

ALBERTINA KERR

ALBERTINA KERR CENTERS Finance, Audit & Compliance Committee

Meeting Agenda Wednesday, March 10, 2021 4 to 6 p.m. Via Teams

- 4 p.m. **Convene** (Karen Rasmussen, Chair)
- 4:00 **ACTION: Approve Minutes of January 13, 2021 Meeting** (All)
pp. 2-4
- 4:01 **Review Compliance Dashboard** (Owen Gibson)
pp. 5-10
- 4:15 **Review Risk Management Assessment** (Owen Gibson)
pp. 11-13
- ACTION: Approve Risk Management Assessment** (All)
- 4:30 **Review Updated Board Policies** (Owen Gibson)
pp. 14-17
- ACTION: Approve Recommendation of Updated Policies to the Full
Board for Final Approval** (All)
- 4:40 **Financial Updates**
pp. 18-22
- **Review January FY2020-2021 Financial Statements** (Janice Jacobs)
- **ACTION: Approve January Financial Statements** (All)
- 5:00 - **Functional Audit Update** (Ann Ferguson, CFO Consultants)
- 5:15 - **Update on Insurance Bids** (Janice Jacobs)
- 5:25 - **990 Review Deferred to May Meeting** (Janice Jacobs)
- 5:30 **Land Purchase for Group Home Development** (Jeff Carr)
- 5:45 **Executive Session** (Karen Rasmussen)
- 6 **Adjourn** (Karen Rasmussen)

Attachment: FAC Committee Goals for Reference, p. 23
Next FAC Committee Meeting is Wednesday, May 12th, 2021, 4-6 p.m.

ALBERTINA KERR CENTERS
Finance, Audit & Compliance Committee Minutes
January 13, 2021
5 to 7:00 p.m.
Via Teams

Members Present

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

Member Excused

David Connell

Staff Present

Jeff Carr, Owen Gibson, Janice Jacobs

Guests

Terry Donahe, Foundation Chair; Anne Adler, Chief Development Officer; Chris Canter, Director of Individual & Planned Giving

Convene (Karen Rasmussen)

Karen convened the meeting at 4:05 p.m.

Approve Minutes of November 11, 2020 Meeting (All)

ACTION: Jill Nickerson moved to approve the minutes of the November 11th FAC Committee meeting. Melissa May seconded. The motion passed via unanimous vote.

Foundation Report & Investment Portfolio Review (Terry Donahe)

Terry provided a brief market overview report. 2020 was an extraordinary year. Covid-19 generated a historically fast stock sell-off in March, followed by the fastest recovery in history, creating a record-setting recession. The Fed is doing everything it can to support the economy including keeping the interest rate extremely low and massive financial relief efforts. Stock market performance is remarkable, largely driven by big tech stocks. Investors are looking past the pandemic.

The US Bank report shows record breaking returns. Kerr assets are at \$10 million, allocated 60% in equities and 40% in bonds. Foundation members conducted a review of investment advisers and 4th quarter performance. The future is all about the virus; getting vaccines and achieving herd immunity are paramount to getting the economy back on track. Some groups of Americans are thriving during the pandemic, while others are suffering. President elect Biden has committed to work on the economy immediately, likely starting with infrastructure spending. Taxes are not likely to go up right away. Equity valuations are stretched, driven by tech stocks, and an eventual corrective event is expected. Investing in bonds will be challenging. Hope is that the economy recovers before inflation occurs. Everything depends upon containing and managing the virus.

The Foundation recently reviewed the relationship with US Bank and sent RFPs to five investment groups. Ultimately, the decision was made to stay with US Bank and to update the investment toward a more managed and aggressive strategy with disciplined rebalancing activities. Jeff Carr thanked Terry

Donahoe for his time and efforts put into reviewing the investment strategy, US Bank relationship and Kerr's investment policies.

Financial Updates (Janice Jacobs)

November MTD revenue results were \$100k under budget, mainly attributed to COVID-19 impact and loss of PALS revenue. A grant for kids' education generated a positive variance in contributions and event revenues. Expenses were managed very well overall. COVID-19, holidays and cancelling the administrative support furloughs put salaries and wages over budget. Supplies and MIS were over budget due to billing and timing. November YTD revenue results continue to be strong against budget. Cash is strong. \$100k will come back to unemployment. YTD net operating is \$2.4mm over budget and net is \$3.3mm positive. The State gave notice in October that the new rate structure for Kids I/DD residential would go into effect on January 1, 2021. Kids have to be re-assessed for appropriate tiers. Kerr is expecting a good increase in revenue with these changes. Cuts to I/DD services are not expected in the next legislative session. Wage increases and possibly 401(k) matching may be reviewed in the new fiscal year if solid financial results support these decisions. Kerr is actively looking for land to build two group homes on in east Multnomah County. The homes would allow rebalancing of the numbers of kids in homes for maximum care and reimbursements. Turnover in the entry level positions is a challenge, especially in kids' homes due to high behaviors. New recruiting screening and manager training have been implemented with hopes of remedying the turnover. Kids' programs are the highest revenue returns and will likely continue to be in the future. Kids' outpatient mental health grants have assisted with room to grow the program. Front line managers are included in budget reviews so they can see expenses that are uncontrollable and the ones they can control.

Functional Audit Updates (Jeff Carr, Janice Jacobs)

CFO Solutions has been engaged to assist with addressing items in the audit management letter. Ann Ferguson, who has an extensive background in auditing, will review Kerr's audit, conduct an assessment, and provide a detailed report. The goals are to prepare for the next audit and to look at de-complicating processes and streamlining accounting workflows. Gary McGee will be contacted as promised for an early review in the April timeframe. Issues with the delayed Blackbaud allocations component will be fixed later this year.

5 Year Capital Plan Review (Jeff Carr, Janice Jacobs)

\$278k has been spent out of a \$1.3mm budget due to COVID-19 impact and deferring some projects. Some Epic expenses we expected to be paid in this fiscal year actually were paid last year, and therefore we are under budget in that area. A vehicle leasing pilot has launched vs. ownership, reducing costs. Kerr is pursuing the purchase of land to build two group homes. Eventually KAC will need to be addressed, likely in the 2022-23 timeframe. The subacute remodel toward a more therapeutic environment was deferred due to COVID-19.

Compliance Dashboard (Owen Gibson)

Owen asked Committee members if anyone had questions about the compliance dashboard provided in the meeting packet. Focus is being placed on allegations of abuse in programs. Increased reporting is good in that it means the system of reporting is working. The reason for the increase appears to be COVID-19 related, and the result of months of people being restricted to homes and less activities.

Conflict of Interest Report (Owen Gibson)

Owen reported that all attestations have been received and there are no issues. Four Board members reported disclosures, none of which presented concerns.

Review Quality & Compliance Board Policies (Owen Gibson)

Updated policies related to agency quality and compliance were included in the meeting packet for Committee members to review. A suggestion was made to review language for consistency, such as: Albertina Kerr, Kerr, the agency, etc. Owen will proof for style before final publication.

ACTION: Melissa May moved that the Quality & Compliance policy updates be recommended to the full Board for final approval. Laura Shipley seconded. The motion passed via unanimous vote.

Workforce & Inclusive Housing Update (Jeff Carr)

Jeff updated the Committee on recent changes to plans to complete the financial closing on the Workforce & Inclusive Housing project. Last minute changes to the CARES (COVID relief) Act included a provision that creates financial gains for low income housing projects closing after December 31st. Closing is now scheduled for January 28th. LIHTC will increase from 3.09% to 4%. The cash developer fee increases by \$1.2mm. Kerr can put \$500k back into value engineered items, and permanent financing goes from \$11mm down to \$10mm. A revised Board Resolution will be generated for approval reflecting the changes.

ACTION: As part of the annual Risk Management Assessment process, FAC Committee members were asked to consider names of insurance carriers to bring to the March FAC Committee meeting.

Executive Session

The Committee entered executive session at 5:48 p.m.

Adjourn (Karen Rasmussen)

Karen adjourned the meeting at 6:21 p.m.

