



**ISLANDS OF BEAUFORT HOMEOWNERS ASSOCIATION  
ANNUAL MEETING  
MINUTES**

Saturday, October 21, 2023

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**CALL TO ORDER AT 10:03 AM**

**IOB MEMBERS ATTENDING VIRTUALLY**

Jeff Cross, Chris Blais, Jonathan Sullivan, Annette Jussaume, Diane Buescher, Scott Gardner, Charles (Chuck) Martin, Bill Quarles, Gail Stamm, Heather Lattanzio, Steve Sisco, Laurie Sisco  
Also in attendance virtually were “MCAUO” and a phone number that could not be identified.

**OPENING COMMENTS – ALEX KENT, PRESIDENT**

- All members received a package via mail.
- We have a quorum that includes IOB members attending in person and virtually.
- Alex Kent, President, remarked that 2023 has been an interesting year for the Board. The Board has tried to operate with transparency and has faced challenges during the year. Alex told the membership in attendance (both in person and virtually) that he would like to have open discussion today and the decisions that were made. All have been made with full Board’s knowledge, and the community has been informed along the way. His hope is that we continue to come together as neighbors.

**MINUTES OF 2022 ANNUAL MEETING**

- Eric Powell made a motion that the minutes from the October 2022 Annual IOB Board meeting be approved. This motion was seconded by Marilyn Mueller. The minutes were accepted.

**FINANCIAL REPORTS AND BUDGET PRESENTATION**

- David Jussaume was recognized for the great work he has done this year.
- David shared that all IOB members should have gotten a Board package including the budget in the mail. This packet includes assessment changes and what we anticipate with spending. To avoid printing costs, a supplemental package was sent by email, which is Appendix A in this document.
- David with through the slides of the financial reports.

- Slide 2 – Table of Content of the package
  - Slide 3 – What was spent in major categories over the last four years for Common Area Operations according to Buildium. A question was asked if the Totals for Insurance and Taxes could be broken out. David responded that this could be done.
  - Slide 4 – This shows the Operations for Deer Island for the last four years.
  - Slide 5 – Common Area Operations Estimate at Year End - This is presented at each monthly Board meeting. All committees have been keeping to their budgets. It is estimated that there will be about \$300,000 in income by the end of the year, which should be very close to the expected budgeted amount. At EOY, any remaining funds go to the reserve budget on top of what is already there. If we overspend, we draw from the reserve budget.
  - Slide 6 – The same information presented on slide 5 for the Common Area is presented for Deer Island. It is expected we will overspend by about \$3000 by EOY and will pull that amount from reserves.
  - Slide 7 – Spend to Date Details– This is how David keeps track of budget and his breakdown of line items. This report shows surplus/deficits for each item.
  - Slide 8 – Cash Held in Banks – This information is also presented monthly at Board meetings. Common Area has a bank category at each bank listed, along with the type of account (Money Market or Checking) There are funds (in blue) that are builders’ deposits. ) A question was asked if the Money Markets provide returns or interest, and David responded that Money Markets provide returns. David is working on examining the possibility of finding larger returns at other banks, keeping in mind the FDIC limits.
  - Slide 9 – Reserve Balance Estimation for the end of 2023. The data for this report was pulled from Buildium. Data was taken from a prior side, then what we would spend by the end of the year was subtracted. At the bottom of that slide is the breakout by lot owners.
  - Slide 10 – Assessments 2023 vs. 2024. This lot shows the number of lots for the mainland, Deer Island, and Cotton Island for each year (186 total lots for 2024).
  - Slide 11 – Contract Summary and Durations - This slide provides detail about the contracts we are operating under and what we expect for next year. This also includes service agreements.
  - Slide 12 - Comparison of Fees of HOAs/POAs in Beaufort County – This slide shows fees that are usually exchanged at closing. The asterisk toward the top of the slide notes that these fees are called different things. These are fees that transfer from buyer/seller to HOA. The Board is seeking information from other communities regarding fees to gain more information about their practices and having a discussion about the possibility of the IOB HOA having a fee for closing of houses as an income stream.
- Comments:** Several comments ensued. It was noted that HOAs in northern Beaufort County versus southern Beaufort County can be vastly different regarding amenities and fees. How does IOB compare with other communities, and how do other communities raise revenue? A question was asked about what the downside of would be of selling properties if it raises the property value for others. Since 2008, lots have deflated in value, and “flipping” of lots has helped with reflating the value of lots, which has been advantageous. Many lots remain undervalued compared to other areas

in the county. If a person buys a lot and wants to build, they need to be mindful about the addition of more fees. When a buyer purchases a lot, the seller pays a commission to sale it, then they get the difference. If any changes are made regarding the structure of fees, it would require a covenant change that should specify where the money goes. Nancy Hansen offered to compile a spreadsheet and do another sort of this information. In closing, a comment was made that IOB seems to be managing well and would encourage not doing this unless for a for a revenue stream and/or capital improvement. Let the market work itself out. Alex reminded the attendees that this was being presented as information, and nothing will be done without community support.

- Slides 13 and 14 – Definition of Reserve Fund and how it works. The Board has authority to move funds as they see fit and based on feedback from the community. Alex noted that the rate for bridge insurance is increasing about 10%/year and would appreciate thoughts and feedback.
- Slide 15 – IOB Risk Identification – In addition to what is listed, it was suggested that replacement of current assets and major repairs needs to be added.
- Slides 16 -21 provided additional reserve and risk information. There were no further comments on these slides.

## **REPORTS OF COMMITTEES**

- **ARCHITECTURAL REVIEW BOARD**

Fred Mueller is the administrator of the Architectural Review Board (ARB.) ARB committee members include Nancy Hailston, Bill Ten Eyck, Kat Klinger, David Elder, and Ron Henry. Robbie Smith has served this past year as the ARB’s liaison to the IOB Board of Directors.

Five residences were completed in 2023. Four residences are currently under construction, and three residences are under ARB review. Two residences are with architects. Over 65 percent of the original 196 lots has been absorbed, either as residences, double lot properties, or community-owned green space.

In spite of higher construction materials costs and mortgage interest rates, construction at IOB in 2024 appears to be robust. New custom-built residences are being budgeted from \$900,000 and up. Million-dollar homes are now the rule, not the exception.

There are 68 properties left to be developed. The community is hopeful that continued real estate interest coupled with fewer properties available in IOB will result in improved lot pricing.

