THE ENCLAVE ASSOCIATION, INC.(HOA)

BOARD OF DIRECTORS MEETING

March 8, 2024

1. Call to Order -

Mel Blumenthal, President of the Board, called the meeting to order at 3:00 pm MST on March 8, 2024. Mr. Blumenthal, Mr. Garon, Mr. Klein, Mr. Lustberg, Mr. Novo, Mr. Henderson and Mr. Fisher were in attendance via teleconference or in person. Frias staff members Mike George - General Manager, and Paul Parkerson **-** Property Manager also attended.

2. Proof of Notice of the Meeting –

A notice of the meeting and agenda was sent to all Board members within the time frame allotted by the relevant statutes and the HOA bylaws.

3. Reading and Approval of Minutes -

Approval of Minutes - Board meeting of October 30, 2023.

The minutes of the prior Board budget meeting are posted on the www.slcassoc.com website. Mr. Glen made a motion to waive the reading of the minutes of the October 30, 2023, Board meeting. Mr. Larry seconded, and the motion passed. Mr. Glen made a motion to approve of the minutes of the October 30, 2023, meeting. Mr. Larry seconded, and the motion passed.

4. Enclave First Quarter Financial Report Fiscal 2023/2024

Mike George went over the first quarter financial report for fiscal year 2023/2024, noting that at present the HOA is currently under budget of forecasted first quarter financial spending, primarily due to lower than anticipated utility costs created by the unknowns of the energy consumption of the new arrival center.

5. Enclave Renovation/Development Project Financial Discussion

The affected owners of units 113, 213, and 313 have been informed of the work that the HOA intends to undertake to restore the leak-affected common elements around these Unit spaces. The 213 owner is undergoing a full remodel and is largely unaffected by this work, as that owner was demolishing most if not all of the affected materials, such as flooring, drywall, etc. The HOA intends to restore 113 and 313 to the subfloor and drywall/cement board work completion stages using HOA insurance proceeds. The HOA intends to give the Unit owners the insurance proceeds for the interior finishes, which are owned by the Unit owners, so that those owners can complete the finish work with their owner-selected contractors. Per the HOA insurance policy, insurance proceeds are to cover only restoring the finishes to their original as-built state. Any costs for finish work that exceeds the HOA insurance adjusters as-built-estimate are expected to be the responsibility of the unit owner or the unit owner's insurance company.

Courtyard Fascia Board Flashing –

During the course of construction for the renovation/expansion project, the contractor discovered water-rotted wood at the fascia/band board level of a walkway. These boards carry the heavy metal railings on the courtyard side of the property. Larry Garon sourced a vendor to unseat the attachment bolts for the railing assemblies and to install a two-part flashing system to encapsulate most of the surface areas of these boards to try to protect them from further water degradation. The initial contract for this work amounts to $59,200, which will be charged in part to the reserve fund and in part to the operating fund.

During the course of this flashing work, the contractor reported that many of the approximately 1,848 attachment bolts were significantly rusted, and many have snapped while being loosened. Due to the emergency nature of this matter, the construction committee, consisting of Mel Blumenthal, Glen Fisher and Larry Garon, has subsequently authorized management to approve replacing all of these bolts with ones that are treated against rust as an additional cost. The method for installing the new bolts involved removing the old, installing glued dowels, and re-drilling the new bolts through this assembly system with approximately 20 minutes of time needed per bolt. The vendor also reports that for those bolts that have snapped off due to excessive rust, those assemblies involve drilling out the remaining metal and then continuing with the dowel/glue/drill/reseat new screws assembly, with approximately 40 minutes needed per bolt. Costs are, therefore, expected to be somewhat higher than the original price of work as a result of these discovered conditions. Management has requested a revised estimate from the vendor. The work must proceed in any event to complete the job. Costs for this work are spread between the Operating and Reserve Funds.

