Finance Committee Meeting

November 3, 2006

This committee meeting was opened to and attended by the full Board and ULC.

Invited Guests: Tamra Fitzpatrick, Shareholder, Hausser & Taylor; Gina Love, Supervisor, Hausser & Taylor; Virginia Dowse, Director of Finance & Budget Planning, Antioch University; Deb Caraway, Director of Business Operations & University Accounting, Antioch University; Richard Norris, CFO, Antioch University Seattle and Tim Jordan, CFO, Antioch University New England

Audit Review:

We are waiting on the covenant waiver for the Seattle bond (coverage ratio was off by a point) and there are still a few footnotes to be written.

Tamra Fitzpatrick reviewed the results with significant changes between fiscal years. She reviewed the footnote changes in the Audit.

Bruce Bedford suggested that they use the "Changed University Mission Statement" as the 1st paragraph.

Bruce Bedford clarified that the $10million released from Drey will be in this year (FY06).

Note 14: Lenders are not aware of this off balance sheet change.

Recommendations will be distributed by Bruce Bedford later.

Operations Reports:

New England – David Caruso

2005-06 showed a revenue shortfall of $640M due to enrollment (summer – minus 11 and fall minus 23) and greater attrition than budgeted (8.5%) versus actual of 10%. Cuts were made and net revenue was a positive until the health care costs were added.

2005-07 Positive enrollments (summer up 17 and fall up 9). Expenses are down due to unfilled positions. Space has become available due to the Charter School not renewing leases and there is currently a study going on regarding the best use of this space. In the meantime, the space is being used for classrooms.

McGregor – Barbara Danley

2005-06 $8M ahead. Decreases were in the School of Management. School of Education has done well. There has been some attrition and they currently have a task force on retention.

2006-07 On target. They have a well rounded portfolio in the School of Education – when one program is down, another one is up.
Addition of Gerald Hunter as CFO gives them added strength – he is a qualified CFO as well as an enrollment manager.
Numbers look bad 1st quarter due to their start date of the last week in September. As a result, Fall tuition is not recorded until October.
They are working on new programs that will only meet on weekend - one time per month and on-line study.

College – Steve Lawry

2005-06 Revenue shortfall due to less gifts and a drop in tuition.. Expenses are being delayed in CSC staffing, lower AEA enrolment, less scholarships are being given.
A three year agreement was reached with the Union for a 1% increase each of the three years and employees will pay a portion of health care costs increasing over 8%.

2006-07 Entering students budgeted at 120 – actual 133. Revenue and expenses in alignment with projection. Fewer personnel due to unfilled positions (not teaching, admissions or development). Lowered in other areas of administration – questions was raised as to whether this will hold for the entire year.

There was a discussion of attrition as 15 students left in September. Steve indicated we are tracking loses better and are optimistic about retention for the remainder of the year.

Pg. 38 indicates the endowment remains the same. The question was raised as to how that is possible with the drawdown of the Drey funds. Basically, this is a timing issue and reduction will show up next year. (Trailing 12 qtr. average)

Howard Coleman questioned that 55 FT Administrators at the College. John Feinberg said 18-20 of those positions are Admissions, Finance or Development

PhD in Leadership & Change – Laurien Alexandre

2005-06 Ended $72,954 to the good. One student less than planned.
2006-07 16 FTE over projection. $275M margin – if no other students graduate. Could change due to how quickly people move through the program.

Seattle – Mark Hower

2005-06 Slight decline in enrollment (Education & Psychology). Four staff were laid off or reduced hours. Closed all hiring.

2006-07 14 ½ % drop in enrollment – same areas. $2 million hole in the budget. Laid off/retired six core faculty, number of employees reduced time, laid off, etc. They have cut everything that could be cut. Summer and Fall met enrollment goals. Hired new Enrollment Services Director. Have done a lot of work on the Web especially for BA – content is improving significantly.

The area in Seattle is definitely in a growth mode and the Belltown Business Association has a large contact with businesses and other non-profits.

Working on a complete faculty code to be presented in February. In the meantime, there have been questions regarding lay offs and tenure. Since there is no tenure program they must be clear in the code of conduction and due process in layoffs, etc.

Southern California – LucyAnn Geiselman

2005-06 LucyAnn distributed some handouts and then discussed the problems which have occurred in Southern California taking responsibility for them and indicating that she placed too much trust in other people. It took Toni Murdock, Tom Faecke and others to enlighten her. Steps are being taken to correct the situation.

2006-07 Their plan for this year was too aggressive. They have now laid off 11 people in LA and 3 in SB over the last three weeks. They have restructured to insure that a reoccurrence will not take place – have Provosts (King and Mulnix) in place, are seaching for a Controller. Reality will be recognized and budget reductions will be enforced. It is her goal to repay over three years beginning in 07-08. If margins permit, earlier.

Bruce Bedford questioned if the accounting system is flawed; or if it was user error. In this instance, it was user error. Yes, CFO is no longer there, discussions have been held with the Chairs to build optimum organization, monitoring of expenses will happen. Bruce Bedford recommended that Tom Faecke be involved in the hiring of the CFO.

WYSO – Tom Faecke

WYSO appears to be up $26M when in fact the University subsidized them $164M. Virginia Dowse indicated that a separate audit is made for both WYSO and Glen Helen. Although WYSO has shown loses in the last couple of years, they are moving in the right direction

Five Year Capital Plan: Capital budgets were presented to everyone at the June meeting. Finance committee received copies for this meeting. Tom indicated that although there were changes in what is reported in the actual plan, they were all reductions.

Bruce Bedford recommended that the Board approve spending plan for College and Southern California. Seconded by Larry Stone and approved by the Board.

Cash Flow:

Tom Faecke indicated that a presentation will be made at the February meeting regarding cash flow. Bruce Bedford commented regarding the difficult times – July/August borrowed to make payroll – paid in full in September. Tom discussed increasing the credit line from $2 million to $3 million– we would not use unless we see funds coming in to pay back the line. 8 ¼ % interest on this money. All has been paid back at this time.

Toni Murdock discussed this indicating that drastic action is needed. She proposed the following: freeze on capital budgets for all institutions (any repairs, etc. must be approved by the Chancellor); freeze on all non-instructional hiring (again, approval by Chancellor), freeze on all new consulting and finally, review College budget cuts and review Funds 2 and 3 for possible releases. There can be no spending until reserves are built up.

Toni recommended that a 1% liquidity account be set up for each campus every year – these funds are not to be touched.

Campus West

Funds will be released from the bank as soon as the Seattle release is received (should be this week). They have shifted to a build and design concept with a guaranteed maximum price which is to our benefit. Change orders would, of course, be extra and these are to be monitored carefully by Barbara and Glenn. A weather contingency is built in.

Discussion of IT was postponed.