Financial Resources Review

Submitted to the Northwest Commission on Colleges and Universities by:

Grays Harbor College

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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 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. The following report is intended to meet that requirement.

When GHC submitted its Fall 2019 Financial Resource Review Report [Appendix 1], the College was able to show that it had moved quickly to identify and begin to address the financial and enrollment concerns noted in its 2019 Mission Fulfillment and Sustainability Evaluation. By the time of the report in October 2019, the college had made significant cuts to its FY 2020 budget (approximately $1.3 Million) and had identified strategies to address waning enrollment. Additionally, the College had hired Mr. Kwabena Boakye, a CPA and CIA as its new Vice President of Administrative Services, who, shortly after his arrival, provided improved financial information and a strategic financial plan for the college.

Overview

Since fall 2019, Grays Harbor College has continued to carefully monitor its budget and revenue collection and make course corrections as needed to reduce spending to better align with revenue. This effort has consisted of two parts. First, the college put into place a data-informed enrollment projection process that serves as the basis for the college's revenue collection projections. Second, tuition collection is now monitored and reported out to the College's Executive Team as quarterly tuition collection becomes available. Course corrections can then be made during the year, significantly improving the College's ability to stay within its budget. For example, last December (2019) when Fall Quarter 2019 enrollment came in lower than anticipated based on the budget produced in spring 2019, GHC made an additional budget reduction to right-size college expenditures to match actual and expected revenues. At that time, the college trimmed $588,470 from the current year budget. This reduction, in addition to the cut in June 2019, meant that for FY 2020 the college reduced its spending by nearly **$1.88 million**, an amount that is approximately 10% of the annual operating budget. These cuts are discussed extensively in GHC's Ad-hoc Report on Recommendation 1 [Appendix 2], which provides a timeline for the college's proactive budget management strategy from February 2019 to February 2020 when the report was submitted.

In addition to close monitoring of the budget and proactive budget reductions, GHC is integrating its strategic, enrollment, and budget planning processes. GHC's 2019-2026 Strategic Plan consists of five priorities with multiple objectives and indicators of success. The priorities serve as a foundation for decision-making across the college, including decisions related to budget. In fact, one of GHC's Strategic Priorities is directly tied to monitoring and improving GHC's financial situation [Figure 1]. Additionally, GHC has taken steps to bolster its enrollment through its 2019-2020 Strategic Enrollment Management (SEM) Action Plan [Appendix 3], including increased marketing and retention activities in spring and summer 2020. Despite low enrollment in fall 2019 compared to fall 2018, the SEM Action Plan appeared to be showing some positive trends by February 2020, as is discussed in Section II of this report. In FY 2020, there was continued growth in GHC's Bachelor of Applied Science Programs, three relatively new programs that were started to bring in additional FTE, as well as in the Running Start high school dual enrollment program.

Figure 1: Strategic Priority 4 from Grays Harbor College's 2019-2026 Strategic Plan

Strategic Priority #4 - Ensure effective, efficient, and sustainable use of college resources

Objective 1: Optimize use of resources to sustain college operations.

1.1 Achieve a positive trend over time toward higher education fiscal health ratio targets (Primary Reserve, Net Operating Revenue, Return on Net Assets, Viability Ratio & Board Reserve).

1.2 Invest in strategic efforts supporting college innovation and sustainability.

Objective 2: Innovate to enable growth for fiscal viability to support the college mission.

2.1 Diversify revenue sources through strategic enrollment management and external opportunities to optimize growth potential.

2.2 Use SBCTC Fiscal Health Risk Analysis tool to promote sound financial practices.

Impact of COVID-19

Since March 2020, like many colleges in the region and across the nation, GHC has experienced enrollment and revenue declines due to the global pandemic known as COVID-19. To maintain health and safety and comply with state requirements, Grays Harbor College moved to remote learning to complete its winter quarter. During spring and summer quarters, most course offerings and services remained remote. For fall 2020, most GHC courses continue to be offered via remote learning with only a few courses, those requiring hands-on learning, being offered on-site. Several factors, including remote offerings, statewide unemployment, and the uncertain plans of major institutions such as K-12 education, have meant lower and less predictable enrollment at GHC for the 2020-21 academic year.

The College has taken a proactive approach to engaging the financial and enrollment challenges posed by COVID-19. **First,** Vice President of Administrative Services, Mr. Kwabena Boakye, alerted the Executive team, Board of Trustees, and the campus to likely revenue shortfalls for FY 2021, based on enrollment projections done in May 2020 [Appendix 4]. To anticipate losses in tuition and fee revenue, GHC's FY 2021 budget, passed by the Board of Trustees on June 16, 2020 [Appendix 5], reflected a $854,342 surplus. The surplus was achieved through budget reductions[1], which Mr. Boakye explained in his written report to the Board of Trustees [Appendix 6]. Mr. Boakye, explained that with the expectation of lower enrollment resulting from the COVID-19 pandemic, the surplus was necessary to allow the college to adjust for anticipated losses in revenue without additional cuts. In August, GHC updated its enrollment projections to reflect actual enrollment for summer and early fall.

Second, while higher education in Washington is not a state agency per se, GHC is overseen by the Washington State Board for Community and Technical Colleges (SBCTC) and receives an annual allocation

[1] Budget Reductions were made using the following Guiding Principles: (1) Support Student Access and Success Avoiding FTE Loss; (2) Mitigate Job Loss for Employees; and (3) Support GHC's Strategic Priorities.

from the state as part of its operating funds. In spring 2020, letters from Governor Jay Inslee and the Washington State Office of Financial Management (OFM) [Appendix 7-9] to state agencies gave GHC a reason to anticipate that some portion of its state allocation for FY 2021 would be at risk. The memos asked that all state agencies conserve on their budget and anticipate budget cuts for FY 2021. Higher Education Institutions were urged by the Governor to follow this guidance. Grays Harbor College has taken this risk seriously and is planning for a reduction to its state allocation, expected to come once the state legislature reconvenes in early 2021. At Mr. Boakye's May *All College Budget Meeting*, he outlined the potential budget reduction scenarios the College could face depending on the percentage cut to its state allocation [Appendix 10]. Taking this information into account, GHC's Executive Team has identified a list of potential budget reductions (in addition to those already contained in the FY 2021 Budget) to be implemented, if necessary, through fall quarter and beyond, as budget shortfall numbers become more clear. Not wanting to wait to make all of the likely cuts, GHC's Executive Team, in consultation with the Board of Trustees, has already implemented some of these additional budget reducing measures. Exempt and Classified Staff were asked to take five furlough days, one per month, between August and December, for a savings of approximately $100,000. (This was in addition to the 4 furlough days already built into the budget and taken in July.) Budget savings will continue to be sought as GHC employees have been appraised of likely budget reductions, asked to conserve funds and monitor the use of part-time employee budget funds carefully, and to send any reduction ideas to budget@ghc.edu.

Finally, GHC has increased its summer marketing, outreach, and retention activities for fall. A new digital ad campaign has run throughout much of the summer. Additionally, postcards were sent to traditional college aged students promoting GHC as a good choice for college. And, an e-mail was sent to high school juniors and seniors letting them know about Running Start (concurrent enrollment option). Additionally, GHC staff sent e-mails and followed up with phone calls to all spring and summer students not yet registered for fall. GHC is also providing periodic updates and information to students to help them navigate in a remote environment. Chromebooks and online resources are also available to support students in remote education classes. However, feedback from former and current students indicates that many students are not comfortable with online learning and/or are unsure of their plans for fall due to outside factors such as changes to K-12 schedules/modalities resulting in increased childcare needs. The College remains committed to increasing enrollment but understands that world events will necessarily impact these efforts. Careful monitoring of actual enrollments as compared to projected enrollments is essential and updated projections, seen in Tables 1-3 below, were done in late August to help the college adjust its enrollment expectations and revenue projections for 2020-2021.

Board of Trustees Engagement in Financial Planning

Over the last twelve months, the Executive Team has had ongoing discussions with the Board of Trustees regarding financial planning and decision-making. The Board receives quarterly Budget Status Reports [Appendix 11-13] and is updated each month about any impacts on budget such as enrollment projections, revenue collections, and state directives. As an example, the meeting minutes from the quarterly Budget Status Reports show the Board asking questions about many aspects of budgeting such as: past challenges with revenue projections; how budget managers are being engaged; what the college is doing about enrollment; and impacts (e.g. faculty stipends) resulting from COVID-19. Additionally, the Board Meeting Minutes from June 16, 2020 indicate the Board's alignment with the administration's proactive approach in anticipating reductions due to the pandemic [Appendix 5].

In addition to monitoring budget, at their April 21, 2020 meeting the Board of Trustees passed updates to its Board policies and administrative procedures in the 500 series. The 500 series relates to Business and Non-Instructional policies and administrative procedures. Working with Vice President Boakye, the

Business Office reviewed the College's 500 series policies and procedures in early 2020 and brought updates to the Board of Trustees, after reviews by the Executive Team and the College Council. A key feature of the updated 500 Policy series is a new Accounting and Budgeting Process in AP 503.01 [Appendix 14]. AP 503.01 spells out the timeline for budget development and indicates when both the Board of Trustees and Budget Managers can expect updates to the Budget. The Board of Trustees also reviewed and accepted the college's FY 2019 Financial Audit at its July 21, 2020 Board Meeting [Appendix 15].

In addition to Board engagement, GHC's Executive Team has worked to increase employee engagement with the budget. Starting in November 2019, Mr. Boakye and the rest of GHC's Executive Team has held monthly budget meetings, open to all college employees. These meetings are an opportunity for employees to find out about the current budget, hear what is known about the upcoming fiscal year's budget, ask questions, and provide feedback and suggestions. For example, at the April 2020 Budget Presentation, Mr. Boakye explained that his projections showed $0 need for additional funds to balance the FY 2020 budget. This, it was explained, meant that GHC was expected to achieve a balanced budget for FY 2020 [Appendix 16]. An e-mail address (budget@ghc.edu) was also set up to collect employee input. Additionally, training is underway for budget managers. On August 3, 2020, the Budget Office hosted a budget manager training to help budget managers better understand their budgets, how to access the budget using the FMS query tool, and ways to guard against overspending.

Also of note, at the beginning of July 2020, Grays Harbor College had two changes in its leadership team. Dr. Ed Brewster returned to Grays Harbor College as the Interim President and Ms. Nicole Lacroix joined Grays Harbor College as the Vice President of Instruction. Dr. Brewster's return after a four-year hiatus was due to the earlier-than-expected retirement of Dr. Jim Minkler for personal reasons. GHC's Executive Team has worked quickly to bring Dr. Brewster and Ms. Lacroix up to speed on the financial situation of the college.