Recorded by Holly Edgar, Corporate Secretary

Albertina Kerr Compliance Dashboard

Updated March 2nd, 2021

Chief Compliance Officer's Report

For the Finance, Audit, and Compliance Meeting scheduled for March 10th, I am presenting Albertina Kerr's FY 2021-22 Risk Management Assessment for review and comment. This assessment will then be used to develop next year's compliance plan to be presented at June's FAC meeting.

I am also presenting again for consideration the Kerr Board Code of Ethics. This is an updated version of the Code of Ethics presented at a previous meeting.

Overall, the compliance program continues to focus on licensing preparedness for all group homes and readiness for the Commission on Accreditation of Rehabilitation Facilities (CARF) accreditation audit that will come in April to review Kerr's Mental Health programs. We have also concluded the Kaiser Privacy and Security Audit, and Kerr's Chief Information Officer will present his findings and recommendations at the May Finance, Audit, and Compliance Meeting.

At our meeting on the 10th, I would also like to discuss possible topics for an all Board compliance training to be held in the next few months. Please bring forth any topics that you may have that would be informational for the full Board.

Owen

For Reference:

2020/21 Risk Management Assessment		
Composite Score (I*P)	Category of Risks	Details of risk
30	Licensing- Instances of Abuse	These are instances of substantiated abuse towards clients in services.
30	HIPAA- Loss of client information	This is improper access to client information by an outside party.
18	Fraud, Waste, and Abuse- Lacking Documentation	These are claims that are submitted for payment with lacking or missing documentation to support billing.
16	Licensing- Violating Rules	These are licensing findings for not following state and federal guidelines.
10	Fraud, Waste, and Abuse- Billing Process Errors	These are errors where incorrect charges are submitted to a carrier after they are submitted by staff.
10	Employment- Staff Injuries	These are injuries to staff that increase workman's compensation costs.
9	Employment- Significant Fleet Accidents	These are accidents with client or staff injury or significant damage.
6	Accounting- Client Accounts Discrepancies	This is the improper use of client funds that are meant for client use or benefit.
6	Employment- BOLI Complaints	There are complaints submitted by employees due to not following Oregon employment laws.
6	Disaster Recovery	This is the inability to provide services during or after a disaster.
4	Employment- Supervisory Issues	These are issues where supervisors do not follow agency policy in the supervision of staff.
3	Stark/Anti-Kickback Issues	These are improper payments or incentives to staff from outside entities.
2	Fraud, Waste, and Abuse- Denial Code Management	These are improper handling of denials from carriers, usually by changing codes where the service or documentation does not match.
1	Accounting- Incorrect Charges to Accounts/Insurance Carrier	These are charges that are not correctly charged to carriers or credited to client accounts.

Please see Albertina Kerr's Risk Management Assessment for details regarding Composite Scores and ranking of risks.

Recent Auditing of Risks

Licensing- Instances of Abuse

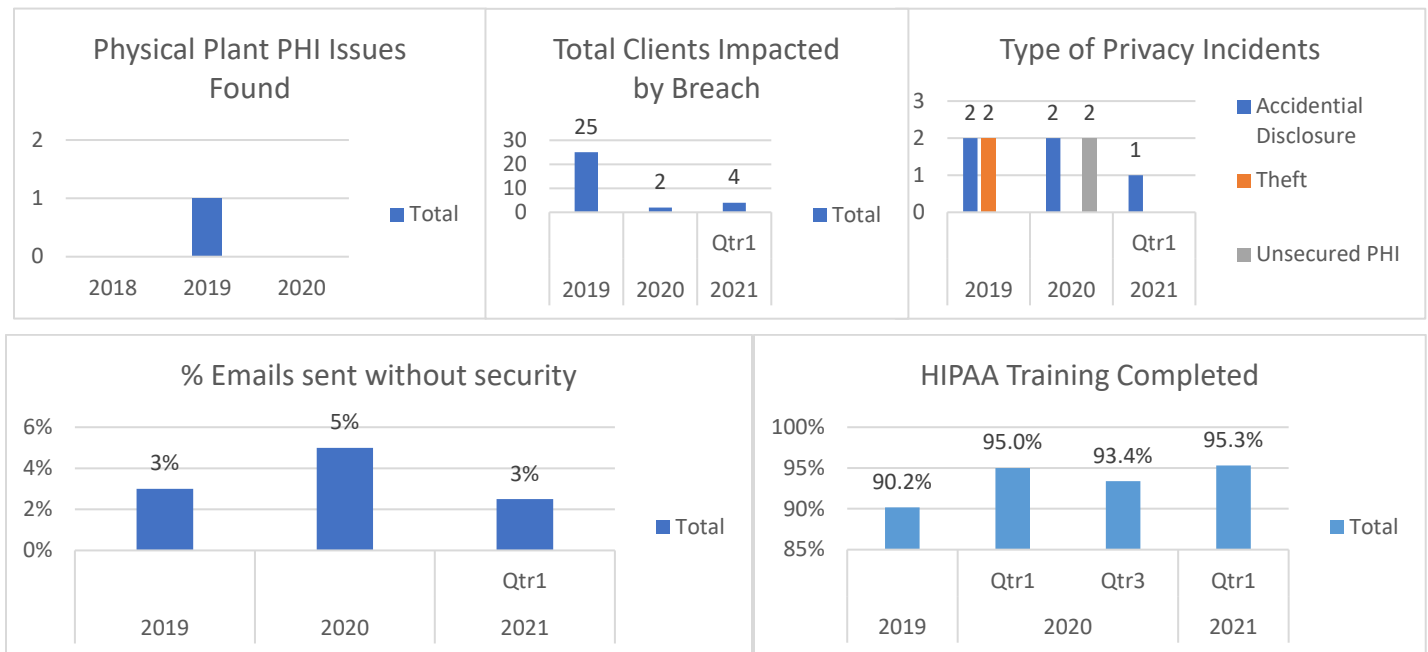
Abuse allegations are incidents where a person being served reported abuse by another person in the program or by a staff member. Note that investigations often span more than one quarter. Total Opened includes any abuse allegations that were opened for a formal investigation by a county or state entity during this quarter. The Total Founded consists of any investigations that were concluded in this quarter that may consist of investigations opened in this or previous quarters.

Abuse Allegations Group Homes	Q2 19/20	Q3 19/20	Q4 19/20	Q1 20/21	Q2 20/21
Total Allegations Against Staff	32	24	9	17	25
Total Opened for Investigation this quarter	15	11	5	5	11
Total Founded during this quarter	5	1	0	5	1

Founded allegations for October through December 2020 included:

One founded abuse allegation in Q2 in a youth group home. A relief staff was found to have used an inappropriate hold against a youth, forcing his face to the pavement, and his hands behind his back, and then applied pressure with his knee to the middle of the client’s back. The relief staff was terminated.

