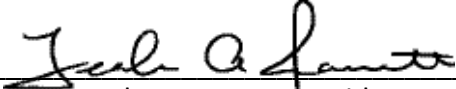


Monitoring Report
EL-05: Financial Conditions and Activities
February 12, 2026

I hereby present my monitoring report on the **Executive Limitations Policy EL-05: Financial Conditions and Activities** according to monitoring report schedule (BPD-04). I certify that the information contained in this report is true and represents compliance with a reasonable interpretation of all aspects of the policy unless specifically stated otherwise.

Signed 
Leah A. Barrett, President

Date 6 February 2026

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.

INTERPRETATION

I interpret "not allowing fiscal jeopardy" to mean a) compliance with policy items #1 to #10 below; b) an audit report that finds no material irregularities, because irregularities in an audit report signal potential fiscal jeopardy, and c) financial ratios within acceptable range as provided by the Higher Learning Commission, because ratios outside the acceptable range are a signal of fiscal jeopardy.

EVIDENCE

- a) Evidence of compliance for items #1 to #10 is provided below.
- b) The [Northeast Community College Area Financial Statement Audit](#) completed for FY25 reported no material irregularities.
- c) The College will report the following financial ratios to HLC for FY25. These are submitted in March annually to HLC:

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>5yr Avg.</u>	<u>Threshold Range*</u>
Primary Reserve Ratio	1.205	1.240	1.347	1.292	.4 – 1.33
Net Operating Revenue Ratio	.065	.057	0.027	0.045	.04 - .13
Return on Net Assets Ratio	.074	.062	0.044	0.087	.06 - .20
Viability Ratio	4.816	4.381	4.227	3.865	1.25 – 4.17
<u>Composite Financial Indicator Score</u>	7.918	7.822	7.653	7.809	1.1 to 10.0

* HLC relies on the financial ratios recommended in the publication *Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks (Seventh Edition)*, 2010, by KPMG LLP; Prager, Sealy & Co., LLC; Attain LLC (updated summer, 2016)

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 anticipated revenue exceeds anticipated expenditures for the remainder of the current fiscal year in an amount sufficient to cover any deficit.

INTERPRETATION

I interpret “revenue” to mean current, general fund and capital improvement fund revenue in the form of property tax, state aid, tuition and fees and other income such as facility rentals and interest income. I interpret “expenditure” to mean any current, general fund or capital fund expenditure plus approved use of reserves.

Compliance will be demonstrated when:

- a) Quarterly financial statements show revenues exceed expenditures; or
- b) In a quarter where revenues do not exceed expenditures, anticipated revenues through year end show sufficient revenue to cover any current quarter deficit; or
- c) Planned revenue and expenses are aligned with the approved budget.

This is reasonable because any shortfall in budgeted tax revenue in any quarter is due only to the timing of receipt of funds. Any shortfall in budgeted tuition and fee revenue will result in reduced expenditures. The annual budget often includes use of reserve dollars to balance the budget. This provides for departmental and college-wide contingency funds to be approved as part of the annual budget cycle and long-term planning and carry forward of personal savings of approximately 3% on an annual basis.

EVIDENCE: See Attachment A

...the President shall not:

2. Use any portion of a restricted fund balance for purposes other than those for which the fund was established.

INTERPRETATION

I interpret “restricted fund balance” to mean the balance of any current restricted fund such as a) grants, contracts, scholarships, and financial aid; b) any agency fund such as student clubs; or c) any plant fund such as capital improvement, restricted plant or debt retirement fund.

Compliance will be demonstrated when the annual audit report provides reasonable assurance that expenditures were made from the correct funds. This is reasonable because of the College’s fund-based accounting rules.

EVIDENCE

The [Northeast Community College Area Financial Statement Audit](#) for fiscal year 2025 showed no irregularities in the payment of expenditures from the appropriate fund.