Section II: Enrollment Management

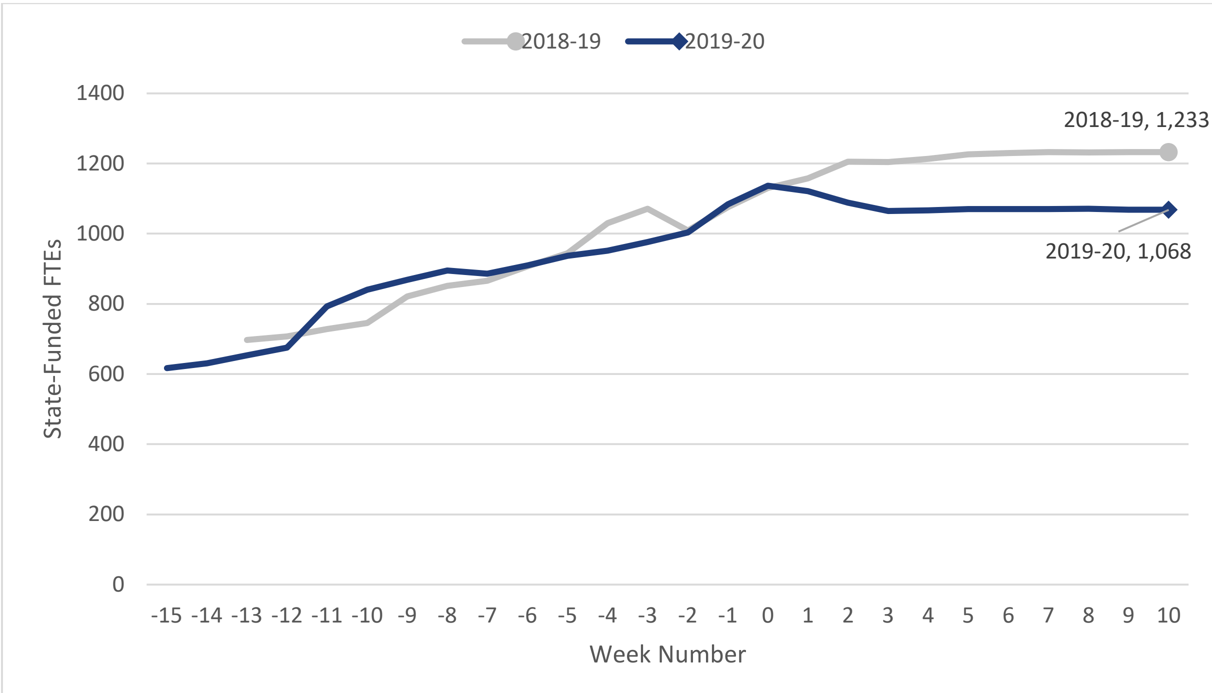
Enrollment - Current Status Narrative

While summer and fall 2019 enrollment was down compared to summer and fall 2018, as GHC moved through fall 2019 and into winter 2020, the projections produced in fall 2019 for FY 2020 were proving fairly accurate. Total FTE for fall 2019 ended at 1,888, up 24 FTE from the projection of 1,864 done in October 2019. As of March 16, 2020, total FTE for winter 2020 was up 9 FTE despite state-funded FTE being down 16 FTE from the original projection. This was due to both Running Start and Stafford Creek FTE coming in higher than projected in fall 2019. (Note: Stafford Creek refers to Stafford Creek Correctional Center which contracts with GHC to offer educational experiences to inmates.)

In early March 2020, prior to the start of spring quarter, GHC's enrollment for spring quarter 2020 was trending above spring 2019 [Figure 2, week -12 through -6[2]]. If spring 2020 had continued following normal enrollment patterns, it is expected that final enrollments would have been even with or slightly ahead of spring 2019's enrollments. At that time, it appeared the Strategic Enrollment Management (SEM) Action Plan that GHC employed for 2019-2020 was having a positive effect on enrollment.

Unfortunately, when it became clear that GHC would need to transition to remote operations for the end of winter quarter and all of spring quarter 2020, some students dropped out or failed to show up for spring, and spring 2020 enrollment ended -13% below spring 2019 enrollments (excluding Running Start) [Figure 2, week 10]. Subsequently, decisions were made to make summer and then fall quarter 2020 largely remote as well. This and other impacts of the pandemic are significantly impacting enrollment for summer and fall 2020.

Figure 2: Spring 2019 & 2020 State-Funded FTE (Excludes Running Start)[2]



In May 2020 the enrollment projections were updated to estimate potential enrollment for FY 2021, and for the VPAS to use to build revenue projections for FY 2021. These quarterly revenue enrollment targets are represented by the dashed blue lines in Figure 3, and indicate the quarterly FTE needed to meet the FY 2021 budget approved in May 2020. These revenue enrollment targets were more conservative than the quarterly FTE estimates produced at that time. Running Start, the local dual enrollment program for High School juniors and seniors, is not a part of these targets and was estimated separately. These revenue enrollment targets include Transitions, English as a Second Language (ELA), and Credit-Bearing enrollments including Developmental Education. GHC refers to this as "State-Funded" FTE, because these enrollments make up GHC's annual allocation (state funding) from the Washington State Board for Community and Technical Colleges (WA SBCTC). The solid red lines in Figure 3 represent the FTE needed for GHC to meet its state allocation target.

Enrollment for summer 2020 came in slightly below the 241 FTE revenue enrollment target, with 234 FTE realized for summer. Fall 2020 is currently (approximately two weeks prior to the start of the quarter) at 937 FTE out of the 1,171 revenue enrollment target (again, excluding Running Start.)

Historically, enrollment in all categories continues to increase up until the start of the quarter. Based on current enrollment data, State-Funded FTE is expected to end up around 1,030 FTE for fall 2020, short of the 1,171 FTE revenue enrollment target for fall mentioned previously.

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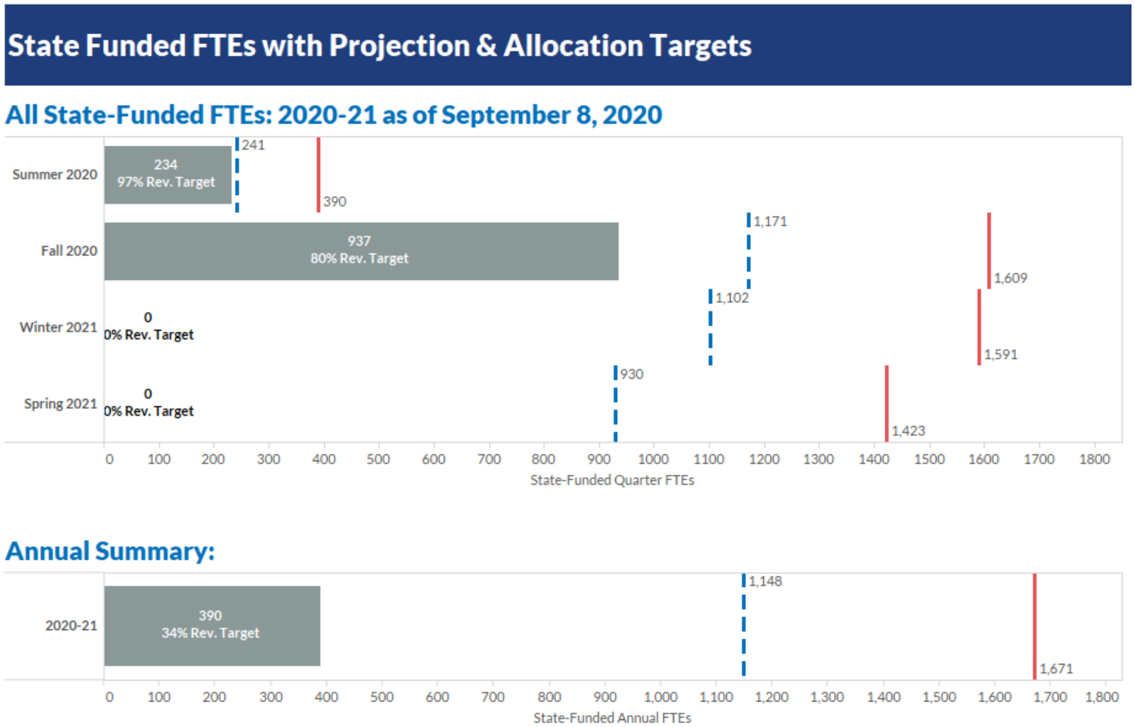
[2] "Week -6" is 6 weeks prior to the start of the quarter, which was March 10, 2020 for spring 2020

Figure 3: Current State-Funded Enrollment Compared to Revenue Enrollment Projections



Gray bars are actual state-funded enrollment (FTEs). Blue dotted lines are revenue enrollment targets from May 2020 and represent enrollment needed to fulfill the May 2020 budget. Red lines are state allocation targets.

Looking ahead to 2020-2021, Grays Harbor College expects an overall enrollment decline as a result of COVID-19, but without precedent it is hard to predict exact numbers. For summer 2020, Transitions and Stafford Creek FTE were on par with enrollments from summer 2019. It is unclear what this means for fall quarter, whether the college should expect those areas to be enrolled similarly to fall 2019, or whether GHC should expect lower enrollments in those areas. (These areas generally only reach full enrollment after the start of the quarter.)

In general, GHC is assuming that FY 2021 enrollments will be depressed over those seen in FY 2020, due to the effects of COVID-19. In particular, student athletes, many from out of state, may delay their return to college or attend elsewhere as the Northwest Athletic Conference (NWAC) has delayed the start of fall sports. For 2019-2020, athletes represented 120 FTE at GHC. Fall quarter 2020 is starting with a smaller athletic population than fall 2019, with athletes currently enrolled for 95 FTE. This may reduce further depending on what happens with sports in subsequent quarters.

On the bright side, GHC is starting fall quarter with a robust Running Start enrollment. As of this writing, fall 2020 Running Start enrollments are currently only 25 FTE behind final fall 2019 FTE (315 FTE), and there are additional students working through the registration process [Figure 5]. In 2014-15, Running Start brought in 166 FTE, which accounted for 7% of GHC's total FTE for the year. Running Start enrollment has continued to grow over time, and in 2019-20, Running Start represented 306 annual FTE, 16% of GHC's total FTE for the year. Additionally, state legislative action in 2017 increased the reimbursement rate (amount paid by K-12 schools to colleges for Running Start) by nearly $2,000 per FTE, bringing the amount received from $6,570 in 2017-2018 to $8,490 in 2020-2021. This means that the Running Start revenue collected from the local school districts is now a significant part of the College's overall budget.

Looking ahead to FY 2022, current assumptions surrounding COVID-19 estimate that it will take through late 2022 for the US to gain herd immunity to the virus, and the expectation is that some restrictions will be in place through that time. GHC plans on a slight increase in enrollment for FY 2022 over FY 2021 as both the college and the population adjust to living in a pandemic state. Other Programs FTE [Table 1A] will continue to be depressed until pandemic restrictions are lifted and continuing education courses can be easily offered again.

Both counties in GHC's service area are rural, with many small, disparate population centers. Many areas of the two-county region do not have reliable (or any) high speed internet connections. In addition to an economy that had been depressed prior to the pandemic, there is an equity barrier to many students having computing equipment and internet connections that would enable remote learning. As mentioned above, GHC is providing Chromebooks and other items to try and address this solution, but there is more unmet need in this area than the college can address.

