Q3 2026 Treasurer's Report

September 27th, 2026

To the Sterling Estates Board of Directors:

This is the first quarterly report to this Board from this treasurer. This report provides a high-level overview of the Association's financial activity in the most recent quarter —July, August, and September of 2026. Rather than repackaging information contained in the accompanying financial report, the purpose of this summary is to identify significant trends, developing issues, unusual activity, or other matters that may warrant the Board's attention. Hopefully, quarterly reports are a tradition that this treasurer, and the next one, can continue. These are not formal financial statements, and should not be construed as such, and the observations herein are not intended to be relied on for any purpose other than discussion.

How to read the reports. This report should be read in conjunction with the Q3 Financial Report, the HOA budget, and the Outstanding Balances report, each of which is attached. The HOA budget (see example below) contains three columns, the first of which is the 2026 Projected. This line represents a "static" budget, an estimate of 2026 revenue and spending created prior to the beginning of 2026 and based on what would have been known or assumed around the end of last year. The 2026 prorated column is what that static budget projection predicted to have occurred at this exact point in the year.

Next, the 2026 YTD Actual column represents the actual financial results for the year, present. Therefore, it can be useful to examine the difference between these two—the variance column— to see how things are going. Variances do not tell the whole story, but they can be a good approximation of performance. A favorable variance means the financial outlay is better than anticipated. An unfavorable variance means the financial outlay appears to be worse than expected, usually because revenue is lower, or expenses are higher. Variances can require some interpretation, as sometimes there can be good reasons for unfavorable variances.

SE HOA BUDGET

through 9/30/26 (q3)

Section	Category	2026 Projected	2026 Prorated/ YTD Budget	2026 YTD Actual	Variance	Fav/ Unf
Expenses	Office/Admin/Misc Expenses	3,220	2,415	2,135	280	F
Expenses	Legal/Professional	-	-	526	(526)	U

Hinson Management and collections. The most significant financial development of the quarter has been engaging Hinson Management. The positive financial impact of has been immediate

and tangible. As you can see from collections report, Hinson has collected a significant portion of our past due homeowner balances in just 90 days. Many of these balances have been outstanding for a year or more. This benefit is reflected in the favorable revenue variance, as well as the dramatic changes in the Outstanding Balances report. As of July 1st, the HOA had 200 outstanding accounts, constituting nearly $70,000 in outstanding homeowner balances. As of the end of September, we have just 66 outstanding accounts, constituting only $31,000. The magnitude and speed of this change cannot be overstated.

Revenue and spending. Revenue for the year is well ahead of schedule, primarily due to collections, while expenses are down from last year—both positive trends. The overall favorable expense variance of $4,366 is a notable positive, as expense totals were impacted negatively by transition costs and carryover expenses from financial events early in the year.

Bank account changes. The association's bank accounts have been changed recently. The association's account signatories are now John Rogers (president) and Ryan Johnson (treasurer). The treasurer also holds the association's checks. The **association's operating account** at Truist Bank has been closed and the funds transferred to a bank trust account held by Hinson Management. Hinson pays the expenses of the association from this trust account and retains invoices and proof of payment on behalf of Sterling Estates. The Board and the treasurer have access to these invoices, which they routinely examine and approve. These invoices should be included in the association's new website to the extent possible, as they are business records that belong to association members, and should be available for examination.

It is also advisable for the Board and treasurer to periodically confirm the trust bank balance, to the extent possible, directly with Hinson's bank. **Along these lines, I would recommend the Board adopt a policy of reconciling to the trust account on a quarterly basis, with this recommended language:**

> *The treasurer shall review, **on a quarterly basis**, the original bank statement for each account which holds association funds and reconcile the association's reported cash balance to the trust bank account and trust records.*
>
> ***On an annual basis,** the treasurer of the association shall **independently verify** the existence, ownership, and designation of accounts holding association funds.*

The annual verification could be accomplished with the permission of Hinson, or whichever management company is handling association funds at that time.

The **association's reserve account** remains at Truist. It is a non-interest bearing account and presently has a $100,000 balance. The association holds no other financial assets at this time.

The purpose of a reserve account is to set aside funds for future needs, including regular replacement and repair of major capital items, future projects, or emergency purposes. The reserve account may be accessed only with advance approval from the full Board. Typically, this would only be done to handle large and regular expenditures, such as clubhouse roof replacement, pool resurfacing, or parking lot paving.

Website. The new association website will be an enormous help to the association's financial reporting responsibilities. I would recommend publishing to the website, monthly, the following financial reports prepared by Hinson Management and/or the treasurer:

- Invoices paid and summary of expenditure totals.
- Budget, Year to Date report.
- Outstanding Balances report, summary data only.
- Financial summary report.
- Any other timely written reports by the treasurer.

Reserves and outlay. The pool resurfacing will likely require some drawdown from the association's reserve account. Of course, such drawdown is not unusual when capital assets need service. This is the exact purpose of a reserve account. Accordingly, once the pool financial outlay is finalized, the treasurer will provide an assessment of the reserve account and help the Board plan for future contributions to the reserve. Given the positive financial trends for the year, it seems feasible that any required reserve drawdown required for the pool resurfacing can be replaced within a modest time frame.

It would also be advisable for the treasurer, in conjunction with Hinson Management, to create both a **reserve study** to identify, schedule, and fund future repair and replacement, as well as a **reserve contribution** plan for building and replenishing the reserve fund to meet the needs as they are scheduled. After the pool refurbishment is complete, it would be an excellent time to begin both. Hinson's assessment and inventory of existing systems (HVAC, pool fob and pool infrastructure, clubhouse, etc.) and their useful life would be most helpful.

"The Big Picture." The most important takeaway from this quarter is that the Board is now fully functioning as it should. Board meetings are set in advance; meetings have agendas, points are discussed, and minutes are recorded. Regular board activities should continue to be transparent in this way. Record-keeping, while seemingly boring, is a critical to the future of any organization. One does not keep records as a hobby—they are for the benefit of the next person, who inherits our work, whether they want to or not. Oh, and collections. Collections were spectacular thanks to Hinson's diligent work.

I will continue to review these trends and bring any material changes or concerns to the Board's attention. As always, any association member, or any Board member, should feel free to report any financial concerns, financial irregularities, or conflicts of interest to the treasurer, a Board member, or Hinson Management.

Respectfully submitted,



Ryan Johnson
Treasurer