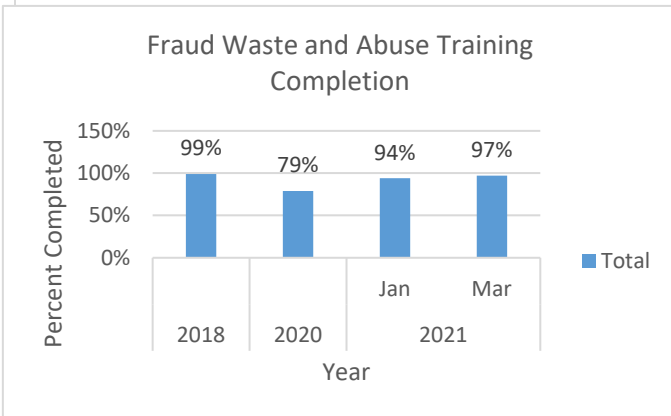
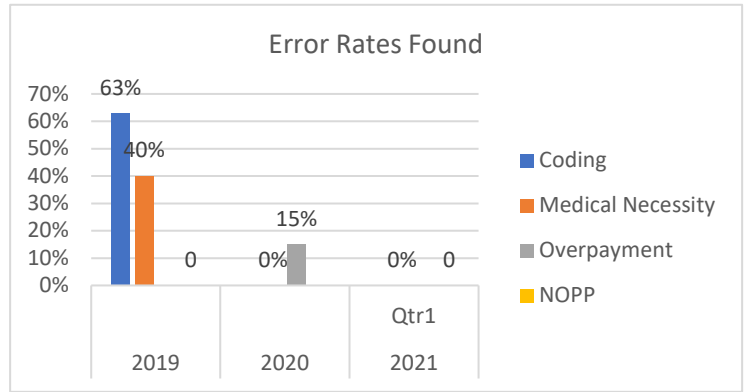
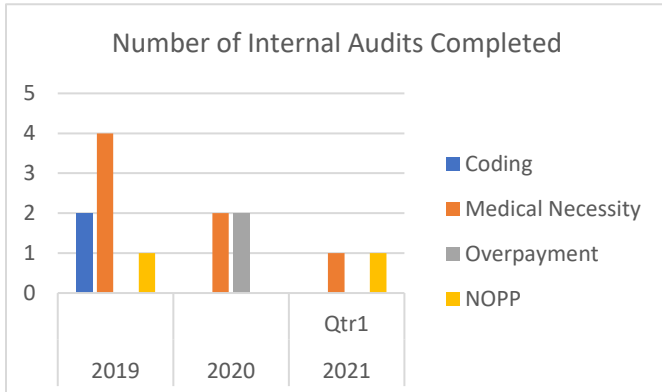
HIPAA- Loss of Client Information



In this quarter, we had a breach of information due to an error in our incident management system. Incident reports for 4 clients were sent to additional recipients due to a flaw in the system (which has been corrected). Kerr staff in medical records identified the issue. We are in the process of notifying the impacted individuals. We continue to see a significant decrease in unencrypted emails containing PHI overall compared to prior years. HIPAA training compliance continues to improve.

Fraud, Waste, and Abuse- Lacking Documentation

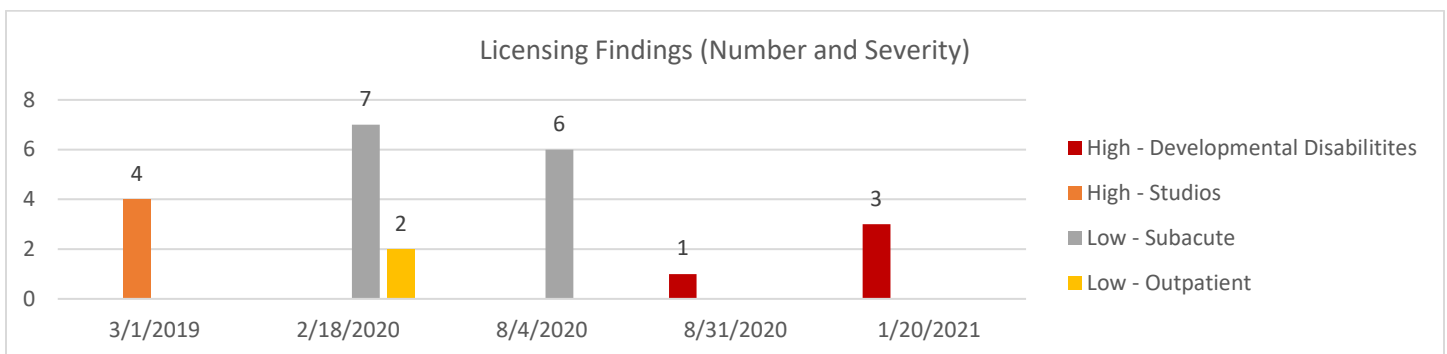
The below graphs indicates the internal audits completed and the associated error rates found.



In this quarter, I completed a review of Notice of Privacy Practices for Subacute. No issues found. Completed a medical necessity review of plans of care for Subacute. No issues found. FWA training completion continues to be good.

Licensing- Violating Rules

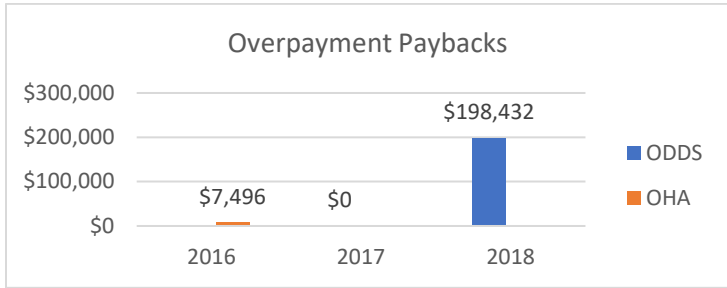
This graph indicates licensing or accreditation findings.



In this quarter, an adult home, Silverloop, did not pass licensing during their 2-year renewal and will receive a 2nd visit in the next 30-60 days. Three major issues included: Not following or training staff on some protocols, no documentation of follow-up on specific medical issues, RN delegations were not completed on time or lapsed. The program is working to address these issues at the time of this report.

Fraud, Waste, and Abuse- Billing Process Errors

The below graph indicates overpayment paybacks to state agencies.

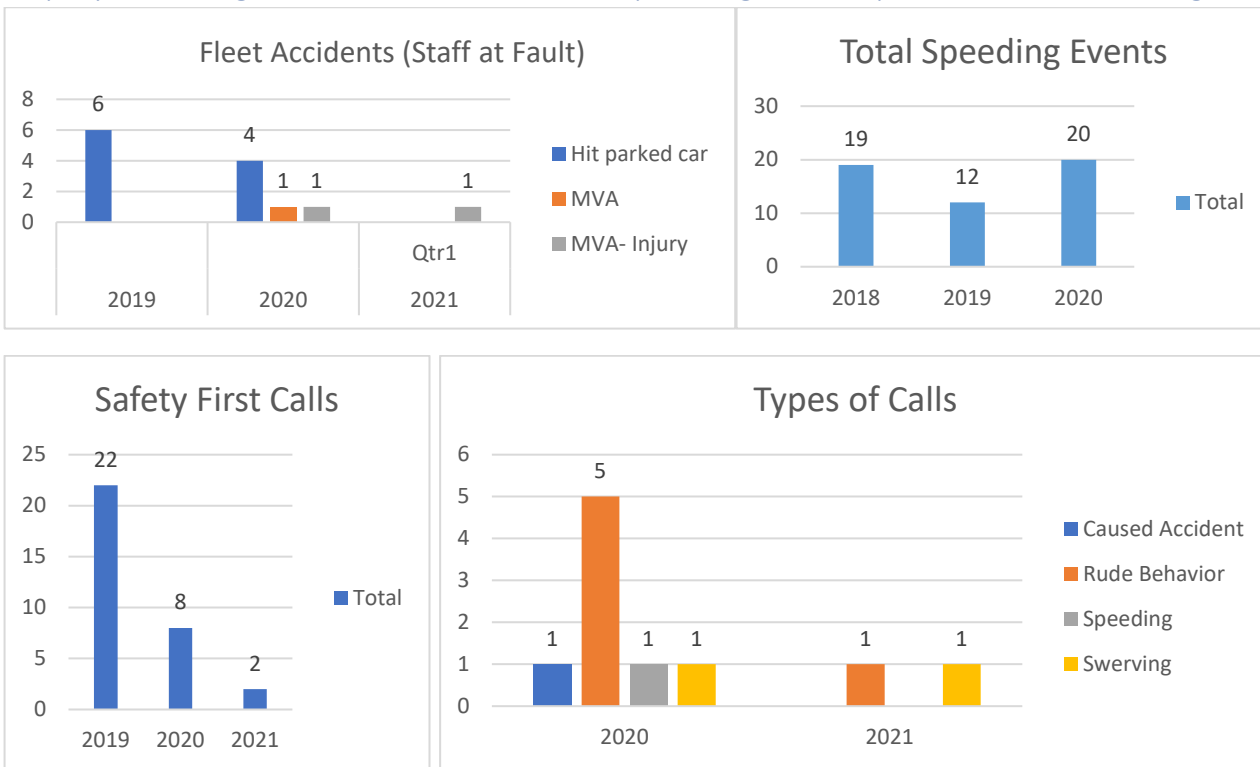


No paybacks have occurred since 2018. The Revenue Cycle department has continued to scrub daily billing claims for group homes, and the updated attendance tracking has been fully implemented and is being closely monitored.

