



Report of Independent Auditors and
Financial Statements for

Saint Katherine College

December 31, 2015 and 2014

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
Saint Katherine College

Report on the Financial Statements

We have audited the accompanying financial statements of Saint Katherine College, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MOSS ADAMS LLP

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saint Katherine College as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016 on our consideration of the Saint Katherine College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Saint Katherine College's internal control over financial reporting and compliance.

Moss Adams LLP

San Diego, California

February 29, 2016

SAINT KATHERINE COLLEGE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	December 31,	
	2015	2014
ASSETS		
Current Assets		
Cash	\$ 67,025	\$ 16,396
Student accounts receivable, net (Note 2)	24,503	21,085
Prepaid expenses and other assets	51,139	21,067
Total current assets	142,667	58,548
Student Notes Receivable , net (Note 2)	176,924	169,880
Property and Equipment , net (Note 3)	166,694	199,157
Security Deposits	3,600	6,066
Total assets	\$ 489,885	\$ 433,651
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 61,583	\$ 107,247
Unearned tuition	17,407	101,790
Total current liabilities	78,990	209,037
Deferred Rent	27,047	32,000
Total liabilities	106,037	241,037
Commitments (Note 6)		
Unrestricted Net Assets	383,848	192,614
Total net assets	383,848	192,614
Total liabilities and net assets	\$ 489,885	\$ 433,651

SAINT KATHERINE COLLEGE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 AND 2014

	Years Ended December 31,	
	2015	2014
REVENUE		
Student tuition and fees, net (Note 4)	\$ 497,861	\$ 846,712
Housing	134,633	330,075
Income from athletics	22,187	22,030
Other income	396	3,938
Net revenue	<u>655,077</u>	<u>1,202,755</u>
SUPPORT		
Contributions	1,334,753	1,697,191
Fundraising events	44,519	115,941
Direct event costs	(3,251)	(75,648)
Net support	<u>1,376,021</u>	<u>1,737,484</u>
Total support and revenue, net	<u>2,031,098</u>	<u>2,940,239</u>
EXPENSES		
Athletic department	378,988	760,049
Administration	772,439	932,589
Faculty and instruction	449,176	582,358
Housing	173,745	369,138
Fundraising	65,516	115,433
Total operating expenses	<u>1,839,864</u>	<u>2,759,567</u>
CHANGE IN NET ASSETS	191,234	180,672
UNRESTRICTED NET ASSETS		
Beginning of year	<u>192,614</u>	<u>11,942</u>
End of year	<u>\$ 383,848</u>	<u>\$ 192,614</u>

SAINT KATHERINE COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014

	Years Ended December 31,	
	2015	2014
OPERATING ACTIVITIES		
Changes in net assets	\$ 191,234	\$ 180,672
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Change in allowance for uncollectable receivables	73,036	112,445
Depreciation expense	39,444	28,126
Changes in operating assets and liabilities:		
Student accounts receivable	(83,498)	(231,067)
Prepaid expenses and other current assets	(30,072)	15,454
Security deposits	2,466	-
Accounts payable and accrued expenses	(45,664)	62,168
Unearned tuition	(84,383)	(66,163)
Deferred rent	(4,953)	32,000
Net cash provided by operating activities	<u>57,610</u>	<u>133,635</u>
INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(6,981)</u>	<u>(175,004)</u>
Net cash used in investing activities	<u>(6,981)</u>	<u>(175,004)</u>
NET INCREASE (DECREASE) IN CASH	50,629	(41,369)
CASH		
Beginning of year	<u>16,396</u>	<u>57,765</u>
End of year	<u>\$ 67,025</u>	<u>\$ 16,396</u>

SAINT KATHERINE COLLEGE

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies

Organization – Founded in 2010, Saint Katherine College (the “College”) (a California Public Benefit Corporation) is an independent liberal arts college formed in the Orthodox Christian tradition.

The College is approved and licensed by the California Bureau for Private Postsecondary Education to award Bachelor of Arts and Bachelor of Science degrees. The College derives its revenues principally from student tuition as well as private donations and contributions. Additional support is generated by the College through fees associated with residential facilities, technology and student life services, administrative-type fees, as well as fundraising events. The College spends these resources to meet its instructional and educational mission.

The College has applied for accreditation from the Accrediting Commission for Schools Western Association of Schools and Colleges (“WASC”) and was notified in February 2016 that it has achieved accreditation.

