

Draft

To: *Audit/Finance Committee Members*
Re: *Minutes of March 12, 2019*

Present: Mitch Amado – Treasurer/Chair of Committee
Jim Siplon -Member

Absent: Judy Calogero, Representative, City of Glens Falls

Guest: Karl Newton – Marvin & Company P.C.

Staff: Ed Bartholomew, President/CEO
Jennifer Switzer, Director of Finance/CFO

On March 12, 2019 the Audit & Finance Committee of the Economic Development Corporation met in the Conference Room at EDC Offices located at 333 Glen Street, Suite 101 in Glens Falls, New York. The following items of business were discussed:

I. **Welcome & Call to Order:** Chairman Mitch Amado welcomed Karl Newton of Marvin & Company along with committee members and staff and called the meeting to order at 8:03 a.m.

II. **2018 Draft Annual Financial Statement Audit - Presentation.** Karl Newton, CPA – Director of Marvin and Company was introduced. Karl began the discussion reviewing changes on the reporting side of the statements. As of December 31, 2018 EDC adopted ASU 2016-14 which comes with new and enhanced requirements for financial statements and notes by not-for-profits. The changes include a changed from three classes of to two classes of net assets, those with donor restrictions and those without donor restrictions. Currently EDC has only those without donor restrictions. In addition EDC has a new statement, Functional Expenses which provides for additional disclosure on not just the natural classification of expenses but the functional classification. And lastly qualitative information is relayed through an additional note on liquidity of the organization. He then begins review of the statements by referencing the unmodified opinion given as noted on page 2. Moving to the Statement of Financial Position, assets increased approximately \$160,000 with current accounts receivable increase \$72,000, most of which was the result of the Pathway Corridor Project and a related grant from National Grid. Cash increased approximately \$80,000, liabilities increasing \$50,000 again related to the Pathway Corridor Project whose

overall cost was about \$110,000. Statement of Activities indicates an increase in revenue of \$48,000 and a \$92,000 increase in expenses, again related to the Pathway Corridor Project. Additional detail on expenses can be found on page 5, the Statements of Functional Expenses. Karl then begins outlining the Statement of Functional Expenses which has broken out those expenses by function. Program Activities includes both Program Services, those expenses related to the programs and initiatives of EDC's mission and Capacity Building, expenses related to those costs associated with events primarily with an educational component. The committee members then begin discussion of the calculation and presentation of expenses into these functional categories and the need to be providing an accurate break-down of EDC's operations. Jennifer explains how and what she based her calculations on for the specific functions and receives a request from committee members to review these allocations and adjust as necessary after outreach and additional guidance from professional sources (AICPA discussion March 2018). Karl continues with the remainder of the Statements and notes. Committee members review Note 2 – Concentration of Credit Risk and improving EDC's position. Jennifer reminds the committee this issue is an on-going one as EDC does not have the ability to collateralize as a municipality does but there are alternatives, use of additional banking institutions, investments etc. She will address this issue with the Audit & Finance in the coming months with a review of the Investment Policy and EDC's cash deposit policies. With no further questions or comments Jim Siplon moves to recommend the Audited Financial Statements, except the Statement of Functional Expenses to be reviewed and edited by staff and re-circulated to the Committee for their final approval to the EDC Board, Mitch Amado seconds this motion. Karl Newton is thanked by the committee and staff and exits the meeting.

III. **Discussion of EDC Reserve Policy** – Jennifer outlines for the committee members a recommendation to begin work on an EDC Reserve Policy in addition to the Board Designated Reserves. She explains the current reserves and recommends the Board adopt a policy. EDC should be considering a policy to ensure funding is available for projects and initiatives that come up during the year outside of the budget planning process, especially those requiring matching funds. In addition EDC should be sure it can maintain and replace as needed those capital assets, especially hardware and software, required to continue the various programs. Jennifer will begin outlining a policy and forward a draft to the committee members after all year-end reporting has been completed at the end of March.

IV. Upon no further business to come before the Audit & Finance Committee, a motion is made by Jim Siplon, seconded by Mitch Amado, and carried unanimously to adjourn the meeting at 9:15 a.m.