Employment- Staff Injuries

This data is currently being reported to the Program and Accreditation Committee by the Chief Human Resources Officer.

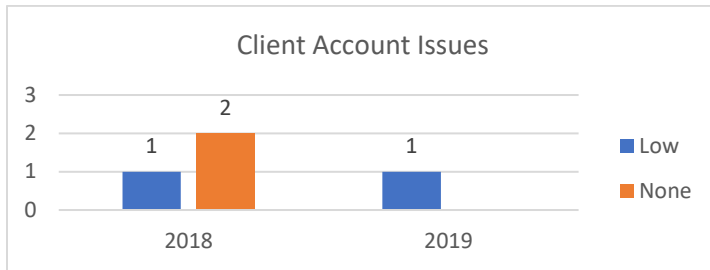
Employment- Significant Fleet Accidents, Speeding, and Report of Unsafe Driving



In this quarter, there was an accident where a staff member, with a client in the vehicle, changed lanes without looking and sideswiped another car. The client had minor injuries that were treated on the scene. There was damage of \$3062 to the agency vehicle. There continues to be fewer safety first calls and speeding incidents due to the lower mileage of the fleet.

Accounting- Client Accounts Discrepancies

This graph indicates when client personal monies were missing or not accounted for correctly during an audit process.



We are developing a strategy of auditing client accounts during Q4 2020/21. A new process for tracking client purchases is in process that will allow for better auditing and accountability of funds by reducing the amount of cash use along with systems to ensure that client purchases are not merged with agency expenditures.

Employment- BOLI Complaints

In this quarter, there were 2 complaints filed with BOLI.

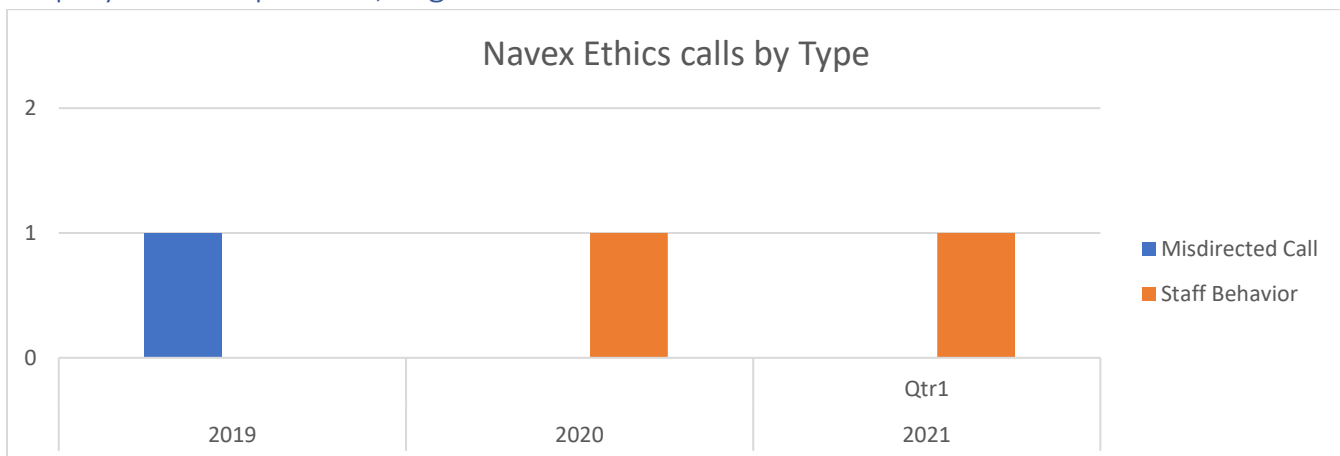
A former employee alleged she was due final pay. We have responded with time records and a copy of the final check. We expect the wage claim to be closed promptly.

Another former employee alleged she was terminated for whistle-blower activities for reporting another staff member using marijuana. In our review, we determined she was not terminated due to this report but due to significant performance concerns, and we are working with our insurance-assigned attorney to file our response.

Disaster Recovery

The agency initiated its emergency plan to address the recent snow/ice event. While the event did not experience any major organizational issues, materials and preparation were lacking for several homes, including emergency food and heat. The agency will complete an RCA in March to review the event and develop a plan of action.

Employment- Supervisor, Legal or Ethical issues.



In January, a staff member called the Navex line to report that a staff member had left the house to charge their phone, leaving clients unsupervised. This issue was reported to DHS for investigation, and the staff member was suspended pending the outcome.

Kerr still is engaged in a tort claim against the agency for negligence (failure to warn) by a contracted staff member at Multnomah Education School District. That case has slowed due to COVID-19 and has not yet been dismissed.

Stark/Anti-Kickback Issues

No issues reported this fiscal year.

Fraud, Waste, and Abuse- Denial Code Management

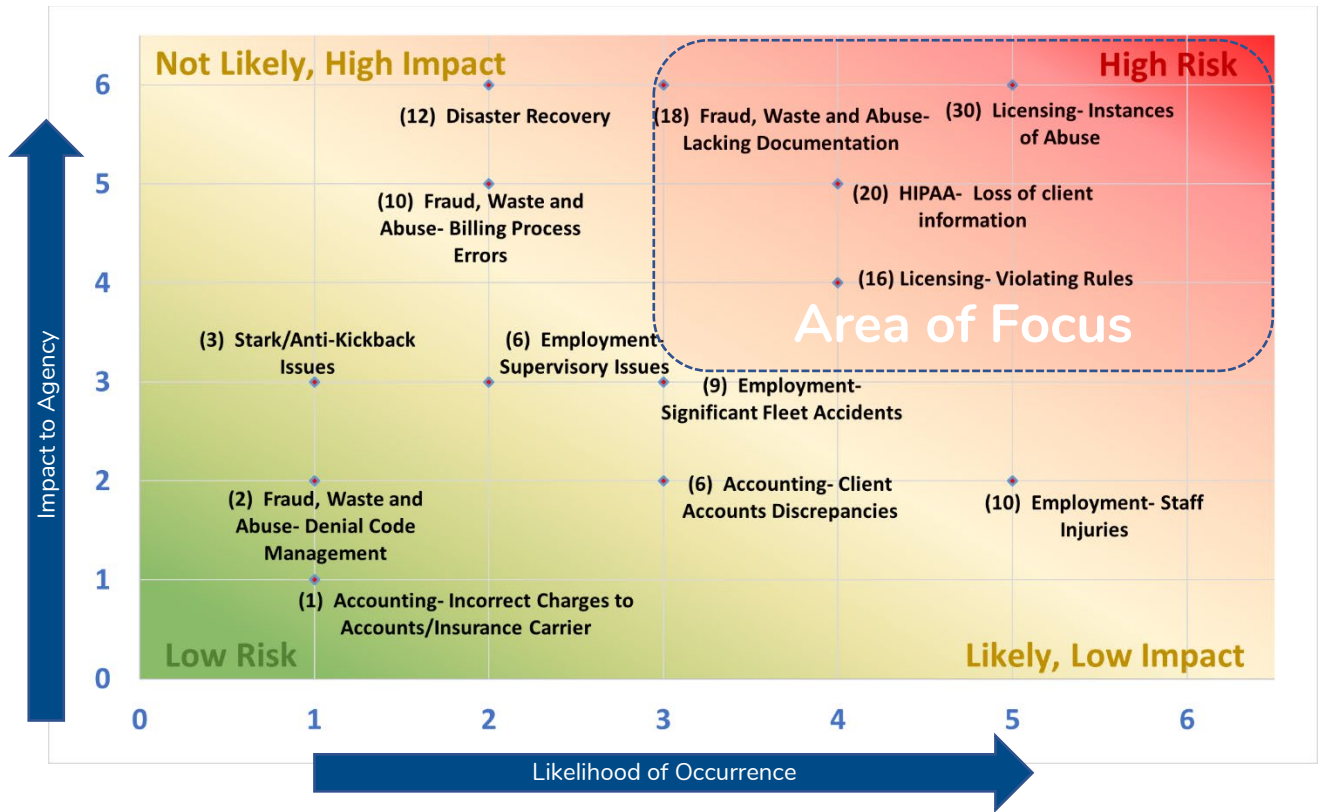
No issues reported this fiscal year.

