COMMON INTEREST ADVISORS, LLC
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The Proposed FY2026–27 Budget

A Plain-Language Guide for Owners

175 East Delaware Place Homeowners Association
Chicago, Illinois

Based entirely on the
Forensic Review of the Proposed FY2026–27 Budget
(Version 1.1, issued August 23, 2026)

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A Plain-Language Guide for Owners — Version 1.1
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Everything in this guide comes from the full report. Nothing has been added — no new findings, opinions, or calculations. This guide simplifies the language, not the facts. Where this guide and the full report differ in any way, the full report controls. This Version 1.1 conforms the guide to Version 1.1 of the full report, issued August 23, 2026, which supersedes Version 1.0, issued July 27, 2026; the changes are described in the full report's Schedule of Corrections.

About This Guide

On August 17, 2026, the Board of Directors is scheduled to vote on the Association's proposed budget for the fiscal year 2026–27. Before that vote, an independent forensic accounting review of the proposed budget was completed. The full report runs 129 pages and is written for readers comfortable with accounting and legal detail.

This guide says the same things in everyday language. It is for owners and other readers who want to understand what the review found and what it recommends, without needing a background in finance. Every fact here is in the full report; the small notes after each section tell you where.

> **What the review did — and did not — set out to do.** In the report's own words, the question is not whether the proposed budget is "right" or "wrong," but **whether the Board has enough reliable information to approve it**. The review does not accuse anyone of wrongdoing, and it does not ask the Board to substitute the reviewer's judgment for management's — only to obtain and act on information the budget presently omits.

The Bottom Line

The full report answers three questions:

1. Can the Board rely on this budget for approval?
Not in its current form. The review found accounting, reporting, governance, and disclosure problems that should be fixed before the budget is adopted. Once they are fixed, the Board can properly evaluate the budget.

2. Why not?
Three kinds of problems, in plain terms: the records the budget is built from need correcting; the biggest single decision inside it — how much to save for future repairs — was made by a committee that did not have the authority to make it; and the budget reached owners without disclosures that Illinois law and the Association's own governing documents require.

3. What should happen before the vote?
The report lays out ten specific steps (summarized on page 10 of this guide) and recommends the Board complete them — and defer the adoption vote until they are done. Every problem it identifies is, in the report's words, specific, documented, and correctable before the vote.

Also important — what went right. The report is careful to record the budget's genuine strengths: the amount being saved for future repairs is going up 45.1% from last year, and **the building's insurance premium went down**. Those strengths are real. The report's point is that they sit on top of records and decisions that still need fixing.

Full report: Executive Summary; Conclusion and Recommendations.

Seven Terms, In Plain English

Term	What it means here
Reserves	Money the Association saves every year to pay for big future repairs and replacements — elevators, façade, windows, pipes — so those costs don't hit owners all at once.
Reserve study	A professional study of the building's components: what will wear out, roughly when, what it will cost, and how much should be saved each year. The Association's study was done in 2022. It recommends saving $2,453,400 a year.
Reserve waiver	A formal decision to save less than the recommended amount. Under the Association's Declaration and Illinois law, that decision belongs to the owners — it requires a two-thirds vote of all owners, with disclosure.
Accrual	Recording income or an expense in the year it belongs to, even if the cash moves later. The year-end "fix-up" entries the auditor makes each year are mostly accruals.
Warrantable	A building that meets the standards Fannie Mae and Freddie Mac set for backing ordinary mortgages. When a building falls short, standard mortgages and refinancing become harder to get for every unit in it.
Ancillary income	Money the Association takes in from activities other than owner assessments — for example lease income, storage, laundry, moving fees, and late fees.
Per-unit schedule	A schedule showing each unit's share of the proposed budget — what your unit will actually pay. Illinois law requires owners to receive it at least 25 days before the budget is adopted.

The Numbers at a Glance

Item	Amount
Money coming in next year (operating revenue)	$10,935,576
Money going out next year (operating expense, including the reserve contribution)	$10,915,438
Left over (net operating surplus)	about $20,000
…which is really two numbers: the owner-assessment side runs a surplus of	$472,489
…while the side operations (leases, storage, laundry, fees) run a combined loss of	($452,351)

Assessment increase	2.5% (the report states 2.500%) measured over a full year — collected as a 3.75% (3.750%) increase starting January 1, 2027, because it is recovered over the last eight months of the fiscal year
Amount being saved for future repairs (reserves)	$1,480,000 — a 45.1% increase over last year
Amount the 2022 reserve study says should be saved	$2,453,400
The gap (the amount "waived")	$973,400 — the budget does not state or compute this gap anywhere

Full report: Executive Summary; Exhibit H; §D-6, §D-11; Key Finding 17.

