

AGENDA
FINANCE COMMITTEE
Administration Conference Room
Tuesday, March 18, 2014 – 9:30 a.m.

1. Call to Order
2. Pledge of Allegiance
3. Roll Call
4. Approval of Regular Meeting Minutes February 18, 2014
5. Chair's Introductions and Announcements
6. Foundation Member Comment Period
7. Review Correspondence
8. Investment Sub-Committee Report
9. Staff Reports
 - a. Controller – Financial Report Review – February 2014
 - Mutual Self-Insurance Fund Report
 - b. Accept February Financial Statements for Audit
 - c. Purchasing
 - d. Executive Director
 - Mutual One Correspondence of February 27, 2014
10. Unfinished Business
 - a. Credit Cards – Update
 - b. Reserve Study – Adopt Policy 5520 – Reserves
 - Recommend Approval of Reserves Contract
11. New Business
 - a. Rescind Policy 5521 – Investment of Special Accounts
 - b. Rescind Policy 5521.3 – Approved Authorizations for Special Accounts
 - c. Audited 2013 Financial Statements Draft – Presentation by NSBN, LLP
 - d. Non-Budgeted Expense Policy - Draft
12. Committee Member Comments
13. Next Monthly Meeting: Tuesday, April 15, 2014 – 9:30 a.m. Administration
14. Adjournment

****Agenda is Subject to Change****

Controller's Financial Recap – February 2014

As of the two-month period ended February, 2014 the balance sheet indicates that GRF is in a healthy financial position with a surplus of \$24,452.

Major variances are:

Salaries, Wages & Benefits Temp EEs / Recruitment Net positive variance	87,598 (4,152) 83,446	Actual FTEs are below budget by 5; Temp used to fill a key position in January.
Depreciation	36,365	\$1.9M of 2013 budgeted capital funds allocated to the paving project has not yet been finalized; \$1M carryover from 2013.
Other Income	18,457	YTD donations of \$7,515; Guest passes \$7K; Building permits \$8K
SRO Labor Cost Recovery	(106,908)	Lag in labor recognition due to pending open work orders.
Election Expenses	(22,032)	Election for the Trust Extension not budgeted.
Onsite Sales Office Rent	(20,854)	Sales volumes were low in January.
Telephone Book Income	(20,098)	Revenues < budgeted
Membership Transfer Fees	(12,370)	Lower sales volumes resulted in a decrease in membership fees.
Stock Transfer Fees	(9,416)	Decrease in internal transfers.

Capital Budget expenditures for the year are \$24,693 with a budget of 3M.

Funds totaling \$2.9M were carried over from the 2013 capital budget. \$1.9M of these funds are allocated to the trust street paving project. The majority of the 2013 projects are expected to be complete by first quarter 2014.

