

SUN CITY SHADOW HILLS COMMUNITY ASSOCIATION
BOARD OF DIRECTORS

FINANCE ADVISORY COMMITTEE

Charter

This charter ("Charter") governs the operations of the Finance Advisory Committee (the "Committee") established by the Board of Directors (the "Board") of Sun City Shadow Hills Community Association (the "Association"). As specified in Article X, Section 10.02 of the Bylaws, the Committee is established as a standing committee which shall be advisory to the Board, and serves at the pleasure of the Board. The Committee is authorized to make recommendations to the Board in financial matters. The Board and/or Committee shall review and reassess this Charter annually and periodically, as necessary.

Mission

1. The Committee shall meet on a regular basis, to review and analyze all the Association's financial statements (including but not necessarily limited to those prepared by the Association management company, those prepared by the golf and F&B operations management company, as well as the combined results thereof) to ensure the financial statements:
 - a. Are reported in a clear, concise, and informative manner, and in accordance with the accounting policies adopted by the Association in accordance with Generally Accepted Accounting Principles ("GAAP").
 - b. Free from material misstatements, whether due to fraud or error.
 - c. Advise the Board that financial statements have been recommended for approval or not for the period being reviewed and if not, why.
 - d. Review and recommend approval of the Treasurer's Summary Financial Report including but not necessarily limited to the combined balance sheet, ~~and~~ the combined statement of revenues and expenses for the Operating Fund and the Replacement Fund, and the Statement of Changes in Fund balance for the Operating Fund and Replacement Fund for posting in the Residents Only section of the website for the Association.
 - e. Review and recommend approval of the Condensed Financial report for publication in the monthly View publication.
2. The Committee shall advise the Board on the establishment of best/industry practices in the areas of the Association's financial accounting reporting system and system of internal controls. The Committee shall propose changes to the financial accounting reporting system and the system of internal controls in written recommendations for review by the Board.
3. The Committee shall advise the Board on the establishment of best/industry practices in the area of the Association's annual Reserve Study. The Committee shall review published industry guidance (including but not necessarily limited to guidance produced by the Foundation for Community Association Research) and shall, as appropriate, propose changes to the policies for the preparation of the annual Reserve Study in written recommendations for review by the Board.

4. The Committee shall review the Association's investment performance on a regular basis and provide written recommendations to the Board. The Committee shall also review the HOA Investment Policy on an annual basis and recommend in writing proposed changes/improvements to the Board.
5. The Committee shall assist the Board in the review of all major vendor and provider contracts and provide written recommendations to the Board. As appropriate, the Committee shall work with other Advisory Committees to achieve this goal.
6. The Committee shall monitor contract compliance and report any discrepancies to the Board in writing.
7. The Committee shall assist the Board in the preparation, review and evaluation of the Association's Annual Operating Fund and Replacement Fund Budgets. As appropriate, the Committee shall work with other Advisory Committees to achieve this goal.
8. The Committee shall review on an annual basis the Association's insurance needs and policies with Broker, make recommendations to the Board for any changes to coverage, limits, deductibles and costs deemed by the Committee as appropriate.
9. The Committee shall meet with the independent accounting firm in preparation of the annual audit. The Committee shall review the Association's draft annual audited financial statements with the Treasurer and recommend approval or disapproval to the Board.
10. The Committee shall review the Management Letter issued by the independent accounting firm which identifies their recommendations to strengthen internal controls and procedures. The Committee shall review the Controller written response to the recommendations included in the Management Letter and make written recommendations to the Board as appropriate.
11. The Committee shall review the Association's draft Tax Returns, Filings and supporting schedules, as provided by the Association's independent accounting firm, with the Treasurer. The Committee shall make written recommendations to the Board to approve or disapprove the Tax Returns and Filings.
12. The Committee shall review and make written recommendations to the Board on the annual Reserve Study. The review and recommendations will be performed to facilitate ~~that~~ all common area components (including real and personal property) owned or leased by the Association: (a) are identified in the Reserve Study; (b) have a reasonable total estimated useful life considering relevant factors; (c) have a reasonable total estimated remaining useful life considering relevant factors; and (d) have a reasonable estimated current replacement cost considering relevant factors. The Committee shall also make recommendations on the estimated cost inflation rate, ~~and~~ the investment earnings rate and the income tax rate on investment earnings used by the Reserve Study consultant

considering published forecasts of cost inflation and consultations with the Investment Manager for the Association and the independent accounting firm for the Association.

13. The Committee shall, at the request of the President or Treasurer, conduct financial research and analyses for the purpose of evaluating and/or improving any aspect of the Association's operations – including comparisons to other HOA communities. This research shall be in the form of a written report and will include, but not be limited to:
 - a. Long-range financial projections which may be required to support the Community's Strategic Plan.
 - b. Amenity Operation Evaluation.
 - c. Cost-benefit analyses of capital expense projects.
14. The Committee shall assist the Board, as needed, in educating and communicating to the community regarding the Association's financial condition and results of operations.
15. Additional scope of work for the Finance Advisory Committee may be assigned by the Board.
16. The Committee shall make written recommendations to the Board on the selection and appointment of professional service firms for the Association including the independent accounting firm, the Reserve Study consultant, the insurance Broker, the Replacement Fund Investment Manager and legal counsel in accordance with the processes outlined in the Procurement Policy adopted by the Board.

