

Kelly Ridge Estates Owners' Association

Profit & Loss Statement

Budget Comparison

	Jan 2017	YTD 01/2017	% of (7 mos)	(7 mos)	Difference	Total
			YTD Budget	YTD Budget		2016-17 Budget
Income						
ADVERTISING INCOME	0.00	0.00	0%	0.00	-	0.00
DUES INCOME	(75.00)	37,550.00	171%	22,006.25	(15,543.75)	37,725.00
HOA DOCUMENT FEE	300.50	2,625.50	150%	1,750.00	(875.50)	3,000.00
INTEREST - BANK OF THE WEST	10.85	76.37	175%	43.75	(32.62)	75.00
LATE CHARGES	1,810.00	7,325.00	1256%	583.33	(6,741.67)	1,000.00
Returned Check Charges	0.00	15.00	100%	0.00	(15.00)	0.00
TRANSFER FEE INCOME	150.00	1,325.00	0%	0.00	(1,325.00)	0.00
UNCLASSIFIED INCOME	960.00	960.00	103%	933.33	(26.67)	1,600.00
WEED ABATEMENT INCOME	4,585.00	4,490.00	64%	7,000.00	2,510.00	12,000.00
Total Income	7,741.35	54,366.87	168%	32,316.67	(22,050.20)	55,400.00
Expense						
ACCOUNTING	778.30	3,499.30	162%	2,158.33	(1,340.97)	3,700.00
ADVERTISING EXPENSE	0.00	0.00	0%	0.00	0.00	0.00
ANNUAL DUES / FEES INVOICES	0.00	906.63	130%	700.00	(206.63)	1,200.00
ANNUAL MEETING EXPENSE	0.00	0.00	0%	175.00	175.00	300.00
APRIL BALLOT MAILING	0.00	0.00	0%	583.33	583.33	1,000.00
AUTO/MILEAGE EXPENSE	0.00	0.00	0%	0.00	0.00	0.00
BANK FEES	0.00	130.00	223%	58.33	(71.67)	100.00
CLERICAL	0.00	0.00	0%	0.00	0.00	0.00
COMMUNITY SERVICE	0.00	0.00	0%	29.17	29.17	50.00
COMPUTER SUPPORT	0.00	0.00	0%	14.58	14.58	25.00
COMPUTERS & ACCESSORIES	0.00	0.00	0%	14.58	14.58	25.00
DIRECTORS EXPENSE	0.00	0.00	0%	14.58	14.58	25.00
INSURANCE	0.00	0.00	0%	2,479.17	2,479.17	4,250.00
Interest Expense	50.00	51.73	0%	0.00	(51.73)	0.00
LEGAL	0.00	175.00	20%	875.00	700.00	1,500.00
MEALS & ENTERTAINMENT	0.00	0.00	0%	0.00	0.00	0.00
NEWSLETTER EXPENSES	0.00	1,261.58	98%	1,283.33	21.75	2,200.00
Bad Debt	704.47	704.47	0%	0.00	(704.47)	0.00
NUISANCE ABATEMENT & SERVICES	0.00	0.00	0%	5,833.33	5,833.33	10,000.00
OFFICE SUPPLIES	293.90	546.79	187%	291.67	(255.12)	500.00
P.O.BOX RENT	0.00	130.00	144%	90.42	(39.58)	155.00
PAYROLL EXPENSES	1,101.72	7,059.37	93%	7,583.33	523.96	13,000.00
POSTAGE	379.59	456.40	78%	583.33	126.93	1,000.00
PRINTING	0.00	0.00	0%	29.17	29.17	50.00
RECORDING FEES	0.00	0.00	0%	58.33	58.33	100.00
RENT EXPENSE	425.00	2,975.00	100%	2,975.00	0.00	5,100.00
REPAIR AND MAINTENANCE	0.00	0.00	0%	0.00	0.00	0.00
SECURITY PATROLS	0.00	0.00	0%	7,700.00	7,700.00	13,200.00
SIGNAGE	0.00	196.31	34%	583.33	387.02	1,000.00
SPECIAL EVENTS						
CHRISTMAS TREE LIGHTING	11.44	331.40	189%	175.00	(156.40)	300.00
CLEANUP PROJECT FALL	0.00	1,371.28	784%	175.00	(1,196.28)	300.00
CLEAN-UP PROJECT SPRING	0.00	0.00	0%	175.00	175.00	300.00
FOOD DRIVE	0.00	0.00	0%	14.58	14.58	25.00
MEET & GREETES	0.00	0.00	0%	175.00	175.00	300.00
SPECIAL EVENTS - Other	75.00	395.14	677%	58.33	(336.81)	100.00
TOTAL SPECIAL EVENTS	86.44	2,097.82	271%	772.92	(1,324.90)	1,325.00
Federal Income Tax	1,703.00	1,703.00	0%	291.67	(1,411.33)	500.00
State Income Tax	2,059.00	2,059.00	0%	291.67	(1,767.33)	500.00
Tax Penalties for Late Filing	764.00	811.92	0%	0.00	(811.92)	0.00
Tax Preparation	1,500.00	1,603.36	0%	0.00	(1,603.36)	0.00
TAXES - Other	0.00	35.00	0%	0.00	(35.00)	0.00
TELEPHONE & INTERNET	302.15	1,275.76	129%	991.67	(284.09)	1,700.00
UNCOLLECTABLE DEBT	0.00	0.00	0%	291.67	291.67	500.00
WEB SITE	0.00	0.00	0%	0.00	0.00	0.00
WEED ABATEMENT EXPENSE	0.00	0.00	0%	7,000.00	7,000.00	12,000.00
Total Expense	10,147.57	27,678.44	63%	43,752.92	16,074.48	75,005.00
NET INCOME	(2,406.22)	26,688.43		(11,436.25)	(38,124.68)	(19,605.00)

