

MINUTES OF BOARD OF TRUSTEES MEETING

Prochnow Educational Foundation
Tuesday, November 14, 2023
The French Quarter Inn
Charleston, SC

PRESENT

Randy Hultgren, President and CEO, Illinois Bankers Association, Springfield, *CHAIR*
Karl Adam, President, South Dakota Bankers Association, Pierre, *VICE CHAIR*
Lorrie Trogden, President and CEO, Arkansas Bankers Association, Little Rock, *IMMEDIATE PAST CHAIR*
Michael J. Adelman, President and CEO, Ohio Bankers League, Columbus, *TREASURER*
Kirby Davidson, *PRESIDENT AND CEO*
Karl Adam, President, South Dakota Bankers Association, Pierre
Michael J. Adelman, President and CEO, Ohio Bankers League, Columbus
Richard Baier, President & CEO, Nebraska Bankers Association, Lincoln
Adrian Beverage, President and CEO, Oklahoma Bankers Association, Oklahoma City
Jackson Hataway, President and CEO, Missouri Bankers Association, Jefferson City
Betsy Johnson, President and CEO, Solutions Bank, Forresteron, Illinois
Rose M. Oswald Poels, President and CEO, Wisconsin Bankers Association, Madison
Rann Paynter, President and CEO, Michigan Bankers Association, Lansing
Kevin Pernick, President and CEO, Bank Plus, Estherville, Iowa
John K. Sorensen, President and CEO, Iowa Bankers Association, Johnston
Amber R. Van Til, President and CEO, Indiana Bankers Association, Indianapolis
Jenifer Waller, President, Colorado Bankers Association, Denver
Doug Wareham, President and CEO, Kansas Bankers Association, Topeka
Michael A. Wear, President, 39 Acres Corporation, Omaha, Nebraska
Joe Witt, President and CEO, Minnesota Bankers Association, Edina

ABSENT

Rick Clayburgh, President and CEO, North Dakota Bankers Association
Vallabh "Samba" Sambamurthy, Albert O. Nicholas Dean, Wisconsin School of Business, University of Wisconsin-Madison

OTHERS PRESENT

Kathy Berman, *VICE PRESIDENT, MARKETING & COMMUNICATIONS*
Becky Patterson, *VICE PRESIDENT, EDUCATION & PROFESSIONAL DEVELOPMENT*

PARTICIPATING VIA CONFERENCE PHONE

Katie Bolen-Irwin *CONTROLLER*
Ballard W. Cassady, Jr., President and CEO, Kentucky Bankers Association, Louisville

CALL TO ORDER

Chair Randy Hultgren called the Meeting to order at 1:31 p.m.

APPROVAL TO COMBINE GSB and PEF BOARD MEETINGS

It was moved, seconded and approved to combine the Foundation and School meetings and hold them simultaneously.

APPROVAL OF MINUTES

Minutes of the Board of Trustees Meeting from July 18 and August 14, 2023, were approved.

(July 18 and August 14, 2023, minutes are attached to official minutes as Exhibit I & II.)

PEF Investment Committee Report

Chair Joe Witt reported the following:

- Donaldson's strategy of managing the foundation portfolio is working well. Income stays strong without selling stocks. The dividend strategy protects against market shifts.
- The total value of the portfolio is down a little lower than expected.

Joe Zabratanski from DCM presented the FY2023 PEF investment portfolio report to the board. The portfolio remains in compliance with all investment policy guidelines.

(The PEF Portfolio prepared by Donaldson is attached to the official minutes as Exhibit III.)

PRESIDENT'S REPORT

President Davidson highlighted and reviewed the following items in his report:

- It was a mixed year for enrollments at GSB:
 - The Graduate School of Banking started out the year at a 10-year high for enrollment but slowed substantially in the spring, ending with 169 Freshmen.
 - Specialty schools were above budget for all enrollments, with the exception of the Sales & Marketing School. That school has been paused for 2024, and staff is meeting with the instructors to discuss possible changes/alternatives for next year.
- Online seminar registrations are up 47% over last year.
- This year, 6 partner programs were held with partnering state bankers associations. A total of 142 bankers participated in these workshops.
- The partnership with UW-Madison remains strong in the joint offering of the Executive Leadership Certificate. GSB graduates also receive a discount on a number of UW CPED programs.
- The Egyptian Banking Institute partnership is still beneficial. This year, 8 students from Egypt attended the GSB program. EBI continues to inquire about a partnership program held in Egypt; however, nothing is currently planned.
- GSB-LSU continues to partner with us to promote the two IT schools to their alumni.
- Representatives from QTI will be available during the executive session to discuss the search for a new CEO.
- GSB has finished incorporating the final new platform (Quickbooks Online) that is part of the major technology transition that was started three years ago.
- GSB is once again fully staffed.

- An enrollment comparison of all graduate banking schools has been provided for review in the board packet.

(The President's Report is attached to official minutes as Exhibit IV. Enrollment reports are attached to official minutes as Exhibit V. Scholarship report is attached to official minutes as Exhibit VI.)

EXECUTIVE COMMITTEE

Chair Randy Hultgren informed the group that the Executive Committee report will be provided in executive session after the full meeting.

FINANCE AND AUDIT COMMITTEE

Treasurer Mike Adelman presented the financial report. The anticipated October 31, 2023, financials pending the financial review with Baker Tilly in January, were shown.

