



REGULAR MEETING OF THE FINANCE COMMITTEE

**Tuesday, August 25, 2020 – 1:30 p.m.
Laguna Woods Village
Virtual Meeting**

AGENDA

1. Call to Order
2. Acknowledgment of Media
3. Approval of the Agenda
4. Approval of Meeting Report for June 30, 2020
5. Chair Remarks
6. Member Comments (Items Not on the Agenda)
 - a) *Send email to meeting@vmsinc.org any time before the meeting is scheduled to begin or during the meeting. Please use the name United Finance Committee in the subject line of the email. Name and unit number must be included.*
 - b) *Call (949) 268-2020 no more than thirty minutes before the meeting begins and throughout the remainder of the meeting. Provide your name and unit number.*
7. Department Head Update

Reports

8. Preliminary Financial Statements dated July 31, 2020

Items for Discussion and Consideration

9. Civil Code Section 5500 & 5510 Verification and Compliance
10. Reserve Expenditures Categories
11. Endorsements from Standing Committees

Future Agenda Items

Financial Presentations (CFO)

Concluding Business:

12. Committee Member Comments
13. Date of Next Meeting – Tuesday, September 29, 2020 at 1:30 p.m.
14. Recess to Closed Session

Brian Gilmore, Chair
Betty Parker, Staff Officer
Telephone: 949-597-4201



OPEN MEETING

**FINANCE COMMITTEE MEETING
REPORT OF THE REGULAR OPEN SESSION**

Tuesday, June 30, 2020 – 1:30 p.m.
Virtual Meeting

MEMBERS PRESENT: Brian Gilmore – Chair, Sue Margolis, Carl Randazzo, Manuel Armendariz, Elsie Addington

OTHERS PRESENT: Juanita Skillman, Andre Tornng, Dick Rader – VMS

MEMBERS ABSENT: None

STAFF PRESENT: Betty Parker, Steve Hormuth, Christopher Swanson

Call to Order

Director Gilmore chaired the meeting and called it to order at 1:32 p.m.

Approval of Agenda

A motion was made and carried unanimously to approve the agenda as presented.

Approval of the Regular Meeting Report of May 26, 2020

A motion was made and carried unanimously to approve the committee report as presented.

Chair Remarks

None.

Member Comments (Items Not on the Agenda)

Director Skillman commented on the OC View article and recommended that Eileen Paulin and Ellyce Rothrock look at the article for possible inclusion in the Village Breeze.

Director Tornng commented on the redistribution of over collected assessment in the occupancy agreement and the contingency fund needing a gate keeper to track funding levels and not to have any comingled usage of funds.

Director Armendariz commented the when the appropriate time to ask questions regarding review of the May 31, 2020 financials.

Department Head Update

Betty Parker, Chief Financial Officer, provided updates on Civil Code 5500 reporting, insurance, investments and the 2021 budget process. Also, Betty Parker requested that Director Tornø restate his request for information that was made during the member comments in an email and to copy Director Gilmore. Director Armendariz commented on the difference between Civil Code Sections 5500 and 5510 (a)&(b) and the need to bring United into compliance.

The following items were requested:

- Civil Code Section 5500 & 5510 Verification and Compliance
- Distribute "Req to Check" report to all United Board Members
- Distribute KPMG Operational Review to United Finance Committee members

Review Preliminary Financial Statements dated May 31, 2020

The committee reviewed Financial Statements for May 31, 2020. Discussion ensued and questions were addressed. The following items were requested:

- Historical analysis of the Contingency Fund balances and expenditures.

Investment Update/Investment Policy

The committee reviewed a document from Sageview regarding possible investments recommendations for adding equities into the United Laguna Woods Investment Strategy. Dan Quirk reviewed with the Committee the possible options. Discussion ensued with the committee as well as members emailing in questions from the community. Question came from the following committee members:

1. Dick Rader – Asked regarding civil code requirements for investments for HOA's and request a model of our currently portfolio vs. the 2008 Financial Crisis.

No action was taken investment recommendations from Sageview and no changes were recommended to the current investment policy.

Financial Presentation on Treasurer's Report

Given the amount of time that was spent on the Department Head Update and the Investment Presentation from Sageview, Director Gilmore requested that this presentation be placed on a future agenda for discussion.

2021 Reserve Study Update

Betty Parker provided an update on the status of the 2021 Reserve Study Update. No action was taken.

Contingency Fund Analysis

Betty Parker presented the Contingency Fund Analysis to the committee. Director Armendariz commented on the analysis and the appropriate placement of expenses in the Contingency Fund that are reflected on the report. Betty Parker provided responses and answered questions. No action was taken.

Future Agenda Items

Civil Code Section 5500 & 5510 Verification and Compliance

Financial Presentation on Treasurer's Report

Member Comments

Director Gilmore commented on a possible workshop to understand processes better.

Date of Next Meeting

Tuesday, July 28, 2020 at 1:30 p.m.

Recess to Closed Session

The meeting recessed to closed session at 3:22 p.m.

DRAFT

Brian Gilmore, Chair

MEMORANDUM

To: United Finance Committee
From: Betty Parker, CFO
Date: August 25, 2020
Re: Department Head Update

Financial Highlights

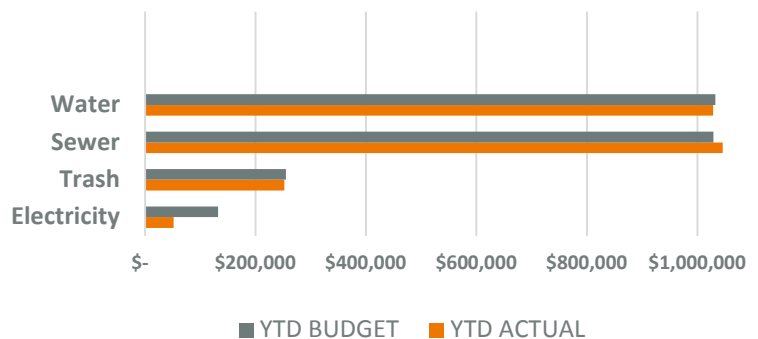
- SUMMARY:** For the year-to-date period ending July 31, 2020, United Mutual was better than budget by \$5 million primarily due to timing of programs, especially in the areas of compensation \$1.9M, outside services \$1.6M, and materials \$965K. Various programs were put on hold in mid-March due to the COVID-19 pandemic; however by August, most were restarted.

INCOME STATEMENT (in Thousands)			
	Actual	Budget	Variance
Assessment Revenues	\$24,918	\$24,595	\$323
Other Revenues	1,301	1,046	255
Expenses	22,552	26,752	4,200
Revenue / (Expense)	\$3,667	(\$1,111)	\$4,778

- COMPENSATION:** Actual compensation and related costs came in at \$6.6 million, with just under \$5.4 million in operations and \$1.2 million in reserves. Combined, this category is 22% favorable to budget. Staffing was reduced through employee furloughs beginning mid-March due to the Covid-19 pandemic. For United, the most significant impacts were in Maintenance and Landscape.

Budget			Variance	
	Comp	Related	Total	
All Units				
Operating	\$4,379,629	\$1,779,771	\$6,159,400	\$685,147 11.1%
Reserves	1,645,461	715,471	2,360,932	1,194,522 50.6%
TOTAL	\$6,025,090	\$2,495,242	\$8,520,332	\$1,879,669 22.1%

- UTILITIES:** In total, this category was favorable to budget by \$71K. Water and trash came in on budget; electricity was favorable due to energy consumption offset by solar credits.



Discussions

Section 5500 Update: Due to Covid-19 orders, information required for Board review of monthly financials is being provided to all board members via email. Further, a programming change was made to AX in May segregating A/P and Cash reserve fund transactions and balances from operating funds on the balance sheet. The change has allowed Board members to approve reserve expenditures prior to payment beginning in June.

Insurance Update: Property valuation for the community was completed by Duff & Phelps. Farmers has declined to make a proposal on the Laguna Woods Village insurance program due to market conditions and will re-visit the option of working with our broker in the future. Beecher Carlson reached out to incumbents and presented a renewal strategy update to All Boards All Directors on Monday, July 20, 2020, indicating significant increases driven by the markets for both casualty and property lines. Carrier proposals are due September 4.

Investment Update: Based on current market conditions, the portfolio target allocations were adjusted modestly by SageView in early April to shift from corporate bonds to intermediary Treasury bonds. The United portfolio balance has grown from \$14,828,044 on 12/31/19 to \$15,433,843 as of July 31, 2020, representing a gain of \$605,799 or 4.1%. SageView provided a semi-annual portfolio review in August.

2021 Budget: On August 19, 2020, United Board reviewed Version 2 of the proposed 2021 Business Plan. Changes, continuing discussions on August 21. The proposed budget will be adopted at the board meeting on September 8, 2020.