2014 CAPITAL ACQUISITION BUDGET

Center	Description	Budget Amount	EXPENDITURES			Total	Balance
			Jan	Feb	Mar		
30	45 Chairs for Admin Conference Room	\$ 9,680				0.00	9,680.00
32	Cantilever Rack for Wood Storage	\$ 3,000				0.00	3,000.00
32	Barcode label printer	\$ 1,000				0.00	1,000.00
34	IP Phones (8@500, plus conference phone \$1k)	\$ 5,000				0.00	5,000.00
34	Tablet Devices for Physical Properties (8@ \$700)	\$ 5,600				0.00	5,600.00
34	Tablet Devices for Managers (5@ \$700)	\$ 3,500				3,186.72	313.28
34	Tablet Devices for Service Maintenance (30 @ \$700)	\$ 21,000				0.00	21,000.00
34	Library Patron/Print Management System	\$ 10,000.00				0.00	10,000.00
34	Workstation Replacements, Peripherals, Misc Hardware	\$ 15,000				0.00	15,000.00
34	Dell R710 Server Memory Upgrade	\$ 10,000				0.00	10,000.00
34	Windows 7 Licenses	\$ 2,000				0.00	2,000.00
34	Time and Attendance Hardware	\$ 6,395				2,354.34	4,040.66
34	Surveillance Camera Expansion	\$ 30,000				0.00	30,000.00
34	Campus Wifi for GRF staff & directors	\$ 40,000				0.00	40,000.00
34	Jenark One time Fee	\$ 145,000				0.00	145,000.00
34	iPads for Directors and IT (from 2013 but not carried forward)	\$ -				2,379.60	(2,379.60)
35	8 Computers Patron use	\$ 6,500				0.00	6,500.00
35	Security & Catalog Software	\$ -				14,110.66	(14,110.66)
36	6 Mini Mac Computers @ \$600 each	\$ 3,600				0.00	3,600.00
36	6 Computer monitors @ \$300 each	\$ 1,800				0.00	1,800.00
36	Filemaker Pro 12 Advanced	\$ 500				0.00	500.00
36	4 Filemaker Pro Licenses @ \$300 each	\$ 1,200				0.00	1,200.00
37	Case Management Software	\$ 10,000				0.00	10,000.00
37	4 Visitor Admissions Printers	\$ 4,000				0.00	4,000.00
37	4 Replacement Security Patrol vehicles	\$ 120,000				0.00	120,000.00
37	Overhead lights, spotlight, ans siren for new patrol vehicles	\$ 5,000				0.00	5,000.00
37	Portable security cameras for outdoor use	\$ 3,000				0.00	3,000.00
37	License plate recognition system (one at each gate)	\$ 20,000				0.00	20,000.00
40	Clubhouse Air conditioner Replacements	\$ 20,000				0.00	20,000.00
40	Miscellaneous Sound Equipment	\$ 5,000				0.00	5,000.00
40	Professional services for master planning	\$ 50,000				0.00	50,000.00
48	Hot pool shade	\$ 4,000				0.00	4,000.00
48	Raypack Pool Pump	\$ -				1,309.08	(1,309.08)
51	Clubhouse 1 - Ice Machine (donated by GAF)	\$ -	191.52			191.52	(191.52)
51	Clubhouse 1- Blue Chairs	\$ 5,000				0.00	5,000.00
52	Clubhouse 2- Blue Chairs	\$ 5,000				0.00	5,000.00
53	Clubhouse 3- Blue Chairs	\$ 5,000				0.00	5,000.00
53	Clubhouse 3- Microphones- Audio Technica Pro	\$ -	53.99	269.95		323.94	(323.94)
54	Clubhouse 4- Blue Chairs	\$ 5,000				0.00	5,000.00
54	Clubhouse 4- Entry Way concrete replacement	\$ 9,000				0.00	9,000.00
54	Clubhouse 4- Ice Machine (donated by GAF)	\$ -	191.52			191.52	(191.52)
74	2 Portable Air Compressor	\$ 0.00		645.84		645.84	(645.84)
79	Perimeter wall sections M & L	\$ 1,200,000				0.00	1,200,000.00

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2014 CAPITAL ACQUISITION BUDGET

Center	Description	Budget Amount	EXPENDITURES				Total	Balance
			Jan	Feb	Mar			
79	Perimeter wall Engineering	\$ 30,000					0.00	30,000.00
79	Landscape Improvement	\$ 40,000					0.00	40,000.00
79	Trust Street Paving Project	\$ 1,000,000					0.00	1,000,000.00
79	Trust Street Landscape Improvements	\$ 52,000					0.00	52,000.00
79	Re-roof community facilities buildings- Clubhouse One	\$ 90,000					0.00	90,000.00
79	Paint Main Gate Areas	\$ 20,000					0.00	20,000.00
Total Planned Capital Acquisitions		3,022,775.00	437.03	24,256.19	0.00	24,693.22	2,998,081.78	