Accounting- Incorrect Charges to Accounts/Insurance Carrier

No issues reported this fiscal year.

FY 2021-22 Albertina Kerr Risk Management Assessment

Below is a graphical representation of Albertina Kerr’s enterprise risks across compliance domains. Those risks in the upper right quadrant of the graph represent the highest risks to the agency and are the primary focus of Albertina Kerr’s Corporate Compliance Program. Graphed below, from left to right, is the likelihood of increased occurrence based on either historical data or industry trending. From bottom to top, this indicates the level of increasing impact to the agency, such as operational, legal, client harm, or reputational implications. Each risk area has a Composite Score noted, which is a calculation of the *Impact* times the *Likelihood of occurrence* ($Composite=Impact*Likelihood$). The Area of Focus indicates the risks where the majority of compliance resources are deployed.



Composite Score (I*L)	Category of Risks	Details of risk
30	Licensing- Instances of Abuse	These are instances of substantiated abuse towards clients in services.
20	HIPAA- Loss of client information	This is improper access to client information by an outside party.
18	Fraud, Waste, and Abuse- Lacking Documentation	These are claims that are submitted for payment with lacking or missing documentation to support billing.
16	Licensing- Violating Rules	These are licensing findings for not following state and federal guidelines.
12	Disaster Recovery	This is the inability to provide services during or after a disaster.
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Risk Assessment Scoring Guide

Rational for Highest Ranked Risk and Area of Focus

Likelihood of Occurrence		
Score	Description	Probability
1	Rare: A very small chance of happening	Every 10 years or more
2	Unlikely to happen	Every 5 to 10 years
3	May or may not happen	Every 2 years to 5 years
4	Likely to happen	Every 6 months to 2 years
5	Happens regularly	Monthly to 6 months
6	This will happen	More than once a month.
Impact to Agency (Realized or Potential) Impact Score = Highest risk (Operational/Reputational/Client Impact/Dollar risk)		
Score	Description	Dollar Risk per incident
1	No impact to operations	none
2	Little impact on operations	\$0-\$499
3	Operational adjustment required to address the issue	\$0-\$4,999
4	Creates challenge to operations; Impacts client care	\$0-\$9,999
5	Possible damage to reputation; Creates significant challenge to operations; Significant impact on client	\$0-\$50,000
6	Significant damage to reputation; Potential catastrophic impact to operations; Severe client impact/ fatal event.	0-\$100,000 or more

Within the current Risk Management Assessment, four areas of risk stand out as the highest-ranked and are the primary area of focus of Albertina Kerr's Compliance program.

Licensing- Instances of Abuse

Albertina Kerr has over 50 group homes located in the state of Oregon. These group homes serve 3-5 clients with limited direct staff supervision by management beyond the site manager of the program. Also, staff often work alone with clients in this setting. This type of environment is not unique to Albertina Kerr and has the inherent risk of staff's intentional or unintentional neglect/abuse of clients in the program. Abuse and neglect incidents have a significant impact on those served (up to and including death) and also creates liability for the agency in the form of state licensing actions and fines, legal action by the client or family member, and negative impact to the community's perception of Kerr which can reduce referrals, contracts, and philanthropic gifts. Given current state-mandated conditions on Kerr's certification at the time of this report and ongoing new substantiated findings, this remains at the same high level of risk as 20/21.

HIPAA- Loss of Client Information

Within Albertina Kerr's electronic systems and physical plants, there is a tremendous amount of protected health information that could be lost from staff carelessness or outside criminal activity. Loss of PHI can impact clients from identity theft or other consequences from someone accessing personal health information without authorized access. The agency can also receive steep fines for an egregious lapse in the security of protected health information. Given enhanced training and new security systems put into place, we have reduced this risk rating compared to 20/21.

Fraud, Waste, and Abuse- Lacking Documentation

The vast majority of services provided by Albertina Kerr are funded by state Medicaid agencies that are guided by rules established by the Center for Medicare and Medicaid Services. All services require authorization and the correct documentation to back any claims submitted for services rendered. A lack of proper documentation could result in a payback of monies received as well as potential fines or other legal action if the overpayment is egregious or purposeful. This risk rating remains unchanged from 20/21.

Licensing- Violating Rules

Multiple state and federal mandates guide Kerr programs. Violation of these rules can impact client care and also result in financial fines and temporary or permanent closure of sites or programs. This risk rating remains unchanged from 20/21.

Summary

One other area of change in our risk is an increase in scoring regarding our disaster mitigation. Kerr has seen three major disruptions in services in the last 12 months, including the pandemic, regional fires, and an ice storm in February 2021. We have increased the potential frequency of disasters to line up with recent history.

While the four risks noted above are the primary focus of Kerr's Compliance Program, all of the other areas of risk indicated in this assessment are monitored and reviewed regularly by the leadership of Kerr.

This Risk Management Assessment is reviewed by the Senior Leadership of Albertina Kerr as well as the Albertina Kerr Finance, Audit, and Compliance Committee on an annual basis. From these risks, the Annual Compliance Plan is developed and implemented to mitigate these risks. All risk areas are considered in the Annual Compliance Plan and are monitored through regular direct audits or other surveillance means.

Revision and Approval History:

Section	Revised by	Revision Date	Approved by/ Date	Approved by/ Date
Risk Assessment	Owen Gibson	02/15/2021	SLT/ 2/18/2021	FAC Committee/ TBA

Chapter 1: Core Board Policies

SECTION: CODE OF ETHICS

As a nonprofit organization serving some of Oregon’s most vulnerable adults and children, Albertina Kerr’s policy is to uphold the highest legal, ethical, and moral standards. Those we serve, our donors, volunteers, and employees support Albertina Kerr because they trust us to be good stewards of their resources and to uphold rigorous standards of conduct. Our reputation for integrity and excellence requires careful observance of all applicable laws and regulations, as well as a scrupulous regard for the highest ethical standards of conduct and personal integrity.

Albertina Kerr will comply with all applicable laws and regulations and expects its directors, officers, and employees to conduct business by following all relevant laws in carrying out their respective duties; to refrain from any illegal, dishonest, or unethical conduct; to act in a professional, businesslike manner; and to treat others with respect.

The use of sound judgment, based on high ethical principles, will guide directors, officers, and employees concerning what is considered acceptable conduct. However, if a situation arises where Board Member finds it challenging to determine the proper course of conduct or where questions arise concerning the propriety of certain conduct by an individual or others, the matter should be brought to the attention of Albertina Kerr's Board Chair. In all questions involving ethics and conduct, individuals whose conduct is at issue will not participate in such decisions, and the Board will make relevant determinations in the best interest of Albertina Kerr’s mission.

Sources:

Rule/Source	Summary	Last rule revision date
NAO	Example code of conduct	2019
CARF	Code of Ethics	2020

Revision and Approval History:

Policy	Revised by	Revision Date	Approved by/ Date	Approved by/ Date
Code of Ethics	Owen Gibson	12/20/20	FAC Committee/ TBA	Kerr Board/ TBA

Chapter: Financial Management

SECTION: FINANCIAL RESERVES

The purpose of the Financial Reserves policy is to help ensure the long-term financial stability of the Agency, and position it to respond to varying economic conditions and changes affecting its financial position and its ability to carry out its mission. It is also intended to provide a source of internal funds for strategic priorities such as facility purchases and improvements, capacity building, and branding/awareness campaigns. This policy will be implemented in concert with other Board financial policies and is intended to support the goals and strategies contained in these related policies.

