

MOUNTAIN FAIRWAYS [MF] HOA 2024 FINANCIAL STATEMENT NOTES
[VERSION 10/31/24] *changes from the previous version done in larger font bold italics (except two tables)*

**Abbreviations: OF = Operating Fund, RF = Reserve Fund P&L = Profit & Loss BAL = Balance Sheet
ROI = Return On Investment**

OVERALL NOTES

- 1) All assessment revenue (operating and reserve) is reported in the Revenue section of the P&L. Operating and Reserve expenses are reported separately in the two expense components of the Expense section of the P&L. At year end the net gain/loss for the Reserve accounts is transferred to the Balance Sheet (by component). At that time the physical separation of Operating Fund and Reserve Fund monies is accomplished.
- 2) Our 30 units are made up of 8 small, 12 medium, and 10 large units. All owners pay the same assessments [operations \$3,348 (\$279 monthly), reserve \$2,148 (\$179/month), total \$5,496 (\$458/month)]. Our owners are split each year on when/how they pay their assessments, either annually (getting a 2% discount) or monthly.
- 3) As normal at 2023 year end two actions took place: a) the total interest was allocated between the Operating Fund and Reserve Fund and b) funds were transferred to the Fidelity Reserve savings account so the monies in the Reserve Fund are completely separate from the monies in the Operating Fund.
- 4) As normal a journal entry was made effective on 1/1/24 to move the Net Income from 2023 to be an addition to either the Net Assets – Operating Reserve or Net Assets - Unrestricted balance sheet accounts.
- 5) Again in 2024, based on the board decision in 2016, the Reserve & Operations Perspective - Year To Date information is part of the monthly financial notes.
- 6) In 2019 the board approved setting up two Fidelity accounts, one for Operating Fund savings and one for Reserve Fund savings. The objective was to allow investment of funds not in use in the short term in safe but better ROI instruments than bank savings accounts. In January, when we receive significant funds from owners that pay annually rather than monthly, normally monies are transferred to the Fidelity Operating Fund savings account so prudent use of safe & better ROI options can be implemented by the Finance Committee. For 2023 we chose not to take this action – that is also true in 2024.
- 7) Effective with 1/1/24, as we move to an outsourced operational financial management approach using EP Rentals as our service provider, we will be continuing our CASH accounting approach and use of QuickBooks (the online version) as our accounting tool.
- 8) Since we have some of our Reserve Fund monies now invested in instruments other than money market and certificates of deposit, those invested monies will provide both realized and unrealized return on investment [ROI] each month. Since we are keeping the invested monies until maturity (when we will receive the invested principal back), in 2023 we used the book value of the invested monies in our financials. See the next item below for a changed approach for 2024.
- 9) We have made several paradigm changes relative to our monthly financials effective with 2024:
 - a) we will continue to use our customized EXCEL-based P&L until (if, and when) we can produce the comparable report directly out of QB
 - b) we will now use the Market Value of our Fidelity Reserve Savings Account for our BAL value – with a new revenue line item entitled *Unrealized Market Value Gain/Loss* on the P&L to supplement the OF realized ROI and the RF realized ROI. NOTE: We also made the decision not to include the small amount of Accumulated Interest as part of the market value calculation (makes it easier to utilize and reconcile the Fidelity account statement information we receive each month)
 - c) the expense line item for our 2% discount for owners (13 this year) that pay their assessments annually will display the expense as spread across the 12 months rather than expensed all in January as in the past
 - d) while the MF finance team will continue to publish the monthly financials (P&L, BAL, Financial Statement Notes) based on the P&L and BAL provided by our financial operational management service provider (EP Rentals), we will also utilize the supplemental reports we also receive as additional reports (where appropriate) provided to different target stakeholder groups.
- 10) When doing the April & May & June & July & August & September **& October** business, the finance team had to estimate the allocation of the RF ROI component of our Fidelity account since we have encountered an issue with getting a fully complete account statement. Once we have that fully complete account statement a minor adjustment may be needed in the allocation across

three revenue line items.

