

Paine facing millions in revenue shortfall, documents say

By **Tracey McManus**

Staff Writer

Saturday, May 5, 2012 10:59 PM

Last updated Sunday, May 6, 2012 1:53 AM

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Paine College is facing millions in revenue shortfall through the summer, months after students complained of financial aid checks bouncing and an independent audit highlighted mismanagement of federal money by administrators, according to documents obtained by *The Augusta Chronicle*.

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The private school had a \$3.6 million shortfall as of March, which President George Bradley blamed on a drop to 800 full-time students – 50 below normal, state the minutes of a March 12 board of trustees executive committee meeting.

Board Chairman Eddie Cheeks said at the meeting that the board had to make some decision as to how to remedy the situation.

To meet payroll and projections through July, the school needs \$4.8 million, the minutes indicate, but Paine also is looking at a cash deficit of almost \$2 million as expenses surpass revenue through the same period.

The executive committee voted to let Bradley use Paine's donation fund, or endowment, as collateral for a \$3 million credit to cover the shortfall – despite restrictions prohibiting the use of most of the endowment funds. Though the vote passed 6-3 with one abstention, Paine officials later decided to drop the request and planned to seek an increase in an existing line of credit from \$750,000 to \$2 million, says a recent audit completed by the Augusta certified public accounting firm Cherry, Bekaert and Holland.

The audit, dated March 22, found that Paine lost eligibility for one federal loan program and was at risk of losing others for inaccurately reporting enrollment numbers and financial data to the government in 2010-11.

Bradley told board members that he discovered the budget problems in October. He requested a game plan from the chief finance officer and controller and fired them when he saw no growth, the minutes state.

Former Paine Controller Kelly Kindell said that he, Vice President for Administrative and Fiscal Affairs Leroy Summers and Student Financial Services Manager Nancy Summers were fired in February without explanation. A month later, dozens of students protested in front of the Paine administration building, saying financial aid checks had bounced or had not been delivered.

ALTHOUGH THE IDEA of using the endowment as collateral was later dropped, the meeting's minutes reveal a contentious discussion among committee members.

Trustee Wayne Kendall questioned the legality of using the endowment as collateral because some donors have restrictions on how their gifts can be used.

In the recent audit, Cherry, Bekaert and Holland found that the school did not have policies in place to make sure money was spent as donors intended. The school also did not "maintain information related to restricted contributions, nor reconciles donor information to the amounts recorded in the general ledger," the audit stated.

A message left on Bradley's cellphone seeking comment was not returned. Brandon Brown, Paine's vice president for institutional advancement, said the school would not comment on budgetary issues and instead released a statement Wednesday.

"Since becoming aware of these budget issues, Paine has moved swiftly to identify the necessary steps to ensure financial continuity," the statement said. "The school promptly put in place financial responsibility measures, including the termination of relevant personnel and a complete review of College fiscal policies and procedures."

The audit says Paine has \$4.1 million in temporarily restricted money, which can be used only for specific, predetermined purposes, and \$4.9 million in restricted money, which is required to be invested and maintained forever. Paine has only \$34,000 in unrestricted funds that can be spent how the board chooses, the audit says.

IN THE MARCH MEETING, Kendall argued that because of restrictions on how donations can be spent, "there is no \$3 million available" for the collateral that Bradley was requesting.

Kendall also asked whether donors gave the college permission to use their donations as collateral on a loan.

Brown replied that he had a spreadsheet showing endowment money and intent and that some donors did not specify how their gifts be used. Brown would not share the document with the committee because of donor confidentiality, the minutes say.

Kendall said a draft audit found that Paine had already spent \$1.1 million in endowment reserved for investments last year. Bradley said the money was for construction and was "perfectly legal and normal," but Kendall said the draft audit says something different, according to the minutes.

Kendall refused repeated requests for an interview with *The Chronicle* to explain the financial situation and uses of endowment money.

After a motion was made to approve Bradley's request for the loan, Kendall asked the committee to seek other ways to raise money so the endowment would not be touched.

Bradley had said earlier in the meeting, however, that if the request for the loan was denied Paine would go into "financial exigency and look at major layoffs and furloughs until the cash flow improves in August."