

Avocet Financials Summary 2009 Q3

We know that our community has an active interest in keeping up-to-date on how their HOA fees are spent throughout the year. As such, the Avocet Board of Directors has put together the following recap of 2009 financial results through Q3.

Our main source of revenue is property owner HOA fees. Through Q3 of 2009, these came to a total of \$103,022, which is approximately \$5000 above budget. The reason we are above budget is because a number of homeowners prepaid for the year. As the year continues to progress, we expect HOA fee revenue to stay in line with budget. Adding in other smaller sources of revenue (recouped lawyer fees, collection of 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 year to \$97,819, which is about \$7500 above budget. As stated above, about \$5000 of this is related to prepaid fees, with the remaining \$2500 primarily related to unbudgeted recouped lawyer fees and tennis income above expectations.

We have three major areas of operating expenses: General & Administrative, Recreation Area and Grounds Maintenance. Together, these areas incurred operating expenses of \$67,220 through Q3. This is close to \$8000 under budget, which is a nice turnaround from the \$6000 over budget position as of the end of Q2. Basically many of the normal day-to-day repair and related expenses that typically occur did not happen in Q3, plus the BOD paid focused attention on reducing discretionary spending. Based on these results and forecasted Q4 expenses, we believe that operating expenses will be able to come in under budget for all of 2009.

General & Administrative: Year-to-date G&A expenses through Q3 were \$21,681, which is \$6000 below budget. However, we have several large expenditures in Q4 (taxes, insurance, etc), so expect Q4 expenses to be higher than Q3. HOA management fees are running above budget as the board of directors determined that it was prudent to pay for more frequent neighborhood inspections through the summer months (these extra inspections have stopped as of October). Postage & Printing are running well above budget, but this is in reality just a change in accounting, as many items that in the past were booked to Misc G&A are now booked to Postage & Printing – the overage on one account basically offsets the underage on the other. Legal fees continue to come in below budget, as many open issues that we were working with our legal team on during Q1 have been resolved and the BOD has been very prudent in its use of legal resources for the last two quarters.

Recreation Area: After the unexpected large water and related repair expenses in Q1 (well over \$5000 as outlined in our Q1 commentary), Q2 & Q3 expenses have come in much lower than budgeted. As a result, year-to-date Recreation Area expenses through Q3 were \$33,208, which is around \$3000 below the budget of \$30,439. This is primarily due to much lower tennis costs than budgeted, which makes sense, since we now have new tennis courts.

Grounds Maintenance: Grounds maintenance expense through Q3 came in at \$12,332, which is about \$4000 below budget. However, this is basically a timing item, and we expect that as we complete all late fall planting and landscaping, we will end the year right at budget.

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 \$10,700 to the capital reserves fund to exit Q3 with a balance of \$45,012. We do have two major capital projects that we plan to complete in Q4 (clubhouse HVAC replacement and amenities waterline replacement), but we believe we can complete these out of operating cash, so should still be able to meet our goal for a \$50,000 reserves balance at the end of the year. As a side note, the capital projects we have completed for the year include: 1) replaced the countertops and bathroom vanities at the clubhouse (Q1), 2) re-plastered the kiddie pool and invested in the main pool pump/filter system (Q2), 3) installed a professional community message board at the entrance (Q3, but still not quite finished, as we need to go with a different style of letter board) and 4) upgraded/repaired amenities electrical system (Q3).

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.