



**ACCREDITING
COMMISSION
for COMMUNITY and
JUNIOR COLLEGES**

*Western Association
of Schools and Colleges*

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NORVAL WELLSFRY

July 2, 2015

Mr. Arturo Reyes, President
Mendocino College
1000 Hensley Creek Road
Mendocino, CA 95482

Dear Mr. Reyes:

Colleges are required to submit an Annual Financial Report (AFR), including their annual audit, to the Commission. The purpose of the Annual Financial Report is to monitor the fiscal condition of colleges in accordance with federal requirements and to enable the Commission to identify colleges that are at potential financial risk. The Accrediting Commission for Community and Junior Colleges, Western Association of Schools and Colleges (ACCJC), at its meeting June 3-5, 2015, reviewed the staff analysis of the 2015 Annual Financial Report. This analysis includes data from the current year and a comparison of data from the 2011, 2012, 2013, and 2014 Annual Financial Reports to assess changes in financial conditions.

The ACCJC has developed a Composite Financial Index (CFI) to assess institutional finances. The factors used in the CFI include the Primary Reserve Ratio, Net Operating Revenue Ratio, Salary and Benefit percentages, enrollment changes, default rates on Federal Student Loans, audit reports, and other financial information. Based on the analysis, colleges are assigned one of three levels of financial risk. Colleges in category N (Normal monitoring) are not subject to additional monitoring. Colleges in Category M (Enhanced monitoring) will have enhanced monitoring of their financial condition in the current and subsequent reporting years to assess whether financial conditions improve or deteriorate. Colleges assigned as category R (referred) undergo a more comprehensive analysis of their financial condition by the ACCJC's Financial Reviewers. The Commission will take action upon a finding of severe risk.

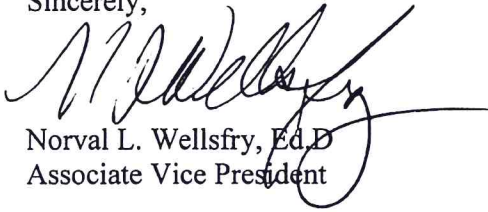
As a result of the analysis of the 2015 Annual Financial Report, Mendocino College has been identified as category M. As a result the institution will be subject to enhanced monitoring. The reasons for the enhanced monitoring include:

- Operating revenue ratio
- Operating deficit
- Salary and benefits percentage
- Enrollment change
- ARC contribution
- Negative change in cash balance
- Excess COLA

Mr. Arturo Reyes
Mendocino College
July 2, 2015

At this time, no action is required by your College. This status is provided as an early alert that the institution's fiscal status is at some risk. The institution might wish to enhance its internal financial review and planning to improve its condition, if necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'Norval L. Wellsfry', with a long horizontal flourish extending to the right.

Norval L. Wellsfry, Ed.D
Associate Vice President

NLW/mg

Attachment: Composite Financial Index

**ACCJC
COMPOSITE FINANCIAL INDEX**

CRITERIA	THRESHOLD FOR RUBRIC
PRIMARY RESERVE RATIO* <i>(Beginning Bal + Revenue - Expenditures)/ Expenditures)</i>	< 5%
NET OPERATING REVENUE RATIO* <i>(Income[Deficit]/Operating Revenue)</i>	< 4%
	< 0%
OPERATING DEFICIT (3 YEAR AVERAGE)	< 0
Deficit %	
SALARY/BENEFITS (3 YR AVG)	>86% = 1
	>90% = 2
ENROLLMENT CHANGE	
< -10%	1
< -25%	2
<-50%	3
Contribution to ARC < 50% of ARC	1
% Change in Unrestricted Cash Balance	> -5%
Audit Concerns (Material Weaknesses or multiple SD's)	yes
Financial Student Loan Default Rate (FSLD)-3 year rate	> 20%
	> 30%
Cash Flow	NO
Settlement in Excess of COLA - ongoing	Yes
Leadership Changes - Executive level	>= 2

*STRATEGIC FINANCIAL ANALYSIS FOR HIGHER EDUCATION, 7TH EDITION, KPMG