

## **Treasurer's Report** **07/10/2022**

Public materials can be found on the NVC website [nvcmaine.org](http://nvcmaine.org).

- **Warrants and Monthly Financial Reports**
  - Due to the July 4<sup>th</sup> holiday, the cut off for receiving invoices was set to June 30<sup>th</sup>. Any invoices received after that date will be included in the July warrants.
  - June warrants were prepared by the NVC Office staff, President and Treasurer and provided to the Board for in advance and for signature at the July 10, 2022 Overseers meeting.
  - Lacking an office manager, the process continues to be time consuming. Given the level of work for the President and Treasurer in July, an Overseer, Fred Lincoln assisted with reviewing the June warrants.
  - Jan – May Statement of Activity and current Statement of Financial Position reports are included with this report. Note both use the standard QB format and not the non-standard format used by NVC. Additional information on formatting is provided below.
- **2023 Budget**
  - 2023 budget was reviewed at the June 26<sup>th</sup> workshop, then presented and discussed with the community at the July 2<sup>nd</sup> Donuts and Dialog meeting.
  - The 2023 budget is included on the July 10, 2022 Overseers Agenda for final review and approval.
    - Supporting documents including a budget summary and a millage summary have been provided as well.
- **NVC Business Office Functions**
  - Due to limitations with any QB online subscription the auditors, Purdy Powers were removed as accountants from QB and Philbrook added in order to facilitate the transition to Philbrook as the NVC bookkeepers. Purdy Powers will be added in and Wilke & Associates taken out when QB access is needed for the audit.
  - Without an Office Manager, NVC staff, contracted services and volunteers continue to work at capacity to support basic bookkeeping and finance manager duties until the office manager position is filled. Specific activities over the past month include:
    - Resolving outstanding issues associated with a delayed payment of the May bills.
    - Review of NVC MMA insurance and appropriate allocation of costs by department.
- **Bookkeeping Transition**
  - Met with the Philbrook staff to continue the onboarding process. Transition will occur over the summer based on the following estimated timeline:
    - Prep work including entering the 2022 Budgets into QB; review the chart of accounts and add any additional accounts needed. (July)

- Transition warrant and bill paying process starting with the July warrants. Tasks will include receiving coded invoices from NVC office staff, entering information in QB, preparing July warrants and paying July bills. (July/August)
    - Transition all payroll tasks from village office. (July/August)
    - Provide monthly reports (Sept)
  - Report formatting will be discussed once major functions have been transitioned. Non-standard aspects of the NVC reports include: title and terms for the reports; including bond principal payments as part of the budget/operating costs; and listing contingency funds outside of the normal operating budget. Generating the non-standard reports currently requires someone to reformat the standard QB reports, which the current office staff and volunteers are unable to do. Possible solutions include developing custom reports within QB, accounting firm converting the reports to the NVC format or revising the NVC format to be consistent with the standard QB reports.
  - The interim Office Manager will continue to provide some of the office manager and finance manager duties until the Office Manager position is filled.
- **Audit**
  - Wilke & Associates and the Treasurer continue to spend significant time on the 2020 audit. Identified inconsistencies in the 2020 Statement of Financial (Balance) sheet were corrected resulting in a balanced Statement of Financial Position properties(departments). Resulting unaudited 2020 Statement of Financial Position and Financial Activity were provided to the Overseers on June 23, 2022.
  - Additional questions have been received from the auditors which will be addressed by Wilke & Associates once their schedule permits.
  - Purdy Powers provided notification that current staff member working with NVC has resigned and NVC will be assigned a new person to work with on a day-to-day basis for the audit.
  - Wilke & Associates is reconciling outstanding items for 2021 in preparation for the 2021 audit. Unaudited 2021 Statement of Financial Position and Financial Activity are included in the documents provided for the July Overseers meeting.

## **2020 Audit Background Information and Update July 2022**

NVC has not yet completed the 2020 audit due to a number of factors listed below. NVC cannot start the 2021 audit until the 2020 audit has been completed. Work on the 2020 Audit has been ongoing since February 2021 and has involved paid and volunteer support from a number of NVC staff, contractors and volunteers. Below is a summary of the 2020 Audit activities as background.