Fred reports receiving several inquiries weekly regarding future home construction. Those who have heard about IOB through our various marketing efforts, their realtors or their architects are all interested in joining our community.

- **MARKETING COMMITTEE**

The members of the Marketing and Communications committee are Nancy Hansen, Jean Watson, Marilyn Mueller, Annie Powell, and Shauna Bishop. Fred Mueller acts as a consultant concerning construction trends and lot sales.

#### Trademarks

The board agreed that going forward, Bund will track our 3 registered trademark payments: (Note: we own these)

- *Islands of Beaufort*, renewed for 10 years, October 2022
- *Three Palm Trees*, renewed for 6 years, November 2021
- Our tagline, “*Lowcountry Living At Its Best*” renewed for 10 years, January 2023

#### Digital Communication

- The committee worked with 3 website vendors to get pricing on a new website and determined that Pickle Juice is the right vendor for now. We are planning to do a website refresh in 2024.
- The committee demo'd an APP for better communication with the IOB members and also determined that the timing is not right for IOB.
- The neighborhood directory was updated and distributed.

#### Amenity Open House

The committee held a successful broker open house to share our amenities and increase awareness of our community on October 17<sup>th</sup>. All Realtors from Beaufort County were invited, light lunch was available, questions were answered, and realtors were escorted through the property on golf carts to view our amenities. (Note: LC Living was definitely communicated. Thank the Brandts for the CH refresh and CH signs, amenity tour guides, Fred/Marilyn – put together folders, other community members for logistics, 15 came only one had been in IOB before, many didn't want to leave. Marilyn – feedback received. Some agencies had only one arrive, some agencies had two, but no more than two. Level of awareness went up. Alex - Mixed blessing – Jay – preferred realtors required to live here (No). Should be a consideration that leads go to the realtors in the neighborhood.

#### Community Awareness

The following are the vehicles we use to share information about Islands of Beaufort:

- **Islands of Beaufort.com**: Overall information about IOB, most up to date real estate listings with direct access to MLS listing. We have over 300 visits a month to our site.
- **Private Communities.com**: (Note: not renewing in 2024 and see what happens. Cost is \$5,000.) This is an Internet-based sales and marketing site used to build consumer awareness and deliver sales leads (approximately 225/year) along with the ability to easily track results and attract qualified buyers from inside and outside our local market area. Each of these leads is sent a Welcome package and list of the current homes and lots for sale. In addition, each lead is passed on to one of our three preferred realtors on the committee.
- **Facebook**
- **Instagram**

- **IOB Business Page on Google** – Can do a review and post photos. Have had 4,000 in 8 months, and it is free.
- **SOCIAL COMMITTEE**  
The members of the Social Committee are Nancy Brandt, Sharon Condon, Kim David, Kay Ertter, Donna Genco, Heather Lattanzio, and Gloria Papp (chairperson). The Social Committee is on track to end the year under budget.

The Social Committee coordinated the following events earlier in the year:

- Pi Day (March 2023)
- Cinco de Mayo (May 2023)
- Reading of the Declaration of Independence – July 4, 2023

Upcoming Events:

- Annual Party this evening. The event is being catered and music will be provided. The committee requests volunteers to help set up and clean up.
- Merry Mingle – December 9, 2023. The committee needs six houses to host the Merry Mingle.

- **CLUBHOUSE COMMITTEE**  
David and Nancy Brandt chair the Clubhouse Committee, and Eric Powell is the Board Liaison. The following improvements were made this past year:

- Removing the rotten wood fence from 2003.
- Removal of wax myrtles along that same fence line.
- Construction of a utility surround around the HVAC units located on the right side of the Clubhouse.
- Installation and improvement of lighting around the pool. (This allowed for approval from DHEC to increase hours of operation of the pool area.)
- Refurbishment of rear porch and installation of new stairs from the back porch.
- Cleaning and painting of front porch
- Replacement of porch fans, refurbished
- Landscaping and lighting improvement and Clubhouse signage in front of the Clubhouse.
- The picture window on the Clubhouse side by the driveway was replaced.

- **GROUNDS AND LANDSCAPING COMMITTEE**  
**Thank you to Grounds and Landscape Committee members** - Carmen Dillard (IOB HOA Board Liaison with G&LC); Kathy Whitehead (G&LC Chairperson), Sheryl Dominic, Kathy Gardner, Kat Klingler, Tom Kucharchik, David Papp

***The Greenery Update: Carmen Dillard***

After Jeff Gresham’s retirement in December 2022, the Board for the Islands of Beaufort Homeowners Association executed a contract with The Greenery for landscape maintenance for the 2023 year. The maintenance includes two weekly visits by the crew to mow, blow, prune, trim/edge around the front entrance, common and amenity areas, the streets and sidewalks. Ongoing maintenance also includes:

- Blowing off the Cotton Island and Deer Island bridges and tennis/pickle ball courts
- Mowing easement areas (greenspace/pipeline and easement area behind lots between Palmetto and De La Gaye)
- Removing debris from swales/ditches that run alongside the greenspace easement, from Palmetto Point and Battery Chase to the greenspace easement ditch, and on Cotton Island between lots 8 and 9 (More about that later....)
- Maintenance around retention pond areas
- Removing debris along sidewalks, pathways, and streets
- Periodically pruning low hanging limbs/Spanish moss (up to 10 feet) along sidewalks
- Applying pesticides, fungicides for disease control, weed killers, and fertilization in common areas as needed in active seasons
- Pruning palm tree fronds from common community area palm trees (August)
- Addressing irrigation malfunctions as needed. (If more than replacing a sprinkler head or doing a minor adjustment, an estimate was provided for work not in the contract.)
- Applying pine straw twice a year and mulch once a year to designated common areas as an additional service in accordance with the contract. This also includes the playground surround and pathway
- Providing “preferred customer” storm recovery services priced in accordance with the contract (during Hurricane Idalia)

After the hard freeze in December 2022, The Greenery removed damaged and dead vegetation that did not survive the freeze as part of their regular maintenance. This included plants at the front gate area, Deer Island entrance, and the Clubhouse.

The following projects were approved by the Board and done by The Greenery during the 2023 year.

