

**Workforce Development Board  
Executive, Finance and Audit Committee  
and RochesterWorks, Inc. Board of Directors  
Meeting Minutes  
Tuesday, November 17, 2020  
8:00AM - 9:00AM  
Meeting Scheduled via Zoom**

**Committee Members Present:** Sergio Esteban, George Scharr, Timothy Shortsleeve, Richard Turner, Romanda Gibson-Stevenson, Seanelle Hawkins

**Committee Members Absent:** Corinda Crossdale, Daniele Lyman-Torres, Ana Liss

**RochesterWorks, Inc. Board Present:** Sergio Esteban, George Scharr, Timothy Shortsleeve, Richard Turner, Romanda Gibson-Stevenson, Seanelle Hawkins

**RochesterWorks, Inc. Board Absent:** Corinda Crossdale, Daniele Lyman-Torres, Ana Liss

**Staff and Guests:** Peter Pecor, Michael DeBole, Behiye Mansour, Mary McKeown, Craig Stevens, Nina Fagnoli, Emily Monnat

## **WORKFORCE DEVELOPMENT BOARD EXECUTIVE, FINANCE AND AUDIT COMMITTEE**

### **Call to Order**

The Executive, Finance and Audit Committee Meeting was called to order by Sergio Esteban at 8:01 A.M.

### **Approval of Minutes:**

A motion to approve the August 18, 2020 Meeting Minutes was made by George Scharr and seconded by Richard Turner. The motion was passed unanimously.

### **Audit Committee:**

#### **Craig Stevens of the Bonadio Group Provided a Draft Independent Audit Report**

Craig Stevens began his presentation by noting that on a pre-audit basis, for the most part, they were not on site this year, probably 3-4 days, which is a little bit different than most years. Craig applauded Michael DeBole, Behiye Mansour and RochesterWorks! staff on the great job done in getting the required information to the Bonadio Group. Craig was very pleased to say that the outstanding results of the audit are very good.

Craig reviewed the Executive Summary which includes the following key outcomes of the audit process:

- Status of the Audit: They substantially completed the audit and key open items include final review and approval of financial statements and receipt of signed management representation letter.
- Key events and transactions affecting the year: In 2020, RochesterWorks! adopted Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities: *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. There was no effect on total net assets or the change in net assets as a result of adopting this standard. There were no other changes in the organization's accounting policies and all policies are considered appropriate.

The Organization received \$337,500 in Paycheck Protection Program (PPP) funding under the CARES Act.

- Internal Control Findings: No material weaknesses or significant deficiencies in internal control identified.
- Bonadio's Continued Commitment: Proactively advised management on new accounting pronouncements. Executed audit procedures timely. Utilized innovative technology, including MyPortal.

Craig also reviewed changes to the audit plan, as was discussed at the pre-audit meeting. He stated nothing happened that would have changed their audit approach.

Craig reviewed the following items included in the Audit Risks and Results section:

- Fraud and Significant Risks: Management overriding fraud and revenue recognition are presumed audit risks on every audit. They have to incorporate that as a presumed fraud risk as part of every audit. There were no problems with respect to anything that came up as part of the audit process.
- Other Matters of Emphasis: The new accounting standard was implemented and there was no significant effect on the financial statements at all.
- Particularly Sensitive Accounting Estimates: Craig included a Description of Estimate and Basis for Estimate for the following:
  - Allowance for doubtful accounts: Audit team evaluated management's analysis in determining that the estimate is reasonable, payor's creditworthiness is accurate/consistent, prior years' experience in indicative of current year.
  - Functional expense allocations: Allocation and classification by function process - Audit team evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements as a whole.
  - Depreciation expense: Depreciation expense is calculated using the straight-line method over the useful lives of the related assets.

Craig reviewed the following items included in the Required Communications section:

- Difficulties encountered during the audit: From Craig's perspective, one of the most important things is that there were no significant difficulties encountered during the audit.
- Alternative accounting treatments: They discussed with management the alternative treatment of the Paycheck Protection Program (PPP) loan, permissible under US GAAP, including the recognition and measurement and its related presentation and disclosure. RochesterWorks! has made the decision to account for the PPP loan by recording it as "debt".
- Audit Adjustments: Craig stated there really were no audit adjustments and no errors were identified. They did, however, propose an adjustment to management to account for the PPP loan as a liability at June 30, 2020, as opposed to recognizing the proceeds as contribution revenue during the year ending June 30, 2020. He included the books and records are in great shape and again commended Mike, Behiye and staff for doing a great job.

