

Hammocks Community Association Inc.

Minutes of the Finance Committee Meeting September 3rd, 2024 – Clubhouse and ZOOM

1. Call to Order

The meeting of the Finance Committee was called to order by Pete Cabrera at 6:15 P.M.

2. Determination of a quorum

Present: Pete Cabrera
Katherine Johnson
Frank Morrison

Anthony Serrone, Melissa Vazquez; FirstService Residential.

3. Proof of Notice of the Meeting

Anthony Serrone confirmed that the Notice of the Meeting was posted on the Association Bulletin boards on Friday, August 30th, 2024, as well as on the Association website.

4. Approval of the Previous Meetings Minutes

MOTION

To table the approval of the meeting minutes for the August 6th, 2024, Finance Committee meeting.

Motioned by: Pete Cabrera
Seconded By: Frank Morrison
Motion Carries Unanimously

5. New Business

a. Review Financial Statement for July

- The information from the Forensic Auditors is in the new Financial Package for July.
- Melissa Vazquez clarified that when FirstService Residential initially started at The Hammocks FirstService was only overseeing the main operating account and the security deposit account. Since the auditors have turned over their work, all the bank accounts that the Association has are included in the financial statements. One of those accounts that was turned over contains \$450,000 listed as reserves on the balance sheet.
- Melissa Vazquez reviewed the financial statements for the month of June with the Finance Committee. Financial statements attached.
 - Beginning Cash Balance - \$5.6 million
 - Recurring income - Master Assessments - \$460,000, Neighborhoods - \$47,000
 - Non-recurring Income - \$2.3 million
 - Total Income – ~\$2.8 million dollars
 - Available Cash Balance - ~\$4 million
 - Current Outstanding Balance of Assessments - ~\$1.4 million
 - Expenses –
 - Approximately 1 million dollars was spent in July. The large variance was due to the payment of accrued Accounting and Legal Fees as well as the payment of a legal settlement. The July fourth social event also included as well as an office expense of a new printer.

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- Frank Morrison asked for clarification on the unpaid assessments. Melissa Vazquez clarified that there are units that owe a lot of money that account for the bulk of the unpaid assessments, therefore, skewing the average.
- Estimated project
 - Not much of a change from last month except for the lighting project being zeroed out as it should not be a big expense as previously thought.
 - Trends to watch – pretty much the same trends as last Month
 - Frank Morrison inquired about the Monitor’s fees. Pete Cabrera clarified that he is now a monitor, and the associated fees are not clear and what the role of the monitor is. The monitorship is in place for perpetuity.
 - Frank Morrison brought up the fact that some of the neighborhood’s delinquencies went up by a large amount. Melissa Vazquez stated that she will investigate it and report back to the Committee.

6. Old Business

a. Neighborhood Budget

- Frank Morrison stated that it will be hard to prepare a budget if we are waiting until October for the audit to be completed.
- Katherine Johnson expressed her concern that the neighborhood budgets will be overstated if we do not have the audit completed.
- Pete Cabrera emphasized that the Finance Committee can focus on the line items that need to be added to the budgets and once the audit is complete, we can adjust the numbers per what the surplus is for each individual neighborhood.
- Katherine Johnson statement for the record- Please see attached.
- Frank Morrison stated that we must do a budget with the numbers and templates that are available and add the components necessary for each neighborhood.
- Melissa Vazquez will provide Finance Committee with a straight line vs. pooled method for calculating the contribution to the LVDE.

b. Forensic Audit

- Citron and Cooperman are currently doing the Audit for the bookkeeping that FirstService Residential did for 2023. FirstService reconstructed the financial statements for 2023 after HOA Books and the forensic accounting team turned over the official 2023 beginning balances for the accounts they were working on. Citron and Cooperman are now conducting the audit. The anticipated completion date has been pushed to October 31st per court order. The extension that was brought forth was because HOA books took longer than anticipated to finish their work on the accounts.

c. October 1st, 2024 – Finance Committee Meeting Date

- The October 1st meeting date might be too soon given that the financials come out at the end of the month. Melissa Vazquez to speak with financial team and see what possibilities are available and will report back to the Finance Committee.

7. Owner Comments on Agenda Items –

- Attendee listed as CL on ZOOM – The 18 communities for 2024 budget had a percent reduction and I hope that money is back to the communities from the money recovered this way there is not increase in neighborhood dues and to allocate money estimates of specific projects are needed to allocate money. Hope the goal is to not increase the neighborhood dues and, in

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some way, somehow allocate that recovered money so that it does not affect the pocket for the residents of the 18 communities and I hope the legal fees decrease in 2025.

8. Adjournment

Motioned By: Pete Cabrera

Seconded By: Katherine Johnson

Meeting adjourned at 7:43pm

Motion Carries Unanimously

Katherine Johnson's Excerpt of FC Meeting September 3rd, 2024

1. The Financial committee members are not here to just serve at the pleasure of the BOD. We are also here to be an independent think tank, to be the watchdog of our financials, and look out for the best interests of our homeowners in addition to advice the BOD about our findings and recommendations
2. Among us we have a lot of expertise dealing with accounting issues, budgets, and HOA experience. We are not here to just look at numbers as presented by the property management team and take them for granted. Which is what we are doing right now without much access to supporting documents (general ledgers, invoices, etc.) Yes, we get information of projected variances balances, the financial statements presented to the homeowners, and so forth, but it is not enough.
3. We have made recommendations to the BOD, but several have been rejected because they do not hear from us directly about the details, analysis, and reasoning for them.
4. We should participate in the closed meeting to review the 2025 budget. We have look at it, analyzed it and concluded that the budget is wrong, specifically regarding the Neighborhoods Associations' fees (NOA) which include a \$465,146 Limited Voluntary Expenditures ("LVD", capital expenditures) that we do not need right now for 2025. The numbers do not make sense, and a 33% projection increase has been made to the budget.
5. In 2023, for NOA we had a surplus of \$1,149,731 (after the audit is completed it will be lower but not materially). In 2024, as of the end of July, there is a projected 2024 cash balance of \$1,334,362. However proposed 2025 NOA's budget is \$1,198,409.
6. We do not need to increase the 2025 NOA's fees, in fact I would consider decreasing them a bit. Then for 2026, when we have 2023 and 2024 numbers resolved and have a better understanding of the numbers, we can decide if we need to increase, if any, the NOA's budget.