

KIAWAH ISLAND
COMMUNITY
ASSOCIATION

FINANCE COMMITTEE

Meeting Minutes

March 14, 2024 at 9 a.m.

Bobcat Hall & Virtual

Members Present:

In Person: Lisa Mascolo – Treasurer, Paul Hough, Paul Hennessy, Michael Petrecca,
Jim DiLella

Virtual: Bran Petranovic

Not Present: Jeff Porter, Debbie Diddle

Guests Present: Grey Worthy – Forvis, Sabrina Preston – Forvis

Staff Present:

Shannon White - COO, Tony Elder - Director of Operations, Dale Schoon - Director of Finance

Meeting Minutes

Lisa M. called the meeting to order at 9:02 a.m. She commented on losing the services of Jeff Porter and Jim DiLella on the FC as their terms come to an end and Paul Hennessy who was elected to the BOD. They have had a great impact on this Committee and she thanked them for their service. Board will be soliciting for the 3 open positions in the coming weeks.

Lisa also said that a question about the 990 raised by Member Larry Wolohan has been resolved.



2023 Audit Presentation

Grey Worthy and Sabrina Preston of Forvis presented the results of the 2023 Financial Audit. Thanked KICA team for providing all the information in a timely and accurate manner.

Paul Hennessy asked if Forvis receives quarterly financial information. They stated they have access to quarterly financials, but their primary focus is on year end.

Grey Worthy indicated that it was a clean, unmodified opinion free from material misstatement for 2023. Financial statements were then presented. (See Audit report for details)

Paul Hennessy asked if segregated Reserve funds ex: Flood mitigation need to be shown that way in our Financial statements – Lisa M. stated they do not.

Paul Hennessy commented that the concept of Operating Income for Reserve is not the same as for Operating Fund. Is this something to point out to the members?

Short discussion on Reserve Net Surplus, how it's shown on Income Statement vs. Cash Flow statement and timing of investing it to maximize returns.

Discussion of Restatements on Page 15

- It's not unusual to have restatements as you transition from one auditor to another.
- No material impact to the financials
- Explanation to the community should say that the restatements were related to updating 2022 audited report to current GAAP standards but not the underlying accounting. For ex: reporting flood A/R when it's earned.

Lisa asked for a motion that the Finance Committee recommend to the Board that the 2023 Audit be approved. So moved by Paul Hennessy, seconded by Jim D.

Vote Passed: (5) In favor: L. Mascolo, P. Hennessy, P. Hough, M. Petrecca,
J. DiLella

Lisa M. asked for a motion to approve the minutes from the January 25, 2024 Finance Committee meeting. So moved by P. Hennessy, seconded by J. DiLella.



Vote Passed: (5) In favor: L. Mascolo, P. Hennessy, P. Hough, M. Petrecca,
J. DiLella

Cash Management Policy

Paul Hough reviewed the framework of the Cash policy being worked on by Paul Hough, Bran P. and Dale S. Two major types of cash – 1) MR&R funds governed by the Reserve Fund Investment Policy Statement and managed by Investment Advisor and 2) All other, used for multiple things, managed locally and governed by Financial Controls Manual. Looked at ways to manage all other cash to maximize returns. Proposing 3 different types, 1) cash for day-to-day KICA operating expenses, 2) MR&R and 3) designated cash which will fall under the new “Operating Cash Investment Policy Statement”. We have a draft of the policy, but details still need to be determined. Will need to work with Cook St. with regard to specifics, acceptable maturity durations and benchmarking. Day-to-day operating funds are currently earning 5% which is a good return. This process is looking at establishing future guidelines. Next steps are for the sub-group to define what assets we would like to put in the designated cash subject to the Operating Cash Investment Policy Statement, come up with recommendations and bring to FC.

Paul Hennessy said members frequently comment on thinking we have too much cash. Is the cash policy going to define how much cash we should have and what to do with it?

Paul Hough and Lisa M. stated that’s not really the purview of this sub-group’s work.

Overall discussion about cash and how much is a topic for the next Finance Committee meeting.

Paul Hennessy asked if our Line of Credit is considered cash. It’s not, it is governed by the Financial Controls Manual, not the cash policy. Paul also asked about the timing of MR&R funding when assessments come in.

Dale S. said it’s allocated to the Reserve Fund but is not physically transferred to the Reserve Fund IPS accounts as they are funds needed for operations

Michael P. asked about frequency of transferring money to/from the newly defined bucket. Dale S. said the new Operating Cash IPS will stipulate investment policy and benchmarking for these funds but the FCM will provide guidelines as to how much and when the funds are transferred. FCM will need to be revised to reference the new policy.



Next Finance Committee meeting is TBD. Reserve Study is underway and targeted to complete by the beginning of April.

Paul Hennessy said he's still not comfortable with the current Reserve Study disclosures.

Shannon said it has been redesigned and re-posted and should be better.

Paul also mentioned a few items that he's heard mentioned in Board meetings that raises overall budget concern: For ex: 1) Ocean Park Roads 2) Legal Budget 3) Technology raised overall budget concerns.

Lisa feels the 2024 Budget is in reasonable shape. Board has been discussing road standards and is still committed to standards. 2025 budget forecast includes Ocean Park roads.

Todd Boney asked how the Board determines the adequacy of the reserve funds.

Shannon made a statement that the income for this year for reserve funds was being spent on current year projects and there was no drawdown of the reserve fund anticipated. They coordinate with Reserve Specialist to forecast.

Short discussion on Reserve fund forecasting, calculations, analysis of funding requirements, inflation costs, etc.

Lisa M. asked for a motion to adjourn. So moved by Michael P., seconded by Paul Hennessy. The meeting was adjourned at 11 a.m.

Respectfully submitted,

Ellen Festa, Executive Assistant

