

**Jackson College
Board of Trustees**

**MONITORING REPORT FOR EL – 04 FINANCIAL CONDITIONS AND ACTIVITIES
DATE: 11/09/2020**

Board Policy is indicated in bold typeface throughout.

I hereby present this monitoring report regarding your policy: “Financial Conditions and Activities”, according to the schedule previously defined. I certify that the information contained in herein is true and represents compliance with a reasonable interpretation of the policy, unless specifically stated otherwise. Interpretations are unchanged from the previous report, unless otherwise noted.



11/9/2020

Daniel J. Phelan, Ph.D.
President and CEO

Date

POLICY STATEMENT: With respect to the actual, ongoing financial conditions and activities, the President shall not cause or allow the development of fiscal jeopardy or actual expenditures that are not aligned with achievement of the Board’s Ends.

The Board has interpreted “financial conditions and activities that would cause the development of fiscal jeopardy in policy items 1, 1.1, 2, 3, 3.1, 4, 5, 6 and 7. Evidence of compliance with this opening statement will be demonstrated by the evidence provided collectively for the numbered statements and the following:

Compliance with the policy statement means that the CEO will not allow expenditures not aligned with the achievement of the Board’s Ends.

The primary means of achieving the College’s Ends (for students and community) are through (a) the people who teach, provide student services, ensure efficient administration, maintain facilities and manage housing and are represented by approximately 2/3 of expenditures.– education is a people-intensive process (b) programs, technology needs, materials, rent, utilities & insurance, other operating costs; which is approximately 21%.

Further, without limiting the scope of the above statement by the following list, the President shall not:

- 1. Expend more funds than have been received in the fiscal year to date unless the debt guideline below is met.**

INTERPRETATION:

The board has partially interpreted this policy in policy item 1.1. Compliance will be demonstrated when, in addition to the evidence for 1.1,

- a) [Monthly financial statements](#), specifically the general fund income statement for the current monitoring period confirm that expenses did not exceed income.

EVIDENCE:

Month	Income	Expenses
November 2019	\$23,043,312	\$19,063,580
December 2019	\$24,270,243	\$22,975,694
January 2020	\$36,871,606	\$26,507,726
February 2020	\$38,279,343	\$30,189,139
March 2020	\$39,325,678	\$33,844,634
April 2020	\$40,408,215	\$37,042,434
May 2020	\$45,442,390	\$41,071,202
June 2020	\$46,969,791	\$46,969,006
July 2020	\$3,967,390	\$3,020,165
August 2020	\$14,591,255	\$6,144,714
September 2020	\$17,551,441	\$9,251,811

- 1.1. Incur debt in an amount greater than can be repaid by certain, otherwise unencumbered revenues within the current fiscal year or that can be repaid to accounts previously established by the Board for that purpose.**

INTERPRETATION:

Compliance will be demonstrated when:

- a) No expenditures greater than \$100,000 are made that were not included in the initial financial plan or the five-year master plan. This is reasonable as an expenditure greater than this amount could not be covered by unencumbered revenues
- b) Expenditures on debt do not exceed the Board approved budget.

EVIDENCE:

- a) On 11/4/2020 the Chief of Staff confirmed with the Controller that no expenditures over \$100,000 have been made without Board approval that were not included in the initial financial plans (budgets or five year plans) approved by the Board.
- b) [Monthly financial statements](#) for this monitoring period (November 2019 thru September 2020) confirm that debt expenses are within budget.

Month	Debt Transfer Actual	Debt Transfer Budget
November 2019	\$2,020,006	\$4,848,013
December 2019	\$2,424,007	\$4,848,013
January 2020	\$2,828,007	\$4,848,013
February 2020	\$3,232,009	\$4,848,013
March 2020	\$3,636,010	\$4,848,013
April 2020	\$4,040,011	\$4,848,013
May 2020	\$4,444,012	\$4,848,013
June 2020	\$4,848,013	\$4,848,013
July 2020	\$346,735	\$4,160,813
August 2020	\$693,469	\$4,160,813
September 2020	\$1,040,203	\$4,160,813

2. Use funds from restricted or designated accounts for purposes other than that for which the account was established.

INTERPRETATION:

Compliance will be demonstrated when:

- a) A review of the monthly financial statements confirm that the month end balance for the designated funds which the board has set aside for future operations, have not changed (declined) month to month during this monitoring period (November 2019 thru September 2020).
- b) An external review of restricted fund use is conducted and confirms use has been limited to intended use.

EVIDENCE:

- a)

Month	Designated Funds (Future Operations)
November 2019	\$8,603,673
December 2019	\$8,603,673
January 2020	\$8,603,673
February 2020	\$8,603,673
March 2020	\$8,603,673
April 2020	\$8,603,673
May 2020	\$8,603,673
June 2020	\$8,603,673
July 2020	\$11,761,324
August 2020	\$11,761,324
September 2020	\$11,761,324

- b) The [Annual Federal Awards Audit for 2019](#) which listed no findings for restricted fund usage was completed and is on the transparency website

3. Allow the College's cash position in any month to be less than is needed to satisfy obligations in that month.

INTERPRETATION:

The Board has partially interpreted this policy in policy item #3.1. Compliance will be demonstrated when, in addition to the evidence for 3.1,

A review of the monthly financial statements for months of the monitoring period confirms that the cash position of the College is positive.

