

The Committee discussed the break-even point and expected fiscal year end loss.

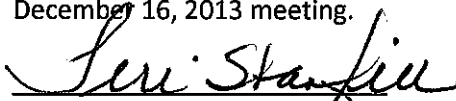
Ms. Roman explained significant changes were made from last year with a change in the CEO and marketing and all of the schools are seeing improvement.

Mr. Smith briefly explained the improved training of the employees and expectations.

Ms. Roman also explained their high school program.

**VI. ADJOURNMENT:** The meeting adjourned at 11:30 a.m.

The June 27, 2013 and September 26, 2013 Finance Committee Minutes were approved at the December 16, 2013 meeting.

  
Teri Stanfill, Executive Director