

## **FINANCE & AUDIT COMMITTEE**

Meeting Minutes

January 28, 2019

**Trustees Present:** Alan Crain, Bill Baird, Helen Stoll

**Staff Present:** Robin Schuman, Lynette Ladenburg, Chris Vernon-Cole, Tammi Palodichuk, Diane Wasson

**Absent:** Aaron Schielke, Marlene LeMire

**Call to Order** – Alan Crain, *Chairperson / Finance & Audit Committee*  
Meeting called to order at 5:07 pm.

**Approval of Meeting Minutes** – Alan Crain, *Committee Chair*

There were no questions regarding the November Consolidated Financial Report.

Bill Baird, *Committee Member*, requested that the November minutes reflect that he would “try” to provide a model Investment Matrix versus “will.”

Bill also asked for clarification regarding Days Cash on Hand numbers, noting that the November report indicated 73 days, but the December reports states 76 days. He also inquired if the committee was notified if adjustments were made to financial reports for prior or current periods. Robin Schuman, *Chief Financial Officer* clarified that the correct number for November was 76, explaining that the change was due to cash entries for November that were made after the month closed. Robin also confirmed that the Committee is always advised when true adjustments are made to both prior and current period financial reports.

Bill also inquired about how delivery of service was measured for Home & Community Services (MMHCS), as he saw no volume metrics in the report. Robin explained that MMHCS metrics are located at the back of the packet and that units of services are measured as Hours of Caregiving.

**MOTION-** Approve the November 26, 2018 Finance and Audit Committee Meeting Minutes.  
The motion carried.

### **Financial Report – Robin**

#### Consolidated

- Days Cash on Hand increased from 76 in November to 83 in December.
- All balance sheet accounts have been reconciled.
- YTD Net Income is \$466,729.97 compared to budgeted (\$64,478.03).

#### Health Services

- Days Cash on Hand for December increased to 34 days from 27 days in November.
- Census for December was 167.48, 4.43 over budget; TYD was 166.27.

- Accounts Receivable of 60 Days and over decreased to 16.17%, reflecting a decrease of 21.10% over 2017. The reduction was due to improvements in collection processes.
- Temporarily Restricted Assets of \$37,472.10 were reclassified from the Helen Clark Fund to offset applicable bad debt.
- YTD Net Income was \$22,012.04 compared to a budget of \$386,998.84.
- The Fixed Asset software program has been corrected to depreciate assets consistent with the appropriate depreciation tables, based on asset category. Historically, many assets had been depreciated on a 10-year schedule rather than a 3-year schedule (exp. laptops). Depreciation of fixed assets have been adjusted retroactive to January 1, 2018. There could be some small adjustments remaining to be identified and corrected during the next year.

#### Children's Services

- Days Cash on Hand for December decreased to 49 days from 50 days in November.
- The business interruption insurance settlement was finalized in January with a payment of \$88,540, which was applied to December 2018 financials.
- December census for combined centers was 410 compared to 434 budgeted. 2018 YTD average census was 382.58 compared to 387, despite the June closure at the Early Learning Center (ELC).
- Net Income for December was \$68,928 compared to a budget of \$29,627.
- YTD Net Income was \$51,740, which was \$32,137 above the budgeted amount (\$83,877).

#### Home & Community Services

- Days Cash on Hand has improved from 21 days in April to 51 days in December.
- December Net Income was \$15,541, which was \$12,622 above budget.
- YTD Revenue was under budget (\$475,104)
- YTD Expenses were under budget by \$503,427.
- YTD Net Income was \$70,215, which was \$40,711 over budget.

#### Ebenezer Services

- There were no apartment vacancies in December.
- December Net Income was \$9,853, which was \$2,977 above budget.
- YTD Net Income was \$117,522 compared to budget (\$82,518), reflecting a variance of \$35,004.

Robin notified committee members of the following:

- Building Communities Fund revenue was posted under Cash Liability as Short Term Debt. Auditors will likely recommend that this be reclassified as Long Term Debt since it must be amortized over its 10-year life, which will result in a retroactive adjustment of \$45,000 to Income and Balance into Long Term Debt.
- ELC funds from insurance settlement has been entered as Deferred Revenue, pending auditors recommendation for an adjustment.

Alan suggested that the Board would be interested in having monthly cash contributions identified in the monthly report and that temporary and permanently restricted contributions be identified separately as a Net Asset. Robin will make these additions to future financial reports.

### Audit

Robin reported that when completing the 2017 Cost Report, the auditors, Clifton Larson Allen (CLA), reflected an error in the turnover ratio. On Schedule L the Total Direct Care and Total Terminated Staff numbers were not added together resulting in a reported turnover rate of 67%, when it is typically in the 30% range. Consequently, no points were awarded for that measure causing a penalty to our reimbursement of approximately \$55K for the first quarter reimbursement. Additionally, CLA acknowledged that the Cost Report had been submitted to the State one day late and without having been reviewed by CLA. The state did not impose a penalty for the late submission.

Robin will be requesting, at a minimum, that CLA refund the fees for preparing the report (appx \$15,000 - \$16,000), and may request restitution of penalties to reimbursement. She noted that although it is too late in the season to contract a new audit firm for this year's cycle, Lynette will be acquiring a list of audit firms from LeadingAge and release a Request for Proposal to consider bids for next year.

Lastly, Robin alerted the committee that the auditors will be attending the next committee meeting to present audit findings.

### **Other Business**

#### Investment Policy

Bill provided a revised Investment Policy to the committee for review, noting that language would need to be inserted that speaks to managing liquidity outside the policy constraints, specifically with respect for liquidity of assets, security and flexibility for use of funds.

Alan offered verbiage to provide for diversification to be inserted into Page 2, Paragraph 1 of Section B of the MMLS Investment Policy. After "concentration," Alan suggested inserting: "The Committee may move all or part of the assets into FDIC insured deposits, or collateralized deposits supported by liquid, high quality, US Government bonds (e.g., overnight repurchase agreements, true money market accounts, etc.) as warranted to ensure sufficient liquidity for the operational needs of Martha & Mary Lutheran Services."

Alan advised the committee of two options that Kitsap Bank offers, noting that after defining the pros and cons of these products, he would recuse himself from the vote. Both options provide FDIC protection and statements would still flow through one, single account:

- Create a new account as a vehicle for Money Market or term Certificate of Deposit
- Repurchase agreements, which yields higher interest. The Organization would own the interest and the securities would be sold the next morning. Should the bank fail, the Organization owns the securities and can move them to another financial institution.

Bill validated the products that Alan recommended, based on his professional experience, and recommended using a local bank as the familiarity offers more support.

The revised Investment Policy will need to be adopted for each Corporation (Lutheran Services, Health Services, Children's Services and Ebenezer Services). This issue is pending until the February committee meeting.

#### Credit Cards for Staff

Lynette Ladenburg, *Chief Executive Officer*, requested committee approval for a \$5,000 limit credit card for Kristine Grant, Director of *Marketing/Communications & Admissions* and an increase in limit from \$3,000 to \$5,000 for Tracy Walthall, *Director Resident Life Services*. The recommendation was approved by the committee for recommendation to the Board at their next Board Meeting.

Alan plans to consult with the Kitsap Bank team to determine whether credit card limits and changes truly require approval by the Board.

#### Work Plan

Robin provided a draft Work Plan for committee review and discussion. Bill requested that "Review Financials" be changed to "Review Financial Statements and Operations." A revised draft will be presented to the committee for review at the next committee meeting in February.

#### **Adjourn** - Alan

The meeting adjourned at 7:44 pm.