



EXECUTIVE FINANCE COMMITTEE MEETING MINUTES  
REMOTE MEETING

Monday, December 7, 2020 at 9:30 a.m.

EDCO Collaborative, 36 Middlesex Turnpike, Bedford, MA 01730

In Attendance: Kathleen Bodie, Helen Charlupski, Philip Conrad, James O'Shea

EDCO Staff: Cyndy Taymore, David King, Mary O'Regan, Karen Thomsen

TMS Staff: Allen Himmelberg, Marc Richard

Fritz DeGuglielmo LLC Staff: Daniel Schaffner, CPA

1. Public Participation:

The meeting was called to order at 9:35 a.m. Chairperson Bodie read a statement regarding public board meetings being held remotely during the pandemic as per Governor Baker's order of March 12, 2020. There was no public participation.

2. Minutes:

A **motion** was made by Mr. O'Shea to approve the minutes from Executive Finance Committee meeting held on 11.5.20 and to recommend to the Board of Directors approval of the minutes from the meeting. Motion was seconded by Ms. Charlupski.

Roll Call Vote: Kathleen Bodie, Helen Charlupski, Philip Conrad, James O'Shea

Motion **passed unanimously**.

3. Business Office Update:

A. FY20 Close

B. FY21 Budget Update

C. FY21 Revenue Report

Ms. Taymore noted that the finances are constantly changing and asked TMS to review the Business Office report submitted to the committee. Mr. Richard explained that a spreadsheet of monthly recurring costs was put together for review. Unfortunately the current cash flow is not enough to cover expenses. A list of the outstanding accounts payables was also included in the report. It continues to be a significant challenge to manage operations and keep up relationships with vendors. Ms. Taymore let the committee know that there has been an uptick in notices and calls from vendors regarding late payments. The priority has been to meet payroll and keep the building open. Brickpoint has provided a lease payment plan that will be difficult to meet. Discussion regarding lease options will be held at the Board of Directors meeting later in the week.

Billing for tuitions will be returning to a monthly cycle. Mr. Himmelberg of TMS explained that at the start of the school year EDCO decided to move to quarterly billing but that became problematic as districts were waiting until the end of the quarter to pay, creating cash flow issues. The hope is that moving back to monthly billing will improve the cash flow situation. Mr. Richard noted that with districts waiting to pay tuition bills at the end of the quarter it has increased the number of items and the overall amount on the ageing report. Additionally most grants do not pay upfront and it is not uncommon for payments to lag which also has also impacted EDCO cash flow issues.

There was a question why some outstanding invoices are from FY20. Mr. Richard stated that almost all of the FY20 invoices have been paid. The outstanding FY20 invoices are a result of some invoices being entered into the system incorrectly in combination with other invoices missing from the system. It was explained that Business Office staff continue to work with vendors on an individual basis to clarify what is due and maintain relationships. When asked if some of the irregularities, missing or mislabeled invoices, were linked to legal issues Mr. Richard noted that further research would need to be done to analyze data in order to answer that question. When asked what time frame the invoicing issues began, it was noted that it seems to be FY19 and FY20 and with multiple vendors not just a single vendor. A forensic audit might clarify some issues, but that would be an additional expense to the collaborative.

- D. Use of Seefurth Funds: The Business Office has concerns about meeting obligations, including payroll, and would like the board to approve a policy for use of Seefurth Funds. It would be helpful to have a plan in place in case of emergency. It was suggested that the board approve that the Business Office be able to withdraw funds if a critical issue arises. The Business Office would then report back to the board the amount withdrawn and the use of the funds. One of the current concerns is the line of credit with Rockland Trust as it is uncertain what would happen if they should call the line of credit and EDCO cannot make payments. EDCO has been paying monthly interest payments. Ms. Bodie asked if the current budget included paying off the line of credit. Mr. Richard answered that payments to the line of credit had been included in the FY21 budget but to date we have been unable to make any of those payments due to cash flow challenges. Ms. Charlupski indicated that the Board may want to put a cap on the amount that can be withdrawn from the Seefurth Funds. Mr. Schaffner noted that the money remaining in the Seefurth Fund is not restricted and can be used at the board's discretion. The funds are currently shown in general operations in the FY20 Audit.
- E. Personnel: The decision was made not to replace IT staff who recently left EDCO and work with a current vendor to expand their services. John Pelletier, former IT Technical Support Specialist, will remain on as a consultant. Some staff have voiced concerns about not having an IT person onsite but at this time there are not many viable options.
- F. Enrollment: The Enrollment Report shows that Bedford programs have lost a few students and also gained a few students holding enrollment steady. DHH program has one new student and another scheduled to start in January, but there are concerns with meeting the needs of one of the students. The Youth Alternative program has a capacity of 65 students and currently has 35 students enrolled in the program. There are overall concerns regarding staff being unable to fulfill the increasing needs of students in EDCO programs if enrollment increases beyond an identified cap.