A Note on the Tables in this Report: Following accepted accounting practice, "Current Year" is the most recently completed fiscal year. In this case the current year is FY 2020, or academic year 2019-20. "Current Year +1" is the academic/fiscal year currently in progress: 2020-21 or FY 2021.

Table 1A: Schedule of Actual and Projected Enrollments – Total

Student Enrollment – Total	Actual Current Year -3 (2016-17)	Actual Current Year -2 (2017-18)	Actual Current Year -1 (2018-19)	Actual Current Year (2019-20)	Projected Current Year +1 (2020-21)	Projected Current Year +2 (2021-22)
Undergraduate FTE	1,528	1,522	1,544	1,457	1,252	1,278
Graduate FTE [3]	n/a	n/a	n/a	n/a	n/a	n/a
Other Programs FTE	614	573	505	424	276	297
Total FTE	2,142	2,095	2,049	1,881	1,528	1,575

Table 1B: Actual and Project Enrollments Using State Funding Categories

Student Enrollment – Total	Actual Current Year -3 (2016-17)	Actual Current Year -2 (2017-18)	Actual Current Year -1 (2018-19)	Actual Current Year (2019-20)	Projected Current Year +1 (2020-21)	Projected Current Year +2 (2021-22)
State Funded FTE - Transfer	880	846	793	679	546	552
State Funded FTE – Transitions	230	209	175	148	83	94

[3] Grays Harbor College does not offer graduate-level credits/courses.

Student Enrollment – Total	Actual Current Year -3 (2016-17)	Actual Current Year -2 (2017-18)	Actual Current Year -1 (2018-19)	Actual Current Year (2019-20)	Projected Current Year +1 (2020-21)	Projected Current Year +2 (2021-22)
State Funded FTE - Vocational	417	399	411	384	343	373
State Funded FTE – BAS	25	38	71	82	60	61
State Funded FTE - Continuing Ed	13	18	17	7	0	0
Other Grants & Contracts FTE	0		3	0	0	0
Stafford Creek FTE	351	356	318	272	200	210
Running Start FTE	210	216	248	306	296	280
Self-Funded	15	12	11	3	0	5
Sum Total FTES	2,142	2,095	2,049	1,881	1,528	1,575

Table 1B breaks out past and projected enrollment into the categories that GHC uses internally to think about enrollments, while Table 1A represents the same FTE in the categories requested by the NWCCU. GHC expects COVID-19's largest impact on enrollments will be seen in Transfer courses, Transitions (including English as a Second Language), and Stafford Creek Corrections Center enrollments. Vocational (prof/tech) enrollments will feel some impact, but so far for fall 2020 have been more robust to the effects of COVID-19 than transfer enrollments. Likewise, with enrollments in GHC's Bachelor of Applied Science (BAS) programs. Running Start enrollments are also performing well as the college moves into fall 2020.

Table 2: Schedule of Undergraduate Students by Headcount

Student Enrollment – Total	Actual Current Year -3 (2016-17)	Actual Current Year -2 (2017-18)	Actual Current Year -1 (2018-19)	Actual Current Year (2019-20)	Projected Current Year +1 (2020-21)	Projected Current Year +2 (2021-22)
New First-Time	673	683	676	647	314	422
Full-Time	1,582	1,459	1,521	1,374	1,200	1,263
Part-Time	1,123	1,202	932	904	712	750
Total Undergraduate	2,705	2,661	2,453	2,278	1,912	2,013

As Table 2 shows, the college expects a drop in new students for FY 2021. This estimate is based on the number of new students the college has seen for fall 2020 compared to fall 2019. As of the time of writing, while there are fewer students enrolled for summer and fall 2020, the students who are enrolled are taking approximately the same number of credits as they have in previous years. Therefore, the estimation is that GHC will see approximately the same split of full- and part-time students (60%/40%) seen in previous years.

Table 3: Schedule of Actual and Projected Retention

Student Retention (Cohort)	Actual Current Year -3 (2016-17)	Actual Current Year -2 (2017-18)	Actual Current Year -1 (2018-19)	Actual Current Year[4] (2019-20)	Projected Current Year +1 (2020-21)	Projected Current Year +2 (2021-22)
Retention % Fr. – Soph. [5]	55%	59%	55%	52%	51%	51%
Retention % Soph. – Jr.[6]	n/a	n/a	n/a	n/a	n/a	n/a
Retention % Jr. – Sr.	37% *N = 27*	100% *N = 26*	87% *N = 39*	86% *N = 37*	80%	80%

Table 3 tracks retention from fall-to-fall for students in state-funded, college-level courses. With fall 2020 still enrolling, the numbers for fall 2019 to fall 2020 retention may change slightly by the census date. Overall, BAS retention (junior to senior) remained above the 85% rate projected last year. To account for the effects of COVID-19, the expected junior to senior rate was reduced to 80% for the next two years.

In recent years, the freshman to sophomore retention rate has been on a 2-year cycle, with the low year around 55% and the high year around 59%. Retention from fall 2019 to fall 2020 is so far breaking that cycle. Retention from fall 2019 to 2020 should have been a “high” year, had it followed the pattern, but instead, the data currently shows a 52% retention rate. (Again, this may go up slightly as fall 2020 finishes enrolling, but it is not expected to get to 59%.)

To be conservative, GHC is expecting a 51% retention rate for incoming freshmen, and an 80% retention rate for juniors for the next two years.

[4] With fall 2020 still enrolling, 2019-20 retention figures are not final. Current Year retention rates may change slightly (1-2%) once enrollment is finalized.
[5] Freshman retention is based on first fall quarter in a state-funded, college-level course and tracked to the following fall quarter.
[6] Other than the three specific and relatively small Bachelor of Applied Science programs (Organizational Management, Teacher Education, and Forestry Management), Grays Harbor College does not offer sophomore to junior mobility opportunities for its students, so this data is not currently tracked.

Table 4: Number of Resident Students

<table>
<tr><th>Resident students</th><th>Actual Current Year -3</th><th>Actual Current Year -2</th><th>Actual Current Year -1</th><th>Actual Current Year</th><th>Projected Current Year +1</th><th>Projected Current Year +2</th></tr>
<tr><td>Resident Students</td><td colspan="6" rowspan="4">This table is from the Financial Resource Review Template, but it is not applicable to Grays Harbor College as the College does not have any students who reside on campus.</td></tr>
<tr><td>Normal Capacity</td></tr>
<tr><td>Resident Students/ Undergraduate FT Headcount</td></tr>
<tr><td>Resident Students/ Undergraduate FT Headcount Goal</td></tr>
</table>

Enrollment Projection Methodology and Process

Since the 2019 FRR, GHC has continued to refine the projection methodology. Fall 2019 projections were primarily based off of historical trends in FTE, which were fairly consistent from year to year. Because COVID-19 has made relying on prior year FTE trends untenable, for FY 2021 enrollment projections are based on expected headcount in certain enrollment areas (those detailed in Table 1B), rather than estimating FTE. Headcount estimates are based on actual headcount for the preceding quarters (and any enrollment to-date for quarters still enrolling), historical trends of headcount change from quarter to quarter, WA Office of Financial Management (OFM) population projections, WA Office of the Superintendent of Public Instruction (OSPI) high school grade-level population reports, and other external data. Once headcount is estimated for an enrollment area or subgroup, the quarterly average FTE for that enrollment area is also estimated. Then the estimated headcount is multiplied by the estimated average FTE to get the quarterly FTE estimate for that enrollment area (see Table 5).

So far for summer and fall 2020, the average FTE for most enrollment areas is very close to what has been observed in prior years [Table 5]. The enrollment estimates for FY 2021 and FY 2022 are based on the assumption that this will continue to be the case. GHC will monitor the actual enrollments (both headcount and average FTE) as the College moves past the fall census date to ensure this assumption is holding.

Table 5: Headcount and Average FTE for transfer courses in summer and fall 2019 and 2020

Transfer Courses	Summer 2019	Summer 2020	Fall 2019	Fall 2020
Unique Students	309	246	802	583
x Average FTE	0.52	0.51	0.72	0.72
= Total FTE:	160.68	125.46	577.44	419.76

Initial enrollment projections are developed by the Director of Institutional Research in collaboration with the Dean of Student Access and Success and are periodically updated as events warrant (as in the case of COVID). Once enrollment projections are developed, GHC's Strategic Enrollment Management (SEM)

Committee reviews the enrollment projections. SEM is a reality check on anticipated enrollments, as the committee has expertise from Instruction, Enrollment Services, Marketing and other key enrollment related areas. Next, the projections are taken to GHC's Executive Team (E-Team) for review and adoption. Once adopted, they are shared with the Board of Trustees and given to Mr. Boakye for revenue forecasting.

It is GHC's goal to produce initial FTE projections in April or May for the upcoming academic year, once summer and fall start enrolling. These projections will be updated in late August/early September to reflect actual enrollments to-date and any updated external information. Projections will be reviewed throughout the year, at least once monthly, making sure updates are scheduled after major milestones, such as census and drop dates. These updated enrollment projections will feed into regular reviews of the budget, which will include adjustments to the budget to reflect actual enrollments, as well as adjustments to budget revenue targets for the remainder of the year.

Enrollment Goals and Specific Action Plans to Achieve Goals

During the 2019-20 Academic Year, the College Community, guided by the 2019-2020 Strategic Enrollment Management Action Plan [Appendix 3], implemented several initiatives to increase enrollment through both recruitment and retention. Enrollment goals are set by reviewing the College's enrollment projections and considering where there could be opportunities for enrollment increases. While enrollment goals have remained relatively high level – meaning that they have been focused on bringing in any/all enrollment types – the SEM committee is getting more practiced in their role and will be looking to branch out into targeted enrollment goals for 2020-2021. For 2019-2020, both recruitment and retention were seen by SEM as crucial to the College's overall goal of increasing enrollment.

Recruitment

In order to increase enrollment, GHC added a new academic program and a new competitive team during 2019-20. The new Hospitality & Ecotourism Program, which will begin in fall 2020, is designed to prepare students to work in various fields that serve visitors in Pacific & Grays Harbor counties and the greater Olympic Peninsula. The new esports team will join the growing number of such teams across the nation, and have team and solo play options for various competitive video games such as League of Legends and Rocket League.

The addition of an esports team to the college's roster of competitive teams was proposed to the Strategic Enrollment Management committee in fall 2020, and then added to the action plan. The goal was to have 20-25 full-time students on the team for the first year, resulting in between 16 and 25 annualized FTE, depending on how many credits each student took. The team has garnered significant interest, and at the time of writing has generated 15 new enrollments for fall.

Beginning in winter 2020, GHC started Thursday Night Gaming to serve as both a recruitment tool for esports and a general outreach tool to the local community. Every Thursday night, GHC holds an online event where people can participate in a group gaming session, often in tournament style play. The game played rotates every week, and regularly includes the competitive titles GHC's new esports team will be playing, as well as lighter fare. Attendance has been good, and the events have garnered enrollments for the college.

