

## TREASURER'S REPORT

September 11, 2021

### General Comments regarding Association Finances:

With all the challenges of 2020, Errol by the Sea managed to have an overall deficit from operations of only \$47,141.23 and has recovered sufficiently to June 30, 2021, to recover this shortfall. Without the Payroll Protection Loan, there would have been an overall deficit of \$90,000. Overall, Errol has not exceeded its budget; cost savings in a variety of areas offset significant increases in Maintenance Salaries, Building Supplies, Elevator Repairs, unbudgeted additional insurance expenses.

Errol by the Sea received a full forgiveness for its \$46,000 payroll protection loan, including the \$800 interest charges.

- I note that Sentry has our pooled reserve balance at \$1,533,694 a/o 6-30 but the Reserve Study puts our beginning reserves at a much lower amount in the threshold reporting at the end of 2021 – after current projects are paid for, the balance in the Reserves should be approximately \$617,000.
- Current pooled reserve balances are \$710,594.58

Hartsock & Mann will file our 2020 tax returns after having reconciled our books to October 1, 2020, which is enabling Sentry to complete the 2020 financial statements. Once 2021 financials are complete, the books should be audited as no audit was possible in 2019 and 2020. The Board may wish to engage a local auditor and a separate local accounting firm for the future.

With the decision having been made to bring Errol's management back in house, our future budget should contemplate the costs associated with this decision and the potential need for a quarterly accountant review of the financials in 2022 to avoid any accumulation of errors resulting in time consuming year-end adjustments.

We at Errol, have been fortunate to have relatively high reserves and therefore, only the one large special assessment. Our July 2021 Reserve Study supported the need to increase funding of reserves to meet future needs. This study indicated a need for an increase of 3% to unit assessments for this purpose and, with the rising costs of goods and materials and labor on the operations side, a further 2% might be in order. The Board will propose in November how they wish to fund reserves, and whether they wish to partially or fully fund reserve for repairs, replacements and insurance deductibles, and operating costs and the means for such funding, after review of third quarter financials and a complete review of the Reserve Study for a proposal to adequately fund reserves.

Errol by the Sea has amended its Declaration to provide for a capital contribution from bona fide purchasers for value at settlement of the acquisition in the amount of three months normal monthly assessment. This will minimally help reserve funding.

I have submitted my request to resign from the Board effective September 11, 2021. It has been a pleasure serving the members of Errol. I believe this resignation date will enable the Board to seek a replacement for the last quarter if they deem appropriate or appoint another board member to satisfy the Treasurer obligations for year end, and in either case, time to get up to speed.