...the President shall not:

3. Allow untimely payment of payroll or debts.

INTERPRETATION

Compliance will be demonstrated when:

- a) Payroll records verify payment of all employees is consistent with current collective bargaining agreements and all written Human Resources procedures. This is reasonable because it meets commitments made to staff, and Human Resource procedures incorporate all relevant elements of collective bargaining agreements.
- b) Accounts payable show no material amount outstanding beyond 30 days unless there is documentation of vendor’s terms longer than 30 days, or unless a payment is under dispute. This interpretation is reasonable because it meets contractual agreements with vendors and minimizes payment of interest.

EVIDENCE

- a) Review of the sample group of payroll records conducted as part of the annual audit, as verified by the Director of Payroll on January 31, 2026, provided reasonable assurance that payroll has been processed consistently within all applicable Human

Resources procedures.

- b) Review of accounts payable on January 31, 2026, by the Sr. Director of Accounting confirmed zero amount outstanding beyond 30 days.

...the President shall not:

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

INTERPRETATION

Compliance will be shown when the ratio of cumulative number of credit students with an unpaid balance at the end of the fiscal year, to the unduplicated student headcount for the academic year is under the benchmark for comparable institutions with a Carnegie Classification of Associate’s Colleges and enrollment size of 4,000 to 7,999, according to the National Association of College and University Business Officers (NACUBO) annual Student Financial Services Benchmarking Report. The NACUBO Benchmarking Report is reasonable because this report is a standard report used by the higher education industry to track important trends in the student financial services area. A ratio under the benchmark is reasonable because the report compares data against national averages of peer institutions of similar size and mission.

EVIDENCE

Five-year historical data from the National Association of College and University Business Officers (NACUBO) 2024 Student Financial Services Benchmarking Report, which provides data through FY23. (See Attachment B) The 2025 Student Financial Services Benchmarking Report, which will provide benchmarks for FY24, is scheduled to be received in March 2026.

...the President shall not:

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

INTERPRETATION:

Compliance will be demonstrated when:

- a) Statements of account from the appropriate government agencies verify on-time receipts of deductions for employee income taxes and FICA.
- b) Statements of account from the appropriate government agencies verify on-time receipts of payment of the employer’s portion of FICA, along with payment of all sales tax, occupation tax and unemployment insurance.

On advice from our auditor, this is an exhaustive list of all payments due to government agencies. Government statements of accounts are official documents verifying date of receipt. Receipt by the due date is consistent with government regulations.

- c) The insurance company audit confirms that all workers’ compensation insurance premiums have been paid for all employees.
- d) No deliberately falsified information or information containing errors other than minor miscalculations is uncovered in a random sampling of filings by the auditor. This is reasonable as auditing standards should uncover any material inaccuracies, and not needing to submit revised filings based on auditing standards is a reasonable way to assess accuracy.

EVIDENCE

- a) Review of year-to-date statements of account from the IRS by the Director of Payroll on January 31, 2026, verified that all other source deductions and tax installments for employee income tax withholding and FICA, have been received on or before due dates.
- b) Review of year-to-date statements of account from the government agency by the Director of Payroll on January 31, 2026, verified on-time receipts of payment of the employer’s portion of FICA, along with payment of all sales tax, occupation tax and unemployment insurance.
- c) Review of year-to-date statements from the insurance company by the Director of Payroll on January 31, 2026, confirms that all workers’ compensation insurance premiums were received on or before the due date.
- d) Review of the annual audit by the Director of Payroll on January 31, 2026, verified that the external auditor was asked to do a random check of filings to guard against falsified information. The auditor’s report stated that all payments were accurate for the fiscal year.

**...the President shall not:
6. Acquire, encumber, sell or convey land or buildings.**

INTERPRETATION:

Compliance will be demonstrated when a comparison of the current audited statement with the previous year’s statement confirms that no building or land has been acquired or sold in the fiscal year unless there is a record of decision in Board meeting minutes authorizing the transaction.

