



PINEAPPLE PLANTATION POA

FINANCIAL STATEMENTS

APRIL 2023

TREASURER'S REPORT FOR MARCH FINANCIAL STATEMENTS

GIVEN AT THE June 28, 2023 BOARD MEETING

April 2023 Financial Statements

Balance Sheet Review:

Operating Funds: The April balance sheet looks strong. In April, the 2nd quarter Maintenance Fee billing was done increasing accounts receivable (A/R) and unearned Maintenance Fees. Many members made payments increasing the cash balance and reducing the A/R balance. Additionally, a portion of the Owner Prepaid Maintenance Fees was used to pay the 2nd quarter billing. As a reminder, the quarterly billing amount is \$110,644 (556 owners at \$199) of which 1/3 or \$36,881 is recognized to income monthly. Operating cash balance is strong at \$235,730. For additional A/R information see Delinquent Accounts below. Receivable Other represents the Cable Revenue Sharing owned to the POA from Comcast. The POA accrues \$2,417 per month and Comcast pays quarterly (about 2 months after the end of the quarter). Prepaid Expenses relate to the fertilizer, pest and weed control vendor which the POA has a prepaid annual contract. Additionally, there is a \$4,155 refund due from a vendor that is booked in Prepays.

Accrued Expenses include legal, stormwater and lawncare invoices and owner over payment refunds that were not received in time to be processed into A/P.

Owners' equity fund balance (operating surplus) is strong at \$153,701, up YTD by \$2,845.

Reserve Funds: Most of the reserve cash is invested in CDs with Merrill making about 4% annually. The POA is currently funding the reserves at a rate of \$72,027 per year or \$6,002.25 monthly. YTD expenditures of \$6,729 all relate to the grinding of the sidewalks to make them safe. See the detail reserve page for more information.

Operating Statement Review: In the month of April, more adjustments were made to correct 2022 balances and some invoices from previous 2023 months were booked. For the month of April, the Operating surplus was \$6,496 and YTD is \$2,845. Professional Fees will be over budget due to booking the final payment for the reserve study there instead of General R&M where it had been booked in past years. A review of the electricity invoices discovered that invoices were being misclassified between street and irrigation for many years. Street electricity was being overstated while irrigation electricity was significantly understated. This was corrected in April. So, street electricity will be under budget going forward and irrigation will be over budget.

The Lake/Preserve Maintenance vendor quit back November 2022. We are still looking for a new vendor. Based on vendors interviewed so far, the costs for these services are going to be significantly higher than what was paid in the past. Since there are no actual expenses for 2023, YTD the POA is under budget by \$6,342 for Lake & Preserve Maintenance. We have moved the budget amounts for April, May, and June to December since no service is being provided.

After remaining at the same level for 7 years, Advantage Property Management's fee was increased this year. Several of the current year's expenses are over budget because the monthly budget amounts are based on the Annual Budget divided by 12.

Delinquent Accounts: As of May 31, 2023, the account receivable balance was \$21,085 and the 90 day balance is \$13,247 or 62.8% of total A/R. 11 delinquent accounts make up 98% or \$12,973 of the 90 day balance. Seven (7) of those accounts are with the attorney and 5 have liens on their property. Over the past month, I have been talking to the delinquent accounts to learn what the issues are and negotiate payment. Three (3) accounts have paid, two have agreed to payment plans which will have the account paid by yearend and one estate has promised to pay. Collection efforts will continue with the rest of the delinquent accounts.

Collection Process: If Assessment Billing is not paid within 15 days, a late fee of \$25.00 and interest at 18% annual rate will be charged to an owner's account. Once an owner's account is 30 days old, a Courtesy Notices will be sent as a reminder to the owner to make a payment. If the account is still outstanding after 60 days, a Final Notice will be sent requesting payment and informing the owner his/her account will be turned over to the Attorney if payment is not received. At 90 days, a certified letter will be sent from the Attorney requesting payment and informing the owner that if payment is not received in 45 days a lien will placed on the home and foreclosure proceeding may start. The first letter from the Attorney currently costs \$175.00 and filing a lien cost \$475.00. Both of these legal fees and any other fees incurred will be charged to the owner's account.

Owners need to keep their account current to avoid the late fees and high Attorney fees. If you get a letter from the POA concerning your account, respond to it. If you are experiencing temporary financial issues give the POA a call, within reason we will work with you. The best way to keep track of your account is to get on TOPs which allows owners to see their account activity and make payments. And yes, the POA does accept credit cards.

Remember the Annual Assessment is billed quarterly – January 1, April 1, July 1, and October 1. The current quarterly assessment is \$199.00. The Annual Assessment is determined by the annual budget and notice of the new Assessment is provided in December every year.

