

## Michael Salmon

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**From:** Bobbie Hales <bobbie@gilbertcpa.com>  
**Sent:** Tuesday, July 10, 2018 8:56 AM  
**To:** Michael Salmon  
**Subject:** RE: Fiscal Year End Change

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Good morning Mike.

The attached information does lay out the pro's and con's and it appears that there may be legal issues that need to be resolved prior to any change related to organizational and membership rules and requirements.

From an audit standpoint, the only small concern I have is with the 10/31 year end option and the impact that the extended holiday time during that part of the year would have on the timing of audit and reporting to the Board/Membership. It can all be worked through but it is a consideration.

We do work with Organizations that changed their year end for some of the reasons you list. The decision will need to be based on the value of information to be gained and the cost of making the changes. Also, this is a decision that should be weighed for its long-term impact and not a change made based on preferences of any current governing group. I suggest that management's assessment of the change be heavily considered in making this decision.

Please let me know if you have any further questions.

Bobbie

**Bobbie Hales, CPA** Shareholder  
**Gilbert Associates, Inc.**, CPAs and Advisors

*Relax. We got this.*

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**Tahoe Donner Association  
Fiscal Year**

Fiscal Year Change - salient notes from old file folder  
Mike Salmon 5/16/2018

Current	12/31/20xx	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Option A	4/30/20xx	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Option B	10/31/20xx	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
		YE Close						Budget Preparation Period					
			Audit	Annual Report							Budget Adoption		
												Budget Mailing	
		on 1st Annual Assessment Due											
				after 1st Annual Assessment Delinq									

- Current: 12/31/20xx** Pros: Budget preparation during summer months. Spreads winter season operating results risk over two separate seasons.  
Cons: Audit during majority of other companies same period. Moderate ability to Forecast Year-End results in Q3. Inventories at peak (1). Winter season reporting split over 2 fys.
- Option A: 4/30/20xx** Pros: Summer and Winter full season in same fiscal year. Audit&Annual Report during summer months and in off-peak Auditing period. Inventories low.  
Cons: Budget preparation during the winter peak operating period. Worst ability to Forecast Year-End results in Q3.
- Option B: 10/31/20xx** Pros: Summer and Winter full season in same fiscal year. Budget preparation during the summer months. Best ability to Forecast Year-End results in Q3.  
Cons: Audit & Annual Report during the holiday and winter season. Last 2-weeks of Assessment payment cycle prior to Delinquent date are over Christmas/NY holiday period.

(1) Year-end physical inventory can potentially be performed prior to year-end and prior to season opening...for example at end of October, then roll-forward to 12/31/xx.  
Note - Other months as an option for month end have been eliminated due to splitting seasons or other factors.  
Property Taxes for Nevada County are due 11/1/xx and 2/1/xx; delinquent after 12/10/xx and 4/10/xx.



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## MEMORANDUM

**TO:** Board of Directors  
**FROM:** David Gravell  
**DATE:** August 17, 2001  
**RE:** Realignment of Corporate Fiscal Year

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At least from a tax-reporting standpoint, realignment of the corporate fiscal year is rather easy to accomplish. As long as a corporation's fiscal year has not been changed within the preceding ten years, the IRS merely requires the filing of an appropriate form and the payment of a nominal fee. I have been advised that the Franchise Tax Board generally follows whatever filing is recognized by the IRS in such cases. The form must be filed, and the fee paid, no later than the end of the second month following the start of the realigned fiscal year.

While registering the realignment of the fiscal year with the taxing authorities may be simple and straightforward, the practicalities of such a change are much more complex. Because of the requirements imposed on the Association by both the Governing Documents and Civil Code regarding the establishment of the annual budget and assessment, and the timing of the required notices of such to the members, it would appear the change would need to be implemented well in advance. If, for instance, the fiscal year were to be changed to a May 1 through April 30 period, it seems that the preceding "fiscal year" would need to be 16 months long in order to have an orderly transition. The legality of a 16-month fiscal year is yet to be resolved. The only other possible scenario would be an intervening 4-month fiscal year. Considering the required notices and invoices which must be sent to the members, including the annual report required within 120 days of the close of the year, this second option would not appear to be time or cost effective.

A further complication is the directive, under C&Rs Article VI, Section 2(g), "Payment of Regular Assessment", that the Regular Assessment shall be due and payable on January 1 of each year. While this provision is not an attempt to fix the fiscal year, it is a provision that must be dealt with. It would make little sense to have the Regular Assessment for a May 1 fiscal year due on January 1. Section 10(a) of the same article is somewhat in conflict with Section 2. It provides that the due date for the Regular Assessment shall, in no event, be less than 60 days

after the notice of the assessment is sent to the members. While it may open the door to a modification of the due date, the citing of a specific date in Section 2 appears to render it controlling on the issue. Section 10 may have been intended to merely provide the members with a reasonable opportunity to pay the assessment following a failure on the part of the Association to give timely notice of it. The clear mandate of Section 2 may necessitate a member-approved amendment to the C&Rs in order to adjust the year—in essence, it may be necessary to obtain member approval of the fiscal year adjustment.

Currently, budget development efforts are concentrated in the summer months. The realignment would require that those activities be undertaken over the holiday period. As we all know, major projects over the holidays are always problematic. While a fiscal year adjustment is possible, the benefits, if any, do not appear to outweigh the difficulties—especially in light of our ability to generate accurate *seasonal* reporting for the winter operations.

## FISCAL YEAR REALIGNMENT

C&Rs provide that the Regular Assessment is due January 1 of each year;  
Board may establish installment payment plan but that year's assessment cannot be due earlier than January 1

Notice of assessment (Budget Report) must be distributed not later than 45 days prior to start of fiscal year;  
Assessment due not earlier than 60 days after notice;  
Budget prep must be completed about 90 days prior to start of fiscal year

Annual Report (Audit) must be distributed not later than 120 days following end of fiscal year;  
Audit must start about 45 days after end of fiscal year to meet this deadline

Any fiscal year realignment requires one additional budget/audit/assessment cycle, costing about \$40,000, for the interim "short year" period

May 1 fiscal year would not be funded until following January 1;  
funding must be in place for May 1 – December 31 period;  
budget prep completed about February 1, with much work to be accomplished during the holiday period;  
audit work starts June 15

November 1 fiscal year would not be funded until January 1;  
funding must be in place for Nov. 1 – Dec. 31 period;  
budget prep completed about August 1;  
audit work starts December 15 (start of holiday season)

What is to be gained through resolving all of these issues?