Basis of presentation – The financial statements of the College have been prepared on the accrual basis of accounting.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Student accounts receivable and notes receivable – Student accounts receivable are for tuition and housing fees and are recorded net of an allowance for doubtful accounts. In certain situations, the College has allowed students to repay their tuition fees over a period extending beyond one year from the date of the financial statements. Such amounts are presented as notes receivable in the accompanying statements of financial position. The loans are unsecured and generally payable over 10 years. The allowance is based on historical experience and management’s evaluation of receivables at year end.

Property and equipment – Property and equipment in excess of \$500 is recorded at cost and is generally depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the term of the lease or the useful life of the asset. Expenditures for repairs and maintenance are expensed when incurred. The estimated useful lives are as follows:

Computer equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	7 years

SAINT KATHERINE COLLEGE
NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

The College reviews property and equipment for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying value over the fair value of the asset. There was no impairment of property and equipment during the years ended December 31, 2015 and 2014.

Deferred rent – Rent expense on operating leases with scheduled or minimum rent increases is expensed on the straight-line basis over the lease terms. Deferred rent represents the excess of rent charged to expense over rent payable under the lease agreements due to the amortization of rent holidays and lease incentives (i.e. tenant improvements reimbursements). As of December 31, 2015 and 2014, deferred rent was \$27,047 and \$32,000, respectively.

Income taxes – The College qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, and section 23701(d) of the California Revenue and Taxation Code. Therefore, no provision for federal or California income taxes is included in the accompanying financial statements. Management believes that it has not taken any significant uncertain tax positions and does not have any tax obligations at December 31, 2015.

Net assets categories – All financial transactions have been reported by net asset classification according to the presence or absence of donor-imposed stipulations. The financial statements report amounts by classification of net assets as follows:

Unrestricted net assets – Unrestricted net assets are currently available at the discretion of the board of trustees for use in the College's operations and those resources invested in property and equipment.

Temporarily restricted net assets – Temporarily restricted net assets are those which are stipulated by donors for specific operating purposes or restricted by time. At December 31, 2015 and 2014, there were no temporarily restricted net assets held by the College.

Permanently restricted net assets – Permanently restricted net assets are those for which the principal is stipulated by donors to be invested in perpetuity. The income on the funds is used as specified by the donor and is recorded as temporarily restricted until appropriated for expenditure. At December 31, 2015 and 2014, there were no permanently restricted net assets held by the College.

Tuition and fees – Student tuition and fees are recorded as revenue using the proportional performance method of revenue recognition in the year during in which the academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Collectability of student accounts is reviewed both individually and in the aggregate.

Housing and income from athletics is recognized in the year the housing was provided or the athletic event occurred. Amounts received in advance are reported as deferred revenue. No amounts were deferred at December 31, 2015 and 2014.

SAINT KATHERINE COLLEGE

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

Contributions – Contributions are recognized as revenue in the period received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets are released from restrictions. During the years ended December 2015 and 2014, none of the contributions received by the College were subject to restrictions.

Donated services – The College receives a moderate amount of services donated by volunteers and others interested in the College's mission each year. These contributions of service are not recognized in the financial statements unless the services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services by volunteers for the years ended December 31, 2015 and 2014 did not meet the aforementioned requirements, and as such, no amounts were recognized in the financial statements for volunteer time.

Advertising – The College expenses advertising costs as incurred. Advertising expense was \$11,096 and \$17,460 during the years ended December 31, 2015 and 2014, respectively.

Functional allocation of expenses – The College allocates its expenses on a functional basis among its various programs, activities, and supporting services. Expenditures which can be identified with a specific function or support service are recorded directly, according to their natural expenditure classification. Costs that are common to more than one function are allocated among the function and supporting services on the basis of payroll and related records, space utilized, and estimates made by management.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are issued. The College recognizes in the financial statements the effects of all significant subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The College's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before the financial statements are available to be issued.

The College has evaluated subsequent events through February 29, 2016, which is the date the financial statements were available to be issued. Management believes all accounts are collectible and has not provided an allowance of the accounts receivable.

SAINT KATHERINE COLLEGE
NOTES TO FINANCIAL STATEMENTS

Note 2 – Student Receivables

Accounts receivable represents amounts due from enrolled students for the current year.

