

FINAL REPORT

Budgeting & Board Reporting
Susan M. Vos, CPA/CFE
RCM CPAs, Tucson, Arizona
12-11-19

From: Susan Vos <svos@rcmlp.com>
Sent: Wednesday, December 11, 2019 8:39 AM
To: Cheryl Moose <cheryl@gvrec.org>
Cc: Kent Blumenthal <KBlumenthal@gvrec.org>; Jen Morningstar <jen@gvrec.org>; David Webster <DavidW@gvrec.org>
Subject: RE: final report

Hi Cheryl,
I had sent to Charlie, I apologize you didn't get a copy. I'm out of town and just now had access to forward to you.

Regards,

Susan M. Vos, CPA/CFE
RCM CPAs
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From: Cheryl Moose <cheryl@gvrec.org>
Sent: Tuesday, December 10, 2019 8:48 AM
To: Susan Vos <svos@rcmlp.com>
Cc: Kent Blumenthal <KBlumenthal@gvrec.org>; Jen Morningstar <jen@gvrec.org>; David Webster <DavidW@gvrec.org>
Subject: final report
Importance: High

Hi Susan,

Hope you're doing well. We're going to be meeting with the new auditor today. Could we please get an unaltered copy of your recommendations? It would help to be able to talk to her about the changes. Thanks.

Regards ,

Cheryl Moose
Chief Financial Officer

GREEN VALLEY RECREATION
Recommendations for Budgeting and Board Reporting

Budget Process:

1. Develop a budget to include a comparison of the prior year's actual amounts. If the preceding year is not yet complete, projections should be made to estimate the prior year final actuals. **This recommendation is currently being implemented.**
2. When developing the budget, goals should be determined first. For example, what are the goals for next year? Each annual budget should be part of a longer-term budget based on a strategic plan or long-range planning. A strategic plan would assist in implementing this recommendation. All stakeholders should be involved in the strategic plan development with the assistance of a consultant that specializes in helping organizations with strategic planning.
3. The budget should include a separate column for each cash category to track the inflows and outflows of each cash account. This will allow for the tracking of operating cash transferred to the reserves and for the tracking of expenditures (both capital and expense) from each reserve cash account.
 - a. Operations
 - b. Maintenance and Replacement Reserve
 - c. Initiatives Reserve
 - d. Emergency Reserve
4. Prepare the budget based on cash inflows and outflows. Green Valley Recreation ("GVR") is required to maintain its accounting records in accordance with generally accepted accounting principles ("GAAP"), as such the budget should not be prepared on a pure cash basis. Non-cash items such as depreciation and allowance for bad debt should be excluded from the budgeted line items. It is important to keep in mind that excluding the non-cash items will create a potential significant variance in the net change in net assets (net income) when comparing to the audited statement of activities.
5. The monthly budget that is provided to the Board of Directors for monitoring throughout the year should be prepared with seasonality built-in. A seasonal budget will depict more the actual fluctuations of revenue and expense, so it is easier to determine if GVR is on track to meet budgeted amounts throughout the year.
6. The Board of Directors and/or the FAC shall allow the Chief Executive Officer to present the budget to the Board of Directors for approval. The CEO's presentation of the budget should include all assumptions made. The CEO's presentation will allow board members to ask questions and determine if goals are in line with the overall goals of the organization and if assumptions are reasonable.

(continued)

Funding of Reserve Accounts:

7. Per the Corporate Policy Manual, the Maintenance and Replacement Reserve account should be funded from operations in accordance with the Reserve Study to achieve a funding level of not less than 85% but not exceed 100%. GVR has utilized a professional firm to perform reserve studies. GVR should follow recommendations of this professional firm.
8. Per the Corporate Policy Manual, the Initiatives Reserve account should be funded from the New Member Capital Fee and Initial Fee assessed. GVR should follow the Corporate Policy Manual. **This recommendation is currently being implemented.**
9. Clearly define calculation for Emergency Reserve account annual contribution. Per the Corporate Policy Manual, calculations are “at the close of each fiscal year. The Board of Directors shall determine the amount, if any, to contribute from excess Revenue-Over-Expenses plus depreciation expense less Reserve contributions to the MRR Reserve Fund.” ‘Revenue over expense’ is not clearly defined. Define if this is solely operating revenue and expense, excluding all expenditures from reserve funds and capital expenditures from operations. A calculation should be developed and followed consistently. It should also be established if the result of this calculation is used only to fund the Emergency reserve or other reserve accounts as well.

Cash Policies:

10. A best practice for most non-profit organizations is to maintain a minimum of 90 days cash on hand up to 120 days. (Days cash on hand is the number of days that an organization can continue to pay its operating expenses, given the amount of cash available.) Cash on hand can include liquid savings or money market accounts. If a liquid savings account (Money Market or High Yield Savings) is utilized, keep 45 days of cash in the checking and the remaining kept in the savings vehicle.
11. If the recommendation in #3 above (four budgets) is not adopted, an alternative to tracking expenditures by reserve account would be to maintain a checking account for each reserve account. This would also eliminate the need to transfer cash from the reserve accounts to the operating cash account.

Financial Reporting Policies:

12. Fully implement Carver Policy Governance in which Board of Directors monitors the CEO’s performance through Executive Limitations. Utilize Policy Governance Consultant to develop necessary policies. **This recommendation is currently being implemented.**
13. Simplify financial reports for the Board of Directors and Fiscal Affairs Committee. Consider reducing the amount of reporting to the Balance Sheet (Statement of Financial Position), Income Statement (Statement of Activities), Cash flow (cash needs report) integrated with Budget to Actual. Or even more simplified dashboard with Key Performance Indicators.