

GRAYS HARBOR COLLEGE



Financial Resources Review

Submitted to the Northwest Commission on Colleges and Universities by:

Grays Harbor College
1620 Edward P. Smith Drive
Aberdeen, WA 98520

September 2021

This page intentionally blank.

Table of Contents

Section I: Introduction and Overview	1
Introduction	1
Overview	1
Board of Trustees Engagement in Enrollment and Financial Planning.....	1
Section II: Enrollment Management	2
Current Enrollment Status	2
Projected Enrollment	2
Enrollment Challenges	4
Enrollment Strengths	5
Enrollment Goals and Strategies.....	6
Production of Enrollment Estimates.....	8
Section III: Fundraising.....	9
Fundraising - Current Status Narrative	9
Fundraising Goals.....	11
Section IV: Financial Management	12
Financial Management - Current Status	12
Assumptions Underlying Budget Planning.....	13
Audited Financial Statements Discussion	15
Financial Planning and Fiscal Health Metrics Discussion	16
Section V: Conclusion.....	21
Section VI: Appendix Table of Contents.....	22

Section I: Introduction and Overview

Introduction

This report addresses a follow-up requirement from Grays Harbor College's Year-Seven Mission Fulfillment and Sustainability Evaluation in April of 2019 in which Grays Harbor College's accreditation was reaffirmed in a letter dated July 12, 2019. Grays Harbor College (GHC) submitted a Financial Resource Review Report (FRR) in the fall of 2019 which was accepted in a letter from NWCCU dated February 5, 2020. At that time the College was directed to submit a second Financial Resource Review in Fall 2020. This requirement was reiterated in a letter accepting GHC's ad-hoc report on Recommendation 1, received on July 22, 2020. GHC submitted its 2020 FRR in September 2020. On February 12, 2021, the College was notified that the Commission accepted its Financial Resource Review report for 2020 and required to submit another FRR by September 15, 2021. This report is intended to meet that requirement.

Overview

Having adjusted spending and rightsized its budget in 2019-2020, Grays Harbor College (GHC) has experienced some measure of financial stability since the fall of 2020. Maintaining sound fiscal practices, led by the Vice President of Administrative Services who is both a CPA and a CIA, GHC's financial picture has improved significantly since the College's comprehensive visit in the spring of 2019. The financial statistics below tell the story of a college that is financially stable and living within its means. With a global pandemic still making in-person instruction difficult, enrollment continues to be a challenge for GHC as it is for many colleges. However, GHC's leadership team adopted a new Enrollment Plan this spring, based on solid data around enrollment projections, county population demographics and college resources. The plan has measurable goals. It considers the pandemic and identifies opportunities the college sees in recruiting, onboarding, and retention. GHC's Executive Team has committed to working with the College's Strategic Enrollment Management (SEM) Committee as well as the College Priority #4 Work Group, focused on Ensuring Effective and Efficient Use of College Resources, to monitor the Enrollment Plan and make course corrections in both spending and resource allocation as needed to maintain the fiscal health and well-being of the college. As the college returns to more in-person instruction, there is room for improvement and the opportunity, with deliberate effort, to positively impact enrollment.

Board of Trustees Engagement in Enrollment and Financial Planning

GHC's Board of Trustees is kept abreast of the college's enrollment numbers and efforts to increase enrollment as well as its financial status. At the July 2021 Board of Trustees Meeting, the Director of Research and Reporting shared the College's Enrollment Plan as well as the underlying data supporting it for 2021-2022. [Appendix 1 – 3] The Vice President for Student Services provides a monthly update on enrollment, and, when enrollment projections are updated, those projections are shared with the Board as well. The Vice President of Administrative Services provides quarterly updates, and other updates as needed, to keep the Board Informed of GHC's financial position. [Appendix 4 – 13] Trustees routinely ask questions and share insights related to both enrollment management and fiscal sustainability. Quarterly budget updates are also shared at All College meetings, each quarterly update is offered twice by the Vice President of Administrative Services via Zoom so that employees can attend when it best fits into their schedules.

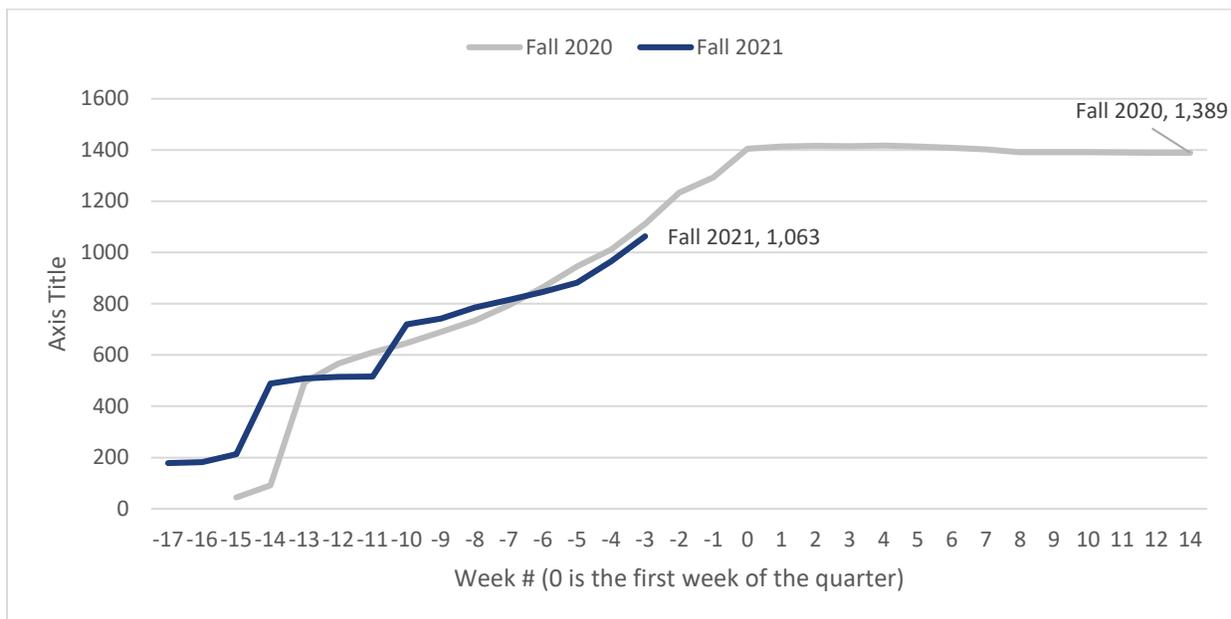
Section II: Enrollment Management

Current Enrollment Status

Due to a combination of factors, especially the COVID-19 pandemic, enrollment for 2020-21 was the lowest the college has seen in many years. Currently, 2021-22 enrollment is lagging slightly behind where the college was at the same point in 2020-21. It should be noted that these figures are as of August 31st, and GHC, being a four-quarter school, does not start its fall quarter until September 20th.

At the start of summer quarter, enrollment for fall 2021 was trending above last year. However, in recent weeks, as both the state and federal government signal a return of COVID-19 restrictions, the college has seen a slowdown in incoming enrollment, and has fallen behind last year's growth curve (Figure 1). However, as enhanced unemployment ends, the college anticipates more people will be seeking educational options as they upgrade job skills to re-enter the workforce.

Figure 1 - Fall 2020 and Fall 2021 Total FTE (State + Running Start) as of 8/31/2021



Projected Enrollment

During fall quarter 2021, GHC will be changing its enterprise computing and student management system to an updated system known as ctLink. From the experience of our peer colleges in Washington, the college expects a larger-than-normal attrition in enrollment from fall 2021 to winter 2022.

Based on current trends, the enrollment projection for academic year 2021-22 is that GHC will see slightly lower enrollment than in 2020-21, and the beginning of an increase for academic year 2022-23 (Table 1).

Table 1 - Projected Enrollment

Student Enrollment Total	Actual Current Year -3	Actual Current Year -2	Actual Current Year -1	Actual Current Year	Projected Current Year +1	Projected Current Year +2
	(2017-18)	(2018-19)	(2019-20)	(2020-21)	(2021-22)	(2022-23)
State Funded FTE - Transfer	846	793	679	553	513	526
State Funded FTE - Transitions	209	175	148	119	100	103
State Funded FTE - Vocational	399	411	384	332	358	367
State Funded FTE - BAS	38	71	82	74	60	62
State Funded FTE - Continuing Ed	18	17	7	0	0	0
Other Grants & Contracts FTE	0	3	0	1	0	0
Stafford Creek FTE	356	318	272	171	184	189
Running Start FTE	216	248	306	310	265	265
Self-Funded	12	11	3	0	0	0
Sum Total FTES	2,095	2,049	1,881	1,561	1,480	1510

A Note on Enrollment Categories:

