

INFORMATION



September 13, 2019

Subject: 5501 Committee Report - 8/20/2019 Meeting on July 2019 Financial Records

BACKGROUND:

California recently passed AB2912, effective January 1, 2019, that created new civil code 5500/5501.

1. Civil Code 5500 Items Monthly Review Meeting Items
 - a. Current reconciliation of the association's operating accounts,
 - b. Current reconciliation of the association's reserve accounts,
 - c. Current year's actual operating revenues and expenses compared to budget,
 - d. Latest account statements prepared by the financial institutions for all accounts,
 - e. An income and expense statement for the association's operating and reserve accounts, and
 - f. Check register, monthly general ledger, and delinquent assessment receivable reports
2. Civil Code Monthly CA5501 Report
 - a. A statement that subcommittee members have reviewed the items in (1) above,
 - b. A statement regarding any noteworthy findings, including any corrections to be made in a further review of the month and or subsequent months, and
 - c. Acknowledgment by subcommittee participants of their participation in the review.

REPORT:

- a. The committee met on August 20, 2019 from 2:00pm to 3:40pm and reviewed items in (1) above for July 2019 financial records.
- b. The committee reviewed July Financial Statements/Report. July NOR was on Budget. YTD July NOR is favorable \$530,00/20% to Budget. Day Camps volume/revenue off budget was discussed; for summer, # of kids down 9%, Member down 2% and Guest down 23% to prior year. Approximately 69% of kid participants are Members and 31% are Guests. Day Camps have a positive NORBO of ~\$30,000 and after Overhead a loss of (~\$35,000). Pricing and offerings will be reviewed again for 2020 Budget. Pizza on the Hill was also discussed, and startup of summer obstacles appear to have been overcome by mid-July. Pizza NOR was off budget \$17,000 in July (*August NOR is favorable \$6,000 to Budget and favorable \$10,000 to PY*).
- c. The committee performed a detailed review of July investments reconciliation and reporting (155 pages). Investments are heavy in US Treasuries and short on maturities. The investments subcommittee continues to evaluate the long-term strategy. The investment portfolio is not in compliance with Investment Policy (IP), due to being too heavy in US Treasuries investments; which while not diversified per the IP, is very conservative being over-weighted in US Treasuries. Treasurer inquiry regarding accounting basis (cost versus market) was researched (post-meeting) with current auditors Gilbert Associates. Gilbert affirmed our cost basis accounting is consistent with GAAP. The entire accounting and reconciliation process each month is performed by the Director of Finance and Accounting. The committee had a discussion regarding cross-training the Controller and/or Senior Accountant.

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- d. The committee reviewed the trial balance, General Ledger, check register and supporting reconciliations. One random selection on check register was traced back through to General Ledger detail with no exceptions.
- e. The committee reviewed member delinquent accounts receivable reports. Note, the full Board is briefed in executive session monthly on this matter.
- f. Other discussion items included:
 - None noted.
- g. The committee noted no adjustments necessary to the July 2019 financial statements. Items for follow-up at a future date include the following:
 - New: Investments accounting and reconciliation, cross-training.
 - Old, remains outstanding:
 - 1. Follow up with Mountain Hardware and determine if we can obtain better than 5% discount on charges. [Salmon]
- h. Committee Attendees (Acknowledgment received via email confirmation for all listed below)
 - 1. Jeff Connors, Treasurer
 - 2. Jim Roth, Secretary
 - 3. Jeff Bonzon, Finance Committee designee
 - 4. Michael Eaton Lloyd, Finance Committee designee
 - 5. Michael Salmon, Director of Finance
 - 6. Melanie Rives, Controller
 - 7. Tracy Pearson, Senior Accountant
 - 8. Robb Etnyre, General Manager
- i. Next 5501 Meeting – August Review is scheduled for September 24, 2019
(Board – Treasurer and Koenes (replaced Jennings) (Finance Committee – Cathy Ravano, Steve Mahoney)

Prepared by: Michael Salmon, Director of Finance

Board Agenda Meeting Date for Ratification: September 21, 2019

GM Approval for Agenda: _____