Cash Reserve

The cash reserve provides working capital to manage day-to-day operations and cash flow timing as well as liquid resources to meet unplanned obligations, uninsured or self-insured losses, and operating budget shortfalls. This reserve comprises cash and cash equivalents that are accounted for in the unrestricted, undesignated funds of Albertina Kerr and the Foundation. The cash management focus is on liquidity, though management may invest a portion of this reserve in money market instruments that provide incremental returns in exchange for a longer time horizon.

The target minimum amount to be maintained in the cash reserve is one month of average operating expenses. Depreciation is included in the operating expense amount since this reserve may be used for unbudgeted or under-budgeted capital expenditures. A commercial line of credit may be maintained as a supplemental cash cushion, but it is not included in the reserve calculation. Additional cash beyond the minimum target amount may be maintained and utilized for future management purposes, such as to cover projected deficits or to fund capital expenditures, debt reduction, program start-ups, and/or other strategic uses. Funds may also be transferred to board-designated reserve funds in coordination with the Board and Trustees. If the reserve falls below the minimum target for other than timing fluctuations and/or temporary, planned objectives, management should identify a plan for restoring the reserve to the minimum target.

Board Designated Reserve

The Board designated reserve provides, at the Board's discretion, funding for ongoing operations and strategic investment opportunities, and resources to meet unplanned obligations, material uninsured losses, or other unexpected events. This reserve primarily comprises funds that are managed by the Board as a quasi-endowment, though the Board may alter the long-term designation of any or all of these funds at any time to fulfill other strategic purposes or near-term needs. The funds are accounted for in the Board-designated fund of the Foundation. A smaller subset of this reserve is accounted for in the temporarily restricted fund of the Foundation and represents unrestricted, yet un-appropriated, earnings on the true endowment that can be appropriated for use at any time by the Board. The investment focus is placed initially on capital appreciation, secondly on income generation, and lastly on preservation of principal.

The target minimum amount to be maintained in the **B**oard–designated reserve is two months of average operating expenses. Depreciation is included in the operating expense amount since this reserve may be used for unbudgeted or under-budgeted capital expenditures. Additional funds beyond the minimum target amount may be maintained and utilized for future **B**oard purposes. If the reserve falls below the minimum target for other than temporary planned objectives and/or market fluctuations, a plan should be identified for restoring the reserve to the minimum target.

Primary Reserve

The primary reserve considers not just cash or investments, but all expendable net assets expressed as a percentage of annual expenses. This ratio represents a clear indicator of an organization's overall financial health, and it is displayed in Kerr's annual audit reports as well as in the quarterly financial dashboard. A ratio of between 25% and 40% at a minimum is advisable to provide an organization the ability to rely on internal cash to meet short-term obligations, carry on a reasonable level of facilities maintenance, and manage modest adverse financial events. These expendable net assets are accounted for in the unrestricted funds (undesignated and **B**oard–designated) of Kerr and the Foundation, and comprise current liabilities netted against current assets. The target minimum primary reserve ratio is 25%, which equates to three months of average operating expenses.

Capital Reserve

The capital reserve provides a source of unrestricted, **B**oard–designated funds to supplement the operating funds that are available for capital acquisition, building and leasehold improvements, furnishings, and equipment. Although depreciation is a budgeted non-cash expense that frees up operating cash each year for capital expenditures, it is inadequate to meet the deferred maintenance that has arisen over time with Kerr's aging facilities as well as the changing capital needs over time. The intention of the capital reserve is to bridge this funding gap on a year-to-year basis. This reserve comprises funds that are managed by the Board as a quasi-endowment, though the Board may alter the long-term and/or capital-related designation of any or all of these funds at any time to fulfill other strategic purposes or near-term needs. The funds are accounted for in the **B**oard–designated fund of the Foundation.

The target minimum amount to be raised and maintained in the capital reserve is four times the average annual projected depreciation for the upcoming five-year period. An annual spending rate drawn from this amount, combined with the annual operating fund available through budgeted depreciation, would help considerably in closing the gap between a feasible capital budget and a best-case capital budget as is illustrated in the long-term capital plan. Additional funds beyond this minimum target would help to tighten this funding gap and further reduce the amount of deferred maintenance carried on Kerr's facilities and fleet portfolio.

Sources:

Rule/Source	Summary	Last rule revision date

Revision and Approval History:

Policy	Revised by	Revision Date	Approved by	Approval Date
Budgeting	Holly Edgar	03/04/2020	FAC Committee	
Financial Conditions	Holly Edgar	03/04/2020	FAC Committee	
Signatory Authority	Holly Edgar	03/04/2020	FAC Committee	

Albertina Kerr

Consolidated Statement of Activities

January 2021

	This Month			
	Actual	Budget	Variance	% Change
	1/31/21	1/31/21		
Revenue				
Contract and Program Revenue	\$3,912,085.25	\$3,783,271.64	\$128,813.61	3.40 %
Contribution and Event Revenue	\$122,899.07	\$74,766.05	\$48,133.02	64.38 %
Kerr Bikes/Sales to Public	\$893.50	\$861.20	\$32.30	3.75 %
Investment Spend	\$27,909.91	\$27,909.91	\$0.00	0.00 %
In-Kind Contributions	\$27,907.83	\$4,166.67	\$23,741.16	569.79 %
Total Revenue	\$4,091,695.56	\$3,890,975.47	\$200,720.09	5.16 %
Expenses				
Salaries & Wages	\$2,777,512.26	\$2,676,617.27	(\$100,894.99)	(3.63)%
Employee Benefits	\$373,006.41	\$324,228.45	(\$48,777.96)	(13.08)%
Payroll Taxes	\$434,915.36	\$257,769.44	(\$177,145.92)	(40.73)%
Contracted Direct Labor	\$18,459.90	\$7,586.46	(\$10,873.44)	(58.90)%
Other Employee Related Costs	\$15,053.47	\$27,392.19	\$12,338.72	81.97 %
Professional Fees & Insurance	\$30,880.60	\$53,488.27	\$22,607.67	73.21 %
Telecommunications	\$2,236.83	\$8,760.33	\$6,523.50	291.64 %
Facilities & Occupancy	\$193,112.27	\$212,496.98	\$19,384.71	10.04 %
Utilities	\$54,838.69	\$56,999.40	\$2,160.71	3.94 %
Equipment	\$20,156.90	\$22,847.30	\$2,690.40	13.35 %
Program & Office Supplies	\$109,190.95	\$110,013.98	\$823.03	0.75 %
MIS	\$85,936.96	\$115,521.11	\$29,584.15	34.43 %
Vehicles	\$27,450.22	\$39,537.52	\$12,087.30	44.03 %
PR & Fundraising	\$9,546.19	\$14,389.07	\$4,842.88	50.73 %
Cost of In-Kind Goods/Services	\$27,907.83	\$4,166.67	(\$23,741.16)	(85.07)%
Training & Other	\$3,371.69	\$60,921.51	\$57,549.82	1,706.85 %
Interest Expense	\$13,893.71	\$17,706.92	\$3,813.21	27.45 %
Total Manageable Expenses	\$4,197,470.24	\$4,010,442.87	(\$187,027.37)	(4.46)%
OPERATIONAL NET SURPLUS/(DEFICIT)	(\$105,774.68)	(\$119,467.40)	\$13,692.72	(11.46)%
Investment/SWAP Changes	(\$14,989.39)	\$0.00	(\$14,989.39)	0.00 %
Workforce Housing Grants	\$0.00	\$0.00	\$0.00	0.00 %
NET SURPLUS/(DEFICIT)	(\$120,764.07)	(\$119,467.40)	(\$1,296.67)	1.09 %

