

Date: March 10, 2022

To: The Board of Highland Lake Property Owners Association (HLPOA)
The HLPOA Foundation, and
Members of the HLPOA

From: Trisha Steele, with the assistance of Jan Katien



Financial Review of the HLPOA 2019 Financial Records

The Highland Lake Property Owners Association (HLPOA) Board manages an Illinois designated not-for-profit, [the Association], and a federally designated non-profit [the Foundation]. In 2019, cash basis accounting was used for both the Association and Foundation financial reports provided. A review of the 2019 financial statements and transactions was conducted this month, March 2022, by me with the assistance of Jan Katien who reviewed the 2019 Minutes for discussion and/or approval of financial transactions.

The purpose of the 2019 financial review is to meet the requirements of the HLPOA by-laws, establish the beginning balances for the following year, and to assure the membership of sound financial management of their Association and Foundation in 2019.

In order to accomplish these purposes, the following is pursued:

1. Confirm the beginning and ending balances of the 2019 financial statements.
2. Establish that the financial transactions through the year were authorized and deemed appropriate by the Board, and that each is adequately supported by third-party documentation.
3. Make any other observations related to the financial statements, bookkeeping, and reporting practices.

FINANCIAL RECORDS AVAILABLE FOR REVIEW

- 2019 Balance Sheets were not available for either the Association and Foundation
- 2019 Budget to Actual Reports for the Association and Foundation
- Separate 2019 Financial Transaction Registers for the Association and Foundation
- All 2019 bank statements for both the Association and Foundation
- Bank statements documenting the 2018 ending balances
- Documentation for the payments made
- Federal Tax returns were provided, 1120-H for the Association, 990-EZ for the Foundation
- The Illinois State tax returns and the Not-For-Profit Annual Report were not provided
- The 2019 HLPOA Board Meeting Minutes, January through November
- The prior year financial review was conducted immediately before this review and was available to the reviewers
- Detailed information on revenues were not provided

FINDINGS**BEGINNING & ENDING BALANCES**

There was a small discrepancy reported on the 990EZ tax form for the Foundation beginning balance. The Foundation Budget to Actual balances for the beginning and ending of 2019 matched the bank statements and prior year ending balance. The variance is \$440.38; 3.2% over the amount listed below. The 2018 tax statements were not provided for the review of 2018 so no comment can be provided on the reported ending balance.

The beginning balances of the HLPOA Association were all the same on all documents. The ending balances were also the same on all documents.

HLPOA 2019	Association	Foundation	Total
Beginning Balances	\$14,247.02	*13,613.62	\$27,860.64
Ending Balances	<u>14,076.30</u>	<u>21,007.54</u>	<u>35,083.84</u>
Increases/(Decrease) in the year 2019	\$(170.72)	\$7,393.92	\$7,223.20

FINANCIAL TRANSACTIONS

All transactions were successfully traced to the bank statements and most had third-party supporting documentation.

The Board often, but not consistently, approves expenditures with a vote, but many payments were only mentioned in the Minutes without approval, and some were only found in the Treasurer's transaction reports. Consistently, the expenditures for the Foundation were included in the Association business as if they were Association expenses.

Revenue items for memberships and contributions could not be reconciled to the bank statements or financial transactions because no detailed reports for revenues were provided.

TRANSPARENCY & REPORTING

The Treasurer's monthly financial report to the Board regularly included a list of the transactions along with a monthly Budget-to-Actual report, keeping Board Members apprised of the financial status of the Association and Foundation.

The financial review of 2017, concluded in June 2018 by John Hall, included a suggestion to separate the two entities. While the Treasurer implemented the separation in recording transactions, the Board did not conduct their meetings as if the organizations were separate.

CONCLUSION

In my opinion, the financial position stated in the Association and Foundation 2019 Yearend Transaction Reports and the 2018 Budget-to-Actual Reports are fairly stated. These reports begin and end with substantiated balances, the financial transactions for the year of 2019 were substantially approved by the Board, and the financial records are materially accurate.

COMMENTS AND SUGGESTIONS

The following suggestions can result in financial reports that are more transparent and better documented. Most of the suggestions are repeated from the 2018 financial review because the 2018 review was completed only last month, February 2022, and the Board has not had an opportunity to review them and make any changes.

Item #2 with an asterisk, is new for 2019.

1. Funds should only be disbursed with Board approval and this approval should be clearly documented in the Minutes for the appropriate organization.

I suggest that the Board

- Maintain and regularly review a List of Approved Expenditures for the Association and separately for the Foundation, with the date of approval, Check #, and date of disbursement, and
- Take sufficient time during each meeting for Motions to be stated clearly, noting who made it, and seconded it. After discussion and the vote, the motion and vote should be recorded in the Minutes.