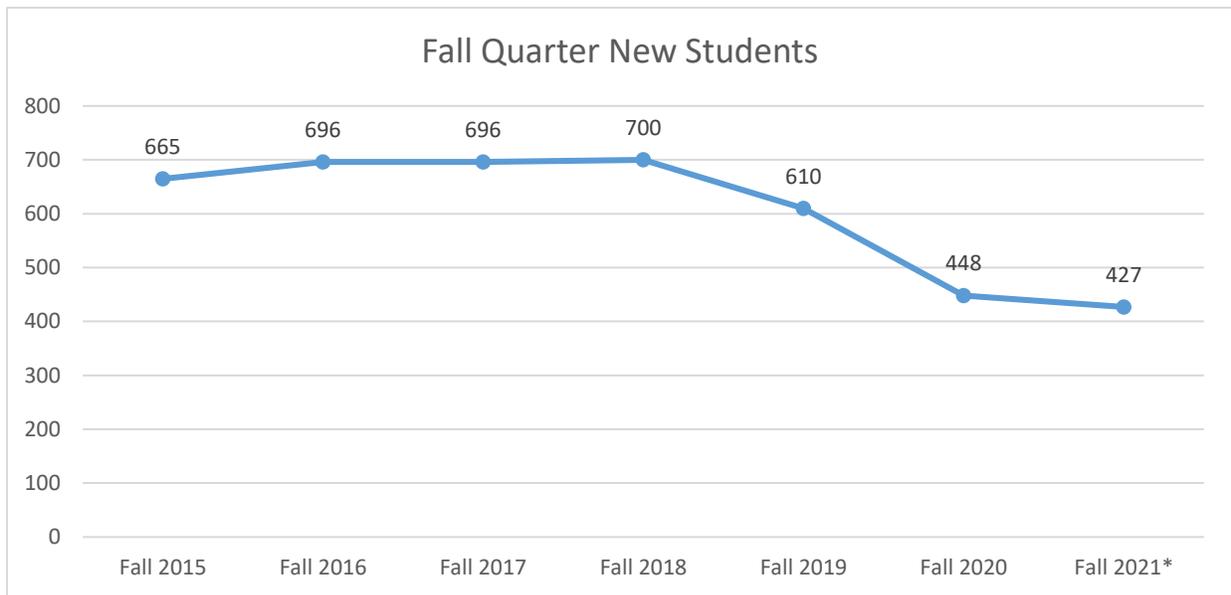
Table 1 breaks out FTE into the high-level categories that GHC uses to think about enrollment trends. From the bottom:

- Self-Funded FTE is GHC’s community & continuing education classes. The college has not been able to hold these during the pandemic.
- Running Start is GHC’s dual-enrollment program for high school juniors and seniors. GHC refers to this as “contract” FTE.
- Stafford Creek FTE is from the education program GHC provides at the Stafford Creek Corrections center. This is also considered “contract” FTE.
- “State Funded” FTE are on-campus courses, primarily funded by the allocation GHC received from the Washington State Board for Community and Technical Colleges (WA SBCTC). This FTE is further broken down by the intent of the course: Transitions (Basic Education for Adults and ELA), Transfer, Workforce, Bachelor of Applied Science (BAS), and state-funded continuing education for individuals 50+.

Enrollment Challenges

Decrease in New Students

Figure 2 - New Students, Fall Quarter (excludes Running Start, as of 8/31/2021)



As Figure 2 shows, the number of new students in fall quarter has fallen dramatically during the COVID-19 pandemic compared to prior years. For this graph, new students are defined as those students who are attending a college-level/credit-bearing class at GHC for the first time. This includes students who transfer to GHC as well as students attending college for the first time ever. This graph excludes students who attend GHC as part of Running Start, the college’s dual enrollment program for high school juniors and seniors, and students who attended through Stafford Creek.

A smaller number of new students is concerning. While retention levels are close to prior years (see Figure 4 and related discussion below), a smaller number of new students means there is a smaller pool of students to be retained to the following year. This not only has an impact on enrollments in the current year but affects enrollment for the next 1 to 2 years.

While the current number of new students for fall 2021 is slightly lower than fall 2020, it is not quite as significant of a drop as was observed from fall 2019 to fall 2020. The college is hopeful that this is a sign that the drop in enrollment has “bottomed out” and will hold steady and eventually increase.

ctcLink Conversion

As mentioned above, GHC will be undergoing a computer conversion in fall 2021, which is a complete revamp of our enterprise computing and student management system. This will affect all students, faculty, and staff in some way.

Our peer colleges in the WA CTC system who have undergone this conversion have experienced a drop in enrollment the quarter after go-live. For GHC, this will be winter 2022, and the drop in enrollment is included in the projections in Table 1. GHC is working on plans to mitigate the drop through increased communication and additional registration support for students.

Enrollment Strengths

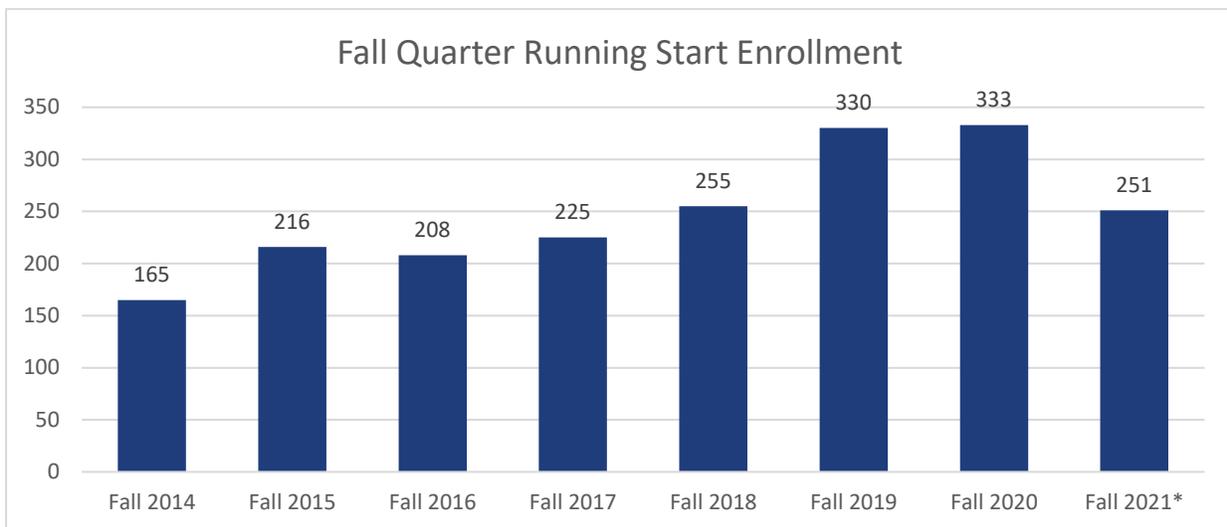
Running Start

Running Start is one of Washington State’s dual enrollment programs for high school students. Through the Running Start program, high school juniors and seniors can attend college, earning credit towards an associate degree and their high school diploma.

As shown in Figure 3, fall 2019 and fall 2020 saw record levels of Running Start enrollments for GHC. While enrollment is still coming in (snapshot taken on 8/31/2021, quarter starts 9/20/2021), it has been slower than prior years.

This lower enrollment level was expected and planned for by the administration of the College. As area high schools began returning to in person classes in early 2021, many of our Running Start students expressed a preference to attend high school in person with their friends, rather than continuing to enroll online through GHC and be isolated. The FY2022 budget was built around an anticipated drop of 10% in Running Start compared to FY2021 enrollments.

Figure 3 - Fall Quarter Running Start Enrollment (as of 8/31/2021)



This is both a strength and a weakness for GHC. Running Start enrollments supplement the enrollment from “traditional” (post-high school) students and increase the college’s total FTE. In the past few years, our running start enrollments have captured 15-20% of the total population of high school juniors and seniors throughout the college’s two-county service area. That is a high percentage of students earning college credit at no/minimal cost to their families before they finish high school.

However, the balance is that Running Start enrollments are enrollments that won’t be coming to the College post high school. The Running Start program often ends up shifting enrollments and creates the net effect of fewer state-funded FTE to the College.

Retention

Figure 4 - Retention of first-time students from Year 1 to Year 2. (Retention includes completions.)

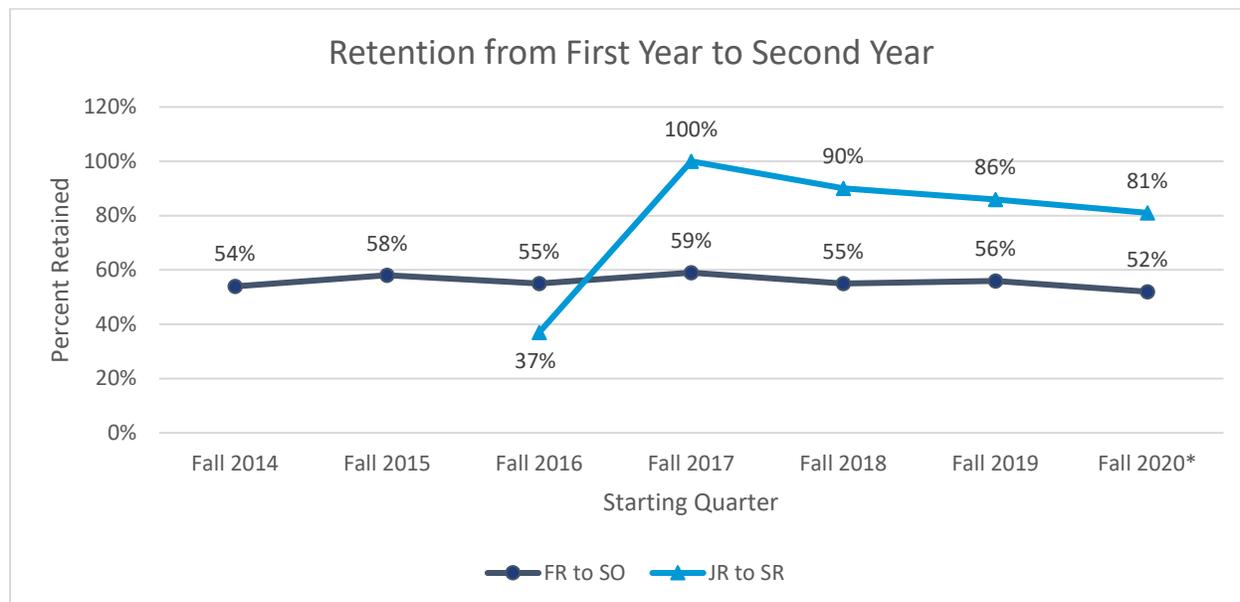


Figure 4 shows the college’s fall-to-fall retention rate for first time Freshmen and Juniors. “First-time” includes all college-level students who started at GHC in the indicated quarter, whether they were first-time in college, or new to GHC via transfer. The Freshman to Sophomore figure includes Running Start Students. The Freshman to Sophomore data represents students moving from the first to the second year of an associate degree program. The vast majority of GHC’s students are seeking associate degrees. The Junior to Senior line represents students moving from the first to the second year of one of the college’s Bachelor of Applied Science programs. The Bachelor of Applied Science programs began in 2016 and currently have about 75 students.