Long term, esports was intended to serve as a pilot for other competitive teams such as engineering and timber sports, and as a potential tie-in to a computer science certificate or degree program. These strategies will be reevaluated in fall 2020 by the SEM committee for possible inclusion on the 2020-21 action plan.

The GHC marketing committee developed materials to promote the new Washington College Grant, and other forms of financial aid, such as summer Pell. The Washington College Grant[7] (WCG) provides eligible families with a financial aid award that does not need to be paid back. A family of four with a median family income of $53,300 or less will receive a full financial aid award that covers the full cost of tuition plus state-mandated fees. Due to the generally lower income brackets found in GHC's service area, this was a cornerstone of the advertising done to recruit for spring, summer, and fall.

In 2016-17 GHC hired a recruiter as part of that year's SEM plan. The Recruiter has continued to be a vital part of GHC's Strategic Enrollment Management plans. In 2019-20, GHC's recruiter did traditional in-person school visits (before COVID-19) and tabled at community events such as the two local farmers markets, and assisted with other outreach efforts to high school and community partners, as well as in the production of Spanish language materials.

After the advent of COVID-19, the recruiter worked with the Washington State Board for Community and Technical Colleges (SBCTC) and the WA Office of the Superintendent of Public Instruction (OSPI) on the Direct Admissions Initiative, which saw SBCTC/OSPI mailing letters to all graduating High School seniors encouraging them to apply at their local community or technical college. The recruiter was also responsible for overseeing the calling campaign executed during summer 2020 that resulted in fall registrations for 200+ students who had been enrolled in spring and summer 2020, who were not enrolled for fall at the time the campaign started (discussed more below).

In 2018-19, GHC tried a digital marketing Campaign but met with limited success. This was the first time GHC had used this type of marketing, so it was a learning curve for the college. A second campaign was run in 2019-20, with a different vendor who specializes in working with colleges on digital marketing. The goal of this campaign is to both garner new enrollments and increase retention. For the second campaign, which ran for parts of fall 2019 and winter 2020, there were increased hits on the ads, and more click-throughs than the 2018-19 campaign. A third campaign was started in late spring 2020, to try and garner enrollment for summer and fall.

The focus of these campaigns was individuals ages 16-35, and influencers for those populations, such as parents and high school administrators. Digital ads were created and placed into advertising slots on webpages visited by individuals who were in the target audience and who had expressed interest in college through web searches or site visits. For the summer 2020 campaign, GHC's advertising partner also placed ads directly on Facebook, in addition to general digital advertising.

The fall 2019/winter 2020 campaign had 1,926 direct clicks on the ads which led to a landing page on the GHC website (click-throughs), with 18,883 visits to the GHC website after having viewed an ad, and tracked 550 physical visits to campus after viewing an ad. (It is probable that some individuals who viewed an ad were GHC employees, or already students at GHC.) The summer campaign had 1,811 click-throughs to the landing page on GHC's website. For both campaigns, very few of the individuals going to the landing page filled out the interest form on the website, which unfortunately means GHC does not have information on how many clicks actually converted into applications.

However, the high performance of the winter 2020 campaign coincides with increased enrollment for spring 2020 [Figure 2]. The digital campaign was one of the marketing efforts going on at the time, and it

[7] https://www.ghc.edu/financialaid/washington-college-grant

is believed that this campaign is one of the factors which resulted in the increased enrollment numbers for spring 2020 over spring 2019, prior to the advent of COVID-19.

The summer 2020 digital campaign was paired with boosted posts on Facebook. The boosted posts covered a wide variety of subjects, including GHC's industrial tech programs, BAS programs, the lower cost of attendance compared to the four-year colleges and universities, and the new hospitality and ecotourism and esports programs. The boosted posts mostly targeted individuals 16-60 (potential students in the 16-30 age range, plus their parents). Reach and interest were high, but as with the digital campaign, it has been difficult to determine just how many applications were received as a direct result of those campaigns.

In addition to digital advertising, GHC is also looking at more traditional methods of recruitment. GHC has previously relied on postcards for reminder purposes (retention), but the college has not recently used mailings as a recruiting strategy. With campus visitations restricted, and unsure how broadly the local paper is being circulated, GHC recently invested in a postcard campaign delivered to households with individuals between 18 & 30. The hope is that the physical mail pieces will remind students of their options and encourage them to enroll at GHC. The primary messaging has been that GHC offers:

- Quality Education
- Affordable Cost
- Small Class Sizes (even when online/remote)
- Funding Options, especially the new Washington College Grant, which does not need to be paid back

As with many other states, Washington is currently experiencing record unemployment numbers due to COVID-19. Generally, with high unemployment GHC would see an enrollment bump due to the requirements for unemployment benefits including a weekly job search or being enrolled in skill advancement classes. Due to the COVID-19 pandemic and a scarcity of available jobs, Washington state has suspended the job search requirement for unemployment benefits. The initial suspension was through Sept. 1, 2020, but has since been extended through Oct. 1, 2020. GHC does not expect to see a bump in enrollment due to unemployment, at least for fall quarter. The college is continuing to monitor the situation, and has already had conversations with the recruiter and the college's Worker Retraining coordinator about potential outreach and recruitment strategies, should the situation change.

Retention

In addition to targeting new enrollments, GHC has taken several actions to retain current students. During spring 2020, GHC implemented a new software that will allow texting both current and prospective students. This is expected to have a positive impact on both recruitment and retention, though the College does not currently have an estimate as to how much. In both national surveys and the college's own experience, today's students are comfortable with communication via text message, and will often respond to a text, while email may get looked over. GHC began using this tool in summer 2020 to remind students of registration deadlines and other important dates, and to send just-in-time information to students in the enrollment pipeline, to assist them with the journey from application to enrolled.

Starting in July, GHC Staff have been reaching out via e-mail and phone to students who were enrolled at GHC in spring and summer 2020, had not yet graduated, and were not yet enrolled for fall. When the campaign started in July, there were 657 students who were not registered for fall, which increased to 707 students at the end of summer quarter. As of August 23, 2020, that number is down to 424 students from spring and summer 2020 who are not yet enrolled for fall 2020, a 40% reduction, and 283 students signed up for fall. Additional contacts are planned for the remaining 424 students, including another round of calls, and reminder texts for students who have opted in to receive them.

Adoption of Career Coach is another project that was implemented in 2019-2020 to support retention. Career Coach is a software adopted by Admissions & Entry Services as part of the entry registration process. It helps students explore potential careers related to their intended degree of study. The thought is that students with a clear employment goal are more likely to retain and complete long term. GHC's long-term plan is to incorporate Career Coach into new student orientation, advising, and other student contact points, as well as sharing it with local high school partners with the goal of building pathways from middle school, to high school, to GHC, and on to employment or further education.

Another of the SEM Committee's projects for 2019-20 was to make sure all students have Education Plans on file. With the implementation of a new way of storing educational plans, it is now possible to understand how many (and which) students do or do not have a plan on file. As with the Career Coach software, GHC sees educational plans as another piece of the puzzle to help the student set reasonable goals, and give them a map to attain those goals. This effort will continue into 2020-21, to make sure the number of students without a plan continues to decline, even in a remote environment.

Summary - Enrollment Strengths and Concerns

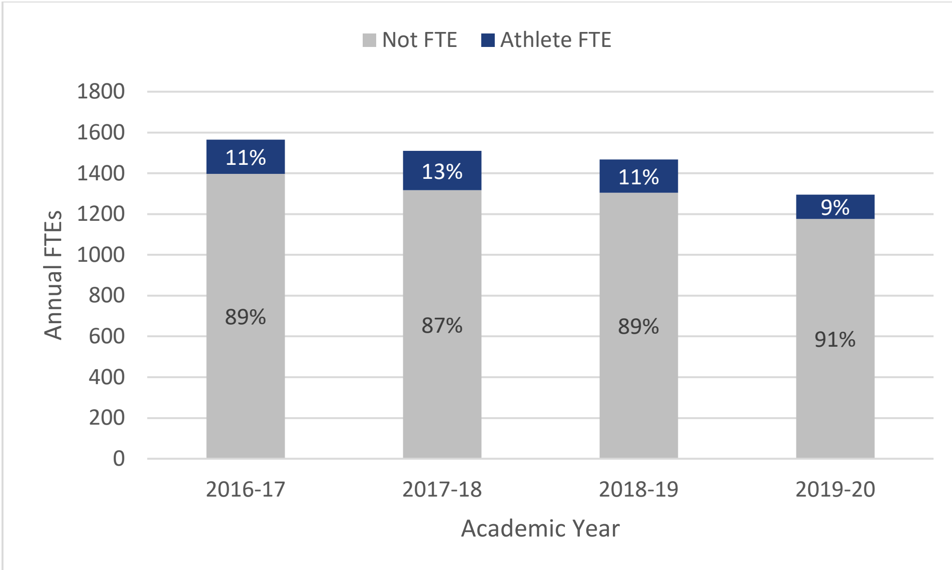
With COVID-19 challenging the health and safety of everyone, GHC is primarily using remote learning for summer and fall 2020, with the exception of a few hands-on industrial tech and lab classes. The GHC service district encompasses Grays Harbor and Pacific Counties, two rural counties in southwestern Washington state. Compounding the issue of COVID-19, there are parts of both counties that have limited access to high-speed internet, and many households are low income, meaning even if they did have broadband internet, they may not have a desktop or laptop computer to use for classes. While smart phones can do a lot, attending a full load of classes with a smart phone as your only computing device would be challenging. To combat these issues, GHC has offered Chromebooks for students to check-out for the quarter, provided technology training videos and support for online learning, and has identified as well as provided free Wi-Fi locations (where students can sit in their car and get service). However, despite these efforts, the new remote learning way of doing things will prevent some students from being able to engage with the college. Community libraries are closed, GHC's rural education centers are serving students remotely, and many restaurants where someone could have gotten a Wi-Fi signal are not allowing dine-in customers. This is both an enrollment and an equity issue, and along with GHC's sister colleges, GHC is keeping this in mind as the College moves forward: how can we help these students?

Another potential point of concern for 2020-21 and 2021-22 are GHC's athletic programs. Out of GHC's sports, currently only golf is taking place in person for fall. The Northwest Athletic Conference (NWAC) has an outline schedule for other sports[8], but it is uncertain at this time which sports, if any, will have in-person matches in winter or spring.

In recent years, athletes have accounted for 9-13% of GHC's state-funded FTE [Figure 4]. Many of GHC's athletes come from out of the area. With the health concerns surrounding COVID-19, GHC is operating under the assumption that there could be a larger than normal attrition of athletes as the year progresses, depending on what NWAC decides about specific sports.

[8] https://nwacsports.com/general/2019-20/releases/20200709t0zmsn

Figure 4: Percent of State-Funded FTEs from Athletes



As mentioned previously on page 7, Running Start continues to be a strong program for GHC. As local high schools scrambled to get remote learning in place, or postponed deciding which modality fall would be in, GHC saw an influx of high school students interested in Running Start. GHC's history of providing remote instruction, and the ability to earn both high school and college credit is attractive to many students. Fall 2019 saw a record number of Running Start enrollments, and so far fall 2020 is on track to match that number [Figure 5].