- Front Entry Enhancement
  - Oleanders pruned so front entry is more visible upon approach
  - Removal of aged/overgrown plants replacing them with ginger and farfugium (tractor seats); society garlic replaced the foxtail ferns damaged by winter cold
- Enhancement of Clubhouse front and side yards
  - Enlarged the beds, removed dead/struggling plants
  - Moved overgrown plants to new locations
  - Added plants to update the appearance
  - Along new fence line by pool, arranged for removal of overgrown wax myrtles and pruning of ligustrum to provide nice backdrop there
- Enhancement of plantings at the entry to the Cotton Island dock
- Replaced dying plants intended to screen the Cotton Island pump station
- Removed/hard pruned plantings on street islands; added pine straw.

The Greenery provides ongoing progress updates to Carmen Dillard, usually weekly. Any needs that arise from the community are also communicated by Carmen to The Greenery’s Branch Manager and/or Client Manager. In recent weeks, John Buzzell became the Client Manager for the Islands of Beaufort. He is also an arborist and has

family that resides in the Islands of Beaufort. This past week, Kathy Whitehead and Carmen Dillard met with John to drive through the community and note areas that need additional attention. We also located and assessed all ponds for needed cleaning and removal of invasive plants, such as dog fennel and Chinese Tallow trees that have rooted.

***G&LC Activity during 2023: Kathy Whitehead***

- Projects Completed by Other Vendors
  - Widened pathways to both community docks; replaced the mulch with gravel or plantation mix.
  - Removal of trees overhanging the pickleball courts (Old Playground area)
- 4 quarterly newsletters created, distributed, and posted on IOB website.
  - Thank you, Kat Klingler for all her skill and hard work in producing these.
  - December Issue honored Jeff Gresham and his retirement; holiday decorations and winter lawn care tips
  - March Issue - Woods in your Backyard
  - June Issue – Care of Small Wild Animals during spring; snakes!
  - September Issue – more on the Critters in our neighborhood
- Volunteer Work
  - Holiday Decorations at front entry (thank you Kathy and Chris Gardner)
  - The entire committee worked with the Greenery to develop designs for refreshed landscaping around the IOB community.
  - Alex for designing and installing the new and/or improved lighting at the front entry, clubhouse, pool, and walkways to both community docks.
  - Periodic inspections of vacant lots and IOB-owned easements/ponds
  - Removal of invasive Chinese Tallow Trees and herbicidal treatment; experimenting with methods of removing invasive dogfennel (show examples; refer to past newsletters)
  - Marking sabal palms that needed trimming in August.
- Looking ahead
  - Board provided some funds in 2024 budget to start caring for our specimen oak trees – trimming their upper canopies and removing heaviest Spanish Moss.
  - Additional plantings along the right side of Islands Avenue as you enter IOB.
- Reminder that Property Owners’ suggestions for aesthetic and safety improvements in IOB common areas are welcomed.

**ELECTION OF DIRECTORS**

After votes were received and tallied by Bundy Management, the following were elected to serve on the Board of Directors:

- Alex Kent
- Bill Quarles

**UNFINISHED BUSINESS**

- COTTON ISLAND (CI) BRIDGE FEE

- Alex provided background information for those in attendance regarding the CI bridge fee. He shared that in recent weeks, a CI Community member submitted a formal contest about the CI bridge assessment. The Board determined that all IOB community members had a stake in any decision regarding the bridge fee as it is available for use by all IOB community members and used as a revenue stream for the Common Area. As Alex lives also lives on Cotton Island, The Board concurred that he seek legal advice from the attorney representing IOB to legitimately answer the question. While this issue was first raised in 2020 and at that time not acted upon, the response from legal counsel was that based on research of current covenants and bylaws, common fees should be shared by all the owners. This revenue brings in about \$15,000-20,000 and does not go to reserve funds but to operations for the common area.

***Questions/Comments:***

- A question was raised about the need to change the covenants pertaining to the bridge use fee if changes are made. Alex explained that a covenant change could not be arranged in time for this annual meeting as the decision just came in about 3 weeks prior to the meeting.
- Another question pertained to the Deer Island Bridge. The response was that there is no separate assessment for the Deer Island bridge and the bridge is not a common use bridge for the entire community as in the case with the Cotton Island bridge. Also, maintenance for the Deer Island bridge is included in the fees of Deer Island residents.
- A resident commented that in the past, it was recommended that Cotton Island residents pay an extra percent for Cotton Island bridge use, however this has not been acted upon previously.

- BRIDGE MAINTENANCE

- The CI Bridge will be coated for a dedicated pathway which will be non-skid sealed, and splinter-free to serve as a walkway area. Two small cars can pass or drive one at a time. This will allow less maintenance need on the wear boards and promote more common use of Cotton Island. The Deer Island residents are invited to look at CI to see how this might work for their bridge.
- The Board wishes to protect the association and avoid negative exposure to any lawsuits that might arise which could be very costly and potentially make us highly uninsurable. There was discussion about taking steps to have funds in place to cover wear and tear of the bridge boards. Currently, it costs about \$150/board to replace.

- ANIMAL CONTROL

- The Board has had discussion about removing what is currently in the IOB covenants about animal control to eliminate language that is contrary to the county ordinance. Alex told the audience that the goal is to maintain continuity to the county ordinance and avoid vulnerability to the IOB community from a legal perspective.
- Ultimately, decisions regarding animal control and abidance to the ordinance is the responsibility of county animal control.

***Questions/Comments:***

Concerns were raised about the interpretation of county ordinances related to animal control.

- Several dog owners in the community use e-collars as a method for controlling their dog. Can it be inferred that the county interpretation of this practice, along with leash control, using acceptable “restraint and control?”
  - Some residents have taken exception to dogs being off leash while others view it as acceptable as long as the dog is under control by the owner.
  - The county ordinance should take precedence. We have to abide by the laws. The county is the enforcer, not IOB.
- **PICKLE BALL COURT**
    - A committee has been studying what needs to improve the IOB courts to provide courts that will meet the needs of the community’s growing pickle ball players.
    - Work will require excavation in some areas to remove roots, then the courts will be ready for re-design to have two dedicated pickle ball courts and one double-lined tennis courts.
    - The funds are in this year’s budget and can roll into next year.
  - **ASPHALT STREET REPAIRS**
    - The asphalt company contracted to do road repairs has had to delay beginning for about two weeks. The cost is approximately \$18,000. We will need to address small patches every couple of years.
  - **SURVEY OF THE SIDEWALKS**
    - Carmen Dillard and Eric Powell went through the community to assess and survey the sidewalks and put together a list of recommendations for the Board to consider. A lot of sidewalks are not utilized, and areas with significant damage or erosion would be too costly to repair. Some lots with sidewalks posing a concern have a house under construction, so the sidewalk (or removal) could be part of the landscaping plan for the new home. Some sidewalks could be remedied with a turnout to the street. Much of the issue with the sidewalks stems back to when the sidewalks were first installed. There was no aggregate or binder used on the original sidewalks. Additionally, the width of the sidewalk is too narrow for two people to comfortably walk side by side.