*2. The Foundation and the Association transactions should be maintained separately. There are no Minutes for the Foundation, although the Board sets an agenda, and opens/closes the Foundation meeting. Foundation financial transactions are handled during the Association meeting which undermines the legitimacy of the Foundation. I suggest the Board

- Hold proper Foundation meetings, document them in Foundation Minutes, reporting the financial transactions and Board decisions for the Foundation.

3. Over time, pages from important records can become shuffled and misfiled. I suggest

- The HLPOA clearly date and label each page of minutes, financial reports, and other important Board materials.

4. The HLPOA's By-Laws state that the Secretary will maintain the HLPOA records. This is not being done.

- I suggest that the Board address this discrepancy with its bylaws.

5. The HLPOA has a First Midwest Bank checking account that provides copies of checks with the statements. This is helpful in confirming and tracking expenditures. The HLPOA Foundation checking account does not have this feature.

- I suggest that the Board obtain a similar bank account statement for the Foundation.

6. In 2019, the Board relied on volunteers other than the Treasurer to account for major financial activities such as the Carp Fest. The individual pieces of documentation submitted for reimbursements could not be traced to the recorded HLPOA transactions. I suggest that

- A checkbook-type template is provided to volunteer leaders that handle financial activities on behalf of the HLPOA Board; and
- Any summarization of expenditures submitted for reimbursement or cost justification also include clearly traceable itemization of the expenditures made and receipts provided.

Attachments:

Pages 4 and 5 - 2019 **Association** Yearend Budget-to-Actual Report and Transaction Report

Pages 6 and 7 - 2019 **Foundation** Yearend Budget-to-Actual Report and Transaction Report

Highland Lake Association 2019 Proposed Budget

Cash on hand 12/31/2018 \$14,247.02

HLPOA Budget Total Actual Total

Cash Income

HLPOA Contributions (last yr 8192.50)
Fundraising (Dinner, Picnic, garage sale, T Shirts etc)
Other income

Table with 2 columns: Budget 2019, Actual 2019. Rows: Budget, Actual, \$ 6,500.00, \$ 4,977.50, \$ 350.00, \$ 1,259.00, \$ 650.00, \$ 5.00

Total Cash Income

\$ 7,500.00 \$ 6,241.50

Cash Expenses

Lake Management

Raft Maintenance (+1496.43)
Foundation Contribution
Total Lake Management

Table with 2 columns: Budget 2019, Actual 2019. Rows: \$1,000.00, \$ 16.19, \$1,000.00, 516.19

Property

Park Reserve for Future
Paths/Roads
Signage/includes event signs
Total Parks

Table with 2 columns: Budget 2019, Actual 2019. Rows: \$ 500.00, \$ 410.00, \$ 250.00, \$ 750.00, \$ 410.00

Community Communication

Postage
Website Maintenance
Total Communication

Table with 2 columns: Budget 2019, Actual 2019. Rows: \$ 200.00, \$ 80.00, \$ 280.00, \$

Sense of Community

Dinner/Picnic/social

Table with 2 columns: Budget 2019, Actual 2019. Row: \$ 400.00, \$ 615.96

Administrative Expenses

Insurance
Bank Fees/Pay Pal
Office supplies
Other
Sec of State Renewal
PO Box Rent
IL Tax

Table with 2 columns: Budget 2019, Actual 2019. Rows: \$ 5,200.00, 5,215.00, \$ 50.00, 20.15, \$ 150.00, \$ 100.00, \$ 13.00, 10.00, \$ 96.00, 106.00, \$ 150.00, 18.92

Total Admin

\$ 5,759.00 \$ 5,370.07

Total Cash Expenses

\$8,189.00 \$6,412.22

Net Income/Loss

\$ (689.00)

Current Bank Balance

HLPOA

\$14,076.30

597

2019 ALPOA
Financial Review
03/2022

2019 Transaction Register - Association *FINAL*
Beginning Balance 1/01/2019 \$14,247.02

Date	Revenue/Expense Line Item	Purpose	Check #	Debit	Credit	Balance	Comment
1/3/2019	Contributions				240	\$ 14,487.02	
1/10/2019	Contributions				720	\$ 15,207.02	
1/18/2019	Contributions				240	\$ 15,447.02	
1/22/2019	Fairfield Matl-path		148	410		\$ 15,037.02	
1/25/2019	Contribution				120	\$ 15,157.02	
2/5/2019	Contributions				410	\$ 15,567.02	
10-Feb	Renwood-room rental		149	110		\$ 15,457.02	
10-Feb	Olando's-Italian Dinner		150	455.96		\$ 15,001.06	
13-Feb	Italian Dinner				1259	\$ 16,260.06	
19-Feb	Contributions				410	\$ 16,670.06	
12-Mar	Contributions				250	\$ 16,920.06	
1-Mar	Contributions				1140	\$ 18,060.06	
25-Mar	Diane Leafblad	Easter Egg Hui	151	50		\$ 18,010.06	
10-May	Lake County Collector	RE taxes	152	18.92		\$ 17,991.14	
22-May	Contributions				330	\$ 18,321.14	
22-May	John Sonnenberg	raft	153	16.19		\$ 18,304.95	
28-May	Contributions-Paypal				248.94	\$ 18,553.89	
14-Jun	Contribution-Paypal				124.47	\$ 18,678.36	
24-Jun	Contribution	G			125	\$ 18,803.36	
28-Jun	Professional Insurance Agency		154	5215		\$ 13,588.36	
25-Jul	US Postal Service	PO Box	155	106		\$ 13,482.36	
26-Aug	Contributions-Paypal				248.94	\$ 13,731.30	
26-Aug	Secretary of State		156	10		\$ 13,721.30	
26-Aug	Wrist band				5	\$ 13,726.30	
17-Sep	Contribution				125	\$ 13,851.30	
17-Oct	Contribution				100	\$ 13,951.30	
28-Oct	Contribution				125	\$ 14,076.30	
						\$ 14,076.30	
						\$ 14,076.30	