GHC's Bachelor of Applied Science programs are another area of growth for the college. From the first BAS enrollments in 2016-17 which accounted for 28 annual FTE, GHC's BAS programs grew to produce 83 annual FTE in 2019-20 [

Figure 6]. For 2020-21, BAS FTE was originally projected at 60 annual FTE, due to slower initial enrollments than in preceding years. However, fall 2020 currently has 74 FTE across the three BAS programs, outperforming the initial projections. The choice was made to keep the projection of 60 annual FTEs for this report, as a buffer against other areas which may not meet the projected target, or mid-year attrition in the BAS programs. Fall 2020 is slightly behind fall 2019, but if historical trends hold, the BAS programs are expected to produce between 70 and 90 annual FTE for FY 2021.

Figure 5: Fall Quarter Running Start Enrollment as of Sept. 3, 2020

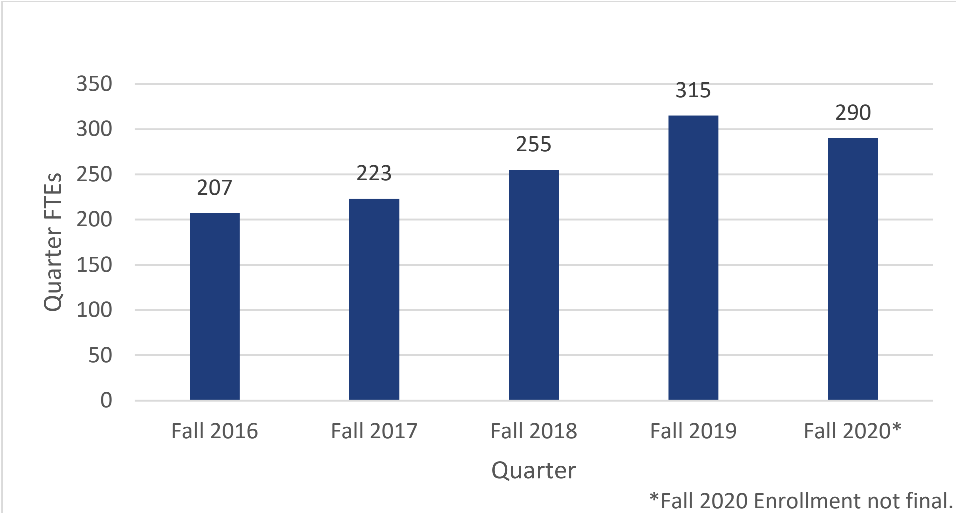
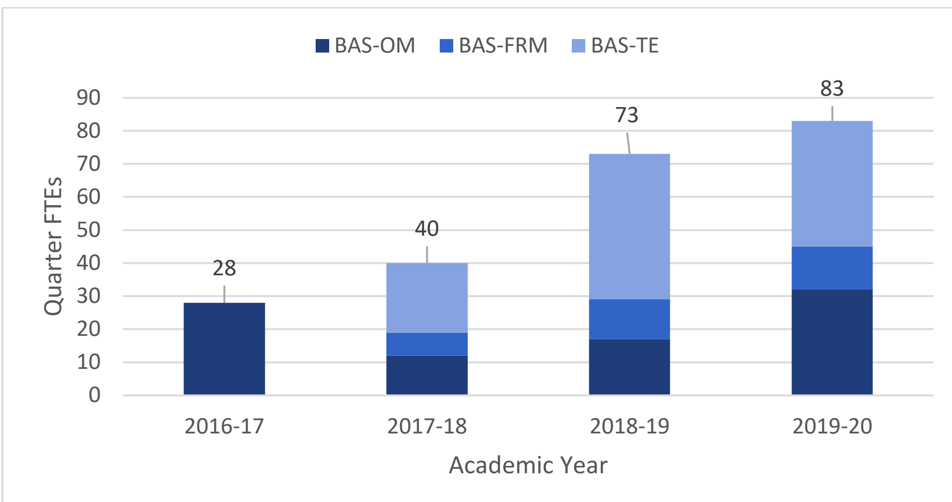


Figure 6: Annual FTE from BAS programs[9]



While they have seen a drop, GHC's professional/technical programs also continue to be a steady source of FTE. Hands-on industrial technology programs such as auto, welding, diesel tech, and nursing, are allowed to meet in person, as long as protective equipment is used and social distancing is respected. These kinds of hands-on job skills are vital in rural, blue-collar areas like Grays Harbor and Pacific counties.

As of Sept. 1, 2020, enrollments in professional/technical courses (not counting the BAS programs) are down approximately -10% from fall 2019, compared to the -26% drop in enrollments observed in transfer courses.

[9] BAS in Organizational Management (BAS-OM), BAS in Forest Resources Management (BAS-FRM), and BAS in Teacher Education (BAS-TE).

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 6], from Fiscal Year (FY) 2017 to FY 2020, the GHCF raised approximately $4 million in gifts and donations. That amount is projected to increase to $5 million by FY 2022. Unrestricted donations totaled about $283,000 for the period and projected to increase to $437,000 by FY2022. Restricted and endowed gifts for the period were approximately $2.4 million and $1.3 million, respectively, and projected to increase to about $3 million and $1.6 million, respectively, by FY 2022. The GHCF closed FY 2020 with about $13 million in assets under management [Appendix 17]. Of that, $7 million was permanently restricted and $6 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 about $300,000 in unrestricted funds

Table 6: Schedule of Fundraising

Fundraising	Actual Current Year -3	Actual Current Year -2	Actual Current Year -1	Actual Current Year	Projected Current Year +1	Projected Current Year +2
Number of Fundraising Staff	2	2	2	2	2	2
# Alumni Donors/ # Alumni[10]	No Data/ 10,117	30/ 10,491	36/ 10,830	17/ 11,145	50/ 11.465	75/ 11,762
Unrestricted Gifts	$30,852	$47,164	$118,928	$86,504	$73,666	$80,228
Restricted Gifts	$537,029	$491,166	$941,641	$458,261	$295,428	$321,040
Endowed Gifts	$251,176	$9,676	$0	$1,024,651	$303,000	$0
Total Gifts	$819,057	$548,006	$1,060,569	$1,569,416	$672,094	$401,268

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 $13 million in investment assets. In FY 2020, the GHCF provided $752,422 in scholarships to students. In addition, the GHCF provided $167,708 to the college to support academic programs and departments to meet operational needs.

The GHCF has two full-time staff positions funded 50% each by the college and foundation. The GHCF does not anticipate a change in full-time staffing level through FY 2022. These two full-time employees split their work duties between GHC and the GHCF. For the GHCF, the Executive Director oversees strategic planning, finance, donor relations, board relations, and marketing. The Program Coordinator performs

[10] Total alumni count includes certificate and degree earners since summer 1984.

programmatic functions, maintains the donor database and financial records. The GHCF utilizes student assistants, usually work-study students, to perform mostly office clerical work.

Fundraising Goals

The compelling fundraising goal of the Grays Harbor College Foundation is to enhance communication and outreach strategies to cultivate existing donors and generate new donors. To accomplish this goal, the GHCF is relaunching a semi-annual newsletter by December 2020 in which it will incorporate a year-end ask. Another fundraising goal is a campaign to fundraise a minimum of $50,000 in unrestricted funds for FY2021 in lieu of the Annual Mystery Getaway event, the Foundation's largest annual fundraising event. Since the GHCF will not be able to host its annual, in-person fundraiser on campus due to COVID-19, the plan is to shift to an online campaign format. This campaign will incorporate direct mail, phone, email, social media, radio, and press to ask donors to support the mission of the GHCF. The GHCF has updated information on its donor website[11] to inform donors of ways to give, where to give, and giving timelines. Other goals include cultivating planned giving. The GHCF recognizes the importance of planned giving to further its support of GHC and its students. Therefore, the GHCF has exerted efforts into compiling necessary information to aid donors in planned giving. A significant amount of work has gone into the various ways donors can give, causes donors can support or direct their gifts to, and important year-end giving deadlines for donor tax purposes. The GHCF has collated the information into a booklet that will be used as a marketing piece with donors, as well as accountants, attorneys, financial advisors, and tax advisors in Grays Harbor and Pacific Counties. The GHCF acknowledges the potential impact of COVID-19 on fundraising targets and investments performance, and is therefore adapting fundraising efforts through online and newsletter solicitations. 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 October 2019 FRR report, the GHCF compared alumni records against historical donor records to identify past donors that are alumni. The GHCF also collected donor information at its December annual fundraiser to update donor records for alumni. By close of FY 2020, the GHCF identified 881 past donors in the donor database who are GHC alumni, and 17 of those alumni donated in FY2020. Alumni donors are projected at 50 in FY 2021 and 75 in FY 2020. The GHCF will continue to both update the alumni database and cultivate alumni donors.

Section IV: Financial Management

Financial Management - Current Status

Grays Harbor College financial management metrics for FY 2017 through FY 2022, viewed together and trended over time, provide information regarding the overall financial health of the College [Appendix 18-19]. 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 whether 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 2017 through FY 2019 are derived

[11] https://www.ghc.edu/foundation/donors

from the College's audited financial statements [Appendix 20[12]]. The data utilized in the metrics for FY 2020 are from the preliminary unaudited annual financial report scheduled for audit by the Washington State Auditor in January 2021. The metrics for FY 2021 and FY 2022 are projections based upon assumptions for revenues and expenditures for those fiscal years. Metric definitions, purpose and calculations are discussed in the following paragraphs. The accompanying narratives expound the factors with greatest impact on the College's financial health, initiatives implemented to improve the College's financial health, outcomes achieved or projected to be achieved in the next two years, and the qualifications and tenure of the College's financial management staff. Additional relevant information is presented in tables, graphs or included as appendices. Highlights of the metrics are presented in Table 7.

