



EMPLOY MILWAUKEE BOARD OF DIRECTORS

PERSONNEL, FINANCE & AUDIT COMMITTEE

December 3, 2020 – 8:30 a.m.

Employ Milwaukee • 2342 N. 27th Street • Milwaukee, WI 53210

DRAFT MINUTES

(pending Committee approval)

Members Present: John Kissinger (Chair), Chytania Brown, Molly Gena, Jon Mariano, Alan Perlstein, Karen Spindler
Staff Present: Lowell Raven, Julie Cayo, and Eileen McMahon
Guests Present: None

Chair John Kissinger called the meeting to order at 8:34 a.m.

1. Welcome

Chair John Kissinger welcomed committee members.

2. Approval of Minutes from September 22, 2020

Personnel, Finance & Audit Committee members briefly reviewed and discussed the September 22, 2020 meeting minutes.

Alan Perlstein motioned for approval of September 22, 2020 meeting minutes as circulated; Karen Spindler seconded; minutes were approved unanimously.

3. Financial Updates:

Packet information – Memo from Chytania Brown dated November 25, 2020 regarding Insurance Renewal, Memo from Chytania Brown dated November 25, 2020 re: , EMI Accounting Policies & Procedures Manual, EMI Financial Statement Notes as of June 30, 2020, EMI Comparative Statement of Financial Position as of June 30, 2020, EMI Comparative Statement of Activities as of June 30, 2020, EMI Financial Statement Notes as of September 30, 2020, EMI Statement of Financial Position as of September 30, 2020, and EMI Statement of Activities as of September 30, 2020

a. Discussion of Health Insurance

EMI had high utilization with our current Humana Insurance plan in 2020 and were offered same benefits with a 20% increase in premium. EMI requested quotes from two other health care providers. United Healthcare offered a 10.9% decrease in premium for similar benefits. Chytania Brown is recommending switch to United Healthcare for health, retain Humana for dental and vision and continue with CIGNA for Life and Disability. EMI pays 80% and employees pay 20%, which is in line with industry average. Nonprofits tend to be more generous with benefits because they are not as competitive in other areas such as compensation.

Alan Perlstein motioned for approval of switching to United Healthcare for Health Insurance, retaining Humana for dental and vision and retaining CIGNA for Life and Disability Insurance; Karen Spindler seconded, approved unanimously.

b. Discussion of updated Accounting Policies and Procedures Manual

- Lowell Raven reported staff has done extensive amount of work on newly revised Accounting Policies and Procedures Manual. Chytania sent out highlighted pages with changes that were made to the manual which included a summary of the following areas that were updated in the manual: (a) Liquidity and Availability, (b) Accounting Payable check signing authorization and invoice and purchase order approvals, (c) Revenue recognition, (d) Net asset classification, (e) paid time off which focused on changes made to the ability of employees to redeem sick and vacation time for payment while still being an active employee, (f) internal financial reporting, (g) clarification of equipment purchases following grantor procedures standards, (h) contract reviews of sub-grantees, and (i) Risked basket monitoring.

Committee briefly discussed and requested to see a red-lined version for comparison purposes. Mr. Raven reported that the auditors are asking for the approved version for the FY'20 audit.

Next steps – Lowell will send out red-lined version of the updated Accounting Policies and Procedures Manual to this committee to compare with final version. Eileen McMahon will schedule a special meeting for next week prior to the Board of Directors meeting scheduled for December 10, 2020.

c. Monthly Financial Updates

Mr. Raven explained that both the June 30th, 2020 and September 30th, 2020 Financial Statements are included in your packets. Important items of note have been highlighted in green. Lowell first reported the projected EMI deficit for FY'20 was \$394K at the time of this report, but that this number may change due to other audit adjustments. Lowell reported the unspent amount of PPP loan proceeds as of June 30th and noted that as of September 30th the loan proceeds had been fully expended on allowable costs under the PPP loan requirements. Lowell reported that as of June 30, 2020 total accounts receivable decreased significantly compared to the same period one year ago and that total accounts payable had also significantly decreased compared to the same period one year ago, thus the takeaway is that there was more cash available to pay down debt including subcontractors and other EMI vendors.

Lowell reported that the external auditors have provided a letter to EMI that based on the financial information provided by EMI related to the anticipated selling price of the building, the remaining net book value of the building and the resulting projected range of the gain on the sale of the building that the "going concerned will be eliminated for the FY'20 audit because the sale will be considered a subsequent event that will have taken place before the audit is issued.

Lowell reported that there was a surplus of \$135K for FY'21 and EMI continued to make positive progress towards having receivables paid generating more cash thereby allowing for a further reduction of accounts payable through the payment of subcontractors and other EMI vendors. .