At the time of this report, fall 2021 is still enrolling, so the percentage of students who have been retained from fall 2020 may change. At the present time, retention rates for both freshman to sophomore and junior to senior are trending slightly below the average from prior quarters but have remained high. While the retention rate has not dropped as significantly as the number of new students, the college continues to keep an eye on this metric and implement strategies to increase the number of students retained or completing.

Enrollment Goals and Strategies

GHC’s Executive Team has been monitoring enrollment closely since 2019 and working with the College’s Strategic Enrollment Management (SEM) Team and College Priority #4 (CP #4, Ensure Effective and Efficient use of College Resources) to understand enrollment and find ways to mitigate the decline discussed above. [Appendix 1] Last spring, the Executive Team in consultation with SEM and CP#4 developed an Enrollment Plan with specific areas of focus in recruiting, retention, and onboarding. The overarching goal of the plan is:

Better serve the GHC district by increasing overall enrollment to reach our state funded target, and as a result increase tuition, fees, and other local revenue to balance our budget for the coming year and beyond.

The metrics that will be used to monitor success for this plan include:

- *Increase total annualized state-funded FTE by 15% from 1080 in 2020-21 to 1242 in 2021-22.*
- *Increase annualized state-funded, tuition/credit-bearing FTE by 15% from 960 in 2020-21 to 1105 in 2021-22.*
- *Increase tuition & fees collection by 15% from \$2,792,880 in 2020-21 to \$3,211,812 in 2021-22.*

While these numbers may be somewhat optimistic depending on the impacts of COVID-19, the Administration sees them as important goals to strive for throughout the year.

Recruitment and Onboarding

GHC has set goals around recruiting, to both increase the number of applications received by the start of the school year and to increase the conversation rate of applications into enrollment.

The College has multiple efforts going to attract enrollment for fall 2021. In partnership with a company who specializes in digital advertising for educational institutions, GHC has run a digital campaign focused on increasing enrollment for summer and fall 2021. Individuals in our service district who search for terms like “college” or “trade skills” will be served ads for GHC. Taking advantage of the Employment Securities Department reinstating job search requirements for individuals receiving unemployment, GHC has marketed our Career and Technical Education programs, both with Facebook Advertising and a postcard mailing. GHC’s recruitment team has been creative with virtual registration and financial aid nights, in both Spanish and English. A “Thursday Night Gaming” event, in conjunction with the school’s Esports team (new in 2020-21) is credited both with increased community engagement, and the college saw an increase of 20 FTE from team member enrollments in 2020-21.

Looking further down the road, GHC continues to partner with our local high schools for both our Running Start Program as well as building pathways from high school into college. The college is also working toward offering College in the High School (another form of dual enrollment) to expand options for area high school students. The ctcLink conversion will give the college access to more robust information on applications received, allowing the college to understand where changes have occurred in application rates, and do more focused recruiting to populations who are underrepresented in applications received. The college is currently hiring for a Director of Marketing and College relations. This position will work with the college’s existing recruiter in the creation of materials and targeted advertising to help bring in applications and new enrollment. Additionally, GHC has added support in advising and financial aid to help ensure students are able to make contact and get started quickly once they express interest in the College.

Retention

While retention rates have remained near prior levels, the college is working on increasing the retention rate above and beyond prior years. With the challenge of getting new students, and the communities’ need for an educated workforce, the College understands the importance of making sure students are able to reach their goals.

Efforts to retain students from the 2020-21 school year and summer 2021 are currently underway. Multiple communications including emails, texts, postcards, and a call campaign have garnered the college over 100 FTE in fall quarter enrollments.

Looking ahead to winter quarter, the college is discussing strategies to combat the post-conversion slump that has been experienced by many of our peers. Ideas under consideration include regular

communications with students, production of instructional videos and cheat sheets for students combined with resources for faculty and staff, and in-person registration events (COVID permitting.) The message from other colleges is that the new system presents a hurdle to enrollment for existing students, so GHC is planning on providing as much information and support as possible to reduce barriers to enrollment.

Guided Pathways

This summer, GHC hired a Director of Advising and Guided Pathways to facilitate Guided Pathways work already in progress. This individual has extensive experience in the Washington CTC system, around both advising and instruction. Other colleges in our system, and across the US, have seen increases in retention, recruitment, and degree completions with the implementation of Guided Pathways. The college expects that implementing Guided Pathways will build on existing relationships with our local K-12 and Industry partners to provide outstanding opportunities for our students, as well as strengthen the college's enrollment in the years ahead.

This should lead to increases in both recruitment (through pathways from K-12 into GHC programs, and partnerships with local service organizations), and retention (through focused program maps and career exploration).

Production of Enrollment Estimates

Initial enrollment estimates are produced by the Director of Institutional Research & Reporting. Enrollment to-date for the current year is used as a base, with final enrollment estimated using historic trends, and external context such as number of high school juniors and seniors, population estimates, and local and state-wide unemployment trends.

Estimates for future years are based on both historical trends, and an analysis of the current enrollment situation. For example, for 2021-22 the college expects a positive effect from the reinstatement of ESD job search requirements for unemployment recipients, but a negative effect from the potential reinstatement of protective measures due to the increase of COVID-19 cases attributed to the Delta variant.

These initial estimates are discussed and reviewed with the Vice President for Administrative Services, and the Dean of Student Access and Success before being finalized. These individuals provide additional context such as tuition rates, application counts and pending enrollments, and anecdotal feedback their staff has received from potential students about enrollment for current and upcoming quarters.

Estimates are finalized, and then shared with the college Executive Team, which consists of the President and 6 other executive-level employees. Additional feedback is used to adjust the estimates and produce the final version.

Enrollment estimates are regularly revisited and updated throughout the year as enrollment comes in. Updated enrollment estimates are shared quarterly with the college Executive Team and Board of Trustees, or more often if unexpected shifts in the estimates occur.

Assumptions Underlying Enrollment Estimates

- The local pipeline of high school juniors and seniors will not change significantly due to the “birth dearth.” This is based on population projections from the WA Office of Financial Management, and data reported by WA Office of Superintendent of Public Instruction.
- Reinstatement of Employment Securities Department (ESD) job search requirements will have a positive effect on enrollment.
- Vaccine requirements for students will have a dampening, or potentially negative effect on enrollment.
- While student numbers have decreased, students are still enrolling in approximately the same number of credits every quarter. Assumption based on review of average FTE for different enrollment areas (transfer, workforce, high school completion, etc.). In general, average FTE for 2020-21 was similar to 2019-20. So far that is also the case for summer and fall 2021.
- The college will see an overall downturn in Running Start enrollments as high schools return to in-person instruction.
- The college will start to see more Stafford Creek FTE as the Department of Corrections (DOC) adjusts to teaching under pandemic procedures.
- The effects of COVID-19 will be felt on enrollment through 2021-22 and start to ease for 2022-23.
- The ctcLink computer conversion will have a negative effect on enrollment in the following quarter. Based on observations from other WA State CTC’s after go-live. As discussed, the college is working on plans to counteract this effect.

Section III: Fundraising

Fundraising - Current Status Narrative

The Office of College Development oversees fundraising at Grays Harbor College (GHC). Under the Office of College Development is the Grays Harbor College Foundation (GHCF). As shown in the Schedule of Fundraising [Table 2], for the period Fiscal Year (FY) 2018 to FY 2021, the GHCF raised approximately \$3.8 million in gifts and donations. That amount is projected to increase to \$5.3 million by FY 2023. Unrestricted donations totaled about \$581,000 for the period and projected to increase to approximately \$846,000 by FY2023. Restricted and endowed gifts for the period were approximately \$2.5 million and \$730,000, respectively, and projected to increase to about \$3.4 million and \$1million, respectively, by FY 2023. The GHCF closed FY 2021 with over \$16 million in assets under management [Appendix 14]. Of that, \$7 million was permanently restricted and \$8.7 million was temporarily restricted for the benefit of students and the College as designated by donors or the GHCF Board of Directors. The GHCF also held nearly \$600,000 in unrestricted funds.

