



EXECUTIVE FINANCE COMMITTEE MEETING  
Thursday, November 14, 2019 8:30 – 9:30 a.m.  
EDCO Collaborative, 36 Middlesex Turnpike, Bedford, MA 01730

***Minutes:***

Present: Dr. Kathleen Bodie, Ms. Nadine Ekstrom, Diana Fischer-Gomberg, Mr. David King, Mr. Thomas Markham, Mr. Dan Schaffner, Fritz DeGuglielmo, LLC

1. Public Participation - None

2. Discussion: FY 19 Audit

Dan Schaffner found a large deficit of \$938,000 which he pulled straight out of the EDCO accounting system. He did a 2 year comparison to look at reasons but the complete audit is not ready to present to board. The numbers were too far off from original numbers (adjusted only by \$14,000) and there is a need to evaluate whether or not the collaborative can continue. The current status of FY20 needs evaluation as well if there is a compliance issue with the FY19 deficit. Final audit report will need state approval by December 31<sup>st</sup>

Revenue was in line with the budget but expenses were over by close to a million. On June 30<sup>th</sup> the bank account had a negative balance and there was also a \$400,000 line of credit debt.

Kathleen Bodie noted that in January the board was informed of a slight surplus and at the end of year there was \$100,000 deficit. She questioned why the EFC and Board were not informed until now and how this happened.

Tom Markham explained that the January budget had slight surplus that quickly was depleted. EDCO did not make cuts soon enough coupled with lower than expected Winter/Spring enrollments. Cuts were made in April, some positions were not filled and a budget freeze was put into place but the impact was not enough. He indicated that the biggest thing we need to look at is program lines around payroll. Historically, we have not had these results and the budget was not monitored any differently than in the past 5 years.

Diana Fisher-Gomberg questioned the discrepancy between what they heard a few weeks ago (\$300,000 budget deficit) and now (\$938,000 budget deficit). Mr. Markham responded that his read of June 30<sup>th</sup> was obviously pulling different information and included reports that he was using.

The auditor agrees with report but noted that it did not include the \$400,000 line of credit.

Nadine Ekstrom explained that she did speak with Mr. Schaffner in September but did not share it with everyone, because the audit had just started and seemed like a quick dipstick and not the full picture. Tom Markham's number was closer to \$300,000 because of a difference in perspective and not thinking of the \$400,000 as a lump sum and more of a debt to be paid over time.

Kathleen Bodie noted that documentation has not been timely and requested a projection for FY20 to evaluate what is feasible. The auditor has not had a chance to review FY20. Dr. Bodie reiterated that the board should have known about the deficit by last January nevermind September. Without recognizing the problem in June, we rolled over a budget for FY20. Mr. Markham projected a deficit of \$348,000 for FY20.

Nadine Ekstrom explained that projections given in January were the same throughout the year. They are now looking at actual numbers instead of what was projected at beginning of year. Enrollment is much lower than last year but have had 47 referrals which is promising. Dr. Bodie inquired about the ratio of referrals to enrolled students and Ms. Ekstrom estimated that is it is about 9:1 for this year.

Dr. Bodie stressed that revenue can not be based on projections.

A **motion** was made by Kathleen Bodie and seconded by Diana Fisher-Gomber to adjourn the meeting. The **motion** passed unanimously and the meeting was adjourned at 9:27a.m.

***The EFC meeting reconvened at 10:55 a.m.***

Present: Dr. Kathleen Bodie, Ms. Amy Checkoway, Ms. Nadine Ekstrom, Ms. Diana Fischer-Gomberg, Ms. Ellen Joachim, Mr. David King, Mr. Thomas Markham, Mr. Dan Schaffner, Mr. Jon Sills, Ms. Bella Wong

1. Continued Discussion: FY19 Audit

The auditor indicated that the LOC could be paid back with the \$800,000 in general funds from FY19. Although he warned members that the \$800,000 reserve is extremely low compared to other collaboratives and that EDCO can not afford any deficits for this year. EDCO will need the general funds to get through the 1<sup>st</sup> few months of FY21.

Bella Wong raised the question of using a 3<sup>rd</sup> party to look at account lines. The auditor responded that they were already independent from the collaborative and the numbers came right from the accounting system so the system in place is working. The issue is why the numbers were reported so differently. A final audit might rise to the level of a finding for compliance. A response from management will be required and the auditors will be evaluating whether the recommendations will alleviate the issue and will be noted in the final report.

Kathleen Bodie stressed that whatever was problematic for FY19 needs to be addressed now so that we can move forward correctly. She suggested someone coming in to look at the procedures to be sure they are in place correctly.

Thomas Markham reminded everyone that there is more uncertainty on revenues with collaboratives compared to school districts. We can't simply slash teachers because then

we are not providing services although admittedly we are not capturing complexity in a timely manner.

Mr. Schaffner reiterated that the accounting system is up to date, the interpretation is the issue. There seems to be a disconnect between the accounting system and receivables throughout the year.

Dr. Bodie questioned whether they can trust numbers going forward. Ms. Ekstrom and Mr. Markham will address that with a new month to month approach. They will only use actuals going forward to address the discrepancies among actual students, projections and budgeted numbers. Budgets will not be based on where EDCO ends the fiscal year but will rather look at the actual throughout the year.

Dr. Bodie suggested hiring consultants to fill the staffing void when necessary. She also expressed a need for more detailed information in budget reports because this deficit was not clear.

Nadine Ekstrom will be making staffing cuts by December 20<sup>th</sup> and will be meeting with Courtney Dunne to discuss the viability of the Deaf and Hard of Hearing Program in the future.

The following statement was created to present at School Committee meetings until more information is available.

Statement for BOD: At the November 14, 2019 Board meeting, the board members of EDCO Collaborative were informed through the annual draft audit results of a deficit for FY19. This deficit is primarily due to lower realized enrollments in programs and the loss of Title I grant. The collaborative administration and EFC will be reviewing the deficit and current FY20 budget to provide further information to the Board and School committees by the end of the calendar year.

The meeting was adjourned at 12:18 p.m.