

INTERNAL MONITORING REPORT

POLICY TYPE: Executive Limitations

POLICY: 2.5

POLICY TITLE: Financial Condition & Activities

Report: This report constitutes my assurance that, as reasonably interpreted, these conditions have not occurred and further, that the data submitted below are accurate as of this day, March 31, 2016, with the exceptions listed below.

Signed:  _____, **President/CEO**

April 25, 2016

Policy Prohibition: With respect to the actual, ongoing financial condition and activities, the President and CEO shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from board priorities established in Ends policies.

Accordingly, the President and CEO shall not:

1. **Policy Prohibition:** Expend funds in excess of revenues.

Interpretation: Compliance with this policy will be demonstrated when the annual P&L shows expenses are less than revenue.

Evidence/Data: Year-end financials will demonstrate actual expenses are less than revenue. Quarterly report reflects progress toward compliance. In this quarterly report, revenue is above expense YTD by \$462,549 and there is no material deviation in budget to actual.

Report: I report compliance.

2. **Policy Prohibition:** Use reserve, restricted, or escrow funds for unspecified purposes.

Interpretation: All funds designated for specific purpose must be used for that purpose.

Evidence/Data: The most recent annual audit does not find any funds used outside designation.

Report: I report compliance

3. **Policy Prohibition:** Allow the debt to asset ratio to exceed 33%

Interpretation: Compliance with this policy is demonstrated when debt, defined as notes payable, is less than 33% of assets, defined as real property owned and non-discounted mortgages.

Evidence/Data: Quarterly report that reflects balance sheet assets with discounts added back in and total debts. Currently we are at 15%. \$9,974,355 in non-discounted assets; \$1,500,595 in liabilities.

Report: I report compliance.

4. **Policy Prohibition:** Fail to ensure all sources of revenue and all expenditures are properly accounted for.

Interpretation: Compliance with this policy will be demonstrated by review from an external CPA firm during the independent annual audit. The annual audit should be without material corrected and uncorrected misstatements. In addition, internal controls policies and procedures are in place.

Evidence/Data: Annual audit received is without material corrected and uncorrected misstatements and is accepted by the Audit Committee.

Report: I report compliance.

5. **Policy Prohibition:** Deviate materially from the annual budget.

Interpretation: Compliance with this policy will be demonstrated when the budgeted net income is no more than 2% (-\$75,000) different than budget as presented to the board. Quarterly reports will reflect deviations and any needed plans to adjust.

Evidence/Data: The current report reflects actual net income reported year-to-date is \$462,549; budgeted net income is \$141,161.

Report: I report compliance.