Calendar

The following scheduled meetings will be held remotely during COVID-19 stay home orders:

- Aug 25, 2020 @ 1:30 p.m. United Finance Committee Meeting (July Financials)
- Aug 27, 2020 @ 2:00 p.m. United Board Agenda Prep Meeting
- Sep 8, 2020 @ 9:30 a.m. United Board Meeting
- Sep 29, 2020 @ 1:30 p.m. United Finance Committee Meeting (August Financials)

August 2020							September 2020							October 2020						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
						1			1	2	3	4	5					1	2	3
2	3	4	5	6	7	8	6	7	8	9	10	11	12	4	5	6	7	8	9	10
9	10	11	12	13	14	15	13	14	15	16	17	18	19	11	12	13	14	15	16	17
16	17	18	19	20	21	22	20	21	22	23	24	25	26	18	19	20	21	22	23	24
23	24	25	26	27	28	29	27	28	29	30				25	26	27	28	29	30	31
30	31																			

United Laguna Woods Mutual
Statement of Revenues & Expenses - Preliminary
7/31/2020
(\$ IN THOUSANDS)

		CURRENT MONTH			YEAR TO DATE			PRIOR YEAR	TOTAL
		ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET
Revenues:									
Assessments:									
1	Operating	\$2,535	\$2,489	\$46	\$17,747	\$17,424	\$323	\$16,361	\$29,869
2	Additions to restricted funds	1,024	1,024		7,171	7,171		7,215	12,294
3	Total assessments	3,560	3,514	46	24,918	24,595	323	23,575	42,163
Non-assessment revenues:									
4	Merchandise sales	1	2	(1)	4	12	(7)	4	20
5	Fees and charges for services to residents	29	45	(16)	198	315	(116)	334	540
6	Laundry	23	23		146	158	(11)	154	270
7	Investment income	20	32	(13)	167	225	(58)	264	385
8	Unrealized gain/(loss) on AFS investments	53		53	511		511	239	
9	Miscellaneous	45	48	(3)	274	338	(64)	335	579
10	Total non-assessment revenue	171	150	21	1,301	1,046	255	1,329	1,794
11	Total revenue	3,730	3,663	67	26,219	25,641	578	24,905	43,957
Expenses:									
12	Employee compensation and related	871	1,220	348	6,641	8,520	1,880	8,273	14,548
13	Materials and supplies	107	259	152	875	1,841	965	1,996	3,141
14	Utilities and telephone	421	421		2,379	2,450	71	2,297	4,326
15	Legal fees	46	29	(16)	157	204	47	121	350
16	Professional fees	(1)	11	11	49	85	36	106	122
17	Equipment rental	2	1	(1)	11	10	(1)	16	17
18	Outside services	451	717	266	3,409	5,031	1,621	4,352	8,638
19	Repairs and maintenance		4	4	15	27	12	21	47
20	Other Operating Expense	10	16	6	65	118	52	102	201
21	Income taxes		2	2		15	15	3	25
22	Property and sales tax	941	926	(15)	6,754	6,482	(272)	6,460	11,112
23	Insurance	169	125	(44)	1,184	877	(307)	738	1,504
24	Investment expense		3	3	5	21	16	19	37
25	Uncollectible Accounts	3	5	2	6	35	29	12	60
26	(Gain)/loss on sale or trade	(2)	(1)	1	55	(4)	(60)	1	(8)
27	Depreciation and amortization	17	17		116	116		121	198
28	Net allocation to mutuals	113	136	23	831	925	94	700	1,584
29	Total expenses	3,147	3,892	744	22,551	26,752	4,200	25,338	45,902
30	Excess of revenues over expenses	\$583	(\$229)	\$811	\$3,667	(\$1,111)	\$4,778	(\$433)	(\$1,945)

**United Laguna Woods Mutual
Operating Statement
7/31/2020
UNITED LAGUNA WOODS MUTUAL**

	Actual	YEAR TO DATE Budget	VAR\$ B/(W)	VAR% B/(W)	TOTAL BUDGET
Revenues:					
Assessments:					
Operating					
41001000 - Monthly Assessments	\$10,373,008	\$10,373,398	(\$390)	0.00%	\$17,782,968
41007000 - Monthly Assessments - Property Taxes	6,628,556	6,481,997	146,559	2.26%	11,111,994
41007500 - Monthly Assessments - Supplemental Property Taxes	176,829	0	176,829	0.00%	0
41008000 - Monthly Assessments - Property Insurance	568,249	568,248	2	0.00%	974,142
Total Operating	17,746,642	17,423,642	322,999	1.85%	29,869,104
Additions To Restricted Funds					
41001500 - Monthly Assessments - Contingency Fund	442,610	442,610	0	0.00%	758,760
41003500 - Monthly Assessments - Replacement Fund	6,728,557	6,728,750	(193)	0.00%	11,535,000
Total Additions To Restricted Funds	7,171,167	7,171,360	(193)	0.00%	12,293,760
Total Assessments	24,917,809	24,595,002	322,807	1.31%	42,162,864
Non-Assessment Revenues:					
Merchandise Sales					
41501500 - Merchandise Sales - Warehouse	4,278	11,662	(7,384)	(63.32%)	20,000
Total Merchandise Sales	4,278	11,662	(7,384)	(63.32%)	20,000
Fees and Charges for Services to Residents					
46501000 - Permit Fee	96,759	86,749	10,009	11.54%	148,715
46501500 - Inspection Fee	26,829	46,253	(19,424)	(41.99%)	79,294
46502000 - Resident Maintenance Fee	74,899	181,641	(106,742)	(58.77%)	311,513
Total Fees and Charges for Services to Residents	198,487	314,643	(116,156)	(36.92%)	539,522
Laundry					
46005000 - Coin Op Laundry Machine	146,305	157,500	(11,195)	(7.11%)	270,000
Total Laundry	146,305	157,500	(11,195)	(7.11%)	270,000
Investment Income					
49001000 - Investment Income - Nondiscretionary	7,357	51,502	(44,145)	(85.72%)	88,289
49002000 - Investment Income - Discretionary	159,832	173,370	(13,537)	(7.81%)	297,205
Investment Interest Income	167,189	224,872	(57,683)	(25.65%)	385,494
Unrealized Gain/(Loss) On AFS Investments					
49008100 - Unrealized Gain/(Loss) On Available For Sale Investments	511,242	0	511,242	0.00%	0
Total Unrealized Gain/(Loss) On AFS Investments	511,242	0	511,242	0.00%	0
Miscellaneous					
46004500 - Resident Violations	7,175	29,165	(21,990)	(75.40%)	50,001
44501000 - Additional Occupant Fee	29,770	24,500	5,270	21.51%	42,000
44501500 - Lease Processing Fee - United	75,590	74,662	928	1.24%	128,000
44502000 - Variance Processing Fee	1,650	2,331	(681)	(29.21%)	4,000
44503000 - Stock Transfer Fee	3,700	7,581	(3,881)	(51.19%)	13,000
44503510 - Resale Processing Fee - United	66,094	72,912	(6,818)	(9.35%)	125,000
44507000 - Golf Cart Electric Fee	34,719	36,167	(1,448)	(4.00%)	62,000
44507200 - Electric Vehicle Plug-In Fee	9,399	8,750	649	7.41%	15,000
44507500 - Cartport/Carport Space Rental Fee	1,338	1,458	(121)	(8.29%)	2,500
47001500 - Late Fee Revenue	9,152	29,167	(20,015)	(68.62%)	50,000
47002010 - Collection Administrative Fee - United	33,530	42,000	(8,470)	(20.17%)	72,000
47002500 - Collection Interest Revenue	2,307	2,800	(493)	(17.61%)	4,800
47501000 - Recycling	805	3,500	(2,695)	(76.99%)	6,000
48001000 - Legal Fee	0	2,567	(2,567)	(100.00%)	4,400
49009000 - Miscellaneous Revenue	(1,723)	0	(1,723)	0.00%	0
Total Miscellaneous	273,505	337,559	(64,054)	(18.98%)	578,701
Total Non-Assessment Revenue	1,301,006	1,046,236	254,770	24.35%	1,793,717
Total Revenue	26,218,815	25,641,238	577,576	2.25%	43,956,581
Expenses:					
Employee Compensation					
51011000 - Salaries & Wages - Regular	1,482,331	1,672,118	189,787	11.35%	2,883,900

