**Rosary Finance Committee Meeting Minutes – October 18, 2022**

**In Attendance:** Rob Hoertz, Steve Ruszak, Shawna Pautsch, Dave Bigley, Tom Meyer, Anthony Jung

**Absent:** Emily Egkan, Rick Price, Rob Curry, Jim Welch

**Minutes**: The Minutes from the August 23, 2022 meeting were reviewed and approved.

**New Committee member introduction:** The Diocese has appointed **Anthony Jung, Director of Pastoral Center Finance**, to replace Lisa Sison. Anthony introduced himself and provided a brief summary of his background and experience. He looks forward to participating and providing a Diocesan perspective to our Committee.

A new Finance Committee **Executive Summary** was created and presented by Steve Ruszak – thank you! A brief discussion on each of the items listed in the summary were reviewed and discussed.

**ERC (Employee Retention Credits):** The Diocese is still investigating (with the assistance of their retained tax consultant) the viability of various Diocesan entities (including Rosary) to receive the credit. Rosary is anxiously awaiting the results and go-forward plan related to this much-anticipated revenue source.

The newly implemented **Accounting Policy** change (identified in the Executive Summary) was discussed. The intent of this change is to provide better visibility and more timely and accurate information to the various department leaders. It will also streamline the accounting process for the Business office. Balance Sheet adjustments (e.g. higher Retained Earnings) have been noted but there will be no impact on P&L year-end results (other than more accurate forecasts). Anthony Jung as well as other Committee members provided their perspective and pros/cons of such a change. Shawna and her department leaders believe this will allow them to track, analyze, report and manage their respective expenses, which has been an on-going issue for some time.

**Financial Aid:** Steve presented the current Financial Aid status. There are a few applications still in process but the current projection shows a total of approximately $1.8m for this fiscal year which is approximately $175k over the budget. 59% of the Freshman class are receiving Financial Aid.

**Enrollment/Admissions:** Current enrollment is 443 (124 Freshmen). This represents an attrition of minus 1 from the start of the school year. Shawna presented a summary of the current Admissions process which indicates the number of inquires and applicants are 'up', year-over-year – a very good trend. Shawna is cautiously optimistic regarding the current positive momentum in the Admissions office. The goal is 130 Freshmen for FY 23-24.

**Advancement**: The current Advancement Report was reviewed. Rosary had a very successful "Giving Day" in early October. Shawna reported that Rosary has hired a new marketing manager (replacement) and a new alumnae/annual fund manager in the Advancement department.

**AR/Aging Report:** Past due receivables has increased $40k. Rosary is still pursuing/collecting old balances and continues to use a collection agency for non-paying families. The Committee requested that future Receivables/Aging reports include the number of families/amounts that have been turned over to collections. To date, there have been no positive results from the collection agency. The "reserve surplus" still remains positive for write-offs and adjustments.

**Balance Sheet:** The current Balance Sheet was reviewed. As previously noted in the "Accounting Policy" change discussion, the retained equity has significantly increased. Other minor variances were noted. Anthony inquired about "segregation of duties" (SOD) in the Business office – Steve explained the current processes and procedures. Anthony noted that it was not perfect but acceptable, given the size of the team and their respective responsibilities – and noted that awareness is key for SOD.

**FY 22/23 Audit:** An internal control meeting with the auditors (Redwitz & Co.) will be held this week. The Audit is scheduled to be completed by 11/30/22. The auditors will attend the December Finance Committee meeting to review the results.

**Current P&L, Cash Flow and Recast Budget**: The actuals for FY 22/23 (thru September 30) were presented. No detailed discussion was held on the P&L/Cash Flow as it is still early in the fiscal year to determine any significant variances for revenue and expenses.

A 'recast' budget was presented which shows bottom line improvements from previous draft budgets that were developed in May and August. A comparison between this recast budget and the budget that was submitted to the Diocese on 2/28/22 shows a small negative variance deficit of $12k; - February, 2022 budget contained a $573.5k deficit and the current recast budget contained a $585k deficit. The major change in the two budgets was in "Net Cash Flow" – the 2/22 budget contained a $389k negative cash flow and the current recast budget contains a $920k negative cash flow (delta of $530k). This large delta is primarily attributed to the significant increase in Capital Investments (solar, vans, classroom improvements, etc.) that were not anticipated in February. It was also mentioned that the solar project ($419k) was planned to be financed through the Diocese but that did not happen, therefore Rosary is using cash savings to pay for this capital improvement that anticipates a 4-year payback.

The Committee recommended that the recast budget NOT be submitted to the Diocese because of the relatively small change in the GAAP deficit ($12k) but rather, submit correspondence/documentation to the Diocese advising and explaining the increase in negative cash flow ($530k)– and including a comment that the large Birken bequest ($1.1m) received last fiscal year is being used, in part, to invest in capital improvements. Anthony will take this recommendation back to the Diocese to determine next steps. Shawna will also be speaking to Steve Pellegrini (Diocese CFO) about this same issue.

Discussion was held that, without the recent one-time extraordinary revenue items (PPP, EANS, Birken request), Rosary would be running a deficit each of the past couple of years. Unless the potential ERC funds become available, there will be a large deficit this fiscal year and the future fiscal years are anticipated to be similar. Expenses continue to be the biggest challenge, particularly, employee compensation. Shawna believes that Rosary is running 'very tight' on employee headcount (faculty and staff) and doesn’t see where personnel cuts could be made without impacting the quality of the Rosary product.

Dave Bigley has recommended that Rosary and the Finance Committee investigate a long term, multi-year financial model that relives the pressure of continual fiscal deficits year after year. Dave has a recommended strategy (financial model) that he would like to pursue that gets expenses in line with revenue over an extended period of time. This model has been successfully used in many other non-profit organizations. The Committee is very intrigued and would like to hear/see more. Rob and Dave will meet separately to further discuss/review and then report back to the Committee prior to the next meeting.

**Investment Sub-committee:** The Investment Committee and the pursuit of Rosary managing their own investments has been put on hold until a positive P&L cash flow has been demonstrated.

**Next meeting:** The next Finance Committee meeting is scheduled for **Wednesday, December 7**, **2022** at **4:30 pm** and will be conducted in person at Rosary.