

TREASURER'S REPORT FOR MARCH FINANCIAL STATEMENTS

GIVEN AT THE MAY 24, 2023 BOARD MEETING

March 2023 Financial Statements (UPDATED JUNE 1, 2023 – MARCH FINANCIAL STATEMENTS INCLUDED)

Unfortunately, there are no March financial statements to present at this meeting. While preparing the Treasurer's report for the April meeting, several items in the accounting records did not look correct. Over the past 3 weeks, I have performed an inspection and review of the POA's accounting records for 2022 and the first quarter of 2023. This review identified numerous discrepancies, unresolved old reconciling items, and accounting procedures that did not conform with Generally Accepted Accounting Principles (GAAP). Most of the items related to 2022. These items resulted from Advantage's lack of appropriate accounting practices and controls, as well as inadequate follow-up. However, the Board is at fault too. While the Board can delegate responsibilities to the property manager, that doesn't relieve the Board of its ultimate responsibility to ensure the POA's books (accounting records) are in order. The Board via the Treasurer is responsible for the day-to-day financial health of the POA. The Board's monthly review was inadequate, and its decisions contributed to a poor internal control environment.

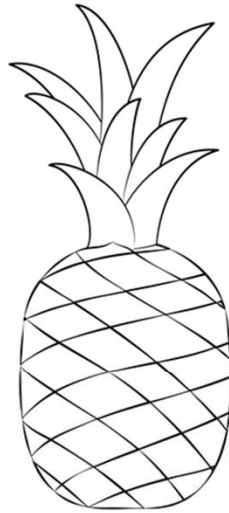
The review resulted in over 20 adjusting journal entries, changes to Advantage's account procedures and improvement in internal controls. Also, the Board's inspection and review of the accounting records has also been significantly improved. Lastly, during the review period, no funds appeared to have been lost. With Advantage changing to a new association software package, TOPS, back in 2021, administrative tasks should be more efficient. Additionally, all Board Directors had access to the owner related information and all the accounting records. Utilizing TOPS, the Board can review financial information on a more timely basis. There are still improvements to be made but we are going in the right direction.

At the next Board meeting in June, April's financial information should be available.

Delinquent Accounts

The current Collection Process is to send delinquent owners 2 notices from the POA, one certified letter from the attorney (cost of \$175 which is charged to the owner) and finally having the attorney file a lien on the property (cost of \$475 which is charged to the owner). This process is being reviewed to see if it can be improved.

As of May 23, 2023, the account receivable balance was \$21,108 and 11 delinquent accounts make up 80% or \$16,629 of that balance. Seven (7) of those accounts are with the attorney and 5 have liens on their property. One owner has just requested the Board to consider a payment plan to bring their account current. Collection efforts will continue on these delinquent accounts.



PINEAPPLE PLANTATION POA

Financial Statements

March 2023

**PINEAPPLE PLANTATION POA
BALANCE SHEET**

March 2023	Current Month Operation	Current Month Reserve	Current Month Total	Prior Month Total	Net Change
Assets					
Cash	198,318	11,479	209,797	216,972	(7,175)
Reserve Investment - Merrill	-	638,005	638,005	638,005	0
Unrealized Gain (Loss) Investments, Net	-	(14,421)	(14,421)	(15,246)	825
Accounts Receivables, Owners	17,806	-	17,806	20,461	(2,655)
Allowance for Bad Debts	(5,933)	-	(5,933)	(5,933)	-
Accounts Receivables, Net	11,873	-	11,873	14,528	(2,655)
Receivable, Other	382	1,330	1,712	9,733	(8,021)
Prepaid Expenses	21,209	-	21,209	28,619	(7,410)
Total Assets	231,782	636,394	868,176	892,612	(24,436)
Liabilities & Equity					
Accounts Payables	7,230	-	7,230	11,425	(4,195)
Accrued Expenses	3,387	-	3,387	6,050	(2,663)
Prepaid Maint. Fees	72,458	-	72,458	45,107	27,351
Unearned Maint. Fees	-	-	-	37,649	(37,649)
Total Liabilities	83,075	-	83,075	100,231	(17,156)
Equity & Fund Bal.	148,706	636,393	785,099	792,381	(7,281)
Total Liabilities & Equity	231,782	636,393	868,175	892,612	(24,437)

[A] A/R Collections: A/R balances over 90 days total \$9,743 or 55% of total A/R. There are 10 owners that make up 97% of the 90 day balance and collection efforts have been started.