**United Laguna Woods Mutual
Operating Statement
7/31/2020
UNITED LAGUNA WOODS MUTUAL**

	YEAR TO DATE				TOTAL
	Actual	Budget	VAR\$ B/(W)	VAR% B/(W)	BUDGET
51021000 - Union Wages - Regular	2,578,548	3,647,325	1,068,777	29.30%	6,279,593
51041000 - Wages - Overtime	16,948	16,446	(502)	(3.05%)	28,203
51051000 - Union Wages - Overtime	74,869	55,352	(19,517)	(35.26%)	94,908
51061000 - Holiday & Vacation	423,713	448,909	25,196	5.61%	773,301
51071000 - Sick	220,092	183,108	(36,984)	(20.20%)	315,425
51081000 - Sick - Part Time	0	14	14	100.00%	24
51091000 - Missed Meal Penalty	2,910	730	(2,180)	(298.48%)	1,268
51101000 - Temporary Help	5,111	1,088	(4,023)	(369.70%)	1,870
51981000 - Compensation Accrual	(285,110)	0	285,110	0.00%	0
Total Employee Compensation	4,519,411	6,025,090	1,505,679	24.99%	10,378,493
Compensation Related					
52411000 - F.I.C.A.	372,784	454,488	81,704	17.98%	776,727
52421000 - F.U.I.	7,662	10,834	3,171	29.27%	10,834
52431000 - S.U.I.	52,325	55,120	2,795	5.07%	55,120
52441000 - Union Medical	1,032,665	1,102,082	69,417	6.30%	1,889,284
52451000 - Workers' Compensation Insurance	259,127	408,582	149,455	36.58%	639,961
52461000 - Non Union Medical & Life Insurance	202,147	196,936	(5,211)	(2.65%)	337,605
52471000 - Union Retirement Plan	197,298	194,275	(3,024)	(1.56%)	334,482
52481000 - Non-Union Retirement Plan	34,947	72,926	37,979	52.08%	125,775
52981000 - Compensation Related Accrual	(37,703)	0	37,703	0.00%	0
Total Compensation Related	2,121,252	2,495,242	373,990	14.99%	4,169,789
Materials and Supplies					
53001000 - Materials & Supplies	224,813	355,915	131,102	36.84%	594,628
53003000 - Materials Direct	650,438	1,484,847	834,409	56.19%	2,545,928
53004000 - Freight	20	0	(20)	0.00%	0
Total Materials and Supplies	875,271	1,840,762	965,491	52.45%	3,140,556
Utilities and Telephone					
53301000 - Electricity	51,829	132,200	80,371	60.79%	189,000
53301500 - Sewer	1,045,855	1,029,100	(16,755)	(1.63%)	1,779,600
53302000 - Water	1,028,224	1,032,466	4,242	0.41%	1,919,116
53302500 - Trash	252,237	255,335	3,098	1.21%	437,719
53304000 - Telephone	391	400	9	2.15%	685
Total Utilities and Telephone	2,378,536	2,449,501	70,964	2.90%	4,326,120
Legal Fees					
53401500 - Legal Fees	156,779	204,158	47,379	23.21%	349,985
Total Legal Fees	156,779	204,158	47,379	23.21%	349,985
Professional Fees					
53402010 - Audit & Tax Preparation Fees - United	40,000	40,500	500	1.23%	44,500
53403500 - Consulting Fees	19	6,974	6,955	99.72%	12,479
53403510 - Consulting Fees - United	9,140	37,905	28,765	75.89%	65,000
Total Professional Fees	49,159	85,379	36,220	42.42%	121,979
Equipment Rental					
53501500 - Equipment Rental/Lease Fees	10,564	9,782	(781)	(7.99%)	17,038
Total Equipment Rental	10,564	9,782	(781)	(7.99%)	17,038
Outside Services					
53601000 - Bank Fees	18,927	14,769	(4,158)	(28.16%)	25,321
53601500 - Credit Card Transaction Fees	1,777	0	(1,777)	0.00%	0
54603500 - Outside Services Cost Collection	3,348,555	4,927,734	1,579,179	32.05%	8,447,910
53704000 - Outside Services	40,201	88,049	47,848	54.34%	164,394
Total Outside Services	3,409,460	5,030,552	1,621,091	32.22%	8,637,624
Repairs and Maintenance					
53701000 - Equipment Repair & Maint	1,956	9,789	7,833	80.02%	16,823
53703000 - Elevator /Lift Maintenance	13,287	17,591	4,304	24.47%	30,157
Total Repairs and Maintenance	15,243	27,381	12,138	44.33%	46,979
Other Operating Expense					
53801000 - Mileage & Meal Allowance	789	8,833	8,044	91.06%	15,153
53801500 - Travel & Lodging	245	1,775	1,530	86.22%	3,027
53802000 - Uniforms	35,315	51,768	16,453	31.78%	88,787
53802500 - Dues & Memberships	263	863	600	69.51%	1,687
53803000 - Subscriptions & Books	839	1,176	337	28.65%	2,026

United Laguna Woods Mutual
Operating Statement
7/31/2020
UNITED LAGUNA WOODS MUTUAL

	Actual	YEAR TO DATE Budget	VAR\$ B/(W)	VAR% B/(W)	TOTAL BUDGET
53803500 - Training & Education	3,831	11,975	8,144	68.01%	19,682
53804000 - Staff Support	133	822	689	83.86%	1,409
53901500 - Volunteer Support	0	973	973	100.00%	1,668
53903000 - Safety	0	294	294	100.00%	508
54001000 - Board Relations	397	0	(397)	0.00%	0
54001010 - Board Relations - United	1,028	4,375	3,347	76.49%	7,500
54002000 - Postage	22,178	34,249	12,072	35.25%	58,717
54002500 - Filing Fees / Permits	95	449	353	78.76%	847
Total Other Operating Expense	65,114	117,552	52,439	44.61%	201,011
Income Taxes					
54301000 - State & Federal Income Taxes	0	14,585	14,585	100.00%	25,000
Total Income Taxes	0	14,585	14,585	100.00%	25,000
Property and Sales Tax					
54302000 - Property Taxes	6,753,531	6,481,997	(271,535)	(4.19%)	11,111,994
Total Property and Sales Tax	6,753,531	6,481,997	(271,535)	(4.19%)	11,111,994
Insurance					
54401000 - Hazard & Liability Insurance	345,095	265,871	(79,225)	(29.80%)	455,779
54401500 - D&O Liability	37,382	38,739	1,357	3.50%	66,412
54402000 - Property Insurance	799,226	568,248	(230,978)	(40.65%)	974,142
54403000 - General Liability Insurance	2,280	4,275	1,995	46.66%	7,328
Total Insurance	1,183,983	877,132	(306,851)	(34.98%)	1,503,660
Investment Expense					
54201000 - Investment Expense	5,047	21,427	16,380	76.45%	36,732
Total Investment Expense	5,047	21,427	16,380	76.45%	36,732
Uncollectible Accounts					
54602000 - Bad Debt Expense	5,624	34,767	29,142	83.82%	59,600
Total Uncollectible Accounts	5,624	34,767	29,142	83.82%	59,600
(Gain)/Loss on Sale or Trade					
54101000 - (Gain)/Loss - Warehouse Sales	(4,770)	(4,375)	395	9.02%	(7,500)
54101500 - (Gain)/Loss On Investments	60,228	0	(60,228)	0.00%	0
Total (Gain)/Loss on Sale or Trade	55,459	(4,375)	(59,834)	(1367.63%)	(7,500)
Depreciation and Amortization					
55001000 - Depreciation And Amortization	115,641	115,641	0	0.00%	198,242
Total Depreciation and Amortization	115,641	115,641	0	0.00%	198,242
Net Allocation to Mutuals					
54602500 - Allocated Expenses	831,373	925,185	93,812	10.14%	1,584,319
Total Net Allocation to Mutuals	831,373	925,185	93,812	10.14%	1,584,319
Total Expenses	22,551,449	26,751,758	4,200,309	15.70%	45,901,622
Excess of Revenues Over Expenses	\$3,667,366	(\$1,110,519)	\$4,777,885	430.24%	(\$1,945,042)

**United Laguna Woods Mutual
Balance Sheet - Preliminary
7/31/2020**

		<u>Current Month End</u>	<u>Prior Year December 31</u>
	Assets		
1	Cash and cash equivalents	\$3,855,293	\$2,159,882
2	Non-discretionary investments	3,999,290	1,992,808
3	Discretionary investments	15,433,843	14,828,044
4	Receivable/(Payable) from mutuals	1,588,291	1,518,100
5	Accounts receivable and interest receivable	603,673	675,921
6	Prepaid expenses and deposits	700,155	1,118,128
7	Property and equipment	91,989,605	91,989,605
8	Accumulated depreciation property and equipment	(83,757,977)	(83,756,191)
9	Beneficial interest in GRF of Laguna Hills Trust	5,683,094	5,796,949
10	Non-controlling interest in GRF	39,116,237	39,116,237
11	Total Assets	<u>\$79,211,504</u>	<u>\$75,439,483</u>
	Liabilities and Fund Balances		
	Liabilities:		
12	Accounts payable and accrued expenses	\$1,755,418	\$1,453,947
13	Accrued compensation and related costs	385,466	596,765
14	Deferred income	951,034	936,551
15	Asset retirement obligation	1,207,814	1,207,814
16	Total liabilities	<u>\$4,299,733</u>	<u>\$4,195,078</u>
	Fund balances:		
17	Fund balance prior years	71,244,405	74,614,944
18	Change in fund balance - current year	3,667,366	(3,370,539)
19	Total fund balances	74,911,771	71,244,405
20	Total Liabilities and Fund Balances	<u>\$79,211,504</u>	<u>\$75,439,483</u>

United Laguna Woods Mutual
Fund Balance Sheet - Preliminary
7/31/2020

		<u>Operating Fund</u>	<u>Contingency Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Assets					
1	Cash and cash equivalents	\$1,853,425		\$2,001,867	\$3,855,293
2	Non-discretionary investments			3,999,290	3,999,290
3	Discretionary investments		619,150	14,814,693	15,433,843
4	Receivable/(Payable) from mutuals	1,588,291			1,588,291
5	Receivable/(Payable) from operating fund	(485,013)	42,641	442,372	
6	Accounts receivable and interest receivable	603,673			603,673
7	Prepaid expenses and deposits	700,155			700,155
8	Property and equipment	91,989,605			91,989,605
9	Accumulated depreciation property and equipment	(83,757,977)			(83,757,977)
10	Beneficial interest in GRF of Laguna Hills Trust	5,683,094			5,683,094
11	Non-controlling interest in GRF	39,116,237			39,116,237
12	Total Assets	<u>\$57,291,491</u>	<u>\$661,791</u>	<u>\$21,258,222</u>	<u>\$79,211,504</u>
Liabilities and Fund Balances					
	Liabilities:				
13	Accounts payable and accrued expenses	\$1,281,667	\$14,074	\$459,677	\$1,755,418
14	Accrued compensation and related costs	385,466			385,466
15	Deferred income	951,034			951,034
16	Asset retirement obligation	1,207,814			1,207,814
17	Total liabilities	<u>\$3,825,982</u>	<u>\$14,074</u>	<u>\$459,677</u>	<u>\$4,299,733</u>
	Fund balances:				
18	Fund balance prior years	52,881,436	1,106,755	17,256,214	71,244,405
19	Change in fund balance - current year	584,073	(459,038)	3,542,332	3,667,366
20	Total fund balances	<u>53,465,509</u>	<u>647,717</u>	<u>20,798,546</u>	<u>74,911,771</u>
21	Total Liabilities and Fund Balances	<u>\$57,291,491</u>	<u>\$661,791</u>	<u>\$21,258,222</u>	<u>\$79,211,504</u>