**NEW BUSINESS**

- **COMMUNITY OPEN SPACE COMMITTEE REQUEST**
  - Linda Tunstall requested that the Board consider a Community Open Space community. She said this could have positive impact and provide an avenue to get more input from the community and those who want to further study this idea.
- **SURVEY - A presentation was sent out to the community regarding the recent survey.**
  - The intent of the survey was to understand what the community thinks about needs of the community.
  - Additionally, the survey allowed for feedback on the IOB Density Report presented in June.

- According to the overall survey results, the “positives” are:
  - HOA fees kept reasonable and affordable
  - Amenities are good/acceptable and reasonably maintained
  - Many appreciate the beauty of the area and the beautiful, custom-built homes
- Areas of improvement include
  - Providing additional kayak storage space
  - Providing extended use/year-round use of the swimming pool. Consider a possible combination heat/saltwater conversion of the pool when replacement parts are needed; likely in a couple of year. (This is not a cheap conversion and will probably entail an economic study and survey of the community.)
  - Open up vistas on CI Lot 17 and behind basketball courts near the Clubhouse to take advantage of the marsh views in each area.
  - Consider a dog park in the area that was once the playground (between the Clubhouse and the Cotton Island bridge.)
- Other survey findings: - Regarding greenspace, there is a divergence between homeowners and lot owners. Some are concerned about the costs.
- Comments/Questions:
  - Some communities do a break for lot owners as they do not put as much stress on the infrastructure and amenities.
  - Lot cleaning fees might need to be analyzed.
  - Could an executive summary be done on the survey? The written responses might be insightful.
  - Did people who own more than one lot have responses weighed? If so, it would be advisable to see if that changes any of the results of the survey. (Weighted and unweighted results will be analyzed.)
- COVENANT CHANGE REGARDING ANIMAL CONTROL - Based on the green sheets turned in at this meeting, there are not enough present for a covenant change at this time.

A MOTION TO ADJOURN THE ANNUAL MEETING WITH A SECOND WAS GIVEN.  
THE MEETING ADJOURNED AT 12:23 PM.

## Appendix A: Supplemental Financial Information

# 2023 Annual Meeting Islands of Beaufort HOA Supplemental Financial Information

October 21<sup>st</sup>, 2023

Islands of Beaufort's HOA Annual Report

1

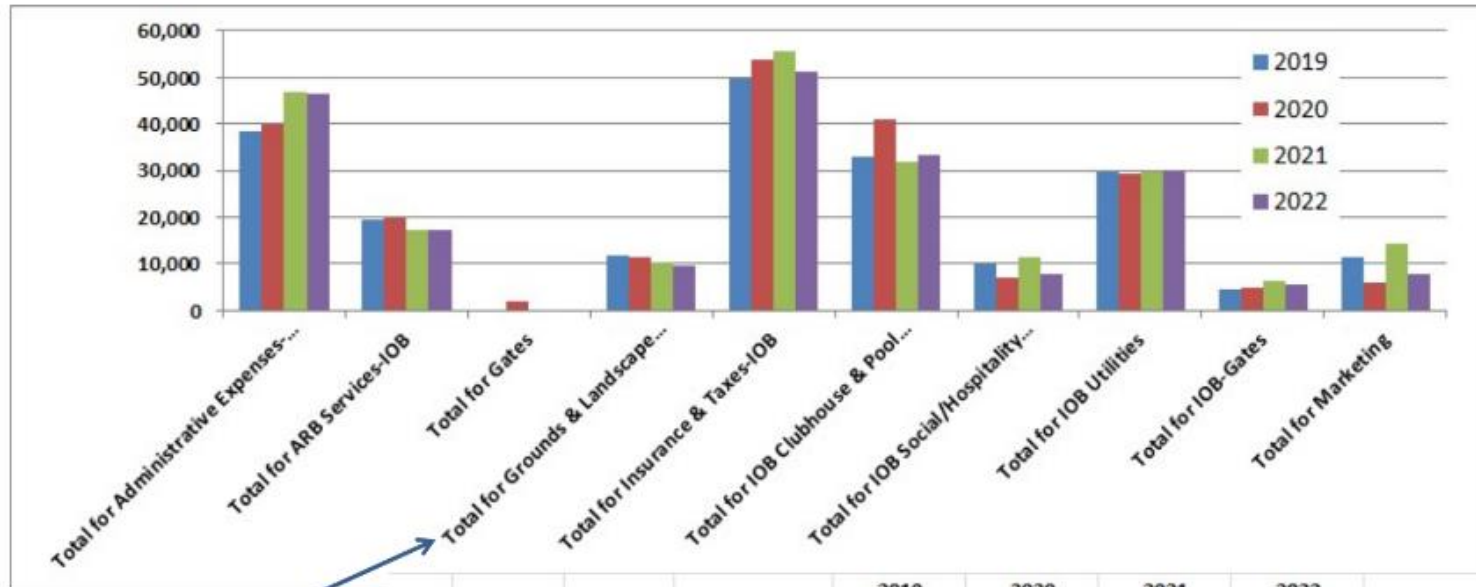
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Islands of Beaufort's HOA Annual Report