Board Liaison – The liaison from the Board to the Committee shall be the Treasurer. The Board liaison attends all committee meetings for the purpose of acting as the interface between the Committee and the Board. The Board liaison has no voting power and does not serve to constitute a quorum for the committee meetings. The President of the Board serves as an ex-officio member of all committees and may attend any meetings as appropriate.

Reporting – The Committee Chair shall make regular monthly reports to the Board regarding their Committee activities and recommendations. These reports shall be in writing and shall be submitted to the Association Office in a timely manner prior to the regularly scheduled monthly Board meeting. The Chair shall attend Board meetings to answer any questions related to the Committee's activities, reports or recommendations. Any items that will require a vote of the Board, which are within the mission of the Committee, will require the Committee Chair to submit a BAF (Board Action Form) ten (10) days prior to the regularly scheduled Board meeting.

Staff

Management Liaison – The General Manager or his designee shall be the liaison to the Committee and attend each meeting. The General Manager attends the Committee meetings for the purpose of providing answers to questions. The General Manager has no voting power and does not serve to constitute a quorum for the Committee meetings. At no time shall the Committee direct staff to perform any task for the Committee or direct staff on how to perform their job. Any requests for staff assistance should be made to the General Manager with simultaneous written notification to the President and the Treasurer of the Board.

Committee Chair

In accordance with the Bylaws, the President of the Board of Directors shall appoint the Committee Chair annually.

Committee Composition

The Committee shall be comprised of Members in Good Standing who have expressed an interest in serving the community and have a verifiable professional background in finance, accounting, or relevant business management that will allow them to assist in one or more of the functions set forth in the Committee's Mission. The Chair shall recommend the members with approval from the Board. The Committee shall have a minimum of three (3) members and a maximum of nine (9) members, of which at least one shall be an active or inactive Certified Public Accountant. Members serve a 2-year term and may be selected to serve up to 2 additional successive terms. No more than one family member may serve on the Committee at any one time. All Committee members serve at the pleasure of the Board.

Formation of Sub-Committees

The Committee may form sub-committees to perform various tasks including a sub-committee on Major Repairs and Replacements. One member of the sub-committee must be a member of the Committee. Sub-committee members may attend Committee meetings but may not vote on agenda items that come before the Committee.

The Chair of the sub-committee on Major Repairs and Replacements shall prepare a Charter and Mission for the sub-committee for review and approval by the Committee and the Board of Directors.

The Chair of the sub-committee on Major Repairs and Replacements shall prepare a proposed Major Repair and Replacement policy for review and approval by the Committee and the Board of Directors.

Attendance at Meetings

Attendance is an important part of Committee membership. Members who miss three (3) consecutive meetings or miss four (4) meetings during the committee year may be removed at the option of the Committee Chair or the President of the Board.

Members of the Committee may receive a waiver on attendance if they are a seasonal resident of Sun City Shadow Hills. Members requesting such a waiver must request it at the beginning of their year of service so that all members are aware of the seasonal nature of their service. At no time may more than two (2) members have such a waiver because of the ability of the Committee to establish a quorum and conduct business.

Appointment of Members

The Committee Chair may recommend the Committee members based on a member's ability to carry out the duties and responsibilities outlined in the Mission. The Committee Chair shall submit the names of the prospective members to the Board of Directors for approval prior to the first meeting of the Committee.

Duration of Committee

The Finance Advisory Committee will serve from May 1 to April 30 of the following year.

Code of Conduct

As a prerequisite for membership, Members of the Committee will be required to sign a statement acknowledging that they have read, understand and agree to abide by the Sun City Shadow Hills Community Association Code of Conduct.

Meetings and Time Commitment

Time Commitment: Time commitment may be considerable as members are expected to review reports and educate the members of Sun City Shadow Hills Community Association.

Regular Meetings: This Committee meets regularly, generally monthly, as determined by the Committee but no less than four (4) times per year. Special meetings are held periodically, as needed.

Action without Meetings: Any action by the Committee required or permitted to be taken at any meeting may be taken without a meeting if all the members of the Committee shall individually or collectively consent in writing to such action. Actions not involving discipline may be by phone. Any such consent shall be filed with the minutes of the proceedings of the Committee.

Quorum and Voting Requirements: At all meetings of the Committee, a majority of members shall constitute a quorum for the transaction of business. The vote of a majority of members present at a meeting at which a quorum is present shall constitute the decision of the Committee. At any meeting where there is less than a quorum present, there shall be no business transacted.

Authority to Spend Funds

The Committee has no authority to expend funds of the Association or to direct staff to expend funds without the explicit approval of the Board of Directors. The Committee may justify and request from the Board of Directors approval for expenditures directly related to the duties of the Committee. If the Committee requests an expenditure, the Committee Chair should contact the Association office to have the expenditure request included on the Board agenda no later than ten (10) days prior to the regularly scheduled Board meeting.

Approved by:

_____ Date: _____
Sun City Shadow Hills Community Association
Board of Directors

By: _____ By: _____

Name: _____ Name: _____

Its:

Its:

Date:

Date:

Finance Advisory Committee

Adopted by Board of Directors

4/13/2010

--Revised 2/29/2016

FAC proposed revisions as of 1/29/2017

Board approved revisions on 2/27/2017

FAC proposed revisions as of 2/7/2018

Board approved revisions on 2/28/2018

FAC proposed revisions as of 5/31/2018

Board approved revisions as of 5/31/2018

FAC proposed revisions as of 1/02/2019

Board approved revisions 3/25/19

FAC proposed revisions as of 11/15/2019