2013 CAPITAL ACQUISITION BUDGET CARRYOVER TO 2014

Center	Description	Carryover Balance	January	February	March	Total	Remaining Balance
30	Sound and Projection System - Admin. Conference Room	33,031.00	26.62			26.62	33,004.38
32	Relocate Warehouse heating unit	2,000.00				0.00	2,000.00
33	Stock Transfer Mail Folder Insert Machine	19,029.44	19,029.44			19,029.44	0.00
33	Stock Transfer 10 lb Scale Postage Machine	13,961.72	13,961.72			13,961.72	0.00
34	31 Computers & laptops	27,185.00	18,266.19	5,566.89		23,833.08	3,351.92
34	Server Rack and Network Infrastructure Improvements (sales tax)	56.40	56.40			56.40	0.00
34	Jenark / MicroMain	115,000.00				0.00	115,000.00
37	Radio repeaters for Security & Service Maintenance	5,872.10	5,825.20			5,825.20	46.90
37	St. Andrews Gate carpet replacement	2,500.00				0.00	2,500.00
37	Automated Pedestrian Gate	5,000.00				0.00	5,000.00
51	Clubhouse 1 - Lobby Furniture	15,000.00	549.87			0.00	15,000.00
52	Clubhouse 2 - 52 Long Tables (sales tax)	549.87				549.87	0.00
53	Clubhouse 3 - Heat pump	4,500.00				0.00	4,500.00
54	Clubhouse 4 - Heat pump	3,690.00				0.00	3,690.00
54	Clubhouse 4 - Replace All Tiles	40,000.00				0.00	40,000.00
55	Video Producers Equipment (sales tax)	62.32	62.32			62.32	0.00
56	Café Project	11,040.00				0.00	11,040.00
56	Various Exercise Equipment	7,042.53	7,042.53			7,042.53	0.00
70	Carpeting - downstairs	10,000.00				0.00	10,000.00
70	Interior Painting (1st & 2nd Floors)	16,000.00				0.00	16,000.00
70	Exterior Painting	10,000.00				0.00	10,000.00
74	Gas Welding Machine with Torch	9,000.00		8,066.48		8,066.48	933.52
74	2 Portable generators (sales tax)	127.84	127.84			127.84	0.00
74	Chairs for Lunch Room (sales tax)	78.72	78.72			78.72	0.00
79	Perimeter Wall Replace - Sections A & B (Changed to R)	500,000.00				0.00	500,000.00
79	Main Gate Beautification	200,000.00				0.00	200,000.00
79	Landscape Improvement	24,136.10				0.00	24,136.10
79	Trust Street Paving Projects	1,898,896.00				0.00	1,898,896.00
Total Planned Capital Acquisitions Carryover from 2013		2,973,759.04	65,026.85	13,633.37	-	78,660.22	2,895,098.82

2,961,919.00 Per Capital Budget Variance Report - December 31, 2013
 4,788.00 Add back Ice Machines deducted from 2013 budget (donated by GAF)
 5,000.00 Add overall unused funds to CC 34 for Jenark / MicroMain
 2,106.03 Misc variance with paving project & added sales tax for 2013 purchases
 (53.99) Adjustment to CH3 - Microphones

2,973,759.04
0.00

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Golden Rain Foundation
Cash Flow Activity - All Reserves
For the Month of February 2014

	Contingency Operating Fund	Trust Improvement Fund	Capital Improvement Fund	Liability Insurance Fund	Self-Insurance Fund	Mutuals' Fund	Other Restricted	Nonrestricted Funds	Total
Balance 01/31/2014	562,987	97	6,048,571	1,020,052	183,238		431,094	56,698	8,302,737
Funded: Trust Asset Dep'n		60,031							60,031
Funded: Non-Trust Asset Dep'n			1,188						1,188
Funded: Membership Fees collected (40)			43,690						43,690
Progress Payments on CIP		(95,051)							(95,051)
New Capital Purchases		(29,177)	(8,712)						(37,890)
Monthly Claims						(24,577)			(24,577)
Replenish fund for Item Donations		131,586							131,586
Transfers from Excess Income	122,060						(157,223)	195,855	122,060
Net Monthly Activity									38,632
Balance 02/28/2014	685,047	67,486	6,084,737	1,020,052	158,661		273,871	252,553	8,542,406
Net Activity	122,060	67,389	36,166	-	(24,577)		(157,223)	195,855	239,669

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Mutuals' Self-Insurance Fund

Balance of Fund, December 31, 2013		192,831.75
January 2014 Claims	9,593.37	
February 2014 Claims	<u>24,577.40</u>	
Year-to-Date Claims		34,170.77
Balance of Fund, February 28, 2014		<u><u>158,660.98</u></u>

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GOLDEN RAIN OPERATIONS**BOARD INTERNAL OPERATIONS****DRAFT FOR ADOPTION****Reserves****1. Reserve Funds**

- i. Reserve funds are monies that the Golden Rain Foundation (Foundation) has collected to defray future maintenance and replacement of major components/assets the Foundation is required to maintain in accordance with California Civil Codes.