Original Construction Structural Defect -

During the course of the leak mitigation that is described above, the 213 contractor discovered a structural defect in the crawl space involving beams and posts for the 113, 213, and 313 units. According to the engineer, this defect is causing these three units to be essentially out of square by 1-2 inches. One contractor has bid $45,000 on a not-to-exceed basis to execute the engineered solution over an approximate 3-week timeline. Management sought additional bids, but none of the vendors contacted were interested. Mountain Construction has begun the work with the hope to be finished under the three weeks time estimate and under the not-to-exceed bid. Work on certain unit finishes in units 113, 213, and 313 will necessarily need to be deferred until the structural issue is resolved and the floors and walls are adjusted as a result of this crawl space work.

Walkway Overlay Repair –

Management has identified 10 areas of the interior walkways that have been damaged or have failed over the course of the past fiscal year. Photographs of these areas have been sent to a vendor who has done this type of work for The Enclave in the past and management is waiting on an estimate. It is anticipated that the work can be performed within the budget for the R&M - Contractors budget line. Management will also get an estimate to resurface the east walkway as opposed to repairing the damaged areas as this is a high-traffic area that currently has extensive damage.

Hardwood Flooring Addendum –

In June of 2023 HOA attorney Michael Hoffman drafted a Hardwood Flooring Addendum that addressed hard-surface flooring requirements in second and third floor units that want to replace carpet with a non-carpeted flooring option . After initial Board approval, management performed additional research on the matter and compiled the results of the research for Board consideration. The additions/edits consist of: 1. Changing any reference to "hardwood floor" to "non-carpeted flooring," 2. Changing the language of the second third paragraph from "Only floating floor systems having a Normalized High-Frequency Impact Rating (NHIR) of 58 or more (as defined in ASTM E3222) shall be permitted. Glue-down or nail-down flooring shall not be permitted," to "Only flooring systems that meet a Sound Transmission Class (STC) and Impact Insulation Class (IIC) of 60 shall be permitted," 3. Add language to the effect of ""Only the following three flooring systems shall be permitted in second and third floor units wishing to install non-carpeted flooring, (see below)," and 4. Add language to the effect of "By signing this addendum, Owner agrees to follow all installation instructions of their proposed non-carpeted flooring system." At this time only one unit has expressed their desire to install non-carpeted flooring in their unit.

The three flooring systems mentioned above are:

Neoprene or fiberglass elastomer pads (or pucks) placed on a specific on center grid spacing. Available in ½", 1",or 2" thick pads. Kinetics Noise Control. The minimum required for this system would be the 1" pad system. With a ¾" plywood substrate the build up thickness of this system is 1 ¾" plus the thickness of the finish material.

RIM material. Rollout fiberglass material with preinstalled elastomer pads on a spaced grid. Available in ½", 1", or 2" thick pads. Kinetics Noise Control. The minimum required for this system would be the½" pad system. With a ¾" plywood substrate the build up thickness of this system is 1 ¼" plus the thickness of the finish material.

Rugupol QTrbm®. A recycled rubber composite pad. Available in 5 mm (0.2"), 10 mm (0.4") and 15 mm (5/8") thicknesses. Dodge-Regupol. The minimum required for this system would be the 15 mm thick system. With a 5/8" plywood substrate the build up thickness of this system is a nominal 1.2" plus the thickness of the finish material.

Mr. Blumenthal made a motion to adopt the addendum and the updated hardwood floor policy, subject to an amendment introduced by Mr. Henderson that would include an owner appeal section, if use of the deposit would otherwise be triggered. Mr. Lustberg seconded. The motion was approved.

Budget 2023-2024

Operating and Reserve Funds —

Operating and Reserve Funds — Proposal

Operating Fund

Revenue

Commentary is generally written to compare estimated fiscal year end 2022/2023 actuals to 2023/2024 proposed budget amounts.

Regular assessments are proposed to be increased from those of fiscal 2022/2023 by $136,392, or 15%. As the property was closed during Spring, Summer, and Fall of 2022, and Spring and Fall of 2023, operations were affected by the ongoing renovation/development project. In addition, Vacasa exited the market in June 2023 and was replaced by Frias Properties of Aspen and Snowmass, significant inflation of both unit values and expenses has occurred within this time frame, and the proposed budget returns many line items to inflation adjusted historical norms. The HOA is now open for the entire fiscal year.

