



# Prosperity Heights Financial update

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MARCH 2021

# What has happened...

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1. Follow up on Banking Resolution passed by Board
  1. Keith and Jeff went to the bank. (For 2 ½ hours)
  2. Account info at the bank now updated
  3. Keith Fulk and Jeff Allen named 'Controller' on account
  4. Andrea Shore and Craig Dellorso removed from the account. Steve Boveri left on account as signer.
  
2. First ever PH finance committee meeting held on 2/14/21
  1. Recorded. Five Board members attended. Minutes provided
  2. Agreed to convert from Fiscal Year (July to June) to Calendar Year (Jan-Dec) budget as recommended in 2018 audit report to be approved by the Board.
  3. Agreed on half year (July through December 2021) budget to be approved by Board.
  4. Agreed on preliminary CY budget for 2022.
  5. Agreed on banking/finance changes in procedure. (Reference Minutes)
  6. Generally agreed on changes based on audit recommendations and insurance policy requirements.

# What needs to happen...

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1. Continue update to banking. (Items in Banking Resolution previously passed by Board)
  1. Monica Duggal will be added as signatory on accounts.
  2. Keith will remain on accounts as signatory until he resigns from the Board, then will remove himself as a signatory.
  3. Need to open separate account for Replacement Reserve funds.
  4. Will discuss with bank changing the account so that checks > \$2500 will require two signers
  5. Changes to Replacement Reserve account will require two signers
2. Board vote to approve proposed FC resolution on items requiring Board approval.
3. Implement change from FY to a CY, where CY = Jan 1<sup>st</sup> – Dec 31<sup>st</sup> - (FY and CY will match)
4. Align on QuickBooks as books of record and Jeff to procure the latest version.
5. Do an 'in-house' Reserve study vs pay \$2k for an external one for this cycle.(pending board approval)
6. Implement other items referenced in Minutes of FC meeting.

# Grounding ourselves in the numbers

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## AS OF 1/1/2021

\$ 130,516	Cash ending 2019 CY
\$ 113,189	Cash ending 2020 CY
<u>\$ (17,327)</u>	Cash loss for 2020
<u>\$ 32,065</u>	Replacement Reserve Account
\$ 81,124	Operating cash 1/1/21

- \$17k is the operating loss was mostly used to cover the increased legal fees in 2020
- \$32,065 will be moved to new account
- \$81,124 is the balance in the operating account to begin the CY 2021 (represents more than projected 6 month spend)

# FY 2021 Budget revised to CY Budget

	FY 2021	H1 CY 2021	H2 CY 2021	CY 2021
<b>PROSPERITY HEIGHTS HOMEOWNERS ASSOCIATION</b>				
Annual Dues (208 Homes)	\$ 430		\$ 240	
	7/1/20-6/30/21	1/1/21-6/30/21	7/1/21-12/31/21	
<b>Description</b>	<b>Budget 2020</b>	<b>Approved Budget</b>	<b>Needed Budget</b>	<b>Calendar Year 2021(1/1/21-12-31/21) Revised total annual budget</b>
<b><u>Income:</u></b>				
Total Income	90,450	45,225	50,420	95,645
<b><u>Expenses:</u></b>				
<b><u>Operating Expenses:</u></b>				
Total Operating Expenses	105,662	52,831	49,045	101,876
Net Income after Operating Expenses	(15,212)	(7,606)	1,375	(6,231)
Playground Equipment	-		-	
Net Income (Loss)	(15,212)	(7,606)	1,375	(6,231)

- H1 CY 2021 = Half of the budget already agreed for FY 2021
- H2 CY 2021 = The remaining amount expenses and dues needed to cover the remainder of the year
- CY 2021 = Full year value of expenses and dues needed for the full year 2021
  - \$240 – Dues that are needed from each house in July to complete the year
  - \$6.2k is the prior year audits covered out of operating reserves

# CY 2021 detailed expense budget

## Operating Expenses:

Bank Service Charges	-
Electricity	200
FCHS Grad Party	500
HOA Audit	6,200
Insurance	1,900
Landscaping & Grounds Maintenance	6,090
Tree Removal	3,955
Legal & Professional Fees	4,250
Reserve Study	-
Virginia HOA License Fees	175
Newsletter/Communications	300
Office Expense	475
Playground Maintenance	1,250
Postage	250
Prosperity Day & Social Events	2,250
Reserve Contribution	-
Trash Removal	74,081
<b>Total Operating Expenses</b>	<b>101,876</b>

\$6.2k is the prior year audits covered out of operating reserves

\$1.9k reduced from \$4.5K from prior years, negotiated to lower rate\*\*

Amount increased per contract with allowance for some tree removal

Reduced fees to limit legal advice only to board meetings

FC recommends that this be done in house vs paying for one externally at this time given our reserve amount

