

OMG I'M A CFO

CHIEF FINANCIAL OFFICER MANUAL

A WORK IN PROGRESS

Updated July, 2018

Welcome, Mutual Chief Financial Officer:

Welcome.

The purpose of this manual is to give you a broad overview of your duties and responsibilities as CFO. Those duties may vary depending on your individual Board of Directors but you can be assured that anything related to finances falls within your purview. Remember, you are a volunteer and your Board of Directors, as well as the CFO Group and accounting, are all available and willing to help.

Throughout this year we can schedule monthly training sessions on specific topics after the regular group meeting. Let us know if there is anything specific you would like us to cover. It is our goal to give you information that will help you perform your duties as Chief Financial Officer.

So, sit back and enjoy the ride; it's all downhill from here!

Suzi Smith
Chair, CFO Group
Mutual 4, CFO



TABLE OF CONTENTS

CFO Job Description/Accountability	4
The Players –Finance Department	5
Finance Etiquette	5
Accounts Payable	6
Ageing Receivables	7
Financial Statements	8
Other Reports	9
Service Maintenance Reports (SRO's)	10
Budget Process	10
Organizing	11

CFO JOB DESCRIPTION / ACCOUNTABILITY

By Laws Article VI, Section 7: Chief Financial Officer

“The CFO shall have responsibility for corporation funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the corporation. He/she shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the corporation in such depositories as may from time to time be designated by the Board of Directors.”

Specific duties to accomplish above, with all bookkeeping and accounting performed by GRF accounting department:

1. Review and approve all payments:
 - Approve bills
 - Review disbursements and transfers to GRF
 - Review transfers to and from investment accounts
 - Sign checks
2. Be prepared to tell board if funds are available for budgeted and special projects.
3. Review bank reconciliation and transfers between accounts monthly.
4. Verify bank balances to cash balances on Mutual monthly financial statements.
5. Check monthly Income and Expense Report for variances from budget. Take corrective action as needed.
6. Distribute monthly financial statements to board members.
7. Make report at monthly board meeting.
8. Review monthly SRO report for:
 - Questionable charges that need to be addressed with the Service Maintenance department
 - Move expenses charged as SROs to reserve accounts as appropriate. (Suggest anything over \$500 for roof repairs, major plumbing repairs, sidewalks, paving, major electrical repairs, etc.) Give SRO numbers and amounts to the Mutual Accountant. This will help control Service Maintenance – Standard operating expense budget.
 - Review SRO reports.
 - Prepare annual budget with the help of your board appointed finance committee. Be prepared to explain budget to board and shareholders.
 - Check and sign the tax return.



THE PLAYERS – FINANCE DEPARTMENT

Controller: Carolyn Miller

Accounting Supervisor: Barbara Shuler

Mutual Accountant: Diane Schultze

You will be given a key to open your lock box in the Mutual Work Room. Plan to visit weekly to keep up on paperwork. There are multiple colored folders: checks to sign, invoices to approve, items for you to take, items to be given back to the Mutual Accountant (signed checks, signed invoices)

1. Approve invoices
2. Sign checks (all checks require 2 board officer's signatures unless your board has approved one signature under a dollar threshold)
3. Pick up Financial Reports for distribution to each Director
4. Pick up SRO reports
5. Pick up Aging Receivable Report

As you will be working with the staff of the Finance Department, you will need to introduce yourself and sign a signature card. The Finance Department is behind locked doors. You will be buzzed in at the door.

FINANCE ETIQUETTE

You do not have to make an appointment for your weekly visit to sign checks and invoices and pickup paperwork. Simply access your lock box in the CFO room, sign invoices and checks and put into the Mutual Accountant envelope, and take those items marked for you. If you have items you would like to discuss with the Mutual Accountant or Controller, it is a good idea to check their schedules prior to the visit so they can allocate the necessary time. Email works well. Check your roster for phone numbers and email addresses. If you have a "quickie" question no problem - just pop in.