Craig reviewed the following information included in the ASU 2016-2 - Leases section:

- This standard will be effective for the organization's year ending June 30, 2022, as the effective date has been delayed by the FASB in response to the COVID-19 disruption.

### **Nina Fagnoli of the Bonadio Group Provided an Overview of the Financial Statements**

Nina Fagnoli reviewed the following numbers on the Balance Sheet:

- Assets - There was an increase in cash. A large part of that is about \$137K year over year. As noted, there was a Paycheck Protection Program loan, so there were some funds that were outstanding that weren't spent yet as of June 30<sup>th</sup>. Additionally, there were some DASNY funds that were received near year end that were not received near year end last year.
- Grants Receivable - There was an increase in federal grants receivable, approximately \$68K. This was primarily due to the government federal funding getting slower with their payments, so that increased at year end, than what you would typically see.
- State Receivables and Fees for Service Receivables - These both decreased this year at year end, in total about \$92K. Due to COVID-19, several of the programs were not able to continue remotely or have as strong as numbers as the federal programs were, such as WIOA is in that category. The other programs decreased, so you'll see that the revenues decreased related to those and the receivables did as well. Craig Stevens stated that these receivables, all of whether it's federal, other or fees for services, there are no allowances recorded on these receivables, so everything is considered fully collectable. Nina confirmed that everything has been fully collected.
- Property and Equipment - This is pretty standard; just depreciation. There was some new, related to the DASNY, CIP that was put into equipment this year, but again the depreciation expense offset that.
- Liabilities - Due to Service Providers and AP & Accrued Expenses both increased a total of about \$120K. These two lines increased, primarily due to RochesterWorks! getting the delays in receiving the grant funds, therefore causing delays in paying their bills. This more-less just again is the timing of receiving these funds in order to be able to pay the bills.
- Paycheck Protection Program Loan Payable - The amount for \$337,500 was put on the Balance Sheet as Debt. This is the full amount they have as outstanding as of June 30, 2020. Next year they hope to see that this amount will be forgiven, and this will be seen as a separate line below on the Income Statement as forgiven next year. For now, this will be sitting as Debt until it is fully forgiven.

Nina also reviewed the following numbers on the Income Statement:

- Revenue - Federal Grants decreased mainly due to the Finger Lakes Hired Program ending in July 2019. In previous years there was over \$1M. The current year, with only 1 month, there was about \$22K. This decrease was offset by a lot of other increases, such as the WIOA funding of almost \$400K, the TANF funding of almost \$200K and other minor increases to where this decrease in Federal Grant Revenue was only about \$201K year over year. Overall, Grant Revenue decreased because of the FLH Program ending, but the continuing programs all did very well still this year, all things considered. With the WIOA and helping people find jobs, people getting laid off and what not due to COVID, there were several increases in this program, and you will see, since it's deficit funded, the increase below in expenses accordingly.
- Other Revenue, Fees for Service - These were consistent or slightly decreased, again more-less due to timing of how programs were able to continue or not continue due to COVID, but not as big as fluxes as within the Federal Grants. Overall, you'll see that overall increase in revenue is primarily related to the Federal Grants.
- Expenses - Functional Expenses:
  - Salaries and Wages: There was a pretty significant decrease of about \$31K, overall due to a decrease of 3 Full Time employees. There was an offset that made this decrease not as significant though with a 3% annual raise to all employees.
  - Retirement Plan: This was broke-out separately this year primarily due to show that significant increase this year, to not skew the Payroll Taxes and Benefits line increase or decrease, because the 401 Safe Harbor match was unfrozen 01/01/19, so there was 6 months last fiscal year, but this year included a whole entire year, noting the big increase of about \$44K

specifically to the Retirement Plan. This line in previous years was included as part of Payroll Taxes and Benefits.

