

WORKFORCE DEVELOPMENT COUNCIL
Board Meeting Minutes
February 22, 2011

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Dimitri Mandelis called the meeting to order at 5:25 P.M.

Directors Report

To date in FY 2011, the federal government has been operating under a continuing resolution. Congress and the President are negotiating final FY 2011 spending through the end of the fiscal year (September 30, 2011). A government shutdown won't immediately affect our grants as they are current through 6/30/2011. The House FY 2011 budget proposal eliminates funding for Workforce Investment while the President's FY 2012 budget requests continued funding for Workforce Investment.

Debbie Clark, Administrator of Omak Clinic, is a newly appointed member of the Board representing business and replacing Shari Rayburn. This winter Georgia Nelson, co-owner of Brewster Drug and Hardware, sold her business creating a future business opening.

Meeting Minutes

On a motion by Mike Bolander and a second by Eric Ercanbrack, the November 19, 2010 meeting minutes were approved.

February Committee Meetings are discussion and consisted mostly of PY 11-12 planning.

Audit Report

LarsonAllan, formerly Lemaster and Daniels, hired a year ago to conduct the audit
Nate Bishop, a partner with LarsonAllan in Wenatchee office
Roger Matlock, Omak Office: Deals with non-profit entities and tax audits
Kelly Fletcher & Chris Rasmussen, staff members in Wenatchee office

Report to the Board of Directors

This letter identifies any issues or any misrepresented items of which Board members need to be aware.

- The organization did not adopt any new significant accounting policies.
- No significant or unusual deductions were identified during the audit.
- The most sensitive disclosure affecting the financial statements relates to cost allocation between the programs.
- There were no audit adjustments made
- One past adjustment was related to accrued vacation payable. The liability was understated by \$13,994.
- There were no disagreements with management
- There were no significant issues arising from the audit
- Copies of the June 22nd engagement letter, February 9th management representation letter and the February 9th management letter are included.

Summarized accounting estimates included in the financial statements.

- Depreciation, is based on the estimated useful life of the assets and computed on a straight line basis
- Cost allocation between programs; (*the organization allocates expenses on a functional basis for its various programs*.) and both of these methods are approved methodologies.

Financial Statements.

- The opinion issued was an unqualified or “clean” opinion.
- Some changes and new schedules in financial statements which were required this year by new regulations were included this year, bringing the statements up to standards.

Statement of Financial Position

- Cash is \$346,000.00, down from the prior year of \$457,000.00. Primarily due to purchase of administrative building
- An increase in land and buildings, were converted from current assets into long-term assets
- Liabilities are comparable to the prior year
- Long term debt increased, due to the purchase of the Administration Building
- Comparing the revenues received, to the expenses, there is a comparable increase in both, for the year.

Statement of Activities is summarized information of revenues and expenses broken into major areas in which SkillSource operates, and comparing revenues received, to the expenses. No issues of concern were found.

Statement of Functional Expenses for years ended 2010 & 2009. A required new statement this year shows the major functional areas in which SkillSource operates, broken down into line items within those functions.

Statement of Cash Flows A brief summary of where cash was generated and how it was spent

- Cash from operating activities netted \$263,000.00. Purchase of Admin building, other property and equipment, for a total of \$528,000.00, therefore new debt was obtained for the total of \$249,500.00
- Principle payments of \$95,000.00 were made on the existing debt
- All total , the cash decreased by \$111,000.00, net that against beginning cash of \$457,000.00, leaves an ending amount of \$346,050.00

Notes to the financial statements about accounting policies that are unique to this entity and accounting policies that are unique to nonprofit organizations, allows a better understanding of what’s in the numbers.

New disclosure required in the notes There were no uncertain tax positions taken this year on conduction of activities generating unrelated business taxable income.

Report on Internal Control over Financial Reporting and Compliance

- No deficiencies were found in the financial reporting.
- No results of non compliance were found.

Report on Compliance with OMB Circular A-133

- The major Workforce Investment programs, no findings of non compliance, or issues to report.

