

ALBERTINA KERR CENTERS
Finance, Audit & Compliance Committee Minutes
January 7, 2020
4 to 6:00 p.m.
Kerr Admin Center – 2nd Floor Board Room

Members Present

David Connell, David Lake, Paul Litwinczuk, Jill Nickerson, Craig Payne, Karen Rasmussen, Laura Shipley

Members Excused

Melissa May

Community Members Excused

Tony Seashore, Mark Thoenes

Guests Present

Catherine Bekooy – Investment, Gift Acceptance & Planned Giving Committee Chair

Mary Lago – Investment, Gift Acceptance & Planned Giving Committee Community Member and Past Foundation Member and Chair

Staff Present

Jeff Carr, Owen Gibson, Janice Jacobs

Convene (Karen Rasmussen, Chair)

Karen convened the meeting at 4 p.m.

Approve Minutes of the November 12, 2019 Finance, Audit & Compliance Committee Meeting

ACTION: David Lake moved that the minutes of the November 12, 2019 meeting be approved. Jill Nickerson seconded. The motion passed via unanimous vote.

Investment, Gift Acceptance & Planned Giving Committee Report (Catherine Bekooy, Mary Lago)

Catherine and Mary provided a brief overview of the Committee's history and purpose. The Foundation bylaws, included in the meeting packet, define the Board's responsibility for designation of 51% of Foundation membership. The IGAPG Committee Charter, also included, states the Foundation is responsible for oversight of the Committee, therefore, investments are managed by Foundation members. The Committee meets quarterly to review investment performance and the investment policy and guidelines. U.S. Bank manages the investment portfolio, currently totaling approximately \$8.9 million, allocated into four different funds. The board-restricted quasi-endowment fund holds 79-80% of the total assets. Quasi-endowment funds are included in calculation of operating cash reserves, as they can be spent by the Board, but must be approved by the Foundation. The investment strategy currently sets a 4% spend rate, which sustains a balance between current and future needs. As the agency grows, the endowment must grow to maintain healthy operating reserves. March 31st market values each calendar year determine the spending rate based on an average balance the previous 13 quarters (3 years and 3 months). Historical data was provided on page 24 of the meeting packet. Investment benchmarks are

tracking to maintain stability, and allocations have not changed dramatically. The current investment policy is a good long-term non-profit strategy. The investment policy is reviewed quarterly at Committee meetings. It is time now to formally review the policy and fund managers. There was discussion regarding maintaining Kerr real estate assets under AK Centers, while investments are held by the Foundation, and whether that makes sense with regard to protecting the agency's assets. Real estate is currently valued at over \$20 million. There are no recommended changes at this time by the Committee or the Foundation.

Review of November FY2019-2020 Financials (Janice Jacobs)

- Janice shared a plan of priorities for the Finance Department and reviewed each step. The majority of the Accounting team are new since September 2019. Getting new staff trained and also communicating with the Revenue Cycle team are priorities. Payroll processes need attention. Everyone is being paid correctly, but some corrections to allocations and pay period dates need to be corrected. Allocations need to be streamlined. Internal agency transfers need to be reconciled and processes corrected. Accounting and reporting systems will be upgraded and integrated. Correcting the list of priorities will address the Audit Management Letters.
- MTD performance shows revenue is good. Direct expenses decreased and indications are that Kerr continues to under-spend. Programs overall are performing well. Behavior specialists' services billing was changed by the State this year to being unbundled from group home rates. The change is good for Kerr. There are several accounting processes that are still being sorted out and corrected. The audit focuses on consolidated financials and, in doing so, missed some issues with internal transfers within Kerr, mainly related to the businesses. Payroll was being calculated by pay date instead of pay period and needed correction.
- YTD shows performance ahead of budget. While there is a grant shortfall, the 4% increase in adult group home rates is helping. Cash shows a strong position on the balance sheets. Revenue and expenses are good. Payroll liabilities will be reconciled. The consolidated YTD performance shows a \$180k surplus, and a year over year comparison shows strong growth.

Review 5 Year Capital & Reserve Plan (Janice Jacobs)

- Kerr's real estate long-term debt is good, close to 80% loan to value.
- Some renovation expenses were higher than budget due to unexpected discoveries and increases in costs during the work.
- Epic is higher than budget due to timing on billing for Legacy. Epic will benefit Kerr in the long term. The cumulative spend on Epic was estimated to be between \$4 and 5 million, and the project is still tracking close to that budget.
- Converting the Autzen group home from adult to kids' was not budgeted, but will be made up with the higher kids' rates.
- The subacute expansion into the 165th property is depending on funds from the State. Kerr has asked for \$500k toward a total of \$750k to renovate and upgrade the building.
- Going forward, the plan is to add group homes and get out of leases. Some homes will be purchased and renovated; however, Kerr is currently looking for land to build new homes due to the high cost of renovating.

Review New Privacy and Medical Record Standards Policy (Owen Gibson)

Owen provided an update on the project to completely revamp Kerr's agency policies, including Board policies. All policies will be revised into a uniform format and then centralized and organized into a single

accessible location online. Several policies need to be consolidated and updated. Owen reviewed the updated Privacy and Medical Record Standards Policy for content and formatting. Passages in bold font are focus items. The Oregon Consumer Information Protection Act of 2020 (OCIPA) is new. An aggressive approach to prevent “snooping” in Epic will be implemented. Document retention will be revised and simplified. The Business Associate Agreement has been updated and will be used only for those vendors who access personal health information (PHI). A major intent in revamping, consolidating and streamlining policies is to get people to read them. Policies will continue to be presented to related committees and to the full Board for final adoption.

ACTION: David Lake moved to accept the new HIPAA policy. David Connell seconded. The motion passed via unanimous vote.

Executive Session

Committee members entered executive session at 6 pm.

Adjourn (Karen Rasmussen)

Karen adjourned the meeting at 6:05 p.m.

Recorded by Holly Edgar, Corporate Secretary