- Total revenue for the graduate banking school was \$2.71 million with \$1.64 million in expenses, for a contribution of \$1.07 million to the bottom line.
- Specialty schools were held in-person this year (the exception being the Digital Banking School which is a virtual program by design). The specialty schools added \$407k of revenue to the bottom line.
- Online seminars were strong, contributing \$107k in revenue to the bottom line.
- Advanced programs added approximately \$3k in net revenue.
- After deducting the \$1.29 million of administrative expenses, GSB ended the year with a net operating income of \$293k.
- Combined cash for the year ended at \$1.1 million.
- Receivables are \$122k, which is unusually high. This is due to the \$90k of the Employee Retention Credit from the IRS that has not yet been received.
- Fixed assets are at \$211k, which includes investments for FiSim 2.0 and GSB's new website and information/database systems. Fixed assets are shown net of their accumulated depreciation and amortization.
- GSB signed a lease with WBA that includes an automatic renewal. Due to GAAP changes, leases are now required to be listed on the financial statements starting with FY23 for GSB. The lease was added at an estimate of a 5-year renewal which is shown in Other Assets and Lease Liability.
- PEF investments ended the fiscal year at approximately \$8.5 million in assets, after a \$210k withdrawal for usual scholarship and business expenses. This withdrawal was lower than anticipated due to scholarship forfeitures.
- Total combined assets are just over \$10 million with a net equity of \$9.7 million.

It was moved, seconded and carried to approve the Finance and Audit Committee's FY2023 consolidated financial report as presented.

FY2024 Budget:

Mr. Adelman next reviewed the 2024 budget:

- Total consolidated revenue for 2024 is budgeted at \$3.9 million:
 - The Graduate School revenue reflects the price increase of \$225/student.

- The Graduate School is budgeted at 175 incoming freshmen. All specialty schools are budgeted at 40 students, except for the Financial Managers School, which is budgeted at 45, and IT Security School at 35. The Digital Banking School is the only planned virtual program, and it is budgeted at 40 banks.
 - Online seminars are budgeted based on historical attendance. Registration fees and honorariums remain unchanged.
 - PEF is budgeted using Donaldson's income projections on the current investment strategy. No estimate is made of realized or unrealized gains or losses. Investment expenses are 0.6% of AUM (assets under management) and are factored into the net investment revenue.
 - Total budgeted consolidated revenue for FY24 is projected to be \$3.9 million (this is net of scholarships used).
- Budgeted expenses in 2024 include the following:
 - Personnel costs will be discussed in the executive session. The estimated new CEO salary and benefits are added to the budget with a start date of 6/1/2024.
 - Professional fees related to the CEO search include increased costs for consulting services and other incidentals for the executive search firm, along with the search and interview process. The professional fees related to the CEO search are calculated based on a split of 80% GSB/20% PEF (similar to other splits for GSB/PEF board meetings and GSB/PEF annual financial review/audit). This line item also includes a hiring fee from Truity Partners for the new controller just hired in November.
 - There is a consolidated one-time cost of \$218k in 2024 for the search consulting process, additional CEO, lease implementation and other new staff costs.
 - PR/Promo costs are increased slightly to \$255k, which includes hiring a digital marketing agency and a revived special targeted mailing for the primary Graduate School that hasn't been done since 2019.
 - Travel expenses anticipate that all meetings will be held in person, with higher transportation and lodging costs.
 - Student lodging costs have been increased for 2024 due to an 8% increase in rates from UW Housing for the primary Graduate School of Banking. Specialty schools have minor increases for facility costs and meals.
 - Scholarship expenses have been calculated at \$173k, based on age of the scholarships and the likelihood of being used.
 - Depreciation/amortization is included at \$68k of FiSim enhancements and \$14k of new computer equipment. Deposits of \$39k for FiSim Lite are not included in the cash flow projections or amortization for FY24 since the project is not anticipated to be completed until FY24 and put into service in either FY24 or FY25. The product will be available, but it is undetermined if any external entities will purchase the product in FY24.
 - No intercompany contributions are included in the budget.
 - Given these one-time expenses noted earlier, GSB is budgeted with net income of \$44k. PEF is budgeted with a small net loss of \$2k. Consolidated FY2024 net income is budgeted at \$42k.

It was moved, seconded and carried to approve the FY2024 budget.

(The consolidate financial report with anticipated FY23 financials and FY24 budget are attached to official minutes as Exhibit VII).

It was recommended in the Executive Committee meeting that up to 329k be moved into a CD of up to 7 months to draw a greater return than GSB is receiving on the current sweep account, until it is

seen how the 2024 financials play out. Staff will research CD options and rates and set up a new CD of up to \$329K by early December.

FISIM UPDATE & DEMO

Larry Dukes from Aurum provided a demo and update on the new FiSim 2.0 model.

STRATEGIC PLAN UPDATE

Mr. Davidson informed the Board that an update to the GSB Strategic Plan was included on the Board website and discussed the highlighted items that were accomplished in FY23.

(The Strategic Plan is attached to official minutes as Exhibit VIII.)

SCHEDULE OF FUTURE BOARD MEETINGS

Ms. Patterson informed the Board that the schedule of subsequent meetings was indicated on the agenda.

EXECUTIVE SESSION

The Board met in Executive Session to discuss the CEO's performance over the past year and compensation for the coming year. In addition, they reviewed the total compensation and benefits for all GSB staff. Two representatives from QTI joined the executive session to discuss the search process for the new CEO.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 5:10 p.m. following the executive session.

Prepared by: Kirby Davidson, President & CEO