

To: John Meyer, CUCRA Chair
David Olson, CUCRA Auditor

From: John Dahl, CUCRA Treasurer

Re: Treasurer's Response to Audit Findings and Recommendations

Date: April 21, 2021

Appreciation to David

Before giving my thoughts and responses to the CUCRA audit performed by David, I want to express my wholehearted appreciation to him for performing a very thorough audit of the CUCRA 'books.' The audit was long overdue, mainly because time marches on faster than I would like to believe and also because of two big projects and one big challenge that took much time and attention: IRS tax exemption preliminary work, actual filing for the tax exemption, and then the pandemic. So, I'm delighted that the audit finally happened.

I am also delighted that there was a favorable audit review based on my role as Treasurer.

Financial Statements Recommendations

I'm most appreciative for David's recommendations for financial reporting. Based on his observations, the financial statements should be formatted and presented to meet requirements based on SFAS for not-for-profit organizations. I'm grateful to David for bringing this to my attention.

I'm happy to and certainly can present these statements in the current SFAS formats. This includes:

1. Statements of Financial Position – two year comparative
2. Statements of Activities – two year comparative
3. Statement of Cash Flows

Also, it is noteworthy to add comments in a 'Notes to Financial Statements' as appropriate.

Given CUCRA's small operation, none of this will be extensive in presentation change. I will use the three websites that David provided as reference to formatting CUCRA's financial statements and would ask for David's and Sue Abeles' feedback once I've created them.

In addition to these new reports, I would like to continue to present my current "Statement of Income and Expense/Cash Flow" to the Council because it serves a special analytical purpose. It can be retitled for relevancy.

The format of this report was created to show non-discretionary and discretionary activities of CUCRA in relation to income collected. In other words, the non-discretionary portion represents the core operations of CUCRA. It covers officer travel, dues in other associations, and other expenses pertinent to the running of CUCRA. The annual dues are calculated to cover these core expenses. This methodology and format were instituted 4-5 years ago with the intention that annual dues would increase over time to cover core expenses. Thus, the non-discretionary portion would eventually break-even. Showing the relationship between dues and operational expenses was important.

The discretionary portion represents expenses that are ancillary to CUCRA. These are expenses, projects, initiatives, etc., that are made possible through travel commissions but don't have direct relationship with core operations. Theoretically, projects and initiatives are made possible based on the amount of travel commissions received. Creating this section was a mechanism to separate core operations and related annual dues from other activity.

This report has an important use and therefore I would like to continue it, but we can view it as a management report rather than part of the formal financial statements.

Investment Recommendations

Once again, I am most appreciative for David's recommendations on investments and am happy to implement whatever is appropriate for CUCRA. David is correct that CUCRA's investments are not substantial but they still are important to the success and operations of CUCRA.

Having said this, an Investment Policy Statement (IPS) would be wise to have on hand just so everyone is on the same page, same understanding, same expectations, etc. The statement might be simple if it's just CD's or more complex if there are other types of investments. Again, it would be good to set forth some or all of the following as David suggests: Scope and Purpose, Governance, Investment, Return, and Risk Objectives, and Risk Management.

Instituting investment performance measures can be done. They would help highlight another income stream that could have greater significance in the future when travel income 'takes off,' net of discretionary expenses. Performance measures could lead to investment planning on cash balances.

Taking an active review in investments will enhance the overview and discussion of available investment opportunities that meet investment policy and objectives. It's always good to look for better returns, but it is also important to exercise caution to protect principal.

Investment alternatives can be discussed with our current investment advisor Edward Jones, or we can contact UCOP to discuss their investment alternatives. I don't know if having only affiliation status with UC permits the UC Investment Officer to invest CUCRA's money or if there is a minimum balance required, which CUCRA may not meet.

It's important to note that as Treasurer, I have a conservative view on investments and don't think it is fiduciarily responsible for the CUCRA Treasurer to put the association in a position to lose money (i.e., principal). Therefore, I look at bank-type CD's and get the best interest rate. There could be other forms of investments but if they are considered, the Treasurer would appreciate guidance either through policy or consultation.

Conclusion

I can't thank David enough for the time and effort given in performing this audit. It was extremely thorough and quality work. I look forward to working with David in the future regarding making CUCRA financial reporting even better.