Notes receivable represent institutional loans due from both current and former students. The following is a summary of student accounts and notes receivable as of December 31:

	<u>2015</u>	<u>2014</u>
Student accounts receivable	\$ 24,503	\$ 21,085
Student notes receivable	\$ 429,381	\$ 349,301
Less allowance for doubtful accounts	<u>(252,487)</u>	<u>(179,421)</u>
Student notes receivable, net	<u>\$ 176,894</u>	<u>\$ 169,880</u>

Note 3 – Property and Equipment

Property and equipment consists of the following as of December 31:

Leasehold improvements	\$ 147,860	\$ 139,819
Furniture and fixtures	74,835	75,895
Computer equipment	<u>38,894</u>	<u>38,894</u>
	261,589	254,608
Less accumulated depreciation	<u>(94,895)</u>	<u>(55,451)</u>
Property and equipment, net	<u>\$ 166,694</u>	<u>\$ 199,157</u>

Note 4 – Student Tuition and Fees

Student tuition and fees consists of the following for the years ended December 31:

Student tuition and fees	\$ 931,972	\$ 1,419,641
Less college support and discounts	<u>(434,111)</u>	<u>(572,929)</u>
Student tuition and fees, net	<u>\$ 497,861</u>	<u>\$ 846,712</u>

SAINT KATHERINE COLLEGE

NOTES TO FINANCIAL STATEMENTS

Note 5 – Related-Party Transactions and Concentrations

Members of the College's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the College. For senior management, the College requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the College. These annual disclosures cover both senior management and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the College. The College has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the College and in accordance with applicable conflict of interest laws. No such associations are considered to be significant.

The majority of the College's contributions are derived from related parties, including the president and members of its Board of Trustees (the "Board"). One related-party donor contributed 72 and 78 percent of the College's total donor contributions during 2015 and 2014, respectively. Another Board member contributed 22 percent of the 2015 contributions.

The College has access to a \$3,000,000 unsecured line of credit from its president. No amounts have been drawn on the line of credit. The line of credit is available for ten years interest free. In addition, a member of the Board of Trustees has provided a \$5,000,000 line of credit to the College to assist with operating cash flows. No amounts have been drawn on the line of credit as of December 31, 2015.

Note 6 – Lease Commitments

The College leases its administrative offices and instructional and athletic facilities from various parties, which expire at various dates through 2021. Lease expense during December 31, 2015 and 2014 was \$281,401 and \$516,946, respectively. The College's lease commitments pursuant to these lease agreements are as follows:

Years ending December 31,		
2016	\$	124,404
2017		104,004
2018		104,004
2019		104,004
2020		104,004
Thereafter		<u>52,002</u>
Total	\$	<u><u>592,422</u></u>

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Trustees
Saint Katherine College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Saint Katherine College, which comprise the statement of financial position as of December 31, 2015, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Saint Katherine College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Saint Katherine College's internal control. Accordingly, we do not express an opinion on the effectiveness of Saint Katherine College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and responses as items 2015-001, 2015-002 and 2015-003 that we consider to be material weaknesses.

MOSS ADAMS LLP**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Saint Katherine College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Saint Katherine College's Response to Findings

Saint Katherine College's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The College's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

San Diego, California

February 29, 2016

**SAINT KATHERINE COLLEGE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2015**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Section II – Financial Statement Findings

2015 -001: Segregation of Duties; Material Weakness

Criteria – A strong system of internal controls includes adequate segregation of duties. Segregation of duties include methods and procedures that require the separation of responsibilities related to the custody of assets from accounting personnel, authorization of transactions from custody of assets and operational responsibilities from record-keeping responsibilities.

Condition – Many of the procedures currently in place for processing and posting transactions into QuickBooks are performed solely by the Chief Financial Officer (“CFO”). The CFO has check signing authority, online access to the bank account and the ability to record transactions into the financial statements.

Cause – The College has a very limited number of employees and has been unable to allocate incompatible duties.

Effect – Errors (intentional and unintentional) could go undetected.

Recommendation – We suggest that management and the Board of Trustees discuss and implement policies and procedures to allow for segregation of these duties.

The following are examples of segregation of duties that could be implemented by the College:

- Check signing capability should be limited to management outside of the accounting department.
- Bank reconciliation should be prepared by someone other than the CFO and then subsequently reviewed by the CFO.
- Remove the CFO from having access to QuickBooks or allocate conflicting duties to others.

