

Agenda

- Introductions of Staff and Committee
- Review year-end financial statements
- Reserves update
- RAF program update
- Discuss 2026 budget vs 2025 actuals
- Discuss other items raised by committee

The meeting began at 3pm with an introduction of Cammi Russell, SVEA's new Finance Manager. Cammi gave a summary of her professional experience. Linda noted that Cammi's position is now full-time and we've already seen a significant improvement in our ability to address all aspects of SVEA's financial performance.

The committee also welcomed our newest committee member, Michael Weiss. Michael has a home in Elkhorn. He works as an attorney in Los Angeles and has an extensive background in finance and accounting. He is a great addition to our committee.

Linda confirmed that SVEA Fiscal Year runs from November 1st to October 31st. She also reminded the Committee that Rental Amenity Fees and Member Dues revenues are split between Operations and Capital. Before doing a detailed review of the financial statements and variances to plan, staff confirmed that our overall financial performance was better than budget for the full year.

Fiscal 2024/25 Year-End Financials – Highlights

Balance Sheet- Fiscal 2024/25 vs Fiscal 2023/24

- Total cash (checking/savings) increased from \$1.21M to \$1.25M due to positive net income and a reduction in Accounts Receivable
- Total assets decreased from \$7.61M to \$7.30M, primarily due to annual depreciation of fixed assets, which decreased from \$6.28M to \$6.05M
- Total liabilities decreased from \$1.24M to \$915K primarily due to principal payments on the Village Pool loan
- Homeowners' Equity improved slightly from \$6.37M to \$6.39M thanks to the reduction in total liabilities which offset the decrease in total assets.
- Capital reserves increased from \$904K to \$1.13M due to capital dues received and continued restraint on planned capital spending. Capital reserves may improve further due to journal entries resulting from the annual audit.
 - o Staff advised that going forward, funds will be transferred to capital reserves at the end of each month. This will minimize future year-end journal entries related to capital reserves.

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- Chuck Jones suggested that we investigate investment strategies to ensure we take advantage of the best interest rates. Staff plans to review strategy with Schwab then discuss alternatives at the next committee meeting. A ladder approach was considered appropriate to keep cash available for near-term needs while securing longer term investments to take advantage of higher rates.
- Operating Reserves- Operations net year-end income will be transferred to Operating Reserves via journal entry following the Audit.

Accounts Receivable

- AR was dramatically reduced to a net level of negative \$9,882 because the amount of dues pre-payments and credits exceeded the amount of outstanding AR.
 - Michael commented that we should consider splitting AR into two line items to retain visibility of the AR amount that is truly outstanding
 - Tana suggested that the pre-payments and credits could be reflected as a contra-asset account line item
 - Cammi and Linda will discuss with our auditor and add the appropriate line item to the AR section of the balance sheet
- Cammi reviewed the AR report and noted that three problem accounts now have liens filed against the property. This activity was coordinated with SVEA's attorney.
- Cammi noted that more than 88% of dues payments have already been collected for the first half dues billed on November 1st. The committee congratulated Cammi on her substantial progress with collections.
- Staff noted that they will continue to encourage members to enable electronic communications and auto-pay authority to reduce our collection costs and improve staff efficiency.

Profit and Loss Statements

Overall-

Overall net income (Operations and Capital combined) was \$21,740, or more than \$75,000 better than plan. Before depreciation, overall net income at year-end was \$253,400.

- The committee suggested that we show our net income both before and after depreciation, a non-cash expense. Cammi will investigate how to do this within Quikbooks and update future statements.
- Note: The primary reason the full \$253,400 of net income before depreciation does not translate into an increase in cash is because during the year \$153,519 was paid in principal loan payments which only impacts

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the balance sheet (not the P&L). We typically budget net capital income of roughly the same amount as the principal payments to ensure that enough cash is generated to make payments.

Operations-

- Net operating income before depreciation was \$66,070, which is better than the budget of \$37,200. (Depreciation is recorded as a non-cash expense of \$231,660) After depreciation, net operating income was -\$165,590.
 - o Operating revenues were \$1.45M, slightly above budget due to amenity access fees.
 - o Staff noted that this better-than budget performance was achieved even though we had \$32K of unpaid invoices from the prior year that were received after the beginning of the fiscal year.
 - o Operations expenses were managed below plan by containing legal expenses and better than budget cost of operating the Harker pool. This was partially offset by above budget expenses, notably the Har-Tru contractor, tennis pro housing and snow removal.

Capital

- Net capital income was \$187,331, which is \$46,551 better than budget.
 - o This better than budget performance was achieved by constraining capital expenses while funds were being held by the US Treasury. and despite \$39,000 of unplanned expenses for furnace replacements and Harker Spa rebuild carryover invoices.
 - o Revenues were \$21K below budget due to funds held by US Treasury without reinvestment.
 - o Net capital income was budgeted at \$140,000 to account for the cash needed to pay principal amounts on the Village Pool loan.
- The committee discussed the new website and Ally computer system development that was completed in 2025 with capital funding of \$67K. It is expected to deliver operating efficiencies and improvements to member-facing functionality.

Long Term Capital Planning & Reserves Forecast

- Staff has a growing concern regarding shortcomings with the capital asset spreadsheet that forms the basis of the 20 year capital reserves forecast. Each year we experience unplanned capital spending that was not accounted for in the capital asset list.
- Jeff explained the 20-year forecast aims for a 70% funding level of reserves, with an assumption that capital dues increase with CPI annually. Unbudgeted capital spending has the potential to jeopardize reaching the 70% funding level.