- Provider Payments: This increased about \$66K and this is really based on grant activity during the year.
- Wage Subsidies: This increased about \$140K, again due to COVID the decrease in wages, so it was implemented in order to decrease the need for employees to go on Unemployment. This makes sense that it would increase a significant amount this year.
- Individual Training: This increased almost \$319K and will fluctuate year over year based off grant revenues. This is primarily due to WIOA, again getting more of those people coming in trying to find jobs and these transactionals are going to increase accordingly with the fundings that they're going to get related to that.
- A major decrease that would offset those couple increases is in Contract Services this year. It decreased overall about \$542K. This is mainly due to just the closing of the facilities, due to COVID-19, pretty much from March on.
- Relocation Expenses: The program operating facility did relocate from the N. Goodman Street location to College Avenue and there were several relocation costs which included approximately \$47K related to building maintenance, approximately \$100K related to office supplies and \$16K related to equipment. These were listed separately on the statements to show that this will be a one-time cost related to the relocation in the current year and they won't be recurring expenses.
- Overall, focusing on specific Program Services and General and Administrative, Management in general decreased from last year expenses by about \$82K. This is primarily due to the salary and benefit decrease, specifically to Management in general. This was due to losing FTEs and not replacing positions. This is probably the biggest change on the Management in general side. On the Program side, this actually increased approximately \$240K. A large part of this increase is due to the \$168K related to the relocation expenses and there was also the increase in salaries and benefits specifically to programs due to some FTE shifts and annual raises of approximately \$93K.

A question was raised regarding Depreciation. Nina responded Depreciation did go up pretty significantly this year, approximately \$13K. This was primarily due to the DASNY Grant, where construction was in progress last year and that was transferred to a full year of depreciation this year.

Craig Stevens added that when looking at the numbers, it was a pretty solid year for RochesterWorks! when looking at everything that's been going on in the world. Basically, you see a big decrease in net assets, but that will be picked up next year, so in theory you could say that it was almost a break-even year.

Craig mentioned one other important item to understand is that when you're subject to single audit, any organization that receives over \$750K of federal funding, the results from all the testing related to our use of those dollars was positive, so all the reports at the end are clean and there was nothing to report with respect to any types of findings related to our use of those dollars. Craig concluded with all in all, the audit process was very good, and they've basically done everything, subject to our approval, and they'll get the management representation letter this week and they'll be good to go.

Sergio Esteban added that normally at this time, members would meet privately with the auditors, but due to the logistics and Zoom, this will not be done today. Sergio reiterated that when meeting with the auditors today, it was reported that there were no problems with the audit process, noting that if there were any concerns, the Bonadio Group could be contacted afterwards.

A motion to approve The Bonadio Group Draft Independent Auditor's Report as presented was made by Seanelle Hawkins and seconded by Timothy Shortsleeve. The motion was passed unanimously.

**Finance Committee:**

**Financial Report:**

**Michael DeBole Provided A Packet Covering the Summary of Expenses July 1, 2020 - September 30, 2020**

Michael DeBole began his presentation by noting this has been definitely a challenging year, we're still working remotely from home, staff at the new location, 100 College Avenue are doing their best to serve our participants and with that being said, our first quarter of 2020 results are more less in line with where they have been in past years and quarters. At this point, we are under budget overall by 80% and in some cases it has been difficult because we really can't go out to our providers and do our fiscal audits that we are required to do, but COVID has been an obstacle this year that has put a little dent into all of it. It's not to say that we aren't being due diligent with our desk reviews for the providers, it's just a matter of doing some finalizations at their facilities. The next step we'll probably have to take going forward, if COVID lingers as it looks like it might be, will be to put together a plan on how we'll be able to complete the sub-recipient audits.

Mike also reported on the Individual Training Accounts (ITAs) by Provider. These include Isabella Graham School of Nursing, Monroe Community College and Wayne Finger Lakes BOCES. Thus far, we've served 249 participants and the average ITA amount is \$3,932. In considering all things, we are producing and accomplishing, with all the challenges that we've faced this year. Between the move and the continuing COVID, we're in good shape at this point. One item that was very challenging this year was our Summer Youth Program. We did receive a grant of \$1.5M and were advanced \$1.2M. At this point, we're still crunching the numbers. We did have 10 programs before the programs opted to drop out due to staffing and personnel issues on their end. We ended up having 6 programs and we served 175 participants overall this year. It's hard to say what our final numbers are at this point, but we'll probably need to return some of those funds back to OTDA (Office of Temporary and Disability Assistance), due to the COVID issues we've all faced. This is more less where we are with our WIOA funds and ITAs.

