

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

MARCH 28, 2013
FINANCE COMMITTEE MINUTES

Members present: David Walser, Chairman
KC Miller, by phone
Jason Pistillo

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

I. CALL TO ORDER

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

II. DECEMBER 11, 2012 FINANCE COMMITTEE MINUTES: Mr. Pistillo made a motion to approve the December 11, 2012 Minutes as written. Ms. Miller seconded the motion and the motion carried.

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

A. American Indian College of the Assemblies of God – Represented by Dr. David DeGarmo, President, Dr. Joseph Saggio and Paul Henning, VP for Financial Services

Mr. Walser thanked the institution for a nice report and asked if there was an update. Dr. DeGarmo responded that a response regarding the March HLC visit has not yet been received but believes the visit went well. Dr. DeGarmo reported that the Board of Regents met to consider the Executive Committee's recommendations of a transformation of a structure for strategic planning to include scholarships, improved enrollment department, improved fundraising and governance.

Mr. Pistillo asked for further explanation to the structure of the Board of Regents and the "Board". Dr. DeGarmo explained the "Board" is comprised of administrative personnel carrying out the daily operations and the Board of Regents meets annually.

Mr. Henning responded to Mr. Pistillo's request to explain first quarter results. Mr. Henning explained that enrollment continues to be low, but financially improving as a result of improved student accounts and the use of volunteer help. Borrowing against the line of credit has not been required.

Mr. Henning also stated they expect to break even for the fiscal year and the composite score is .3. The composite score may improve depending upon how the auditors handle the "deferred loan".

There were further discussions regarding the results of the "Blue Ribbon" committee meeting, the restructuring of tuition from a "per credit cost to a block model", plans to offer additional programs and the "overhaul" of enrollment management.

Motion: Ms. Miller made a motion to approve the 2013 Regular Degree-Granting License Renewal with the stipulation that quarterly reporting is required. Mr. Pistillo seconded the motion and the motion carried. Dr. DeGarmo agreed to the stipulation.

B. American Medical College of Homeopathy (AMCH) – Represented by Dr. Todd Rowe, President, Susan Olsen, AMCH Bookkeeper and Patrick Hasselmann, AMCH Chairman

Dr. Rowe stated AMCH has been licensed by the State Board for 12 years and has not had any issues. Dr. Rowe explained that the losses AMCH incurred were a result of the discontinuation of the Doctor of Homeopathy program in May 2012. AMCH was pursuing accreditation with HLC and HLC had determined not to proceed further with AMCH. AMCH reimbursed the doctoral students approximately \$120,000.00 which had a significant impact on the financial status.

Dr. Rowe explained that AMCH has constructed a plan to improve financial stability by reducing expenses and increasing income with research contracts. Dr. Rowe confirmed AMCH has 3 signed contracts for @ \$240,000.00.

Mr. Walser asked about the portfolio line of credit. Ms. Olson explained the LOC was used to refund the doctoral students and is an interest only with 5% interest. Mr. Walser suggested that the 5% interest rate may be too high.

Motion: Ms. Miller made a motion to approve the Regular Vocational Program License Renewal with the stipulations that the \$75,000 Surety Bond be maintained and to require quarterly reporting. Mr. Pistillo seconded the motion and the motion carried. Dr. Rowe agreed to the stipulations.

C. Chandler University. Represented by Steve Cooper

Ms. Stanfill explained that the Provisional Degree-Granting and Regular Vocational Program License Renewal will be considered by the State Board at the April 25, 2013 meeting. Because Chandler University is on quarterly reporting, the Finance Committee is to review the application and provide the State Board with recommendations.

Mr. Cooper explained that due to his illness, the pursuit of accreditation with the DETC had been put "on hold", but plans to proceed. Mr. Pistillo asked if the number of enrollments is still 3. Mr. Cooper responded yes. Mr. Walser asked if they had sufficient leads to fill the three students upon graduation. Mr. Cooper responded that another admissions person will be hired.

