

To: Pat Henriques,
President, FHCA

cc: FHCA Board of Directors

From: Carol E. Moylan

Subject: Review of 2017 FHCA Financial Records

Date: April 3, 2018

This memo will summarize the findings of the review of the FHCA Financial Records for the fiscal year ending December 31, 2017. This is a homeowner review and does not provide any of the assurances the Association would have received from an outside Auditor. The findings were, however, completed using basic auditing techniques.

Basis of Accounting: The 2017 financial statements of the Association were prepared on an accrual basis of accounting in accordance with generally accepted accounting principals. The Association collects annual assessments in January, so the accrual and cash methods produce close results.

Findings: There was no evidence whatsoever of any wrongdoing by any Association Officer or Board member. All cash accounts were in balance and accurately reflected funds received and disbursed based on the records provided. All accounts payable invoices indicated signatures of approval by those homeowners or officers who were responsible for managing Association contractors. The Association's landscaping invoices matched against contract amounts. The Treasurer, Karen Smith, provided copies of financial statements, by month and by fund, the monthly check register, and monthly bank statements for each of the three accounts. In addition, she supplied additional supporting documents, including copies of signed bills from major vendors, annual dues payment records, and a summary printout of all checks paid during the year. These additional documents helped me in the overall review.

Operating Fund: For 2017, the Operating Fund had an excess of revenue over expenses of \$8,822.70. This compares with an excess of revenue over expenses for 2016 of \$9,466.28. Six expense categories came in significantly under budget: General repairs by \$3,500, Snow removal by \$3,000, Sprinkler by \$2,270, Water by \$1,221, Contingency by \$1,200, and Legal by \$1,020. The categories General repairs, Snow removal, and Contingency had no expenses for the calendar year 2017. The Association also showed no expenses for several small categories: Dues homeowners association, Caring committee, Newsletter, and Welcoming committee. Landscaping and grounds showed an overage of \$5,035 because of a timing problem in the sending of the December 2016 bill. A few other expense lines did show small overage; the largest were Miscellaneous by \$339 and Electricity by \$189.

Reserve Fund: The Association's bookkeeping requires the separation of activities in the restricted Reserve Fund from those in the Operating Fund and to account for the short and long-term liabilities associated with Reserve projects.

In accordance with previously established plans and funding arrangements, work was completed on the berm and on the front entrance. Revenues exceeded expenses by \$7,934.81. The Reserve Fund had expenses of \$42,817.47, including \$37,296.85 for final payment on the berm, \$2,578 for infrastructure repairs to the sprinklers, and \$1,182.75 for the work on the entrance. For 2016, the expenses of the Reserve Fund exceeded its revenues by \$153,168.68.

I would be happy to discuss these findings with you and/or other Board members, as appropriate.