**United Laguna Woods Mutual
Changes in Fund Balances - Preliminary
7/31/2020**

		Operating Fund	Contingency Fund	Replacement Fund	Total
	Revenues:				
	Assessments:				
1	Operating	\$17,746,642			\$17,746,642
2	Additions to restricted funds	162	442,600	6,728,405	7,171,167
3	Total assessments	17,746,804	442,600	6,728,405	24,917,809
	Non-assessment revenues:				
4	Merchandise sales	420		3,858	4,278
5	Fees and charges for services to residents	198,487			198,487
6	Laundry	146,305			146,305
7	Interest income		9,952	157,237	167,189
8	Unrealized gain/(loss) on AFS investments		30,518	480,724	511,242
9	Miscellaneous	273,505			273,505
10	Total non-assessment revenue	618,717	40,470	641,819	1,301,006
11	Total revenue	18,365,521	483,070	7,370,224	26,218,815
	Expenses:				
12	Employee compensation and related	5,474,254	186	1,166,223	6,640,663
13	Materials and supplies	375,389	11	499,870	875,271
14	Utilities and telephone	2,377,026	2	1,508	2,378,536
15	Legal fees	156,779			156,779
16	Professional fees	49,159			49,159
17	Equipment rental	2,495	5	8,064	10,564
18	Outside services	467,472	937,968	2,004,020	3,409,460
19	Repairs and maintenance	14,908		335	15,243
20	Other Operating Expense	56,498	2	8,614	65,114
21	Property and sales tax	6,753,531			6,753,531
22	Insurance	1,183,983			1,183,983
23	Investment expense		301	4,745	5,047
24	Uncollectible Accounts	5,624			5,624
25	(Gain)/loss on sale or trade	(4,770)	3,595	56,633	55,459
26	Depreciation and amortization	115,641			115,641
27	Net allocations to mutuals	753,457	37	77,880	831,373
28	Total expenses	17,781,448	942,108	3,827,892	22,551,449
29	Excess of revenues over expenses	\$584,073	(\$459,038)	\$3,542,332	\$3,667,366
30	Excluding unrealized gain/(loss) and depreciation	\$699,714	(\$489,556)	\$3,061,608	\$3,271,766

**UNITED LAGUNA WOODS MUTUAL
NON-DISCRETIONARY ACCOUNT HELD BY BANK OF AMERICA
SCHEDULE OF INVESTMENTS
7/31/20**

I.D. NO.	DESCRIPTION	STATED RATE	SETTLEMENT DATE	MATURITY DATE	PAR VALUE	EFFECT. YIELD	ORIGINAL COST	BOOK VALUE	7/31/2020	
									MARKET VALUE	UNREALIZED GAIN/(LOSS)
9127962H1	U.S. TREASURY BILL	0.00%	07-31-20	09-24-20	2,000,000.00	0.07%	1,999,783.33	1,999,783.33	1,999,783.33	-
9127963A5	U.S. TREASURY BILL	0.00%	07-30-20	11-19-20	2,000,000.00	0.08%	1,999,506.67	1,999,506.67	1,999,384.00	(122.67)
TOTAL FOR NON-DISCRETIONARY INVESTMENTS					\$ 4,000,000.00		\$ 3,999,290.00	3,999,290.00	\$3,999,167.33	(\$122.67)

*Yield is based on all investments held during the year

**UNITED LAGUNA WOODS MUTUAL
DISCRETIONARY ACCOUNT - SAGEVIEW/FIDELITY
SCHEDULE OF INVESTMENTS
7/31/20**

I.D. NO.	DESCRIPTION	STATED RATE	SETTLEMENT DATE	MATURITY DATE	PAR VALUE	EFFECT. YIELD	ORIGINAL COST	BOOK VALUE	MARKET VALUE	UNREALIZED GAIN/(LOSS)
	FIDELITY GOVT CASH RESERVES				\$ 44,216.95		\$ 44,216.95	\$ 44,216.95	\$ 44,216.95	\$0.00
92206C870	VCIT-Vanguard Corp Bond Index	0.00%	12-17-19	-	834,932.81	0.00%	\$834,932.81	834,932.81	\$883,403.94	\$48,471.13
92206C870	VCIT-Vanguard Corp Bond Index	0.00%	12-18-19	-	95,080.05	0.00%	95,080.05	95,080.05	\$100,599.82	\$5,519.77
92206C870	VCIT-Vanguard Corp Bond Index	0.00%	03-30-20	-	180,089.25	0.00%	180,089.25	180,089.25	\$190,544.14	\$10,454.89
31635V216	FUMBX-Fidelity Short Term Trsry Bond Index	0.00%	12-13-19	-	4,438,080.57	0.00%	4,438,080.57	4,438,080.57	\$4,600,135.50	\$162,054.93
31635V257	FUAMX-Fidelity Inter Trsry Bond Index	0.00%	12-13-19	-	3,846,426.15	0.00%	3,846,426.15	3,846,426.15	\$4,012,826.75	\$166,400.60
922031851	VFIRX-Vanguard Short Term Trsry Admiral	0.00%	12-13-19	-	746,342.06	0.00%	746,342.06	746,342.06	\$768,091.82	\$21,749.76
92206C607	VSCSX-Vanguard Short Term Corp Bd Index Adm	0.00%	12-13-19	-	1,129,385.45	0.00%	1,129,385.45	1,129,385.45	\$1,155,659.33	\$26,273.88
92206C755	VMBSX-Vanguard Backed Securities Indx Adm	0.00%	12-13-19	-	3,595,929.47	0.00%	3,595,929.47	3,595,929.47	\$3,678,364.73	\$82,435.26
TOTALS FOR DISCRETIONARY INVESTMENTS					14,910,482.76		14,910,482.76	\$14,910,482.76	\$15,433,842.98	\$523,360.22
TOTAL INVESTMENTS					\$ 18,910,482.76		\$ 18,909,772.76			

*Yield is based on all investments held during the year

**United Laguna Woods Mutual
Supplemental Appropriation Schedule
Period Ending: 07/31/2020**

Fund / Item	Resolution	BUDGET	EXPENDITURES I-T-D*			Remaining Encumbrance
		Total Appropriations	2020	Prior Years	Total	
Reserve Fund						
Emergency Panel Replacements	01-18-99	48,000	0	0	28,961	19,039
Water Heater Replacement	01-19-66	940,000	1,389	865,598	866,495	73,505
Laundry Room Coin Box Guards	01-19-64	20,000	0	0	0	20,000
2021 Reserve Study	01-20-XX	5,000	5,000	0	5,000	0
Total		\$1,013,000	\$6,389	\$865,598	\$900,456	\$112,544
Contingency Fund						
Energy Consultant Services	01-18-67	50,000	1,410	16,528	27,524	22,476
2019 Fumigation Program	01-19-33	104,762	0	68,819	68,819	35,943
Slope Repair Avenida Castilla	01-19-51	13,246	0	12,042	12,042	1,204
Total		\$168,008	\$1,410	\$97,388	\$108,384	\$59,624

*Incurred To Date

**UNITED LAGUNA WOODS MUTUAL
FUND EXPENDITURES REPORT
AS OF JULY 31, 2020**

DESCRIPTION	CURRENT MONTH		YEAR-TO-DATE		2020	%	VARIANCE	
	ACTUAL	BUDGET	ACTUAL	BUDGET	BUDGET	EXPENDED	\$	%
RESERVE FUND - MAINTENANCE & CONSTRUCTION								
REPLACEMENTS								
BUILDING STRUCTURES	\$962	\$55,974	\$183,905	\$390,767	\$670,009	27%	\$206,862	53%
CDS SIGNAGE	0	4,166	0	29,162	50,000	0%	29,162	100%
ELECTRICAL SYSTEMS	0	38,290	126,501	268,030	459,495	28%	141,529	53%
EXTERIOR WALKWAY LIGHTING	2,250	6,280	5,821	43,808	75,121	8%	37,986	87%
FOUNDATIONS	0	3,653	0	25,571	43,836	0%	25,571	100%
GUTTER REPLACEMENT	875	8,228	21,658	57,315	98,289	22%	35,657	62%
PAINT - EXTERIOR	29,541	157,758	592,295	1,094,008	1,876,061	32%	501,713	46%
PRIOR TO PAINT	1,311	84,359	267,309	585,082	1,003,518	27%	317,773	54%
PAVING	34,190	33,052	58,102	231,364	396,628	15%	173,262	75%
ROOF REPLACEMENTS	248,819	77,565	344,885	542,955	930,804	37%	198,070	36%
WALL REPLACEMENT	0	13,750	0	96,250	165,000	0%	96,250	100%
WASTE LINE REMEDIATION	57,025	191,666	721,343	1,341,662	2,300,000	31%	620,319	46%
WATER LINE - COPPER PIPE REMEDIATION	0	16,666	159,564	116,662	200,000	80%	(42,902)	(37%)
WINDOW/SLIDING SCREEN DOOR	0	9,998	12,651	69,698	119,518	11%	57,047	82%
SUPPL. APPROPRIATIONS	5,000	5,000	6,389	6,389	6,389	100%	0	0%
SUB-TOTAL	\$379,973	\$706,405	\$2,500,423	\$4,898,722	\$8,394,668	30%	\$2,398,299	49%
APPLIANCE AND FIXTURE REPLACEMENTS								
COOKTOPS	\$290	\$5,938	\$24,382	\$41,474	\$71,112	34%	\$17,092	41%
DISHWASHERS	4,673	7,151	27,564	49,867	85,523	32%	22,303	45%
BASINS/SINKS/TOILETS	2,750	19,941	55,390	139,173	238,679	23%	83,784	60%
GARBAGE DISPOSALS	6,951	9,669	41,242	67,311	115,440	36%	26,069	39%
HOODS	954	2,984	4,534	20,803	35,681	13%	16,270	78%
COUNTER TOPS/FLOORS/SHOWER ENCLOSURES	3,519	116,371	274,150	811,939	1,392,191	20%	537,790	66%
OVENS	3,835	9,271	51,206	64,805	111,112	46%	13,599	21%
RANGES	0	1,045	2,968	7,269	12,469	24%	4,301	59%
REFRIGERATORS	12,610	19,022	56,042	132,836	227,754	25%	76,794	58%
WATER HEATERS & PERMITS	32,322	62,889	153,339	438,254	751,503	20%	284,915	65%
DRYERS	0	2,981	123	20,844	35,735	0%	20,721	99%
WASHING MACHINES	0	7,571	23,148	52,941	90,773	26%	29,793	56%
SUB-TOTAL	\$67,905	\$264,832	\$714,088	\$1,847,518	\$3,167,971	23%	\$1,133,430	61%
TOTAL RESERVE FUND	\$447,878	\$971,237	\$3,214,511	\$6,746,239	\$11,562,639	28%	\$3,531,729	52%