2

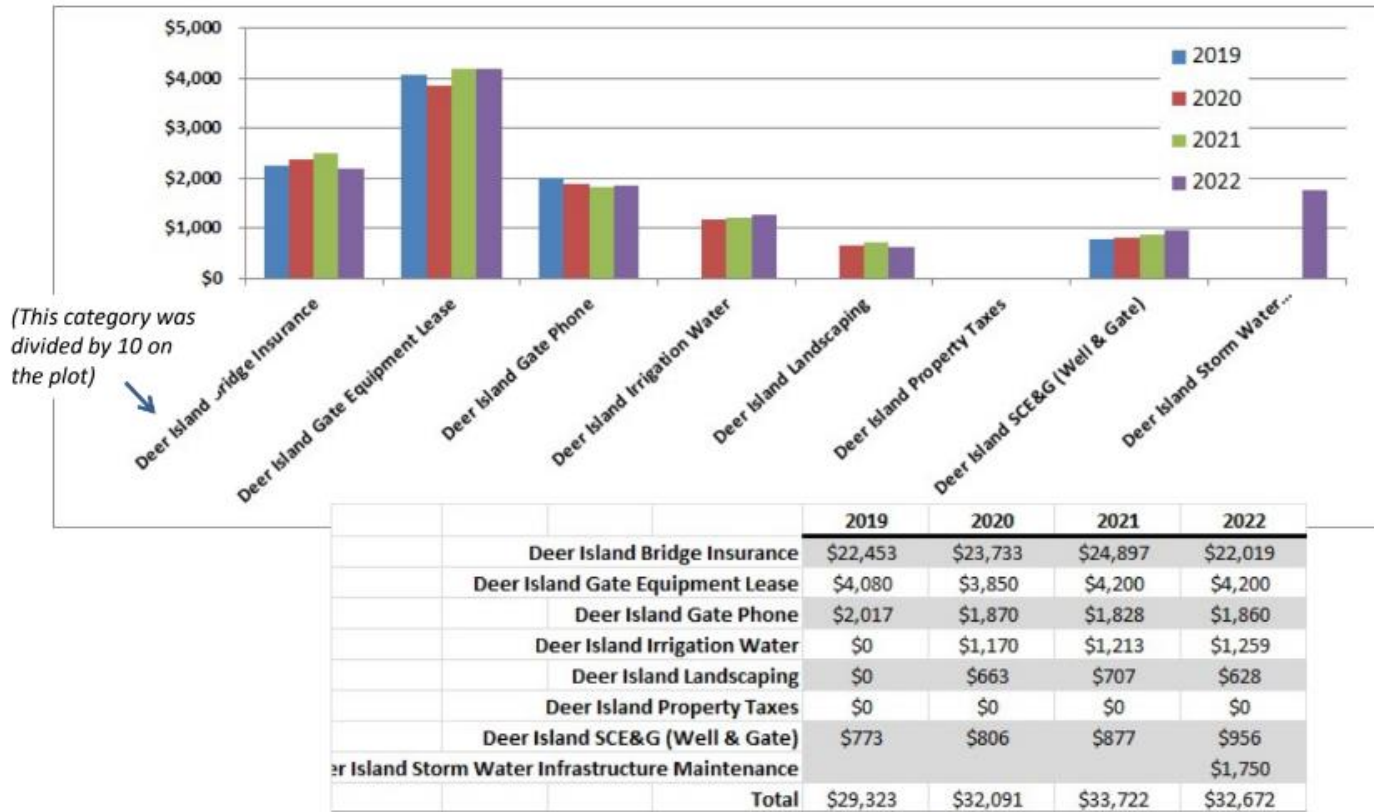
## Common Area Operations Historical Spend Actuals – 2019 to 2022



*(This category was divided by 10 on the plot)*

	2019	2020	2021	2022
<b>Total for Administrative Expenses-IOB</b>	38,340	39,875	47,003	46,448
<b>Total for ARB Services-IOB</b>	19,406	19,814	17,335	17,380
<b>Total for Gates</b>		1,950		
<b>Total for Grounds &amp; Landscape Expense-IOB</b>	116,890	114,845	104,942	94,198
<b>Total for Insurance &amp; Taxes-IOB</b>	49,605	53,857	55,530	51,182
<b>Total for IOB Clubhouse &amp; Pool Expenses</b>	32,943	41,093	32,028	33,372
<b>Total for IOB Social/Hospitality Committee</b>	10,055	7,140	11,547	7,921
<b>Total for IOB Utilities</b>	29,501	29,285	29,590	29,874
<b>Total for IOB-Gates</b>	4,473	4,800	6,360	5,580
<b>Total for Marketing</b>	11,563	5,945	14,156	7,851
<b>Total</b>	312,776	318,604	318,492	293,806

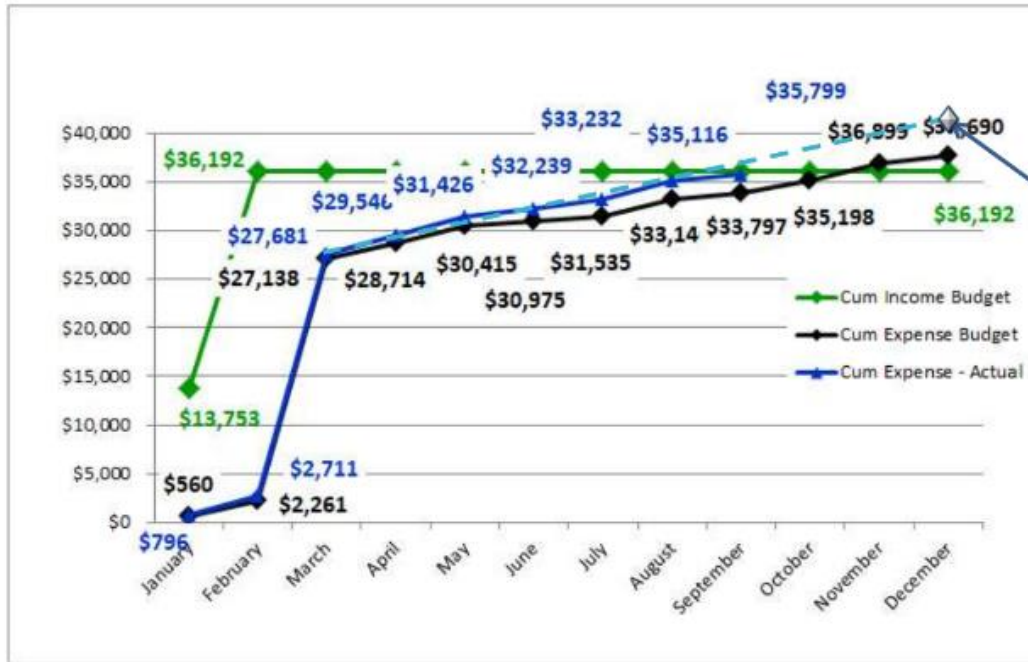
## Deer Island Operations Historical Spend Actuals – 2019 to 2022



