

Information

To: NACUA Board of Directors

From: Gerald W. Woods, Chair, Committee on Finance and Audit
Paul L. Parsons, Staff Liaison

Date: June 2, 2008

Subject: June 2008 Report
Committee on Finance and Audit

Charge to Committee:

The Committee is responsible for general oversight of all financial activities of the Association, including monitoring and making recommendations to the Board for approval of dues and other revenue-producing activities; recommendation to the Board for approval of an annual operating budget; ongoing oversight of the approved budget during the year, based on reports issued by management; monitoring of the Association's Investment, Spending, and Reserve Policies through its Subcommittee on Investments; and oversight of the Association's annual financial audit, annual review of executive compensation, and other financial compliance matters through its Subcommittee on Audit. The Committee works closely with Officers and management of the Association to monitor the above activities as well as the Association's strategic planning activities and initiatives from a long-range financial planning context, in particular its programmatic needs and objectives.

Work Plan for FY 2007-2008:**Audit:**

1. *Final Statement of Activities for the Year Ended August 31, 2007 and Statement of Financial Position as of August 31, 2007* to be completed by the end of September.
Status: The final statements for FY 2006-2007 were completed and issued to the Association's external auditors in preparation for the annual audit. A separate report on Highlights of Fiscal Year 2006-2007 was presented to the Committee and to the Board of Directors in November.
2. Orientation Call for Subcommittee on Audit in late September.
Status: The orientation call of the Subcommittee on Audit was held on October 2, in preparation for the annual audit.

3. Preparation for Audit of Fiscal Year Ended August 31, 2007:
 - a. Field work to commence on October 1
 - b. Conference call of Subcommittee on Audit to review draft audit report and any management comments in late October (see separate list of responsibilities for this subcommittee)
 - c. Final audit report issued to Subcommittee, Committee, and Board of Directors in early November (by November 2)

Status: The field work for the annual audit commenced on October 2 and concluded on October 11; drafts of the final audit were provided to management and the Subcommittee on Audit in late October. Final, bound copies of the audit report were delivered to the Committee and Board of Directors on October 31, and the auditors presented the report to the Committee at its meeting on November 6, 2007. The auditors rendered an unqualified (“clean”) opinion on the audited financial statements for FY 2006-2007, and there were no management comments given.

4. Implement external review of executive compensation in the spring.

Status: The Subcommittee conducted its annual review of executive compensation in April of this year, and has issued its final report to the Board of Directors.

Investments:

5. Orientation Call for Subcommittee on Investments in late August or early September.

Status: The Subcommittee on Investments convened by conference call on September 14 to review the Association’s investments report as of the end of the second quarter, June 30, 2007, and the full Committee on Finance & Audit received an updated report as of the end of the third quarter, September 30, 2007 from Bill Fisher at The Olcott Consulting Group at Wachovia Securities at its meeting on November 6, 2007.
6. Ongoing review of NACUA’s investment portfolio and the Association’s Investment Policy, Spending Policy, and Reserves Guidelines through the Subcommittee on Investments. Quarterly review of investment statements by the Subcommittee, and annual evaluation of The Olcott Consulting Group in the spring.

Status: The Subcommittee has met on a quarterly basis with The Olcott Consulting Group to review the status of the Association’s investment portfolio. The Subcommittee also conducted its annual evaluation of The Olcott Consulting Group, and the results were shared with the full Committee during its final call on May 22. Earlier this spring, the Subcommittee recommended that the Association issue a Request for Proposals for External Investment Advisory and Management Services, as NACUA has been with the same investment firm since the inception of the Investment Policy in 1999. The RFP was issued to ten firms in April, and five firms submitted proposals. The Subcommittee is now in the process of reviewing the proposals and will convene during the month of June to discuss next steps.

Finance & Budget:

7. Continue process of long-term financial planning and projections, which stem from the Association Work Plan and corresponding financial and strategic planning documents, for fiscal and budgeting purposes.

Status: Ongoing. An annual timeline for budget planning and development was developed this year, as a companion document to the Association's strategic planning timeline, and was shared with Board and Committee members during the "Finance 102" orientation session in early January.

8. Consider and determine adequacy of financial and/or staffing resources to support any new initiatives or activities stemming from the 2007 Board of Directors Retreat that are suggested for implementation, either in FY 2007-2008 or beyond.

Status: A Board Work Group on Resources was appointed this year to consider this issue, and a final set of recommendations was shared with the Committee and the Board of Directors this spring, and several recommendations were incorporated within the final proposed general operating budget for FY 2008-2009.

9. With regard to any proposed new initiatives or activities during FY 2007-2008, particularly those that stem from the 2007 Board Retreat, consider and advise on any necessary adjustments in the operating budget that may be recommended by staff as the year progresses and as circumstances dictate, in an effort to remain both strategic and flexible.

Status: Ongoing; also, a Board Work Group on Resources was appointed this year to consider this issue, and a final set of recommendations was shared with the Committee and the Board of Directors this spring, and several recommendations were incorporated within the final proposed general operating budget for FY 2008-2009.

10. Develop materials for "Finance 101" orientation session to be held on November 6. Develop materials for follow-on "Finance 102" orientation session to be held by conference call in early January.

Status: The "Finance 101" orientation session was held on Tuesday, November 6, 2007 prior to the regular meeting of the Committee on Finance and Audit. The follow-on "Finance 102" session was held by conference call in early January 2008.

11. Develop Budget Climate Statements in preparation for FY 2008-2009 for the March Committee and Board meetings.

Status: The budget climate statement for FY 2008-2009 was presented to the Committee and Board of Directors during its meetings in March 2008.

12. Develop and present proposed General Operating Budget for FY 2008-2009 for the Committee's consideration in May, with final approval by the Board in June.

Status: The final proposed general operating budget for FY 2008-2009 was presented to the Committee for its review and consideration during its final conference call on May 22; the Committee unanimously recommended that the proposed operating budget be submitted to the Board of Directors for approval in June.