RESERVE FUND - GENERAL SERVICES

PRIOR TO PAINT	0	774	0	5,356	9,186	0%	5,356	100%
PAVING	1,059	5,763	13,079	39,921	68,481	19%	26,842	67%
WALL REPLACEMENT	0	2,529	0	17,703	30,365	0%	17,703	100%
TOTAL	\$1,059	\$9,066	\$13,079	\$62,980	\$108,032	12%	\$49,901	79%

**UNITED LAGUNA WOODS MUTUAL
FUND EXPENDITURES REPORT
AS OF JULY 31, 2020**

DESCRIPTION	CURRENT MONTH		YEAR-TO-DATE		2020	%	VARIANCE	
	ACTUAL	BUDGET	ACTUAL	BUDGET	BUDGET	EXPENDED	\$	%
RESERVE FUND - LANDSCAPE								
REPLACEMENTS								
LANDSCAPE MODIFICATION	8,522	37,638	61,951	263,383	451,543	14%	201,432	76%
TREE MAINTENANCE	35,374	72,731	476,973	504,189	864,752	55%	27,216	5%
TOTAL RESERVE FUND	\$43,896	\$110,370	\$538,924	\$767,572	\$1,316,295	41%	\$228,648	30%

OPERATING EXPENDITURES - MAINTENANCE & CONSTRUCTION

PLUMBING SERVICE	\$148,089	\$116,311	\$920,558	\$805,845	\$1,382,295	67%	(\$114,713)	(14%)
CARPENTRY SERVICE	53,572	41,569	284,480	288,046	494,100	58%	3,565	1%
ELECTRICAL SERVICE	28,588	34,485	179,166	238,796	409,634	44%	59,630	25%
APPLIANCE REPAIRS	25,828	25,942	138,577	179,829	308,507	45%	41,252	23%
INTERIOR PREVENTIVE MAINTENANCE	23,123	29,169	111,716	201,966	346,454	32%	90,250	45%
PEST CONTROL	3,090	18,830	16,715	131,810	225,980	7%	115,095	87%
COUNTERTOP/FLOOR/TILE REPAIRS	16,375	10,803	65,611	74,895	128,480	51%	9,284	12%
ENERGY PROGRAM	2,902	2,083	8,295	14,581	25,000	33%	6,286	43%
MISC. REPAIRS BY OUTSIDE SERVICE	7,345	2,083	19,954	14,581	25,000	80%	(5,373)	(37%)
FIRE PROTECTION	60	1,058	582	7,406	12,700	5%	6,824	92%
TOTAL	\$308,972	\$282,333	\$1,745,655	\$1,957,755	\$3,358,151	52%	\$212,100	11%

OPERATING EXPENDITURES - GENERAL SERVICES

CONCRETE REPAIR/REPLACEMENT	34,253	31,403	207,364	217,551	373,111	56%	10,187	5%
JANITORIAL SERVICE	33,867	29,056	287,056	201,317	345,015	83%	(85,739)	(43%)
GUTTER CLEANING	614	16,120	34,064	112,490	192,872	18%	78,426	70%
WELDING	8,515	8,525	45,131	59,044	101,275	45%	13,913	24%
TRAFFIC CONTROL	72	1,264	4,157	8,747	15,010	28%	4,590	52%
TOTAL	\$77,321	\$86,369	\$577,772	\$599,150	\$1,027,283	56%	\$21,378	4%

CONTINGENCY FUND - MAINTENANCE & CONSTRUCTION

MOISTURE INTRUSION - RAIN LEAKS	\$3,650	\$12,666	\$209,382	\$88,662	\$152,000	138%	(\$120,720)	(136%)
MOISTURE INTRUSION - PLUMBING LEAKS	7,764	62,949	398,122	440,643	755,390	53%	42,521	10%
MOISTURE INTRUSION - PLUMBING STOPPAGES	0	23,243	194,100	162,701	278,926	70%	(31,399)	(19%)
MOISTURE INTRUSION - MISCELLANEOUS	0	6,565	121,858	45,955	78,786	155%	(75,903)	(165%)
DAMAGE RESTORATION SERVICES	1,289	12,019	13,340	83,765	143,640	9%	70,425	84%
SUPPL. APPROPRIATIONS	0	0	1,410	1,410	1,410	100%	0	0%
TOTAL CONTINGENCY FUND	\$12,703	\$117,442	\$938,211	\$823,136	\$1,410,152	67%	(\$115,075)	(14%)

**UNITED LAGUNA WOODS MUTUAL
MAINTENANCE PROGRAMS EXPENDITURES REPORT
AS OF JULY 31, 2020**

YTD ACTUAL

DESCRIPTION	TOTAL			OUTSIDE
	EXPENDITURES	LABOR	MATERIALS	SERVICES

RESERVE FUND - MAINTENANCE & CONSTRUCTION

BUILDING STRUCTURES	\$183,905	\$11,855	\$913	\$171,136
CDS SIGNAGE	0	0	0	0
ELECTRICAL SYSTEMS	126,501	0	0	126,501
EXTERIOR WALKWAY LIGHTING	5,821	0	0	5,821
FOUNDATIONS	0	0	0	0
GUTTER REPLACEMENT	21,658	19,796	1,862	0
PAINT - EXTERIOR	592,295	540,282	52,013	0
PAVING	58,102	0	0	58,102
PRIOR TO PAINT	267,309	227,586	39,722	0
ROOF REPLACEMENTS	344,885	0	0	344,885
WALL REPLACEMENT	0	0	0	0
WASTE LINE REMEDIATION	721,343	5,608	186	715,550
WATER LINE - COPPER PIPE REMEDIATION	159,564	0	0	159,564
WINDOW/SLIDING SCREEN DOOR	12,651	4,427	5,446	2,778
BASINS/SINKS/TOILETS	55,390	19,360	36,030	0
COOKTOPS	24,382	3,775	14,259	6,347
COUNTER TOPS/FLOORS/SHOWER ENCLOSURES	274,150	121,724	75,787	76,639
DISHWASHERS	27,564	8,022	16,272	3,270
DRYERS	123	123	0	0
GARBAGE DISPOSALS	41,242	15,610	25,632	0
HOODS	4,534	1,242	1,859	1,432
OVENS	51,206	3,720	31,018	16,469
RANGES	2,968	998	1,516	454
REFRIGERATORS	56,042	10,374	36,211	9,457
WASHING MACHINES	23,148	2,303	20,845	0
WATER HEATERS & PERMITS	153,339	45,962	107,377	0
SUPPL. APPROPRIATIONS	6,389	900	489	5,000
TOTAL	\$3,214,511	\$1,043,667	\$467,437	\$1,703,407

RESERVE FUND - GENERAL SERVICES

PRIOR TO PAINT	0	0	0	0
PAVING	13,079	12,621	458	0
WALL REPLACEMENT	0	0	0	0
TOTAL	\$13,079	\$12,621	\$458	\$0

RESERVE FUND - LANDSCAPE

LANDSCAPE MODIFICATION	61,951	0	609	61,342
TREE MAINTENANCE	476,973	242,522	0	234,451
TOTAL	\$538,924	\$242,522	\$609	\$295,793