ACCOUNTS PAYABLE

How to deal with invoices (Ruth Berg, Mutual 8)

Approving Invoices

1. Verify that the materials or services of that invoice have been requested by:
 - a. A Mutual Board member or any other Board Member in an area related to their service area, e.g. landscaping, physical properties, etc. It is their responsibility to track job performance and completion of the work and then to sign off on the invoice.
 - b. A Building Inspector
 - c. Security
2. If the service has not been completed and signed it is not authorized; do not sign the invoice until it is verified.
3. A notebook devoted to this task would be very helpful. (or a Note Pad if you have one)
 - a. List all invoices in your notebook.
4. And/or ask for copies of all invoices that need a Director's signature. Get that invoice signed by the appropriate director and submit for payment.

Signing checks

In general, if an invoice is approved one week, the check will be ready for signature the following week. Try to avoid emergency checks as much as possible. Again, if you visit weekly it is easy to keep on a schedule. All checks must be signed by two board officers unless your Board has an under \$XXX.XX policy requiring only one signature.

AGING RECEIVABLES

“Aging Receivables” is a list of the all amounts owed by each individual shareholder.

These include:

- a) monthly carrying charge
- b) Service Maintenance charges
- c) finance charges and late fees

This is a separate report prepared by IT. It will be given to you by the Mutual Accountant, Diane Schultze.

30 to 90 days past due

Services available to the CFO through the Mutual Administrator Manager’s office.

The Finance office will send out letters to collect the past due amounts.

- When the amount is over \$2000 or over 120 days the case is referred to the Secretary

OR

- The CFO can instruct Admin to take action, for whatever amount, at 30, 60, 90 or 120 days. The decision is up to the CFO.
- Admin will make a call or send appropriate letters requesting payment for the past due amount from the shareholder. All collection and compliance services are custom made. She will follow the case until it is settled.
- Collection letters include but are not limited to:
 - a) Ten days to comply
 - b) Notice of defaults

OR

- The CFO can be actively involved and start the process by calling the shareholder at 30 days past due whether it is for the monthly charge, an SRO bill or finance charge. (You can get these details from the Finance office – Ester Jamora -Accounts Receivable.
- If the shareholder is in a nursing home or deceased, Stock Transfer office can give you the emergency number.
- When it gets over 120 days past due or is over \$2000 you may consider legal action. Each Mutual may then turn it over to its own attorney.



FINANCIAL STATEMENTS

Each month you will receive a Balance sheet and Profit and Loss Statement from the Mutual Accountant. You will receive enough copies for your Board. If you have too many, or not enough, just let her know. In your Financial Statement Packet are the following Items:

Balance Sheet - Assets: a list of assets of your mutual (corporation). Restricted deposits and investments are your reserves. Cash in Bank, unrestricted deposits, restricted deposits and reserves are the most important numbers on this page.

Balance Sheet – Liabilities: a list of debt, stock and equity of your mutual. Note that the Appropriated Additional Paid-in Capital matches your reserves from the Asset page. This page also notes your excess income/loss for the current year and all previous years combined.

Income and Expense Report – Expenses: this page shows all your expenses for the month and year to date compared to your budget for the same period and the variance and unused budget dollars.

Income and Expense Report – Income: this page shows all your income for the month and year to date compared to your budget for the same period and the variance and unused budget dollars; at the bottom is your excess income/loss.

General checking Account – Detail: this report is actually a check register and lists all the checks written for the month, as well as debit transfers made from checking during the month.

Reserve Fund Tracking: you can track all of your reserve accounts with these reports. They detail money that went into each reserve and money that was spent from each reserve for the current year.

Investment Designated Uses: a report listing all of your investments and their designate uses, by reserve account and a reconciliation of the general ledger to the bank statements.

Summary Report: a summary profit and loss statement. Some boards prefer to use this report for distribution to shareholder.

OTHER REPORTS

There are a number of other reports you will receive each month from the Mutual Accountant:

Monthly Payment to Golden Rain Foundation: a list of charges that make up your monthly payment to GRF. The miscellaneous monthly bills are detailed in the Journal Entry Report.

Miscellaneous Mutual Billing Journal Entry: details the bills paid on your Mutual's behalf by GRF, including but not limited to: water, fire service, property and liability insurance, cable and Mutual standard, replacements from Service Maintenance and refunds of miscellaneous outstanding receivables collected through escrow.

General Cash Deposits: cash deposits that were put into your bank account during the month.