## Common Area Operations – Estimate at Year End Comparison of Plan to Actual – Accrual Basis



## Deer Island Operations – Estimate at Year End Comparison of Plan to Actual – Accrual Basis



\$39K Projected @  
year end

Shortage in Operations Fund will be Made Up from Reserves

## 2023 Spend to Date Details

### Comparison of Plan to Actual – Accrual Basis

Data as of September 30

Area Operations	budget	actual	surplus (deficit)
annual mtg	\$550	624	(\$74)
accounting	\$700	350	\$350
legal	\$3,000	960	\$2,040
mgmnt	\$22,904	21995	\$909
mrkting	\$6,860	6597	\$263
ins	\$51,146	56111	(\$4,965)
ARB	\$12,165	13033	(\$868)
G&L	\$66,900	52797	\$14,103
GLComm	\$19,083	22339	(\$3,256)
CH	\$10,580	10972	(\$392)
pool	\$14,505	14275	\$230
social	3700	860	\$2,840
Main gate	\$5,228	6738	(\$1,511)
util	\$23,288	21852	\$1,436
	<b>\$240,608</b>	<b>228879</b>	<b>\$11,105</b>

Common Area Reserve	budget	actual	surplus (deficit)
			\$0
Pickle ball nets	\$2,000	0	\$2,000
General Landscape	\$3,750	1946	\$1,804
Bridge and dock repairs	\$7,500	5529	\$1,971
Grounds (projects are TBD)	\$26,250	6181	\$20,069
Building (projects are TBD)	\$52,500	29938	\$22,562
House Fence replacement	\$30,000	27701	\$2,299
Unplanned Expenses	\$0	333	(\$333)
	<b>\$122,000</b>	<b>71628</b>	<b>\$50,372</b>

Common Area

DI Operations	budget	actual	surplus (deficit)
Property Taxes	\$0	0	\$0
Gate Equipment Lease [4 qtrs @ \$1,050]	\$3,150	2992	\$158
Internet [Hargray] for: DI Gate	\$1,208	1203	\$5
Gate phone (VoIP)	\$180	180	\$0
Irrigation Water	\$938	775	\$163
Grounds and Landscape Contract	\$2,250	4374	(\$2,124)
Flow Preventer Test (@ 47 Anchorage Way)	\$175	0	\$175
Landscape Maintenance - Materials and Labor	\$453	1334	(\$881)
and Causeway Electrical (for gate operation)	\$469	637	(\$168)
Gate maintenance, repairs, parts	\$750	\$128	\$622
Stormwater Infrastructure Maintenance	\$0	\$0	\$0
Bridge Insurance	\$24,225	24176	\$49
Total Deer Island Operations Expenses	<b>\$33,797</b>	<b>35799</b>	<b>(\$2,002)</b>

Deer Island

DI Reserves	budget	actual	surplus (deficit)
Repairs and replacement	\$750	0	\$750
Foundation tie in @ Causeway	\$2,500	0	\$2,500
Approach concrete repair	\$2,500	0	\$2,500
Foundation replacement and sealing	\$0	0	\$0
Reserves Expenditures	<b>\$5,750</b>	<b>0</b>	<b>\$5,750</b>

## Cash Held In Banks (end of month) - \$809.3K

Includes: Common Area Reserves and Ops, DI Reserves and Ops

Bank Balances (end of month)		Jun	Jul	Aug	Sep
	Type				
<b>Ameris</b>		<b>\$238,290</b>	<b>\$237,690</b>	<b>\$233,568</b>	<b>\$227,574</b>
Common Area Res	MM	\$238,290	\$237,690	\$233,568	\$227,574
<b>First Federal Bank (FFB)</b>		<b>\$222,334</b>	<b>\$222,411</b>	<b>\$222,490</b>	<b>\$221,749</b>
Common Area Res	MM	\$171,046	\$171,105	\$171,166	\$170,407
Deer Island Res	MM	\$51,288	\$51,306	\$51,324	\$51,342
<b>Regions</b>		<b>\$132,657</b>	<b>\$105,659</b>	<b>\$113,660</b>	<b>\$137,085</b>
Builder's deposits	checking	\$54,500	\$27,500	\$32,500	\$38,000
Common Area Res	MM	\$78,157	\$78,159	\$81,160	\$99,085
<b>South State Bank (SSB)</b>		<b>\$161,584</b>	<b>\$144,377</b>	<b>\$126,413</b>	<b>\$97,814</b>
Common Area Ops	checking	\$161,584	\$144,377	\$126,413	\$97,814
<b>Wells Fargo (WF)</b>		<b>\$173,974</b>	<b>\$173,017</b>	<b>\$171,184</b>	<b>\$168,433</b>
Deer Island Ops	checking	\$27,465	\$26,490	\$24,588	\$23,744
Common Area Res	MM	\$36,329	\$36,334	\$36,388	\$34,467
Deer Island Res	MM	\$110,180	\$110,193	\$110,208	\$110,222
<b>Total =</b>		<b>\$928,839</b>	<b>\$883,154</b>	<b>\$867,315</b>	<b>\$852,655</b>
<b>Liabilities</b>		<b>\$57,224</b>	<b>\$31,512</b>	<b>\$37,156</b>	<b>\$43,300</b>
Builder's Deposits		\$54,500	\$27,500	\$32,500	\$38,000
Member Pre-Paid		\$2,724	\$4,012	\$4,656	\$5,300
Accounts Payable		\$0	\$0	\$0	\$0
<b>Net=</b>		<b>\$871,615</b>	<b>\$851,642</b>	<b>\$830,159</b>	<b>\$809,355</b>

## IOB Reserve Fund Balance Estimation – end of 2023

- Based on Bank Balances → Balance Sheet report from *Buildium*
- 2023 year end calculation is based upon remaining spend estimate
  - Remaining spend estimate for Common Area - \$162K and for DI - \$4.5K

End of Year					
	2021	2022	2023*	Increase 2021 --> 2023	
Common Area	\$339,756	\$410,786	\$501,653	\$161,897	
Deer Island	\$127,698	\$157,838	\$183,489	\$55,791	
<b>Total</b>	<b>\$467,454</b>	<b>\$568,624</b>	<b>\$685,142</b>	<b>\$217,688</b>	

	Per Lot
Common Area	\$2,697
Deer Island	\$6,328

Common Area is divided by 186 lots  
Deer Island is divided by 29 lots

\* Estimated

Calculation has not been Audited, does not conform to *Generally Accepted Accounting Principles*

