

Jackson School of the Arts MCACA Funder Report Addendum

The Funder Report for the Jackson School of the Arts shows significant swings in both revenue and expenses. Two factors explain most of those swings: 1.) the impact of the COVID-19 pandemic; and 2.) accounting changes enacted to make financial statements more transparent and more accurate.

- Unrestricted operating revenue was down 35 percent in the most recent fiscal year, a decline fully explained by COVID. The Jackson School of the Arts lost four months of revenue when the school was closed due to the pandemic. The school reopened at limited capacity in the summer of 2020, further reducing revenue.
- Operating expenses were down 30 percent in the last fiscal year. Part of that reduction is explained by COVID, because less money was spent when the school was closed. Nineteen employees were laid off during the pandemic, and all have since been called back to work. Part of the reduction also reflects cost-cutting. The school eliminated one management position and reduced spending on materials and supplies.
- The category of “management and general” expenses shows a huge increase of 197 percent. In actuality, this does not reflect any real increase in management costs. It reflects improved accounting procedures. In previous years, management salaries were listed under a different budget category. In the most recent fiscal years, salaries were moved into the “management and general” expense category to more accurately reflect those true costs. Jackson School of the Arts actually decreased management costs by eliminating the position of assistant director in fiscal year 2020.
- Investment revenue fell from a reported \$100,095 in fiscal 2018 to zero in both subsequent years. This is explained by another improvement in accounting procedures. All investment income in fiscal 2018 came from investment of capital improvement funds donated for a building project. As such, investment gains should have been reported as restricted revenue, not unrestricted. This mistake was corrected in subsequent years.
- Operating expenses increased 17 percent from fiscal 2018 to fiscal 2019. This increase is attributable to a large jump in fundraising expenses as the staff wrapped up a capital campaign to buy and renovate a new school building.

All that said, the Funder Report accurately reflects the fact that Jackson School of the Arts had operational losses of nearly \$30,000 in fiscal 2019 and \$50,000 in fiscal 2020. Pandemic or no pandemic, operational losses are not sustainable for any organization. As mentioned above, the board has taken steps to fix the problem by cutting management costs and enacting other spending cuts. The good news is that these efforts are paying off. Jackson School of the Arts is in a much better financial position in the current fiscal year. Over the first eight months of the fiscal year, through April 30, 2021, the school had an operational surplus of \$40,000.