Rental income (Employee units) is budgeted at $12,000. The rental income comes from the two new employee studio units located in the basement of the old arrival center. The new two-bedroom employee unit is expected to be ready for habitation in November of 2023. The Board discussed the lease terms for this unit.

Late-payment interest income is budgeted at $1,000 to match the prior year budget. Results are wholly dependent upon whether owners pay their assessments in timely manners.

General and Administrative

This category, net of increased inducement management fees, is proposed to increase by 25%, or $90,403, to $499,173.

Management Fee – In June of 2023 HOA entered into an agreement with Frias Properties of Aspen for the management of the HOA and the property at $117,000 yearly and is based upon a price of $250/unit/month. The management fee will increase by $69,890, or 149%, from the management fee previously paid to Vacasa. For reference, the management fee paid to Wyndham, the property/HOA management company in fiscal 2020/2021 was $121,654.

Front Office Expense – Costs for Front Office Expense are proposed to increase $51,042, or 72%, to $121,538. The front desk functions for the HOA and Chamonix are now consolidated to be based from the HOA and include plans for 7 Full-Time Equivalents (FTEs), which would allow for 8 winter and 6 summer staff members. Vacasa issued a rebate for understaffed positions during the prior year, and the HOA successfully negotiated a change in the mathematical computation of shared expenses to be based upon bedroom counts with FPA as the replacement management company. While the negotiated subsidies during mid 2023 for the present contract terms were based upon 6 full-time year-round equivalents, management requests to add 2 seasonal front desk staff for the winter season. Estimated costs are $62,000, with FPA absorbing $31,000, Chamonix absorbing $13,312, and Enclave absorbing $17,688. 8 winter staff equate to 40 shifts per week, which would allow for the following staffing plan:

7 day shifts * 3 per shift = 21 am shifts
7 night shifts * 3 per shift = 21 pm shifts

Total 42 shifts, with 2 shifts and any absenteeism to be covered by the front desk manager. Other management staff will fill in as needed, and as their other duties allow. Having 3 per shift allows for 2 drivers and one desk attendant. With less than 3 per shift, if the driver is on an airport run, servicing of other ride requests can take 45-60 minutes, depending upon how much luggage help is needed for the airport ride. Staff can otherwise only service 2 requests at the same time, with one desk attendant needing to staff the main desk and answer any calls. If that attendant leaves to provide baggage or other assistance, the phone and counter service would otherwise be unattended. Institution of this change is dependent upon The Enclave, The Chamonix and Frias Properties of Aspen agreeing to the revised strategy. To date, Enclave and FPA have approved inserting this cost into the HOA and FPA budgets in draft form, until all three parties make a decision regarding this proposed change.

Insurance - At $30,694,493 property limit for Insurance purposes, the Association has average replacement coverage of roughly $492.97 per sq. foot, based upon exterior square footages, including the old carport sizes, and excluding the new arrival center building. In 2022 the insurance agent recommended a 15% provisional increase for premium inflation and 10% for the expected delivery of the new arrival center, the modified old arrival center, and the expansion of the carports. Management recommends that the Board approve of engaging an insurance appraiser to update the replacement cost estimates for EN to include the estimated replacement costs of the new units and expanded/new common area structures – arrival/exercise center, employee units, etc., once the improvements are in place. The appraiser cost is expected to be $1,000-$2,000. Management proposes increasing the budget by 25%, or $26,103, to $130,513, as a rough estimation of premium costs that will be revised after appraisals are performed – those will occur after the properties receive their certificates of occupancy. The final garage carport is expected to be completed in spring of 2024.

The combined property limit for HOA (EN), Chamonix (CX), and Owl Creek (OC) is presently $132,844,138. Under the insurance Co-Op, coverage for any single covered incident that affects EN without affecting either CX or OC would result in $2,134/sq. ft. maximum replacement cost coverage ($132,844,138/(55,265 square foot buildings (7,000 sq. ft. garage areas).

Mr. Novo made a motion to approve of the insurance line-item budget, as described above. Mr. Henderson seconded, and the motion was approved.

