

BETHUNE-COOKMAN UNIVERSITY



A Roadmap to Fiscal Stability and Sustainability

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Prepared for the Board of Trustees

October 15, 2018



Presentation Purpose



Establish a **common core of information** about the status of the University;

Communicate a strategic framework and path to address significant issues impacting our fiduciary responsibility and commitment to foster the University's legacy; and,

Answer your questions so that you are as fully informed as possible about the issues that matter to you.

Our strategic approach is not designed as a substitute for the completion of a formal long-term plan. Rather, it reflects a disciplined approach, characterized by practical steps to be executed over the next 12-18 months, aimed at getting the University in good standing with governance bodies and financially stable to address the future.

Getting the Big Things Right?



University
Accreditation

Financial
Reporting and
Accountability

Stakeholder
Transparency

Better Policy and
Fiscal Integration

Alignment of
Academic
Programming and
B-CU Resources

Redefining the
B-CU Student
Experience

Integrated
Revenue and
Program
Decisions

Stable
Governance and
Administration
Management

The Board of
Trustees and its
decisions matter



Bethune-Cookman University (“B-CU” or the “University”) is an exceptional institution of higher education and has maintained an outstanding legacy of producing global leaders committed to service, life-long learning and diversity by providing a faith-based environment of academic excellence and transformative experiences.

The University’s desire for growth, combined with the changing dynamics of a competitive higher education environment has driven a range of challenges for the University related to enrollment, affordability, student housing, fiscal sustainability and operating efficiency.

The overall effect of the sum of these challenges in tandem with a legacy decentralized operating and management platform without robust operating practices and/or financial policies has placed the University under extreme operating pressures resulting in the following highlighted **areas of risk**:

- Accreditation Compliance;
- Long-term Financial Solvency;
- Endowment Integrity; and,
- Credit and Capital Capacity;
- Stability in Governance and Professional Administration;
- Loss of Brand Value.

Based on our overall assessment, we believe the current risk areas are challenging but not insurmountable. The University and its stakeholders have a limited timeframe and opportunity to create and implement a unified roadmap that produces consistent polices, and correspondingly set a path for achievement of consistent outcomes.



1. SACSCOC Reaffirmation of Accreditation

- a. Removal of SACSCOC Probation
- b. Reaffirmation of SACSCOC Accreditation

2. Financial Stability and Sustainability

- a. Ability to establish accounting control measures and financial reporting initiatives reflecting best practices
- b. Maintenance of endowment integrity balanced with the cash necessary to fund University operations
- c. Ability to centralize a planning budgeting process

3. Common Vision, Stakeholder Participation and Communication

- a. Willingness and commitment of all University stakeholders to accept and substantiate changes to our service delivery model

Key Challenges to Delivering our Strategic Framework and Path (cont.)



Without focusing on these eminent challenges, we are faced with an impaired value against the brand and potential harm to mission and core academic and student functions of the University. Therefore, our goal is to restore and strengthen our financial and academic enterprise that will ultimately impact our student success and visibility. The additional benefits expected from our approach include:

- Recover from the legacy financial challenges;
- Stabilize enrollment, increase enrollment growth, retention and graduation rates;
- Improve programs, services and facilities that support student success;
- Diversify innovative, relevant and competitive curriculum delivery modality; and,
- Enhance University visibility and stakeholder relations.



With appropriate measures, structural changes and controls presented in this framework, the President's aim is to develop and achieve a sustainable operating platform that will serve as the foundation for continuing the legacy, mission and community service commitment established by the founder of Bethune-Cookman University. To that end, the president has identified the following priorities:

