**Employ Milwaukee Board of Directors**

**PERSONNEL, FINANCE & AUDIT COMMITTEE**

**May 26, 2022, 8:30A.M. -10:00A.M.**

**Employ Milwaukee – 2342 N. 27th Street, Milwaukee, WI 53210**

**APPROVED MINUTES**

**Members Present:** John Kissinger (Chair), Chytania Brown, Jon Mariano, Alan Perlstein, Karen Spindler

**Members Absent:** Molly Gena

**Employ Milwaukee Staff Present**: Lowell Raven, Julie Cayo, Brenda King

**Guests Present:** None

**Chair John Kissinger called the meeting to order at 8:35AM.**

1. **Welcome**

Chair John Kissinger welcomed committee members.

1. **Minutes from February 24, 2022 - Approval**

Request to review all compliance audit reports. Will be included in minutes going forward.

Jon Mariano motioned for approval of February 24, 2022, minutes; Chytania Brown seconded; minutes were approved unanimously.

1. **Finance Updates:**
2. ***Presentation and Discussion of FY’23 Budget***

Lowell Raven reported that the proposed budget is 22.749M (million), this includes contracted funding and projected contracted funding as of 7/1/22 of $20.249M and 2.5M of projected fund development contribution revenue. There is a projected budget increase of $5.725M of contracted funding from FY2022 to FY2023, which is an increase of 33.63%. EMI has applied for other grants that have not yet funded, if those grants are funded the FY’23 budgeted revenue will be greater than what is currently projected. Lowell reviewed the funding source overview reflected on pages 1 & 2 of the budget narrative noting funding from the City of Milwaukee for ARPA Summer Earn & Learn, and Lead Abatement programs. He also noted that the DWD funding includes the DWD Worker Advancement Imitative which began in the current fiscal year. Lowell noted that EMI continues to have funding from the Department of Labor for a new YouthBuild contract that began in the current fiscal year ‘22. Lowell noted that EMI continues to have funding from Milwaukee County and that EMI received an extension from DHHS to support the Earn & Learn program. Lowell also noted that the balance of funding sources includes a 3rd year funding from Kohls Hometown partnership as well the fiscal agency relationships EMI currently has and the impact of each fiscal agent’s funding on the overall EMI budget. Lowell stated that a projected fund development goal of $2.5M was included in the FY’23 budget and that the goal was consistent with the $2.5M goal the committee established and approved in the FY’22 budget. Lowell then reviewed the 3rd page of the budget narrative whereby he reviewed the budget categories. He stated that the FY’23 budget projects overall estimated costs of $22.749M which balances with the projected revenue of $22.749M. The FY’23 budget is presented in 3 major cost categories to reflect how the grant funds are budgeted and accounted for under Uniform Guidance as well as Generally Accepted Accounting Principles. The total budged direct cost is very comparable as EMI budgeted 89% in FY’23 and 88% in FY’22. EMI budgeted administrative cost that have been comparable between FY’23 and FY’22. EMI budgeted $1M for contingency costs which represent uncertainty and future unexpected costs that cannot be foreseen at the time of preparing the FY’23 budget but will nonetheless occur during FY’233 as was the case in FY’22. There was a question from John Kissinger related to the source of the contingency funds and Lowell responded that they were used in FY’22 for restricted program activity for contracts that were awarded after the FY’22 budget had been approved, thus the specific use of contingency for FY’23 is to be determined, but most likely for programmatic purposes. There was discussion about possible improvements to the presentation of the materials, building ownership v leasing and the 10% De Minimis Cost Rate being used related to EMI possible not recovering all its administrative costs. John Kissinger inquired if the $2.5M fund development goal was the appropriate figure to use for FY’23 budget and Chytania responded in the affirmative. There was discussion related to the increase in direct program costs and Lowell had responded that with the nature of the current contracts there were significantly more costs for subsidized wages and voucher training related costs. Motion to approve the budget Jon Mariano, seconded by Karen Spindle, budget approved unanimously. In addition to the budget discussion there was discussion Jon Mariano had inquired about the ability to obtain compliance monitoring reports from the funding sources. Chytania stated she would provide the compliance monitoring reports from DWD. Jon Mariano asked John Kissinger to check with Executive Committee to determine if this request is something within the scope of review at Personnel, Finance and Audit Committee or if this were something that would reside in another Committee’s purview.