Interest & Principal Cost – The HOA acquired a new credit facility of $1.8 million in fiscal 2021/2022. A special assessment was levied in fiscal 2022/2023 to offset the first year expected interest costs of 3.97%. Loan covenants describe the repayments to be via recurring special assessments. Special assessment revenues would be offset, dollar for dollar, by interest and principal repayment expenses, and so will otherwise have no impact upon the operating budget. An adjusted special assessment of $50,106.43 is proposed for fiscal 2023/2024, as the credit facility was not drawn upon in fiscal 2022/2023 – see below calculations for supporting information:

					Principal	Interest	Loan Balance-estimations only
10/8/2023					$ -	$ -	$ -
11/7/2023					$ -	$ 4,962.50	$ 1,500,000.00
12/7/2023					$ -	$ 4,962.50	$ 1,500,000.00
1/6/2024					$ -	$ 4,962.50	$ 1,500,000.00
2/5/2024					$ -	$ 4,962.50	$ 1,500,000.00
3/6/2024		interest only until	3/6/2024	3.97%	$ 9,521.13	$ 4,962.50	$ 1,490,478.87
4/5/2024				3.97%	$ 9,521.13	$ 4,931.00	$ 1,480,957.74
5/6/2024					$ 9,521.13	$ 4,899.50	$ 1,471,436.61
6/6/2024					$ 9,521.13	$ 4,868.00	$ 1,461,915.48
7/7/2024					$ 9,521.13	$ 4,836.50	$ 1,452,394.35
8/7/2024					$ 9,521.13	$ 4,805.00	$ 1,742,873.22
9/7/2024					$ 9,521.13	$ 5,766.01	$ 1,733,352.09
Budget year totals					$ 66,647.91	$ 54,918.52	
Total principal and interest						$ 121,566.43	
Balance collected in prior year						$ (71,460.00)	
Adjusted budget year totals					$ 66,647.91	$ (16,541.48)	
Special Assessment budget year						$ 50,106.43	

The base assumptions were that the HOA will draw $1,500,000 in October 2023, and it will draw the remaining $300,000 of its credit facility in August 2024. Any changes in when the loan is drawn will impact the repayment schedule, and a corresponding mid-year adjustment of the special assessment may, therefore, be needed. Management is presenting principal payments as part of operating costs for cash flow

purposes, as this will be a non-GAAP entry. The external auditors may adjust this entry at year end.
After discussion a decision regarding a special assessment to fund this line item is deferred until further information becomes available. The members are alerted via these minutes to expect the need for a special assessment to fund this loan to be issued during this fiscal year.

Due to time constraints, this discussion was halted to allow for the HOA attorney Mike Hoffman to join the call for an Executive Session related to the renovation/development project. At 3:05 MST Mr. Blumenthal made a motion to enter an Executive Session, with Mr. Novo seconding the motion. The Executive Session ended at 3:35 MST.

Depreciation – Depreciation is expected to increase by $10,714, or 1,542%, to $11,409. In fiscal 2022/2023 depreciation had mostly been paid on existing HOA equipment/machinery/physical purchases. With the completion of the New Arrival Center and the purchase of new furniture and exercise equipment, depreciation on these personal property items is anticipated on a 7-year straight line basis of cost recovery.

Vehicle Rental – The Vehicle Rental line item is proposed to increase by 28%, or $5,725, to $26,423. This is a return to historical norms after two years of limited vehicle access due to the closure of the property for various months for the renovation/development project.

Miscellaneous – Costs at $5,750 are budgeted to allow for reimbursement of laundry related utilities, which until the start of 2022-2023 were wholly borne by Chamonix at Woodrun. The amount is an estimate, only, as utility costs are not separately metered for the laundry room at Chamonix. Management is working on a cost allocation plan and will present to the Chamonix and Enclave Board Presidents jointly.

Internet Support Expenses are moved into the utilities category.

Utilities

This category is proposed to increase by 26%, or $44,269, to $217,610. Utility line items are expected to return to historical norms after two years renovation/development project impacts upon consumption.