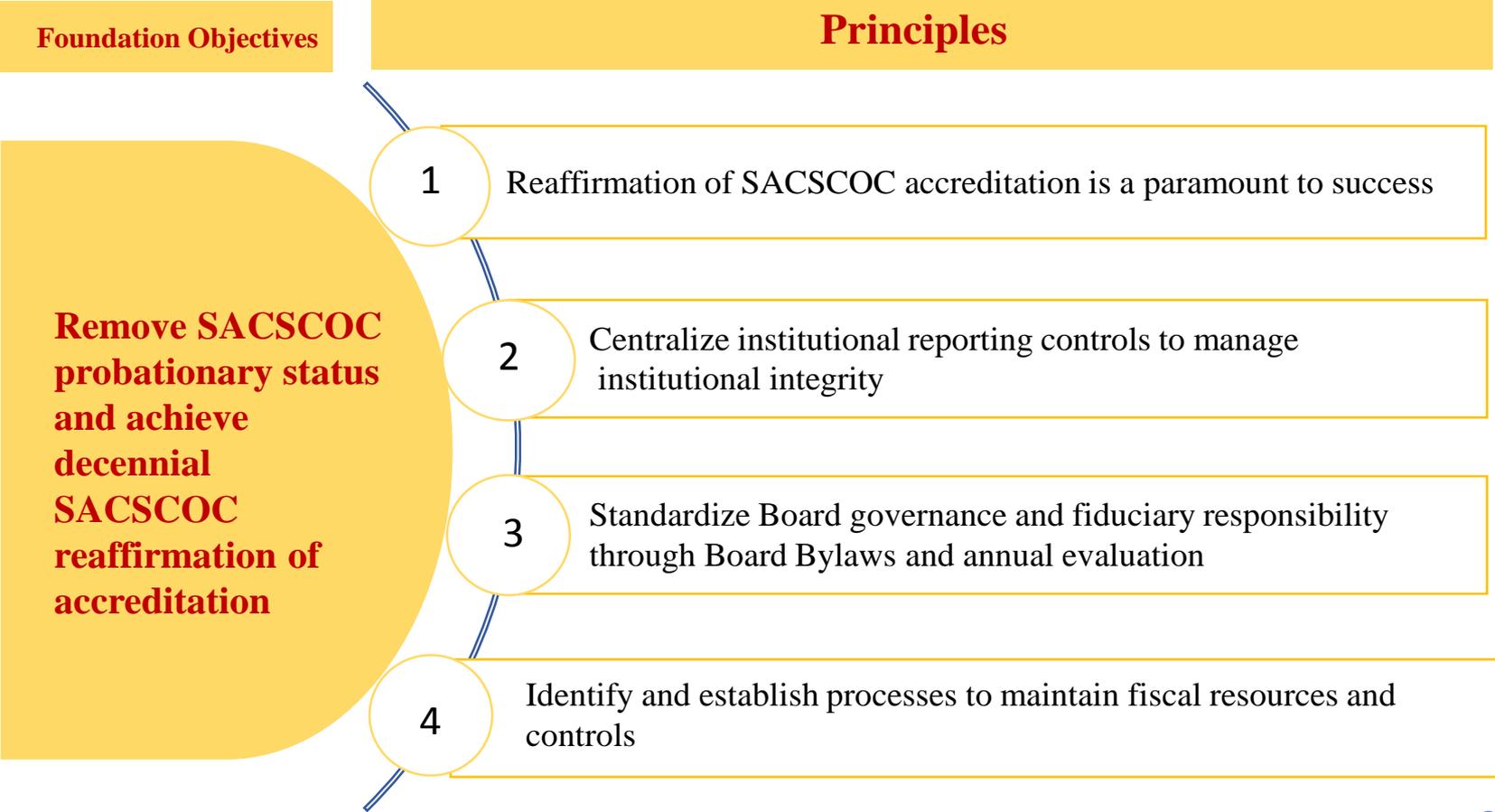
- Remove SACSCOC probationary status and achieve decennial SACSCOC reaffirmation of accreditation
- Develop and restore financial sustainability;
- Establish common vision, stakeholder participation and communication

The additional benefits from our approach will include:

- Strengthening the Academic Enterprise;
- Enhancing Governance, Stakeholder Transparency and Accountability;
- Implementing the University's Mission; and,
- Improving University Brand and Visibility.



Strategic Priority 1: SACSCOC Reaffirmation of Accreditation





Strategic Priority 1: SACSCOC Reaffirmation of Accreditation

Key Initiatives and Proposed Actions

- Engage a high profiled consulting firm with expertise in SACSCOC compliance standards and sanctions specifically related to institutional integrity, governance and financial resources, responsibility and controls;
- Retain AGB experienced consultant to conduct training workshops with the University Board of Trustees in Governance;
- Review and revised Board governance policies and procedures documents (Bylaws);
- Review and revise key fiscal policies, processes and controls;
- Create a SACSCOC webpage on B-CU Website to communicate with the University stakeholders;
- Collect document evidence for preparing First Monitoring Report to the SACSCOC;
- Establish a taskforce to oversee the preparation of SACSCOC First Monitoring Report Response;
- Prepare for reaffirmation by SACSCOC through assessment and system-wide evaluation of our educational project;
- Review and realignment of our academic programs and resources;
- Work closely with Business Affairs to establish and participate in the budget process; and,
- Review of curriculum offerings to coincide with student learning outcomes and success.



Strategic Priority 2a: Develop Financial Stability and Sustainability

Characteristics of a Healthy Financial Institution

1. Financial performance must be sufficient to meet the cash flow requirements of the strategic plan and, at the same time, maintain or improve the financial integrity of the institution within an appropriate credit and risk context;
2. A well-managed and growing endowment that is in position to support the University's strategic vision and capable of addressing financial needs due to unforeseen events or risks;
3. The ability to access sufficient credit and funding needs to bridge short-term timing differences between revenues and expenses and the ability to preserve capital capacity fund long-term capital projects necessary to address infrastructure of the University; and,
4. The existence of an established core or long-standing set of governance policies, operating procedures and long-range plan that reflects the mission of the University and will remain in effect regardless of the individual changes with senior administration or governance changes.



