BOXWOODGREEN HOA – FINANCIAL REVIEW – DECEMBER 2025
Review Period – Calendar Year (FY) 2024

As requested, I have conducted a review of the financial records for the Boxwoodgreen Homeowners Association for 2024. The Assistant Treasurer/Bookkeeper Nadine Moore made available source documents, general ledger transactions, budget and reserve documents and financial reports covering all aspects of the HOA's financial activity. Tax returns and insurance policies were also provided.

Using bank statements for the checking and money market accounts as a base, documentation for all deposits and withdrawals was reviewed to ensure that proper substantiation and approvals are present, and transaction processing conforms to board policies. Similarly, journal entries recording interest earned and necessary adjustments to past transactions were examined in detail.

Steps:

1. **Reviewed expenditures, comparing monthly transactions and documentation with bank statements.**

Payments included both electronic payments processed by the bank and manual checks. In accordance with the Internal Controls policy before its revision in 2025, all checks written for over $500 were properly signed by two of the three signers (President, Treasurer, and Secretary). Electronic transactions for amounts over $500 were approved via email by at least two signers (one in addition to the Treasurer). The Treasurer signed/approved these and all other transactions except those more properly executed by a signer other than himself (e.g., to reimburse his wife for gift cards purchased for prizes at the annual holiday party).

All bills and requests for reimbursement were accompanied by full documentation, including the email record of the Treasurer's approval of routine expenditures and that of other signers where the payment amount required more than one approval. (This has produced a lot of paper and inspires the hope that a record retention policy mentioned on a bill from our attorney as a meeting topic did take place. That said, the convenience of having a complete packet of documentation for each online banking expenditure makes up for that, especially with the small number of payments each month.)

Major expenditures were made in accordance with vendor quotes for services. Although no formal policy exists establishing formal contract policies and procedures. Care is evident in the engagement of contractors, as it is in making significant expenditures not specifically budgeted, (e.g., the light meter purchased to administer the lighting policy approved in 2024 preapproved at the December 5th board meeting my unanimous vote).

Journal entries related to expenditures were similarly documented, detailing the replacement of a lost check or the replacement of one vendor for another for a maintenance project requiring voiding of an undelivered check. An outsider opening the records binders is able to understand in each case the situation, the action taken, and the resulting accounting entry.

In summary, documentation for all expenditures was found to be complete and in accordance with the Association's published policies for internal controls.

One question arose concerning the bank transactions after the transition from American National to Atlantic Union: The story of this transition and some of the challenges that it presented was interesting to follow in the records – mostly because I did not have to live it. The one issue that stuck with me was the September invoice for mowing that Atlantic Union paid before Sam got in to approve it, evidently not an issue with American National bill pay. I did not see a resolution to this noted in the documentation supplied, so I asked Nadine for details and a status update asking whether this issue was corrected or if procedural changes were made. She responded with both the background and resolution information that I sought.

The Ellis payment seems to have been the proverbial "straw that broke the camel's back." The 15-day payment deadline then in effect for Ellis invoices contributed to the payment's occurring before the required approval by the Treasurer. With other issues already causing dissatisfaction with Atlantic Union's online services and reporting (e.g., the difficulties encountered in obtaining CD balance/interest information after the transition when it was no longer reported quarterly on the money market statement) the board realized that a move to another bank was needed. The ultimate resolution: Association bank accounts were moved to Bank of Botetourt in 2025. In the interim, while a new bank was being selected whose online banking included the required controls, the Bookkeeper stepped up her follow-up on payments approaching their payment date. Indeed, no other instances of payments prior to their approval were seen during the review period. With the 2025 bank change, bill payments remain in unapproved status and are not eligible for payment until they are approved. Improved reporting, evident in a sample shared with me, includes an audit trail of each payment from its initiation to its payment.

2. Reviewed deposit transactions and journal entries affecting asset accounts, comparing general ledger transactions and documentation with bank statements.

The limited number of sources of income for the Association made the review of income transactions pretty straight forward.

Annual dues invoices – both the dues amount and any rebate offered to timely payers are established in the budget at the end of the preceding year and are uniform among the 87 lots. Dues invoice entries result in entries to two income accounts – Membership Dues and Fee Rebates, easily checked against the budgeted amounts for each. The yearend income amounts correctly reflect 87 invoices with 86 timely payments and 1 late payment, the latter reducing the fee rebate offset total to $-3,440, rather than the budgeted $-3,480. Documentation is also included to record the refund of $40 to one lot owner who paid the gross dues amount in error in her timely payment.