There is always some volatility in the costs of Utilities, which continues to make these expenses difficult to predict, and price increases and consumption changes are largely outside of managerial control.

Electricity – Costs related to this line item are expected to increase by 34%, or $13,434, to $53,460 – matching 2022-2023 budget numbers, which anticipated a full year of normal operations.

Telephone Service – Costs related to this line item are expected to increase by 20%, or $891, to $5,348 allow for a new phone line to the new arrival center elevator and general inflation.

Gas – Costs related to this line item are expected to increase by 52% or $22,124, to $65,000 – equal to the amount budgeted for 2022-2023. This increase is largely due to the anticipated increase in consumption by the expanded snowmelt system.

Water and Sewer – Costs related to this line item are expected to remain the same as budgeted and actual 2022/2023 fiscal numbers at $45,635.

Internet Support – Costs are budgeted to increase by $1,614, or 13%, to $14,000 for expanded service into the new arrival center and for contract inflation of 5%.

Trash Collection – Costs related to this line item are expected to increase 52%, or $1,951, to $5,720 to match the 2022-2023 budget.

Repairs & Maintenance and Reserve Fund Contribution

The Repairs & Maintenance Category is proposed to increase over the estimated fiscal 2022-2023 expenses by 6%, or $23,513. Resale labor rates for maintenance and custodial staff are now at $55/hour and $50/hour, respectively, versus $44/hour under Vacasa. Market rates are now at or higher than $55 and $50 for these services.

Please note that, in the management company's continuous efforts to provide more information regarding the consumption of maintenance hours and material, we have expanded the line items for the Pool, Firewood, Window Washing, Pest Control, Painting & Staining, Groundskeeping, Snow Removal, Custodial Services and Roof Repair & Maintenance categories to include several sub-categories/line items. Discussion of these primary line items will include all sub-categories.

Repairs and Maint – Mgmt CO Staff – Costs related to this line item are expected to increase by 67%, or $8,000. This amount returns this line item to historical norms.

Repairs and Maint – Contractors – Costs related to this line item are expected to be in line with the prior year's budget. Costs for absorbing the $25,000 insurance deductible for the crawl space leak claim is expensed to this line item. Insurance proceeds are expected to fund all but depreciation costs of $2,050 of the crawl space work. Costs for absorbing the $29,600 deposit for adding flashing details to the courtyard fascia band boards is expensed to this line item out of a contract for $59,200. As noted above, the costs for and timeline needed to accomplish this work are expected to increase for the discovered rusting connection bolts issue.

Pool – Costs related to this line item are expected to increase 4%, or $1,898, to $44,603.

Firewood – Costs related to this line item are expected drop to $16,000, when compared to the prior year budget of $21,061, which will allow for restocking of the entire building after being closed for most of the prior year. Prior year costs are projected at $4,862.

Window Washing – Costs related to this line item are expected to increase by 54%, or $3,223, to $9,150 and to return to the twice-a-year cleaning model that was suspended because of the renovation/development project, and for the new windows in the new arrival center, stair towers, and garages.

Painting and Staining – Costs are reduced from those of the prior year by $1,990, or 20%, to $8,100, as many of the exterior Hardie surfaces are new and not expected to be painted on the same frequency as wood.

Groundskeeping – Costs related to this line item are expected to increase 26%, or $27,350, to $133,167. Proposed increases to this line are a result of expanded landscaped areas that will need to be maintained.

Snow Removal – Costs related to this line item are expected to decrease 15%, or $3,066, to $17,805. This decrease is due to the anticipated activation of the replacement driveway snowmelt system.

Custodial Services – Costs related to this line item are expected to increase 52%, or $20,168, to $59,168.20. This increase is due to the addition of the new Arrival Center which comprises three stories that are anticipated to experience heavy use, has 3 bathrooms, and will require much more frequent cleaning than the old Arrival Center.

Equipment Service Contracts – Costs related to this line item are expected to increase 39%, or $11,852, to $42,429. This increase is a result of the addition of a third elevator, located in the new arrival center, and the additional fire alarm monitoring services also related to the new arrival center.