EVIDENCE:

Month	Cash position
November 2019	\$21,355,425
December 2019	\$19,440,466
January 2020	\$18,878,986
February 2020	\$24,384,246
March 2020	\$23,097,475
April 2020	\$17,784,928
May 2020	\$16,373,664

June 2020	\$29,617,973
July 2020	\$19,904,937
August 2020	\$20,281,222
September 2020	\$19,533,536

3.1. Allow a combined operating fund balance reserves to be less than the average of two months' operating expenses.

INTERPRETATION:

Compliance will be demonstrated when:

- a) A review of monthly financial reports for the monitoring period confirm the amount prescribed in the policy statement.
- b) The requirement of the operating fund balance not being less than the average of two months operating expenses.

EVIDENCE:

- a) and b) On 11/4/2020, the Controller provided the dollar amounts for 2 months budgeted expenses and operating reserves for the months in the monitoring period.

Month	2 Months Budgeted Expenses	Operating Reserves
November 2019	\$7,964,362	\$13,625,063
December 2019	\$7,964,362	\$10,967,020
January 2020	\$7,964,362	\$20,028,388
February 2020	\$7,964,362	\$17,817,602
March 2020	\$7,964,362	\$15,232,489
April 2020	\$7,964,362	\$13,141,449
May 2020	\$7,964,362	\$14,166,975
June 2020	\$7,964,362	\$11,318,665
July 2020	\$6,836,116	\$13,607,261
August 2020	\$6,836,116	\$21,121,826
September 2020	\$6,836,116	\$20,989,946

4. Allow the untimely payment of payroll and debts.

INTERPRETATION:

Compliance will be demonstrated when:

- a) Employees are paid biweekly which is consistent with payment schedule required by employment contract /labor agreement and appointment letters received by administrators.
- b) Vendors are paid weekly consistent with vendor contracts and bond debt is paid semi-annually according to internal controls and processes reviewed by our external auditor.

EVIDENCE:

- a) The Chief of Staff confirmed with the Controller on 11/4/2020 that all employees have been paid biweekly in the monitoring period. Control Totals are compared to payroll reports to ensure all employees are being paid.
- b) The Chief of Staff confirmed with the Controller on 11/4/2020 that there are no outstanding payments to vendors or bond debt payments.

5. Write off receivables without having first aggressively pursued payment after a reasonable grace period.

INTERPRETATION:

Compliance will be demonstrated when

- a) There is a process in place reviewed by the Controller on 11/4/2020 which states the College's process for past due payments from students. This process includes in-house calls made to students who have an outstanding balance at the end of the semester.
- b) After 45 days, delinquent accounts are turned over to collections
- c) Students who owe for a prior semester with a balance over \$100 are not able to register. This policy is up to date and accessible to students.

These steps are reasonable because they align with industry best practices.

EVIDENCE:

- a) On 11/4/2020 the Chief of Staff confirmed with the Controller that this process is still in place and is stored internally.
- b) The following number of accounts and respective dollar worth was submitted to collections for the monitoring period.

Term	Number of Accounts	Total
19/FL	161	\$231,589.07
20/WN	139	\$200,384.93
20/SP	176	\$215,988.84
Totals	476	\$647,962.84

- c) The College's [Financial Obligation Hold](#) policy was reviewed on 2/19/19 within the two year review period and is available online for students to view.

6. Allow tax payments or other government ordered payments or reports to be overdue or inaccurately filed.

I am reporting partial compliance with this statement with explanation below.

INTERPRETATION:

Compliance will be demonstrated when:

- a) The year-end informational reports required by the IRS are submitted timely and with no penalties.
- b) Sales Use and Withholding Tax returns are submitted monthly by required deadline.
- c) Quarterly 941 Reports have been submitted to the IRS.
- d) Payroll withholding taxes are submitted on a biweekly basis that aligns with the payroll schedule.

This interpretation is reasonable as it addresses all required federal and state reporting and submissions

EVIDENCE:

- a) We are currently appealing a civil penalty from the IRS that we have recently paid. The penalty came as a result of us filing the 1095C late in 2017. The 1095C is the report that confirms an employee has health insurance. Also, in 2017, we filed some 1098T forms that had missing or incorrect social security numbers. Because we do not require social security numbers for enrolment, we are required to show due diligence to the IRS is collecting this information. While we had a process in place for soliciting missing student social security numbers, we have made improvements in timing and documentation as a result of this penalty.
- b) The Controller confirmed on 11/4/2020 that the monthly State of Michigan Sales Use and Withholding Tax Returns have been completed.
- c) The Controller confirmed on 11/4/2020 that the Quarterly 941 Reports have been submitted.

- d) The Controller confirmed on 11/4/2020 that the payroll withholding taxes have been submitted on a biweekly basis.

7. Acquire, encumber or dispose of land or buildings.

INTERPRETATION:

Compliance will be demonstrated when:

- a) The Controller confirmed on 11/4/2020 there was no acquisition, encumbrance, or disposal of land or buildings outside of the five-year master plan the Board approved.

This is reasonable because it provides validation of compliance.

EVIDENCE:

- a) A review of Board agendas from the Monitoring period (November 2019 to present) shows that the following item was brought to the Board for their consideration and was approved.
 - a. Transfer of Wickwire House property to the Jackson College Foundation – June 8, 2020.