Workforce Development Board
Executive, Finance and Audit Committee
and RochesterWorks, Inc. Board of Directors
Meeting Minutes
Wednesday, December 6, 2023
8:00AM - 9:00AM
Meeting Scheduled via Zoom

Committee Members Present: Bert Brinkerhoff, Glen Jeter, Melissa James-Geska, Sergio Esteban, Shirley Green

Committee Members Absent: Ana Liss, David Scott

RochesterWorks, Inc. Board Present: Bert Brinkerhoff, Glen Jeter, Melissa James-Geska, Sergio Esteban, Shirley Green

RochesterWorks, Inc. Board Absent: Ana Liss, David Scott

Staff and Guests: David Seeley, Jeanine Frenz, Behiye Mansour, Mary McKeown, Joe Peplin; Bonadio & Co., LLP, Liliya Vysochanska; Bonadio & Co., LLP

WORKFORCE DEVELOPMENT BOARD EXECUTIVE, FINANCE AND AUDIT COMMITTEE

Call to Order:
The Executive, Finance and Audit Committee Meeting was called to order by Dave Seeley at 8:03 A.M.

Dave welcomed Joe Peplin and Liliya Vysochanska, from Bonadio & Co., LLP.

Report to the Finance and Audit Committee, 2023 Audit Results:

Joe Peplin provided a brief presentation highlighting the results of the audit. He also reviewed the financial statements and provided a high-level overview of those as well.

Executive Summary

Status of the Audit:
- Substantially completed the audit, key open items include:
  - Final review and approval of financial statements.
  - Quality control review, completed by QC Department (Bonadio), need to review comments and make a few small changes to the financial statements, nothing of note.
  - Receipt of signed management representation letter.

Key events and transactions during the year:
- Transition from Mike DeBole to Jeanine Frenz as Director of Finance.
- There were no changes in the organization’s accounting policies and all policies are considered appropriate.
- Adoption of ASC 842 Lease Standard. This will put all Operating Leases on the Balance Sheet. Previously only Capital Leases were recorded on the Balance Sheet and Operating Leases were expensed.
Internal control findings:
- No material weaknesses or significant deficiencies in internal control were identified.

Audit Results

Remaining items to complete:
- Bonadio is in the process of completing the audit procedures in accordance with their audit plan to address the identified risks. Key remaining items to complete are:
  - Final review and approval of financial statements.
  - Receipt of signed management representation letter.

Bonadio expects to issue an unmodified opinion on the financial statements of RochesterWorks, Inc. in December 2023.

Significant changes to the audit plan:
- Bonadio presented their planned audit approach, including their preliminary risk assessment, and related scoping considerations for 2023 in a letter to the Finance and Audit Committee dated November 6, 2023.
- Throughout the audit, they continuously evaluated the appropriateness of their audit strategy. There were no significant changes to the planned audit approach.

Audit Risks and Results:

Two Fraud Risks and a Significant Risk were identified as part of the planning process:
- Management Override of Controls and Fraud in Revenue Recognition; these are inherent in every audit, and are not specific to RochesterWorks.
- Grant and Similar Programs-Single Audit; due to the nature of our activities and how much granting activity we have, and the compliance requirements associated with a single audit, that is identified as a significant risk as well. Bonadio’s audit procedures do not find any issues in any of those areas that they need to communicate to the Executive, Finance and Audit Committee.

Other matters of emphasis:
- RWI adopted ASC 842, Leases, effective July 1, 2022. As a result, right-of-use asset and lease liabilities were recorded on the Balance Sheet in the amount of $671,310 on the adoption date, and additional required disclosures were added in the footnotes to the financial statements.