Roof Repairs – Costs related to this line item are expected to increase 38%, or $4,205, to $15,220. This increase matches the budget to our actual 2021-2022 results, which were for roof shoveling two times per winter season.

As with all other HOA costs, the HOA will only be billed for allocated fixed cost expense items (Mgmt. Fees, Front Office, Vehicles, and Direct Office Expense), and actual time, materials, fees, and expenses in other line items.

Reserve Fund – Proposals

The Reserve Fund line items, as currently proposed, have updated entries for amounts and years of expected replacement, per the schedule. The Reserve Fund should result in a balance at the end the 2023-2024 fiscal year of $524,285 minus the impact of a proposed fund transfer between the Reserve and the Operating funds of $96,938, or $427,347, less any planned and unplanned costs that could be charged to this fund. As this transfer pertains to prior year details, it is discussed in that section of these minutes below. It is the expectation of the Board that certain renovation costs may be charged to the reserve fund during renovation construction, which will necessarily impact (reduce) the year-end balance. Management recommends that the Board approve all of the changes in the "Remainder, If adopted," column, so that the Reserve Fund line items are reallocated accordingly. Oscar Novo made a motion to adopt these changes, as presented. Mr. Klein seconded, and the motion was approved, with Mr. Garon dissenting.

The Arrival Center Reserve Fund is projected to be at $11,777, less any planned and/or unplanned costs that could be charged to this fund.

a. Approval of 2023-2024 Budget

Mr. Klein made a motion to accept the proposed budget, as presented/amended during the meeting, with regular assessments at $1,072,439.75 and inducement assessments at $468,000. Mr. Lustberg seconded, and the motion passed, with Mr. Garon dissenting. For individual unit owners that choose to hire the HOA management company, Frias Properties, those unit owners receive a pro-rata rebate of their allocated portion of the inducement assessment in its entirety.

Rental Program Frias Marketing Plan and Results Discussion – Frias Properties switched to the Streamline property management software on 10/6/23. At this time Frias is still working on syncing this software to established rental-performance platforms such as Destimetrics, which prior HOA management companies used to determine the property's performance vs. local competitors. Once Frias has completed the syncing of Streamline to rental-performance platforms and local management has had time to work with the new software, local management will provide the HOA Board with rental performance information.

Date of Next Annual Meeting –

The annual meeting is proposed to be held on Sunday, March 10, 2024, at 3:30 PM MST.

6. Old Business

HOA Renovation/Redevelopment Project Update

Spent entitlement costs in excess of prior assessments are being carried in both the operating and reserve funds as balance sheet deficits totaling $725,970. The Board has expressed an intention to draw upon a $1.8 million credit facility to both extinguish these carried deficits and to also pay for a portion of the costs of common area improvements and other major repairs. The loan covenants describe repayment of the common loan obligation as a recurring special assessment.

Through September 2023 the HOA has spent $1,345,097 on these cumulative expenses covering Phases I and II, as noted below:

• Architecture	$564,567
• Legal	$345,306
• RA – Multiple Vendors	$119,640
• Engineering & 3rd Party Professionals	$119,523
• Builder's Risk Insurance	$15,636
• Conference Calls/Check Stock	$7,658
• Deed Restriction Release	$15,000
• Loan Fees	$13,914
• Town of Snowmass Village	$58,499
• Tax Planning	$15,723
• Tree Lights Removal	$1,430
• SLC	$5,901
• Arrival Center Wiring	$15,591
• Carpentry Redesign – Arrival Center	$7,000
• Furniture – Arrival Center	$29,668
• Exercise Equipment	$8,902
• Snowmass Water & Sanitation District	$1,139
• Total	$1,345,097

In terms of Entitlement (Phase II) soft costs, alone, a total of $1,187,298 has been spent in this area. The breakdown of those expenses for Entitlement soft costs are listed below.

