



April 19, 2017

### **Summary: FSA – HSCBF Issues**

**Background of FSA Office – Relationship with HSCBF:** For 3+ decades, the FSA and HSCBF have shared a common business office under a uniform structure reporting structure, led by a Director of Finance that has recently been renamed to “Controller”, pending recruitment. The Interim role of Controller has for the past year been provided by an independent accounting firm (DSJ). Auxiliary Services on the campus were consolidated under the FSA, while HSCBF consolidated the philanthropic and campus/ local economic ventures that have provided the ability to sustain the overhead of a shared business office model. Historically, independent of each other neither corporation warranted a full time year round workload and back-up workflow capacity of a business office, but the synergy of both corporations together have more efficiently provided the campus with a full time, year round business office operation. This single business office structure has provided the ability to consolidate all staff under a single employer for purposes of payroll and benefit management, and management of daily workflow of both corporations. The Presidents of both corporations have traditionally maintained a strong level of communication and working relationship, and shared a common Treasurer of both corporations. A period of significant growth in HSCBF daily operational activities occurred at the onset of the LICH acquisition in 2011 and its subsequent divestiture in 2013/14 that has to a degree returned to its prior level. During this period, the Treasurer of FSA remained vacant until 2016 when the Treasurer roles have been separated with incumbents from within the campus Chief Financial Office to thereby maintain a close inter-organizational working relationship.

### **FSA Expense Recovery from HSCBF**

Two staff members on FSA Payroll are directly funded by HSCBF. Prior to April 1, 2017, FSA had invoiced HSCBF for reimbursement of the payroll and related expenses on or about the date of payroll. To improve cash flow, starting with April 1st, 2017 FSA now invoices HSCBF at the first of each month, in advance for the entire month of payroll and related expenses. At the conclusion of each month any additional compensation and related tax expenses paid will be invoiced. In sum:

\$387,792 Budgeted Payroll and related expense recovery

\$ 21,613 Other Than Personal Services (OTPS): HSCBF is invoiced for a percentage of the overhead associated with their employees and office use Budgeted OTPS expense recovery.

\$409,405 Total annual budgeted recovery from HSCBF

### **June 2016 thru May 2017 FSA Budget**

Starting with the FSA 2016 2017 Budget, M Gehan requested that the FSA quantify any annual deficit and reflect as a one line item labeled “Requested subsidy from HSCBF”. For the FYE May 2017 the budgeted deficit is \$104,124. To date none of this subsidy has been received by FSA from HSCBF, thereby straining FSAs current cash flow.

### **Financial Statements June 2016 through March 2017 & FSA Cash Flow Needs**

For the period June 2016 through March 2017 the FSA Office has sustained a loss of approximately \$125,000. A significant amount of the loss can be attributed to the cost of implementation of the new Blackbaud Financial Edge and Papersave software(s) as well as use of temporary workers and consultants to fill the bookkeeping role, accountant and controller positions within the FSA office. Currently the Blackbaud and Papersave software(s) have been fully implemented and are being utilized by both FSA and HSCBF. FSA hired Deshawn Hilliard as a full time bookkeeper in September 2016 and is awaiting discussion with the HSCBF BOD in regards to how to proceed with the FSA Office Controller’s position.

### **Request for Payment of Subsidy**

The FSA cannot sustain the losses that they are currently incurring and therefore request a payment from the HSCBF of \$95,447 [eleven (11) months of the subsidy], in order for them to be able to continue to operate and provide the valuable services to the DMC.