1. **Transfer of funds to operating account from net proceeds**

Lowell stated that he was asked to provide an analysis of 3 months of total EMI operating costs and based on his analysis that projected to $1.360M, thus he was requesting that $200K be transferred to the operating account from the $1.204M proceeds associated with the 2/5/21 sale of the building. Lowell stated that the funds would assist EMI in funding the retirement liability at end of June 2022 along with helping cash flow due to the nature of timing of incurring costs on CDBG awards, invoicing the City of Milwaukee for reimbursement and the time it takes to get paid. John Kissinger asked will this be a yearly request, or will it be ebbs and flows? Chytania responded that it ebbs and flows, and we need to have a discussion in the future regarding the retirement plan that will be beneficial to the organization and the employees. Alan Perlstein asked is this because we have a 10% De Minimis Cost rate and not an approved Federal Indirect Cost rate. Chytania responded that we need to have the obtaining of a federal indirect costs rate on the agenda as it is now beneficial since we no longer own the building. Lowell stated that he will begin the analysis needed as part of the federal indirect cost rate process. John Kissinger wanted to understand will this $200K cash outlay be replenished. Jon Mariano asked what EMI needs to do to get the federal indirect costs rate structure into place. Chytania stated we need to request a federal indirect cost rate because it was never previously initiated by the agency. John Kissinger asked is this acting like the line of credit. Chytania stated that it is better to fund the funds instead of going back and forth with the bank. Jon Mariano believed these funds will not be replenished, and it is funds spent. Jon Mariano asked when the last time the retirement plan has been reviewed, and who is the fiduciary of the plan with John Hancock? Chytania stated that we have an agent, Trent Muller with Morgan Stanley. Karen Spindler stated that it would be wise to review the plan to make sure we can properly fund the retirement plan. Karen has offered to assist EMI with the review of the plan. Jon Mariano would like to see more clarity on the cost structure before we move these funds. John Kissinger asked how a denial will affect the operations of EMI.

Chytania responded to John’s questions and stated EMI obtains advances for certain programs for which it cannot draw funds to have sufficient cash flow because in some instances such as the CDBG, EMI is out the cash for many months before contracts are signed which allow EMI to request reimbursement from the City of Milwaukee. Based on the feedback, John Kissinger stated this request was not being approved and could be revisited at the regularly scheduled meeting in August. Karen requested that we have a special meeting in July to go deeper into the money we take in and money that is pulled out, and the funding process that Chytania’ s group must go through. Ultimately after much discussion it was agreed to have a special meeting to review the federal indirect cost rate and review the 401K plan.

1. **Transfer of funds from net proceeds for settlement agreement**

Chytania informed the Committee that EMI needed to settle a legal matter in the amount of $65K which had already been approved at Executive Committee and that the settlement would take place in June 2022. The source of the settlement would be from the proceeds related to the sale of the building.

1. **Quarterly Financial Statements**

Lowell stated that the cumulative positive net asset position is $1.173M (equity of agency), as EMI has YTD deficit of $248K attributable to the timing of earmarked contribution revenue recognized in FY’21 that is being expensed in FY’22 via net assets released from restrictions. Lowell also let the Committee know that FY’21 Federal 990 was completed and e-filed and accepted by the IRS. There were no questions from the Committee.

1. **Investment Policy Update**

Chytania noted that EMI had obtained an example of an investment policy from Jon Mariano’s firm. Chytania stated that there were some decision points that needed to be reviewed. Chytania noted that in the example received 10 years was used as a timeframe for investing but given this is the first time EMI is investing does 10 years make sense because no determination has been made related to use of funding or is 5 years more doable. Chytania referenced asset allocation guidelines which breakdown percentages. Chytania inquired does EMI need to prepare an RFP to hire an investment firm? John Kissinger feels that we should hire a firm to handle investments. Karen Spindler stated that we should do research to see what other nonprofits do in this situation. There was a robust discussion of all committee members related to their respective feedback. John Kissinger summarized takeaways as follows: (1) We want to get a better idea of the structural deficit built into the organization before we decide how to invest. (2) Jon Mariano would provide examples of RFP’s to Chytania that can be used to prepare an investment RFP to get investment advice when EMI decides to invest or not invest.

1. **Personal Status Report**

Chytania reviewed the personal status report and noted the normal ups and downs of hiring and recruiting for the agency.

1. **Fund Development Report**

Julie reviewed the Fund Development report and there were no questions from the Committee*.*

**No further discussion.**

Chair John Kissinger adjourned the meeting at 10:00 A.M.

**Next Meeting: August 5, at 1:00 P.M.**