

Welcome to the 1st Edition of Frequently Asked Questions (FAQs) re: HIC Finances!

December 12, 2012

The HIC Finance Committee wants to provide answers to your questions that are clear, concise and understandable to all.

FAQ #1: Who is on the HIC Finance Committee and why should we listen to them?

We have 12 members: Cynthia Petrie (Chair), Larry Bender, Susan Dahl (Board), Alan Dashen (Board), Ginger Harmon, Barbara Harris, Jann Kaufmann, John and Mandy Melgaard, Madeline Progner, Jon Rypdahl, and Kevin Smith. Our members purposefully reflect a diverse cross-section. We have long HIC history and new kids on the block. We have differences of opinion, but work hard to collaborate and compromise. We're all invested in HIC and must consider the greater good. After all, we love it here!

Since not everyone is a "numbers" person, we created a Subcommittee of four members who are experienced in the world of accounting, tax, and financial issues. This helps to address some issues in greater detail, and bridge the gap between the Finance Committee and our accounting system and staff.

Cynthia Petrie owns a CPA firm in Bellevue with five partners (34 total employees). She currently heads up the tax department and the fiduciary niche, but will move into the managing shareholder role as of January 1. Her practice focuses on planning and taxation for estates, trusts, individuals, family partnerships and LLCs, closely held businesses, and charitable organizations. Although she lets her partners do the work of creating financial statements for clients, she reads a lot of them!

Barbara Harris is a retired Manufacturing Accountant. Working for Simpson Paper she was involved with the purchase of several Pulp Mills including the Tacoma Mill. Her role was to understand the newly acquired plant's accounting systems and assist in the transition to Simpson's Systems. She was also responsible for the accounting and cost reduction of a \$10 Million yearly Capital and Maintenance Budget. Prior to retiring from Toyota, it was her responsibility to develop and implement Financial, Cost and Productivity accounting and reporting systems for the first North American Engine and Transmission plants built outside of Japan. Currently, Barbara is a consultant to Venture Capitalists who invest in start-up companies. Utilizing current internet software, she has implemented paperless systems that bill and collect receivables, increasing cash flow for her clients.

Mandy and **John Melgaard** are both CPAs who began their careers auditing the defense industry. Together, they have over 50 years experience with government auditing of accounting systems, cost accounting policy, compliance, fraud, and contracting including translating financial info into formats understandable to non-auditors. Mandy is an auditor for Customs and Border Protection, where she was auditing importers, and is currently working on special projects at Headquarters. John is an auditor for the Inspector General's Office at HUD. He has been developing mortgage fraud cases with the Department of Justice and routinely audits housing projects, municipalities, nonprofits, and HUD to evaluate the effectiveness of HUD programs and their potential for fraud, waste, and abuse. His findings are reported to the Secretary of HUD and Congress.

FAQ #2: What are the FC goals for the upcoming year?

The FC has assisted in setting budgets for the last three years. Given increasing requests from all of you, we've decided to focus on these five issues, in addition to providing you with monthly FAQs:

1. Provide a financial overview of the Marina Expansion Project, including a cost summary to date and future projected costs, the amount of assessment income received to date and anticipated future collections, a summary of our bank loan, and the bottom line for the entire project;
2. Investigate historical, current, and projected Accounts Receivable (A/R) and make recommendations for reducing current balances and mitigating future collection challenges;
3. Analyze our current accounting system, including software considerations, to determine if some or all of our system should be replaced to ensure more transparency and ease of operations;
4. Work with Management in closely analyzing the Capital Reserve Study that was presented to the community a couple of years ago to determine future costs, timing of replacements, and ensure everyone understands the need for and use of a "financial reserve";
5. Continue to analyze current financial information to satisfy ourselves that underlying detail is obtainable and understandable, that adequate and reasonable accounting procedures are being implemented and used, and that our financial risk is minimized to the greatest possible extent.

FAQ #3: Wow – that's a lot! Who is doing the legwork and when do we get results?

Barbara, our cost accounting guru, has agreed to tackle initial details in most areas. She's been working with Melody (HIC bookkeeper) and has already performed substantial analysis of various HIC financial systems and detail. We are happy to report that Melody has details readily available, and that our systems are functioning adequately in tracking day-to-day activity.

Barbara is currently working with Chuck and Melody on the Marina Enhancement Project overview, and we should have more information for you in January. This is now our biggest priority, since we have the 2013 budget basically ready for recommendation.

We anticipate being able to recommend (or not) a software system change sometime this summer.

John has revised the Capital Reserve Study to reflect recent changes to capital assets, reschedule deferred maintenance, and compute how much we must set aside to meet those future needs. He hopes to provide further revisions to Capital Reserves as we plan future capital projects and purchases.

Cynthia will present the FC's recommended 2013 budget to the Board at the December 15 meeting; we will provide you with FAQs related to that budget in early January. Mandy is the driving force behind the FAQs, to be assisted by Cynthia. We plan to issue FAQs on a monthly basis through the next year.

FAQ #4: OK, Subcommittee members, why is this taking so long?

WE ARE ALL VOLUNTEERS! Therefore, we ask for your patience and flexibility. We share your concerns – it's why we're all willing to add these tasks to our busy lives. We believe we have the expertise to investigate, analyze, and provide you with information you want and need, but we can't do it overnight.

FAQ #5: What does the FC not do?

The FC is not willing, and does not intend, to micromanage HIC finances! We have an Island Manager and a Bookkeeper to run daily operations. We can provide valuable insight and enhance clarity and communications without sticking our collective noses into running the HIC. Given our current expertise and our broad collective perspective, we will strive to provide good counsel to Management and the Board with regard to long term strategic planning for the Island.

FAQ #6: Can I join the FC?

Cynthia invited new members during her presentation at the November Board meeting. Kevin Smith and Larry Bender took her up on it. We're now maxed out with 12 members; any larger and we would be unwieldy! If you have specific expertise (e.g., CPA, CMA, accounting systems, et al) that would enhance the Subcommittee's efforts, or if you are one of those valuable non-numbers people and would like to be on a waiting list, please let us know. At some point, we'll work on creating more formalities, but we have enough to occupy ourselves at this moment!

FAQ #7: How do I get my questions to you so they can be addressed in future editions of the FAQs?

We set up a special Gmail account. Please send your inquiries to HICFAQs@gmail.com, and be sure to tell us how to contact you if we don't understand your question. Please do NOT send any FAQ requests to any of our personal or business e-mail addresses – they'll get lost or "accidentally" deleted if you do!