Albertina Kerr

Consolidated Statement of Activities January Year-to-Date 2021

	Year to Date			
	Actual 1/31/21	Budget 1/31/21	Variance	% Change
Revenue				
Contract and Program Revenue	\$27,324,429.71	\$25,979,933.62	\$1,344,496.09	5.18 %
Contribution and Event Revenue	\$2,032,805.72	\$1,118,112.25	\$914,693.47	81.81 %
Kerr Bikes/Sales to Public	\$45,015.68	\$76,136.91	(\$31,121.23)	(40.88)%
Investment Spend	\$195,369.37	\$195,369.37	\$0.00	0.00 %
In-Kind Contributions	\$47,695.91	\$73,516.65	(\$25,820.74)	(35.12)%
Total Revenue	\$29,645,316.39	\$27,443,068.80	\$2,202,247.59	8.02 %
Expenses				
Salaries & Wages	\$18,561,094.57	\$18,516,789.64	(\$44,304.93)	(0.24)%
Employee Benefits	\$2,412,159.78	\$2,269,574.93	(\$142,584.85)	(5.91)%
Payroll Taxes	\$1,936,375.65	\$1,875,884.65	(\$60,491.00)	(3.12)%
Contracted Direct Labor	\$137,022.49	\$53,105.05	(\$83,917.44)	(61.24)%
Other Employee Related Costs	\$209,346.13	\$199,996.68	(\$9,349.45)	(4.47)%
Professional Fees & Insurance	\$304,496.36	\$374,423.53	\$69,927.17	22.96 %
Telecommunications	\$22,937.96	\$61,322.31	\$38,384.35	167.34 %
Facilities & Occupancy	\$1,459,131.83	\$1,487,477.87	\$28,346.04	1.94 %
Utilities	\$354,063.81	\$398,995.71	\$44,931.90	12.69 %
Equipment	\$163,985.94	\$164,580.88	\$594.94	0.36 %
Program & Office Supplies	\$775,542.50	\$771,596.82	(\$3,945.68)	(0.51)%
MIS	\$680,962.29	\$808,647.43	\$127,685.14	18.75 %
Vehicles	\$210,784.41	\$276,762.14	\$65,977.73	31.30 %
PR & Fundraising	\$78,048.15	\$149,455.33	\$71,407.18	91.49 %
Cost of In-Kind Goods/Services	\$50,474.86	\$64,166.65	\$13,691.79	27.13 %
Training & Other	\$77,219.22	\$426,449.36	\$349,230.14	452.26 %
Interest Expense	\$111,500.70	\$125,015.13	\$13,514.43	12.12 %
Total Manageable Expenses	\$27,545,146.65	\$28,024,244.11	\$479,097.46	1.74 %
OPERATIONAL NET SURPLUS/(DEFICIT)	\$2,100,169.74	(\$581,175.31)	\$2,681,345.05	(461.37)%
Investment Income	\$1,153,353.47	\$0.00	\$1,153,353.47	0.00 %
Workforce Housing Grants	\$425,000.00	\$425,000.00	\$0.00	0.00 %
NET SURPLUS/(DEFICIT)	\$3,678,523.21	(\$156,175.31)	\$3,834,698.52	N/A

Albertina Kerr Centers Program Operating Recap

January 2021

	MTD Grant & Contribution Revenue	MTD Other Revenue	MTD Total Revenue	MTD Direct Expenses	MTD Margin Generated	MTD Indirect Allocations	MTD Total Expenses	MTD Operating Results	MTD Budget	Actual vs. Budget Variance
Programs										
Adult Group Homes										
Clackamas County Adult DD	436,301.05	0.00	436,301.05	482,564.25	(46,263.20)	26,352.81	508,917.06	(72,616.01)	(77,630.31)	5,014.30
Multnomah County Adult DD	353,397.46	0.00	353,397.46	367,466.37	(14,068.91)	20,581.29	388,047.66	(34,650.20)	(44,894.64)	10,244.44
Washington County Adult DD	186,360.24	0.00	186,360.24	167,461.95	18,898.29	9,166.93	176,628.88	9,731.36	12,466.72	(2,735.36)
Marion County Adult DD	404,072.03	0.00	404,072.03	406,804.15	(2,732.12)	25,322.06	432,126.21	(28,054.18)	(47,472.12)	19,417.94
	1,380,130.78	0.00	1,380,130.78	1,424,296.72	(44,165.94)	81,423.09	1,505,719.81	(125,589.03)	(157,530.35)	31,941.32
Employment Services	70,063.71	10.60	70,074.31	123,633.80	(53,559.49)	7,470.14	131,103.94	(61,029.63)	10,961.01	(71,990.64)
Studios	159.67	0.00	159.67	20,487.47	(20,327.80)	(1,372.25)	19,115.22	(18,955.55)	(20,204.49)	1,248.94
Kids DD Group Homes	1,737,128.51	0.00	1,737,128.51	1,224,716.19	512,412.32	69,862.48	1,294,578.67	442,549.84	184,165.41	258,384.43
Transition-Aged Group Homes	224,512.91	0.00	224,512.91	282,689.88	(58,176.97)	16,047.92	298,737.80	(74,224.89)	(60,825.83)	(13,399.06)
Kerr Bikes	893.50	0.00	893.50	7,787.61	(6,894.11)	282.82	8,070.43	(7,176.93)	(8,952.36)	1,775.43
Outpatient Mental Health	78,578.42	20,715.89	99,294.31	93,778.74	5,515.57	3,885.91	97,664.65	1,629.66	(7,373.27)	9,002.93
Subacute	370,551.25	2,896.88	373,448.13	538,431.88	(125,883.75)	24,793.39	563,225.27	(150,677.14)	(32,642.82)	(118,034.32)
Program Oversight and Other	0.00	53,509.51	53,509.51	22,347.94	31,161.57	0.00	22,347.94	31,161.57	(97,728.50)	128,890.07
Behavioral Specialists	11,860.00	0.00	11,860.00	51,636.47	(39,776.47)	3,129.80	54,766.27	(42,906.27)	(46,113.28)	3,207.01
Total Programs	3,873,878.75	77,132.88	3,951,011.63	3,789,806.70	200,304.93	205,523.30	3,995,330.00	(5,218.37)	(236,244.48)	231,026.11
Admin & Other										
Campus Buildings	0.00	0.00	0.00	3,614.46	(3,614.46)	0.00	3,614.46	(3,614.46)	11,616.33	(15,230.79)
Indirect Admin	0.00	65,509.86	65,509.86	403,146.85	(326,719.99)	(205,523.29)	197,623.56	(121,196.70)	80,191.66	(201,388.36)
Inv. Spend Rate	0.00	24,969.07	24,969.07	0.00	24,969.07	0.00	0.00	24,969.07	24,969.07	0.00
Other Pooled Direct Costs	0.00	0.00	0.00	714.22	(714.22)	0.00	714.22	(714.22)	0.00	(714.22)
Total Admin & Other	0.00	90,478.93	90,478.93	407,475.53	(306,079.60)	(205,523.29)	201,952.24	(100,556.31)	116,777.06	(217,333.37)
Total Operating (Before Contingency)	3,873,878.75	167,611.81	4,041,490.56	4,197,282.23	(105,774.67)	0.01	4,197,282.24	(105,774.68)	(119,467.42)	13,692.74
Contingency	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(41,666.66)	(41,666.66)
Investment Income	0.00	0.00	(14,989.39)	(14,989.39)	0.00	(14,989.39)	0.00	(14,989.39)	0.00	(14,989.39)
Workforce Housing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Albertina Kerr Centers
Program Operating Recap
For January YTD 2021

