

**Massachusetts Technology Collaborative Finance and Audit Committee  
December 5, 2019**

**MINUTES**

Present: Committee Members: Leland Cheung and Joseph Dorant, Mass Tech Collaborative Staff: Carolyn Kirk, Lisa Erlandson and Mary Creamer. Mr. Daniel Bonnette and Valerie Colimon were also in attendance to present and discuss the FY2019 audit.

Start Time: 3:30 p.m.

Location: Mass Tech Collaborative Boston Office

<b>Agenda Topic</b>	<b>Discussion</b>	<b>Action Taken/Required</b>
Approval of Minutes	The Minutes of the June 5, 2019 were presented for approval.	The minutes for the June 5, 2019 meeting of the Committee were approved by the Committee.
FY19 Audit Discussion & Presentation by RSM	Mr. Daniel Bonnette of RSM distributed a presentation to the Committee. Mr. Bonnette began the presentation by stating that there were no unexpected items that came up during the audit and explained the audit scope and areas of emphasis from Slides 3 and 4 of the presentation. Ms. Colimon took over the presentation and discussed the significant matters addressed during the audit. She noted the ‘Significant issues discussed with management’ from Slide 8 and went on to explain that during the audit, RSM proposed a reclassification entry which was posted by staff. This adjustment related to recording certain end of year funding from the Commonwealth being paid against FY19 authorizations, but because the cash was not received as of the end of the year it should not be recorded as unearned revenue until it is received. Therefore, MassTech should not record the accounts receivable on its books as of June 30, 2019. An adjustment was processed, but the impact of this entry did not have any net impact on fund balance. Additionally, considerations around possible asset retirement obligations under GASB No.83 were discussed. Ms. Erlandson noted an evaluation was done on this requirement because MassTech has a contractual obligation to remove fiber from poles once they are no longer useful. It was determined that the obligation is not an environmental issue, which is required in GASB 83, so there is no need to implement the standard. Mr. Bonnette talked about other upcoming GASB	No action was necessary.

	pronouncements. GASB 87, related to Leases, is not expected to have a significant impact for MassTech and GASB 89, related to Accounting for Interest Cost Incurred before the End of a Construction Period will have no impact for MassTech.	
FY20 Q1 Financial Review	<p>Ms. Erlandson presented the Q1 financial statements. She indicated that Financial Assistance expenditures are under budget, mostly due to MBI projects being behind/delayed, including budgeted private provider payments for the towns Sandisfield, Tolland and Wi-Valley. Personnel is also running under budget year to date. Of the budgeted new positions, two have been hired and two have been put on hold. Ms. Erlandson discussed the use of new budget trackers that were developed to help the Program staff monitor their financial assistance awards and expenses and indicated this has helped to stay on track when items are within MassTech’s control.</p> <p>Ms. Kirk added that they are also using schedules to ensure they meet their targets. She stressed the need to increase the visibility of our programs and more effectively show impacts and value-added to ensure that MassTech receives the required level of funding for our programs.</p>	No action was necessary.
Fund Balance Policy	<p>Ms. Erlandson explained that the framework for the Fund Balance Policy was previewed at the last F&amp;A meeting and that we are now coming back to the committee to get formal approval and request that the policy is recommended for approval by the Executive Committee of the Board. Ms. Kirk discussed the Fund Balance Policy. She explained that when we look at our Fund Balance at face value of approximately \$24M one could argue that we don’t need any additional funding, but the conversation changes radically when you look at it with the parameters of the fund balance policy applied.</p> <p>Ms. Erlandson explained that we first segregate the restricted funds which were appropriated for a specific purpose and can only be used for that purpose. We then reserve 25% of the annual budget for operating expenses within each program and 50% of the central office operating expenses. This ensures that we have reserved funding that can be allocated for program continuity in years when revenue is low. Since the Enterprise Fund balance has come down significantly due to the litigation, having this policy in place has become very important. Mr. Cheung asked if the 25% reserve is enough.. Ms. Erlandson noted that the 25% assumption is tied to the 15-month going concern audit-principle. Our budget is based upon having sufficient funding for the</p>	The motion to endorse and recommend approval of the Fund Balance Policy was unanimously approved.

current fiscal year plus the minimum reserve of an additional 25%, or one quarter. This policy shows that MassTech has enough funds to operate for at least 15 months.

Mr. Cheung asked whether the framework of policy has been helpful to date. Ms. Kirk answered that yes, as things come up, it is very helpful to be able to point back to this policy and explain that absorbing other unfunded costs is simply not possible.

Ms. Erlandson explained that ideally we will go into each budget season with a break-even budget and will not dip into our *core* fund balances. Certain programs like MeHI who received large funding allocations that cover multiple years of operations would be an exception as MeHI will continue to use their fund balance from the Ch. 224 funds received in prior years to cover their operations.

Mr. Dorant asked how MassTech is allotted into the capital budget. Ms. Kirk explained that some items are already in the plan – R&D and MBI Last Mile, and that we are pushing for a line for Middle Mile-Network Operations.

Ms. Kirk also discussed the Economic Bill for Tech & Innovation. MassTech is asking for \$100M to fund priorities under the Innovation Institute, Center for Advanced Manufacturing and the Mass Cyber Center.

Mr. Dorant asked if we were aware of where we stand with the Governor’s FY21 budget. Ms. Kirk explained that we are working closely with Ketav Patel, the CFO at HED, to determine what our line item amount will be in the budget. She said that her goal was for MassTech to be indispensable to HED and that we are making good progress. Mr. Cheung noted that Carolyn has come far in her first year as CEO.

Ms. Erlandson read the motion to approve the Fund Balance Policy as presented.