



## EMPLOY MILWAUKEE BOARD OF DIRECTORS

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### SPECIAL PERSONNEL, FINANCE & AUDIT COMMITTEE

February 24, 2020 – 11:30 a.m.

Employ Milwaukee • 2342 N. 27<sup>th</sup> Street • Milwaukee, WI 53210

### DRAFT MINUTES

(pending Committee approval)

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**Members Present:** John Kissinger (Chair), Mark Kessenich, Alan Perlstein, Mike Fabishak, Jon Mariano  
**Members Absent:** Karen Spindler, Molly Gena  
**Staff Present:** Pete Coffaro, Lowell Raven  
**Guests Present:** John Hemming (WIPFLI), Jean Christensen (WIPFLI), Kevin Flaherty (PNC Bank)  
Sumapreet Ghuman (DWD), Renee O'Day (DWD)

**Chair John Kissinger called the meeting to order at 9:32 a.m.**

#### 1. Welcome

Chair John Kissinger welcomed committee members.

#### 2. Approval of Minutes from December 3, 2019

After a brief review and discussion by the committee, December 3, 2019 meeting minutes were approved as circulated.

#### 3. Financial Activity Report

*Packet Information – EMI FY 2020 Budget and EMI FY2020 Budget vs. Actual Comparison*

The Financial Activity Report was reviewed, however, Lowell Raven, Finance Director, reported that this document is not a reflection of the overall financial activity of the agency as of December 31, 2019. Instead, this is a contract and grant report of the current awards for the current fiscal year reflecting the overall award amount expended, amount obligated and balance remaining in each grant. Mr. Raven reported from a good governance perspective, the committee was not receiving monthly internal financial statements and proper monthly closes were not being done throughout the fiscal year. The Accounting/Finance team is working on the new monthly close process and production of a monthly financial statement package would be current through February 29, 2020 by April 2020, with the intention of distributing a monthly financial package to this committee in order to keep members informed on the financial health of the organization going forward. Mr. Raven also briefly reviewed the Budget vs. Actual Comparison through December 31, 2019.

#### **4. 2019 Audit**

*Packet Information - EMI Financial Statements and Supplementary Information Years ended June 30, 2019 and June 30, 2018 prepared by WIPFLI, WIPFLI Auditor's Report on Internal Control, WIPFLI Auditor's Report on Compliance for each Major Federal and State Program, EMI Schedule of Findings and Questioned Costs Year ended June 30, 2019*

John Hemming and Jean Christensen, audit partners from WIPFLI, presented the FY19 audit results. EMI received a clean, unmodified opinion on the FY19 financial statements. An unmodified opinion provides a high level of assurance that the external auditors, through an independent examination of EMI's financial statements, has not revealed any actual or possible material misstatements in those financial statements. The auditors noted that there was an emphasis of a matter related to a growing concern footnote reflected in the FY19 audit. The auditors noted that the factors that were considered for the growing concern were: (1) operating losses the last three fiscal years and in the current fiscal year the cumulative net asset position (with and without donor restrictions) was negative; (2) the debt service covenant ratio of 1:1 was not met thereby causing the note payable to be classified in its entirety as current, thus the current liability exceeds assets; and (3) EMI has not been able to repay the line of credit in the past two fiscal years. This line of credit was not intended to be used until perpetuity.

The auditors discussed the new Accounting Standard Updates (ASUs) that impact EMI both in FY19 and FY20. The auditors reviewed the Statement of Financial Position and the Statement of Activities and noted that in the current year that approximately 94% of total revenue went to programmatic expenses as only 6% of our costs were management and general. They noted this was a very good ratio and was consistent with best practice. The Statement of Cash Flows was reviewed and the Notes to Financial Statements.

There was discussion on the footnotes, #16 in particular, Contingencies/Growing Concern and there was discussion of the proactive action steps EMI had taken, those being (1) an internal review of all positions reflected on the organizational chart, resulting in the elimination of certain administrative and programmatic positions during the first half of FY20 thereby lowering administrative costs and improving cash flow by a projected \$303K in FY20 and \$483K on a going forward basis, and (2) that all unoccupied square feet of the facility is in process of being leased out, thereby increasing unrestricted general operating revenue and improving cash flow by an estimated \$156K. The auditors reviewed the SEFA (Schedule of Federal and State Awards) and informed the Committee which programs were tested as major programs as part of the compliance audit. The auditors reviewed the opinions on internal control over financial reporting and for each major federal and state program and on internal controls and all were in compliance. The auditors noted that there were no material weaknesses or significant deficiencies identified, there were no financial statement findings, no federal and state award findings and questioned costs, and no prior year findings. The auditors noted EMI was currently a low-risk auditee, however this would change next year to a high-risk for two years because of the growing concern. They also noted that because of the change in status there would be additional major programs that would need to be reviewed as part of the compliance audit, as the required coverage of federal awards increased from 20% to 40%.

*A motion was made by Alan Perlstein and seconded by Mike Fabishak to accept and approve the FY19 audit except for the follow-up required related to F/N #16-Contingencies-Growing Concern.*

## **5. Line of Credit**

Kevin Flaherty, PNC Bank, discussed the renewal process of the \$500k line of credit, which matures on April 1, 2020.

## **6. Personnel**

- a. Status Update and Posted Positions**
- b. Introduction of new Finance Director**

*Packet information – EMI New Hire and Termination Report*

The New Hire and Termination Reports were reviewed. Lowell Raven, Finance Director, joined EMI in January 2020 during a very busy DOL monitoring week.

## **7. Other Items**

- (a) Health Insurance-reviewed and discussed increased costs associated with 2020 insurance renewal process.
- (b) Overtime Policy was reviewed and discussed, and motion was made and seconded to approve the new policy.
- (c) Social Media Policy was reviewed and discussed, and a motion was made and seconded to approve the new policy.
- (d) RFP process for FY20 audit was discussed and it was agreed that putting the FY20 audit out for bid would be considered.

**Chair Kissinger adjourned meeting at 12:07 p.m.**

**Next Meeting:** May 28, 2020 8:30 a.m. at Employ Milwaukee