Bank Statement and Bank Reconciliation: bank statement and reconciliation, showing checks and deposits still outstanding as of the end of the month.

List of Investments: list of all your investments showing interest rate, par value, purchase price, annual interest and maturity date. This report is only for those Mutuals with CD's in their portfolio.

Trial Balance: a Trial Balance is a bookkeeping worksheet in which the balances of all ledgers are compiled into debit and credit columns. The general purpose of producing a trial balance is to ensure the entries in a company's bookkeeping system are mathematically correct. Use this report to verify cash and investment balances.

Southern California Edison Bill: this is a copy of your SCE bill for the previous month. These costs can be monitored by the CFO or another board member.

Laundry Coin Report: this report shows how much money was collected in each laundry room, and the income can be used to gauge recovery costs associated with the SCE bill.

SERVICE MAINTENANCE REPORTS (SRO'S)

Each month you will receive one copy of the Service Maintenance report for your mutual. The Mutual Accountant will give you the report but it is produced by IT. This report shows all the service calls, by apartment for the month. It is organized by bill type:

- 01 Mutual Standard (charged to Mutual)
- 02 Resident (charged to resident)
- 03 Escrow Seller (charged to seller through Escrow)
- 07 Replacement (charged to Mutual as a replacement/reserve item)
- 08 No longer used
- 09 Escrow Mutual (charged to Mutual)
- 10 Escrow Replacement (charged to seller through Escrow)

Each Mutual will have their own procedures on reviewing SRO Reports. As the CFO, you are encouraged to make sure there is a process in place. Any item with a bill type 01 can be reassigned to a reserve either monthly or annually. For example, if there is a large charge for termite and dry rot repair, it can be allocated to a reserve account rather than leaving it on your profit and loss as an expense item if the project was intended to be financed with reserve funds.



BUDGET PROCESS

Each Mutual prepares a new Budget during the summer for the following year. Our Controller, Carolyn Miller, sends our working spreadsheets to each CFO after the June financial statements have been completed (late July). These spreadsheets make it very easy to insert budget numbers for each line item as the formulas are set up to calculate for you. It is a good idea to begin your Budget review earlier so that you have an idea of major projects and expenses that need to be accounted for in the following year. It is very helpful for the CFO to have a three person committee to assist in this process.

Each Mutual will make an appointment with the Controller sometime in late July or August to review their budget and make any final adjustments. It is not the job of the Controller to prepare your budget for you—that should be done before your appointment.



ORGANIZING

Keeping track of all those papers can be overwhelming. Here is a suggested way to organize all the reports and information you will be receiving. Note: many CFO's use websites and departmental computer files when they need information

Notebook format (Ruth Berg, CFO Mutual 8)

Tracking of CFO responsibilities can be organized into 3-ring notebook binders. An additional file folder (2-pocket type) to include specific items needed for a specific purpose can be kept within the binder so that it can be easily removed and taken to a meeting with the pertinent data/information as needed. The binders include the following:

1. Overall information
 - a. Rosters – contact information for the Mutual, GRF, Administrative areas
 - b. Important documents – occupancy agreement, escrow/realtor information
 - c. GRF information – policy lists (related to policies online)
 - d. CFO tasks, accounting terminology
2. CFO Reports
 - a. Financial Statements
 - b. Investment Statements
 - c. Monthly CFO Reports and financial overview
 - d. Other data related to financial concerns, e.g. payments to GRF, general ledgers, laundry room income, etc.

Note: The current and the prior statement are kept in this folder. Others (prior) are filed in a yearly folder (12-month pockets).
3. Shareholder addresses and inspection reports

Do not keep any personal shareholder information.

4. Shareholder Areas of concern
 - a. Aging Receivables
 - b. Security reports
 - c. Specific data relating to individual situations currently under investigation

5. Reserves
 - a. Reserve studies
 - b. Specific information related to each of the reserves
 - i. Infrastructure, including special projects
 - ii. Roofing
 - iii. Appliances
 - iv. Emergency
 - c. Specific budget data (copies) related to the Reserve accounts
6. Resolutions related to the Mutual
7. Correspondence
8. Minutes
9. CFO and President's Council minutes/pertinent data
10. Emergency Preparedness
 - a. Building Captains

At the end of each year, data related to the year is kept in a plastic bin.