



**Nepenthe Finance Committee  
Standards and Practices  
Approved by the Board of Directors April 5, 2017**

**Purpose**

The purpose of this document is to set minimum requirements, standards and practices for the Nepenthe Finance Committee. It will also help ensure continuity of operations through turnover.

**A. Role of the Finance Committee**

The Finance Committee assists and advises the Board of Directors in their financial decision-making duties by:

1. Recommending and monitoring financial policies and goals that support the mission, values, and strategic goals of the Nepenthe Association.
2. Reviewing the budget, reserve study and other financial reports and statements and presenting recommendations to the board for fiscal revisions.
3. Recommending corrective actions to ensure that the association remains in compliance with current law and monitoring management and association compliance with bookkeeping procedures.
4. Recommending investments and monitoring the financial health of all investments against the association's goals and annual budget objectives as requested by the Board.
5. Upon request, reviewing vendors' contracts, invoices, and work orders to ensure that Nepenthe receives contracted services that are completed in a contractually compliant and timely manner and at a fair and reasonable cost.

**B. Limits on Powers**

1. Only the board is authorized to elect or appoint co-chairpersons of committees. The committee may elect, or a committee chairperson may appoint, a vice-chairperson.
2. The Finance Committee is appointed solely to advise the board and to assist it in the performance of its duties. Committees have no authority over managers, home- owners, vendors, other persons or other entities.
3. All members of the Finance Committee will abide by the governing documents and will follow board policy.

**C. Qualifications**

1. The board appoints Finance Committee members. General appointment criteria includes, but is not limited to, willingness to serve, availability to serve, ability to get along with others, fairness, firmness and ability to function within a team.
2. Individuals with specific experience in the following fields may be given preference for appointment to the Committee:
  - a. Finance
  - b. Budgets
  - c. Accounting and/or financial report analysis



- d. Investments
  - e. Writing and editing
3. Committee members occupy a position of public trust and as such are expected to maintain the same qualities of behavior as board members: honesty, civility, discipline, frugality, foresight and decisiveness.
  4. Committee members shall be Nepenthe homeowners that are in good standing with the association, meaning they are current in the payment of assessments and/or fines and are in compliance with the rules of the association. If disputed payments, fines or non-compliance are being appealed to the board, the member may continue serving on the committee until the board renders a decision. If such cases are in litigation, arbitration or mediation, the board will be the sole judge as to whether the member may continue serving on the committee.
  5. Each member of the committee must be unencumbered by any conflict of interest and also attest that they have never been convicted and, to the best of their knowledge, are not presently under investigation for any felony.
  6. Committee members are expected to familiarize themselves with the following documents as they pertain to the committee's rights and responsibilities: The CC&Rs, the Bylaws, Finance Committee Standards and Practices, the Investment Policy Statement (IPS) and the Master Calendar. Copies of these documents are on file in the office and will be provided to any committee member upon request.
  7. Committee members are expected to familiarize themselves with the association's investment goals and how these goals support the association's mission.

#### **D. Size of Finance Committee**

The board will determine the size of the committee after conferring with the chairperson. A minimum of three (3) members is recommended to maintain a functioning committee with a simple majority constituting a quorum to do business.

#### **E. Finance Committee Meeting Topics and Tasks**

Many committee topics and tasks are driven by the board calendar. Board members and residents may attend any Finance Committee meeting without explaining or being asked to explain the reason for their attendance. Advance notice of attendance is not required but is advised as a matter of courtesy.

##### **1. Monthly**

- a. Introduction of any homeowners and public comment period. Each speaker will be given three to five minutes to speak.
- b. Update by the Board Liaison.
- c. Review, revise and approve the minutes from the prior meeting.
- d. Review the board calendar to ensure that the committee has addressed all relevant topics for the month.
- e. Review the monthly financial report as prepared by management.
- f. Discuss topics for the newsletter and determine if an article would be beneficial to the community.



## 2. Annual Finance Committee Calendar

Annual tasks are driven by the requirements of the governing documents and the investments. Finance-related tasks are included on the board calendar to ensure required deadlines are not missed.