[B] Prepaid Maint. Fees represents future quarterly Maint. Fees that owners have already paid. The increase is the payments for the 2nd quarter Assessments received in March.

The POA's operating cash balance remains at a strong level of \$198,318. Accounts Receivables (A/R) balance is reasonable. See the A/R collection note above. Prepaid expenses consists mainly of Insurance premiums and deposits for the annual pest & fertilizer services. In January, the Board approved the investing of the Reserve cash balances into CDs to increase the rate of return on the funds to help offset the impact of inflation. The POA opened an account with Merrill (Lynch) and transferred \$638,000 into it. The funds were invested as follows: 23% in CD's with a term of one (1) year or less and 77% in CD's with a term of 4 to 5 years. Overall, the account is providing a yield of just over 4%. Note that Generally Accepted Accounting Principles (GAAP), require the CD investment to be recorded at market value. That means a monthly adjustment will need to be made to bring the G/L balance in line with the market value. This adjustment will be recorded as Unrealized Gain (Loss). Remember this is just a bookkeeping entry unless the POA sells a CD before its maturity date.

**PINEAPPLE PLANTATION POA
STATEMENT OF OPERATIONS**

<u>This Month Actual</u>	<u>This Month Budget</u>	<u>Fav (unfav) Variance</u>	<u>This Month Prior Year</u>	<u>March 2023</u>	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>Fav (unfav) Variance</u>	<u>YTD Prior Year</u>	<u>Budget Total Year</u>
Revenue									
37,666	36,497	1,169	36,696	Maintenance/Reserve Fees	110,661	109,492	1,169	110,088	437,968
(2,483)	2,417	(4,900)	0	Cable Access Fees	2,350	7,250	(4,900)	6,742	29,000
0	1,992	(1,992)	100	Ops Surplus Used	0	5,975	(5,975)	0	23,900
(126)	790	(917)	0	Late Fees & Other	776	2,371	(1,595)	106	9,484
<u>35,057</u>	<u>41,696</u>	<u>(6,639)</u>	<u>36,796</u>	Total Revenues	<u>113,787</u>	<u>125,088</u>	<u>(11,301)</u>	<u>116,936</u>	<u>500,352</u>
Expenses									
6,250	6,250	0	5,788	Management Services	18,750	18,750	0	17,370	75,000
5,743	1,848	(3,894)	3,171	Professional Fees	4,942	5,545	604	4,856	22,181
2,235	1,061	(1,174)	622	Insurance	2,908	3,182	274	1,868	12,728
2,004	467	(1,537)	656	Supplies, Postage & Website	3,912	1,400	(2,512)	5,400	5,600
(1,330)	417	1,747	15	Misc. Expenses	(230)	1,250	1,480	415	5,000
(3,198)	547	3,745	1,272	General R&M	(2,235)	1,640	3,875	2,054	6,560
4,251	4,037	(214)	3,731	Street Utilities	12,639	12,112	(527)	10,031	48,447
15,203	7,917	(7,286)	9,680	Landscape Services	27,692	23,750	(3,942)	21,422	95,000
5,811	8,724	2,912	9,655	Irrigation Utilities/R&M	22,853	26,171	3,318	25,048	104,684
3,972	4,260	289	5,631	Lake/Preserve/Stormwater Mgt.	5,124	12,781	7,657	8,473	51,125
188	167	(21)	0	Security	1,578	500	(1,078)	188	2,000
<u>41,128</u>	<u>35,694</u>	<u>(5,435)</u>	<u>40,220</u>		<u>97,931</u>	<u>107,081</u>	<u>9,150</u>	<u>97,124</u>	<u>428,325</u>
6,002	6,002	0	6,002	Transfer Reserve Fees	18,007	18,007	0	18,007	72,027
<u>47,131</u>	<u>41,696</u>	<u>(5,435)</u>	<u>46,223</u>	Total Expenses & Transfer	<u>115,938</u>	<u>125,088</u>	<u>9,150</u>	<u>115,131</u>	<u>500,352</u>
<u>(12,074)</u>	<u>(0)</u>	<u>(12,074)</u>	<u>(9,427)</u>	Operating Contribution	<u>(2,151)</u>	<u>(0)</u>	<u>(2,151)</u>	<u>1,805</u>	<u>0</u>