Question was posed if it is correct that PPP began as a loan, but then becomes a grant with forgiveness? Mr. Raven responded EMI has been recognizing anticipated revenue equal to the

allowable expenses under the PPP loan and that the revenue is broken out separately on the income statement pursuant to the request made at the previous P. F & A meeting. Question was posed what is the closing date for the sale of the building? Ms. Brown responded that EMI is currently responding to questions from the buyer with December 15th, 2020 as the date that is currently set or the final approval from the bank and then a close date will be set; however, the situation is fluid and subject to change. . Don Layden is working on a Special Board of Directors meeting to approve the sale of the building. . Mr. Mariano likes side by side comparison for June and September and budget is great. Nice to see changes that have occurred.

d. Discussion of Intent to Change Vacation Accrual Carryover

Ms. Brown reported the language in the Employee Handbook around vacation accrual and carryover needs to be improved to give the vacation carryover policy more structure and would like to put a process in place that requires employees to use their vacation time within a specific amount of time, i.e., as of December 31st can only carryover 40 hours of vacation that has to be used by June 30th of following year. Members discussed with a few ideas including:

- Deadline of March 31st as an incentive not to carryover
- Balance could be converted to sick leave.

Next steps – Jon Mariano will send vacation accrual language from his HR to Chytania to help as a guide and as time allows EMI take next steps in updating language in its vacation accrual policy

e. Status of PPP Loan Forgiveness

Mr. Raven reported that the PPP loan was funded on 5/4/20 for \$1,112,150 and the maximum covered period was 24 weeks after the date the borrower received PPP loan funds, thus EMI was covered through 10/17/20. Lowell reported that EMI has 10 months from the end of the covered period to complete and submit the application for loan forgiveness and that Self-Help Federal Credit Union opened the portal for EMI to begin this process on 10/26/20. Lowell reported that EMI has until 8/17/21 to submit the application for loan forgiveness. Lowell reported EMI hired RSM US LLP as experienced consultants to assist in this process and that the SBA may take up to 90 days from the date, we submit the application for loan forgiveness to the time the loan is forgiven.

f. Update on Commercial Line of Credit Renewal

On October 1, 2020, the \$500,000 commercial line of credit was renewed for one year as opposed to six-months as had been done in recent renewals. As part of the line of credit renewal, the mortgage payable was reduced to 20-year amortization which lowers the monthly principal and interest payment. Lowell reported that the maturity date of the mortgage is 12/21/22 and the rate is fixed at 4.03%; however, this will be a moot point because of the anticipated sale of the building whereby the mortgage will be repaid in full.

g. Status of FY20 Audit

FY20 audit – wanted to have building sale included, which is planned to take place in early January. Draft of FY20 Audit should be available in late January at special meeting. Mr. Raven invited committee members to call him at any time with any finance questions or concerns.

4. Building Update

Ms. Brown reported she is meeting with attorneys on a weekly basis regarding the building sale. The buyer is sending documents to EMI. Ms. Brown was happy to report that as of the time of the P, F & A meeting there were no issues to report back to the committee. Question was asked if earnest money was received? Response was yes, \$25,000.

5. Personnel Status Report

Mr. Raven reported that EMI recently hired a Staff Accountant, Fiscal Compliance Auditor and a Contract Compliance Manager. Julie Cayo was recently promoted to Vice President – Strategic Planning and Performance. Interviewing is underway for Human Resources Manager. In the pre-posting stage for VP-Programs and Business Solutions.

Question was posed if most EMI staff are working remotely, and have you anticipated a return-to-work plan? Response was Finance, IT, Facilities, and some Program staff are working at EMI, and some other key staff come into EMI a few days per week. We are still in Phase 1 of the return-to-work plan and we are also discussing and updating work at home policy. Due to the pandemic worsening, we do not have a date for most of the staff to return.

6. Fund Development Report

Julie Cayo presented on Fund Development. Julie reported that EMI already met the FY'21 goal of \$1M and had significantly exceeded that goal as \$4,575M of grants had been approved including a \$3,5M Milwaukee County Community Resource Navigator grant. Of note are recent grant awards that include unrestricted funds:

- Bader Philanthropy \$65,000
- Associated Bank \$12,500
- Kohl's \$250,000
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Pending Grants:

- CDBG
- DWD/H1B
- Partnering with MUS on Career and Educational Pathways
- DOC Region 3

Recently two staff people were enrolled in two fund development courses and should be complete by January 2021. YouthBuild funding should be released soon.

7. Other Items

Ms. Brown called out Lowell for phenomenal job he has done in less than a year. EMI just completed the annual DWD monitoring and the exit interview was held one week ago. In the previous fiscal year there were many findings and this year thanks to the fiscal team there were significantly fewer. DWD had very few issues on the financial side of house and there appeared to be more findings on the program side.

Books of agency are solid and clean. Great job Lowell.

Chair Kissinger adjourned meeting at 9:55 a.m.

Next Meeting: February 25, 2021