11) As the preparation of the 9/30/24 financials was being done, the finance team did a review of the revenue values with 3/4th of the year complete. This review identified some minor adjustments that were needed, including the addition of an expense line item entitled Uncategorized Expenses. The adjustments were made via journal entry 290.

12) Effective 1/1/23 with our use of an outsourced operational financial approach, the format of the following table of information changed (the title does not change).

RESERVE & OPERATIONS PERSPECTIVE – YEAR TO DATE

1) from the P&L: YTD revenue (\$163,459.19) and YTD expense (\$105,488.24) produce a YTD net gain of \$57,970.95

2) from the Balance Sheet:

Monetary Item	Amount [\$]
Bank account (cash) assets	188,317.50
Other assets	0.00
<i>Assets Total</i>	<i>188,317.50</i>
Liabilities	9.16
Equity	188,308.34
<i>Liabilities & Equity Total</i>	<i>188,317.50</i>

<u>RESERVE SUMMARY</u>		<u>OPERATIONS SUMMARY</u> <i>[this summary excludes the interest split]</i>	
PROJECTS	32,568.25	OPERATIONS TO DATE 2024	14,988.23
EXTERIOR	57,982.08	INTEREST TO DATE 2024	5,828.19 (5,541.27 + 286.92)
ROOF	<u>76,950.75</u>	PREPAID 2025 ASSESSMENTS	<u>0.00</u>
TOTAL	167,501.08	TOTAL	20,816.42

TOTAL FUNDS AVAILABLE 188,317.50 *matches the 10/31/24 BAL total*

NOTE: All interest is shown under Operations until year end – having said that, the YTD split between RF and OF is shown above (in that order).

NOTES SPECIFIC TO THE OPERATING FUND

1) An Operating Reserve equity account was established in 2013 with an initial funding level of \$15,000. For all of 2022 it was fully funded, with the expectation that this would be true also for 2023 – unfortunately, our results for 2023 of -\$2,950.74 ate into the Operating Reserve, so the balance going into 2024 is \$12,695.31.

2) We utilize one expense line item to budget & track our insurance expense. Our insurance expenses are the result of several different policies that provide the different coverages for our association. These include Directors & Officers Liability coverage, Property Damage coverage, and General Liability coverage. For further information on our insurance coverages and costs, contact our association insurance team.

3) At year end 2022 we had three owners that had not paid their December assessment. These assessment payments (plus applicable late fees) were reflected in business year 2023. We also had two owners that had pre-paid their 2023 annual assessments. These assessment payments were reflected in business year 2023. At the end of 2023 we again had several owners that were in arrears for 2023. Those assessment payments (as well as applicable late fees) will be reflected in business year 2024. We also had five owners that had pre-paid their 2024 annual assessments. Those assessment payments will be reflected in business year 2024.

NOTES SPECIFIC TO THE RESERVE FUND

The first three tables below provide a view of the 2024 planned projects impact on the three components of our Reserve Fund. The revenue values in the table are based on the board approved *savings* and *B&G budget levels* respectively for 2024. The monthly reserve assessment levels (all in \$/month/owner), are:

- 1) Exterior savings \$20 and B&G projects budget \$90 for a total of \$110
 - 2) Projects savings \$10 and B&G projects budget \$19 for a total of \$29
 - 3) Roof savings \$40 and B&G projects budget \$0 for a total of \$40
 - 4) Total savings \$70 and B&G projects budget \$109 with the total being \$179/month/owner.
- The last table represents a view of the Reserve Fund in total.