Particularly sensitive accounting estimates:
- Lease right of use assets and liabilities: Evaluated the inputs used to calculate lease right of use assets and liabilities as of the adoption date, including the remaining length of the lease agreements, present value discount rates, and other key terms of the agreements in determining that adoption of ASU 842, Leases, was done properly.
- Functional expense allocations: Evaluated the key factors and assumptions used to develop estimates relating to the allocation and classification of expenses in determining that they are reasonable in relation to the financial statements as a whole.
- Depreciation expense: Evaluated useful lives and depreciation methodology used and determined that they were reasonable and consistent with historical practice.
Other Required Communications:
- There were no independence matters that occurred or were identified after November 6, 2023, the date of their most recent independence communication to the organization.
- There were no conditions or events that were identified indicating there is substantial doubt about the organization's ability to continue as a going concern.
- There were no disagreements with management.
- Bonadio is not aware of any consultations management has had with other accountants about significant accounting or auditing matters.
- There were no significant difficulties encountered during the audit.
- Bonadio will obtain a management representation letter.
- There were no significant unusual transactions that are outside the normal course of business for the organization (or that otherwise appear to be unusual due to their timing, size, or nature) during the current year.
- Bonadio did not identify any potential or known fraud.
- Bonadio did not identify any potential or known illegal acts.
- Bonadio did not identify any instances of non-compliance with laws and regulations.
- Bonadio did not identify any alternative accounting treatments used and there were no real discussions on any accounting treatments or disagreements in that area.
- Bonadio did not identify any information in the financial statements in the supplementary information that would be contradictory towards the face of the statements. The presentation of the financial statements is appropriate.
- Bonadio noted no related parties or related-party relationships or transactions that were previously undisclosed to them or lack business purpose.
- There are no other matters that they are required to disclose.

Financial Statements as of June 30, 2023 Together With Independent Auditor’s Report and Single Audit Reports:

Joe Peplin presented the Draft Financial Statements, noting the quality control review was just completed and anticipates a few wording changes or clarifications in the footnotes, but does not anticipate any significant changes to the numbers at this point.

Opinion:
- Bonadio will issue an unmodified opinion on the financial statements. The financial statements are presented fairly in accordance with generally accepted accounting principles.
- Change in Accounting Principle, for Leases: This is an emphasis of matter. It tells the reader that there was a significant new standard adopted this year, and due to the relatively small size of our balance sheet, putting the leases on was determined to be significant.

Assets:
- Cash was down a little bit.
- There were some purchases of Property and Equipment during the year, and that was offset by a positive operating Cash Flow, but a net decrease of about $30,000 in Cash.
Receivables:
- Receivables were up a little bit higher than normal last year, and now they are down back to maybe where they were the year before, and the same thing with Due to Service Providers. Those two numbers essentially move in conjunction with each other, so there is nothing of note as to why that is fluctuating. It is just timing of activity.

Leases:
- Once leases are recorded at the adoption value, they are amortized over the life of the lease, both on the asset side and the liability side. There are operating leases; current portion and long-term portion. The sum of all the numbers on the asset and liability side offset each other. There is a very small difference based on how the lease payments occur versus the amortization of the asset, but there is no net impact on the financial statements.

Revenue and Expense:
- Total revenue was up approximately $600,000.
- Expenses were up approximately $540,000.

Change in Net Assets:
- +$37,000 this year as opposed to -$27,000 last year.

Salaries and Related Expenses:
- Comparative year over year, on the expense side, our biggest expenses are payroll, and that was up about $250,000 year over year, then followed by Provider Payments and Wage Subsidies. Here we are fulfilling the mission of our grants, paying the providers who are doing services on our behalf, and the wage subsidies.

Footnotes:
Joe noted an adoption standard on leases that describes what the lease standard was and what the effect of the adoption was. There is a new footnote about leases that talks about all the activity, what the inputs were on the leases, including some key inputs such as lease terms and discount rates.

In conclusion, Dave Seeley noted this is our circular audit that we are required to do because our Federal funding reaches a certain threshold. Throughout the year we also have other audits from the Department of Labor. Some of those are programmatic and some are finance.

Dave extended his appreciation to the Bonadio Team and commended Jeanine Frenz, Behiye Mansour, and Nathan Maeske for their exceptional work in the audit process.

At this time, a question was raised regarding the Management Recommendation Letter. If there were some recommendations last year, do you evaluate this year if progress been made against those recommendations, and if there may be some new recommendations? Joe Peplin first explained why something would or would not be put in a letter. What needs to go into a formal letter is if Bonadio has determined that there is a significant deficiency or material weakness in internal control. Joe noted they did not see any of that this year. The type of things that Bonadio was going to discuss are more about the grants, the timing of when the receivable and the liability were being recorded. Joe verified there was no formal Management Letter last year. He also offered to summarize some of the best practice recommendations that they make and send those to Jeanine to share with the committee.

Executive Session:

At this time, Board Members only went into Executive Session.
Meeting Minutes end at 8:29am.

Per Glen Jeter, the Executive Session was adjourned at 8:38am.

Approved:

[Signature]

David Seeley

2-20-24

Date

Submitted by Mary McKeown

Approved:

David Seeley: January 4, 2024
Jeanine Frenz: December 20, 2023