Foundation Objectives

Principles

Improved Financial Reporting and Accountability

1

Financial Operating Policies and procedures are necessary and to support to a healthy financial system

2

Improved financial reporting supports improved strategic decision making

3

Effective and efficient financial management and performance is directly related to the quality of management and personnel

4

Information Technology resources are necessary and critical to streamline accounting procedures and create redundancy





Strategic Priority 2a: Develop Financial Stability and Sustainability

Key Initiatives and Proposed Actions

- **Immediately update, standardize and simplify operating policies and procedures and internal controls for campus partner satisfaction, greater efficiency and compliance. Primary focus will include month-end close-out procedures, bank reconciliation, cash management, segregation of duties, purchasing, accounts payable, accounts receivable, payroll and budgeting;**
- **Leverage and coordinate existing technology resources to support financial adherence. The primary focus will be to fully leverage the Jenzabar platform to support all finance functions;**
- **Coordinate and establish a Position Control Process with Human Resources to enhance budget and expense monitoring related to University personnel;**
- **Centralize accounting functions and reporting activities with University's business units and cost centers;**
- **Identify and develop a cost allocation methodology;**
- **Reorganize Business Affairs by function and staff to efficiently and effectively support the actual operations of the University and to create redundancy. An investment into additional staff will be required;**
- **Implement a portfolio of revenue generating and cost containment initiatives to improve our financial position;**
- **Update and make current all financial compliance mandates with current creditor and regulatory agencies;**
- **Review University financial relationships utilized to support financial affairs of the of the University;**



Strategic Priority 2a: Develop Financial Stability and Sustainability (cont.)

Key Initiatives and Proposed Actions

- **Complete the Fiscal Year 2018 external audit and fully address prior year and current accounting deficiencies and material weaknesses;**
- **Evaluate the current University endowment and determine if any reconciling items or adjustments are necessary;**
- **Review current endowment investment strategy;**
- **Implement and modernize a procurement/purchasing operating model;**
- **Establish and provide accurate and clear financial reports to appropriate senior administration officials and Trustees;**
- **Build and maintain a culture of collaboration and continuous professional development that supports accountability, engagement and opportunity;**
- **Initiate a comprehensive enterprise risk assessment and fixed asset review including major University facilities;**
- **Address continuing disclosure obligations for all outstanding public debt programs;**
- **Maintain healthy Composite Financial Index ratios: Primary Reserve, Viability, Return on Net Assets, and Net Operating Revenues with a 3 or higher target; and**
- **Generate annual dashboard of key performance indicators.**





Key Initiatives and Proposed Actions

- Adopt and establish an institutional zero-based budgeting process that incorporates all stakeholders;
- Execute a multi-period budget outlook that incorporates the remainder of the 2019 Fiscal Year and establishes the planning and strategic direction for the Fiscal Year 2020 budget cycle;
- Immediately engage senior cabinet members to outline the budget directives, schedule and planning process; and,
- Create a platform and process for Trustee input and dialogue related to the budget and revenue initiatives.



Foundation Objectives

Principles

Develop a Cash Flow Model

1

Cash flow modeling is critical and will enable the University to manage solvency and commitments more proactively

2

Cash is king, most businesses fail not because they don't make a profit but because they run out of cash

3

Cash flow must be modeled to reflect how we run our operations

4

Securing access to committed credit will be a high priority





Key Initiatives and Proposed Actions

- Create policies, processes and procedures that support sound cash awareness, stewardship and targets;
- Regularly share cash forecasts and performance information with stakeholders, to encourage their support in lean times;
- Reconcile short-term and long-term cash flows;
- Develop a model that facilitates analysis and reporting;
- Actively pursue the restoration of national credit ratings to investment grade;
- Negotiate and work with the lending community to maintain access to credit and liquidity; and,
- Better Financial reporting supports improved strategic decision making.



Strategic Priority 3: Establish Common Vision, Stakeholder Participation and Communication

Current University operating environment, external governing actions, and stress points demand a comprehensive shared strategy and disciplined approach that is visible and institution-wide.





Key Initiatives and Proposed Actions

- Establish and incorporate clear communication of specific Trustee and Administrative level success metrics;
- Develop a unified and consistent communication strategy for all constituents;
- Establish a common core of information about our current outlook;
- Partner with community and business groups to foster strong unifying campus connections
- Develop and cultivate relationships with alumni and supporters to benefit campus community and connection to the University
- Promote opportunities for students' life-long learning
- Improve shared governance and create execution touchpoints for accountability;
- Supplement governance activities with enhanced oversight (where appropriate); and
- Create an institutional checklist of compliance guidelines and accountability.



Final Thoughts

- The challenges facing the University are **not** insurmountable;
- Some of the actions in this presentation are already underway by staff. Other actions will require direction and guidance from the Board of Trustees. Some work may require investment including dedicated staff resources, technology, external expertise and financial resources;
- Consistent policies can set the path for consistent outcomes;
- Financial discipline is impossible without planning schedules that are meticulously followed and widely understood within the institution;
- A long-range integrated financial plan is a must; and,
- **The Board of Trustees and its decisions matter.**