**SAINT KATHERINE COLLEGE
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2015**

Section II – Financial Statement Findings (continued)

- The CFO should be reviewing the bank deposits for accuracy, not preparing the deposit.
- Review of the adjusting entries should be performed by someone other than the CFO or the individual preparing the journal, which is then initialed and dated by the reviewer.

Management’s response – The College’s management recognizes the limitations and material weaknesses associated with having only one employee, the CFO, in the Finance Department. The College plans to take the following corrective actions:

- ❖ The College will remove the CFO's check-signing capability. The President and the Provost will have check-signing ability.
- ❖ Budget permitting, the College plans to hire a part to full time bookkeeper who will:
 - Reconcile bank accounts;
 - Have sole access to Quickbooks;
 - Be responsible for preparing deposits; and,
 - Preparing journal entries for the CFO to review.

2015-002: Accounting Policies and Procedures; Material Weakness

Criteria – All accounts should be reconciled on a monthly basis. The reconciliation should be reviewed and approved by a person with adequate accounting knowledge.

Condition – The College does not have a proper process in place to reconcile student activity from its student database to its accounting software. There were instances in which supporting documentation or award letters for students who received tuition discounts, scholarships or work study were not available.

The College did not properly reconcile prepaid expenses and accounts payable to the general ledger, did not evaluate the allowance for doubtful accounts throughout the year and did not properly record the payroll journals on a monthly basis and reconcile the amount to the general ledger.

Cause – The College does not have adequate staffing to perform account reconciliations and analysis on a monthly basis.

Effect – Financial statements could include errors.

**SAINT KATHERINE COLLEGE
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2015**

Section II – Financial Statement Findings (continued)

Recommendation – We suggest that management implement policies and procedures to reconcile all accounts on a monthly basis, including reconciling the student activity from student database to the accounting software. The reconciliations should include support from each system and include the date the reconciliation was performed and reviewed and initials of the person preparing and reconciling the account. Payroll transactions should be recorded each month and reviewed to ensure allocations to the appropriate general ledger accounts. The College should consider using a month-end checklists to ensure all accounts are reconciled and all adjustments are made when preparing monthly financial statements. The month-end process should also include an analysis of the allowance accounts.

Management’s response – The College’s management agrees with the items stated, including the recommendation. The College has already taken the following corrective measures:

- ❖ All student financial agreements are done by Docusign, software that allows for legally binding electronic signatures and cloud storage. This has nearly eliminated errors in filing paper contracts and missing paperwork from previous years.
- ❖ Budget permitting, the College will hire a part or full time bookkeeper to do monthly reconciliations and allocate payroll transactions to appropriate accounts in a timely manner
- ❖ A monthly checklist will be implemented at the end of February 2016 including: reconciling bank accounts, allocating payroll and analyzing the allowance for doubtful accounts. In the past, these have been done by semester due to staffing/ time constraints.

2015-003 – Supporting Documentation; Material Weakness

Criteria – All transactions included in the general ledger should be supported by appropriate documentation. Appropriate documentation includes copies of checks received, approved invoices for disbursements and timecards.

Condition – Certain disbursements were not supported by vendor invoices/receipts and some transactions did not have adequate documentation to support the approval of the expense by the appropriate individual. In addition, the College’s payroll files did not include approved salary rates for a number of employees.

Cause – The College does not have adequate staffing to ensure an adequate level of review of appropriate transactions.

Effect – The College could pay inappropriate expenses and financial statements could include errors.

**SAINT KATHERINE COLLEGE
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2015**

Section II – Financial Statement Findings (continued)

Recommendation – We recommend management review the current procedures in place to ensure expenses are not processed without adequate documentation and support. The College should formalize all employee agreements. In addition we recommend management consider a threshold for documentation for expense reimbursements and develop a policy for expense reimbursements.

Management’s response – The College’s management agrees with the items stated and the recommendation. The College is taking the following corrective measures:

- ❖ Starting in the fall of 2015, all invoices and receipts are either provided digitally via email or scanned directly to the CFO's email. The CFO attaches the document to the appropriate transaction in QuickBooks. This function will eventually be handled by a bookkeeper.
- ❖ The College is instituting a \$50 threshold for documentation for expense reimbursements.
- ❖ The policy for expense reimbursements is being updated to specify the types of expenses that a) are reimbursable and b) need prior approval from the department head or CFO. At this time, it is not practical to require all expenses to be approved prior to ordering.
- ❖ All new employment agreements and salary changes are signed and recorded via DocuSign. Past verbal agreements have been put in writing and signed for all current employees.