

Why Chapter 11 - Financial Report

- Costs – past & present
- Insurance
- What if
- What are the plans
- Plan economics
- Status of funds collected



Costs – Past & Present

- Financial implications on bankruptcy decision
- Fund raising
 - Past
 - Present
 - Plans
- Pool plans



Financial implications as of January 1, 2025

- \$20,217 disposable cash
 - \$30,604 cash in bank
 - \$10,387 of that cash is liability to prepaid accounts
- \$39,000 Liabilities by May 1
 - \$500/month utilities
 - \$10,000 insurance co-pay from lawsuit
 - \$14,000 fence replacement from lawsuit
 - \$13,000 Insurance coming due in 2025



Financial implications as of January 1,2025

- Income potential from assessments
 - \$10,566 per year if everybody paid
 - On time payments of \$18 per year at all time low
 - Only 54% of residents participated in last year's elective assessment raising \$53,382
- Identified maintenance costs
 - 16 projects with estimated costs totaling between \$240,000 to \$395,000
 - Trimmed targeted projects to \$147,000 for Special Assessment



Fund Raising – Past & Future

- Fund raising 2020 - 2022
 - Total of \$698 raised in 3 years
 - Total of \$7,480 paid out for fund raising
 - Total raised (\$6,782)
- Fund raising 2023 – 2024
 - Total of \$3,360 raised in 2 years
 - Total of \$1,920 paid out for fund raising
 - Total raised \$1,440
- Future - Leverage assets of POA to generate funds

Source – 20-24 P&L on website



Why use bankruptcy

- Revision to deed restrictions require 67% approval of all owners
 - Historically 60% paid the \$18 annual assessment on time
 - Over the past 15+ years various Boards have tried to change things
- Chapter 11 Bankruptcy provides opportunity to keep the corporation in sound financial footing
 - Less focus on creditors
 - More focus on restructuring of governing documents to comply with current laws, enable limited increases to assessments, and make assets available to non-members for a fee



What are the plans of the bankruptcy

- Revise deed restrictions and articles of incorporation
- Keep it a POA not a HOA
 - You will not be fined if trash can left on street after 6PM
- Remove restrictions on use of amenities
 - Open it up to others for a fee – Pool, Park, & Tennis Court
- Remove fixed assessment amount from deed restrictions
 - Make the assessment adjustable for inflation with limits
- Change governing documents from the '60s to the 20th century



Pool Plan Economics

- Pool plans
 - Investment of \$7,550 in key fobs paying off
 - Saving \$5,347 per year in labor costs
 - Interest in pool is high – 120 key fobs issued to residents
 - Current restrictions prohibit amenity use by short term renters & friends
 - Sell annual membership for non residents
 - Need only 36 memberships sold for \$125 per season to break even on operating costs with fence replacement, pool decking, and pool pump replacement funded by POA
 - Anything over 36 memberships is income to the POA. Could average over \$12,000 per year in new income based upon 74 subscribers
 - Members cost of operating the pool is \$10 per year



Insurance !!

- 2 types of insurance carried by POA – Property / Liability and Director & Operating Insurance (P&L, D&O)
- Insurance costs went up 61% from 2022 to 2024: \$7,322 to \$11,779; estimated at \$13,000 for 2025
- Insurance went up because of claims
 - Ice storm damage to pool fence
 - Lawsuits
 - One dismissed, one mediated, both brought by a resident against the corporation known as Canyon Springs Resort Property Owners Assn. Inc.
- 7 years of clean record needed to improve rates



Insurance !!

- Without insurance, the liability on 33 acres of POA property becomes direct responsibility of residents. Any and all claims from harm on property would become civil suits on all residents.
- Nobody would serve on the Board – nobody could afford the risk without insurance



What if we?

- Shut down the POA
 - Articles of Incorporation require another non-profit to take over
 - A vote of 67% approval from all residents is required to close or support a takeover of the POA
 - State or county might takeover and auction assets to highest bidder
 - Costs don't go away – still need insurance, repairs, and taxes paid
 - Buyer would likely sell assets (park, clubhouse, pool) to fund costs
 - Board membership changes – maybe without your input or vote
 - New restrictions could be set without resident input

