

SAVING CNR: SECURING THE FUTURE

RECOVERY PLAN HIGHLIGHTS

A Year of Action & Accomplishment

A great deal has taken place over the last 11 months to address the financial crisis confronting the college. Fortunately, tremendous progress has been made in addressing the issues head on. The following offers a look at the steps CNR has or is taking to stabilize the College's financial situation and create a sustainable foundation for the future. These actions address two pressing realities:

- The urgent steps that had to be taken to address the crisis
- Future steps to align the College's spending with actual enrollment and future capital and program needs

EXPENSE REDUCTIONS

Payroll is by far the College's largest expense. As a result, the College had to make some very difficult decisions regarding employee reductions. In identifying the reductions, the College undertook a careful and considered analysis of academic program enrollments, teaching assignments, staff responsibilities, and efficiency opportunities to ensure that such reductions would not negatively impact the quality education and services it is committed to providing to its students. A plan was implemented to significantly reduce expenses, which required staff reductions and decreases in overhead costs, as follows:

Staff Reductions

In November 2016, staff reductions were made resulting in significant annualized gross salary savings plus benefits. Additional savings in gross salary plus benefits on an annualized basis were realized due to attrition and retirements.

Additional reductions of 32 faculty and staff positions were made effective July 1. These layoffs were deemed necessary by the Board and senior administration to further stabilize the College's finances.

Each vice president and dean was required to reduce their area's expenses (operations and salary) in order that the College could establish a realistic 5-year budget plan, approved by the Board, that would allow the College to continue into the future while addressing its debt, and would demonstrate to the College's regulators, accreditors, and creditors that it has adequate financial resources to deliver quality educational programs and services to its students. The continued effectiveness of each area to serve our students was at the foundation of each reduction decision. Schedules and student enrollment in each school, student academic, wellness, extracurricular and financial support services, facilities needs, employee needs were all considered. Additionally, the College has reduced its administrative team by consolidating from five Vice Presidential areas to four, and from six Deans to five.

As we begin a new academic year CNR will continue to operate with a workforce smaller than in recent years, however, there are positions that must be filled in order for the College to function properly. The chief considerations in making any hiring decisions will be mission, accreditation, compliance, and revenue.

Overhead Costs and Operating Efficiency

CNR has negotiated discounts with vendors. These discounts were agreed upon by vendors with the understanding that the College would adhere to defined repayment schedules.

CNR closed its DC-37 campus in early Spring 2017, saving on an annual basis. The DC-37 membership, however, now has the ability to take courses at any of our campuses. The College will continue to analyze our space utilization to gain efficiencies where possible.

The College continues to make significant progress in implementing new or enhanced financial policies and procedures to ensure that it has strong financial controls and is able to accurately assess its financial condition.

ASSET REVIEW

While reducing and/or eliminating expenses, the College assessed its available resources to understand their true financial condition. The College also undertook numerous steps to monetize assets, decrease liabilities and/or raise cash. They include:

- Launched “WeAreCNR,” a fundraising campaign involving alumni, parents and friends
- Received significant, unrestricted cash from gifts and other sources
- Formed a Task Force of alumni and friends of the College to expand communication efforts and encourage financial support to reach the significant milestone needed to maintain CNR’s operations
- The Interim President, the Board Chair, Trustees and the Vice President of Advancement continue to meet with many potential donors
- Fund raising results for fiscal 2017 totaled nearly \$14 million. This includes \$8.35 million in gifts/donations and \$5.35 million in government grants
- Secured a \$2 million working capital line of credit from an historical donor and obtained two \$1 million lines of credit to assist with liquidity and cash flow needs
- Approved the sale of five residential properties not necessary to operations of the College
- Refinanced \$6.0M of revolving line of credit obligations

BUDGET AND UPDATE

In March 2017, the Board passed a balanced budget for 2018 fiscal year. The College is preparing a forecast as an update to its FY18 operating budget that is expected to be finalized by September 15 at which time it will have more concrete Fall 2017 enrollment data.

While the budget for FY18 has been balanced, its important to note that it includes significant annual debt obligations that must be paid each year for the foreseeable future. In particular, CNR has incurred over \$30 million in short term debt in the form of payroll taxes, vendor obligations, and borrowing against the above noted lines of credit. Furthermore, the College has existing long term debt obligations of nearly \$50 million. Much of the work of the past year has been to quantify and negotiate terms to make the debt level manageable.

CNR has negotiated tentative settlements with the IRS and the New York State Department of Taxation and Finance on the repayment of unpaid payroll taxes and is awaiting final approval on those agreements.

