

ARIZONA STATE BOARD FOR PRIVATE POSTSECONDARY EDUCATION
1400 West Washington St., Conference Room B1
Phoenix, AZ 85007

FINANCE COMMITTEE MEETING MINUTES

June 26, 2012

Members Present: KC Miller
Jason Pistillo
David Walser

Also Present: Teri Stanfill, Executive Director
Cassandra Pinon

I. CALL TO ORDER – 10:00 A.M.

Ms. Miller, Chair, called the Finance Committee meeting of the Arizona State Board for Private Postsecondary Education Board Meeting to order at 10:00 a.m...

II. MINUTES:

- A. **December 13, 2011 Minutes:** Mr. Walser made a motion to approve the Minutes as submitted. Ms. Miller seconded the motion. Motion carried. Mr. Pistillo abstained.
- B. **March 22, 2012 Minutes:** Mr. Pistillo made a motion to approve the Minutes as submitted. Mr. Walser seconded the motion. Motion carried. Ms. Miller abstained.

III. ELECTION OF CHAIRMAN: Ms. Miller nominated Mr. Walser as Chairman. Mr. Pistillo seconded the nomination. Motion carried. Mr. Walser accepted the nomination.

IV. DISCUSSION AND ACTION ON FINANCIAL STATUS AND LICENSE RENEWALS:

Note: Both of the following agenda items were moved to the end of the review of quarterly reports as no one was present.

- A. **Asian Institute of Medical Studies:** No one was present.

Ms. Stanfill reported that Mr. Holland is in China and meeting with a potential investor. Ms. Stanfill stated that AIMS is seeking renewal of the 2012 Regular Degree-Granting License and in September 2011, ACAOM placed AIMS on Probation Accreditation as the institution remained financially unstable and several areas required further improvement. ACAOM is meeting in August 2012 and will have a decision regarding AIMS' status. In addition, the 2011 audit has not been completed.

After discussion, Mr. Walser asked requests an update for the September meeting regarding the following: update on the potential buyer/investor in China; ACAOM determination and the 2011 audit. Mr. Walser also requested answers to the following questions: Cash deposit does not show

on the balance sheet as an asset, where is it?; and in whose names are the \$92,000 of credit card debt?

Action: Ms. Miller made a motion to refer the renewal to the Board in October, maintain the \$15,000 deposit and continue quarterly reporting. Mr. Pistillo seconded the motion. Motion carried.

B. International Sommelier Guild: No one was present.

The Committee noted that ISG has not had any students, but has an expected start in October. Mr. Walser asked for clarification regarding the \$50,000 surety bond as it was dated in 2010. Ms. Stanfill explained the Bond remains in effect, but the State Board is notified if the Bond has been cancelled.

Action: Ms. Miller made the motion to approve the 2012 License Renewal, maintain the \$50,000 surety bond and that quarterly reporting was no longer required. Ms. Pistillo seconded the motion. The motion carried.

V. Review of Quarterly Reports:

A. Arizona Automotive Institute: Representing the institution: Dennis Del Valle, AAI Campus President, Michael Gries, ATI CEO, Art Rodriquez, ATI Compliance, Brett Idaspe. By phone: Sue Edwards, ATI Compliance and Michael Zawisky, COO.

Mr. Walser asked Mr. Gries to provide a current update. Mr. Gries explained that USDE has been moved AAI from HCM2 to HMC1 method of payment. Mr. Gries explained the latest action taken by ACCSC placing AAI on Probation and the revocation of two other ATI schools. Mr. Gries stated that ATI is appealing the ACCSC decision. Mr. Del Valle explained that ACCSC questioned the reliability of the placement data.

Mr. Gries also explained the financial restructuring that is in process and expected to be completed by August 2012 and that the 2011 audit should be completed in the next week or so.

Mr. Walser requested Mr. Gries to provide information regarding the pending lawsuits. Mr. Gries, referring to the "Gomez" lawsuits, have reached final arbitration and expects a favorable outcome.

Action: After discussion, Mr. Pistillo made the motion that the recommendation to the Board is that the \$100,000 Surety Bond be maintained and that quarterly reporting continue. Ms. Miller seconded the motion. The motion carried.

B. Chandler University: Steve Cooper representing the institution.

Mr. Walser requested Mr. Cooper to provide an update on the status of the institution. Mr. Cooper responded that things are going very well.

The Committee reviewed the Q1 reports and the reports on admissions/accreditation. Mr. Cooper stated CU has met the 2 year requirement for DETC accreditation and will begin the process this year. Mr. Cooper stated CU now has 5 students and expects 30 – 40 by the end of the year.

Mr. Pistillo notes the actual sales are significantly short the \$1M that Mr. Cooper projected. Mr. Cooper responds the company has received \$250,000 in revenue from Today's Campus this quarter. Mr. Pistillo asked if the revenue will show in the next quarterly report and Mr. Cooper clarifies his statement that some of the revenue will not show until Q3. Mr. Walser states his concern over the potential liability of the Board if there are 30 – 40 students. Ms. Stanfill explains the FC can re-consider the amount of the bond at any time, but the licensee must agree to it.

Mr. Walser requests clarification on the Employee Advance on the Balance Sheet. Mr. Cooper explains it was a loan to Ryan Busch, the owner of the magazine, and is to be repaid in 2012.

Action: Ms. Miller made the motion that Chandler University maintain the bond, continue quarter reporting and to provide the required information as previously determined:

1. Two-year consolidated statements (all entities delineated): income/expense, balance sheet and cash flows.
2. Documents verifying "sources of funds".

Mr. Pistillo seconded the motion. The motion carried.

B. **Frank Lloyd Wright School of Architecture:** Representing the institution: Lisa Murphy, VP Finance, Gary Brown, Controller and Victory Sidy, by phone.

Mr. Sidy reported that they are still waiting on the decision from HLC, but that the Team recommendation was that all of the concerns had been resolved and to remove the "On Notice" sanction. Mr. Sidy also stated FLW is waiting on the action of NAAD.

Ms. Murphy explained that the Foundation is doing very well and recently received a \$1M solar panel donation.

Mr. Pistillo asked if the school has its own balance sheet. Mr. Murphy explained the school is under the Foundation, a 501(C)(3), and does not have its own balance sheet.

Mr. Walser stated he would like to consider reducing the bond upon the final determination of the HLC at the September meeting.

Action: Ms. Miller made the motion to continue quarterly reporting and maintain the bond. Mr. Pistillo seconded the motion. The motion carried.

VI. **ADJOURNMENT:** The meeting adjourned at 10:50 A.M.

The June 26, 2012 Finance Committee Minutes were approved at the September 27, 2012 meeting.


Teri Stanfill, Executive Director