• Architecture	$470,890
• RA Multiple Vendors	$119,640
• Legal	$309,441
• Engineering & 3rd Party	
• Professionals	$98,184
• Builder's Risk Insurance	$15,636
• Conference Calls, Misc	$6,413
• Deed Restriction Release	$15,000
• Tree Light Removal	$1,430
• Loan Fees	$13,914
• Town of Snowmass Village	$58,499
• Tax Planning	$15,723
• Arrival Center Move	$229
• Arrival Center Wiring	$15,591
• Carpentry Redesign – AC	$7,000

- Furniture – Arrival Center $29,668
- Exercise Equipment $8,902
- Snowmass Water & Sanitation District $1,139

- Total $1,187,298

a. Financial Review 2022-2023, Unaudited

Management forecasts that the Association will finish the 2022-2023 year $157,990 under budget (surplus). Details regarding savings are discussed in the most recent quarterly report.

Discussion of Staff Incentive – Discussion regarding consideration of a Staff Incentive of $15,000 to be allocated between staff recipients ensued to recognize their outstanding services to the owners and the HOA. .

At the March 12, 2023, Board meeting the following motion was made and approved:

Mr. Fisher made a motion to approve of the transfer of the actual Operating Fund surplus for fiscal 2021-2022, after confirmation by external audit, of $97,061.14, plus a carried forward surplus of $96.00 from prior to fiscal 2021-2022, to the main Reserve Fund to partially defray renovation/development project related soft and hard costs. Mr. Garon seconded, and the motion passed.

In subsequent discussions with the auditor for fiscal year 2021-2022, the HOA was able to carry and retain the (adjusted to actual) operating fund surplus without any taxable consequence, which brought the audited operating fund carried deficit down from $153,268 to $56,330 year over year.

THE ENCLAVE ASSOCIATION, INC.
BALANCE SHEET
September 30, 2022

	Operating Fund	Replacement Fund	Total
ASSETS			
CURRENT ASSETS			
Cash	$ 213,599	$ 369,127	$ 582,726
Assessments Receivable	7,691	-	7,691
Accounts Receivable	3,242	-	3,242
Prepaid Expenses	9,589	-	9,589
Interfund Receivable	(224,351)	224,351	-
TOTAL CURRENT ASSETS	**9,770**	**593,478**	**603,248**
PROPERTY			
Equipment and Furniture	66,966	-	66,966
Employee Housing Unit	96,823	-	96,823
	163,789	-	163,789
Less Accumulated Depreciation	(161,649)	-	(161,649)
TOTAL PROPERTY	**2,140**	**-**	**2,140**
TOTAL ASSETS	**$ 11,910**	**$ 593,478**	**$ 605,388**
LIABILITIES AND FUND BALANCE			
CURRENT LIABILITIES			
Accounts Payable	$ 43,062	$ -	$ 43,062
Due to Management Company	14,480	-	14,480
Accrued Expenses	4,698	-	4,698
Contract Liabilities (assessments received in advance - replacement)	-	593,478	593,478
TOTAL CURRENT LIABILITIES	**62,240**	**593,478**	**655,718**
FUND BALANCE			
Contributed Capital	6,000	-	6,000
Fund Balance	(56,330)	-	(56,330)
TOTAL FUND BALANCE	**(50,330)**	**-**	**(50,330)**
TOTAL LIABILITIES AND FUND BALANCE	**$ 11,910**	**$ 593,478**	**$ 605,388**

THE ENCLAVE ASSOCIATION, INC.
BALANCE SHEET
September 30, 2021

	Operating Fund	Replacement Fund	Total
ASSETS			
CURRENT ASSETS			
Cash	$ 126,922	$ 582,361	$ 709,283
Assessments Receivable	6,437	-	6,437
Accounts Receivable	2,244	-	2,244
Prepaid Expenses	15,522	-	15,522
Interfund Receivable	(202,958)	202,958	-
TOTAL CURRENT ASSETS	**(51,833)**	**785,319**	**733,486**
PROPERTY			
Equipment and Furniture	66,966	-	66,966
Employee Housing Unit	96,823	-	96,823
	163,789	-	163,789
Less Accumulated Depreciation	(160,954)	-	(160,954)
TOTAL PROPERTY	**2,835**	**-**	**2,835**
TOTAL ASSETS	**$ (48,998)**	**$ 785,319**	**$ 736,321**
LIABILITIES AND FUND BALANCE			
CURRENT LIABILITIES			
Accounts Payable	$ 28,020	$ -	$ 28,020
Due to Management Company	24,834	-	24,834
Accrued Expenses	34,718	-	34,718
Prepaid Assessments	10,698	-	10,698
Contract Liabilities (assessments received in advance - replacement)	-	785,319	785,319
TOTAL CURRENT LIABILITIES	**98,270**	**785,319**	**883,589**
FUND BALANCE			
Contributed Capital	6,000	-	6,000
Fund Balance	(153,268)	-	(153,268)
TOTAL FUND BALANCE	**(147,268)**	**-**	**(147,268)**
TOTAL LIABILITIES AND FUND BALANCE	**$ (48,998)**	**$ 785,319**	**$ 736,321**