## Comparison of Assessments - 2024 versus 2023

				6.0% 6.0%		0.0%				6.00% 0.0%							
				Mainland		Cotton Island				Deer Island		Totals					
# of Assessed Lots				2023		2024		2023		2024		2023		2024			
				ops	reserve	ops	reserve	ops	reserve	ops	reserve	ops	reserve	ops	reserve		
<b>Mainland</b>																	
	orig	2022	2023	2024	\$1,783	\$721	\$1,890	\$764							\$330,528	\$350,328	
<b>Cotton Island</b>																	
					\$1,783	\$721	\$1,890	\$764							\$62,600	\$66,350	
<b>Deer Island</b>																	
					\$1,783	\$721	\$1,890	\$764							\$72,616	\$76,966	
<b>total lots =</b>				196	187	186	186					\$1,248	\$931	\$1,323	\$931	\$63,191	\$65,366
<b>Assessment per lot by Area =</b>					\$2,504	\$2,654	\$3,196	\$2,654	\$4,683	\$4,908							
														<b>total =</b>	\$546,235	\$559,010	
														<b>total Common Area operations =</b>	\$331,638	\$351,540	
														<b>total DI operations =</b>	\$36,192	\$38,367	
														<b>total Common Area assessment =</b>	\$465,744	\$493,644	
														<b>total CI reserve assessment =</b>	\$17,300	\$0	
														<b>total DI ops &amp; reserve assessment =</b>	\$63,191	\$65,366	

Summary of Changes		
Area	\$ per Year	Percentage
Mainland	\$150	6.0%
Cotton Island	-\$542	-17.0%
Deer Island	\$225	4.8%

## Contract Summary and Durations

Contract Summary and Durations		2022												2023												2024											
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
		a	e	a	p	a	u	u	u	e	c	o	e	a	e	a	p	a	u	u	u	e	c	o	e	a	e	a	p	a	u	u	u	e	c	o	e
		n	b	r	r	y	n	i	g	p	t	v	n	b	r	r	y	n	i	g	p	t	v	n	b	r	r	y	n	i	g	p	t	v			
<b>Prepaid in total</b>																																					
	Private Communities Registry																																				
	GoDaddy - domain registration (Note 2)																																				
	Peloton (bike)																																				
<b>Prepaid monthly</b>																																					
	Bundy Appraisal & Management (Note 2)																																				
	Year Round Pool																																				
	Custom Security (Note 1, 2)																																				
<b>Paid in arrears</b>																																					
	Picklejuice (renewal in November)																																				
	The Greenery (Note 3)																																				
		Note 1 - Contract start date: 1 Nov 2019 Note 2 - Automatically renews for 1 year term Note 3 - One each for Common Area and Deer Island																																			
<b>Service Agreements (pay as you go)</b>																																					
	Bannon Law Group	Michael Murphy (arborist)																																			
	Rob Montgomery (architects)	Merry Maids																																			
	Low Country Weekly																																				

## Comparison of “Fees” of HOA/POAs in Beaufort County

- “Fees\*” range from \$0 to \$70K
- IOB is in the Minority that does not charge a “Fee”
- A \$2K “Fee” for IOB would be in line with market conditions

\* AKA: new member, initiation fee, capital contribution, social membership, capital reserve, working capital, enhancement, residential enhancement

		#	Amount	Association fees		Fee on a \$1M transaction
<b>No fee</b>						
		26	0	\$1,354		\$0
<b>Fixed fees</b>						
	≤ \$3000	18	\$926	note 2		\$926
	> \$3000	13	note 1	\$12,813		\$29,546
<b>Variable</b>						
					% of 26	
	0.25%	12	\$2,500	\$831	46.15%	0.12%
	0.33%	5	\$3,300	\$2,134	19.23%	0.06%
	0.50%	9	\$5,000	\$1,667	34.62%	0.17%
	2-5%	1	<-- not used in weighted average calculation, outlier			
		27				
Weighted Avg.	0.35%					\$3,519
Total count		84				
Total that Charge		58				
		69.0%				
<b>Note</b>						
			1 from \$4,336 to \$70,000			
			2 from \$800 to \$3,000			

### Closings in IOB

2023	16	(to date)
2022	33	
2021	24	
Total	73	

The median charge for the Fixed Fees is \$1.8K

## Definition of Reserve Fund

### What Is a Reserve Fund? <sup>1</sup>

A reserve fund is a savings account or other highly liquid asset set aside by an individual or business to meet any future costs or financial obligations, especially those arising unexpectedly. If the fund is set up to meet the costs of scheduled upgrades, less liquid assets may be used. For example, a homeowner's association often manages a reserve fund to help maintain the community and its amenities using the dues paid by homeowners.

### KEY TAKEAWAYS

- A reserve fund is savings or a liquid asset set aside to cover unexpected costs or future financial obligations.
- Many governments, financial institutions, and individuals regularly set aside funds into accounts that earn interest.
- Pensions are examples of reserve funds as money is invested on behalf of members and paid in the future.
- Homeowner's associations (HOA) and condominiums use reserve funds to address maintenance issues and large-scale projects.

### How a Reserve Fund Works

A reserve fund sets aside money for covering scheduled, routine and unscheduled expenses that would otherwise be drawn from a general fund. Governments, financial institutions, and private households may establish reserve funds.

Although the fund size may vary, the typical goal is to deposit funds regularly in an account that accrues interest, thereby increasing the fund's value while not in use. Because expenses may arise unexpectedly, a reserve fund is typically kept in a highly liquid account, such as a savings account.

Footnote 1: <https://www.investopedia.com/terms/r/reservefund.asp> - downloaded 30 August 2023

## Definition of Reserve Fund (continued)

### Reserve Funds for Condominiums or HOAs

*Homeowners' associations and condominiums often use reserve funds in the event of large-scale maintenance or renovation projects, as well as for any costly community emergencies. Reserve funds are typically managed in tandem with operating funds, which more commonly fund the community's day-to-day expenses or recurring costs, such as housekeeping, taxes, insurance, and utilities.*

Condo communities and HOAs typically establish and maintain the funds using the dues, or HOA fees, paid by owners to cover maintenance, repairs, and other expenses incurred by the community. The community association's board usually oversees the funds and decides how to allocate its use. For example, rather than tapping into the operating fund, the board may use part of the reserve fund money to cover biannual insurance payments.

If a condominium incurs a large expense that the reserve fund cannot cover, each member or owner may pay an assessment to cover the cost. For example, when a condominium's parking garage needs emergency repairs, unit owners may be asked for additional funds beyond their regular association dues.