RESTRUCTURING AND INTERNAL CONTROLS

The Finance Department led by Thomas Cunningham, Vice President for Finance and Administration, is in the process of being restructured. Here are some of the steps that have been taken so far:

- A new Controller was hired in March 2017
- Existing staff is being evaluated to determine the current skill set and to identify what positions and/or changes may be needed to ensure timely and accurate financial reporting
- New policies and procedures have been or are being created and implemented
- Paychex has been engaged for processing payroll, including making the tax deposits and filing the payroll tax returns on behalf of CNR

The College has put in place new or modified policies and procedures to ensure that it has strong financial controls. Among the changes are:

- Financial Affairs has implemented a revised Purchasing & Accounts Payable Policies and Procedures Manual. All purchase orders must be matched with invoices and approved before payment
- The Vice President for Finance and Administration or Controller reviews and updates the Accounts Payable Aging Report weekly
- A new Purchase Order System has been implemented
- President and Finance Committee Chair review and approve all payroll tax returns, including proof of tax deposits, prior to filing
- The College has implemented monthly reporting to the Finance Committee/Board
- Purchasing Department's role has been redefined to include Procurement, Cost Analysis, and Budget Management
- Financial Affairs has conducted testing to confirm the effectiveness of these new or enhanced financial controls

CONTINUED OVERSIGHT

The Board and senior administration work collaboratively and regularly in managing the College's financial position.

The Executive Committee of the Board meets weekly with the Executive Vice President for Strategy and Planning, Vice President for Finance & Administration, Finance Committee Chair, Chief Restructuring Officer and other members of the restructuring team, and counsel to assess the College's financial condition and explore ways in which to further stabilize it.

In July, the College commenced its search for an Interim Senior Vice President for Academic Affairs, who will serve as the College's Chief Academic Officer.

ENROLLMENT

The College's quality educational programs and support services continue to attract students to CNR. Fall enrollment is currently on a pace to be near our budgeted levels. Many new and continuing students, however, don't complete their course registrations until late August and early September, so there is still much work to be done before we can successfully conclude the fall enrollment cycle.

ACADEMIC ACCOMPLISHMENTS

The College is proud to report that, on May 23 it held its 110th Commencement at which 997 deserving graduates were awarded degrees. This celebration did not seem possible last fall when the College was confronted with the unexpected and unprecedented financial crisis.

The College's School of Nursing and Healthcare Professions is pleased to announce that its nursing students who took the National Council Licensure Examination in the first quarter of 2017 reached an all-time high of 92.4 percent. This pass rate surpassed the pass rate of many of the College's peer institutions, as well as the New York State and national average pass rate.

Dr. H. Michael Dreher was one of only 14 distinguished nurse educators selected to the 11th class of fellows to be inducted into the prestigious Academy of Nursing Education. Dr. Dreher, who previously served as Dean of the School of Nursing & Healthcare Professions, was recently named Associate Vice President for Healthcare Innovation and Special Projects.

Dr. Michael Gilliam, assistant professor of Mathematics in the College's School of Arts & Sciences, was named Outstanding Educator of the Year by Education Update. Dr. Gilliam was one of just 23 honorees from high schools and colleges throughout the New York metropolitan area to be recognized.

Eunice Yu, a student in The College of New Rochelle Graduate School, has received a Fulbright U.S. Student Program award to South Korea in the English Teaching Assistant (ETA) Program from the U.S. Department of State and the J. William Fulbright Foreign Scholarship Board. The Fulbright Program is the flagship international educational exchange program sponsored by the U.S. government and is designed to build lasting connections between the people of the United States and the people of other countries.

PRESIDENTIAL SEARCH

The search for the College's fourteenth president is well underway. In late June, upon the recommendation of the Search Committee, the College's Board of Trustees approved the appointment of RH Perry & Associates as our search partner. The Search Committee undertook a full RFP process, reviewing proposals from eight firms, and selecting RH Perry after both written and oral presentations. The firm's primary focus is to assist institutions of higher education in the identification and selection of their leadership. The RH Perry team will return to campus in September, once the semester is in full swing, for two full days of meetings with the College Community.

Updates on the search will be posted at www.cnr.edu/presidentialsearch.

CONCLUSION

The College has developed a strong path forward but serious challenges remain. The key to recovery lies in successful enrollment and fund raising. The board and administration are fully committed to securing CNR's future.

The plan outlined above is designed to provide CNR with the ability to meet its obligations in the near and long term. The College has taken extraordinary steps to address its financial challenges through both fundraising and strategic cost reductions. The new controls and financial processes that have been established at the College since this financial crisis came to light have placed CNR in a much stronger position than it was in several months ago.

Although work remains to be done, the measures taken and changes implemented to date have been effective in addressing the College's financial challenges and the College is continuing to take the steps necessary to close the financial gap. However, substantial fundraising in the form of donations, grants and/or revolving lines of credit remain crucial for the College's long-term survival.