

AUDIT COMMITTEE REPORT
REGULAR MEETING
MONDAY, AUGUST 12, 2019, AT 11:00 A.M.

A regular meeting of the Audit Committee was convened by the Chair, Dwight Walker, at 11:00 a.m. on Monday, August 12, 2019, in the Donner Room at the Event Center.

Members present were Dwight Walker, Chair; John Kikuchi, Merek Lipson, Mary Neff, Roll Call Barbara Rothway, Kathleen Stumpfel and Chris Yahng.

Also attending were Tim O'Keefe, CEO; Rick Chakoff, CFO; and GRF Board member Dale Harrington; and Rossmoor resident Mary England.

1. APPROVAL OF REPORT: Report from the June 3, 2019 meeting, was unanimously approved with a motion from John Kikuchi and seconded by Barbara Rothway.
2. ELECTION OF VICE CHAIR: Nominations from the floor were called for and Merek Lipson nominated John Kikuchi based on his solid leadership, integrity, and handling of several task forces over the past year. No other nominations were put forth.

A motion was made by Merek Lipson, seconded by Barbara Rothway, and CARRIED UNANIMOUSLY to elect John Kikuchi as Vice Chairman of the Audit Committee.

3. RESIDENTS' FORUM—Mary England commented on the draft document for an updated Code of Conduct Policy and its language of “loyalty”.
4. ANNOUNCEMENTS—
 - Sheldon Solloway passed away on July 28 and condolences were expressed for his family and friends.
5. REVIEW OF AUDIT FIRM PROPOSALS—Rick Chakoff and Chris Yahng
 - Six audit firms were contacted by Rick Chakoff and requested to submit a proposal.
 - Four firms responded: Eide Bailly, Shea Labagh Dobberstein, Moss Adams, and BPM. Proposals were reviewed by Rick Chakoff and the Task Force.
 - Interviews by the Audit Committee and Rick Chakoff with all four firms will be set up in the coming weeks with a goal of determining a recommendation at the 9/9/19 Committee meeting.
 - Tim O'Keefe encouraged the Committee to look for the right level of service, competency and professionalism when interviewing the firms.

6. UNFINISHED BUSINESS

- a) John Kikuchi reported that the Task Force for Code of Conduct Compliance voted unanimously to submit the attached draft for the Committee's review.

A motion was made by Merek Lipson and seconded by Barbara Rothway to recommend the draft policy for legal review with an emphasis on looking at the "unwelcomed physical contact" area. After discussion, a vote was then taken, and the motion CARRIED UNANIMOUSLY.

Tim O'Keefe will forward to legal counsel.

- b) Tim O'Keefe reported that the Employee Handbook is being updated to be consistent with the GRF Whistleblower Policy, along with other items and should be available soon.
- c) Member Transfer Fee Task Force—Mary Neff.
- The Task Force is now headed up by staff including, Tim O'Keefe, Rick Chakoff, Paul Donner, and Chris Preminger. A Guidance Review Team rounds out the task force with Bob Kelso, Mary Neff, and Dwight Walker.
 - A kickoff meeting was held on 7/19/19 to define roles and responsibilities and the scope of the effort. There were many legal questions, so there was a follow-up meeting on 7/23/19 with Tony Grafals.
 - At the 7/23/19 meeting, Legal Counsel Grafals attempted to clarify legal positions on the MTF as it relates to Bylaws, CA Civil code, etc. No new concepts were resolved that could address the shrinkage in MTF resulting from multiple unit ownership.
 - The Audit Committee will continue to receive updates on this important issue. Mary Neff asked that future updates to the Audit Committee be made by staff.
- d) Merek Lipson and Dwight Walker attended the July GRF Planning Committee Meeting to present the Enterprise Risk Management (ERM) concept for Board/management consideration. At the August Planning Committee Meeting, it was unanimously voted to send the ERM project back to the Audit or Finance Committee. A vigorous discussion ensued citing the independence of the Audit Committee in overseeing and monitoring the ERM best practice. Board goals for the upcoming year call for long-term planning, including risk assessments, but how that is to be accomplished by management/Board is still unresolved. The ERM issue was tabled to the next meeting to allow time for management/Board to determine next steps.
- e) Rick Chakoff reported that Mechanics Bank is ready to implement a program utilizing a sweep account for GRF cash that will provide for FDIC

insured accounts and interest income, albeit just above 1% at this point in time.

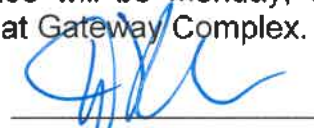
- f) 2019 FASB Changes—Rick Chakoff indicated that the new auditors will be addressing this issue.

7. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 12:15 p.m.

8. NEXT MEETING:

Committee members were asked to complete the "Audit Committee Self-Assessment" form handout for the next meeting. The next regular meeting of the Audit Committee will be Monday, September 9, at 10:00am in Multi-Purpose Room #3 at Gateway Complex.



Dwight Walker, Chair
Audit Committee