EVIDENCE:

Land Acquired	Board Approval	Acquisition Date
None		

**...the President shall not:
7. Engage in auxiliary enterprise fund activity inconsistent with contribution to the overall Ends of the college in order to generate revenue.**

INTERPRETATION

I interpret “auxiliary enterprise funds” to mean the College Bookstore, Print Services, Transportation Center, Residence Life and College Farm operations.

EVIDENCE

All auxiliary enterprise funds are consistent with the overall Ends of the College.

Auxiliary Fund	Board End
College Bookstore	1, 4
Print Services	2
Transportation Center	1, 1.3, 1.4, 3
Residence Life	3, 4
College Farm Operations	1, 1.3, 2, 1.4

...the President shall not:

8. Enter into any grant arrangement or fundraising initiative that does not emphasize the production of Ends.

INTERPRETATION:

Compliance will be demonstrated when grant activities demonstrate a direct contribution to the achievement of Board Established ENDS.

EVIDENCE:

Review of [FY25 Grant Report](#) confirms the College continuing, awarded and pending grants all directly contribute to one or more of the Ends.

...the President shall not:

9. Use any resources of the College, to contribute to, or pay for fundraising events for, any political party or candidate for public office.

INTERPRETATION

Compliance will be demonstrated when:

- a) All rental agreements comply with administrative procedures that specify that College facilities and resources are not to be used for political fundraising events.
- b) List of paid bills verifies that no contributions were made to either a political party or to any candidate for public office.

This interpretation is reasonable as use of College facilities is not possible without a rental agreement even if a facility is being provided free of charge and rental agreements are legally binding. Further the monthly list of paid bills is comprehensive and any payment to a political party or candidate would be detectable.

EVIDENCE

[AP-3010.0 Use and Scheduling of College Property](#) prohibits the use of College facilities or property “for campaign activities, political rallies, conferences, or meetings of a candidate or partisan group.” (Note that forums on candidates or issues are permissible when

all sides are invited, and forums held be elected officials for purposes of informing the public and not held as a campaign event are also permissible.)

- a) Review of rental agreements by the Vice President of Administrative Services and General Counsel for the past year confirms no rental agreements inconsistent with rental procedures as of the date of this report.
- b) A review of the monthly paid bills during the monitoring period by the Vice President of Administrative Services and General Counsel verified that no payments were made contradictory to this policy.

...the President shall not:

10. Use public funds for awards or recognition events for employees, volunteers and/or elected or appointed officials which exceed the Board approved limits in GP-17 items 1, 1.1 and 1.2.

INTERPRETATION

Examples of awards for employees are Years of Service Award.

Examples of recognition events for employees are the mid-year celebration event.

EVIDENCE

The Vice President of Administrative Services and General Counsel confirmed the following:

- a) Recipients of the Years of Service Award during in-service in January 2026 received gifts that do not exceed \$50.
- b) Meals for employee recognition events during the monitoring period were catered through Chartwells food service at a cost that did not exceed \$50 per person.
- c) The costs for all awards and recognition events for employees during the monitoring period did not exceed the Board approved limits in GP-17.

Attachment A

<u>Revenue</u>	<u>2024 Actual</u>	<u>2025 Actual</u>	<u>YTD 2026 Actual</u>	<u>2026 Budget</u>	<u>% Thru Budget</u>	<u>Projected Year-End</u>
Tuition	7,405,435	7,138,555	6,592,798	7,215,616	91.4%	7,092,798
Fees	439,847	466,849	466,916	529,863	88.1%	466,916
Government Appropriations						
State Aid	15,283,161	15,587,042	7,749,280	15,498,560	50.0%	15,498,560
State Aid - Dual Enrollment	339,616	337,042	434,800	869,600	50.0%	869,600
Future Fund	0	29,583,377	15,309,398	30,618,795	50.0%	30,618,795
Nameplate Capacity	474,446	354,420	79,050	427,895	18.5%	427,895
In Lieu of Tax	4,404	2,653	0	2,653	0.0%	0
Motor Vehicle Pro-rate	54,724	33,093	0	33,093	0.0%	0
Property Taxes (prior years)	26,517,467	13,319	35,961	0	#DIV/0!	35,961
Total Government Appropriations	42,673,818	45,910,947	23,608,488	47,450,596	49.8%	47,450,811
Grants Contracts and Gifts	351,160	653,601	64,226	645,000	10.0%	645,000
Other Income	1,198,050	1,229,311	554,698	1,131,781	49.0%	1,131,781
Total Revenue	52,068,310	55,399,263	31,287,126	56,972,856	54.9%	56,787,306

