Jackson College
Board of Trustees

Monitoring Report:
EL – 04 Financial Conditions

Report Date: 11.13.23

Note: Board Policy is indicated in bold typeface throughout the report.

I present this monitoring report to the Jackson College Board of Trustees which addresses the Board's Executive Limitations Policy: "Communication & Support to the Board". I certify that the information contained herein is true and represents compliance, within a reasonable interpretation of the established policy, unless specifically stated otherwise below.

I am pleased to report full compliance with this monitoring report.

11.13.23

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

Date

POLICY STATEMENT:

With respect to financial conditions and activities, the Chief Executive Officer shall not cause or allow the development of fiscal jeopardy or actual expenditures that are not aligned with achievement of the Board's Ends.

I have 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. Compliance with this opening statement will be demonstrated by the evidence collectively provided for the numbered policy statements, as well as 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 Board's Ends (for students and community) are through; (a) the people who teach, provide student support services, ensure efficient administration, maintain facilities and grounds, keep the campus safe, and by those who manage housing. These people, and their associated work, constitute approximately 66% of the College's expenditures; and (b) practical, operational expenditures including process of creating instructional programs, providing for instructional and operational technology, as well as providing for materials, rent, utilities & insurance, transfers and other related operating costs; which represents approximately 33% of the College's annual budget.

This interpretation is reasonable because the budget is prepared by the College administration and ultimately approved by the Board of Trustees which outlines the broad expenditure plan for the fiscal year in question and to which the Board can make comparisons to its own ENDS policies.

Further, without limiting the scope of the above policy statement by the following list, the Chief Executive Officer shall not:

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

INTERPRETATION:
I have interpreted that compliance is demonstrated when a review of the College's Monthly financial statements over a 12-month period (previous fiscal year) and the audited annual statement do not indicate that annual expenses exceeded general fund income.

This interpretation is reasonable because monthly audited statements provide a clear view of expenditure patterns of the institution on a month-by-month basis and ultimately conclude with the year-end budget which occurs on June 30th of each year wherein the Board can compare revenues to expenditures directly. Furthermore, these 12 monthly statements are eventually subject to audit by the Board's selected auditor for review and ultimate audit report, which would further indicate if there was an excess of expenditures over revenues.

EVIDENCE:

On 11.08.23 the CFO noted that general fund expenditures in FY '23 exceeded general fund revenues by $694,927. The excess expenditures were covered by the positive equity position also held in the General Fund. The excess expenditure in FY '23 was a result of increased investment in staff augmentation, software and hardware, building insurance, professional development, advertising, staffing recruitment, and legal support. Additionally, bad debt write-offs were higher than projected.

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:

I interpret compliance will be demonstrated when the annual (previous fiscal year) debt service schedule of all annual obligations is not greater than that which can be repaid within the year. Further,

a) No expenditures greater than $100,000 are made that were not included in the annual general fund budget, or in the annual five-year master plan.

This is reasonable because it establishes Board limits to the President which may not be exceeded, and further the Board has the opportunity to ensure compliance to that end through monitoring.

b) Annual expenditures on debt service do not exceed the Board approved budget.

This interpretation is reasonable because the Board reviews the annual debt schedule as part of its annual approval process.

EVIDENCE:

a) On 10.27.23 the CFO confirmed that no expenditures over $100,000 in FY ‘23 were made without Board approval that were not included in the initial financial plans (budgets or five-year plans) approved by the Board.

b) On 10.27.23 the CFO confirmed that debt expenses in FY ‘23 were within budget and approved by the Board.

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

INTERPRETATION:

I have interpreted that compliance will be demonstrated when:
a) A review of the monthly financial statements and the annual (previous fiscal year) audited financial statements confirm that the month end balance for the designated funds, which the board has set-aside for future operations, do not indicate allocations for purposes other than that which has been Board designated.

b) An external review of restricted fund use is conducted and confirms use has been limited to intended use.

This interpretation is reasonable because the College’s financial statements are the vehicle by which all financial transactions are summarized, within a reporting period.