Invoice Approval and Check Issuing: To improve internal controls and have the Board take back over invoice approval and check signing, the POA requested Advantage to change its procedures. First, all Advantage employees have been removed as authorized check signers. Second, invoice approval has been converted to electronic means and Board approval is required. Advantage receives vendor invoices, reviews them to ensure the work was satisfactorily completed, the pricing is correct and codes the invoices. The invoice is then processed into the TOPs accounting system and a scan of the invoice is put into the system. The system then sends an email to 3 Board members notifying them that invoices are ready for review and approval. The Board member logs into TOPs and reviews the invoices for correct vendor, reasonable amount, general ledger coding and payment date. After completing the review, the Board member can approve or reject the invoice. Currently, only one Board member is required to approval invoices up to \$8,000 and two Board members must approve invoices over \$8,000. Only Board approved invoices can be paid. The TOPs system will issue checks with an authorized Board member's electronic signature. The Treasurer also reviews the check register.

Cable Revenue Sharing: For 10 years, the POA has had an agreement with Comcast to share in the revenue Comcast generates from homeowners. Currently, the POA gets 6% of the revenue from cable services and 4.25% from internet services. Comcast has 64% of the homes using its cable service and 50% using its internet service. This agreement has generated about \$28,000 annual revenue to the POA. The POA pays 25% of that revenue to the cable consultant that negotiated the contract with Comcast. This \$7,000 annual consultant fee reduces the net income from cable revenue sharing to \$21,000. The contract with Comcast ends on December 31, 2023, and the POA has been told that Comcast will not continue the revenue sharing. This means that the POA will be losing \$21,000 of net income starting in 2024 and going forward. The POA has reached out to the consultant to investigate if there are any other cable/internet service providers that would be interested in servicing the community. The consultant has identified two providers with interest. Both providers offer fiber-based platforms with a full range of services containing various options - channel lineups, DVR, internet speeds, phone, equipment, and numerous add-ons. The homeowner can pick and choose from the provider services and use their own equipment or purchase/rent equipment from the provider. The POA would receive a onetime payment based on the 556 homes and a revenue sharing payment from both providers in exchange for an exclusive 10 to 12 year marketing contract. If the POA goes with one of these companies, the provider would have to dig up the community to install the fiber to central hubs and then it would run fiber to the homes purchasing its service (like what AT&T did). Homeowners would not have to switch; they can stay with their current provider. One company is from out of state, and we have not received their information. The other is out of the Boca area, QXC, and for a 12 year agreement the POA would receive a onetime \$200 fee per home (\$111,200 = \$200x556) and 4% revenue sharing after a 90 day waiting period. Again 25% of all payments received by the POA would have to be paid to the consultant. Reviewing QXC's information they have: (1) TV service with 51 channels for \$60 & 72 channels for \$70 with local channels added for \$35, (2) internet speeds 200, 300, and 500 mbps for \$60, \$80, and \$100, and (3) phone service of 2,000 minutes for \$20. There are numerous sports, movies, and other package add-ons available too. The TV service includes one stream, additional streams cost \$5 per stream. Equipment is extra based on want the homeowner needs. The Board has additional information to obtain and review from the providers as well as getting input from the homeowners before a decision can be made.

Capital Improvement Expenditures: The Governing Documents (Declaration, Articles of Incorporation, and By-Laws) state the Property Owners Association (POA) exists to own, maintain, and administer the common area of the Pineapple Plantation for health, welfare, and safety of its residents. The Board is given the duty and power to operate and administer the affairs of the POA, including the operation, care, and maintenance of the Common Areas and all improvements, community walls, and landscape thereon.

Additionally, Article 9 section 24 (f) specifically provides that the Board can maintain, repair and/or replace any capital improvement installed by the Declarant (developer) and can approve expenditures for personal property related to the maintenance of Common Areas. Whether something is considered real property or personal property depends on a surprisingly simple test: Can you physically move it without causing significant damage? If the answer is yes, then the property would be considered personal property. Any other expenditure for a capital improvement to the Common Areas would require a two-thirds (2/3) vote of the members.

Given that certain expenditures do not fit perfectly into one of the above classifications, the Board has interpreted its duties and powers to include the authorization of expenditures that may be considered a real property capital improvement if the amount of the total expenditure does not exceed two percent (2.0%) of the POA's total annual budget. For 2023, that limit would be \$10,007 (2.0% of the total budget of \$500,352).

For example, if a fence is not installed around the playground currently but later it is deemed necessary to protect the safety of those utilizing the playground, the Board could authorize the expenditure to install a fence if it was under \$10,007.