Mr. Pistillo strongly suggested that the enrollment figures be revised to be more realistic. Mr. Cooper responded that DETC has "informally" communicated that enrollment between 25 – 50 students is required in order to continue with the application process for accreditation. The FC submitted the following recommendations to the State Board for consideration in the Provisional Degree-Granting and Regular Vocational Program License Renewals:

* The \$15,000 Cash Deposit is to be maintained;

- * Continue quarterly financial and enrollment data reporting. The following must be submitted: quarterly report that includes projections vs. actuals for all entities consolidated and individually for CU, balance sheet and bank statements;
- * Quarterly progress report on enrollment;
- * Quarterly progress report on accreditation.

D. Providence Training Institute. Represented by Roger Olade, Owner

Mr. Walser asked Ms. Stanfill to explain the discrepancies between the internal financial statements and the compiled statements noted in the report. Ms. Stanfill explained there were minor discrepancies between the depreciation and fixed asset schedules and the final numbers on the compiled statements.

Mr. Olade responded that the accountant, who does both the internal statements and the compiled statements, had to make some re-classifications and adjustments.

Mr. Pistillo explained that it was understandable that adjustments and re-classifications may be required, but if the same accountant was doing the internal statements and the compiled statements, that caused some concern.

Mr. Walser asked for an explanation on the net loss. Mr. Olade responded the loss was due to the closing one campus and re-opening at a different location and the addition of another campus. Mr. Olade stated that borrowing was not required and that the loss was a one-time problem.

Discussion ensued regarding the requirement to increase the surety bond. Ms. Miller stated that the surety bond should be increased. Mr. Walser asked Mr. Olade if he would be willing to increase the surety bond. Mr. Olade responded yes.

Motion: Mr. Pistillo made a motion to approve the Regular Vocational Program License, increase the surety bond to \$30,000 and to submit to quarterly reporting. Ms. Miller seconded the motion and the motion carried. Mr. Olade agreed to the stipulations.

E. Thunderbird School of Global Management. Represented by James Scott, Associate VP Academic Compliance and Dan Kuster, CFO

Mr. Walser recused himself from this discussion.

Ms. Stanfill explained that the license renewal for Thunderbird School of Global Management was referred to the Finance Committee as a result of the significant swing in net income/net loss from 2011 to 2012.

Mr. Pistillo asked Mr. Kuster to explain the significant swing. Mr. Kuster responded the swing was due to the global recession and the decline in the need of MBA students outside of the U.S., resulting in a decline in enrollment which has not improved. Additionally, significant investments were made and in hiring to re-design curriculum; matriculations have increased by 10%.

Mr. Scott explained that Thunderbird received a significant donation in 2011, which accounted for the net income.

Mr. Kuster explained the Memorandum of Understanding was signed on March 15, 2013 and the positive effect the new partnership will provide Thunderbird.

Ms. Miller commented on the very positive retention rate of 99%.

Motion: Ms. Miller made the motion to approve the 2013 Regular Degree-Granting License Renewal. Mr. Pistillo seconded the motion. Mr. Pistillo stated the Board would be able to determine the financial impact the potential new partnership will have on Thunderbird's financial stability; for that reason, quarterly reporting not be required. The motion carried.

Mr. Walser rejoins the meeting.

F. Tucson College. Represented by Lillie Roman, Campus Director and Jacob Mayhew, Regional Director

Ms. Stanfill explained the license renewal was referred to the Finance Committee because of the significant losses of the parent company as well as the Tucson school. Ms. Stanfill also stated the Delta Career Education Corporation (DCEC) closed Lamson College and taught all of the students out.

Mr. Mayhew explained the reasons for the losses: June 30th no longer accepting ATB students which comprised 33% of the student population and the impairment of goodwill.

Ms. Roman stated that enrollments are ahead of projections as a result of the changed marketing plan.

Ms. Miller and Mr. Pistillo still expressed their concerns with the 2012 losses. Mr. Mayhew emphasized DCEC's commitment in teaching out the students if a campus is closed, as demonstrated by the teach-out of the Lamson College students and that DCEC will continue to provide financial support to Tucson College as necessary.