- a. January
  - i. Manager presents the preliminary year-end report. The CPA will submit the final report to the board in March.
  - ii. Management presents the books for the previous fiscal year to the CPA for review or audit, as determined by the board.
- b. February
  - i. Finance Committee reviews the success of the investment manager(s) and/or investment funds for the Portfolio and recommends retaining or replacing the investment manager(s).
  - ii. The insurance agent files a risk management survey. The Finance Committee should be made aware if there are additional risks identified that will significantly raise the insurance rate.
- c. March
  - i. Manager mails out hearing notices to delinquent homeowners.
  - ii. Board president signs tax returns; manager mails them.
  - iii. CPA submits review or audit of the annual books and tax returns. Copies are shared with board members and the Finance Committee.
- d. April
  - i. Manager mails a notice to all committee members that they must apply for reappointment. If they do not apply, they will not be reappointed. In committee meetings, chairpersons remind their members of this requirement.
- e. May
  - i. Deadline for committee applications.
  - ii. Chairpersons and liaisons.
  - iii. Manager notifies committee applicants of their appointments.
- f. June
  - i. Finance Committee reviews the backgrounds of committee members to ensure no conflicts of interest exist.
  - ii. Insurance Committee meets to review liability policies (expiring October 1) and discuss any changes in coverage or premiums. The Finance Committee should be made aware if premiums will rise significantly.
- g. July
  - i. Manager gives mid-year financial report, stating whether the association is likely to meet its financial goals for the year.
  - ii. Manager recommends and the board determines whether to put out to bid any vendor contracts for the following fiscal year.
  - iii. If the board decided to put any vendor contracts out for bid, the manager prepares and mails RFPs to qualified vendors.
  - iv. Board begins negotiations on management contract. Contract negotiations will be finalized during September.



- h. August
  - i. Manager provides all necessary data to the Reserve consultant for updating the Reserve Study.
  - ii. The Reserve consultant, the Board, Management and the Finance Committee work together to determine the amount of contributions necessary for adequate portfolio growth and how possible annual assessment increases will impact the monthly assessment rate.
  - iii. The Reserve consultant attends the board meeting, explains the updated Reserve Study and answers questions.
  - iv. Insurance Committee meets to review the flood policy (expiring December 14) and discuss any changes in coverage or premiums. The Finance Committee should be made aware if premiums will rise significantly.
  - v. The Board awards vendor contracts for the following fiscal year.
- i. September
  - i. Manager proposes the budget for the following fiscal year and provides a copy to the Finance Committee.
  - ii. Finance Committee presents findings of the committee to be considered for possible budget revisions.
  - iii. Treasurer, Finance Committee and Manager recommend whether to audit or review the books for the current fiscal year.
  - iv. Board approves management contract (executive session).
  - v. Board approves insurance policy renewals (except for flood).
  - vi. Board approves updated Reserve Study.
  - vii. Manager asks the board and committees for suggestions to improve the Master Calendar.
  - viii. Board asks manager, committees and homeowners to suggest goals for the coming year.
- j. October
  - i. Board adopts a budget for the following fiscal year.
  - ii. Board decides whether to audit or review the books for the current fiscal year.
  - iii. Insurance Committee or insurance agent report on flood insurance premiums renewing December 14<sup>th</sup>.
- k. November
  - i. Board sets goals for the following year.
  - ii. Board acts on flood insurance policies renewing December 14<sup>th</sup>.



- I. December
  - i. Manager presents next year's Master Calendar to the board for review and comment.
  - ii. Management contract expires unless renewed by mutual agreement.
  - iii. Fiscal year ends December 31.

**F. Relations with Management**

If management is requested to attend a committee meeting to answer questions, the committee shall provide the list of questions prior to the meeting so that ample research time is allowed for response. Also, from time to time members of the committee might need the assistance of office staff. Any requests for assistance from office staff will first be discussed in committee or, if urgent, with the Finance Committee chairperson.