

Meeting Minutes

GOVERNOR'S COMMITTEE FOR THE PURCHASE OF COMMODITIES AND SERVICES FROM THE HANDICAPPED

July 14, 2004

The Governor's Committee for the Purchase of Commodities and Service from the Handicapped meeting was called to order by Lee Dixon, Chairman, on July 14, 2004, at 2:30 p.m. via telephone conference call to the members' of the committee as well as the, CNA staff.

Members Present:

Lee Dixon, Chairman
Donna Lipscomb
Brenda King
Everett Sullivan

Staff Present:

Chris Miller, Craig Greening, and Ken Kennedy

New Business:

Chris Miller gave a presentation regarding the budget. He indicated that this budget had more detail than was provided yesterday. Mr. Miller stated that the budget is self-explanatory and he would prefer to just answer questions if acceptable to the committee. Ms. Lipscomb asked Mr. Miller if a non-profit was allowed to have carry over balances when doing tax reporting to the Internal Revenue Service. Mr. Miller stated that there is no actual terminology that the IRS uses as far as a carry over balance. That would not be found anywhere on the 990 form filed but they do request a balance sheet for the assets and liabilities on hand at the end of the year. So to answer the question, yes they do expect that non-profit will have an ending balance. Mr. Dixon stated that the IRS uses a percentage formula in terms of the amount of gross business that you do as to what is acceptable to have as a balance. The IRS does accept that you can have carry over accounts.

Mr. Dixon asked Ms. Lipscomb if she was comfortable with the over all budget she has seen so far. Ms. Lipscomb indicated that she intended to make some amendments to the budget and had some motions that she intended to make. Ms. Lipscomb stated that her review of the proposed budget revealed that since the Association's membership dues that come in is less than the salaries and expenses shown. Therefore, any monies that have been contributed to the investment account was from the surplus of the state use funds. Mr. Miller stated that this was correct. Ms. Lipscomb stated that in light of that

fact and the fact that WV ARF is a non-profit and accumulated those funds from the profit of the program that **she wanted to make a motion that no distributions are to be made from the investment account without prior approval of the state use committee.** She also indicated that a motion was made in that regard which was approved by the committee previously but since we are working on budget issues and that account is a part of this budget she wants to just reiterate it again. **The motion was seconded by Brenda King. All voted in favor of the motion.**

Ms. Lipscomb stated that there are things that she is aware of that are happening which she has been unable to locate anywhere in the budget. She identified that a retreat is taking place next week at Stonewall Jackson Resort and she could not find that in the budget presented. She believes that using public funds for such a retreat for the Association's members would be a misappropriation of public funds and wants to assure no distributions are going to the retreat from the public portion of the funds reflected on the budget. Ms. Lipscomb indicated that since she could not locate anything in the budget for that she questioned Mr. Miller as to where the funds were reflected in the budget. Mr. Miller indicated that there was a couple places where the funds could come from. One is the cash on hand and the other is the reserve fund on the presort contract. Ms. Lipscomb stated that neither of those accounts are reflected on the budget and should be included. **Ms. Lipscomb made a motion to include those accounts into this budget under the state use portion and that further moved that no distributions were to be made out of those accounts without prior approval of the committee, with the exception of the legitimate expenses to pay the CRP's the money that is due them from contracts which the committee would have already approved. Brenda King seconded the motion. All members voted in favor.** Mr. Miller asked for clarification of these motions since he is the one who will be carrying them out. Ms. Lipscomb stated that they did not have to seek approval from the committee for anything that is already in the budget once it is approved or for paying any funds to follow through with contracts that have already been approved by the committee. Mr. Dixon stated that this would be for extraordinary expenditures.

Ms. Lipscomb asked whether there were any other funds that were available that were not reflected in the budget other than the investment account, the presort reserve fund and the cash on hand. Mr. Miller indicated that they also had a line of credit that they can draw upon. This line of credit is for the state use program; and was established in the event of a cash flow crunch they could draw upon that line of credit. **Ms. Lipscomb made a motion that the line of credit could not be accessed for anything other than to pay CRP's for monies due them from a contract without prior approval of the committee. Motion seconded by Brenda King. All voted in favor.**