Table 7: Schedule of Financial Management

Finances	Actual Current Year -3 (2016-17)	Actual Current Year -2 (2017-18)	Actual Current Year -1 (2018-19)	Actual Current Year (2019-20)	Projected Current Year +1 (2020-21)	Projected Current Year +2 (2021-22)
Audited Financials Complete (Yes/No)	Yes	Yes	Yes	No	No	No
Increase/(Decrease) in Unrestricted Net Assets	$ (1,616,522)/ $ (214,149)[13]	$(10,281,420)/ $ (1,484,618)[13]	$ (2,854,756) $ (2,384,975)[13]	$(1,061,861)	$876,642	$818,653
Increase/(Decrease) in Total Net Assets	$ (3,563,525) $ (2,161,152)[13]	$ (13,536,034) $ (4,739,232)[13]	$ (1,012,570) $ (542,789)[13]	$(669,387)	$216,571	$1,146,546
Total Net Assets	$77,891,994 $ 82,500,184[13]	$64,355,960 $ 77,760,952[13]	$ 63,343,390 $ 77,218,163[13]	$62,674,003	$62,890,574	$64,037,120
Total Debt	$0	$0	$ 1,074,258	$1,040,953	$1,003,028	$965,103
Primary Reserve Ratio	0.11 0.27[13]	(0.25) 0.18[13]	(0.27) 0.13[13]	(0.25)	(0.25)	(0.22)
Net Operating Revenue Ratio	(0.13)	(0.17)	(0.13)	(0.04)	(0.01)	0.02
Return on Net Assets Ratio	(0.03)	(0.06)	(0.02)	(0.01)	0.003	0.02
Viability Ratio	No Debt	No Debt	(8.82) 4.26	(7.91) 5.58	(8.03) 5.97	(7.20) 7.36

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

The financial staffing situation at Grays Harbor College has steadied. As mentioned in the October 2019 FRR Report, Mr. Kwabena Boakye took over in September 2019 as Vice President of Administrative Services at Grays Harbor College and began serving as the chief financial officer for the College. While his lack of institutional knowledge posed initial concern, Mr. Boakye's qualifications have made him an asset

[12] Appendix 20 is GHC's FY 2019 Financial Statement Audit. FY 2017 and FY 2018 Financial Statement Audits can be found on the College's web site at: https://www.ghc.edu/financial-statements.

[13] Includes add back of liabilities related to Other Post-Employment Benefits and/or Related Pension Assets and/or Pension.

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. Mr. Boakye replaced Ms. Barbara McCullough, CPA (interim Vice President of Administrative Services) who stepped in, out of retirement, to resume her former duties after Mr. Nicholas Lutes left Grays Harbor College in May of 2019. It was mentioned in the October 2019 FRR Report that Mr. Boakye had hired a Dean for Financial Services/Controller, Ms. Nina Gyasi, whose start date was to be December 2, 2019. However, Mrs. Gyasi was ultimately unable to relocate from Georgia due to family reasons. Therefore, a new Assistant Dean for Financial Services/Controller, Ms. Sydni Yager, was hired and started working for the college on February 10, 2020. Ms. Yager is an alumni of the college with an Associate's 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. The Vice President of Administrative Services and the Assistant Dean for Financial Services/Controller are the key financial management staff working closely with the Executive Team on budget and other fiscal matters at the College.

Assumptions Underlying Budget Projections

The projected annual enrollment FTE target drives budget projections for both revenues and expenditures. To ensure both short-term solvency and long-term sustainability, enrollment FTE targets for the ensuing fiscal year and subsequent two fiscal years are projected using methodology discussed above on page 10 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 projections 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 revenue, 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 projections 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 salary increases 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 2021 and FY 2022

The financial projections for FY 2021 and FY 2022 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. Tuition revenue is projected to drop -15% or about -$486,000 in FY 2021 due to COVID-19 induced enrollment declines. However, tuition revenue is projected to rebound and grow 5% or about $133,000 in FY 2022.
2. Fee revenue is projected to drop -20% or about -$171,000 in FY 2021 due to COVID-19 induced enrollment declines, and predicted to stay flat in FY 2022.
3. The combined effect of tuition, running start and fee revenue projections is an expected shrink in operating revenue by -7% or about -$412,000 in FY 2021, and a growth of 2% or about $130,000 in FY 2022.
4. Non-operating revenue in FY2021 is expected to be boosted by $1.1 million in the Coronavirus Aid, Relief, and Economic Security Act (CARES) and the Governor's Emergency Education Relief (GEER) funds. Specifically, the College received $651,697 in CARES funds and $419,000 in GEER funds, which will support COVID-19 related disruptions in FY 2021.
5. State allocation is predicted to shrink -5% or about -$623,000 in FY 2021 and stay flat in FY 2022.
6. The $1.1 million in CARES and GEER fund allocation in FY 2021 is expected to cushion the expected -$412,000 shrink in operating revenue and -$623,000 reduction in state allocation.
7. Operating expense is expected to decline -2% or approximately -$800,000 in both FY 2021 and FY 2022 as the College maintains the pace of trimming operating expenses to align with revenues.
8. Non-operating expense is expected to decline -4% or -$23,000 in FY 2021, and stay flat in FY 2022.
9. Restricted Net Position is expected to decline -21% or -$698,000 in FY 2021 after meeting CARES fund criteria and earning the funds as revenue. Additionally, accumulation of restricted parking and building fund reserves is predicted to slow due to COVID-19 induced declines in fee revenue.
10. Unrestricted Net Position and cash flow are expected to improve as enrollment and operating revenue start growing and expenses continue the declining trend.

11. Long-term debt is expected to decrease in line with principal payments and premium amortization.
12. Projections for other liabilities and assets not aforementioned are expected to be flat.
13. The net effect of the financial projections is positive increase in net position by $216,000 in FY 2021 and by $1.1 million in FY 2022 as enrollment rebounds post COVID-19, and both operating and non-operating expenses continue to decrease due to outcome of austerity cost saving measures implemented by the College starting in FY 2020.

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 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 2017 through FY 2019 [Appendix 20[12]]. The Washington State Auditor has scheduled January 2021 to commence the FY 2020 financial statements audit. 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.

Increase/(Decrease) in Unrestricted Net Assets

Unrestricted Net Position is Grays Harbor College's remaining resources that can most readily be used in the event of a rapid and unplanned event and that can be utilized for any purpose because it is neither capital assets nor restricted by external parties for specific use. As presented in Table 7, unrestricted net assets decreased approximately -$1.6 million, -$10.3 million, -$2.8 million and -$1 million, respectively, in FY 2017, 2018, 2019 and 2020. Unrestricted Net Assets is projected to turn positive in FY 2021 and FY 2022, increasing about $877,000 and $817,000, respectively. The decreases are primarily due to the twin effects of declining enrollment and implementation of Government Accounting Standards Board (GASB) 68, 73 and 75, respectively, for accounting and reporting for Pensions, Pensions Related Assets and Other Postemployment Benefits. Implementation of GASB 68, 73 and 75 required the inclusion of future pension liabilities in net position. Thus, the College's future pension liabilities were accrued in current net position rather than the periods the liabilities come due. In effect, liabilities grow each year as future pensions are accrued, but assets do not grow in turn, thereby negatively impacting the College's unrestricted net assets. Excluding the effects of GASB 68, 73 and 75, unrestricted net assets declined -$214,000, -$1.5 million and -$2.4 million, respectively, in FY 2017, 2018 and 2019. Strategies to address enrollment are discussed above in Section II: Enrollment Management.

Increase/ (Decrease) in Total Net Assets

Increase (decrease) in Total Net Assets is the surplus (deficit) after subtracting operating and non-operating expenses from operating and non-operating revenues. As presented in Table 7, decrease in total net assets was approximately -$3.6 million, -$13.5 million, -$1 million and -$669,000, respectively, in FY 2017, 2018, 2019 and 2020. Projection for Total Net Assets is positive for FY 2021 and FY 2022, expected to increase by approximately $216,000 and $1.1 million, respectively. Excluding the effects of GASB 68, 73 and 75, total net assets decreased about -$2.1 million, -$4.7 million and $543,000, respectively, in FY 2017, 2018 and 2019. The negative trend resulted from implementation of GASB 68, 73 and 75, and inaccurate revenue projection over the last several years, which in turn spurred over expenditures. Specifically, the revenue projection model was not data driven as it did not consider historical actual revenues and enrollment. In effect, the revenue projection was based on judgment. The resulting over expenditures were difficult to quickly remediate due to labor union restrictions. As discussed in Section I above, the Board of Trustees, Executive Management and the College community worked collaboratively on austerity measures in May 2019 and throughout FY 2020, which helped to reduce expenditures to achieve a balanced budget in FY 2020.

Total Net Assets is the remaining resources of Grays Harbor College after paying off its obligations. As presented in Table 7, total net assets were approximately $77.9 million, $64.3 million, $63.3 million and $62.7 million, representing a decline of -4.4%, -17.4%, -1.6% and -1% for FY 2017, 2018, 2019 and 2020, respectively. Total net assets are projected to be positive in FY 2021 and FY 2022, increasing by 0.3% to $62.9 million in FY2021 and 1.8% to $64 million in FY 2022. Excluding the effects of GASB 68, 73 and 75, total net assets was about $82.5 million, $77.8 million and $77.2 million, respectively, in FY 2017, 2018, and 2019. While prior revenue projections and new GASB implementation contributed to declines in total net assets, the significant -17.4% decline in FY 2018 was due to multiple years (fiscal year 2017 and fiscal year 2018) of strategic investment in new academic degree programs which resulted in the hiring of new full-time faculty members in Medical Assisting, Early Childhood Education, Nursing, Psychology/Sociology, Bachelor of Applied Science Organizational Management, History, Bachelor of Applied Science Forest Resources Management, English Composition, and Writing Center. During that same period, classified staff positions were added in Enrollment Services, Financial Aid, and Campus Operations and an exempt position was upgraded from Associate Dean to Dean in Instruction. The former financial management staff inaccurately projected sufficient revenues to cover the additional costs. Expenditure authorizations exceeded budgeted expenditure amounts in both FY 2017 and FY 2018 and the excesses could not be speedily remediated due to budgetary control lapses. Available data for the Bachelor of Applied Science programs [Figure 6, page 15] indicates an uptick trend for the new degree programs, signaling the potential of the new programs to grow and contribute to tuition revenue as envisioned.

Total Debt

Total debt is the financial obligations of Grays Harbor College. As presented in Table 7, the College has an outstanding total debt obligation of $1,074,258 and $1,040,953 in FY 2019 and FY2020, respectively. The debt obligation is projected at $1,003,028 and $965,103, respectively, for FY 2021 and FY 2022. In February 2019, the College rebuilt the upper parking lot to update lighting and drainage, and to comply with the Americans with Disability Act standards. Through the Washington State Treasury system, a Certificate of Participation of $955,000 with premium of $149,258 was extended to the College at a rate of 3.35% over 20 years. The yearly principal payment is $30,000 and the annual interest payment is approximately $45,000 for a total yearly debt obligation payment of $75,000. The College charges students an $8.00 per credit hour fee utilized to service the debt obligation. The projected annual FTE enrollment needed to raise sufficient fee revenue to break even on the yearly debt obligation is 625. As presented in the enrollment table [Table 1A, page 7], actual state supported FTE for FY2020 and estimated state supported FTE for FY2021 and FY 2022 are expected to exceed the breakeven FTE target of 625 needed to service the debt obligation. Therefore, the College is currently able, and is projected to be able in the future, to meet this debt obligation as it comes due.