**PINEAPPLE PLANTATION POA
BALANCE SHEET**

April 2023	Current Month Operation	Current Month Reserve	Current Month Total	Prior Month Total	Net Change	
Assets						
Cash	235,730	14,796	250,527	209,797	40,730	
Reserve Investment - Merrill	-	638,000	638,000	638,005	(5)	[A] POA invested reserve cash into CD's with Merrill. see note below.
Unrealized Gain (Loss)	-	(15,129)	(15,129)	(14,421)	(708)	
Investments, Net	-	622,872	622,872	623,584	(713)	
Accounts Receivables, Owners	26,312	-	26,312	17,806	8,506	[B] A/R balances over 90 days total \$11,158 or 42% of total A/R. There are 10 owners that make up 97% of the 90 day balance and collection efforts have been started.
Allowance for Bad Debts	(5,933)	-	(5,933)	(5,933)	-	
Accounts Receivables, Net	20,379	-	20,379	11,873	8,506	
Receivable, Other	2,799	3,985	6,784	1,712	5,072	
Prepaid Expenses	19,234	-	19,234	21,209	(1,975)	[C] Prepaid expenses consists mainly of annual pest & fertilizer services.
Total Assets	278,142	641,653	919,795	868,176	51,619	
Liabilities & Equity						
Accounts Payables	-	-	-	7,230	(7,230)	[D] A/P and Accrued Expenses will depend on the timing of invoice receipt, processing and payment.
Accrued Expenses	14,530	-	14,530	3,387	11,142	
Prepaid Maint. Fees	35,763	-	35,763	72,458	(36,695)	[E] Prepaid Maint. Fees represents future quarterly Maint. Fees that owners have already paid. The decrease is the application to the 2nd quarter Maint. Fee billing.
Unearned Maint. Fees	74,147	-	74,147	-	74,147	
Total Liabilities	124,439	-	124,439	83,075	41,364	
Equity & Fund Bal.	153,702	641,653	795,355	785,099	10,256	
Total Liabilities & Equity	278,141	641,653	919,794	868,175	51,619	

Reserve Fund Investment: The \$638,000 reserve 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>April 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									
36,497	36,497	0	36,696	Maintenance/Reserve Fees	147,158	145,989	1,169	146,784	437,968
7,317	2,417	4,900	0	Cable Access Fees	9,667	9,667	(0)	6,742	29,000
0	1,992	(1,992)	0	Ops Surplus Used	0	7,967	(7,967)	0	23,900
1,233	790	443	50	Late Fees & Other	2,009	3,161	(1,152)	156	9,484
<u>45,047</u>	<u>41,696</u>	<u>3,351</u>	<u>36,746</u>	Total Revenues	<u>158,835</u>	<u>166,784</u>	<u>(7,950)</u>	<u>153,682</u>	<u>500,352</u>
Expenses									
6,250	6,250	0	5,788	Management Services	25,000	25,000	0	23,158	75,000
4,245	1,848	(2,397)	839	Professional Fees	9,187	7,394	(1,793)	5,695	22,181
969	1,061	91	623	Insurance	3,877	4,243	366	2,490	12,728
1,417	467	(951)	705	Supplies, Postage & Website	5,329	1,867	(3,462)	6,105	5,600
(1,124)	417	1,540	0	Misc. Expenses	(1,354)	1,667	3,020	415	5,000
628	547	(81)	410	General R&M	2,593	2,187	(406)	2,464	6,560
2,837	4,037	1,200	3,776	Street Utilities	15,476	16,149	673	13,807	48,447
8,558	7,917	(641)	7,157	Landscape Services	32,049	31,667	(383)	28,579	95,000
8,761	8,724	(38)	5,791	Irrigation Utilities/R&M	31,614	34,895	3,280	30,839	104,684
8	1,167	1,159	1,145	Lake/Preserve/Stormwater Mgt.	6,632	13,948	7,316	9,618	51,125
0	167	167	0	Security	1,578	667	(911)	188	2,000
<u>32,549</u>	<u>32,600</u>	<u>51</u>	<u>26,233</u>		<u>131,981</u>	<u>139,681</u>	<u>7,701</u>	<u>123,358</u>	<u>428,325</u>
6,002	6,002	0	6,002	Transfer Reserve Fees	24,009	24,009	0	24,009	72,027
<u>38,551</u>	<u>38,602</u>	<u>51</u>	<u>32,236</u>	Total Expenses & Transfer	<u>155,990</u>	<u>163,690</u>	<u>7,701</u>	<u>147,367</u>	<u>500,352</u>
<u>6,496</u>	<u>3,094</u>	<u>3,402</u>	<u>4,510</u>	Operating Contribution	<u>2,845</u>	<u>3,094</u>	<u>(249)</u>	<u>6,315</u>	<u>0</u>

Professional Fees include legal, accounting, tax, reserve study, and cable consulting expenditures. The largest being legal.

General R&M expenses included payroll cost for Advantage's maintenance person and other costs which do not fit another category.

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 April 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	6,904	8,194	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 gridding of the sidewalks to make them safe.