Ms. Lipscomb made a motion that the funds from fiscal year 2004 that were not used be applied to the operating budget of 2005 rather than be placed in the investment account and that this be the practice on an annual basis in the future. Ms. Lipscomb stated that she is concerned that the profit that is being made is being placed in an investment account rather than going to the operating budget. Mr. Dixon stated that just because you are designated a non-profit does not mean that you cannot have a carry over balance. Ms. Lipscomb stated that she understood that but the carry

over was the cash on hand which is a separate account from the investment account. The profit made from the program every year is going into an investment account and not going into the operation of the program. She has no problem with the cash on hand being carried over for use in operating the program the following year. Mr. Dixon stated his concerns that the investment account being tied up would preclude them from using the money in the future for a specific use that directly pertains to the state use program. He is concerned that we are tying our hands from using the money. Ms. Lipscomb stated that if they have a specific use for the money that pertains directly to the state use program then they should bring it to the committee and if it is a legitimate expenditure then it would be approved by the committee. She further stated that the committee has been asking the CNA what they plan to do with the funds since they found out that it existed because they want to make sure it is used for the program. Mr. Dixon stated that this is true and he thinks to be fair the committee has not gotten a true answer to that question but that one will be forthcoming now that a new director is in place. Mr. Dixon says that the way to handle this is to instruct Mr. Miller to leave the cash on hand in the checking account. **Brenda King seconded the motion. All voted in favor of the motion.**

Ms. Lipscomb stated that she has looked at each line item on the proposed budget and there is a lot of things she can't tell what exactly they are. She asked Mr. Miller to assure her that all of the of fees for lobbying and those types of activities are out of the membership monies and not from the public funds. Mr. Miller stated that the lobbying activities are all 100 % membership monies. Mr. Dixon stated that as an association they may visit that issue anyway as he is not sure it is money well spent. From what he has seen from the money they spend each year he is not sure it is worth it. So that may be a total dead issue. Ms. Lipscomb stated that this is not an appropriate use of state funds and may be prohibited by law.

Ms. Lipscomb questioned the dues and registration funding under the state use program and asked if this was because they belong to national organizations for state use programs. Mr. Miller stated that this is correct. They meet twice a year and it is a sharing of ideas as to what other states are doing and that is an expensive affiliation. Ms. Lipscomb stated that this is acceptable she just wanted to know what it was for. Going on down the expenditures there is funding listed for quarterly meetings, registration, speakers, and food, etc, and she asked what that was for. Mr. Miller stated that this is for quarterly meetings of the association membership and often for training for state use issues. It varies as to what it is used for. Mr. Dixon stated that if it is used for state use then it is a legitimate expense. Ms. Lipscomb asked if the funding for the awards banquet was for the program they have every year where they give awards to the disabled employees. Mr. Miller stated that it was for that banquet. Ms. Lipscomb then questioned what the funding in the budget for marketing committee, finance committee, executive committee, was for. Mr. Miller stated that this was for the association members who are on these committees and they travel to have meetings. Ms. Lipscomb questioned what the purpose of those meetings were for. Mr. Dixon stated that the majority of the marketing committee meetings are related to state use. Ms. Lipscomb stated that they have an employee who is paid with public funds to do marketing plus

you have a marketing committee of the association? Mr. Dixon stated that the committee is made up of the association members who want to give input to the marketing director. Mr. Lipscomb asked if everything for that committee is split 50/50 between state use and the association budgets. Mr. Miller stated that they have attributed marketing committee and the finance committee to 100% state use funds. Ms. Lipscomb questioned why they would have a marketing director as well as a marketing committee. Mr. Miller stated that the committee was more or less just oversight of the staff. Mr. Dixon stated that most non-profits have a board of directors that pretty much is made up of interested parties that wants to make sure the non-profit is going the right direction. Ms. Lipscomb stated that we might want to revisit this set up in the future as we go through this process and ask more questions. Brenda King stated that she would like to know more about the process as it appears that these people have more oversight than needed. It appears that there is too much oversight going on. Ms. King stated that if marketing is all funded by state use then you could have input at your quarterly meeting on marketing rather than have all these extra meetings.

Ms. Lipscomb questioned what the discretionary funds were to be used for. Mr. Miller stated that there was \$3,000 in discretionary money that was pretty much for emergency money. Ms. Lipscomb then asked what the funding was for a newsletter. She asked if there was a state use program newsletter. Mr. Miller stated that is was the association newsletter but it often had "feel good" stories so they attributed a portion of it to state use funds.

