

Countryside at Tuscan Ridge Homeowners Association Inc

Financial Statements for the Year ended 31st December 2009

Report and Explanatory Notes

Financial Report

This year we have reviewed our financial systems thoroughly and as a result of that work we will be making fundamental changes and improvements effective from 1st January 2010.

We found a lack of financial procedures and an absence of proper accounting ledgers which has persisted over many years. This, combined with a regular turnover of Treasurers and Board members over the years, has meant that no one has ever been in post long enough to set up robust and enduring systems. Some Treasurers were not suitably qualified to carry out the duties and should not have been appointed. Others have made a good attempt but their good work was lost when they vacated the role.

We have now established written financial procedures for the Board and Treasurer, and have designed and installed a simple but effective financial ledger which is entirely suitable for our needs but is capable of being maintained by anyone with basic/intermediate spreadsheet skills.

During the year we identified a worrying discrepancy in the expense claims of a former Board member covering an extended period from 2006 to early 2009. Following a detailed investigation by the current Board we identified a significant sum of over claimed and double claimed expenses. We interviewed the person concerned and they have committed to reimburse the HOA in full for the amounts identified. This satisfactory resolution was achieved by your Board without incurring any legal fees. In addition the person concerned has agreed not to stand for election to the Board or as an Officer of the Association in the future or to actively support any other person's candidature for these positions. We now consider this matter closed.

As a result of this incident your Board have enacted a new rule for the Association that no person with a conviction for a felony or misdemeanour (other than motoring offences) may be accepted as a candidate for a Directorship or any Officer position of the Association.

Explanatory Notes to the Financial Statements

This year we are presenting four Financial Statements i.e. Profit & loss Account for 2009, Budget for 2010, Balance Sheet as at 31st December 2009, and a Cash Receipts and Expenditures Account (as required by FI Statute 720). This latter statement is not particularly useful to us and the following notes refer to the P&L account and Balance Sheet, as these give a more complete picture of our financial position.

Overall we are in a reasonable state considering the lack of financial management over the years. However, there are two important issues:

- a) The annual assessments are very tight and only really provide enough income to cover the very basic maintenance and essential costs. There is little left over for a programme of steady refurbishment and improvement. We will be addressing this issue during the early part of 2010.
- b) We have a worrying and increasing number of owners who have not paid their assessments. This puts an immediate and severe strain on our available cash and unless we can correct this quickly we will have to raise the assessments simply to cover the unpaid amounts. So those of you who do pay will have to pay more because some others do not pay at all ! Hardly fair. Please rest assured that we are addressing the issue of unpaid assessments very strongly and we will make every possible effort to collect all the outstanding amounts as soon as possible.

Profit & Loss Account

Yes, we are a "Not for Profit " Association but I have used this title to differentiate between this and the rather simplistic FL Statute 720 Cash Receipts & Expenditures Report. The Profit & Loss Account adjusts the cash receipts and payments to reflect the amounts we earned or committed to spend in the year. In other words it matches income with expenditure to the same time period. This is a fundamental principle in accounting.

Note Nr:

- 1) The total assessments due for the year (whether or not they were actually paid)
- 2) Transfers Fees received during the year from house sales.
- 3) Total Income generated in the year.
- 4) Maintenance of Communal grassed areas, retention pond areas.
- 5) Mainly debt collection fees which will be recovered along with late assessments.
- 6) This amount is for six months costs to June 2009. July renewal was delayed due to an error by our Insurance Agent. Policy is now renewed.
- 7) We are looking for a cheaper supplier in 2010 !
- 8) Mainly travel to HOA Post Box.
- 9) New website is free of charge.
- 10) Refund of monies received in previous year - relates to aborted mailbox replacement project.
- 11) Charged by old bank. We have switched banks in the year and we now have free banking.
- 12) This is the total amount we committed to spend in the year.
- 13) This is the surplus / deficit of income earned less expenditure committed for the year.

Budget for 2010

This is shown alongside the actuals for 2009 for easy comparison.

We have reviewed all the major costs for 2009 and made some specific decisions to reduce some expenditures, and increase some others. We have to spend approximately \$4500 on repairs to the retention ponds and we have decided to spread this work over two years to soften the cost as much as possible. We care also budgeting to spend money on having the Clubhouse treated for termites and pests which has not been done for some time.

This budget can (just) be covered by a 10% increase in the Annual assessment from \$253 to \$278.

Balance Sheet

Note nr:

- 1) The Balance Sheet is a snapshot of the Association's financial situation on 31st December 2009. It shows all our Assets and Liabilities and our Total Net Funds. The Total Net Funds figure is what we would have in the bank if we collected all the money owed to us and paid all the money that we owe as at that date.
- 2) These are the amounts unpaid at the year end. All the debts are being secured by means of liens where possible and are being vigorously chased by ourselves and/or our attorney as appropriate. These figures are for HOA assessments only. All costs, late fees and interest are in addition to these figures.
- 3) This was repaid to us in March 2010.
- 4) This is the total of all our assets i.e. cash and monies due to us.
- 5) These are all normal monthly suppliers and were all paid in Jan 2010.
- 6) This is a refund to a homeowner but the cheque was never cashed. This will be refunded in 2010.
- 7) This is the total of everything we owe at 31st Dec 2009.
- 8) This is the Net value of our cash plus monies owed to us less money we owe to suppliers.
- 9) This is where we have allocated our Net Assets. In our case this is all in a general surplus fund to be used in future periods.
- 10) This is our savings pot for future major expenditure e.g. re roofing and other major refurbishments to the Clubhouse. We should be saving a small amount each year to cover these major costs when they eventually arise. Currently we have never allocated any of the General Reserve to this Long Term Fund. This is something we will establish in 2010 and carry on in future years.

Cash Receipts and Expenditures Statement

This is the Statement required by FL Statute 720. It is of limited use, however, as it really is nothing more than a bank statement with an analysis of payments.

It shows income and expenditure just like the Profit & Loss account but there is no attempt to match the time periods so it is of limited value. The figures differ slightly from the Profit & Loss Account because of timing differences e.g. money paid in Jan 2009 mainly refer to 2008 costs, and likewise Jan 2010 payments mainly refer to 2009. In this case the differences are small.

It does show one important thing, and that is it checks that we are managing our cash flow. Depending on the circumstances the timing of receipts and expenditures can result in big swings in cash balances which can embarrass an organisation which is not aware of this natural feature of any business.

Detailed comments made for the Profit & Loss Account above also apply to this statement even though the exact figures are slightly different.

V Winton (Vice President) 6th April 2010