- August 2020 – NVC financial functions transitioned:
  - New Treasurer was elected (G. Huntoon), separating NVC’s Treasurer and paid Finance Manager responsibilities.
  - New Finance Manager was appointed (Nina Richards, NR Bookkeeping)
  - Bookkeeping functions were transitioned (NR Bookkeeping)
  - NR Bookkeeping continued to provide general office support.
- 2020 Audit Start (February 2021) – NR Bookkeeping provided the initial documents for Purdy Powers to review for the 2020 audit.
  - 2020 Balance Sheet balanced for NVC as a whole but not by Departments (Properties). While a single organization, the three departments (General, Sewer, Water) have separate audit requirements thus must be balanced as individual departments.
  - Audit was delayed in order to review/revise the financial documents.
- Financial Document Review (Spring/Summer 2021)
  - NR Bookkeeping and Purdy Powers identified underlying issues with the financial documents:
    - QB file used to start 2020 was corrupted and/or incomplete. At minimum it did not contain the Journal Entries made after the 2019 audit.
  - In the attempt to fix the 2020 General Ledger the following was observed:
    - 2020 QB Desktop file migrated to NR Bookkeeping in August 2020 was not complete.
    - Previous versions of the 2020 QB Desktop files were either corrupted so they could not be opened at all or could be loaded but would not unlock using the known username/password combination.
  - NR Bookkeeping migrated the 2020 General Ledger from QB Desktop to QB Online.
  - Purdy Powers provided the journal entries from 2019 for entry in the 2020 General Ledger.
- Onsite Audit (Fall 2021)
  - Purdy Powers came onsite in October to perform the onsite portion of the audit.
    - Identified invoices that were missing from the 2020 Warrants.
    - Identified outstanding General Ledger issues including:
      - Cash based instead of Accrual accounting of revenue.
      - Difference in Net Revenue based on Class vs Property.

- Balance sheet that still did not balance by Property.
    - List of Outstanding audit issues were identified by Purdy Powers that needed to be addressed before the 2020 audit could be completed.
  - Resolving Outstanding Audit Issues (Winter 2021/Spring 2022)
    - NR Bookkeeping began to address outstanding ledger issues but then submitted notice in November 2021 effective January 15, 2021 effectively stalling progress on the 2020 audit until new accounting support was identified.
    - Wilke & Associates was contracted with in December 2021 to specifically address the outstanding audit issues. Minimal progress was made.
    - Finance Committee and Board hired Wilke & Associates as the Interim Bookkeeper and searched for a new full time Bookkeeper.
    - Focus shifted from resolving outstanding 2020 Audit issues to maintaining day to day business office functions including managing payroll, bill paying, and monthly warrant functions.
  - 2020 Audit (June 2022)
    - Significant effort (Wilke & Associates, Treasurer) was put into correcting the outstanding 2020 audit issues, in particular resolving Due From/Due to imbalances. Efforts included
      - Treasurer converting QB reports into excel spreadsheets in order to identify Sewer and Water expenses that continued to be attributed to General as a Property.
      - Wilke & Associates updating General Ledger to reflect changes, including recognizing revenue on an accrual not cash basis; fixing Bond balances; fixing Due From/Due To
    - Wilke & Associates met multiple times with Purdy Powers in order to understand outstanding issues and then resolve them in the General Ledger.
  - 2020 Audit Status (Current)
    - Wilke & Associates resolved the outstanding issues for the 2020 Statement of Financial Position and provided the information to Purdy Powers with copies to the Overseers on June 23, 2022
    - Wilke & Associates and the Treasurer are working with Purdy Powers to resolve any additional outstanding issues.
    - Final on-site meeting with Purdy Powers may need to be scheduled.
    - Wilke & Associates is working on reconciling and closing out the 2021 books in preparation for the 2021 audit.
  - Long Term
    - During the onboarding with Philbrook the following items have been discussed:
      - Treating General, Sewer and Water as separate entities in QB, what Purdy Powers indicated NVC had done prior to 2020, and would have simplified the 2020 Audit process with implementation for fiscal year 2023.

- Reviewing the split and payment of the General, Sewer and Water bills in order to simplify the process. See identified issues described below.
- General pays a significant number of bills for both Sewer and Water. This convention has the following issues associated with it:
  - In a combined General Ledger it makes generating a balance sheet by Properties (required for the yearly Audit) difficult.
  - Increases the amount of accounting work required by the NVC business office:
    - Expenses need to be accounted for multiple ways – first when the bills are paid and then when payments between the department is reconciled.
    - Payroll was done quarterly but should be done monthly or weekly in order to maintain accurate books particular when migrating between bookkeeping firms as done in 2020, 2021 and 2022.
- The convention of splitting bills between General/Sewer/Water increases the amount of both office work and financial management needed by NVC. Specifically:
  - Not all bills are split 34/33/33 (General/Sewer/Water) resulting in additional work by staff or volunteers as well as increasing the chance of error.
  - Anytime a bill is split 2 or 3 ways, it required additional work by contractors, office staff or volunteers to: account for the expenses: QB entries; warrant preparation; copies of invoices.