Primary Reserve Ratio

The Primary Reserve Ratio essentially measures how long the College could operate without new revenue inflow. It measures the financial strength of the College by comparing expendable net assets to total expenses. Expendable net assets represent assets the College can quickly access to operate or meet obligations. It provides a snapshot of the College's financial strength and flexibility, showing how long it will take the College to operate on its expendable reserves without additional net assets from operations. As presented in Table 7, Primary Reserve Ratio for the College was 0.11, (0.25), (0.27) and (0.25) for FY 2017, 2018, 2019 and 2020, respectively, and projected at (0.25) and (0.22), respectively, for FY 2021 and FY 2022. Adjusting for the effects of GASB 68, 73 and 75, the ratio is 0.27, 0.18 and 0.13 for FY 2017, 2018 and 2019, respectively. The declining primary reserve ratio trend reveals the depletion of reserves due to prior inaccurate revenue projections that resulted in expenditures exceeding authorization levels as aforementioned. The College anticipates building back reserves over time to achieve a positive trend toward the recommended industry primary reserve ratio threshold of 0.4.

Net Operating Revenue Ratio

The Net Operating Revenue Ratio of the College primarily indicates how surpluses and deficits from operating activities affect the other metrics over time. While surpluses from operating activities add to net assets, deficits subtract from net assets, directly impacting the primary reserve ratio, return on net assets ratio and viability ratio. As presented in Table 7, Net Operating Revenue Ratio for the College was (0.13), (0.17), (0.13) and (0.04) for FY 2017, 2018, 2019 and 2020, respectively, and projected at (0.01) and 0.02 for FY 2021 and FY 2022, respectively. The negative trend provided a bellwether warning regarding the aforementioned inaccurate revenue projections that resulted in expenditures exceeding authorization levels. This helped to spur the campus budget conversations in May 2019 and throughout FY2020, which helped to inform the budget reductions that were a part of the administration's FY 2020 Budget passed by the Board of Trustees in July 2019 and the balanced budget achieved in FY 2020. The College anticipates achieving a positive trend over time toward the recommended industry net operating revenue ratio target of between 2% to 4%.

Return on Net Assets Ratio

The Return on Net Assets Ratio measures total economic return, determining whether the College is financially better off than in previous years. It provides a comprehensive measure of the growth or decline in total net assets of the College over a specific period of time. As presented in Table 7, Return on Net Assets Ratio was (0.03), (0.06), (0.02) and (0.01) for FY 2017, 2018, 2019 and 2020, respectively, and is projected at 0.003 and 0.02, respectively, in FY 2021 and FY 2022. The negative ratio trend was impacted by lower tuition collection revenue resulting from declining enrollment. The probable loss of tuition revenue resulting from declining enrollment was not properly identified in the revenue projections during that period. Because proposed budgets were underspent, the appearance that there were carry-over savings was inaccurate. Therefore, tuition revenue was over-projected and the corresponding expenditures led to increased operating costs unsupported by available revenue, especially in FY 2017 and FY 2018 when new full time faculty and staff were hired as a strategic investment measure to implement new academic degree programs and improve enrollment overall. As mentioned previously, currently available data for the Bachelor of Applied Science programs [Figure 6, page 16] indicates an uptick trend for the new degree programs, signaling the potential of the new programs to grow and contribute to tuition revenue as envisioned. The College projects a positive return in FY2021 and anticipates subsequent positive trends over time toward the recommended industry return on net assets ratio target of between 3% to 4% above the rate of inflation.

Viability Ratio

The Viability Ratio measures the availability of expendable net assets to cover the College's debt as of the fiscal year end date. As presented in Table 7, the College did not have debt obligations until FY 2019 when the Viability Ratio was (8.82) or 4.26 after adjusting for the effects of GASB 68, 73 and 75. The viability ratio for FY 2020 was (7.9) or 5.58 after adjusting for GASB 68, 73 and 75. Projections for FY 2021 and FY 2022 are (8.03) and (7.20) or 5.97 and 7.36, respectively, after adjusting for GASB 68, 73 and 75. As aforementioned, the entire debt obligation of the College resulted from a $955,000 Certificate of Participation with premium of $149,258 from the Washington State Treasury system underwritten by dedicated fee revenue currently sufficient and projected to be sufficient in the future to pay the debt obligation as it comes due. The College anticipates building back reserves over time to achieve a positive trend toward the recommended industry viability ratio of 1.25.

Financial Goals and Specific Action Plans to Achieve Goals

Strategic Plan

The College has institutionalized its financial goals framework in the new Strategic Plan. Specifically, Strategic Priority 4 (SP4) of the College's new Strategic Plan states, "ensure effective, efficient, and sustainable use of college resources." The financial goals framework in SP4 are crafted into two pivotal objectives that should ensure short-term solvency and long-term sustainability [Figure 1, page 2].

SP4 Objective 1 *- Optimize use of resources to sustain college operations*

The first indicator under SP4 Objective 1 is to achieve a positive trend over time toward higher education fiscal health ratio targets. To achieve this objective, as discussed in subsequent paragraphs, the College implemented cost saving or austerity measures starting FY 2020 to resolve prior budget deficits, achieve a balanced budget and improve short-term solvency. Targeted positive trend in the Primary Ratio will increase the number of days the College could operate without new revenue. Targeted positive trend in the Net Operating Revenue Ratio will ensure the College operates in surplus to build back reserves. Targeted positive trend in the Return on Net Assets Ratio will increase net assets to strengthen the College's Net Position, and targeted positive trend in the Viability Ratio will build up reserves to meet debt service obligations. For long-term financial sustainability, the College has implemented a Strategic Financial Plan [Table 8] that incorporates forecasting, monitoring and transparency through campus community participation, as a part of resource planning. The second indicator under SP4 Objective 1 is to invest in strategic efforts supporting college innovation and sustainability. Under the second indicator, strategic investments such as new academic programs and installation of new energy efficient facilities should yield desired outcomes within 3 years.

Table 8: Strategic Financial Plan

Goals	Action Plans/Initiatives	Time Frame
Goal 1: Sustainability of Grays Harbor College financial resources.	1. Financial planning and budget modeling 2. Realistic projection of future revenue 3. Realistic estimates of future expenditures 4. Utilization of fiscal year end actual final budget numbers as base year estimates for subsequent fiscal year budget development 5. Capital planning interface with State Board and Department of Enterprise Services 6. Pursue grant funding	Annually and Ongoing
Goal 2: Innovative processes, policies and procedures	1. Documentation of budget manager profile and authority 2. Documentation of criteria for resources allocation 3. Documentation of process for cash management 4. Documentation of position management interface with Human Resources 5. Review and update of existing fiscal processes, policies and procedures	Annually and Ongoing
Goal 3: Budget resource accountability, transparency and control	1. Budget manager training and responsibilities 2. Collaboration with campus constituents on budget development 3. Enforcement of expenditure authorization for budget discipline, and efficient and effective use of resources 4. Monthly budget status reporting to budget managers and Executive Management 5. Quarterly and annual financial reporting to Board of Trustees	Ongoing: Monthly, Quarterly and Annually

SP4 Objective 2 *- Innovate to enable growth for fiscal viability to support the college mission*

The first indicator under SP4 Objective 2 is to diversify revenue sources through strategic enrollment management and external opportunities to optimize growth potential. Essentially, the College is fervently scavenging for other sources of revenue, such as grants and donations in order to diminish its over dependence on state allocation. In addition, the College has implemented a Strategic Enrollment Management Plan [Appendix 3] to grow enrollment in order to increase tuition and fee revenue, which in turn lessens the over-dependence on state allocation. The second indicator under SP4 Objective 2 is to promote sound financial practices at the College by using the Fiscal Health Risk Analysis tool [Appendix 21] of the Washington State Board for Community and Technical Colleges (SBCTC). The SBCTC fiscal health risk analysis tool is comprised of a risk questionnaire, scoring rubric and risk scale. As part of the annual risk and control self- assessment, the College will administer the SBCTC fiscal health risk questionnaire to executive management, budget managers and a focus group of faculty, staff and students. Mitigating action plans will then be implemented for any identified risk factors.

Action Plans to Promote Financial Health and Outcomes

The following paragraphs discuss specific action plans implemented in FY 2020 and ongoing to promote financial health and the positive outcomes achieved as of fiscal year ended June 30, 2020 and projections through FY 2022. The action plans include strategic budget cuts and transformational budget monitoring processes. Significant outcomes include improved liquidity and positive trends toward financial health ratio targets.

Budget Cuts - The College has significantly reduced expenditures through multiple budget cuts to personnel, goods and services, travel, and equipment. Details of the budget cuts are discussed in the Overview above. Specific cuts for FY 2021, are discussed by Mr. Boakye in the VPAS's June Board Report [Appendix 6].

Budget Monitoring Process - The College has refined the budget monitoring process to periodically throughout the year compare budget projections for revenue and expenditures to actual revenue and expenditures. Assumptions underlying budget projections are documented on pages 21-22 of this report. For tuition and fees revenues, predicted revenues are compared to actual revenues soon after the enrollment census date. In that case, any revenue underperformance is discovered and communicated to executive management in a timely manner. This ensures immediate remediation by adjusting budgeted expenditures to align with actual revenues. For expenditures, monthly actual expenditures are calculated and analyzed to gauge whether actual expenditures are trending within budgeted expenditures.

Using the information from this refined budget monitoring process, the College has assured that quarterly budget updates will be available to the Board of Trustees. After the academic calendar census date, the President or designee now submits a budget status report to the Board of Trustees which reviews the performance of actual revenues and expenditures compared to targets projected in the approved budget. When actual revenues are below projected targets, the President will implement measures necessary to align expenditures to anticipated revenues. Other newly implemented budget monitoring activities include the following:

- Monthly, after the closing of the accounting records, budget reports will be made available to Budget Managers.
- Budget Managers will review budget reports monthly to ensure that: (1) there are no unexpected charges to the budget; (2) expected charges appear on the budget; (3) budget categories of salaries and wages, benefits, goods and services, travel, and equipment are on target not to exceed the allocated budget; and (4) total expenditures status is on target not to exceed the total allocated budget.
- Daily, the Vice President for Administrative Services, Controller, and procurement and accounts payable staff will enforce departmental budget authorization through reviews and approval and budget checks on position requisition, purchase orders, and payment requests.

Significant positive outcomes as of June 30, 2020 and projected through June 30, 2022 are evidenced by increases in the year-end cash balance [Figure 7] in FY 2020 and projected increases through FY 2022; positive trend in the cash ratio [Figure 8] in FY 2020 and projected increases through FY 2022; the current ratio greater than 2.0 [Figure 9] in FY 2020 and projected increases through FY 2022; and average daily revenue surpassing projected average daily expenses by FY 2021 [Table 9 and Figure 10]. In addition, positive outcomes are evidenced in the slight improvement in financial health ratios documented in Table 10 for primary ratio, net operating revenue ratio, return on net assets ratio, and viability ratio.

