

**STRIVE  
FINANCE COMMITTEE MEETING – September 25, 2018**

Steve Ammentorp, Tawny Espinoza, Marna Lake, Cathy Staten, Joe Warner

**PRESENT FROM STRIVE:**

Sharon Jacksi, Linda Briggs

ITEM	OVERVIEW OF MEETING
1	Minutes of the Previous Meeting
2	Audit Presentation
3	Discussion on Management letter: P-cards
4	General Discussion and Committee Feedback

**Minutes of the Previous Meeting** – Joe Warner called the meeting to order. It was moved & seconded that the minutes of the previous meeting from June 26, 2018, be accepted.

**Audit presentation and discussion** – Peggy Jennings from Eide Bailly handed out the executive summary explaining the financial audit, the management letter and the governance report. The audit opinion is unmodified (clean opinion).

The Statement of Financial Position - Page 3. Consolidated assets decreased overall by \$635K, with a decline in cash position, and a decrease in accounts payable. Promises to give for the building fund at year-end were \$148K. The earnest money on the new office building is discussed in Note 11. There was a large increase in temporarily restricted assets due to the building fund.

The Statement of Activities - Pages 4 & 5. Case management and private pay revenues took a big hit. There was a one-time positive gain on the sale of property. The building fund brought \$300K in temporarily restricted funds. Operational revenues have declined, and there was a decrease of \$717K in fees from government agencies. Expenses increased by \$246K, mostly in program services. The net result for FY 2018 was a small loss, with the operational loss at \$298K, which was a significant decline from FY 2017.

The Consolidated Statement of Functional Expenses – Pages 6 & 7. All of the expenses are spread across major programs in this schedule. Due to the significant changes in operation, it is difficult to compare year over year. There were changes in employment related expenses, residential decreases, host homes increased, and salaries greatly reduced. Sharon mentioned this change to host homes was a strategic decision due to staff costs. Peggy mentioned the movement to host homes is not uncommon.

Consolidated Statement of Cash Flows – Page 8. In 2018, net cash spent was \$237K. We also spent \$100K for the earnest money deposit. Financial activities include the note payments. The net change in cash position was \$336K.

Footnotes – Pages 9-19. Note 1 is similar to last year. This note describes the programs offered. Peggy mentioned we have a great website to gather this information. Note 2 regarding receivables shows a decline, which was due to the State being behind

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on paying FY 2017 Medicaid receivables last year. Note 3 contains information regarding the promises to give for the building fund. This note shows \$160K due to come in, with the respective discounts and allowances. Note 9 describes the health plan, which has not changed year over year. Note 10 presents the restricted net assets. There were some large donations for Framing the Future and autism. Peggy said they audit the restricted funds to make sure they are being used for the purpose intended by the donor. Note 11 discusses the sale of 950 Grand, and the responsibility for asbestos removal. Peggy said she hopes the remediation will be done before June 30, 2019. The cost of the remediation will be reflected in the sale of building, and reduce the gain on sale. The purchase of 790 Wellington is a new LLC and explained in Note 11. Sharon explained the solar panels from Clear Energy on 950 Grand will potentially move to Botanical Gardens on the ground to utilize them to heat the Botanical Gardens. Atlasta Solar offered to provide labor at no cost for the relocation. The additional equipment needed will be provided at a reduced price.

Management Letter – This letter is a two page letter. On the second page, there is a deficiency noted regarding the purchase cards (p-cards). During the engagement, EB noted that there is no requirement that the receipt provided be an itemized receipt so that individual charges can be review for appropriate business use. At times, there was no receipt attached. EB recommended the p-cards be assigned to a specific person, with one or two people having controlled access, and to enhance the policy with failure to follow the policy resulting in a write-up placed in the personnel files. Peggy stated she was very impressed with the response. Within 24 hours, Chris submitted a revised policy, which has a different feel. There is responsibility placed on the cardholder, and disciplinary action that will cause people to reconsider. Peggy explained that the Management Letter comments are only addressed to the Finance Committee, and do not need to be shared with the Board or any lenders.

Governance Report – This report states there are no changes to the accounting policies. There is one significant estimate relating to the health insurance plan called IBNR (incurred but not reported). This balance consists of an estimate of the claims performed at June 30, but not reported to the insurance company until after year-end. This estimate is tested by subsequent events, and then confirmed. There are no audit or passed adjustments, and no disagreements with management. The Form 990 is in process in our Tax Department. There was no unrelated business income, and the 990 is reconciled to the audit.

**General Discussion and Committee Feedback** – Steve mentioned the e-mail from Jim Grisier about suggesting other kinds of accounting systems that could be helpful to management. Jim is concerned that the overhead is not being allocated to the programs, which makes it difficult to obtain management information. Peggy replied that the accounting system is not something EB looks at in this engagement, but agreed the number of cost centers is outrageous. Leadership must be open to making a management decision to reduce the number of costs centers, and then fully burden those cost centers to carry their share of the administrative costs. The overhead burden must be spread based on a reasonable basis (revenue, payroll costs, etc.) in a

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management report. Nonprofits struggle with this concept, and might make a different decision even if this program is costing the nonprofit money.

There was a motion and a second to approve the financial audit presentation for presentation to the Board. The meeting was adjourned at 11:30 a.m.

The next meeting will be January 29, 2019, to discuss Eide Bailly updates.

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