Approved by the KREOA board 2/8/17

Kelly Ridge Estates Owners' Association
Balance Sheet
As of January 31, 2017

	<u>Jan 31, 17</u>	<u>Dec 31, 16</u>	<u>\$ Change</u>	<u>% Change</u>
ASSETS				
Current Assets				
Checking/Savings				
BANK OF WEST CHECKING 128003688	26,199.82	33,592.83	(7,393.01)	-22.01%
BK OF WEST UNIT 7 SAVINGS *3688	31,679.49	31,679.49	-	0.0%
BoW Money Market Sav. *8113	75,152.56	75,141.71	10.85	0.01%
Total Checking/Savings	<u>133,031.87</u>	<u>140,414.03</u>	<u>(7,382.16)</u>	<u>-5.26%</u>
Accounts Receivable				
ACCOUNTS RECEIVABLE				
Accounts Receivable Advertising	50.00	50.00	0.00	0.0%
ACCOUNTS RECEIVABLE DUES	17,866.50	16,955.97	910.53	5.37%
ACCOUNTS RECEIVABLE WEED CUTTING	5,625.00	1,595.00	4,030.00	252.67%
LIENS RECEIVABLE	10,285.00	10,285.00	0.00	0.0%
ACCOUNTS RECEIVABLE - Other	515.00	490.00	25.00	5.1%
Total ACCOUNTS RECEIVABLE	<u>34,341.50</u>	<u>29,375.97</u>	<u>4,965.53</u>	<u>16.9%</u>
Total Accounts Receivable	34,341.50	29,375.97	4,965.53	16.9%
Other Current Assets				
Prepaid Postage	102.90	106.49	(3.59)	-3.37%
UNDEPOSITED FUNDS	140.00	126.00	14.00	11.11%
Total Other Current Assets	<u>242.90</u>	<u>232.49</u>	<u>10.41</u>	<u>4.48%</u>
Total Current Assets	<u>167,616.27</u>	<u>170,022.49</u>	<u>(2,406.22)</u>	<u>-1.42%</u>
Fixed Assets				
Furniture, fixtures, & equip	708.23	708.23	0.00	0.0%
Total Fixed Assets	<u>708.23</u>	<u>708.23</u>	<u>0.00</u>	<u>0.0%</u>
TOTAL ASSETS	<u>168,324.50</u>	<u>170,730.72</u>	<u>(2,406.22)</u>	<u>-1.41%</u>
LIABILITIES & EQUITY				
Liabilities				
Long Term Liabilities				
UNIT 7 RESERVE ACCOUNT	31,679.49	31,679.49	-	0.0%
Total Long Term Liabilities	<u>31,679.49</u>	<u>31,679.49</u>	<u>-</u>	<u>0.0%</u>
Total Liabilities	31,679.49	31,679.49	-	0.0%
Equity				
Unrestricted Net Assets	109,956.58	109,956.58	-	0.0%
Net Income	26,688.43	29,094.65	(2,406.22)	-8.27%
Total Equity	<u>136,645.01</u>	<u>139,051.23</u>	<u>(2,406.22)</u>	<u>-1.73%</u>
TOTAL LIABILITIES & EQUITY	<u>168,324.50</u>	<u>170,730.72</u>	<u>(2,406.22)</u>	<u>-1.41%</u>

Approved by the KREOA board 2/8/17

Financial Commentary for the month ending 01/31/17

The Balance Sheet and Income Statements are financial snapshots of an entity as of a specific date. For membership reporting, we use the accrual basis of accounting and for tax purposes we use the cash basis of accounting.