**UNITED LAGUNA WOODS MUTUAL
MAINTENANCE PROGRAMS EXPENDITURES REPORT
AS OF JULY 31, 2020**

YTD ACTUAL

DESCRIPTION	TOTAL			OUTSIDE
	EXPENDITURES	LABOR	MATERIALS	SERVICES

OPERATING EXPENDITURES - MAINTENANCE & CONSTRUCTION

CARPENTRY SERVICE	284,480	266,744	17,736	0
COUNTERTOP/FLOOR/TILE REPAIRS	65,611	61,150	1,411	3,050
ELECTRICAL SERVICE	179,166	158,741	20,426	0
ENERGY PROGRAM	8,295	0	0	8,295
FIRE PROTECTION	582	0	582	0
INTERIOR PREVENTIVE MAINTENANCE	111,716	111,127	589	0
MISCELLANEOUS REPAIRS BY OUTSIDE SERVICE	19,954	0	0	19,954
PEST CONTROL	16,715	0	0	16,715
PLUMBING SERVICE	920,558	690,138	33,504	196,917
APPLIANCE REPAIRS	138,577	122,784	15,793	0
TOTAL	\$1,745,655	\$1,410,683	\$90,040	\$244,931

OPERATING EXPENDITURES - GENERAL SERVICES

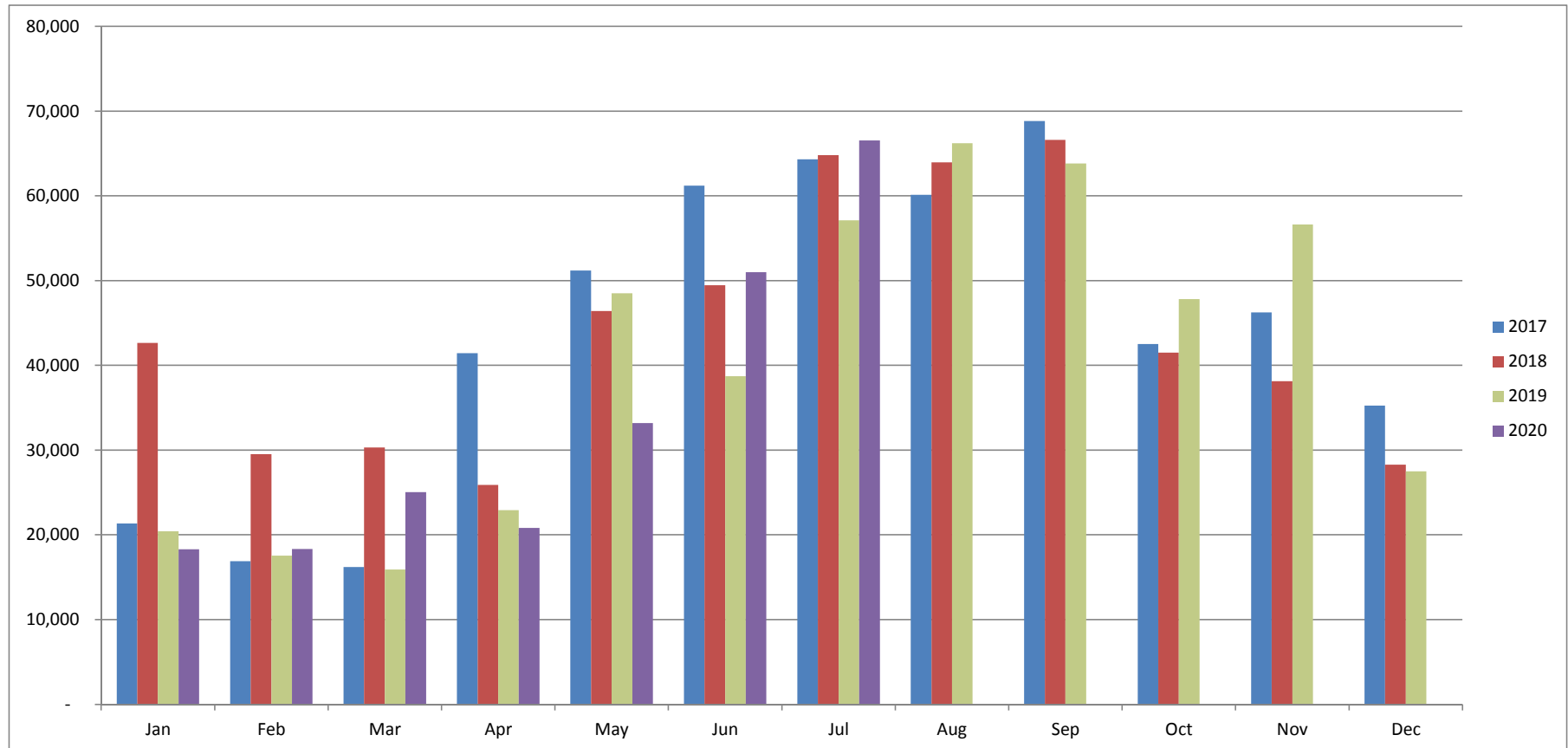
CONCRETE REPAIR/REPLACEMENT	207,364	194,401	12,963	0
GUTTER CLEANING	34,064	34,064	0	0
JANITORIAL SERVICE	287,056	286,818	237	0
TRAFFIC CONTROL	4,157	4,157	0	0
WELDING	45,131	44,140	991	0
TOTAL	\$577,772	\$563,581	\$14,191	\$0

CONTINGENCY FUND - MAINTENANCE & CONSTRUCTION

MOISTURE INTRUSION - RAIN LEAKS	\$209,382	\$0	\$0	\$209,382
MOISTURE INTRUSION - PLUMBING LEAKS	398,122	0	0	398,122
MOISTURE INTRUSION - PLUMBING STOPPAGES	194,100	0	0	194,100
MOISTURE INTRUSION - MISCELLANEOUS	121,858	0	0	121,858
DAMAGE RESTORATION SERVICES	13,340	244	0	13,097
SUPPL. APPROPRIATIONS	1,410	0	0	1,410
TOTAL	\$938,211	\$244	\$0	\$937,968

United Mutual Water Usage in 100 cubic feet units

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Total
2017	21,326	16,898	16,207	41,450	51,184	61,199	64,301	60,140	68,826	42,530	46,232	35,259	272,565	525,552
2018	42,632	29,513	30,299	25,881	46,405	49,466	64,821	63,964	66,621	41,517	38,135	28,295	289,017	527,549
2019	20,437	17,551	15,895	22,897	48,490	38,729	57,098	66,201	63,823	47,827	56,613	27,488	221,097	483,049
2020	18,294	18,329	25,035	20,833	33,194	50,996	66,548	-	-	-	-	-	233,229	233,229





**FINANCIAL REVIEW CONFIRMATION CHECKLIST FOR
THE BOARD OF DIRECTORS OF
THE UNITED LAGUNA WOODS MUTUAL
A CALIFORNIA NON-PROFIT MUTUAL BENEFIT CORPORATION**

Pursuant to California *Civil Code* Section 5500, unless the governing documents impose more stringent requirements, the Board of Directors of United Laguna Woods Mutual ("United") is required to review various financial documents and statements on at least a monthly basis. Furthermore, this review requirement may be satisfied by a subcommittee of the Board, which consists of United's treasurer and at least one (1) other Board member. (*Civil Code* § 5501.)

This Financial Review Confirmation Checklist ("Checklist") is designed for use in keeping track of the financial review obligations required by the *Civil Code*. It also serves to document the completion/satisfaction of these financial review obligations by the Board of Directors and/or the designated subcommittee of the Board.

Accordingly, the undersigned Board members, or designated subcommittee members, hereby affirm that they reviewed the following documents for the period ending July 31, 2020:

- _____ 1. A current reconciliation of United's operating and reserve accounts; and
- _____ 2. The current year's actual operating revenues and expenses, compared to the current year's budget; and
- _____ 3. The latest account statements prepared by the financial institutions where United has its operating and reserve accounts; and
- _____ 4. The income and expense statement for United's operating and reserve accounts; and
- _____ 5. The check register, monthly general ledger, and delinquent assessment receivable reports.

I certify that the above financial documents were reviewed to the best of my ability, in my fiduciary capacity as a member of the United Board of Directors or subcommittee of the Board of Directors. Nothing contained herein is intended nor shall be construed as any guarantee, nor waiver of any of United's legal rights or remedies, all of which are expressly reserved.

UNITED LAGUNA WOODS MUTUAL

Signature: _____

Print Name: _____

Title: _____

Date: _____

UNITED LAGUNA WOODS MUTUAL

Signature: _____

Print Name: _____

Title: _____

Date: _____

Number 300.01: Board Review of Financial Statements & Transfers**1. Purpose**

The procedure for Village Management Services (VMS) Board Review of Financial Statements and Transfers has been established to comply with the Davis-Stirling Act requirements as outlined in Sections 5500-5502.

2. Scope

California Civil Code > Part 5. Common Interest Developments (Davis-Stirling Common Interest Development Act) > Chapter 7. Finances > Article 1. Accounting > Civil Code

§5500

Unless the governing documents impose more stringent standards, the board shall do all of the following:

(a) Review, on a monthly basis, a current reconciliation of the association's operating accounts.

(b) Review, on a monthly basis, a current reconciliation of the association's reserve accounts.

(c) Review, on a monthly basis, the current year's actual operating revenues and expenses compared to the current year's budget.

(d) Review, on a monthly basis, the latest account statements prepared by the financial institutions where the association has its operating and reserve accounts.

(e) Review, on a monthly basis, an income and expense statement for the association's operating and reserve accounts.

(f) Review, on a monthly basis, the check register, monthly general ledger, and delinquent assessment receivable reports.

[Amended by Stats. 2018, Ch. 396, Sec. 3. (AB 2912) Effective January 1, 2019.]

§5501

The review requirements of Section 5500 may be met when every individual member of the board, or a subcommittee of the board consisting of the treasurer and at least one other board member, reviews the documents and statements described in Section 5500 independent of a board meeting, so long as the review is ratified at the board meeting subsequent to the review and that ratification is reflected in the minutes of that meeting.