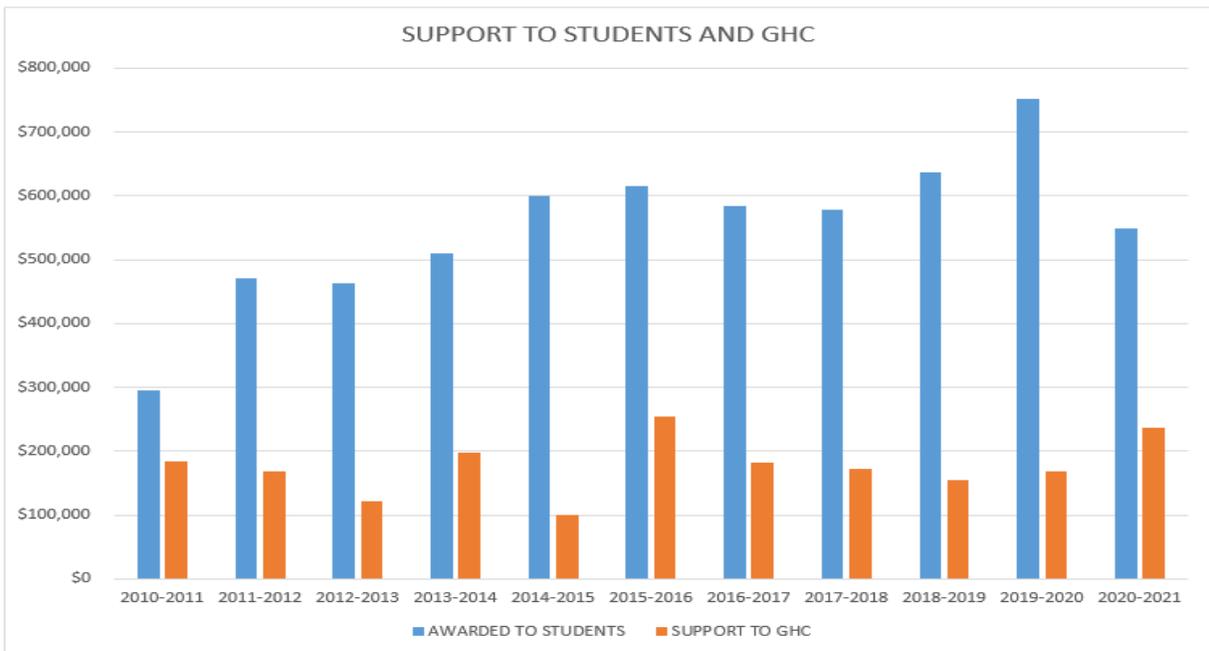
Table 2 - Schedule of Fundraising

Fundraising	Actual Current Year -3 (2017-18)	Actual Current Year -2 (2018-19)	Actual Current Year -1 (2019-20)	Actual Current Year (2020-21)	Projected Current Year +1 (2021-22)	Projected Current Year +2 (2022-23)
Number of Fundraising Staff	2	2	2	2.5	2.5	2.5

Fundraising	Actual Current Year -3 (2017-18)	Actual Current Year -2 (2018-19)	Actual Current Year -1 (2019-20)	Actual Current Year (2020-21)	Projected Current Year +1 (2021-22)	Projected Current Year +2 (2022-23)
# Alumni Donors/ # Alumni ¹	No Data/ 10,117	30/ 10,491	36/ 10,830	74 / 11,479	85 / 11,754	95 / 12,029
Unrestricted Gifts	\$30,852	\$47,164	\$118,928	\$384,016	\$150,000	\$115,000
Restricted Gifts	\$537,029	\$491,166	\$941,641	\$577,443	\$400,000	\$500,000
Endowed Gifts	\$251,176	\$9,676	\$0	\$468,391	\$300,000	\$0
Total Gifts	\$819,057	\$548,006	\$1,060,569	\$1,429,850	\$850,000	\$615,000

Fundraising contributes to the financial health of Grays Harbor College in various ways. Specifically, scholarship awards enable students with outstanding balances to pay what they owe, thereby boosting GHC operational cash flow. Academic program support enables departments to utilize donated funds to acquire upgraded equipment and meet operational needs, freeing up space in the GHC general fund for other priority funding. Donor funding of performing arts and student athletics conserve GHC general funds for redirection to essential student support services. Through fundraising efforts, the GHCF manages approximately \$16 million in assets. Figure 5 shows the scholarship and institutional support provided by the GHCF to the college in the past 10 years. In FY 2021, the GHCF provided \$548,000 in scholarships to students and \$236,000 to the college to support academic programs and departments to meet operational needs.

Figure 5 - GHCF Scholarship and Institutional Support



¹ Total alumni count includes certificate and degree earners since summer 1984.

To mitigate the impact of COVID-19, the GHCF has provided funding to the college to incentivize vaccination and to support enrollment initiatives. Specifically, for FY22, the GHCF has provided \$132,000 to the college to use as scholarship funds to encourage student vaccinations, pay off eligible student account receivables to remove enrollment blocks and enable students to re-enroll, reduce financial barriers for fee waiver eligible Running Start students enrolled in CTE programs, and to encourage GED and High School completion students to matriculate into college bearing courses. Such GHCF financial support to the college promotes recruitment and retention, helping students achieve key academic momentum points as they work towards certificate or degree completion. Further, for FY22, the GHCF requested proposals for the use of \$105,000 of unrestricted funds to support the college. Approved proposals included the purchase of musical and ceramics equipment to establish a new class offering in the arts. The new class offering will support ongoing efforts to increase enrollment at the college.

The GHCF has two full-time staff positions funded 50% each by the college and Foundation. The Executive Director oversees strategic planning, finance, fundraising, donor relations, board relations, and marketing/communications. The Program Coordinator performs programmatic functions, maintains the donor database and financial records. Restricted donor funding allowed the GHCF to hire a part-time position in the winter of FY 2021. That position will not be retained when the funding is exhausted. The part-time position provides support to the Executive Director in coordinating donor development and marketing/communications.

Fundraising Goals

The overarching fundraising goal is to elicit private donations to support the mission of Grays Harbor College. In the current fiscal year and beyond, the Grays Harbor College Foundation will enhance communication and outreach strategies to cultivate existing donors and generate new donors. To accomplish this goal, the GHCF relaunched a semi-annual newsletter in December 2020. An end of year appeal was not included in that letter but will be in the subsequent newsletter. A fundraising goal in FY 2021 was to hold a campaign to fundraise a minimum of \$50,000 in unrestricted funds in lieu of the Annual Mystery Getaway event, which was previously the Foundation's largest annual fundraising event. The campaign in FY 2021 honored GHC's 90th Anniversary, raising \$222,000 in mostly unrestricted revenue to support GHC and its students. The campaign incorporated direct mail, phone, email, social media, radio, and press to ask donors for support. Gifts to the campaign ranged from \$25 to \$25,000. The campaign also attracted 30 new donors, of which 11 were identified as alumni. For FY 2022, planning is ongoing for another campaign. At their September 2021 board meeting, the GHCF Board of Directors will vote on creating a Legacy Society to honor those donors who have made a planned gift to the GHCF to support GHC and its students. The GHCF acknowledges the potential impact of COVID-19 on fundraising targets and investments performance and will continue to adapt fundraising efforts through online and newsletter solicitations as no in-person gatherings are planned for FY 2022. The GHCF believes its investment policy and strategies by the investment managers will sustain investment performance.

The GHCF has not historically tracked and maintained data on alumni donors. However, since the November 2019 FRR report, the GHCF compared alumni records against historical donor records to identify past donors that are alumni. In February 2020, alumni donor was collected at an in-person fundraiser. In FY 2021, alumni data was collected through campaign materials and online campaign portal. By close of FY 2021, the GHCF identified 919 constituents in the donor database who are GHC alumni and 677 of which have active constituent files. In FY 2021, 74 alumni donated to the GHCF, compared to 36 in

FY 2020, doubling the number of alumni who gave. Strategic outreach was also done through social networking to identify alumni and to cultivate relationships with them. This work will continue in FY 2022.

Section IV: Financial Management

Financial Management - Current Status

Grays Harbor College financial management metrics for FY 2018 through FY 2023, viewed together and trended over time, provide information regarding the overall financial health of the College [Appendix 15-16]. The metrics are industry standard and provide an overview of the strength of the College's resource sufficiency and flexibility, operating results, financial asset performance and debt management. Specifically, the metrics measure whether college resources are sufficient and flexible enough to support its mission; operating results indicate the College is operating within available resources; financial asset performance supports the College's strategic mission; and debt is managed strategically to advance the College's mission. The data utilized in the metrics for FY 2018 through FY 2020 are derived from the College's audited financial statements [Appendix 17²]. The data utilized in the metrics for FY 2021 are from the preliminary unaudited annual financial report scheduled for audit by the Washington State Auditor in January 2022. The metrics for FY 2022 and FY 2023 are projections based upon assumptions for revenues and expenditures for those fiscal years. In the November 2019 and September 2020 FRR Reports, metric definitions, factors with greatest impact on the College's financial health, initiatives implemented to improve the College's financial health and the changes in personnel of the College's financial management staff were extensively discussed. This FRR Report focuses on the improved financial health evidenced by recovering trends in the financial metrics. Additional relevant information is presented in tables, figures, or included as appendices. Highlights of the metrics are presented in Table 3 below.

