

INFORMATION



November 13, 2019

Subject: 5501 Committee Report - 10/22/2019 Meeting on September 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 October 22, 2019 from 2:00pm to 4:00pm and reviewed items in (1) above for September 2019 financial records.
- b. The committee reviewed September Financial Statements/Report. September Operating Fund NOR loss of \$650,000 was favorable \$2,000 to Budget. YTD September Operating Fund NOR loss of \$3,025,000 is favorable \$535,00/15% to Budget. Golf is having an under-performing season, with September revenue off budget \$54,000/24% and NOR off \$56,000/90%. Golf YTD September revenues are off \$429,000/39% and NOR is off \$370,000.
- c. Equestrian under-performed on top line this summer, with revenues YTD September of \$237,000 which were unfavorable to budget \$18,000/7% and NOR Loss YTD of (\$53,000) unfavorable \$24,000. The revenues were good in boarding and camps, with trail rides the laggard. Trail rides volume was down to last year 16%, with Member down 8%, Guest down 16%, and Public down 51%. Pricing was increased again for 2019. The 2020 pricing for 1 hour trail ride currently approved is the same as 2019; Member \$59, Guest \$65, and Public \$79. Member/Guest represents over 90% of trail ride volume with approximately 50/50 M/G volume split. Increasing marketing efforts for 2020 is suggested.
- d. Alder Creek Café banquet business pace was a question at the meeting requiring follow-up. There is an expectation of more banquets at ACC due to tenure of business, and for 2020 due to the elimination of pavilion tent at The Lodge. Forecast for 2019 is \$69,000 and on the books for 2020 is currently \$28,000. Internal management pace reports are prepared weekly by Accounting and will be incorporated into monthly financial reporting package for 2020.

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- e. New Q3 Financial Briefing was reviewed, pages 20 to 32 of September Financial Report. Enhancements made over Q2. Each quarter the briefing will evolve with enhancements.
- f. The committee performed a review of September investments reconciliation and reporting. Investments remain 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.
- g. 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.
- h. The committee reviewed member delinquent accounts receivable reports. The significant age of certain member receivables and the related accounting was discussed. While some accounts are many years old, the amounts are protected with liens, and an allowance for doubtful accounts is recorded. This item will be reviewed by the auditors every year as part of the annual audit. Note, the full Board is briefed in executive session monthly on this matter.
- i. Other discussion items included:

Tennis late fall and basically free play courts was inquired as to why not staffing and charging. Operations response on 10/25....

We allow members to use the facility after closing for free by having members and guests visit our Member Services office to get the access code for the lock on our front gate of the tennis center. The reason this is free is the amount of court fees we would collect at this point in the season is nowhere near the cost of staffing our pro-shop. In addition, as a 501(c)4 to maintain our non-profit status we allow the high school to use the courts free of charge while their season is still active beyond our closing date. Our Director of Tennis is often in and out of the pro-shop during this time during which we are closed to finish work, collect member scans, sell equipment (mostly balls) and handle other needs. We occasionally have pros teaching private and group lessons of members and guests until the end of the high school season but most of the pros have already left.

Next week we will begin winterizing the facility, removing everything but a few nets, but leaving the combination lock for our members to benefit from the late season play while the weather still allows. We could staff the facility; however, the net would be a cost/loss; as most of the play are members on Recreation Fee/Pass.

Page 30 of September Finance Report.

Request to change the wording of '\$1.5m over policy target' to '\$1.5m over Operating Fund Contingency Reserve'. Request noted.

- j. The committee noted no adjustments necessary to the September 2019 financial statements. Items for follow-up at a future date include the following:

Old, remains outstanding:

1. Follow up with Mountain Hardware and determine if we can obtain better than 5% discount on charges. Salmon met with Mountain Hardware and discussed our valued relationship and requested a review of our account. Mountain Hardware response a week later was they will be increasing our account discount from 5% to 10%. **This equates to approximately \$2,000 in annual savings.** [Salmon]

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2. Investments accounting and reconciliation, cross-training. [Salmon]

- k. Committee Attendees (Acknowledgment received via email confirmation for all listed below)
 1. Jeff Connors, Treasurer
 2. Jennifer Jennings, Director
 3. John Dundas, Finance Committee designee
 4. Steve Mahoney, Finance Committee designee
 5. Michael Salmon, Director of Finance
 6. Melanie Rives, Controller
 7. Tracy Pearson, Senior Accountant

1. Next 5501 Meeting – October Review is scheduled for November 26, 2019

Prepared by: Michael Salmon, Director of Finance

Board Agenda Meeting Date for Ratification: November 23, 2019

GM Approval for Agenda: _____

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