



Higgins Lake Property Owners Association

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Commentary Regarding the 2015CY and the Jan/Feb 2016 Financial Reports

The 2015 Year End Financial Report is now posted on the website. Please note that the \$20,469.20 short fall shown on the Profit and Loss Statement was generated by expenses related to the Swimmer's Itch issue. First, is the \$16,000 contribution the HLPOA made to the HSLIO for the Comprehensive Swimmer's Itch Program. The Board unanimously voted to support this contribution based on the results of the 2014 Membership Survey in which Swimmer's Itch was regarded by the members as the most serious issue facing the lake. Financial support for SICON and HLSIO was overwhelmingly endorsed by our membership at the 2015 Annual Meeting. The second expense was a \$3,500 increase in lobbying costs at the end of 2015. The Board unanimously approved increased lobbying efforts to obtain funding in the state budget for Swimmer's Itch. That effort is ongoing. These two Swimmer's Itch initiatives account for most of the 2015 budget overrun.

Consistent with this Board's policy of accounting for membership dues in the year designated, \$13,575 of 2016 membership dues, received in 2015, were removed from revenue on the 2015 Profit & Loss Statement and added to "Prepaid Membership Dues", as a liability, on the Balance Sheet. This allows matching of 2016 dues with 2016 operating expenses. This accounting adjustment facilitates a more accurate picture of finance reporting and budgeting. Accordingly, the previously posted January and February financial reports have been restated to reflect this same adjustment. In past years, dues were treated as revenue in the year received notwithstanding their paid in advance designation. In the past this has led to distorted reporting of finances and budgeting.

While the loss for 2015 is material, it is less than the loss reported in 2014. In 2014, attorney fees related to the contested election accounted for much of the budget shortfall. Despite consecutive year losses, HLPOA maintains a strong financial structure. The HLPOA Board does not intend to make a contribution to HLSIO in 2016. HLSIO's successful fundraising efforts in 2015 and opportunities for other funding sources going forward gives the HLPOA Board confidence that HLSIO will be self-sufficient in 2016.

The HLPOA Board's major concern for 2016 is the cost of litigation generated by the Springstead and Bolton lawsuits. While we have significant legal reserves and other assets, these will be a material expense related to this litigation. The Board believes these claims are without merit, we intend to defend both suits vigorously.

Dedicated to preserving the quality and beauty of Higgins Lake