Mike added that we did receive our Opioid Grant, 2<sup>nd</sup> installment, and hopefully we'll be getting that phased back in here within the next couple months.

Peter Pecor also noted that during this period of COVID-19, the Department of Labor office at Waring Road has been closed and all of their staff have been dedicated to working on Unemployment Insurance, so when you see the numbers that we have as far as ITAs, training and other services, that was all done exclusively by us, where in a typical year we share those responsibilities.

**Health Insurance Proposal Approval:**

Michael DeBole reported on the 2021 Medical Benefits and indicated that our medical programs didn't really change that much this year. We maintained our High-Deductible and the Co-Pay; however, there was a slight increase of 5%, or about \$20K overall from year to year increase. With our budget and the way we are set up, we will be able to absorb that increase for our personnel. Overall, we absorb 78% of the cost and we extend 22% to our personnel who will pay out of pocket. This includes the HSA contributions, which stayed the same, and the Opt-Out as well, which is approximately \$150 per month. We also maintain the same amount of employees year over year, which is about 59 employees. Our dental and vision plans are holding for the next 2 years at no increase. Overall, our main increase will be Excellus medical costs for the health plan.

A motion to approve 2021 Medical Benefits as presented was made by George Scharr and seconded by Richard Turner. The motion was passed unanimously.

**Executive Committee:**

**Parking Policy - Employees:**

Peter Pecor reported that the Youth Team has moved to 57 St. Paul Street, which is the old Chamber of Commerce building. They've moved in with the Recreation Department and Youth Bureau of the City of Rochester. Peter explained that when we initially negotiated the lease, parking was going to be made available to employees. Since that time, the parking facility has been sold; therefore, our 10 employees are now required to pay monthly parking fees. We do not charge any of our other employees for parking at their workplace. Peter is asking for approval for up to \$90.00 per month for each employee and there are approximately 10 employees. As we're now in the Youth facility, Peter noted the lease is very reasonable at \$10.00 per square foot and this amount offsets the cost of the parking. The lease at this location is for 3 years.

A motion to adopt a parking policy relative to any costs involved for employee parking at the 57 St. Paul Street location was made by George Scharr and seconded by Seanelle Hawkins. The motion was passed unanimously.

**Directors Report:**

**Nominating Committee Report:**

Peter Pecor reported that at the last meeting, we had surveyed the members and asked who was interested in running for office and had made some direct contacts. The Nominating Committee was going to bring this to the Board in December. Responses received to run for the following offices include Timothy Shortsleeve for Chairman, Glen Jeter for Vice Chairman and Bert Brinkerhoff for Treasurer. Gary Rogers has also offered his services for any position that may be available. George Scharr will present this information to the Board in December.

At this time, Peter raised the question that when we actually have the election in December, reported by the Nominating Committee, and although our fiscal year starts July 1<sup>st</sup>, do we want these positions to be put in place for the March meeting or be effective June 30<sup>th</sup>? Peter added the by-laws call it year to year, and as our fiscal year starts July 1<sup>st</sup>, we could have the elections in December and make these positions effective July 1, 2021. Sergio Esteban and George Scharr agree with the election and effectivity dates.

Peter added that we have asked the County Executive and the Mayor for appointments of 2 other Private Sector Members. We've received a response from the Mayor but are still awaiting a response from the County Executive. We've also asked for the appointment of Angelica Perez-Delgado from Ibero. We'll need even a couple more Private Sector Members to be compliant.

George Scharr added that after the upcoming elections, he and Sergio would like to have a meeting with the new officers to express their support for what they're doing and answer any questions they may have. This meeting will support a good transition.

**County Agreement:**

Peter Pecor reported that we have an agreement with the County that expires 12/31/20 and it had renewal options of 3 years. Last week, Peter received an agreement from the County to extend it for 1 year with a 3-year option. Peter did execute this agreement, so our agreement with the County will be through 12/31/21 for 1 year with a 3-year option.

**Adjournment:**

Sergio Esteban moved to adjourn the meeting at 9:00 A.M.

A motion to adjourn this meeting was made by Romanda Gibson-Stevenson and seconded by George Scharr.  
The motion was passed unanimously.

Approved

---

Peter Pecor

---

Submitted by Mary McKeown

Approved:

Peter Pecor: 12/10/2020

Michael DeBole: 12/10/2020