Table 3 - Schedule of Financial Management

Finances	Actual Current Year -3 (2017-18)	Actual Current Year -2 (2018-19)	Actual Current Year -1 (2019-20)	Actual Current Year (2020-21)	Projected Current Year +1 (2021-22)	Projected Current Year +2 (2022-23)
Audited Financials Complete (Yes/No)	Yes	Yes	Yes	No	No	No
Increase/(Decrease) in Unrestricted Net Assets	\$(10,281,420)	\$(2,854,756)	\$220,753	\$3,034,507	\$(861,336)	\$1,109,889
Increase/(Decrease) in Total Net Assets	\$(4,242,280)	\$(1,012,570)	\$(61,945)	\$2,609,235	\$11,811,196	\$26,410,774
Total Net Assets	\$64,355,960	\$63,343,389	\$63,281,445	\$65,890,680	\$77,701,876	\$104,112,650
Total Debt	\$0	\$ 1,074,258	\$1,040,953	\$1,010,953	\$965,103	\$935,103
Primary Reserve Ratio	(0.25) 0.18	(0.27) 0.13	(0.23) 0.20	(0.10) 0.35	(0.12) 0.31	(0.08) 0.34
Net Operating Revenue Ratio	(0.17)	(0.13)	(0.02)	0.043	0.038	0.035

² Appendix 17 is GHC's FY 2020 Financial Statement Audit. FY 2018 and FY 2019 Financial Statement Audits can be found on the College's web site at: <https://www.ghc.edu/financial-statements>.

Finances	Actual Current Year -3 (2017-18)	Actual Current Year -2 (2018-19)	Actual Current Year -1 (2019-20)	Actual Current Year (2020-21)	Projected Current Year +1 (2021-22)	Projected Current Year +2 (2022-23)
Return on Net Assets Ratio	(0.06)	(0.02)	0.00	0.04	0.18	0.34
Viability Ratio	No Debt	(8.8) 4.3	(7.2) 6.3	(3.1) 10.8	(4.0) 10.5	(2.9) 12.1

Primary Reserve Ratio = Expendable Net Assets/Total Expenses; Net Operating Revenue Ratio = Change in Unrestricted Net Assets/Total Unrestricted Income; Return on Net Assets Ratio = Change in Net Assets/Total Net Assets; Viability Ratio = Expendable Net Assets/Long-term Debt (Source: Strategic Financial Analysis for Higher Education, by Prager, Sealy & Co, LLC with KPMG)

Financial Staff Changes and Qualifications

Since the September 2020 FRR Report, the financial staffing situation at Grays Harbor College is stable. Mr. Kwabena Boakye, Vice President of Administrative Services, started working for the College in September 2019, serving as the chief financial officer. Mr. Boakye’s qualifications have made him an asset to the College. Mr. Boakye is a Certified Public Accountant and a Certified Internal Auditor. He holds Bachelor’s and Master’s degrees in Accounting from California State University in Northridge and Sacramento, respectively. He has brought a wealth of college financial management experience to Grays Harbor College, having served as the Chief Business Officer and Vice President for Fiscal Affairs at Atlanta Metropolitan State College and as the Special Projects Audit Manager for the University System of Georgia Board of Regents. Prior to those positions, Mr. Boakye was Director of Internal Audit for Georgia Perimeter College and Senior Auditor for the California State University System. Ms. Sydni Yager, Assistant Dean for Financial Services/Controller, started working for the college in February 2020. Ms. Yager is an alumnus of the college with an associate degree in Business who continued her educational pursuit at Western Washington University before completing both her Bachelor’s and Master’s degrees in Accounting at Western Governors University. Prior to joining the College, Ms. Yager was Controller at Crown Distributing Company in Aberdeen, WA. Her other background experience includes working as an accountant at Timberland Bank and serving as staff accountant at Aiken & Sanders, Inc., PS where she conducted audits of non-profit organizations.

In the FY22 budget, a new Associate Director of Financial Services position was approved. The new position will serve as the College Budget Analyst. Recruitment efforts are ongoing to fill the new College Budget Analyst position. The Vice President of Administrative Services, Assistant Dean for Financial Services/Controller and the new Associate Director of Financial Services/College Budget Analyst are the key financial management staff working closely with the Executive Team on budget and other fiscal matters at the College.

Assumptions Underlying Budget Planning

It was mentioned in both the November 2019 and September 2020 FRR Reports that the College had established new budget planning/development processes and institutionalized them as standard operating practices in the Board of Trustees Administrative Policies and Procedures. Currently, the college integrates budget planning into strategic planning by mapping new annual budget allocations to priorities established in the Strategic Plan. The following paragraphs describe the assumptions underlying budget planning, in other words, how budget numbers are forecasted.

Budget planning at the College is driven by enrollment. Specifically, the projected annual enrollment FTE target drives budget projections for both revenues and expenditures. To ensure both short-term solvency and long-term sustainability, an enrollment FTE target for the ensuing fiscal year and subsequent two fiscal years are projected using methodology discussed above on pages 8-9 of this report. Revenues for tuition and fees are predicted based on the projected enrollment FTE targets. The course schedule is built adding new course sections or eliminating existing ones based on the projected enrollment FTE target. Then expenditures are estimated to align with the projected revenues to ensure a balanced budget.

Typical revenue streams for budget planning at the College include state allocation, grants, donations, tuition, and fees. For state revenue, the state allocated amount is essentially the projected revenue amount since state allocation revenue is beyond the control of the College. The state allocation amount is determined by the Washington State legislature and approved by the Governor. While the College does not have control over state appropriation, the College monitors the legislative session environment to anticipate an increase or decrease in the state allocation amount. The College projects grant revenue by reviewing existing contract terms and current grant proposals to anticipate grant revenue streams. The College projects for donated revenue by coordinating with the Grays Harbor College Foundation to assess the stream of unrestricted donations. For tuition and fees revenues, the projection is based on a combination of tuition and fee-rate analysis, the projected enrollment FTE target, revenue trends from prior years, and assumptions of decline, status quo, or increase in tuition and fee-rates. To project tuition revenue, the College identifies the tuition rate per enrollment FTE and then looks back five years at actual tuition revenues relative to actual enrollment FTE to determine a tuition revenue performance factor. To predict future tuition revenue, tuition rate is multiplied by the projected enrollment FTE target and the performance factor. Similarly, to project fee revenue, the College identifies the fee type and rate and then determines net fee payers based upon historical actual fee collections and actual enrollment headcount and credit hours. To predict future fee revenue, the fee rate is multiplied by the projected net fee payers.

Typical expenditure obligations for budget planning at the College include personnel, goods and services, equipment, travel, grants, and subsidies. Essentially, the College projects expenditures in view of the projected enrollment target and the resultant projected revenue available for expenditures. Thus, personnel expenditure is projected considering whether additional course sections will be needed or not and the right mix of administrators, faculty and staff needed to provide optimal services to the target number of students. Other considerations for expenditure projection at the College include sustaining student enrollment, progression, and completion; preserving physical space, maintenance and renewal considering the campus master plan; continuous innovation in technology; achieving a balanced budget with cash flow reserves complying with Board of Trustees requirements and conserving all College and programmatic accreditation.

It is noteworthy that certain expenditures are beyond the control of the College and therefore the mandated amounts are largely the projected expenditure amount. Such expenditures include cost of living salary adjustments and benefits for unionized employees. Such expenditures are negotiated by the Governor and approved by the state legislature as a mandate for the College to fulfill.

Assumptions Underlying Financial Projections for FY 2022 and FY 2023

The financial projections for FY 2022 and FY 2023 in the Financial Management section of this FRR Report are based on assumptions emanating from currently known information, predicted future enrollment and budget planning. Specific assumptions include the following:

1. For FY22, tuition revenue is expected to bottom out and stay flat compared to FY21. Net tuition revenue is projected to increase \$77,365 due to a 2.8% state approved tuition rate increase. However, Running Start (dual enrollment) revenue is expected to drop by 10%, resulting in a projected loss in operating revenue of \$173,333. The combined effect for FY22 is a projected \$95,968 decline in operating revenue.
2. For FY23, tuition revenue is expected to grow 2%, resulting in a projected \$56,808 increase in net tuition revenue. However, Running Start (dual enrollment) revenue is expected to stay flat. The combined effect for FY23 is a projected \$56,808 increase in operating revenue.
3. State appropriation is expected to grow, but the additional funding is anticipated to be tied to new legislative mandates and initiatives with zero net effect on the college financial health.
4. Non-operating revenue is expected to increase \$1.8 million and \$1.5 million, respectively, in FY22 and FY23 due to Federal COVID-19 related institutional grant award.
5. Capital contribution is expected to increase \$10.5 million and 25.2 million, respectively, in FY22 and FY23. As part of the Governor's approved budget for FY22, an amount of \$43.8 million in state capital allocation was authorized for the college to construct a new Student Services and Instruction building. Construction work in progress capital contribution is expected to be approximately 24% in FY22 and 82% in FY23.
6. Operating expense is expected to be impacted by various legislative initiatives and mandates. Specifics include cost of living adjustments of 1.7% and 2.2%, respectively, in FY22 and FY23 for faculty employees. Additionally, the Governor's approved budget included employer health rate adjustments of -6% and 10%, respectively for FY22 and FY23. The combined effect is a \$158,617 net increase in operating expenses for FY23.
7. Non-operating expense is expected to stay flat with slight declines in interest payments for both FY22 and FY23.
8. Cash flow is generally expected to be healthy due to the availability of multiple emergency aid funds totaling about \$3.2 million to support the cost of attendance of enrolled eligible students. Restricted cash is expected to increase \$100,885 and \$70,885, respectively, for FY22 and FY23 due to additional accumulation of restricted parking and building fund reserves.
9. Pension data for FY20 is utilized for FY21, FY22 and FY23, because new actuarial pension information was unavailable at the time of completing this FRR Report.
10. The combined net effect of the financial projections is positive on the financial health of the college. Substantially, the \$43.8 million in capital contribution from the state should renew aging facilities and result in significant increase in Total Net Position for both FY22 and FY23.