Mr. Walser suggests a Surety Bond should be required. Mr. Mayhew responds and stated that there has been improvement in managing the expenses and that DCEC will continue to provide financial support to Tucson College as necessary.

Motion: Ms. Miller made a motion to approve the 2013 License Renewal with the stipulation that quarterly reporting is required. Mr. Pistillo seconded the motion and the motion carried. Mr. Mayhew agreed to the stipulations.

IV. SESSIONS COLLEGE FOR PROFESSIONAL DESIGN: Request to remove the Surety Bond requirement. Represented by Gordon Drummond, President and Carole Bailo, CFO

Mr. Gordon stated that Sessions is requesting that the \$100,000 Surety Bond requirement be removed as Sessions College has proven itself to be financially and fiscally responsible. Mr. Drummond believes this is demonstrated by the March 31, 2013 audit received an unqualified opinion under GAS standards and has a USDE Composite Score of 1.92.

Committee members did not have any questions.

Motion: Ms. Miller made the motion that the \$100,000 Surety Bond no longer be required. Mr. Pistillo seconded the motion and the motion carried.

V. REVIEW OF QUARTERLY REPORTS

A. Arizona Automotive Institute. Represented by Darin Bargin, AAI Campus President, Sean Kerrigan, CFO and by teleconference Mr. Michael Gries, CEO and Art Rodriguez, Compliance

Mr. Walser requested an update on the re-organization. Mr. Gries responded there is one issue remaining in the settlement of the litigation of the several entities. Mr. Gries expects the matter to be resolved within a few days and then the reorganization will move forward.

Mr. Pistillo requested an update on the 1st quarter. Mr. Bargin responded that enrollment is down. Mr. Pistillo notes the enrollment is below the projections. Mr. Pistillo suggested the projections be revised to be more realistic.

B. Asian Institute of Medical Studies. Represented by Alex Holland

Mr. Holland stated he is currently working the USCIS application and the change of ownership application for ACAOM.

C. Le Cordon Bleu College of Culinary Arts. Represented by Elaine Hedgecoke, Compliance; Maria Iarkova, Business Operations and Brad Brei with CEC

Mr. Pistillo requested an update on the 1st quarter. Ms. Hedgecoke responds there is not an update. Ms. Iarkova responds that enrollments have increased as a result of enrollment in online program and the enrollments have increased in the AOS program.

Mr. Pistillo asked for an explanation of the \$4.6 million in other income/expenses. Ms. Iarkova explains it is management fees, royalty fees and administrative expenses other than administrative salaries.

Mr. Pistillo expressed concern in sustaining a \$1.3 million loss. Mr. Brei responded that there needs to be better management of expenses.

Mr. Walser asked if the additional 40 students would meet the break-even point and bridge the losses. Mr. Brei responded yes.

Discussion ensued regarding the possibility of posting a surety bond. Mr. Walser cautioned the institution if the financial position does not improve, and surety bond may be required.

D. Medline School of Medical Transcription. Represented by Diana Hurkens

Ms. Hurkens stated it has been a year since the purchase of the institution and they are still working through the issues. However, enrollment has increased and they are planning on adding new programs and changing the name.

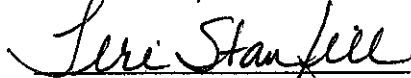
Ms. Miller noted they are meeting enrollment projections.

E. Phoenix Computer Academy. Represented by Aparna Gupta and Dr. Gupta

Ms. Gupta stated enrollment is good and she ensured that the invoices were sent out on time. Mr. Pistillo asked about the deferred fees balance. Ms. Gupta responded the balance has decreased because students are taking the exams.

VI. ADJOURNMENT: The meeting adjourned at 12:02 p.m.

The March 28, 2013 Finance Committee Minutes were approved at the June 27, 2013 meeting.


Teri Stanfill, Executive Director