



# Financial Committee Update

15 January 2012

# Committee Members

- Jean Bowen, Chairperson
- Debbie Shannon
- Jim Owen
- Will Froeschle
- Mike Devine
- Carol Schuster, Advisor



# Objective #1: Audit Preparation

- Request for audit of SBCC financials
- Spot check of 2011 financial reports
- Recommendation to Board of Directors

# Objective #1: Audit Preparation

- Committee met and reviewed financial statements through November 2011.
- Recommendation: NOT pursue a financial audit based on the following:
  - Audit would not necessarily prove impropriety, misappropriation, or theft
  - Will not help SBCC financially (cost vs. benefit)

# Objective #1: Audit Preparation

- Going forward:
  - Active management of Accounts Receivables and Accounts Payables
  - Two person signature requirement on checks
  - Expand committees to utilize members
  - Review of Non-Profit benefits/requirements
  - Review timing/type of financial information received and monthly Board meeting
  - Better reporting of financial information to members

## Objective #2: Financial Reporting

- Clearly defined process for generating financial reports for disclosure to members and Board

# Objective #2: Financial Reporting

- Recommendation:
  - Monthly distribution to interested members (via email) the Statements of (income tax basis):
    - Assets, Liabilities, and Members Equity
    - Revenues and Expenses
    - Cash Flows
    - Gross Margin on Sales
  - Complete financial statement distribution to Board monthly. Includes same statements above plus additional schedules for more detailed information for management purposes.
  - Clear reporting relationship between Club Manager, Board, and House Committee
  - House Committee expansion
  - Review of budget, assumptions, and allocations

# FAQ's on financial statements:

- What are the margins and what is causing lower sales?
  - SBCC Margins through Nov 2011 (Industry Standards):

• Liquor	72%	(80 – 82%)
• Beer	67%	(72 – 76%)
• Soda	23%	(85 – 90%)
• Wine	60%	(55 – 65%)
• Food	29%	(68 – 72%)
• Golf Mdse	31%	

# FAQ's on financial statements:

- What are the margins and what is causing lower sales? (Continued)
  - Food and Soda margins need to improve.
    - Poor food last Summer; quality has improved with new chef
    - Review of cost and sales amounts, menu and menu size
    - Specific goals for new manager on margins
    - Greater use of clubhouse by members needed

# FAQ's on financial statements:

- What percent of Accounts Receivable – Dues/Food are greater than 90 days?
  - About half of the accounts receivable are greater than 90 days old.
    - The Board and Club Manager will be reviewing and initiating collection efforts more timely.
  - The Accounts Receivable Assessment for approximately \$82K (November) is for the recent assessment. Total assessment was for \$93,985. More collections have occurred in December.

# FAQ's on financial statements:

- How do the A/R and A/P for equity impact the Financial Statements?
  - These balances do not impact SBCC net income. It does impact cash flow. These accounts show the amount of equities scheduled to be re-sold and the outstanding balances of equities purchased and still being paid for. Once a new equity has been fully paid then the original equity holder will be paid.

# FAQ's on financial statements:

- What are the deferred revenue accounts?
  - Since SBCC prepares financial statements on the income tax basis of accounting, therefore income has to be recognized in the period that services are billed. SBCC uses the deferred revenue account for annual dues billed primarily at the beginning of the year and then recognizes the income ratably over the year. This is an exception to the income tax basis of accounting.
  - The Deferred Revenue 2012 is for the dues already paid for 2012 and the income will be recognized ratably over the year in 2012.

# FAQ's on financial statements:

- What is the Cost of Sales on the Income Statement?
  - The cost of sales is the food and liquor costs associated with the club house and is detailed in the schedule of gross margins.

# FAQ's on financial statements:

- Repairs and Maintenance has increased lately. What is causing this? How do we budget for these items?
  - In addition to the building maintenance of \$12,369, there was an additional \$123,006 spend on clubhouse improvements in 2011 that were funded by insurance proceeds. This amount is not included as an expense, but instead is shown only by the reduction in the liability called “unrecognized income-insurance”. The balance of this account is zero at November 30, 2011, as all of the proceeds have been spent.

# FAQ's on financial statements:

- The current year additions to the Property and Equipment accounts included on Statements of Assets, Liabilities, and Members Equity – Income Tax Basis include:

• Salad Pre Cooler	\$ 368.97
• Sewer hookups	6,216.14
• 2 <sup>nd</sup> phase back nine tiling	2,550.44
• U green mower	4,280.00
• CVAT equipment	6,634.00
• Groundsmaster mower	<u>3,000.00</u>
	\$23,049.55

# FAQ's on financial statements:

The Finance committee would like to recommend a portion of dues be allocated to debt retirement and long term maintenance and property improvement projects.