Audited Financial Statements Discussion

Audit results provide a measure of Grays Harbor College's financial health. When a financial statement audit is performed by independent external auditors, it provides reasonable assurance regarding the College's ability to continue as a going concern. The College is subject to an annual audit by the Washington State Auditor in which external independent audit professionals perform analytical techniques to assess whether there is a substantial doubt about the College's ability to continue as a going concern for at least one year beyond the audited fiscal year. The external independent audit professionals are required by audit standards to disclose any reservations about the College's going-concern in their audit report. The College has gone through annual financial statement audits from FY 2018 through FY 2020 [Appendix 17²]. The Washington State Auditor will commence the FY 2021 financial statements audit in January 2022. The absence of a disclosure in the auditor opinions rendered over the past three years indicates that the independent external auditors do not have substantial doubts about the College's ability

to continue as a going concern. Specifically, the College's unmodified audit report for the audited periods is evidence the College's financial health is sound for it to continue as a going concern.

In addition to financial audits, the Washington State Auditor conducts periodic independent accountability audits to examine the financial affairs of the college, reviewing the college's use of public resources, compliance with state laws and regulations and the college's policies and procedures, and internal controls over such matters. The most recent accountability audit of the college covered the period July 1, 2016, through June 30, 2020. The Washington State Auditor issued its final accountability audit report on July 6, 2021, without any exception [Appendix 18]. The combined outcome of the independent financial and accountability audits of the college supports the prudence in financial management at the college.

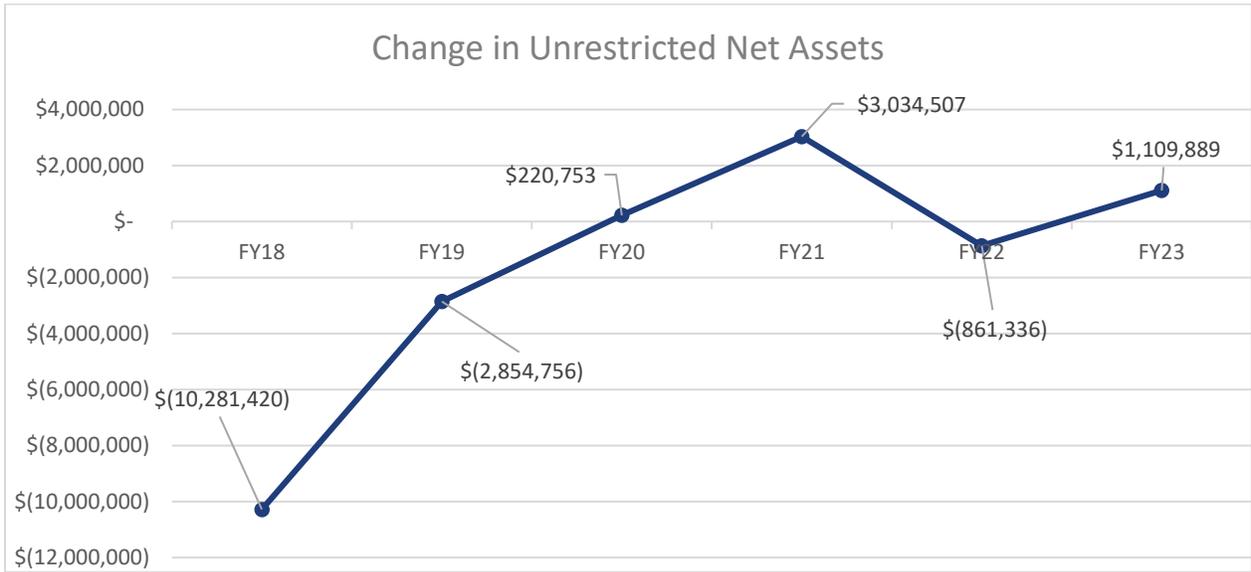
Financial Planning and Fiscal Health Metrics Discussion

The financial planning and financial health metrics discussion demonstrate the positive outcomes of the financial goals established and actions implemented to achieve short-term solvency and long-term sustainability, since the last accreditation visit and receipt of the accreditation report by the college. It was mentioned in both the November 2019 and September 2020 FRR Reports that the college had established new financial plan [Appendix 19] and incorporated the financial goals into Priority 4 of the college's Strategic Plan. Essentially, Priority 4 is "ensure effective, efficient, and sustainable use of college resources." The financial goals are 1) "optimize use of resources to sustain college operations" and 2) "innovate to enable growth for fiscal viability to support the college mission." Indicators for goal 1 are "achieve a positive trend over time toward higher education fiscal health ratio targets" and "invest in strategic efforts supporting college innovation and sustainability." Indicators for goal 2 are "diversify revenue sources through strategic enrollment management and external opportunities to optimize growth potential" and "promote sound financial practices at the College by using the SBCTC Fiscal Health Risk Analysis tool." The most recent financial health metrics outcomes were measured and prepared into a dashboard which is transparently available to college employees. Significantly, the following financial health metrics reveal that the College's financial health has improved with recovering trend in FY21, which is projected to accelerate in FY22 and FY23 due to potential favorable events, such as stable enrollment, healthy cash flow, state allocation of \$43.8 million for facilities renewal, and growth in pension asset investments that will result in smaller actuarial projections for pension liability. The Annual Financial Report (Condensed) used for calculating the financial health metrics, and the Financial Health Metrics worksheet are documented in appendices 15 and 16.

Change in Unrestricted Net Assets

Figure 6 shows recovering trend in Change in Unrestricted Net Assets from FY18 through FY21. The slight downturn in FY22 is due to the assumption of using prior pension information because of the unavailability of new actuarial pension information. It is noteworthy that actuarial pension information for FY22 and FY23 is expected to be favorable and positive on Unrestricted Net Position than the prior years, due to substantial growth in investment indexes on the stock exchange that should result in growth in pension asset investments and smaller actuarial pension liability projection.

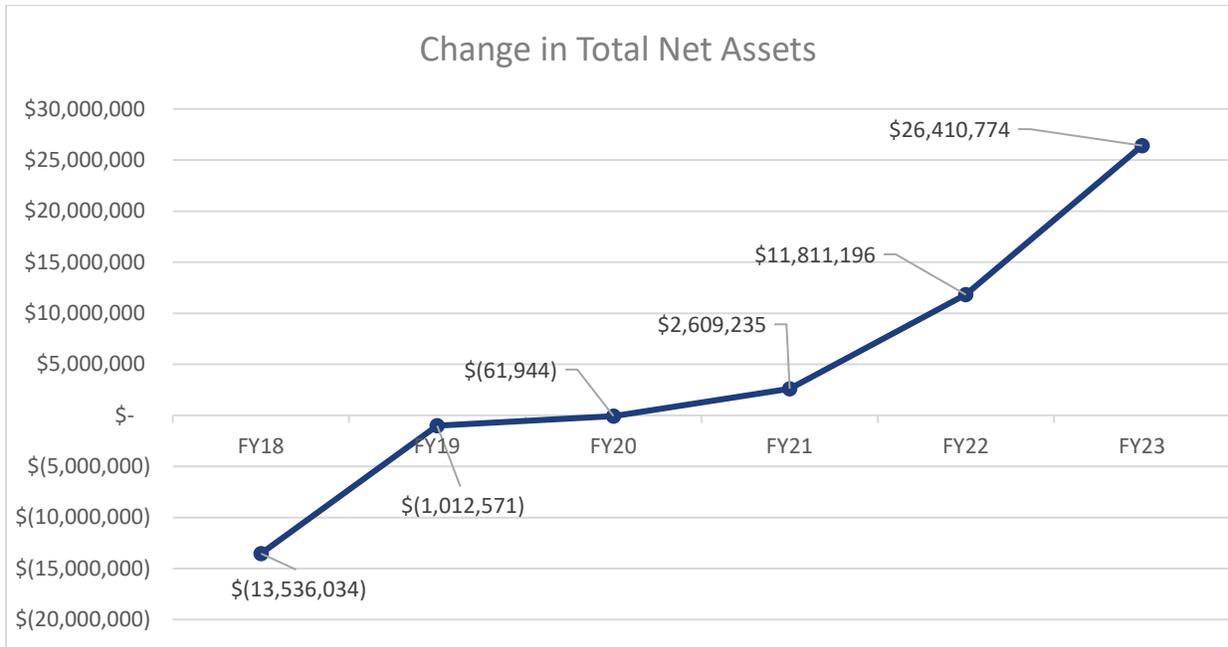
Figure 6 - Change in Unrestricted Net Assets



Change in Total Net Assets

Figure 7 shows increasing trend in Change in Total Net Assets from FY18 through FY21. The increasing trend is projected to accelerate in FY22 and FY23.

