May 29, 2025 Finance Committee Meeting Notes

Attendees:

Jeff Mihalic- Co-Chair

Dave Galloway- Co-Chair (via zoom)

Tom Ecklund- Treasurer, non-voting board member

Karen Curry- Committee Member (via zoom)

Linda Horensavitz- SVEA General Manager (Staff, not a committee member)

Sue Kwapich- SVEA Finance Director (Staff, not a committee member)

Not Available:

Tana Aardal- Committee Member

Chuck Jones- Committee Member

A quorum was confirmed, and the meeting began at 3:00 PM then concluded at 4:35 PM. The Committee's discussions are summarized below:

1. **April and Q2 YTD 2024/25 Financial Statements**
    a. **Overall Net Income (Ops & Capital) -** $30,426 YTD is $21,657 better than plan due to expenses running below plan, more than offsetting below plan revenues due to rental amenity transition credits issued in April (see RAF Transition, item #2).
    b. **Ordinary net income-** ($17,626) YTD is $40,691 better than plan primarily due to management expenses running $73,571 lower than plan, offset by above plan racquet sport housing expense and below plan income due to rental amenity fee credits related to the program transition.
    c. **Other (Capital) net income-** $48,052 YTD is $19,034 below plan due to rental amenity fee credits and below plan interest income. Below plan expenses partially offset the income shortfall. Our website and Ally computer systems upgrades now total $40,000 and continue to be forecast at $8K above budget. The Executive Committee was advised and approved the budget overrun.

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d. **Cash Flow-** $126,962 was consumed in April due to April's net negative income of ($207,902) offset by non-cash expenses including RAF credits and depreciation as well as a reduction in aging accounts receivable.

e. **Balance Sheet-** Total assets were reduced to $7,399,560 due to the negative net income in April. Total liabilities dropped to $999,942 due to Village Pool payments, partially offset by an increase in Accounts Payable. Total Equity now stands at $6,399,617.

f. **Accounts Receivable-** Thanks to the collection efforts by Staff, aging AR was reduced by $13K in the month of April. Total AR was also reduced by the issuance of roughly $30K of RAF credits plus $18K of other credits for prepayment of dues and fees in the month of April. Total AR without these credits was $22K as of the end of April, down from $35K the prior month.

g. **Reserves-** As of April month end, our Operating Reserves totaled $132,859 while the Capital Reserves totaled $1,103,780. $619,201 of this amount is still being held by Treasury, with expected release in June. YTD efforts to contain spending have helped preserve our reserve levels above forecast levels.

2. **Rental Amenity Fee Transition-** Credits totaling $36K were given to all rental accounts at the end of April to recognize the April 30th termination of the previous rental amenity program. Through May, the new RAF program had revenues totaling $131,000, or $95,000 net of credits. Our RAF revenue plan for this year is $150,000. We believe this plan should be achieved as there are more than 100 owners of units previously declared as rentals who have not yet declared their rental status under the new program. We believe those owners will declare in the coming weeks to provide amenity access to their tenants during the summer season. Staff has done a great job managing these credits and facilitating signups under the new program.
3. **Forecast Operating Expense-** Staff has identified a potential $80,000 or more increase to planned operating expense during the second half of this year due to the

temporary addition of an Operations Manager (Mark Lube backfill) and increased pay rates and hours for the summer seasonal staff. This was caused by a gap in our budgeting process that occurred during the GM transition. Earlier this year, Staff advised the Executive Committee of the possibility that our Operating Reserves could be depleted before the end of our Fiscal Year, which would necessitate a transfer of Capital Reserves to Operations cover the deficit. Any such transfer would need to be repaid to Capital. Other budget pressures include unbudgeted wildfire mitigation efforts and below plan interest income. We are watching this carefully month by month and will keep the board appraised of our progress to control costs and preserve our reserves.

4. **Budget Development for Fiscal 2025/2026-** Staff is already organizing for development of next year's budget. Staff will focus on making sure that each line item's expenses are properly set for each of the 12 months so that we can more accurately track our progress against budget throughout the year. Additionally, Staff will make adjustments to the Capital Reserve spreadsheet to account for unplanned items already accomplished this year plus any items that need to be accelerated from future years into next year. Next year's Capital budget may contain funds to install new security systems for Elkhorn's amenities plus additional website functionality beyond the scope of this year's contract with CMG.

5. **2023/2024 and 2022/23 Tax Returns**- Sue Kwapich will engage with our CPA/Tax Preparer to complete our 2023/24 tax return using our revised non-exempt expense calculations. We have already paid the estimated taxes due, so no penalty will be assessed. In addition, our 2022/23 Idaho return will be re-filed to reflect corrected (lower) interest earned, generating an estimated $1,600 credit because interest on Treasuries is not taxed by Idaho.

End

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