2. Assets

- i. For the purpose of preparation and maintaining the Foundation's reserve study, an asset of the Foundation shall be defined as: an item or items that have a value or an aggregate value of \$2,500 and a minimum life expectancy of three (3) years.

3. Component

- i. For the purpose of preparation and maintaining the Foundations reserve study, a component shall be defined as: a major component and/or asset with an estimated service life of thirty (30) or more years. Such identified components may be included in the reserve study as a capital asset and disregarded in the reserve calculations.

4. Reserve Study

- i. The Foundation is required to prepare a reserve study at least once every three years based upon a diligent visual inspection of the accessible areas of the components/assets.
- ii. The board is required to review the reserve study annually as part of the annual budgeting process and determine whether intervening events over the past year warrant adjustment of the reserve funding.

5. Use of Reserve Funds

- i. For Reserve Expense – Reserve funds cannot be spent for any purpose other than the maintenance and replacement of Foundation components and assets for which the funds have been set aside except in limited situations as allotted by the Civil Code.

(month year)

GOLDEN RAIN OPERATIONS

BOARD INTERNAL OPERATIONS

DRAFT FOR ADOPTION

Reserves

- ii. Reserve funds set aside for a particular line item in the study need not be restricted to expenditures on that line item alone, but rather the aggregate of all reserve funds may be used for the aggregate of all reserve expenses at a particular time.
- iii. Reserve funds should not be used for expenses not included in the list of components and assets included in the reserve study. If a major component and/or asset meeting the description of an assets as noted in section 2 are in need of repair and/or replacement, by a majority vote of the Board at a duly noticed meeting of the Board open to all Shareholders/Members, include the component and/or asset into the study with an adjustment to the funding plan.
- iv. Reserve funds may be transferred to the operating account to meet short-term cash flow requirement or to cover other expense by a majority vote of the board. However the board must fulfill the following procedural requirement before transferring any funds. The Board must provide no less than four (4) days written notice to the Shareholders/Members, of the intent to consider a transfer, the options for repayment in accordance with the civil code, and if a special assessment may be required. Upon approval, the minutes of the meeting must reflect the amount, reason for the transfer, and describe when and how the funds will be repaid to the reserve account.
- v. Repayment of transferred funds contingent upon section 5 (iv): Funds transferred from the reserve account must be restored to the reserve account within one (1) year of the date of the initial transfer.
- vi. Reserves Funds may be transferred for litigation purposes provided that:
 - a. Such transfer is in full compliance with the civil code, and
 - b. The Foundation must notify the Shareholders/Members of the decision to make the transfer and the availability of an accounting of expenses in the next mailing to the Shareholders/Members. The Foundation is required to make an accounting of expenses related to

(month year)

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GOLDEN RAIN OPERATIONS**BOARD INTERNAL OPERATIONS****DRAFT FOR ADOPTION****Reserves**

litigation to all Shareholders/Members on at least a quarterly basis. The accounting need not to be sent to all Shareholders/Members, but must be available upon request at the Foundations Administrative offices.

6. Banking of Reserve Funds

- i. Reserve funds shall not be comingled with any other Foundation funds and be maintained in suitable FDIC insured bank accounts.

7. Withdrawals/Transfers from Reserve Funds

- i. Require the signature of two Foundation Board Members.

8. Investment of Reserve Funds

- i. The Board shall exercise prudent fiscal management in maintaining the integrity of the reserve account.
- ii. The Board's primary goal in investment of the Foundations reserve funds shall be the preservation of the funds.
- iii. Liquidity of the reserve fund shall be preserved to insuring that funds are available for:
 - I. Scheduled replacements/repairs
 - II. Emergency replacements/repairs
 - III. Repair and/or replacement of components and assets that have reached the end of their useful life earlier than expected.
 - IV. Litigation as allotted by the civil code
 - V. Short term operational needs, provided that terms as set forth in 5 (iv) are in compliance.