Table 9: Average Daily Revenue/Expenses Comparison

Description	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Average Daily Revenue	$79,583	$83,226	$97,660	$92,277	$92,374	$92,735
Average Daily Expenses	$84,060	$ 93,294	$98,734	$92,449	$90,150	$87,907

Figure 7: Cash Balance Trend

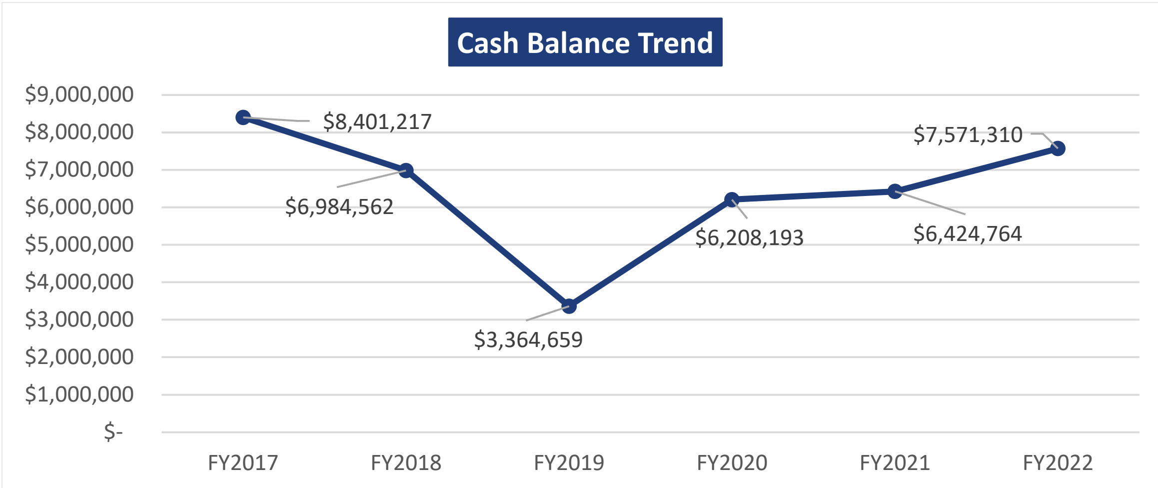


Figure 8: Cash Ratio Trend

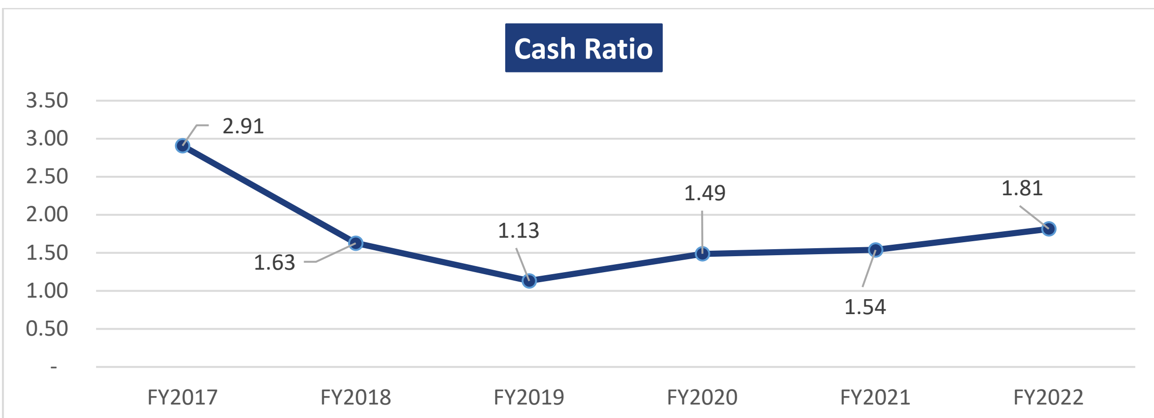


Figure 9: Current Ratio Trend

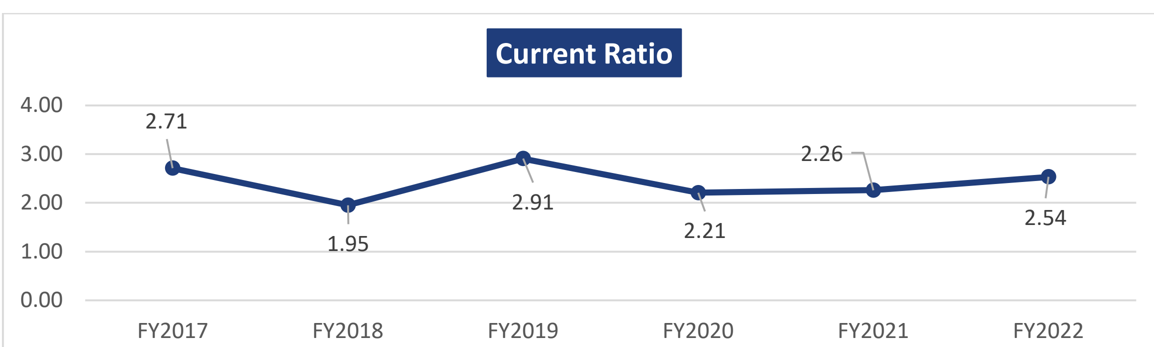
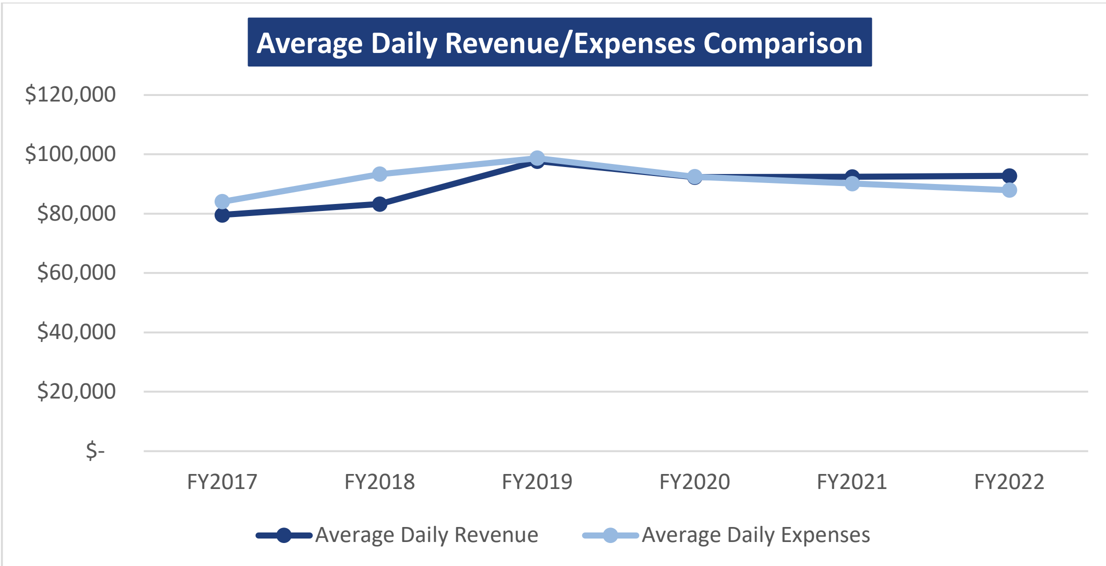


Figure 10: Average Daily Revenue/Expense Comparison



Section V: Conclusion

GHC has implemented several practices to ensure the long term fiscal viability of the College including: constant monitoring of financial and revenue data; a commitment to a quick response to budget shortfalls; a decision to link revenue projections with enrollment; and a connection between budget management and strategic planning.

The financial health condition of Grays Harbor College as of June 30, 2020 and projected through FY 2022 is sturdy. Following the NWCCU Peer-Evaluation Team visit in April of 2019, the College confronted the brutal facts of its worsening financial health. The College institutionalized its financial goals framework in a new Strategic Plan and managed the worsening financial health by implementing strategic budget cuts and transformational budget monitoring processes that improved the financial health condition.

Table 10 below is a summary of the significant positive outcomes of the strategies implemented to sturdy the financial health of the College.

Table 10: Summary of Positive Financial Health Outcomes

Description	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Cash Balance	$8,401,217	$6,984,562	$3,364,659	$6,208,193	$6,424,764	$7,571,310
Cash Ratio	2.91	1.63	1.13	1.49	1.54	1.81
Current Ratio	2.71	1.95	2.91	2.21	2.26	2.54
Average Daily Revenue	$79,583	$83,226	$97,660	$92,277	$92,374	$92,735
Average Daily Expenses	$84,060	$ 93,294	$98,734	$92,449	$90,150	$87,907
Primary Reserve Ratio without Pension/OPEB	0.27	0.18	0.13	0.17	018	0.22
Net Operating Revenue Ratio	-0.13	-0.17	-0.13	-0.04	-0.01	0.02
Return on Net Assets Ratio	-0.01	0.07	-0.02	-0.01	0.003	0.02
Viability Ratio without Pension/OPEB	0.00	0.00	4.26	5.58	5.97	7.36

As shown in Table 10, the sturdiness of the College's financial health is evidenced by increases in the year-end cash balance; positive trend in the cash ratio; current ratio greater than 2.0; and average daily revenue surpassing projected average daily expenses by FY 2021. In addition, the financial health ratios show slight improvements for the primary ratio, net operating revenue ratio, return on net assets ratio, and the viability ratio. The return on net assets ratio is projected to turn positive 0.003 in FY 2021 and expected to increase to 0.02 in FY 2022. The net operating revenue ratio is projected to turn positive 0.02 in FY 2022. Additionally, the College received a clean audit opinion by the Washington State Auditor, the highest opinion without any findings or exceptions from FY 2017 through FY 2019 [Appendix 20[12]]. While the financial health of the College is sturdy and projected to be slightly better in the foreseeable future, it is contingent on increasing enrollment. The College will continue implementing action plans to achieve its strategic financial goals for short-term solvency and long-term financial sustainability through collaborative efforts involving the Board of Trustees, Executive Management and the College Community. Grays Harbor College is committed to continuously implement both revenue increasing and budget reduction strategies to maintain fiscal stability that will enable fulfillment of its mission.

Enrollment at GHC continues to be a challenge, with FY 2021 enrollments down significantly in Transfer and Transitions Courses, and down slightly in vocational courses. GHC is not currently holding any continuing education courses, due to the COVID-19 pandemic. Enrollments from the Stafford Creek Corrections Center are currently a wildcard. However, based on FY 2021 enrollments to date, GHC's BAS programs and the Running Start program look as if they will be on par with FY 2020.

Several recruitment and retention strategies showed promise, and will be adjusted and modified as the college moves through the academic year. GHC's Strategic Enrollment Management committee has matured as a group, and is ready for new approaches to enrollment management.

The College is monitoring the pandemic, and being realistic about the timeframe of effect extending into late 2022. The college continues to refine and update its enrollment projections, and how those projections fit into the budget projections and mid-year budget corrections. Additionally, the college has updated its financial policies and has integrated its strategic enrollment management and financial plans into the College's Strategic Plan.

While the next two years will present a challenging financial scenario to navigate, GHC feels that it has a good team working to understand the enrollment and financial situation of the college, has good data available for decision making, and has improved its capacity to make nimble, in-time decisions regarding budget resulting in a significant improvement over where the college was 18 months ago.

Section VI: Appendix Table of Contents[14]

[14] Appendix documents can be found in a separate Adobe PDF file.