

Annotated Variance Statement, January 2015

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Common Questions

- What is a Variance Statement?
 - A Variance Statement is a comparison of budgeted income and expenses (spending) to actual. It answers the question, “How are we doing in comparison to our expectations?”

- What is an Annotated Variance?
 - An Annotated Variance is a tool that aims to explain important items in the Variance Statement with words. The goal for members who are unfamiliar or uncomfortable with Variance Statements is to still receive the important information reflected therein. Additionally, it is used as a guide to focus Board attention on items deemed particularly important or noteworthy by the Finance Office.

- Which column is Actual, and which is the Budget?
 - The “First Range” is Actual, whereas “Second Range” is the Budget.

- What is “\$ Change” and “% Change”
 - “\$ Change” is the difference between the Actual and Budget, i.e. Actual – Budget. “% Change” is “\$ Change” as a percent of the Budget, i.e., “\$ Change”/Budget.

- FY#### - FY stands for Fiscal Year, and can be thought of as a budget period. The ICC’s Fiscal Year begins on May 1 and ends on April 30 of the following calendar year. The numbers after “FY” represent the years of the Fiscal Year, e.g., FY1314 means the Fiscal Year beginning May 1, 2013 and ending April 30, 2014.

- What the numbers to the left of each line item? And what *is* a line item anyway?
 - Accounting is a method of organizing money with labels, and line items are the different “labels” with which we do this. For example, when you pay charges, the income is labeled “ICC Charges” and gets put in the ICC Charges line item (31000). The numbers to the left of the line items are unique identifiers that help accountants identify and differentiate each line item.

The Annotated Variance

DISCLAIMER – The ICC transitioned its bookkeeping from the QuickBooks accounting software to Rent Manager this year, and there are still some kinks to be worked out. Additionally, the abrupt turnover in the Finance Office has resulted in correct Financial Statements being even more of a work-in-progress. The Variance Statement is correct *to the best of our ability thus far*, but there are some mistakes, items not reported, and things that aren’t the way we’d prefer them to be. The Finance Office is working on this, but the process is slow. We will try to highlight these areas in the annotations.

- Income – “Money in,” such as charges, fees, and proceeds on money we’ve loaned out
 - *31000 ICC Charges* – Our houses were fuller during the Spring/Summer than anticipated. The FY1314 Board budgeted for Spring/Summer income of \$300,000, and the organization brought in \$325,000, resulting in about \$25,000 more income than expected. Additional charges income is likely a result of less-than-expected Fall/Winter vacancies.
 - Gregory was closed during most of the Spring/Summer until it was filled with members of the Telluride Program. At full capacity over the Spring/Summer, Gregory would have brought in ~\$22,500. Revenue from Telluride was \$15,750. The ICC received a check for ~\$45,000 to make up for lost Gregory charges since the fire, ~\$9,350 of covers lost charges from the Spring/Summer.
 - The Variance indicates no vacancy losses thus far this year. This is not really true; there have been empty spaces. The old accounting system involved logging all of the income per month as if every room were completely full and then totaling up vacancies and using the difference between the two as the income for the month. We haven’t yet figured out how to do this in Rent Manager. However, we know that we have more income than anticipated because the total charges brought in are larger than the net charges expected from the budget.
 - *34700 Unallocated Prepays* – This line item “holds” money that members have paid prior to the posting date of new charges. For example, October charges were posted on 9/26/14 but *dated* 10/1/14. Members payments between those dates automatically go to this line until 10/1/14.
- Expense – “Money out,” such as checks written for bills, loans, payroll, or maintenance
 - *41001 Loan Interest Expense* – The ICC normally has two loans with Comerica: a Commercial Loan of ~\$1.8 million and a Line of Credit (sort of like a credit card for a business; it was paid off in full in September) of \$500,000. Payments on these are automatically withdrawn from our Comerica bank account, and need to be logged in Rent Manager using Journal Entries. The budget anticipates a larger amount because it is “expensing” the full amount of each payment, whereas the correct way to do this accounts for the “interest” and “principal” portions of each payment separately.
 - Principal Payments on the Commercial Loan through November total \$50,904.25, bringing the total amount paid to \$104,775.52.
 - *42000 Property Tax* – The ICC currently pays property taxes of about \$280,000 annually, with about \$230,000 paid in July and about \$50,000 paid in December. This year, property taxes were approximately \$9,000 higher than expected.
 - *44150 Major Projects* – Major Maintenance line items went through a redesign in June that breaks out projects by house instead of having them in one line item, which is why the line items do not have associated budgets. The project at Lester House this summer involving repairs to Lester’s sewage pipes has been \$20,000 more than expected due to

an unanticipated need for underground pumps. An unforeseen expense at King has been charged to 44160 Contingency. The FY1314 Board approved for \$100,000 to be withdrawn from the Operating Reserve to pay for a foundation work at Black Elk. These unforeseen extra costs coupled with the additional expenses from repairing Gregory are the reasons why Major Maintenance is nearing their Annual Budget cap, and the bulk of the remaining planned projects for the year have been postponed to next year. Additional money was allocated to Maintenance during the budget review based on the insurance reimbursements from the Gregory Fire.

- *45133 Gregory Insurance Payout* – Maintenance costs for Gregory repairs are in this line. Gregory repairs have cost around \$130,000 since the fire in January 2013. These costs are of three types: 1) repairs to fire damages, 2) construction upgrades required by city code when new construction is performed, 3) construction upgrades that made sense/were mandatory given the circumstances of other repairs and Gregory being empty. The ICC received two checks from the insurance company on 10/10/14 for \$24,000 and \$45,000 and another check on 11/17/14 for \$17,000, bringing the total reimbursement to \$86,000.
- *44200 Annual Maintenance* – The City of Ann Arbor unexpectedly pushed 8 housing inspections into the months of June and July (with two more occurring in October), in order to catch up with an 18-month back-log. In combination with the Gregory fire, this required Annual Maintenance to hire additional help for the summer. This also required Annual Maintenance to spend much of their money up front this fiscal year, requiring a scaling back for the Fall/Winter. These are the primary reasons why spending for *442181 Contractor Time and Material* is so high.
- *45220 Maintenance/Interim Assistant* – Geoff had to hire an extensive crew of members in the Spring/Summer to help him clean houses before starting the maintenance work needed to bring houses up to code. The lack of cleanliness in some houses that has necessitated this extra work has ultimately contributed to significantly higher than expected Maintenance Crew expenses, which can be found in Payroll in line. Geoff has continued to employ 3-4 Crew members for about 15 hours a week since the Fall began.
- *45000 Payroll* – The ICC has hired Karin Keim as the DFS; she began work on 1/30/15. Alex will continue to work in the Finance Office as co-DFS during February to provide training. Ali Zachritz has been hired as the Member Services Coordinator; she began work in mid-January. It is expected that a Front Desk Assistant and a Maintenance Tech should be hired within the next few months. Given the current and estimated payroll spending, the year-end projected payroll variance expects the ICC to be under budget by ~\$20,000.
- *46202 Audit* – The ICC audit was originally slated to occur in June. However, due to various circumstances, including the resignation of the ICC's DFS, the books were not

suitably prepared for the auditors, which is why actual spending is so much lower than actual spending. The Audit took place at the end of October and the auditors will be presenting the Audit Report on February 22nd.