9. Reserve Fund Expenditures

- i. Scheduled Replacements/Repairs
 - I. All Foundation policies referencing standards of purchasing shall be applicable unless the replacement or repair is an emergency (see definition of emergency in section 10).
 - II. Scheduled replacements/repairs less than \$50,000 may be approved by two Board members (one must be an officer of the Board)

(month year)

GOLDEN RAIN OPERATIONS

BOARD INTERNAL OPERATIONS

DRAFT FOR ADOPTION

Reserves

- III. Scheduled replacements/repairs over \$50,000 require a majority vote of the Board.
 - ii. Non Scheduled Replacements/Repairs
 - I. All Foundation policies referencing standards of purchasing shall be applicable unless the replacement or repair is an emergency (see definition of emergency in section 10).
 - II. Must be approved at a duly posted Board meeting and approved by majority vote of the Board.
 - III. If the replacement/repair constitutes an emergency requirement, the Executive Director and no less than two (2) Board officers may take appropriate actions to protect the Foundation's Components/Assets to a limit of \$50,000 with immediate notification of all Board members clearly noting the need and emergency. Such emergency action shall be reviewed at the next regularly scheduled meeting of the Board. Emergency actions that result in an expenditure greater than \$50,000 require an emergency meeting of the Board, with the minutes of the meeting clearly stating the emergency and the actions taken.
- 10. Emergencies
 - i. Emergency reserve fund expenditures for the replacement/repair of components and assets shall be defined as:
 - I. The need to repair and/or replace a component and/or asset involving the imminent danger to life or property, or immediately necessary for the preservation and safety of the property.
 - II. For the safety of the Shareholder/Members.
 - III. Required to avoid the suspension of any necessary service to the Foundation and property under the oversight of the Foundation.
 - ii. The Board and/or Executive Director is to use prudent determination in cases of a emergencies and take steps as required as noted in section 10 (i).
 - iii. The Board and/or Executive Director shall within a reasonable time of the emergency but no less than six (6) hours, notify the Board of the event and actions to protect and secure the Foundations components and assets.

(month year)

GOLDEN RAIN OPERATIONS**BOARD INTERNAL OPERATIONS****DRAFT FOR ADOPTION****Reserves**

- iv. At the next regularly scheduled meeting of the Board a full account of the emergency shall be presented including but not limited to:
 - I. Nature/cause of the emergency
 - II. Actions taken.
 - III. Full accounting of all expenses.
- v. All applicable sections of this policy shall remain in effect.

Sources

- 2014 Condominium Blue Book, by B. Bickle
- Advising California Common Interest Communities, second edition, by C. Sproul, M. Howell and K. Rosenbury (2014 edition)
- The Revised Davis-Stirling Common Interest Development Act, by Fiore Racobs & Powers
- Community Associations Institute (www.caionline.org)
- Adams Kessler (www.davis-stirling.com)

Policy

Adopted: date month year

GOLDEN RAIN FOUNDATION

Seal Beach, California

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(month year)

GOLDEN RAIN FOUNDATION**BOARD INTERNAL OPERATIONS****RESCIND****Investment of Special Accounts**

Special Accounts are maintained by the Golden Rain Foundation for the purpose of accumulating funds for capital improvements, the replacement of equipment, and special needs. These funds will be held in investments as shown below.

Funds currently invested in municipal bonds may be held until maturity, but not later than five years. When the bonds are liquidated, the funds from the bonds will be invested as described below.

All future funds held for special accounts will be in United States government securities or in accounts insured by the United States government.

Policy

Adopted: 29 Jul 70
Amended: 20 Jul 71
Amended: 20 Dec 83
Amended: 15 May 07
Amended: 15 May 12

GOLDEN RAIN FOUNDATION
Seal Beach, California

(May 12)

GOLDEN RAIN FOUNDATION**BOARD INTERNAL OPERATIONS****RESCIND****Approved Authorizations for Special Accounts**

In compliance with Policy 5521, monies are approved to be held in custody with Mellon Private Wealth Management (MPWM).

Verbal instructions for reinvestment of monies or transfers to other existing accounts of the Golden Rain Foundation may be given to MPWM by any one of the following:

Golden Rain Foundation President
Golden Rain Foundation Treasurer
Administrator
Controller

Written authorizations for investment transactions or withdrawal approvals may be given to MPWM by any two of the following, one from Group I and one from Group II:

Group I	Golden Rain Foundation President Golden Rain Foundation Treasurer
Group II	Administrator Controller

Internal confirmations of verbal approvals will be maintained by the Accounting Department and signed by two persons, one from each group listed above.

Policy

Adopted: 18 Oct 94
Amended: 21 Mar 95
Amended: 15 May 07

GOLDEN RAIN FOUNDATION
Seal Beach, California

(May 07)