[Added by Stats. 2018, Ch. 396, Sec. 4. (AB 2912) Effective January 1, 2019.]

§5502

Notwithstanding any other law, transfers of greater than ten thousand dollars (\$10,000) or 5 percent of an association's total combine reserve and operating account deposits, whichever is lower, shall not be authorized from the association's reserve or operating accounts without prior written board approval. This section shall apply in addition to any other applicable requirements of this part.

[Added by Stats. 2018, Ch. 396, Sec. 5. (AB 2912) Effective January 1, 2019.]

3. Compliance Procedures

VMS provides all duly elected board members with access to financial documents for review in accordance with Civil Code requirements according to the following procedures.

a. Financial Distribution and Presentation

On a monthly basis, a financial package is distributed to all board members and finance committee advisors which includes, but is not limited to, core financials (balance sheet, change in fund balances, statement of income and expense, operating statement), reserve expenditures, and ad hoc financial management reports as requested. If a regular Finance Committee meeting is scheduled, a variance report is presented by the CFO and/or Controller; otherwise, a printed copy of the variance report is included in the distributed financial package.

Included under separate cover are the monthly assessment and chargeable services delinquency reports for closed session review.

A summary of this financial information is incorporated into each monthly Board meeting, known as the Treasurer's Report, which is distributed in the Board agenda package and presented verbally by the Treasurer.

b. Access to Bank Statements

The Treasurer for each Board is setup with online access to corporate bank statements using a unique and secure login obtained directly from the financial institution.

c. Access to General Ledger, Check Register, and Bank Reconciliations

Due to the volume of transactions in Laguna Woods Village, some of the required financial reporting is not practical in a printed format. To comply with all requirements within §5500, the following reports have been made available **electronically** in the Directors Room on the second floor of the Community Center: general ledger, check register, bank reconciliation. These documents are available for review by current board members and are not to be printed, distributed, or disseminated without permission from the respective Board.

On the computer located in the Directors Room, each Board has a shortcut to an FTP folder on the desktop: GRF, THIRD, and UNITED. To access the financial documents for his or her respective Board, a director will double-click on the named folder. When prompted for the username and password, user will enter the information supplied by the Corporate Secretary.

Laguna Woods Village | Financial Services Procedures

DO NOT check the Save Password or Log On Anonymously options. This will lockout all other FTP users and disrupt permissions.

The Usernames and Passwords are to be kept confidential by the Corporate Secretary and not posted in any public or restricted access place if persons from different organizations would have the ability to see the information. Passwords are case-sensitive, usernames are not case sensitive.

Board	Username	Password
GRF	*****	*****
THIRD	*****	*****
UNITED	*****	*****

d. Ratification of Board Review

To meet requirements for review as outlined in §5501, each Board includes the following statement, developed by legal counsel, on the monthly consent calendar to ratify individual Board member review of the financials:

“Consistent with its statutory obligations the Board members individually reviewed and approved [Corporation Name] financials for the month of [Reporting Period] and by this vote ratify that such review be confirmed in this month’s Board Member Open Session Meeting minutes.”

Or

“Consistent with statutory obligations under Civil Code §5501, a subcommittee of the Board consisting of the Treasurer and at least one other board member reviewed [Corporation Name] financials for the month of [Reporting Period] and such review is hereby ratified.”

e. Financial Transfers

Pursuant to written Board approval requirements outlined in §5502, each Corporation has adopted policy resolutions to identify the authorities given to VMS Inc. as managing agent to conduct business activities including, but not limited to, financial transfers.

GRF	Resolution 90-19-03
United	Resolution 01-19-13
Third	Resolution 03-19-06

4. Review Procedures

The information below is intended to help guide board members through their review of the financial documents by explaining the purpose of each financial document, providing a summary of the information contained therein, and identifying points to consider during review.

1) Reconciliation of banking account(s):

Bank reconciliation

The Bank Reconciliation is used to compare company records to that of the bank and to document differences. Common causes of reconciliation differences are outstanding checks and deposits in transit. Payments issued by the company but not yet deposited by the payee are reported as outstanding checks on the reconciliation, while deposits received and recorded by the company but not yet recorded by the bank are reported as deposits in transit. A review of the bank reconciliation may include a tie out of the balance reported to the bank statement prepared by the financial institution and an examination of the noted differences. Unreconciled and unrecorded transactions should be immaterial in nature and resolved timely, not reappearing on future reconciliations. Transactions reported as outstanding checks or deposits in transit should not age beyond a reasonable period without an explanation from Staff. The company's cash account balance is reported on the Balance Sheet under the header 'Cash and cash equivalents'.

2) Account statements prepared by financial institutions:

Bank statements

Monthly bank statements are downloaded directly from the Bank of America website. The bank balance as of the end of the reported period should be tied to the company's bank reconciliation. A review of this document may include a search for unreasonable and/or unexpected payments, or anticipated deposits not recorded.

3) Operating revenues and expenses compared to budget:

Statement of Revenue & Expenses

The Statement of revenues and expenses is a summarized view of the company's financial performance for the current month and year to date compared to budget and prior year. This summary statement aggregates funds and reports activity at the consolidated level. The ending balance reported as 'Excess of revenues over expenses' will agree to the 'Change in fund balance - current year' found on the Balance Sheet. A review of this document may include an examination of material variances from budget and any activity that appears different from the reviewer's expectation and knowledge of the community.

4) Income and expense statements:

*Operating Statement – Operating**Operating Statement – Reserves Only*

The Operating Statements report a detailed view of the company's financial performance for the year to date compared to budget, reported in summary by general ledger account. The ending balance reported as 'Excess of revenues over expenses' will agree to the 'Change in fund balance - current year' found on the Balance Sheet. A review of this document may include an examination of material variances from budget and any activity that appears different from the reviewer's expectation and knowledge of the community.

5) Check register, monthly general ledger, and delinquent assessment receivable report:

Check register

The Check Register is a sequential listing of checks issued by the Corporation. The register lists the date the check was generated, the check number, the status (paid versus canceled or voided), vendor number, vendor name, and the amount of the payment. A review of this document shall include a search for unreasonable and/or unexpected payments to vendors (vendors requiring payment may include contractors, service providers, residents, or employees). The focus of the review may include transactions of atypical or unexpected frequency, unusual amounts, duplicate amounts, or payments to vendors who no longer have a relationship with company.

Monthly general ledger

The General Ledger is the main accounting record of the company. It is a transactional listing of all financial activity recorded that, in aggregate, forms the basis of the company's financial statements. The monthly ledger lists the main account number and name, date of the transaction, the journal and voucher number, a description of the transaction, and the amount. The general ledger accounts are categorized into balance sheet or income statement accounts and further broken down into assets, liabilities, equity for the balance sheet and revenues and expenses for the income statement. Assets and expenses are increased with a debit to the general ledger while liabilities, equity and revenues are increased with a credit. A review of this document may include a search for unreasonable and/or unexpected account activity, such as transactions not in compliance with applicable company policies, accounting regulations, or Civil Code.

Due to the large volume of transactions recorded each month, any focused interest may be communicated to Staff who will provide supporting detail.

Delinquent receivable reports

The Delinquent Receivable reports list member names and amounts due the Corporation that are outstanding beyond an agreed upon term and amount. As of the date of this policy, the amount and term deemed delinquent and reportable is \$800 per manor for assessments, with the manor having been issued a Demand Letter, and \$200 per manor for chargeable services outstanding for greater than 60 days. The report lists the name of the coupon holder for the past due assessment(s) or the name of the individual who authorized the chargeable service(s), the manor number, the total amount due (includes both current and delinquent amounts per manor), and a brief reporting status.

A review of these reports may include a comparison to prior reports to understand changes in individual balances and totals. An examination should include both Action and Non-Action categories. Delinquent account balances where collection efforts have not progressed should be questioned and updates should be requested of Staff. A board member's insight gained from other committees should be compared to the delinquency reports in looking for possible unreported balances. Balances that do not match a board member's expectation should result in an information request communicated to Staff.

DISBURSEMENTS FOR RESERVE EXPENDITURES

PURPOSE

This procedural manual is intended to provide process information for the operational activities of Purchasing and Accounts Payable specific to payments made from reserve accounts belonging to Golden Rain Foundation of Laguna Woods, Third Laguna Hills Mutual, and United Laguna Woods Mutual (Corporation). This manual covers sufficient procedural detail to enable VMS and directors of the Corporation to:

- 1: Be fully aware of, and comply with, the governing authority
- 2: Effectively participate in the VMS program to disburse funds for reserve expenditures

In the event there is any contradiction between these guidelines and the Disbursement for Reserve Expenditures Policy, board-approved policies shall prevail.

GOVERNING AUTHORITY

California Civil Code § 5510 Expenditure of Reserve Accounts

- (a) The signatures of at least two persons, who shall be directors, or one officer who is not a director and one who is a director, shall be required for the withdrawal of moneys from the association's reserve accounts.
- (b) The board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components that the association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established.

Purchasing Procedures Manual

Delegation of Authority Matrix

SCOPE

In compliance with Civil Code § 5510, Financial Services segregates reserve expenditure payments from non-reserve and / or operating payments. Checks and supporting invoices at or above \$5,000 are routed to authorized check signers (see Delegation of Authority Matrix) for two live signatures then returned to Accounts Payable. Electronic copies of payments from reserve funds, regardless of amount, are saved along with the Disbursement for Reserve Expenditures Summary Report.

