



**Finance Committee  
Board Meeting Presentation  
Friday, June 9, 2023**

# Agenda

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1. Staffing turnover and update (John)
  - a. Rules and Regs, Policy and procedures manual - annual review
  - b. Audit status update
  - c. Auditor search
  - d. New budget process: Cost and Revenue Initiatives
  - e. Fire Insurance Update
2. FYE 2023 Budget to Actual, deficit projection and variances review (Kimi)
3. Revised FYE 2024 Budget, projected deficit, major variances review (Kimi)
4. Cash on hand/operating accounts (Kimi)
5. Bank crisis response (John)
6. Summary, State of Affairs (John)
7. Any Other Business

# I. Staffing turnover and update (John)

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- e. Fire Insurance Update

May 30, 2023, status letter from auditor, about 2021 audit:

*“We have made some significant progress since my last official update. ... My best estimate for completion of the audit, now that these key items are complete, is end of June, to be conservative.”*

(full letter is in the Board Book Appendices).

## II. FYE 2023 Budget to Actual, deficit projection and variances review (Kimi)

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1. Per Budget to Actuals through end of March 2023, we anticipate a deficit of \$580,000, slightly higher than the \$410,000 we predicted in February. We expect that this deficit will be more than offset by the \$660,000 exceptional draw which, per decision at our February board meeting, we transferred from our endowment into our operating account in May 2023.
2. Our final numbers for FYE 2023 are subject to adjustment as we are still pending information on revenue collected as well as expenses during April and May.
3. Major variances include:
  - a. Salaries and benefits, due to inaccurate budgeting last year
  - b. Insurance, due to rising costs
  - c. Repair and maintenance, in part due to making campus more fire defensible
  - d. Food, utilities, travel and supplies, due to inflation

### III. Revised FYE 2024 Budget, projected deficit, major variances review (Kimi)

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1. At the February 2023 board meeting we projected a deficit of \$1.43 million for FYE 2024.
2. We now project a deficit of \$1,484,718, about \$55,000 higher.
3. We decreased our deficit by enrolling more full fee paying students, and updated our budget with information received from Admissions in May. This was offset by the need to offset our IT infrastructure (\$390,000) and begin the process of renewing our fleet (\$300,000).
4. The deficit doesn't include the \$250,000 for the capital campaign approved by resolution during the February 2023 board meeting.

## IV. Cash on hand/operating accounts (Kimi)

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**We currently have enough cash on hand so that despite our deficit we are not experiencing a cash flow problem.**

**Cash on hand:**

- Washington Federal Bank: ~\$6 Million
- Southwest Capital Bank: ~\$205,000
- Community 1st Bank: ~\$207,000

## V. Bank Crisis Response (John)

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1. During the quarter US Regional Banks came under significant stress due to (i) Interest Rate Risks and (ii) Depositor Rate Response.
2. As a result, there were significant bank failures led by SVB
3. In response to the uncertainty the Business Office (i) reduced balances in potentially “at risk” regional institutions, bringing any remaining balance below the FDIC insured threshold of \$250K, (ii) rotated cash into stronger institutions, and (iii) participated in a “Cash Sweep” program to ensure that all overnight balances were structurally below the FDIC threshold.
4. We will review cash management to optimize returns under the constraint of safety first.

## VI. Summary, State of Affairs (John)

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1. Business Office development program has been significantly impacted by staff turnover.
2. Currently there is no position that has institutional knowledge
3. We are also forensically recreating our accounting system while simultaneously moving to a new accounting system. This takes time and has tested patience.
4. This is a significant non-pecuniary cost of personnel turnover.
5. We are therefore recreating rules and regs, control policies and procedures, and institutionalizing knowledge.
6. We had one significant underperforming FTE that has subsequently turned over (Impacted budgeting process, accounts receivables, and audit completion)
7. Kimi is currently rebuilding the team with accountability, but not without challenges.
8. We are better positioned today to eventually glean correct data, and institutionalize processes. This is a work in progress.
9. We will be better positioned to feed financial models going forward allowing for better analysis and projections.

## VII. Any Other Business

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