

AUDIT COMMITTEE REPORT

REGULAR MEETING
MONDAY, JUNE 3, 2019, AT 10:00 A.M.

A regular meeting of the Audit Committee was convened by the Chair, Dwight Walker, at 10:00 a.m. on Monday, June 3, 2019, in the Board Room at Gateway Complex.

Members present were Dwight Walker, Chair; John Kikuchi, Mary Neff, Alan Swanson, Roll Call Barbara Rothway and Chris Yahng. Excused absence: Sheldon Solloway,

Also attending were Tim O'Keefe, CEO; Rick Chakoff, CFO; and GRF Board members: Dale Harrington and Kathleen Stumpfel; and Chris Preminger, Business Ops Manager

1. APPROVAL OF REPORT: Minutes from April 1, 2019 meeting were unanimously approved with a motion from Barbara Rothway, seconded by Chris Yahng.
2. RESIDENTS' FORUM—No comments.
3. ANNOUNCEMENTS—
 - Sheldon Solloway has indicated that he will not be returning to the Audit Committee at the end of his term which ends this month.
 - Recruitment of new Audit Committee members is essential with terms expiring in June 2019 for Dwight Walker, Alan Swanson and Sheldon Solloway.
4. MEMBER TRANSFER FEE TASK FORCE UPDATE—Chris Preminger and Mary Neff.
 - Chris reported that the Task Force received a list of approximately 80 residents who have multiple units and have paid only one MTF. The Task Force considers the issue to be of high importance and appropriate steps are being taken in conjunction with the GRF Board.
 - The Task Force has not found any instance where policies are not being followed by staff. However, there appear to be some inconsistencies between GRF Bylaw's and policies that may need to be corrected and legal consultations are underway.
 - Mary reported that the Board is updated on the Task Force process and that Chris Preminger and Rick Chakoff will be taking the lead on the issue with assistance from a Guidance Review Team, consisting of Bob Kelso, GRF Board President; Mary Neff, GRF Treasurer; and Dwight Walker, Audit Committee Chair.
 - The Audit Committee will continue to receive updates on this important issue.
5. ASSESSMENT OF EXTERNAL AUDITORS—Rick indicated that he was pleased with the new BPM staff assigned to the audit this past year. There was discussion about good business practices providing for a change in auditors every 6 years or so or, at least, a change in the audit

partner. BPM have been the auditors of GRF for the past 7 years. There was consensus that the time is appropriate to look for other potential auditors and speak to BPM about a change in audit partner. Chris Yahng and Rick Chakoff volunteered to develop a list of potential auditors and report to the full Committee at the August 12th meeting where next steps will be determined.

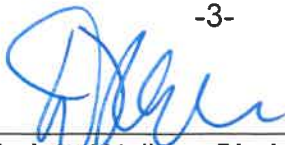
6. MUTUALS AS RELATED PARTIES—There was a discussion about GRF and the Mutuals as related parties. The consensus of the Committee was that appropriate related party disclosures are being made in the GRF audited financial statements.
7. 2019 FASB CHANGES—Alan Swanson pointed out a number of FASB changes that could impact financial statements in 2019/2020. Rick indicated that he has had preliminary discussions with Scott Taylor, BPM Partner, about these changes and the potential impact on GRF financial statements. Rick further stated that he has alerted Mechanics Bank that there is the possibility of on-bill financing of various energy projects, which might create an issue with loan covenants.
8. NET ASSETS FOR THE BENEFIT OF WALNUT CREEK MUTUAL ENTITIES—Sheldon Solloway prompted a question for the Committee regarding the reporting of this item. The “net assets” are reported in the equity portion of the GRF balance sheet but there is nothing reported on Mutual balance sheets as an asset that is held for their benefit. Rick Chakoff offered to research this interesting question.
9. UNFINISHED BUSINESS
 - Tim reported that the Employee Handbook is being updated to be consistent with the GRF Whistleblower Policy, along with other items and should be available by the end of June.
 - Merek Lipson and Dwight Walker will be attending the July GRF Planning Committee Meeting to present Enterprise Risk Management (ERM) concept for board/management consideration.
 - John Kikuchi reported that the Task Force for Code of Conduct Compliance has been meeting and will have a report for the Committee in August.
 - Rick Chakoff reported that Mechanics Bank is ready to implement a CDARS program for GRF cash that will provide for FDIC insured accounts and interest income.

10. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 11:35 a.m.

11. NEXT MEETING:

The next regular meeting of the Audit Committee will be August 12 at 11am in the Event Center Donner Room.



Dwight Walker, Chair
Audit Committee