For each corporation, Financial Services contacts two board members via email requesting their review and approval of the reserve expenditure payments. Directors provide evidence of their review by responding via email with their explicit approval (eg. Approved for payment). Staff responds to questions and provides additional supporting documents upon request until all payments are authorized.

Laguna Woods Village | Financial Services Procedures

Board members responsible for the review of reserve payments shall ensure compliance with Civil Code § 5510 Expenditure of Reserve Accounts (b). The board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components that the association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established.

Financial Services shall ensure explicit approval is obtained from two board members then direct Accounts Payable to release the payment to the vendor.

PROCEDURE

Purchasing

The Purchasing Division (Purchasing) is responsible for hiring contractors for projects and services, and the acquisition of goods and capital items. The Dynamics AX software is used for the electronic submission of purchase requisitions. Users are able to create purchase requisitions: Standard, Capital, Blanket, or Contract. All requisitions are created, approved, processed and reviewed electronically in Dynamics AX and can be tracked throughout the life of the requisition.

The requestor logs on to the system, selects the type of requisition and fills in the purchase requisition with the appropriate information (i.e. Product name, Item Number if applicable, Vendor Account, Quantity, Unit, Procurement Category (i.e. General Ledger Account), Fund Source (i.e. Operating or Reserve), stock number, quantity, Units Of Measure, description of the item, procurement code, requisition notes & specifications). Once a requisition has been submitted, the requisition is assigned to a buyer.

Buyers examine each purchase requisition and split Standard, material only Capital and Blanket purchases between themselves. The other requisitions are given to the Purchasing & Supply Manager and the Contract Administrators. The Buyers will attempt to obtain at least 3 bids from vendors on items consistent with amounts designated within the Delegation of Authority Matrix, or on items which are not familiar to the Buyer and the lowest qualified bidder is selected. The Buyer inputs price and vendor code. The purchase requisition system interfaces with the accounts payable module within Dynamics AX.

Once submitted, by the buyer, the requisition is systematically routed for approvals. Supervisors, Managers or Directors cannot both request and approve a requisition. For capital requisitions, two additional approvals are required (Budget Verification & Financial Services Authorization). As such, Dynamics AX is configured with the proper segregation of duties between those who can create purchase orders, receive goods, clear match variances, and enter invoices.

If an over-shipment is received, the Warehouse will notify the requesting work center. If the work center would like to keep the over shipment they will submit an e-mail requesting a PO increase. The Items Are Received (Inventory and Non-Inventory) by the Warehouse.

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When the Warehouse receives an item, a Stock Records Clerk compares the quantity on the packing list to the container received and signs the packing list so the driver is not delayed. The stock record clerk opens the boxes and physically counts each item. The purchase order number is then written on each box. The clerks then open the boxes and compare the quantity received to the quantity ordered, per the P.O. and the shipping document. If the quantities match, the stock records clerks will mark the item as received and enter the quantity received in the system Dynamics AX. If the quantity received is higher than the P.O. quantity, the Warehouse has two options, to keep or return the additional items. When kept, Purchasing will be notified to add additional line to the P.O, and then the Warehouse will receive the additional items as complete. When returned, a Materials Return Form will be created and submitted via e-mail to Purchasing (Material Returns also occur with damaged or incorrect goods). Purchasing will then call the vendor to discuss the returning of the items. Once shipment and disposition are determined, the Warehouse will be notified. When Purchasing receives the credit memo it will be forwarded to Accounts Payable with the Materials Return Form for processing.

When items are received by the work centers, the individual receiving the items will verify the quantity received to the quantity specified on the shipping documentation. They will then verify amounts received to amounts ordered and sign off on the shipping documentation. Once this is complete the shipping document will be sent to the Warehouse so that they can close the P.O on Dynamics AX.

See additional Purchasing process activities embedded below in the Accounts Payable procedures.

Accounts Payable

Vendor invoices are initially received either via the mailroom or electronically through email. Mailroom receipts are delivered directly to Accounts Payable (AP) for opening. Electronic invoices are forwarded to AP@VMSInc.org. Two clerks process AP invoices received via the mail and email, one clerk is assigned vendors from A - K, the other L - Z vendors. Invoices are interoffice mailed or emailed to the respective purchase requestor or supervisor / manager for approval.

Upon receipt of the invoice, the purchase requestor confirms that the work was completed that that complies with the contract both in content and in pricing. The purchase requestor signs, initials, or emails the invoice noting their approval. The purchase requestor then routes the invoice or compiles an invoice package consistent with the Delegation of Authority Matrix.

For invoices greater than or equal to the amounts defined in the Delegation of Authority Matrix, the purchase requestor prepares an invoice package including (1) a cover sheet noting the invoice and contract numbers along with any and all other pertinent information, (2) the invoices with signature or initial from the purchase requestor, (3) signed contract authorizing work and (4) any and all other supporting documentation. The requestor then forwards the invoice package to their divisional supervisor, manager or department head for further processing. The divisional supervisor, manager or department head signs or initials the invoice cover sheet after confirming the first signature was provided by an authorized employee and that the work described in the package was performed. The invoice package is then routed consistent with the Delegation of Authority Matrix.

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For invoices greater than or equal to the amounts defined in the Delegation of Authority Matrix, the invoice package containing both approvals is submitted to Purchasing for approval confirming that all contract criteria were met. Purchasing signs or initials the invoice cover sheet after confirming the invoice and project completion match the contract (i.e. billing terms, units of measure, timing of completion, etc.). The approved package is submitted to AP.

Invoice package questions or approval rejections are emailed directly to the purchase requestor for resolution with a copy to previous approvers.

Upon return of the invoice to AP, the signature(s) or initial(s) noting invoice approval is compared to a listing of employees authorized to approve invoices. The authorized signature listing, maintained by AP, is grouped by operating department and contains employee names, along with samples of signatures and initials. In addition to hand written signatures and initials, email approvals from authorized employees are accepted. Once AP verifies the invoice was approved by an authorized employee(s) and meets the authorization criteria noted above, the invoice is entered into the PO matching function of AX for verification of accuracy and completeness. During the data entry process the AP Clerk verifies the mathematical accuracy of the invoice. The system verifies the vendor, PO, amount of items received compared to amount of items ordered, and amount of invoice as compared to amount of PO. If there are any differences when the invoice is compared to the PO or the item has not been received then the invoice is placed on tolerance hold. For items not yet received, the tolerance hold may only be cleared by warehousing to acknowledge receipt of inventory in the meantime. For price variances, the tolerance hold must be cleared by the Purchasing Department who must approve the unit price difference for the corresponding vendor.

Upon completion of a proper 3-way match, the system will generate a voucher number (sequentially), which is then manually written on the invoice for referencing purposes. This indicates that all information per the invoice is consistent with the actual purchase order. Before a Voucher number can be generated, an invoice must be cleared of all tolerance holds and must have been received.

Purchasing is the only division that may clear tolerance holds through system access. Once a resolution is reached, the system is updated. Before each check run, the AP clerks will review the status for all outstanding tolerance holds. If a hold is cleared the clerks will generate a voucher number for the invoice.

After all invoices for a particular batch have been entered, AP personnel print an invoice journal report for each batch. All invoice journals are reviewed and signed by the Financial Services Manager before they are posted. For invoice journals, AP personnel (depending on the invoices) run a tape of the actual invoice amounts and compare (and attach) it to the report for accuracy and completeness.

Check runs occur weekly, with as-needed checks generated when requested. The AP Clerk generates a check run by specifying vendors A-K or M-Z depending on which vendor to be paid. Checks are generated by the system with the check numbers being tracked by the Financial Services Manager. Checks \$5,000 and under are printed with a system-generated electronic signature from the Chief Financial Officer. Checks over \$5,000 must have 2 live signatures and are separated from the batch.

Laguna Woods Village | Financial Services Procedures

Void checks are defaced immediately, voided in the Accounts Payable system, logged onto a void check spreadsheet, then given to the data entry clerk, to be filed.

The printed check numbers are logged chronologically in a manual log. The log book shows the corporation name with the beginning and ending check numbers including the number of voided checks. This log is then reviewed by personnel for accuracy and continuity.

Financial Services segregates reserve expenditure payments from non-reserve and / or operating payments. Details of all Reserve Fund payments are entered into a Reserves Expenditure Report by the Financial Services Manager. The Financial Services Manager emails the Reserves Expenditure Report along with all supporting documents (invoice package) to the Financial Analyst for further processing. In compliance with Civil Code 5510, the Reserves Expenditure Report is submitted to two members of the board of directors for payment authorization. Staff tracks authorization responses and once the appropriate approval is received, the Reserve Fund payments are mailed.

The voucher support is then stapled to the file copies of the checks and then filed. The checks are placed in envelopes and mailed out directly to vendors, unless authorized by the Chief Financial Officer or Controller to deliver the check to the requestor.

On a daily basis, a data file of the check(s) issuance information is transmitted to Bank of America for the Positive Pay system which polices payment activity and reduces the risk of check fraud. As checks are presented for payment, the bank's Positive Pay system compares each paid item against those that were issued per the transmitted data file. Checks that do not reconcile with the issue information are listed as exceptions on the online Positive Pay exception reports. These reports are viewed daily by the Accounting Specialist for the non-payroll bank accounts. Positive pay exceptions are either manually released for payment or rejected (default).

Check copies are scanned and manually filed along with the invoice and supportive documentation. The accounts payable general ledger control account is reconciled to the month-end accounts payable aging report. Additionally, the bank statements are reconciled to the general ledger cash accounts after the books are closed for the month.