EVIDENCE:

a) On 10.27.23, the CFO confirmed that through 06.30.23 the designated funds balance set aside for future operations increased by $162,300 from 06.30.23. This increase was mostly realized through the collection of building rental and leases for EIC and Daycare operations.

b) The CFO confirmed the Annual Federal Awards Audit for 2022 was completed and is available for viewing on the College's transparency page. The CFO confirmed there were no findings in FY '2022.

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

INTERPRETATION:

I have partially interpreted this policy in item #3.0 as compliance being demonstrated when, in addition to the evidence for 3.1, a review of the monthly financial statements for the monitoring period confirms that the cash position of the College is positive.

This interpretation is reasonable because the College's financial statements are the vehicle by which all financial transactions are summarized, within a reporting period.

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, in addition to the above, a review of the College's monthly financial reports, for the monitoring period, confirm that an amount equal to, or greater than 2/12ths or 16.6% of average monthly expenses, is held in reserve.

This interpretation is reasonable because a Board review of monthly financial statements will demonstrate the College's current fund balances.

EVIDENCE:

On 10.30.23, the CFO confirmed that during each month of FY '23 operating reserves were greater than two months of budgeted expenses.

4. Allow the untimely payment of payroll and debts.

INTERPRETATION:

I interpret 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, as well as the nonexistence of employee contract or grievances regarding lack of payroll payments.

This is reasonable because the College's payroll register is a principal vehicle to determine if employee compensation obligations are satisfied. Further, union contracts provide for grievance procedures to the College, should those represented by the union, go unpaid.

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. Additionally, the College has not received any complaints from vendors regarding the lack of payment for goods and services provided.

This interpretation is reasonable because the Board-selected auditor is an external, third-party review mechanism for determining if College obligations are satisfied.

EVIDENCE:

On 10.27.23, the Director of Business & Student Financial Services confirmed that payroll and vendor payments were made on the aforementioned schedule.

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

INTERPRETATION:

I have interpreted that compliance will be demonstrated when there is a process in place, which is annually reviewed by the Director of Business and Student Financial Services and CFO, which defines the College's process for receiving past due payments from students, which minimally includes in-house communication made to students who have an outstanding balance at the end of the semester allowing students to make payment arrangements or make payment in full up to 45 days. After 45 days, delinquent accounts are turned over to College-contracted collections.

This interpretation is reasonable because it aligns with industry best practices.

EVIDENCE:

On 10.27.23 the CFO confirmed that the process for past due payments is still in place and stored internally.

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

INTERPRETATION:

I have interpreted that 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; and
d) Payroll withholding taxes are submitted on a biweekly basis that aligns with the payroll schedule.

This interpretation is reasonable because it addresses all required federal and state reporting requirements, timelines, and provides for verification of submissions. Failure to achieve the aforementioned steps would prompt a letter of concern to the College by the respective authority.

EVIDENCE:

On 10.27.23, the Data Base File System (DBSFS) verified that both the quarterly and monthly reporting requirements are being met and the payroll taxes are paid on the same schedule as the biweekly payroll dates.

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

INTERPRETATION:
I have interpreted that compliance will be demonstrated when the College's Chief Financial Officer or Director of Finance confirms that there has been no acquisition, encumbrance, or disposal of land or buildings outside of the Board-approved five-year master plan. Furthermore, unauthorized additional or sold building and lands do not appear on the College's external audit, nor are there changes in the College's insurance coverage register.

This is reasonable because it provides validation of compliance by the Chief Financial Officer or Director of Finance, assuring that no such transactions have occurred. Additionally, the external audit and the College's insurance register are the externally generated documents that provide validation to any building and land transactions.

EVIDENCE:

The CFO confirmed on 10.27.23 there were no acquisition, encumbrance, or disposal of land or buildings outside the five-year master plan approved by the Board.

The Jackson College Board of Trustees assessed this monitoring report and found that it demonstrated compliance with a reasonable interpretation of the policy at the regular Jackson College Board meeting on November 13, 2023.