Ms. Lipscomb then questioned the funding for personal services and asked if that amount was sufficient to fund raises. Mr. Miller stated that the amount in the budget was sufficient for a 3% allocation across the board. Ms. Lipscomb then asked why there were more funding for dues, membership, etc. She asked why it was budgeted in two separate places in the budget. Mr. Miller stated that this would be for different types of dues. One is SUPRA and the other would be for small registration fees to booths, magazine subscriptions, etc. Ms. Lipscomb stated that under operating expenses it has funding for an audit and asked if that was for the Ellis & Ellis audit. Mr. Miller stated that this is correct. She then asked what the funding was for under legal fees. She stated that she has no problem with public funds being used to deal with legal issues involving the program such as Shawnee Hills bankruptcy and contract issues but she does not believe th9t public funds should be going towards by-laws for the association. **Ms. Lipscomb made a motion to amend the budget to change the description to delete the by-laws review and that all legal expenses need to be approved by the committee. Brenda King seconded the motion and all voted in favor.**

Ms. Lipscomb stated that the big issue with regard to the budget is that they have the value of the investment portfolio under membership and that needs to be moved under state use. Also, the capital appreciation of the investment portfolio needs to be moved under state use. These are generated from public funds and are the profit from the state use program. You can back those out at the end of the budget but they are clearly in the wrong column. If the Governor's committee would approve a budget with those funds under the membership portion then they would be approving that those are

membership monies and she cannot do that as they are clearly public funds. **Ms. Lipscomb moved that those funds be moved from association budget to the state use budget. Ms. King seconded and all voted in favor.**

Ms. Lipscomb stated that she has some concerns regarding the revenue for personal services. The \$36,171.00 that is reflected is not indicative of the audit that was done. Again if the committee approves the budget with those numbers then they are approving that this is what the percentage of the salaries should be and they are accurate. She disagrees that the percentages are accurate numbers. **She made a motion that those numbers should be based upon the percentages in the Ellis & Ellis audit that was done. The numbers should be changed to \$62,603.** Mr. Miller stated that no one has audited the amount of time that each staff member spends on association work versus state use work. The assumptions used by Ellis and Ellis was based upon information given by Mr. Miller. Ms. Lipscomb understands that and suggests that we actually have that audited for clarification from an outside source. However, we can not do that prior to this budget being approved and we must use the percentages used by the audit as she does not believe the percentages outlined in the proposed budget is correct. She stated that since this is an independent audit, which is on file, she is comfortable using their numbers for this budget. She agrees that an independent audit should be done to get accurate numbers for the next budget. She again stated that she cannot approve this budget as long as that \$36,171 is there because it would mean she is approving the percentages are correct and she does not believe they are correct. **Ms. Lipscomb made a motion to amend that number to reflect what the audit said. Motion seconded by Brenda King. All voted in favor of the motion.**

Ms. Lipscomb stated that the cash on hand and the presort funds need to be reflected on the budget just like the investment account. Mr. Miller stated that it will be contained in the budget but was not contained in the print area. Ms. Lipscomb stated that it should be located in the same portion of the budget as the investment account. Mr. Miller agreed to put it in that area. Ms. King stated that she has gone back and reviewed the budgets of other non-profits she works with and they do have those type of accounts listed on the budget. Ms. Lipscomb stated that the investment portfolio, the cash on hand, the presort and the beginning balance which is what was left over from last year should be reflected on the budget. Mr. Miller stated that it definitely does not reflect that but he will include it in the budget. Ms. King stated that this is the way it is done with other non-profits. Also, when she gets budget information from other non-profits they also get line items, balance sheets, etc and this committee should have all that information so they know what all is there in order to be comfortable with it and vote on it. Ms. King stated all those things should be provided in the future so they know what the money is going to be used for.

Ms. Lipscomb wanted clarification and confirmation that the budget that is being presented to the committee and approved is what WV ARF is going to spend the monies on and if they want to waiver from that and use the funds for other things it must come back to the committee for approval. Mr. Miller confirmed that this is what will happen. He also stated that what is being approved today will create a deficit on the membership side. Ms. Lipscomb stated that the committee does not have any authority to approve

the membership budget. What the committee must approve is the use of public funds for the state use program. Ms. Lipscomb did not look at the membership portion of the budget because the committee does not have any authority over their funds. She has focused only on the public funds. She does not believe that the budgets should be combined. Mr. Miller stated that the budgets have been combined for the past 15 years and this is a big change. Brenda King stated that she likes seeing the membership budget along side the state use budget committee so the committee can do a comparison of the two even though they do not approve the membership portion of the budget. Ms. Lipscomb stated that WV ARF wears two hats, one as the membership and the other as the CNA and the funding for each must be kept separate. If Brenda wants them on one sheet of paper she does not have a problem with that but she is only approving the state use portion. Brenda King requested that they both be shown together for comparison purposes.

Ms. Lipscomb stated that she had no further amendments. **Ms. King moved to approve the budget. It was seconded by Ms. Lipscomb. All voted in favor.**

Old Business:

No old business discussed.

Adjournment:

There being no further business to come before the committee, the meeting was adjourned,

APPROVED: September 15, 2004

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