### Reserve Studies and Managing Reserve Funds

The best way to avoid a special assessment is to ensure the building's reserve fund is well-equipped with enough money to handle expenses, including those that are unexpected. Often, HOA boards determine how much money should go into their reserve fund supply via a reserve study, where independent consultants assess the state of a property and make recommendations for the reserve fund based on physical and financial analysis.

The experts consider the age of the property, its current state, and the amenities it provides, as well as project maintenance costs that may be needed in the future. *Because condominiums or HOAs do not always fully fund their reserves, the final figure determined by a reserve study is only a recommendation.*

The implications of a poorly managed reserve fund can translate to higher dues or assessments for members of a community association; so, potential buyers should investigate the efficacy of a particular HOA, or condominium community, before purchasing a home under its jurisdiction

# Reserve Funds Quantification

➤ First Step is to Identify Risks at IOB

<b>Risks</b>
Insurance Deductible for Bridge(s)
Months Cash on Hand (a financial metric)
Damage from Hurricanes (trees, storm water infrastructure)
Insurance Deductible for Other Capital Assets

## Calculate Deductible Costs for Bridges

### Present Insurance Policy coverage is:

- Deductible for Wind/Hail, Earthquake and Flood – 5% of Value
- Deductible for *All Other Perils* (AOP) - \$25K

		Deductible	Cost Division	
	Value of Both Bridges	5% of Value	CI (58%)	DI (42%)
2018	\$3,200,000	\$160,000	\$92,800	\$67,200
2023	\$3,888,000	\$194,400	\$112,752	\$81,648

Bridge Appraisal of 2018 increased by 1.215 to account for inflation

### Calculation of Maximum *Cost Per Lot Owner*

CI Bridge costs divided by 186 lots  
DI Bridge costs divided by 29 lots

5% of Value	CI Max. Exposure per Lot =	\$606	AOP	CI Max. Exposure per Lot =	\$134
	DI Max. Exposure per Lot =	\$2,815		DI Max. Exposure per Lot =	\$862

## **Nonprofit Operating Reserves Initiative (NORI)**

*An all-volunteer national advocacy effort to increase financial sustainability among nonprofits through building and maintaining operating reserve funds.*

### **Operating Reserve Ratio** <sup>2</sup>

“This ratio is a focused *variant* of the *Months Cash on Hand* ratio. It measures the number of months of average monthly expenses that could be covered by reserve funds that are specifically designated by the board for operating.” and “The operating reserve ratio is a valuable indicator of financial flexibility and health, and an indicator that the board has proactively focused on sustainability. **The basic formula for this ratio is:**”

$$\text{Unrestricted Board Designated Reserve Funds} \div \text{Total Annual Expenses} = \%$$

$$\% \times 12 = \# \text{ months covered}$$

“As a general rule, a minimum Operating Reserve Ratio of 25 percent – or **three months** of annual operating expenses or budget – is the Nonprofit Reserve Workgroup’s **suggested minimum goal**. However, the adequacy of Operating Reserve Ratios over 25 percent is variable and depends on a number of factors such as **reliability of operating revenues**, impact of changes in economic conditions ...”.

Footnote 2: <https://www.nonprofitaccountingbasics.org/internal-reporting/operating-reserve-ratio> - retrieved 30 August 2023

## Compare IOB Common Area to NORI recommendations

- IOB's Income stream: *consistent and predictable*
- 93 % of members pay by end of 60 day grace period (avg. from 2020-23 inclusive)
- 3 months of Average Expenses should be sufficient for Operating Reserve

*Calculations for IOB Common Area Ops*

*For the end of 2023 this calculation is approximately (\$501K / \$304K) = 1.65 (or 165% of Total Annual Expenses)*

*% x 12 = # months covered*  
*1.65 x 12 > 19 months of Total Annual Expenses*

### Calculate Common Area Operating Reserve Ratio and Covered Months Trend

Year	Annual Expenses	End of year Projected Reserves	Reserve Ratio	# of Months	Avg. Month expense	3 Month of Expenses
			<i>Increasing</i>			
2021	\$308,500.0	\$339,800.0	1.10	13.22	\$25,708.33	\$77,125.00
2022	\$293,800.0	\$410,800.0	1.40	16.78	\$24,483.33	\$73,450.00
2023	\$304,800.0	\$501,600.0	1.65	19.75	\$25,400.00	\$76,200.00

## Common Area Reserve Fund Calculation Based on Identified Risks

### Reserve Fund Calculation Assuming All 3 Occur at the Same Time

<i>Hurricane Cleanup Expense</i>	<i>~\$119K*</i>
<i>Add Operating Reserve of</i>	<i>~\$76K (from prior slide, 2023)</i>
<i>Add Max Bridge Exposure</i>	<i>~\$113K</i>
<i>Sums to →</i>	<i>\$308K</i>

**An Overall Reserve Fund of ~\$310K is a realistic target. Funds in the Reserve Account of ~ \$190K (\$501K minus \$310K) plus 2024 Reserve assessment of ~\$142K is sufficient to address ongoing capital replacements.**

*\*2016 Matthew Hurricane Cleanup Expense of \$95K (as reported in 2017 Annual Meeting Minutes) and Adjusted for Inflation (2017 → 2024) factor of 1.25*

## Compare Deer Island to NORI recommendations

- IOB's Income stream: *consistent and predictable*
- 100 % of members pay by end of 60 day grace period
- 3 months of Average Expenses should be sufficient for Operating Reserve

### Calculate Deer Island Operating *Reserve Ratio* and *Covered Months*

Year	Annual Expenses	End of year Projected Reserves	Reserve Ratio	# of Months	Avg. Month expense	3 Month of Expenses
2021		\$127,698				
2022	\$34,600	\$157,838	4.56	54.74	\$2,883	\$8,650
2023	\$40,000	\$183,489	4.59	55.05	\$3,333	\$10,000
2024	\$43,850	\$157,489	4.18	50.21	\$3,654	\$10,963

## Deer Island Reserve Fund Calculation Based on Identified Risks

### Calculate a Target Reserve Fund Value:

*Hurricane Cleanup Estimate*  
*Add Operating Reserve of*  
*Add Max Bridge Exposure*  
*Sums to →*

*~\$12K (10% of Common Area cost of \$119K)*  
*~\$11K (from prior slide, 2024)*  
*~\$81.6K*  
*~\$105K*

***An Overall Reserve Fund of ~\$105K is a realistic target. Funds in the Reserve Account of ~ \$78K (\$183K minus \$105K) plus 2024 Reserve assessment of ~\$27K is sufficient to address capital replacements.***