#### 4. New Business: FY21 Audit Review

Mr. Schaffner explained that the OPEB calculation is still outstanding but the final calculation is not expected to impact the overall findings of the audit. There is concern that the collaborative does not have enough financial stability to survive for another year. The Financial Statement in the FY20 Audit does show that assets exceed liabilities but that is because the Seefurth Funds are included as assets. It does not mean the collaborative has enough funds to cover all of its liabilities. At the end of FY20, even with the special membership assessment, the collaborative had a deficit year. This is attributed in part to capital outlay that was not entirely covered by grants, lower enrollment than projected in the Career Pathways and ABCD programs, and the loss of several grants.

Ms. Bodie questioned why in past years the audits indicated the collaborative was current or even ahead and now is showing a deficit. It was explained that in FY17 the calculation procedures were changed in attempts to encompass the total liability of an organization over

time. Ms. Bodie inquired about what liability each of the districts would have if the collaborative was to close. It was stated that an attorney would need to address this question.

There was a review of the capital assets included in the audit. Tuition and services came in well under projections. Although expenditures decreased they did not decrease at the same rate. Mr. Schaffner reported that there were four findings that would be noted in the audit: (1) missing credit card transaction documentation, (2) lack of budget to actual financial comparisons which did not provide the board adequate information, (3) late payments to employee retirement accounts, and (4) missing procurement bid documentation.

Mr. Schaffner was asked how a surplus was recorded in prior audits and why the FY18 audit indicated that the collaborative was in a good spot financially. It was pointed out that an audit looks at a fiscal year once it is complete and it reviews the finances at a higher level. The board was assured that if concerning items had come to the auditor's attention previously they would have been brought to the board. Ms. Taymore noted that past collaborative audits showed a positive number on the bottom line and gave a false sense of stability. EDCO has been on a downward spiral for several years with declining enrollment and the loss of several grants. Ms. Taymore has been looking into multiple scenarios to keep EDCO Collaborative functioning but they all seem precarious at this time.

Mr. O'Shea asked if the line of credit was included in the audit from year to year. Mr. Schaffner confirmed that the line of credit is reported in the yearly audit and went on to explain that the deficits came to light in September of 2019 as work on the FY19 audit was underway. In prior years the line of credit has been used and paid down, but due to cash flow challenges in FY19 the line of credit was not repaid and the outstanding balance was carried forward. The outstanding balance for the line of credit, the reduced number of grants, and lower enrollment combined with the effects of the COVID-19 pandemic negatively impacted the financial status of EDCO Collaborative during FY20.

## 5. Old Business:

### A. Vacation Policy:

- a. Review of Proposed Policy Changes: The proposed vacation policy changes were created by Attorney Gini Tate to address the current vacation liability at EDCO. Attorney Tate strongly recommends changing the policy now so staff begin to use banked vacation time.
- b. Projected FY21 Vacation Liability: The committee would like to have further clarification regarding what liability the districts would retain should the collaborative close, noting that most districts are currently in difficult financial situations.

A **motion** was made by Mr. Conrad for the EFC to recommend to the Board of Directors approval of the proposed vacation policy change. Motion was seconded by Ms. Charlupski.  
Roll Call Vote: Kathleen Bodie, Helen Charlupski, Philip Conrad, James O'Shea  
Motion **passed unanimously**.

A **motion** was made by Ms. Charlupski to adjourn the meeting and seconded by Mr. O'Shea.  
Roll Call Vote: Kathleen Bodie, Helen Charlupski, Philip Conrad, James O'Shea  
The motion **passed unanimously** and the meeting adjourned at 11:24 a.m.

Respectfully Submitted,  
Mary O'Regan, Executive Administrative Assistant  
EDCO Collaborative  
December 7, 2020