For the month of March, the POA had an Operating Use or loss of \$12,074 due to adjustments made to correct 2022 balances. YTD the Loss is \$2,151. Cable Access Fee is lower due to an overstatement in 2022. Lower expenses for Lake & Preserve Maintenance helped offset all the negative adjustments. However, the lower expenses resulted from no services being provided. The Lake/Preserve Maintenance vendor quit back in November 2022. We are currently looking for a new vendor. Based on vendors interviewed so far, the costs for the services are going to be significantly higher than we were paying. After remaining at the same level for 7 years, Advantage Property Management's fee was increased this year. A number of the current year expenses are over budget because the monthly budget amounts are based on the Annual Budget divided by 12.

NOTE: Professional Fees include legal, accounting, tax and cable consulting expenditures. The largest being legal.

Landscape Services include mowing, edging, shrubbery & tree trimming, mulch, weed control, pest control, and fertilization.

Irrigation includes the purchase of gray water from Martin County, repairs & maintenance, and electric for the equipment.

The largest item is the gray water which is budgeted at \$66,000 for the year. The irrigation system and piping is getting older and as such, R&M costs have increased. 2023 Irrigation R&M budgeted amount is \$34,000.

**PINEAPPLE PLANTATION POA
RESERVE STUDY ROLLFORWARD
As of Feb. 2023**

2023 Annual funding:	\$72,027
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	<u>ROADS, CURBS & SIDEWALKS</u>	<u>WALLS, FENCES & GATES</u>	<u>Landscape</u>	<u>INFRASTRU CTURE</u>	<u>WATER SYSTEMS</u>	<u>DRAINAGE</u>	<u>RECREATION</u>	<u>Common Other</u>	<u>Sub-Total</u>	<u>Interest</u>	<u>Unrealized Gain (loss)</u>	<u>Total</u>
Beg. Bal Jan. 1	223,675	6,904	8,193	20,222	10,000	0	0	349,546	618,540	18,938	0	637,478
Funding								18,007	18,007	2,058	(14,422)	5,642
Transfer									0			0
Expenditure -								(6,729)	(6,729)			(6,729)
Expenditure -									0			0
Adjustment		1							1			1
End. Bal Feb. 28	223,675	6,905	8,193	20,222	10,000	0	0	360,823	629,818	20,996	(14,422)	636,392
Replacement Costs	4,186,000	80,000	20,000	78,000	195,000	1,049,000	76,000	0	5,684,000 (per 2022 Study)			
Est. Useful life	20 to 55 Yrs.	8 to 30	various	30	10 to 20	60	20	various				
Est. Remaining Life	5 to 32 Yrs.	7	various	7	12	37	20	various				

The 2023 Reserve funding (\$72,027) was based on a 2017 Reserve Study which determined the POA Estimated Replacement Costs to be \$1,666,000. The Board updated the Reserve Study in 2022, unfortunately it was received after the 2023 Budget was approved. The 2022 Study estimated the Replacement costs to be \$5,664,000. This \$4,000,000 increase in Replacement Costs is attributed to improved practices by the firm performing the Study and the significant escalation of construction material costs experienced since 2020. This increase in the Replacement Costs impacts the suggested future Reserve funding which is now at \$149,000 vs. the current \$72,027. If the Reserve funding was raised to \$149,000 it would cause an increase of \$35 to the quarterly assessment. The quarterly assessment would go from \$199 to \$234. The Study also analyzes what the POA's Reserve balance should be based on the estimated useful life and the remaining life. The POA's actual Reserve balance is compared to the estimated value to determine the POA's reserve funded percentage. Industry standards say that the Funded percentage should be at a minimum 30%; however, best practices indicate the percentage should be 50% to 70%. Our POA Funded percentage is at 22%. To achieve a 30% funding percentage additional reserves of \$220,000 would be required. To get to 50% funded, \$800,000 additional reserve funds would be needed. This does not mean that we need to actual generate these additional funds. It is just an indication of the financial strength of the POA to meet its future capital needs. All of this was one of the reasons the Board invested the Reserve funds to increase the interest earned. The Board will be discussing Reserve balances and funding over the next several months. Expenditures in 2023 related to the griding of the sidewalks to make them safe.