Resale Certificate preparation fees were invoiced to four property owners. The invoices serve as documentation for the income and cash receipts and for the $50 payments made to the Bookkeeper for creating and delivering the "packet."

All dues payment deposits (directed to the money market account as indicated in the Internal Controls Policy for deposits of over $500) are documented with check copies and a schedule of the lots/owners/payment details associated with each payment. Member payments for holiday party meals were also directed to the money market account according to policy; however, in this case, a technical departure from the policy writing the check for the restaurant directly from this account rather than transfer funds to pay what is pretty much a "wash" transaction (but for the musicians' comped meals – their only "pay"). Note that two signers appear on the check approving the transaction, making the transaction well within the spirit of the law, if not the letter of the law. (Note that the party transaction was a true $0 "wash" for many years prior to the introduction of music, and common sense argues against changing the payment procedure for this event.)

Interest income is reported by the bank and documented in the accounting system via journal entries. These correspond to the penny with the interest credited to the checking and money market accounts in the months they occurred. The CD interest reporting took a step back when Atlantic Union Bank took over and stopped including the CD on the money market account statement. Their system for an authorized person to call to learn the balance/interest amount left a lot to be desired, delaying recording of one entry and making a project out of another. Even this tangle is fully documented and the resulting recording of interest on all accounts agrees to the penny with the 1099 issued at yearend and the amount reported on the 2024 federal income tax return.

Other non-dues deposits to the checking account included transfers from the money market account to cover singular large bill payments or customary monthly expenses. Each transfer is documented and approved by at least two signers, one being the Treasurer who executed the transfers via the online banking tool. There were no transfers from the money market account other than those to the checking account. The requirement for approval of transfers is not specifically mentioned in the Internal Controls Policy. This practice looks like it might be a change with the transition to online banking, treating electronic payments as though a check has been written.

3. Additional Documents Reviewed

Because Association financial statements are presented in year-to-date terms, monthly expenditures cannot be directly compared to bank account transactions. For this reason, general ledger entries were used to check financial data with the bank statements and general ledger account totals were used to check directly against the 2024 yearend financial statement. No discrepancies were found.

The Reserve Study for 2024 and the accompanying notes were reviewed. While I am not in a position to judge the adequacy of reserves to meet all future needs, the Association's effort to regularly review and adjust when necessary the funds set aside to maintain common property are evident, and the detail provided in the notes detailing the application of operating budget funds in maintaining common property is useful and supports the general theme of transparency that characterizes the Association's documentation of day-to-day operations.

The Annual Budget, a document that pulls together all the elements of the Association's finances is presented each year with accompanying notes that are revised year after year to lay out the reasoning and some detail in support of the funds proposed for each use and the dues required to support needs for the coming year (and to reserve funds for future needs). General principles – the break-even budgeting goal with fee rebates helping to even out annual dues amounts and the clearly explained goal for retained earnings (accumulated reserve funds plus $20,000 for unforeseen needs) are clearly stated in understandable terms and are practiced as preached each year.

Board minutes were found to be complete and understandable. Votes taken in between meetings via email – at least those encountered in my review of the Association's financial life – were properly recorded in the minutes for the next board meeting. Significant expenditures were discussed by the board before they were incurred.

Annual Membership Meeting minutes were found to be complete, and the financial statements distributed to the owners before this meeting and those distributed after the end of the fiscal year were reviewed and found to be consistent with the corresponding budget and internal financial statement documents. The letter accompanying the Annual Financial Report provides a narrative that includes key expenditures and changes in financial position. The decision to abandon the Dock Parking project and return the $8,000 reserve funds collected to operating funds demonstrates the timely adjustment of reserves to reflect changes in needs even when this is a reduction in funds held by the Association. Additional information is available by contacting the board. Association members are notified of board meetings and are welcome to attend.

Conclusion

While not a formal accountant's review, and certainly not an audit, this report summarizes what has been a deep dive into the financial reporting and supporting records for the Association, cross-checking reports and backup for consistency. Records are complete and indicate a recognition that others may come behind to research some issue, or as in my case, to review financial activity.

The preliminary plan for this review – sent in June with an assist from AI – was never fine-tuned and includes steps that are not really needed/appropriate, e.g., creating a financial statement as of the audit date (due to illness in the family and other factors, now a year past the end of the audited period), and some traditional steps for a formal review were also omitted, e.g., contacting the bank directly for financial information available in the original documents provided for the review. A review of accounts receivable and accounts payable were omitted because there were $0 of the former and only $75.00 of the latter – the delayed payment for the Obaugh resale certificate. That said, if there is something that is not treated here that should have been to fulfill the requirements as the board sees them, I am happy to oblige.

Margaret Kauffman, Association Member