EXTERIOR reserve \$ item	2024 revenue [\$]	2024 expense [\$]	2024 other [\$]	Resulting balance [\$]
1/1/24 Year Start \$	n/a	n/a	n/a	20,252.08
assessment savings revenue	7,200.00	n/a	n/a	
assessment B&G budget revenue	32,400.00	n/a	n/a	
reserve project expenses	n/a	7,400.00	n/a	
transfer to RF exterior component	n/a	n/a	32,200.00	
12/31/24 Year End \$	n/a	n/a	n/a	52,452.08

ROOF reserve \$ item	2024 revenue [\$]	2024 expense [\$]	2024 other [\$]	Resulting balance [\$]
1/1/24 Year Start \$	n/a	n/a	n/a	63,230.75
assessment savings revenue	14,400.00	n/a	n/a	
assessment B&G budget revenue	0.00	n/a	n/a	
reserve project expenses	n/a	0.00	n/a	
transfer to RF roof component	n/a	n/a	14,400.00	
12/31/24 Year End \$	n/a	n/a	n/a	77,630.75

PROJECTS reserve \$ item	2024 revenue [\$]	2024 expense [\$]	2024 other [\$]	Resulting balance [\$]
1/1/24 Year Start \$	n/a	n/a	n/a	34,159.25
assessment savings revenue	3,600.00	n/a	n/a	
assessment B&G budget revenue	6,840.00	n/a	n/a	
reserve project expenses	n/a	10,500.00	n/a	
transfer to RF projects component	n/a	n/a	-60.00	
12/31/24 Year End \$	n/a	n/a	n/a	34,099.25

TOTAL reserve \$ item	2024 revenue [\$]	2024 expense [\$]	2024 other [\$]	Resulting balance [\$]
1/1/24 Year Start \$	n/a	n/a	n/a	117,642.08
assessment savings revenue	25,200.00	n/a	n/a	
assessment B&G budget revenue	39,240.00			
reserve project expenses	n/a	17,900.00	n/a	
transfer to RF in total	n/a	n/a	46,540.00	
12/31/24 Year End \$	n/a	n/a	n/a	164,182.08

2) The planned total revenue is \$25,200 savings and \$39,240 B&G projects for a total of \$64,440. With the available \$39,240 B&G budget project monies and planned \$17,900 B&G expense level, we will save \$21,340 in underspent B&G project monies. That \$21,340 savings plus the planned \$25,200 savings should allow us to transfer \$46,540 to the Reserve Fund at year end.

The information in #3 and #4 is known to be obsolete (see #6 below). Having said that, it is what is in the current approved plan – but that plan will be changing as the activity in #6 takes place.

- 3) The planned EXTERIOR expense line items for 2024 are:
 - a) condo unit painting (*specific project*): \$0

- b) deck/porch/bridge staining and/or painting (*specific project or as needed TBD*): \$2,400 [golf-course & Brodie units]
- c) siding – major repairs/replacements (*as needed*): \$5,000
- d) TOTAL: \$7,400

4) The planned PROJECTS expense line items for 2024 are:

- a) common area fence/landscaping/signs (*as needed*): 1,000
- b) deck/porch/bridge major repairs/replacements (*as needed*): 4,000
- c) driveway major repairs/replacements (*as needed*): 2,500
- d) foundation major repairs/replacements (*as needed*): 3,000
- e) TOTAL: 10,500

5) We have a Carry Forward project from 2023 that did not get done and therefore presents a challenge for the 2024 plan. When the board approved a revised 2023 spending plan for the Reserve Fund at the 9/23/23 board meeting there was \$51,425 of needed expenses to do the 2023 revised plan for 5 reserve projects [condo painting, deck painting – golf course condos, deck painting – other decks, driveways, RP/RF Study]. The funding for those expenses was a combination of unused 2023 budget monies and use of some existing on hand 1/1/23 Reserve Fund monies. While the rest of the projects got done, unfortunately the **Driveways** project did not get accomplished.

6) This current version of this plan does not take into account any changes that might result from the analysis/decisions related to the RP/RF Study report from Reserve Advisors. The Driveways challenge will likely be dealt with during that effort. This effort has been delayed until fourth quarter or later.