Balance Sheet:

- Cash on hand is the most important item of any entity. KREOA's decreased from the previous month, \$7,393.01 or 22.01%. The association took in \$2,601.50 in deposits which came from dues, weed cutting, HOA and Transfer fees. The deposits were offset by outlays of cash for rent \$425, admin salaries \$1,101.72, the outside accounting service \$778.30, \$1,500 tax preparation fee, \$764 tax penalties/late fees and \$3,762 for income taxes. The total cash available for our HOA is \$101,352.38. Unit 7 money does not belong to KREOA and is not available for our association to use.
- Total A/R increased by \$4,965.53 or 16.9%. This is due to 2016 weed abatement invoices finally being created as well as 2015 and 2016 late fees being generated on membership dues offset by cash received and adjustments. Member statements were sent out late in January so hopefully the total A/R balance will decline in February. Several members (including a former board member) have complained they did not receive an invoice or statement for the 2015/2016 fiscal year. The office manager informed me that she had little involvement with the invoices and statements for that year so it is a mystery as to why so many people did not receive an invoice or statement.
- Prepaid Postage decreased slightly on undeliverable mail. Un-deposited Funds increased \$14 or 11.113% which is deposits or adjustments to current or previous year balances that haven't yet been applied to A/R invoices.
- Liabilities had no change
- Equity had a net loss change of \$2,406.22 or 8.27% which the weed abatement and late fees helped offset the tax related expenses and the write off of uncollectable receivables.

Income Statement: Actual Costs versus Budget

- I have changed the way in which past analysis was done on the Actual Cost versus Budget P & L. Instead of a 7 month actual cost versus a 12-month budget, I am doing a 7

month actual cost versus a 7 month budget in order to get an “apples to apples” analysis.

- Most of our revenue is recorded at the beginning of our fiscal year. Don't be deceived by the negative \$22,050.20 you see in the difference column, thinking our HOA is doing better than was budgeted for at this point of time. The income increase this month over last month was from 2015 and 2016 net Late Fees \$7,265, 2016 net Mandatory Weed Abatement income \$4,255 and net Unclassified Income \$585. This difference will decline until we get to the end of the year. Subtracting the 3 items I just mentioned from the \$22,035.20 difference you arrive at \$9,930.20 showing the true decline. If you look at the total annual budget amount for revenue \$55,400 and deduct the weed abatement income of \$12,00 (which occurs later in our fiscal year) our budget revenue is no longer in line with our actual revenue (\$54,366.87 vs \$43,400). The reason for this is that the budget for the year has understated the income from Late Fees and Mandatory Weed Abatement by a substantial amount because they are difficult to calculate.
- For the month, A couple of member's dues were adjusted off by (\$75). The Unclassified Income was increased from the previous month to date number because 2 deposit from January totaling \$960 did not get entered into Quick Books in time. This account is used to record deposits with missing information on how to apply it to Accounts Receivable balances. HOA Document Fees and Transfer Fee Income were down slightly over Decembers numbers by a net of \$74.50.
- Accounting expense \$778.30 – problems with our deposits still continue but have dramatically decreased thanks to the new check scanner. Clean up of our Accounts Receivable records like doing credit memo's, applying cash, issuing year end 1099 schedules have increased the cost of the outside accountant over last month. We will surpass the annual budget amount next month.
- Interest Expense \$50 – This is an estimated amount calculated by our CPA for the late filing of 2 years of tax returns. We will avoid this cost next year.
- Bad Debt \$704.47 – These are receivables that have been written off due to the owners selling their primary residences and we failed to collect on past due amounts when the CCR and Bylaws were requested by an escrow company.
- Office Supplies and Postage \$293.90 & \$379.59 – We spent money on more paper for invoices and statements, stamps, 1 TB backup hard drive and a safe store checks in.
- Rent Expense \$425 – Same amount every month.
- Payroll Expense \$1,101.72 – Increased slightly due to the \$1 raise per hour given to the office manager.
- Christmas Tree Lighting \$11.44 – Had a small charge come through for supplies.
- Special Events-Other \$75 – This was a charge for renting the events center for a talk with the Sherriff.

- Tax Related Items \$1,703, \$2,059, \$764, \$1,500 – All relate to the completion and filing of 2 years of state and federal income tax returns. More tax penalties and interest will be forth coming. We should be able to avoid this much in prep time, penalties and taxes in the future by simply filing on time. By filing late, we spent at least \$1,314 more than we needed to.
- Telephone and Internet – We have a \$99 overpayment. Somehow a direct withdrawal was done on our bank account even when debit cards held by previous board members were cancelled. I will investigate further.

Completed Treasury Items:

- 2 Years of tax returns were filed.
- Check scanner installed and office manager is using.
- Training for office manager in using the A/R module in Quick Books
- Installation of a 1 TB backup hard drive in case the office computer crashes. Norm Dulleck installed it.
- Purchase of a safe to store members checks before shredding them

Pending Treasury Items:

- Starting collection calls to members for overdue payments and reducing A/R.
- Writing procedures for the Treasury function. Several have been written.
- Software upgrade of Quick Books to the 2017 version.
- Sending out a letter asking for permission to invoice through member's email. Letter is written and expecting it to be sent out with the weed abatement letter. Board will decide when this will be sent out.
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Regards,

Tim Oertli

Treasurer