Accordingly, management requests that the board consider a motion to reverse the board's decision at the July 12, 2023, meeting to align its written approvals with the results of the audit. The practical outcome is the same, as the surplus would retire project related soft costs in either Fund.

Mr. Klein made a motion to reverse the above noted transfer between the operating and the reserve funds to align the HOA books with the actual audit results from the fiscal 2021-2022 year. Mr. Lustberg seconded, and the motion passed.

With the presently projected fiscal 2022-2023 surplus of $157,990, management recommends that the Board decides the disposition of any actual surplus that may result via an approved motion. Management recommends that the Board approve of, first, retiring the remaining Operating Fund deficit, presently projected at $56,330, funding a staff incentive of $15,000, and then allocating any remainder to be carried forward to partially offset fiscal 2023-2024 assessments. With assessments increasing because of improvements, inflation, and returning to full year operations, and with another year of delay before the new units will obtain certificates of occupancy and be brought into the HOA's assessment billing processes, this seems to be a prudent action. However, Operating Fund surpluses can result in taxable consequences.

Mr. Klein made a motion to carry any actual fiscal 2022-2023 Operating Fund surplus that may result, subject to any further year-end adjustments or external auditor review, in the Operating Fund to reduce the cumulative deficit, fund a staff incentive of $15,000, and to reduce fiscal 2023-2024 assessments, to the extent that this action does not result in a taxable consequence. To the extent that a taxable consequence results, the motion is amended to approve of transferring that portion of the actual Operating Fund surplus to the Reserve Fund that would otherwise result in a taxable consequence. Mr. Lustberg seconded, and the motion passed, with Mr. Garon dissenting.

Member Receivables — All member receivable and incidental expense accounts are presently current on assessments, except 213 ($7,411.88) and 304 ($5,607.57). 113, 213, and 313 have recently posted incidental expenses of, respectively, $1,260.49, $916.72, and $1,685.67, related to furniture movement and protection costs as a result of a leak in the crawl space. Mr. Parkerson contacts all owners with outstanding balances to request that they bring their accounts current on a monthly basis.

Management recommends that the Board approve transferring at fiscal year-end any net credit in the Reserve Fund for the Miscellaneous line item, currently a debit of $8,171.85, to the Elevator item, as the auditors recommend no Miscellaneous line-item balance be retained in the Reserve Fund. The credit can result from Interest Income on Reserve Fund bank account balances and may be amended to show any further entries that are needed to complete the accounting for the fiscal year. Mr. Novo made a motion to approve this recommendation. Mr. Klein seconded, and the motion passed.

Per the financial statements from Reese Henry, at year end of fiscal 2021/2022, the Operating Fund had borrowed $224,351 from the Reserve Fund. The HOA has an Insured Cash Sweep (ICS) source/target or parent/child banking account set up at Alpine Bank. Cash on hand over $250K is automatically swept into the ICS account, and when the parent account balance falls below $10K, cash from the ICS is automatically swept back into the parent account. This can create an inter-fund loan. Mr. Klein made a motion to approve the inter-fund loan. Mr. Novo seconded, and the motion was approved.

7. Adjournment

Mr. Lustberg made a motion to adjourn the meeting, and Mr. Klein seconded. The motion passed, and the meeting was adjourned at 4:15.

Respectfully submitted,

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Lonnie Klein, Secretary