

ALBERTINA KERR CENTERS
Finance, Audit & Compliance Committee Minutes
November 11, 2020
5 to 7:00 p.m.
Via Teams

Members Present

David Connell, Paul Litwinczuk, Rod Malone, Melissa May, Jill Nickerson, Craig Payne, Karen Rasmussen, Laura Shipley

Staff Present

Jeff Carr, Owen Gibson, Janice Jacobs

Guests

- Miki Herman, Board Chair
- Gary McGee & Nathan Bresser of Gary McGee & Co.
- Jill Sherman of Edlen & Co.
- Rena Jimenez-Blount & Mark Kantor of Kantor Taylor PC

Convene (Karen Rasmussen)

Karen convened the meeting at 4:01 p.m.

Approve Minutes of October 7, 2020 Meeting (All)

ACTION: Jill Nickerson moved to approve the minutes of the October 7th FAC Committee meeting. Laura Shipley seconded. The motion passed via unanimous vote.

Review Audit (Gary McGee & Nathan Bresser of Gary McGee & Co.)

Gary and Nathan expressed many thanks to Janice Jacobs, Jeff Carr, and the entire Finance and Accounting Department staff for their assistance in providing materials during a challenging audit.

The format of the draft audit report is similar to previous years, including the Letter to the Board and the Financial Statements. This year's report also includes a Discussion Agenda and Management Letter, where the Management Letter, which is public, provides a list of items found last year and a comparison to this year's findings to show improvements and changes.

In the Letter to the Board, Gary points out the significant number of adjustments, noting the number and amounts suggest the need for better controls in recording financial transactions. Kerr's total net assets \$28 million. Net operating results are -\$622k, however, that deficit should reduce by almost half as more assets are released.

In the Discussion Agenda, Gary reviews the 57 adjustments made, both credits and debits. The overall change decreased assets by \$625k. Control accounts in the general ledger had inaccuracies, and reconciliations were not completed. Discrepancies were seen between the general ledger and reports from fundraising and billing. Adjustments were reviewed, but in many cases not recorded. Going forward, Janice Jacobs will review each adjustment. The auditors offered assistance and recommendations. Oversight of restricted accounts will be closely monitored and clear identification will be made regarding

who will add and release restricted donations, and who will determine how funds are spent. Some reclassifications are still to be made.

In the Management Letter, Gary includes some recommendations without giving details, however, the auditors will assist Kerr with addressing concerns. Gary reported the issues, while significant, are all fixable. Adjustment documentation will have individual sign-offs. Anne Adler and Janice Jacobs will both review and sign off on fundraising reports. Jeff Carr will review monthly fundraising and transfer records as well. Gary also noted staff turnover as a major factor in the missed accounting processes, and emphasized developing solid desk procedures.

Miki Herman thanked the auditors and expressed a need to be sure the final report to the full Board details remedies to all concerns and instills confidence that the Accounting will correct processes.

Presentation by Edlen & Co (Jill Sherman, Rena Jimenez-Blount, Mark Kantor)

Jill, Rena and Mark provided an updated presentation of the financing and tax credit pro-forma, along with the Board resolution, both being prepared for submission to the full Board for approval. Sources and uses, cash flow, and how low income housing tax credits (LIHTCs) work were reviewed. The deferred developer fee is explained and how it provides cash flow to Kerr in the short-term and over the next 15 years. Metro bonds awarded to Kerr by the City of Gresham, potential grants for energy efficiency and net zero, plus solar investment tax credits are sources of funding. The process of soliciting and selecting a lender and investor is included in the presentation. Enterprise and Chase provided the best terms and key points were reviewed. A timeline was reviewed and the next step is final approval by the Board, continuing documentation negotiation, and closing is targeted for December 22, 2020.

Updates to the Albertina Kerr Centers' Articles of Incorporation and a summary of the Board Resolution effecting Kerr's development of the Workforce & Inclusive Housing project were reviewed and explained. The Articles of Incorporation will include "fostering low income housing" as one of Albertina Kerr Centers' purposes in order to meet a provision in the tax code to qualify for low income housing tax credits. The Resolution states several actions to effect Kerr's adoption of the project, financial agreements, partnerships, execution of documents and authorization of signers. Mark Kantor and Rena Jimenez-Blount reviewed the details included in the meeting packet and presentation.

All agreed the presentation gives an excellent demonstration of the project details and action items.

Review September Financial Results (Janice Jacobs)

September financial performance shows a slowing from the strong July and August start to the fiscal year, but still good. The wildfire and evacuation situation, transitions in adult homes and closing PALS all had a negative impact. Contributions revenue deficit is a timing issue while 24 Hours of Kerr funds catch up. Salaries and wages were over budget, partly due to not having holidays built into the budget. Contract labor expenses reflect audit fees and a one-time bill for ASL services for a client at subacute. Supplies came in over budget mainly due to COVID. Month end was close to budget. Year-to-date shows \$1.4 million better than plan and very strong performance. Salaries and wages are over budget, while payroll taxes are under budget. Expenses are being managed very well. The balance sheet shows strong cash flow. Early indicators show October financials will be much like September performance.

Executive Session

The Committee entered executive session at 6:07 p.m.

Adjourn (Karen Rasmussen)

Karen adjourned the meeting at 6:18 p.m.

Recorded by Holly Edgar, Corporate Secretary