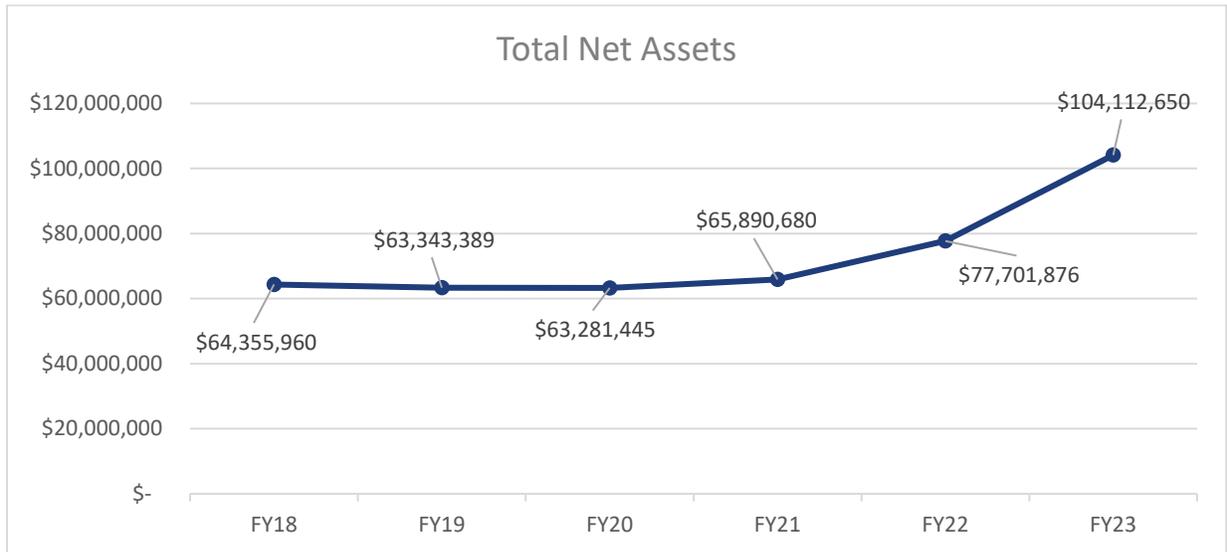
Figure 7 - Change in Total Net Assets



Total Net Assets

Figure 8 shows that the downturn in Total Net Assets bottomed out in FY20 and increased marginally in FY21. The increasing trend is projected to accelerate in FY22 and FY23.

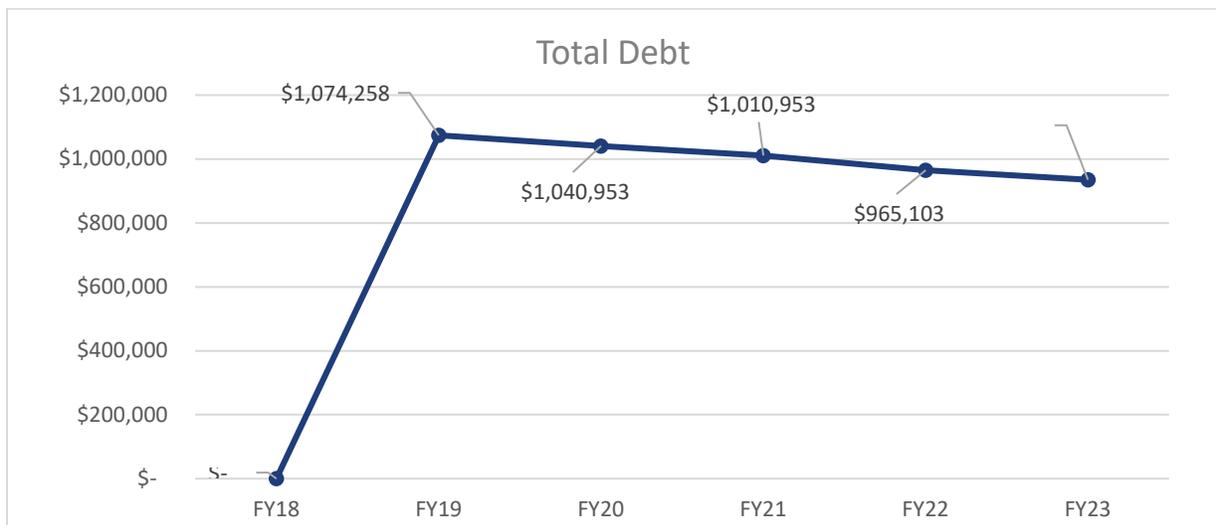
Figure 8 - Total Net Assets



Total Debt

Figure 9 shows Total Debt declining slightly since FY19. The college did not have debt on its books until FY19, when debt was sourced from a Washington State Treasury System Certificate of Participation to rebuild a student parking lot. Prior to construction, the college established a dedicated fee revenue stream restricted for debt servicing, which had a reserve balance of \$376,672 as of June 30, 2021. Annual debt service and average restricted fee revenue are \$75,000 and \$93,235, respectively. It is anticipated that the restricted fee revenue and reserve balance will provide sufficient liquidity to service the debt.

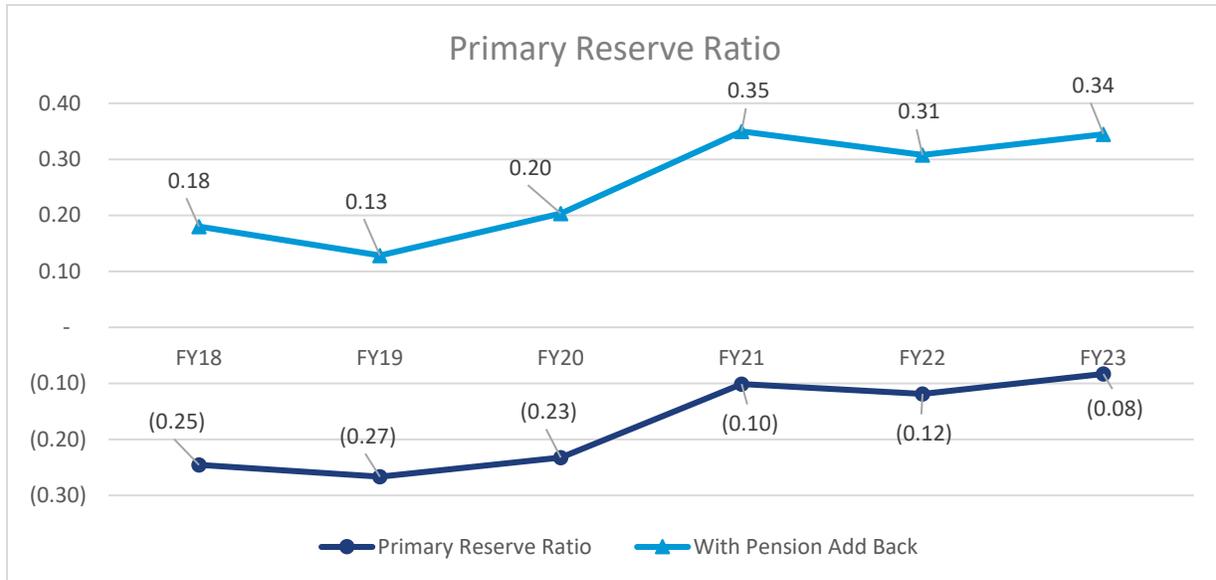
Figure 9 - Total Debt



Primary Reserve Ratio

Figure 10 shows Primary Reserve Ratio with and without pension/OPEB liability from FY18 through FY21 and projected through FY23. While the primary reserve ratio is negative, the college has been building back reserves to achieve recovering trend toward positive. Adding back pension/OPEB liability, primary reserve ratio is positive and expected to increase over time toward achieving the recommended industry primary reserve ratio threshold of 0.4.

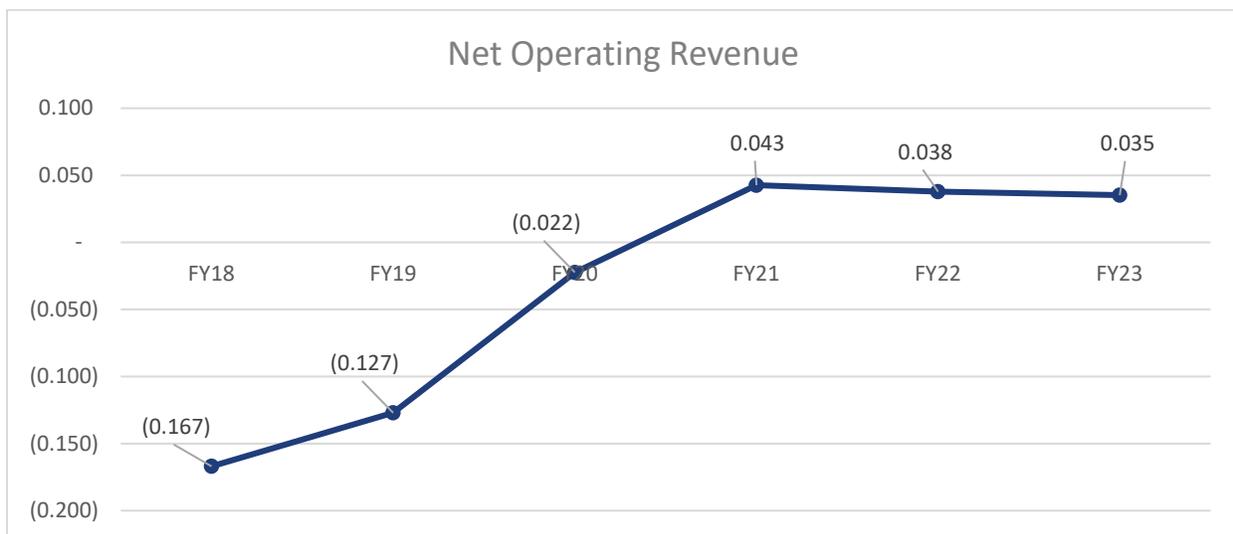
Figure 10 - Primary Reserve Ratio



Net Operating Revenue Ratio

Figure 11 shows Net Operating Revenue Ratio was negative from FY18 through F20, but turned around and became positive in FY21. The positive trend is projected to continue in FY22 and FY23.