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2019 H&POA
Financial Review
03/2022

Highland Lake Foundation 2019 Proposed Budget

Cash on hand 12/31/2018 \$13,613.62

Cash Income

Foundation Contributions General Fund \$9,835.10
 Foundation Contributions Weed Control (+681)
 Foundation Contributions Fish Stocking (+260)
 Foundation Contributions Parks/Shores
 Foundation Contributions Zebra Mussels
 Carp Fest
 Other income

Total Cash Income

Cash Expenses

Lake Management

ILMA Dues
 Carpfest
 Fish Stocking
 Zebra Mussel Control
 Lake Testing/Maintenance
 Parks Maintenance
Total Lake Management

Administrative Expenses

Bank Fees/Pay Pal
 Office supplies
 Other
Total Administrative

Total Cash Expenses

Net Income/Loss

\$ (5,800.00)

Current Bank Balance

Foundation \$21,007.54

Foundation	
Budget Total	Actual Total
2019 Budget	2019 Actual
\$ 8,500.00	\$ 6,513.10
\$ 500.00	\$ 185.00
\$ 200.00	\$ 255.00
\$ 400.00	\$ 100.00
\$ 500.00	\$ 210.00
\$ 400.00	\$ 565.00
\$ 10,500.00	\$ 7,823.10
Cash Expenses	
Lake Management	
\$ 50.00	\$ 50.00
\$ 400.00	\$ 235.00
\$ 1,500.00	\$
\$ 4,000.00	\$ 75.92
\$ 10,000.00	\$
\$ 400.00	\$ 35.13
\$ 16,350.00	\$ 396.05
Administrative Expenses	
\$ 50.00	\$ 38.13
\$	\$
\$	\$
\$ 50.00	\$ 38.13
\$ 16,400.00	\$ 434.18

2019 Transaction Register -- FOUNDATION FINAL
 Beginning Balance 1/01/2019 13,613.62

7 4 7

2019 HUPOA
 Financial Review
 03/2022

Date	Revenue/Expense Line Item	Purpose	Check #	Debit	Credit	Balance	Comment
1/3/2019	Foundation Contributions	General			870	14,483.62	
1/7/2019	PayPal Contributions	General		10.23	332	14,805.39	
1/10/2019	Contributions	G/W/Z/F			800	15,605.39	
1/11/2019	Maintenance fee			2.5		15,602.89	
1/18/2019	Contributions	G/W/Z/F			980	16,582.89	
1/25/2019	Contributions	G			560	17,142.89	
2/5/2019	OneHope donation	G			55.6	17,198.49	
2/5/2019	Contributions	GZW			440	17,638.49	
19-Feb	PayPal Contributions	G		10.23	332	17,960.26	
20-Feb	Contributions	G			505	18,465.26	
1-Mar	Contributions	all			1180	19,645.26	
12-Mar	Contributions	g			245	19,890.26	
29-Mar	Contributions	g			250	20,140.26	
21-Apr	McCloud Aquatics			115	5385.5	14,754.76	
21-Apr	ILMA dues			116	50	14,704.76	
10-May	Contributions	g			250	14,954.76	
10-May	Cash-Carp Fest	prizes		400		14,554.76	
22-May	Cash-Ice Fishing Derby				85	14,639.76	
22-May	Contributions				125	14,764.76	
22-May	John Sonnenberg	ZM+parks		118	100.15	14,664.61	
4-Jun	PayPal Carpfest	Fish			258.86	14,923.47	
4-Jun	Carpfest - bounty return				165	15,088.47	
11-Jun	Carpfest fees rec'd				295	15,383.47	
24-Jun	Contributions	G			125	15,508.47	
24-Jun	John Sonnenberg	ZM		119	10.9	15,497.57	
26-Aug	Contribution-Paypal				124.47	15,622.04	
26-Aug	McCloud Aquatics-refund				5385.5	21,007.54	
						21,007.54	
						21,007.54	
						21,007.54	