

Overhaul of Cash Operations

History

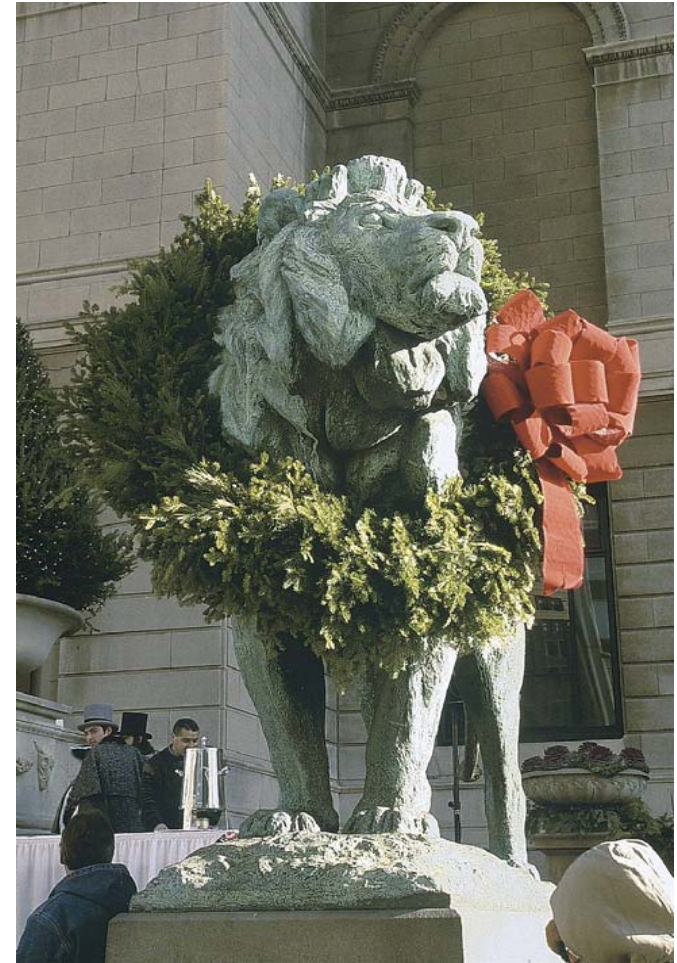
- In 1866, the Chicago Academy of Design was organized as a school.
- In 1882, the Academy changed its name to The Art Institute of Chicago, consisting of the School of the Art Institute and the museum
- Current operating budget of \$240 million;
\$1.4 billion balance sheet
- 1.3 million museum visitors a year
- Fully accredited graduate and undergraduate art school;
2,700 FTE Students

South Michigan Avenue



Captions for all images are:
Courtesy of the Art Institute of Chicago

Civic Pride



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Cash Management Situation- 2004

- The Institute did not have tools in place to manage daily liquidity
- Cash management internal controls were weak
- Some cash management functions were at non-credit extending banks

Detail of Challenge- Disbursements

- Accounts payable accounts were pre-funded
- Disbursing accounts did not have Positive Pay or ACH debit blocks
- Payroll bank reconciliations were a completely manual process

Detail of Challenge- Receipts

- Slow receipt of cash and checks into multiple cash collection points
- Receipt function at multiple banks with manual, infrequent concentration resulting in large amounts of idle cash
- One depository account for both business units
- The depository bank accounts did not have associated investment sweeps
- Bank accounts were concentrated by function, not by business unit

Detail of Challenge- Cash Concentration

- There was no operating investment vehicle
- Dial-up systems were used to retrieve information and initiate funds transfers
- There was multiple activity in one bank account
- Prior day balances were utilized to determine funds movement
- Because daily liquidity was not managed well, the Institute often borrowed and invested large sums on the same day

Where Do You Start?

- Low hanging fruit
- Design straight forward
- Recognize role of credit-extending banks
- Implementation a large issue

Disbursing- “Easy” Win

- Change all bank accounts
- Treasury “gave” Positive Pay
- Treasury “got” controlled disbursing
- Transition timing critical

Receiving- Bigger Process

- 2 month design
- 5 month implementation
- Re-direct multiple customers and receiving streams
 - Museum Shop
 - Corporate Accounting
 - School Finance
 - Development

Achieved All Objectives

- State-of-art internal controls
- Removed \$1 million of idle cash
- Improved float into collection points and into the bank
- Segregate receiving cash flows by business unit
- Improved bank account reconciliation process
- Minimal net impact on bank fees
- Align cash management with credit-extending banks

Collection Highlights

American Gothic, 1930

Grant Wood

American, 1891-1942



Paris Street; Rainy Day, 1877

Gustave Caillebotte

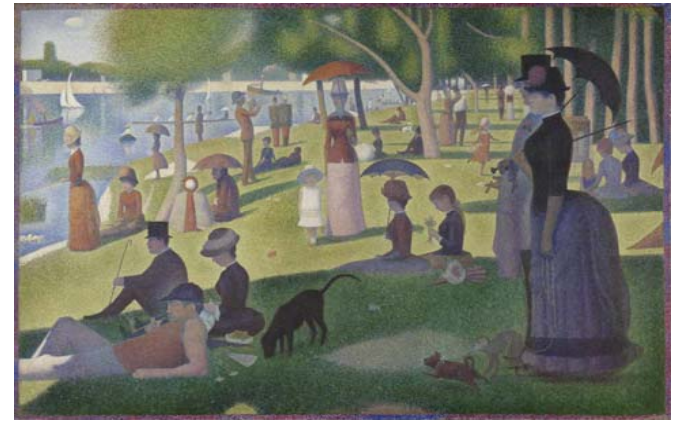
French, 1848-1894



A Sunday on La Grande Jatte-
1884, 1884-86

Georges Seurat

French, 1859-1891



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