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- Staff will work with Chuck Jones to review the accuracy of the capital forecast spreadsheet and make the necessary improvements.
 - o Note: The capital reserves forecast includes Village Pool loan interest and principal payments as capital expenses. Those payments stop in 2029 when the loan is paid off, which allows more capital to be reinvested each year beginning in 2030.
- Michael Weiss commended staff for doing this work to ensure proper funding of the reserves, noting that it is not unusual for an HOA to ignore this essential forecasting effort.

Other Discussion Items

Tennis-Pickleball Revenue

- The committee discussed the revenue challenges with the tennis and pickleball programs, noting that lack of interest and potential pricing issues contributed to lower revenue. Staff will review this with the new Racquet Sports Director and stress the need to diversify classes and improve marketing to increase participation in these programs, as they are crucial for offsetting rising housing costs for the racquet pros.

Owner's Picnic

- Staff reviewed the high costs for the owner's picnic and the actions to be taken to reduce cost of the event this summer.

New Assistant Operating Manager- Seasonal position

- Staff noted that because of the absence of our previous Operating Manager, SVEA experienced a deficit of knowledge and reduced ability to maintain amenities. This resulted in higher than budget contractor expense. Staff then reviewed the decision to create a new seasonal position for an assistant operating manager to provide 7-day coverage of our amenities. This position should increase operating reliability and provide consistent management of seasonal staff while reducing our reliance on contractors for the pools and courts. The expected savings will pay for the cost of this added position. Staff noted that this year we plan to open the Har-Tru courts with our previous GM providing hands on support and training. Committee stressed the need to document procedures so we become proficient using our own staff. Staff confirmed this is a major focus for our new Operating Manager Jay Pedro.

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Racquet Sports Pro Housing

- Staff discussed housing arrangements for instructors, noting that while one was local, the other three would require housing at nearly \$10,000 per person. Work force housing has become significantly more expensive over the past few years.

Rental Amenity Fee Program

- Staff reviewed the new RAF program which had 286 units registered as rentals with total revenues of \$160,000, which is \$10,000 better than budget due to extensive efforts by staff to communicate the changes and assist members with registration. This is a decrease of roughly 100 units and a drop in revenues of \$40,000 versus the prior year. The group discussed the need to verify rental unit numbers with vacation rental companies and agreed to automate data extraction from the Ally database for more accurate future tracking of amenity usage by category.

Committee Composition for 2026

- The committee discussed committee leadership for the upcoming year, with Michael agreeing to assume the role of co-chair. Jeff will be leaving the board and the committee at the end of his term in January. The other committee members agreed to remain on the committee for 2026.

Conclusion/Next Steps

Committee Chairs thanked the committee for a very productive meeting thanks to strong participation and meaningful input.

The committee approved the year-end financials by general consensus. Staff commented that the year-end 2025 results had been compared to the 2026 budget, by line item, and concluded that the 2026 budget is adequate to support SVEA's expected spending.

Staff advised that the year-end financial statements have been provided to the auditor who is now working to produce a draft of the audited financials by mid-December. The Committee chairs and Michael Weiss will review the draft with staff and then provide our feedback to the Auditor.

PPT slides for the annual meeting on January 10th will be finalized and sent to the committee for comment before previewing with the board on January 9th.

Summary of Action Items

- Cami: Update AR (Accounts Receivable) reporting to separate prepaid amounts and credit from true AR, and consult with CPA to ensure proper accounting treatment.

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- Cami: Split Accounts Receivable into two line items to separate pre-paid dues & credits from true AR. Review with CPA to confirm approach.
- Linda: Continue to encourage electronic communication and auto-pay authority with members at the annual meeting.
- Chuck Jones and Linda: Review and clean up the 20-year capital reserve forecast spreadsheet, including identifying and adding missing assets and major maintenance items, with support from Jay (property manager) as needed. Schedule the kick-off meeting in early 2026 so the forecast is ready prior to annual budget preparation.
- Linda: Send the 20-year capital reserve forecast spreadsheet to the finance committee after the update is complete. Review at the following committee meeting.
- Cami: Perform monthly transfers of funds into the reserve accounts for more accurate tracking and interest accrual.
- Linda: After next round of meetings with rental companies, compare the number of rental units they report versus those officially registered with Elkhorn. Resolve any discrepancies.
- Linda: Launch a project with Ally to automate the extraction of rental usage data from the Ally database to simplify annual analysis of amenity usage between short term renters, long term renters and homeowners who do not rent.
- Michael Weiss, Committee Chairs, Linda and Cammi: Review the draft audit when available, discuss feedback and communicate to Auditor.
- Cami: Continue detailed tracking and documentation of collections activities, including updating notes and following up with delinquent owners.
- Linda: Coordinate with Chuck Williams to document detailed standard operating procedures (SOPs) for opening/closing the Har-Tru courts and other maintenance tasks, including photos and clear instructions for future staff.
- Linda: Meet with the new Racquet Sports Director to ensure diversified and appropriately leveled tennis and pickleball programs for the upcoming season.
- Linda: Continue annual meetings with rental companies to maintain communication and encourage compliance with registration and amenity access policies.
- Cami: Work with Scott (auditor) to provide requested information and ensure timely completion of the annual audit.
- Linda: Send the presentation on the new RAF (Rental Amenity Fee) program with comparisons to Chuck Jones and interested committee members.

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- Linda: Update the budget analysis format for next year to include year-end actuals rather than mid-year numbers for easier comparison.
- Cami: Include detailed notes in the budget regarding known deferred maintenance items (e.g., sauna maintenance) and ensure these are budgeted for annually as appropriate.