

**Massachusetts Technology Collaborative Finance and Audit Committee
February 26, 2019**

MINUTES

Present: Committee Members: Leland Cheung, Ann Margulies, and Joseph Dorant. Mass Tech Collaborative Staff: Carolyn Kirk, Jennifer Saubermann, and Lisa Erlandson. Mr. Daniel Bonnette and Valerie Colimon of RSM were also in attendance to present on the FY2018 Audit.

Start Time: 3:30 p.m.

Location: Mass Tech Collaborative Boston Office

Agenda Topic	Discussion	Action Taken/Required
Approval of Minutes	The Minutes of the June 13, 2018 meeting, including both the open and executive session, were presented for approval.	The open session and executive session minutes for the June 13, 2018 meeting of the Committee were approved by the Committee.
FY2018 Audit Report Presentation	<p>Mr. Daniel Bonnette of RSM distributed a presentation to the Committee. Mr. Bonnette explained that the audit opinion is unmodified. Mr. Bonnette noted that there are certain matters that are required to be discussed with the Committee which were included in the presentation and noted that the management representation letter was included in the back of the package. It was noted that due to the timing of the American Arbitration Association award, the audit completion was delayed so determination of the impact could be determined by MassTech and reviewed by RSM.</p> <p>As a result of the award, MassTech management was required to perform a detailed analysis of the financial condition of the organization to demonstrate it had sufficient resources to continue to operate as a going concern. That assessment was completed and it was determined there were sufficient resources.</p> <p>Ms. Colimon discussed some of the significant matters reviewed during the audit including internal accounting and reporting controls, accounts receivables and payables and proper recognition of revenues and expenditures. In addition, the considerations around the litigation are also reviewed and discussed.</p>	No action was necessary.

	<p>RSM is required to disclose any adjustments that were posted or passed during the audit and discussed items noted in the presentation. One was prior period adjusting entry to the General Fund Balance to remove long term liabilities at the fund level statements. In addition there was a posted adjustment in the current year to adjust the General Fund Balance to remove accrued compensated balances from the fund level statements. An additional restated classification between General Fund balances and governmental activities net position was made to the balances as of July 1, 2017. Mr. Bonnette and Ms. Colimon discussed the differences in the Governmental and Fund basis statement presentations. RSM indicated they do not have concerns about these adjustments, they are just required disclosures to the Committee.</p> <p>The staff was asked to leave while the Committee spoke with RSM. Upon staff returning, it was noted that Mr. Bonnette and Ms. Colimon had positive things to say about MassTech's staff efforts.</p>	
Other	<p>A question regarding the funding levels included in the FY20 Governor's budget for MassTech was asked by Mr. Dorant. It was explained that the Innovation Institute was at \$750K, \$500K for Big Data, \$50K for GEIR, and \$1,075,000 for Internship/Mentorship. Although the Innovation Institute amount is lower than hoped, the total amount is higher than typically included in this budget. It's projected that the House and/or Senate versions would include additional funding.</p> <p>Ms. Margulies asked about MassTech's plan for the broadband network in the long term. This led to a status updated on the KCST litigation which Ms. Saubermann provided indicating that the bankruptcy proceedings were still ongoing but KCST had filed its plan for reorganization and indicated its intent to assume the contract. KCST continues to operate the network but MassTech has assumed responsibility for payment of the third party network operator costs as specified under the revised NOA. MassTech's revised FY19 budget assumed a worst case scenario with regard to assuming the third party obligations without network revenues from KCST to offset those costs. All of these considerations, including the final bankruptcy decision would be considered in making any determination of a sale or transfer of the middle mile network. MassTech would consider various options in the long-term.</p> <p>Ms. Erlandson explained that MassTech was in the process of establishing a Fund Balance Policy and discussed the framework of the policy that would establish fund</p>	No action was necessary.

	<p>balance minimums or reserve funds to cover approximately 25% of annual operating costs within each division and up to 50% for corporate costs as well as any award commitments not yet paid. At each annual budget, the Fund Balance Policy would be evaluated to determine any fund balances that would be available to strategically invest in new programs or used to subsidize existing program activities when revenues are not sufficient. The Committee agreed that it makes sense to establish guidelines for use of fund balances and questioned whether 25% of operating costs was enough of a reserve. It was also asked how fund balance would be replenished over time and it was indicated that MassTech does not have any recurring source of funding except for the revenue generated from Kopin's lease of the fabrication facility which has been fully utilized in recent years. Ms. Erlandson noted that the FY20 Budget would be developed in conjunction with the fund balance policy framework.</p>	
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