Half of last year assuming the mulch will be the only thing we need done

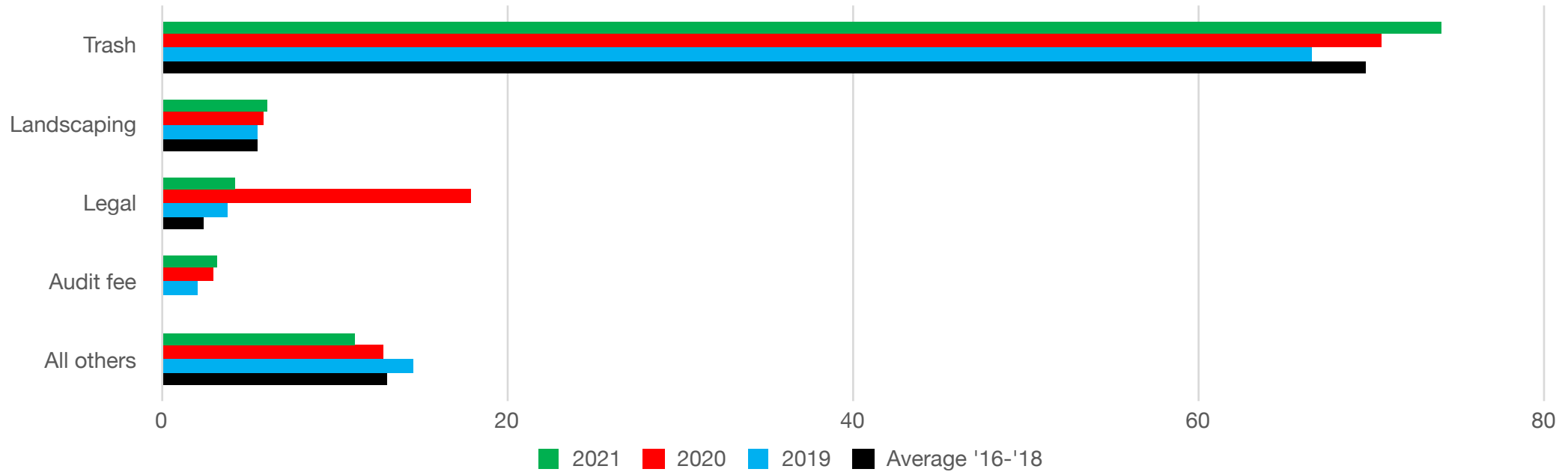
Budgeted at half the amount as prior years, still reasonable amount

Calculated based on new rate we being charged per month ~\$6k

\*\* Board must approve

# Variable trash contract is main driver behind assessment increases

Top 4 expense line items



\*Audit fees attributed to audit years vs when incurred

# Preliminary view - 2022 CY Budget

## PROSPERITY HEIGHTS HOMEOWNERS ASSOCIATION

Annual Dues (208 Homes)

\$ 480

\$480 – Dues from each house for the full year 2022 (due Nov 2021)

1/1/22-12/31/22

Description	Prelim Budget
<b><u>Income:</u></b>	
Total Income	100,840
<b><u>Expenses:</u></b>	
<b><u>Operating Expenses:</u></b>	
Total Operating Expenses	104,394
Net Income after Operating Expenses	(3,554)
Playground Equipment	-
Net Income (Loss)	(3,554)

\$ 645 Old 18 month timeframe(7/1/21-12/31/22)  
 \$ 720 Proposed for same timeframe  
**\$ 75 Incremental per house for 18 month time period**

Amount of increase in dues is \$50/house per year, which is **almost as much** as the amount of increase in trash per house since 2019

Still work to be done to operate at a balanced budget



# Projected Cash flow through 12/31/2022 at 25% of operating budget

\$ 50,420	Remaining 2021 dues(paid in July 2021)
<u>\$ 49,045</u>	Forecasted Remaining 2021 expenses( July 1-Dec 31)
<b>\$ 29,667</b>	<b>Cash ending 2021 CY</b>
<b>29%</b>	<b>% of operating budget</b>
\$ 100,840	Dues for 2022 (paid in Nov 2021)
<u>\$ 104,394</u>	Expenses in 2022
<b>\$ 26,114</b>	<b>Cash ending 2022 CY</b>
<b>25%</b>	<b>% of operating budget</b>

- \$29k in operating cash at the end of 2021
- \$26k is operating cash at the end of 2022

2018 auditor's report recommended operating reserves between 10% and 20% of annual assessments. The FC believes that 25% is appropriate based on the types of unbudgeted expenses or expenses in excess of budgeted amounts we think the HOA may incur in CY2022.

- Board to approve H2 2021 budget in May, Owners to then be notified, and assessments due July 1, 2021
- Board to approve CY 2022 budget in Nov, Owners to then be notified, and assessments due Jan 1, 2022