Salaries and Wages

Total Salaries and Wages	40,477,969	42,153,842	24,265,262	43,906,741	55.3%	41,842,593
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Operating Expenses

Operating Expense	11,170,301	10,937,549	7,173,975	12,495,810	57.4%	12,298,242
Supplies and Materials Expense	2,411,322	2,478,103	1,277,058	2,667,166	47.9%	2,189,242
Travel Expense	627,857	560,794	261,955	742,429	35.3%	449,066
Capital Outlay Expense	1,357,464	591,642	80,398	404,416	19.9%	404,416
Student Aid Expense	71,595	80,000	62,465	85,000	73.5%	85,000
Auxiliary Cost of Sales and Service	0	2	0	0	#DIV/0!	
Mandatory Transfers In	(55,550)	(69,476)	0	0	#DIV/0!	
NonMandatory Transfers In	(1,640,590)	(1,027,592)	(63,742)	0	#DIV/0!	
Mandatory Transfers Out	22,131	28,936	18,543	0	#DIV/0!	
NonMandatory Transfers Out	365,044	204,613	64,110	0	#DIV/0!	
Total Operating Expenses	14,329,574	13,784,571	8,874,761	16,394,821	54.1%	15,425,966
Total Expenses	54,807,543	55,938,413	33,140,023	60,301,562	55.0%	57,268,559

Net Operating Result	(2,739,233)	(539,149)	(1,852,897)	(3,328,706)		(481,253)
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Attachment B

Questions from NACUBO Benchmarking Study	Fall 2019	Fall 2019	Fall 2020	Fall 2020	Fall 2021	Fall 2021	Fall 2022	Fall 2022	Fall 2023	Fall 2023
	Northeast	Benchmark	Northeast	Benchmark	Northeast	Benchmark	Northeast	Benchmark	Northeast	Benchmark
Total number of full-time equivalent (FTE) students enrolled at your institution in:	1506.93	-	1447.18	-	1478.08	-	1549.52	-	1500.78	-
	FY20	FY20	FY21	FY21	FY22	FY22	FY23	FY23	FY24	FY24
12-month unduplicated student headcount in academic year:	6450	-	6421	-	6636	-	6610	-	6827	-
Total number of students with an unpaid balance (cumulative) at the end of the fiscal year. This includes currently enrolled students and prior students no longer enrolled with an unpaid balance. Do not include students whose unpaid balance has been written off:	744	-	458	-	703	-	595	-	608	-
Ratio of cumulative # of students with unpaid balance at end of fiscal year, to unduplicated student headcount for the academic year <i>(compared to institutions with Carnegie Classification of Associate's Colleges)</i>	11.5%	45.2%	7.1%	47.8%	10.6%	53.3%	9.0%	59.1%	8.9%	-
Ratio of cumulative # of students with unpaid balance at end of fiscal year, to unduplicated student headcount for the academic year <i>(compared to institutions with enrollment size 4,000 to 7,999)</i>	11.5%	37.1%	7.1%	38.7%	10.6%	37.8%	9.0%	29.2%	8.9%	-
Total dollar amount of unpaid balances (cumulative) at the end of:	\$661,411.80	-	\$462,664.10	-	\$498,812.98	-	\$564,179.44	-	\$823,791.12	-