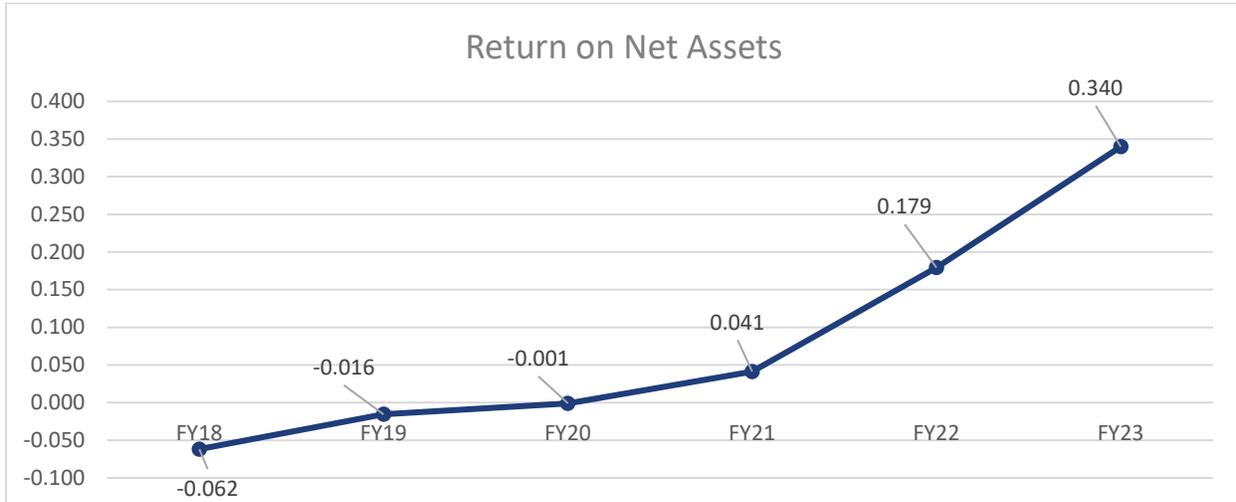
Figure 11 - Net Operating Revenue



Return on Net Assets Ratio

Figure 12 shows increasing trend in Return on Net Assets from FY18 through FY21. The increasing trend is projected to accelerate in FY22 and FY23.

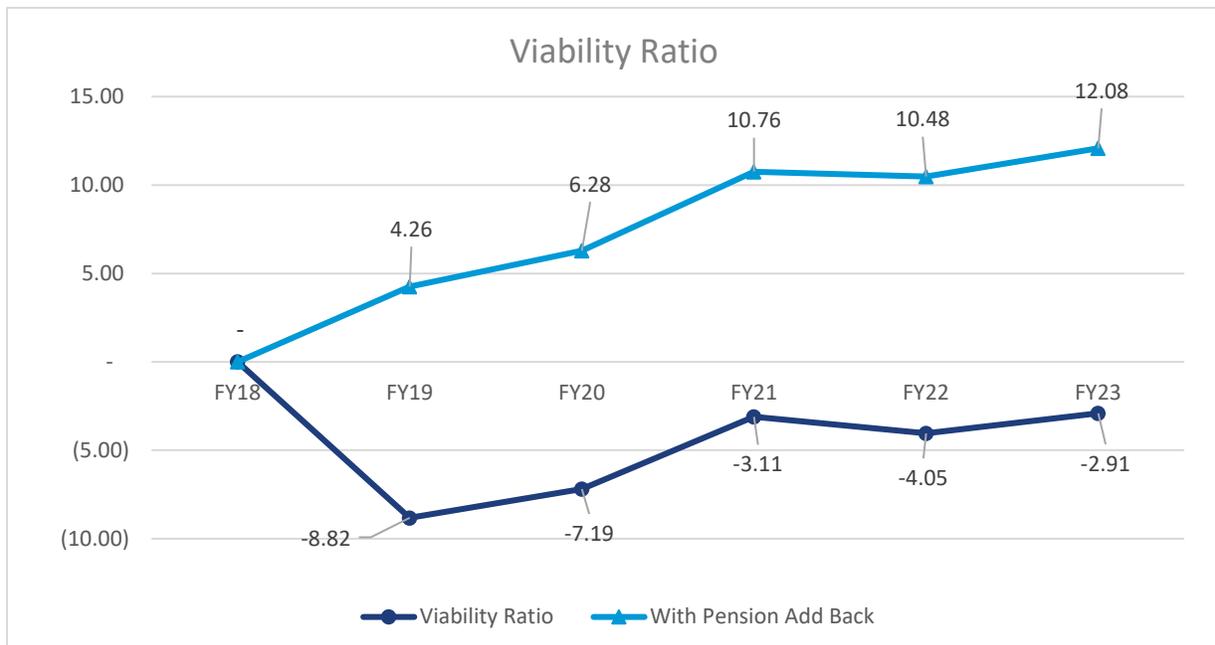
Figure 12 - Return on Net Assets Ratio



Viability Ratio

Figure 13 shows Viability Ratio with and without pension/OPEB liability from FY18 through FY21 and projected through FY23. While the viability ratio is in negative, the college has been building back reserves to achieve recovering trend toward positive. Adding back pension/OPEB liability, viability reserve ratio is positive, exceeding the recommended industry viability ratio threshold of 1.25.

Figure 13 - Viability Ratio



Section V: Conclusion

The financial health condition of Grays Harbor College as of June 30, 2021 and projected through FY 2023 is recovered. Since the NWCCU Peer-Evaluation Team visit in April of 2019, the College confronted the brutal facts of the fragile financial health condition at the time. The College established new budget planning/development processes and institutionalized them as the standard operating practice in the Board of Trustees Administrative Policies and Procedures. The College also established a new financial plan and incorporated the financial goals into the Strategic Plan. The College then integrated budget planning into strategic planning by mapping new annual budget allocations to priorities established in the Strategic Plan. Several other practices to achieve short-term solvency and long-term sustainability were implemented, including 1) constant monitoring of revenue and enrollment data, 2) commitment to quick response to budget shortfalls, and 3) collaborative approach to link revenue projections with enrollment for optimal rightsizing and to match expenditures to revenues for a balanced budget. The combined effect is the improved financial health evidenced by the recovering financial health metrics. In addition, current liquidity position of the College is healthy and projected to remain so in the subsequent years due to potential favorable events, such as stable state funding, state capital allocation of \$43.8 million for facilities renewal, remaining Federal COVID-19 institutional grant award of approximately \$3.3 million, and availability of multiple emergency aid funds totaling about \$3.2 million to support the cost of attendance of enrolled eligible students. Finally, the College received a clean audit opinion by the Washington State Auditor, the highest opinion without any findings or exceptions, for its independent financial audits from FY 2018 through FY 2020 and for its independent accountability audit covering the period July 1, 2016 through June 30, 2020 [Appendix 17² – Appendix18]

Looking forward, GHC will continue to pursue promising opportunities to mitigate loss of enrollment. As discussed above, implementation of Guided Pathways is expected to transform student support to both increase current student retention as well as improve onboarding of students. Additionally, the college is looking at new programmatic opportunities to increase revenue as well. GHC is in discussions with local school districts to offer dual enrollment via College in the High School. Finally, the concrete metrics of the College's 2021-22 Strategic Enrollment Plan will support student success and encourage the college to focus resources on recruitment and on-boarding activities to help grow new student enrollment.

Section VI: Appendix Table of Contents³

Appendix 1: Strategic Enrollment Management Plan to Increase Enrollment in 2021-22	A-1
Appendix 2: 2021-2022 Enrollment Plan Presentation	A-3
Appendix 3: Board of Trustees Meeting Minutes – July 20, 2021.....	A-16
Appendix 4: Board of Trustees Meeting Minutes – September 15, 2020.....	A-21
Appendix 5: Board of Trustees Meeting Minutes – October 20, 2020	A-27
Appendix 6: FY2021 Q1 Budget Status Report – October 20, 2020.....	A-33
Appendix 7: Board of Trustees Meeting Minutes – February 16, 2021	A-47
Appendix 8: FY2021 Q2 Budget Status Report – February 16, 2021.....	A-52
Appendix 9: Board of Trustees Meeting Minutes – March 16, 2021	A-65
Appendix 10: Board of Trustees Meeting Minutes – May 18, 2021	A-71
Appendix 11: FY2021 Q3 Budget Status Report – May 18, 2021	A-76
Appendix 12: Board of Trustees Meeting Minutes – June 15, 2021	A-89
Appendix 13: Action Item, June 16, 2021 Board of Trustees: FY2021-22 Operating Budget Written Report	A-94
Appendix 14: GHC Foundation Balance Sheet– June 30, 2021	A-97
Appendix 15: Annual Financial Report (AFR).....	A-103
Appendix 16: Financial Management (Health) Metrics.....	A-104
Appendix 17: GHC Financial Statements Audit Report for Period Ending June 30, 2020	A-107
Appendix 18: Accountability Audit Report for Period of July 1, 2016 through June 30,2020	A-182
Appendix 19: Strategic Financial Plan	A-189

³ Appendix documents can be found in a separate Adobe PDF file.