

Woodlands Winding Brook Homeowners Association

Treasurer's Financial Report

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October 13, 2016

Goals – as of January 1, 2016

- Smooth transition and continuity with previous Board
- Hold the line on monthly fees
- Encourage more involvement by homeowners

Goals – how did we do?

- Smooth transition and continuity with previous Board
 - **Accomplished – no major disruptions**
- Hold the line on monthly fees
 - **Accomplished – no fees increase for 2016**
- Encourage more involvement by homeowners
 - **Accomplished – financials feedback obtained**

Accomplishments

- Got a good handle on current level and type of expenditures
- How? Captured from detailed transactions provided by Carolyn a summary of expenditures by category for the last *five* years – establish ‘baseline’ with averages
- Produced six month then full year budget spreadsheet for control of expenses
- Less emphasis on analyzing income

Budget Spreadsheet

- Handed out as separate document

Woodland WBHOA Budget January - Dec 2016							
From 5 year transaction analysis by Carolyn							
	Total	<u>MgmtFees</u>	<u>Snow</u>	<u>Grounds</u>	<u>BldMnt</u>	<u>Electric</u>	<u>cbu</u>
2011	227,003.65	\$19,518.14	\$9,675.00	\$53,466.54	\$52,721.93	\$6,497.17	\$496.12
2012	206,697.00	\$18,328.61	\$16,768.00	\$43,387.76	\$41,986.32	\$5,478.53	\$655.34
2013	229,082.58	\$22,334.00	\$19,454.17	\$43,226.46	\$54,515.31	\$6,317.52	\$561.28
2014	254,995.82	\$20,994.63	\$13,340.00	\$48,136.01	\$75,919.18	\$4,420.09	\$404.28
2015	193,357.80	\$10,954.20	\$14,202.99	\$44,708.82	\$49,153.05	\$3,141.05	\$292.35
5 year total	1,111,136.86	\$92,129.58	\$73,440.16	\$232,925.59	\$274,295.79	\$25,854.36	\$2,409.37
Average	222,227.37	\$18,425.92	\$14,688.03	\$46,585.12	\$54,859.16	\$5,170.87	\$481.87
6 mnth av	111,113.69	\$9,212.96	\$7,344.02	\$23,292.56	\$27,429.58	\$2,585.44	\$240.94

Major Findings

- Overwhelming majority (70%) of expenses come from:
 - Lawn care / landscaping / snow removal
 - Exterior building maintenance
 - Property insurance
- Major improvement in reducing management fee by \$10K annually in 2015, and sustained reduction in 2016
- Annual expenses average \$220K annually

Major Findings - continued

- Ability to contribute about \$20K a year to long-term capital reserves for major projects at current level of funding
- Did not do reserves set aside in 2015
- On track to set aside about \$20K in 2016
- Restored \$50K to Balance Sheet in 2015 with insurance reimbursement for misappropriation

Major Findings - continued

- Balance sheet of about \$200K provides strong ability to finance *current* operational expenses
- Cash flow is a bit stronger currently due to significant reduction in overdue fees
Accounts Receivable to about \$10K (credit Carolyn)
- Income currently at about \$220K annually

Financial Challenges

- Deferred maintenance on some major maintenance projects have an effect of portraying a stronger balance sheet than is actually true
- Major capital projects over the next several years will stress balances and cash flow
- Almost certainly will necessitate modest monthly fees increases for homeowners

Tools to Meet the Challenges

- Carolyn's QuickBooks Reports
- Dave's long-term planning spreadsheet
- Condo HOA Survey of HOA's fees
- Obtaining estimates for major capital improvement projects
- Re-baseline (obtain bids) for major operational maintenance (landscaping, lawn, snow, trees)

Next Steps

- Enhance / tweak Long Term Planning spreadsheet with Dave to accommodate some nominal rate of inflation, increased contributions to capital reserves, addition of other major project estimated expenses
- Conduct long term “simulations” of cash flow and balances under different scenarios
- Conduct HOA fees survey

Next Steps - continued

- Improve transparency and understandability of financial reports and status provided to homeowners
- Move to align fiscal reporting year with calendar year January – December rather than July - June (application to IRS made)
- Harmonize Jan – Dec budget with Quickbooks Profit and Loss structure

Next Steps - continued

- Formalize one of our money market funds as Emergency Reserves, and another as Capital Improvements Fund (CIF)
- Hold transfers from/to these accounts to yearly financial “close out” or emergencies
- End of year “close-out” to formally add that year’s income to Retained Earnings
- Absorb \$50K insurance claim reimbursement into Retained Earnings

Next Steps - continued

- Tweak Quickbooks “Chart of Accounts”
 - Incorporate Emergency Reserves and CIF as asset categories
 - Add some new account categories to cover Intermediate (three to five year) projects to permit reporting and budgeting of “aggressive maintenance” to defer big-ticket capital improvements
 - Add some new account categories as needed to achieve greater detail of reporting

Next Steps - continued

- Small changes resulting from proposed move from “modified accrual” method to “pure cash” method of accounting to achieve these objectives
 - Simplification
 - Improve understandability
 - Improve ease of reconciling with end-of-year bank statements balances
 - Make internal auditing easier

Next Steps - continued

- Impact of proposed move to cash method
 - Accounts Receivable (overdue fees) removed from pro forma balance sheet, but still available as separate report (results in a more conservative portrayal of our financial health)
 - Balance sheet will be based upon only “cash on hand” (also a more conservative portrayal)
 - Insurance fees collections treated as income and insurance payments as expenses

Next Steps - continued

- Possible monthly fees discussion very soon
- A Board meeting in early 2017 (January or February) will include a presentation of 2017 Budget
- Will be similar to the 2016 Jan-Dec Budget, but will incorporate Capital Improvements Projects and Intermediate projects to be decided upon in the next couple of months using the Long Term spreadsheet

Wrapup

- Copy of this presentation to be placed in the Homeowners Only section of our website at <http://www.woodlandshoa.net/homeowner-access/>
- Please send questions and feedback to hoa@woodlandshoa.net
- Thank you!