Schedule of findings and questioned costs A required report in the manner that regulations dictate.

Schedule of Expenditures of Federal Awards Takes the same information in the financial statement and provides a detailed breakdown of all grants & contracts under which SkillSource operates.

Financial Trends

- Cash on Hand; Shows that with existing cash at the end of the year, how many days of operation are available.
- Cash on hand is roughly \$350,000, which would last approximately for 20 days. *This amount is down from last year.*
- Current Ratio; Compares current assets to liabilities, and there is a 1.23 ratio which would allow current assets to pay off current liabilities
- Resident Expenses; In comparison to the last 5 years, a jump in 2007 and 2010 due to funding in 2010.

- Comparison to program expenses and administrative expenses; Administrative expenses are 7%, which is extremely low.
- Cash flow from operations has been consistent over the last several years, except 2007 when building costs paid from grant funds were capitalized for GAAP presentation purposes.

IRS 990: New disclosures were added to the 990 after 09/11 to identify organizations funding terrorist organizations, it also helps promote good management practices.

- SkillSource owed no tax on 990 because of no unrelated business activity. The financial statement reconciles with the 990.
- The revenues over expenses tie in to the financial statement as well as net assets funding. All numbers agree with the financial statements and balance sheets.
- Example of unrelated business activity would be *renting out property to an entity which has nothing to do with education or training.*
- 990 allows an organization to describe SkillSource provided services such as;
 1. Job training for economically disadvantaged youth of Chelan, Douglas, Grant, Adams, and Okanogan counties
 2. 540 youth served through the year to the end of June 2010, at a cost of \$1,661,693 and the revenues associated with that were, \$1,659,282
- SkillSource has historically made the 990 available upon request. LarsonAllen recommends the 990 be distributed and discussed prior to filing to satisfy full disclosure.
- Compensation for the Executive Directors and key employees is now disclosed.
- SkillSource was not involved in any fundraising activities.
- 100% of SkillSource funding was from public support.
- There are no differences between the 990 and the financial statement
- Related party transactions are reported for Board members having financial transactions

Tom Boyd moved and Marcia seconded approval of the audit report. Motion carried

Rich McBride moved and Tom seconded approval of IRS 990 return. Motion carried

State Monitoring Report

Minor violations were identified at the Bridge Street office of Employment Security. Two job orders contained either age or language requirements that were discriminatory, but then stated later as “they could potentially be discriminatory.” Information was sent to Olympia a month ago, but evidently they are still studying the material. Marcia added that if we were one staff under one roof, the findings would make more sense. The problems have been fixed.

SkillSource potential finding: A new monitor asked questions concerning SkillSource real property and the financing/accounting associated with that. He was shown schedules, worksheets, and cited OMB circulars, which were much the same as were given to the couple dozen reviewers and monitors that have been here over the years. With everything they were provided with they were still unsure if we are in compliance. Dave is pressing Olympia for final resolution of this issue.

Indirect Cost rate: SkillSource does not have an approved indirect cost rate. OMB Circular A-122 says “grantee shall have an approved direct cost allocation plan or indirect cost rate. The state has now decided that you must have both and then you can keep using your direct cost.

Meeting adjourned 6:50

Members Present:

Mike Bolander
Tom Boyd
Bill Bonaudi
Marcia Henkle
Eric Ercanbrack
Peggy Gill
Barb Dronnen
Dimitri Mandelis
Rich McBride
Debi Schomer for Karl
Allison
Debbie Clark

Members Absent:

Duane Johnson
Jim Richardson
Terry Brewer
Armando Lopez
Melissa Prior
Roni Holder-Diefenbach
Heidi Myers
Mike Wade
Roger Thieme
John Butler
Shaun Koos
Oscar Garza
Michelle Price
Georgia Nelson

Guests Present:

Nathan Bishop CPA, Larson Allen
Roger Matlock CPA, Larson Allen
Kelly Fletcher CPA, Larson Allen

Staff:

Dave Petersen
Laura Leavitt
Lisa Romine
Susan Adams