	YTD YTD_Contr & Prg_Rev	YTD Grant & Contribution Revenue	YTD Other Revenue	YTD Total Revenue	YTD Direct Expenses	YTD Margin Generated	YTD Indirect Allocations	YTD Total Expenses	YTD Operating Results	YTD Budget	Actual vs. Budget Variance
Programs											
Adult Group Homes											
Clackamas County Adult DD	2,912,200.39	0.00	13,874.68	2,926,075.07	3,241,967.60	(315,892.53)	200,797.84	3,442,765.44	(516,690.37)	(532,021.20)	15,330.83
Multnomah County Adult DD	2,376,142.77	0.00	12,413.82	2,388,556.59	2,435,325.72	(46,769.13)	148,169.67	2,583,495.39	(194,938.80)	(308,222.51)	113,283.71
Washington County Adult DD	1,304,618.81	0.00	18,613.80	1,323,232.61	1,079,694.45	243,538.16	66,639.25	1,146,333.70	176,898.91	89,592.05	87,306.86
Marion County Adult DD	2,593,958.17	0.00	20,207.96	2,614,166.13	2,671,111.58	(56,945.45)	178,062.98	2,849,174.56	(235,008.43)	(324,349.66)	89,341.23
	9,186,920.14	0.00	65,110.26	9,252,030.40	9,428,099.35	(176,068.95)	593,669.74	10,021,769.09	(769,738.69)	(1,075,001.32)	305,262.63
Employment Services											
Studios	37,467.68	200.00	143,022.13	180,689.81	258,314.74	(77,624.93)	3,084.91	261,399.65	(80,709.84)	(215,236.43)	134,526.59
Kids DD Group Homes	11,127,397.57	202,500.00	5,756.79	11,335,654.36	8,243,656.98	3,091,997.38	529,514.65	8,773,171.63	2,562,482.73	1,320,007.68	1,242,475.05
Transition-Aged Group Homes	1,684,335.77	0.00	0.00	1,684,335.77	1,951,199.14	(266,863.37)	125,977.08	2,077,176.22	(392,840.45)	(420,486.61)	27,646.16
Kerr Bikes	46,346.00	0.00	22,500.00	68,846.00	89,356.60	(20,510.60)	5,090.78	94,447.38	(25,601.38)	5,248.61	(30,849.99)
Outpatient Mental Health	572,675.58	296,065.89	34,831.01	903,572.48	699,753.76	203,818.72	33,021.26	732,775.22	170,797.26	(67,772.66)	238,569.92
Subacute	3,447,201.19	23,731.18	180,647.29	3,651,579.66	3,680,796.38	(29,216.72)	193,456.24	3,874,252.62	(222,672.96)	(579,500.34)	356,827.38
Program Oversight and Other	0.00	130,528.32	0.00	130,528.32	142,474.14	(11,945.82)	0.00	142,474.14	(11,945.82)	(670,001.25)	658,055.43
Behavioral Specialists	59,096.32	0.00	49.09	59,145.41	375,242.49	(316,097.08)	24,081.24	399,323.73	(340,178.32)	(321,172.06)	(19,006.26)
Total Programs	26,668,672.36	653,099.59	607,661.70	27,929,433.65	25,700,755.07	2,228,678.58	1,561,744.81	27,262,499.88	666,933.77	(1,935,617.12)	2,602,550.89
Admin & Other											
Campus Buildings	0.00	0.00	0.00	0.00	39,250.34	(39,250.34)	0.00	39,250.34	(39,250.34)	81,314.30	(120,564.64)
Indirect Admin	0.00	1,413,165.10	127,059.15	1,540,224.25	1,799,015.98	(258,791.73)	(1,561,744.83)	237,271.15	1,302,953.10	1,098,344.02	204,609.08
Investment Spend Rate	0.00	174,783.49	0.00	174,783.49	0.00	174,783.49	0.00	0.00	174,783.49	174,783.49	0.00
Other Pooled Direct Costs	0.00	0.00	875.00	875.00	6,125.28	(5,250.28)	0.00	6,125.28	(5,250.28)	0.00	(5,250.28)
Total Admin & Other	0.00	1,587,948.59	127,934.15	1,715,882.74	1,844,391.60	(128,508.86)	(1,561,744.83)	282,646.77	1,433,235.97	1,354,441.81	78,794.16
Total Operating (Before Contingency)	26,668,672.36	2,241,048.18	735,595.85	29,645,316.39	27,545,146.67	2,100,169.72	(0.02)	27,545,146.65	2,100,169.74	(581,175.31)	2,681,345.05
Contingency											
Contingency	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(291,662.00)	291,662.00
Investment Income	0.00	0.00	1,153,353.47	1,153,353.47	0.00	1,153,353.47	0.00	0.00	1,153,353.47	0.00	1,153,353.47
Workforce Housing	0.00	425,000.00	0.00	425,000.00	0.00	425,000.00	0.00	0.00	425,000.00	425,000.00	0.00

Albertina Kerr Consolidated Balance Sheet

	1/31/21	12/31/2020
Cash and Cash Equivalents	\$2,549,578.43	\$2,066,388.34
Cash held for others	\$256,813.31	\$317,647.73
Contract/Program Receivables	\$2,943,059.24	\$2,238,164.08
Less: Allowance for Doubtful Accounts	(\$52,114.14)	(\$52,114.14)
Investments	\$10,313,171.98	\$10,377,302.30
Charitable remainder trust receivables	\$281,688.73	\$281,688.73
Contributions Receivable	\$103,675.14	\$101,610.27
Other Receivables	\$19,394.35	\$56,551.03
Prepaid Expenses, Deposits & Other Current Assets	\$644,071.85	\$773,841.22
Other Long-Term Assets	(\$57,156.77)	(\$67,090.24)
Fixed Assets, Net	\$21,930,677.15	\$22,656,213.07
Due From / (To) Other Funds	(\$424.58)	(\$424.58)
Total Assets	\$38,932,434.69	\$38,749,777.81
Accounts Payable and Accrued Expenses	\$915,740.47	\$1,069,562.32
Accrued Payroll Liabilities	\$664,457.76	\$269,868.53
PAL Liability	\$828,397.04	\$806,251.71
Contract Overpayments/Advances	\$139,721.82	\$145,701.79
Unemployment Reserve	\$272,103.61	\$112,002.14
Long-term debt	\$4,067,644.44	\$4,105,399.06
Total Liabilities	\$6,888,065.14	\$6,508,785.55
Available for Operations	\$9,619,357.54	\$9,350,889.15
Investment in Fixed Assets	\$17,805,875.94	\$18,483,723.77
Temporarily restricted	\$2,366,479.44	\$2,156,059.36
Permanently restricted	\$2,252,656.63	\$2,250,319.98
Total Net Assets	\$32,044,369.55	\$32,240,992.26
Total Liabilities and Net Assets	\$38,932,434.69	\$38,749,777.81

ALBERTINA KERR CENTERS
2020-2021 Finance, Audit & Compliance Committee Objectives

	Objective	Completed	In Process	To Be Completed	Charter Ref.
1	Review monthly & year to date financial statements	Ongoing		Agenda item for each meeting	1
2	Review Compliance Dashboard Report	Ongoing		Agenda item for each meeting	5, 8, 9
3	Executive Session for Committee members and Chief Compliance Officer	Ongoing		Agenda item for each meeting	8
4	Review Board policies related to the Committee	Ongoing		As needed	4
5	Review Conflict of Interest Results	Deferred to November		August 11, 2020	8
6	Review and recommend modification(s) of the Committee Charter	Review Revisions at October Meeting		August 11, 2020	13
7	Review insurance coverage	October 7, 2020		October 7, 2020	10
8	Meet with financial auditor and recommend Board acceptance of 2020-2021 financial audit results	November 11, 2020		November 11, 2020	6
9	Evaluate financial auditor performance and decide to continue with vendor or send RFPs			November 11, 2020	6
10	Review of 5 year capital and reserve plan			January 13, 2021	1
11	Monitor financial reserves			January 13, 2021	1
12	Review current investment policy and portfolio benchmark performance			January 13, 2021 June 9, 2021	3
13	Review Risk Management Assessment			March 10, 2021	11
14	Review federal 990 tax filings for AKC, Inc. and AKCF, Inc. prior to submission		Deferred to May 12th Meeting	March 10, 2021	7
15	Review Corporate Compliance Plan			June 9, 2021	8
16	Recommend Board approval of 2020-2021 Operating, Capital, Cashflow and Foundation Budgets			June 9, 2021	2
17	Evaluate Committee performance against 2021-2022 goals and establish goals for 2020-2021			June 9, 2021	12, 14
18	Review Audit Plan with Auditor			June 9, 2021	3

Meeting Schedule for 2020-2021

August 11, 2020
 October 7, 2020
 November 11, 2020
 January 13, 2021
 March 10, 2021
 May 12, 2021
 June 9, 2021

Rev 12/17/2020