

Avocet Financials Summary 2009 Q1

We know that members of our community have an interest in keeping up to date on how their fees are spent throughout the year. Therefore the Avocet Board of Directors has put together a recap of 2009 Q1 financials.

Our main source of revenue is property owner HOA fees. For Q1 of 2009, these came to a total of \$40,940, which is about \$8000 above budget. The reason we are above budget is because a number of homeowners prepaid for the year. As the year progresses, we expect this revenue to stay in line with budget. Adding in other smaller sources of revenue (late fees, clubhouse rental, tennis fees, interest earned, etc) and removing the amount moved to capital reserves (discussed later) brought our adjusted revenue for the quarter to \$38,510, which again is about \$8000 above budget, but should move towards budget throughout the year as prepaid fees are taken into account.

We have three major areas of operating expenses: General & Administrative, Recreation Area and Grounds Maintenance. Together, these areas incurred operating expenses of \$25,079, which was almost exactly on budget (\$25,037). This was especially impressive considering the large unexpected water expenses outlined below.

General & Administrative: Total G&A expenses for the quarter were \$9616, which was \$500 above budget. Most G&A items were inline with expectations. However, legal fees were significantly over budget due to several collections and related items that required attention from our attorneys. We are hopeful that some of these legal fees will be recouped in later periods. Postage and printing also went significantly over budget for the quarter. The same thing occurred last year, and we are working closely with our management company to better understand these expenses and to both reduce costs and raise the budget as appropriate. We were also well under budget for insurance, but this is only because our significant insurance premiums do not come due until this summer.

Recreation Area: We continue to have challenges with water costs for the community. Recall that last fall we learned that the pool was on a separate meter that had never been read during the life of the community, and that this resulted in a \$4000 water bill for prior usage. This winter we had a significant water main break by the clubhouse, that resulted in both a \$5000 water bill (half will be reflected in Q2 financials) as well as a \$3000 repair bill (since the water line was below a utility line so required a back hoe to repair). The good news is that our management company worked closely with the county and we obtained a \$3500 credit for the water main break (well above the normal 50% credit). This credit will be applied to future bills, so our water bill should now be quite small for the next 18 months! Even with this unexpected expense, recreation area expenses came in at budget for the quarter at \$10,441, primarily because most pool/tennis expenses do not start occurring until spring. However, this means that we will need to monitor these expenses closely, as any overage on these during the summer will put us over budget for the year.

Grounds Maintenance: Grounds maintenance expense for the quarter came in slightly under budget at \$5022, as many grounds maintenance items do not start until spring.

Capital Reserve Expenditures: 2008 was a year of significant capital expenditures, primarily for the replacement of the lower tennis courts and the resurfacing of the upper tennis courts. With this in mind, your board of directors set a goal to spend conservatively on capital improvement projects in 2009 to allow replenishment of the capital reserves fund. We set a goal of ending the year with a capital reserves balance of \$50,000 (we started the year at \$34,000) and are on track to meet this goal, having moved \$3556 to the capital reserves fund during Q1 and exiting the quarter with a balance of \$37,567. While we do plan to spend conservatively on capital improvement projects this year, there are still a number of projects that we plan to complete. So far, we have replaced the countertops and bathroom vanities at the clubhouse and will begin moving forward on several additional projects starting in late Q2.

You can view the financials at our web site: <http://www.avocet-hoa.org/bod/financial.htm>. If you have any questions, please feel free to contact the Board of Directors at bod@avocet-hoa.org.