Eight Things the Review Found

1. The Association's monthly books need a correction every year to match the audit — and this year's correction wasn't finished

Each year the independent auditor makes year-end adjustments to put the Association's books on the proper accounting basis. This year, management reversed many of those adjustments in its own records — but not all of them. About $95,600 of interest income recorded last year is still sitting on the books, positioned to be counted a second time this year depending on how later interest payments were applied. Separately, a year-end property-tax expense of about $64,000 was never recorded by anyone — not management, not the auditor.

On top of that, the monthly financial statements the Board sees all year are kept on a different accounting basis than the audited statements: the Association's savings investments are recorded at market value during the year and corrected back at year-end.

> **Why it matters to you.** The budget is built from these records. If the starting numbers need fixing, the projections built on them inherit the problem. The report is careful here: management's treatment varied item by item, so each balance has to be checked individually — the report does not generalize in either direction.

Full report: Key Findings 1–2; §D-10; Exhibit D; Appendix D.

2. The decision to save less than the reserve study recommends was made by the wrong body

The 2022 reserve study says the Association should save $2,453,400 a year for future repairs. The proposed budget saves $1,480,000 — a big increase over last year, but still $973,400 short of the recommendation. The budget itself never mentions the recommendation or the gap.

Here is the governance problem: under the Association's own Declaration and Illinois law, saving less than "reasonable reserves" requires **a two-thirds vote of all owners**, with disclosure to owners. The review found that the funding level was set by the Finance Committee. No owner vote is known, and no disclosure was made. Because of that, a legal protection the statute offers directors and the managing agent when a waiver is properly approved and disclosed is not available.

> **Why it matters to you.** This is the single most consequential number in the budget, and the decision behind it belonged to the owners — to you — not to a committee.

Full report: Key Finding 3; §D-6; Exhibit E.

3. The reserve shortfall has a mortgage consequence, on a fixed timetable

Fourteen days before the budget vote — on August 3, 2026 — new Fannie Mae and Freddie Mac rules take effect that subject a building of this size to a full budget-and-reserve review. Saving less than the reserve study's recommendation fails that review by the amount of the gap: **$973,400**, dollar for dollar. A second rule takes effect January 4, 2027 — a floor requiring reserves of at least 15% of assessment income — which the budgeted contribution misses by roughly **$21,000**, a shortfall the report notes could be closed for approximately 0.2% of assessment income. The 2022 study is also old enough that it cannot be used as the alternative way to pass.

> **Why it matters to you.** In the report's own words: the practical consequence is **impaired conventional financing and refinancing availability for every unit in the building, with depressed values building-wide**. In everyday terms — it becomes harder for buyers of units here to get a standard mortgage, and harder for current owners to refinance.

Full report: Key Finding 4; §D-6; Executive Summary.

4. This year's numbers aren't what they appear to be

In January 2026 the Association moved cable and internet out of the regular assessment and began billing them as a separate flat fee. The new budget handles that correctly. But the comparison column for the current year counts that money twice — once inside the old combined assessment figure and again as the new separate lines — overstating this year's revenue by about $325,000 and making a projected deficit look like a surplus.

There is a second layer: management's year-end projection leaves out the ~$64,000 property-tax expense described in item 1. Record it, and the projected small surplus for the current year becomes a projected deficit of $39,137 — which the materials sent to owners do not disclose. The Association's Declaration contains a mandatory provision for handling a year-end shortage, and it is engaged.

The flat cable/internet fee has its own wrinkle: it is billed to **703 legal units on the billing roster** while the providers invoice for about **645 active connections actually delivered**, so owners of combined units pay two to ten fees for a single connection.

> **Why it matters to you.** The Board is being asked to measure the new budget against a current-year picture that is not accurate, and owners have not been told about the projected deficit.

Full report: Key Findings 5 and 10; §D-8, §D-11.

5. The biggest expense in the budget comes with no staffing plan

Payroll, benefits, and management compensation total $3,011,292 — roughly 28% of the whole budget. The review found no roster of positions, no shift-coverage model, no overtime assumption, and no staffing benchmark behind it. The building's union employees and the management company's contracted office staff are mixed together without a total for either group, and the management company's full cost is spread across three different sections of the budget — which is why it never appears as one number anywhere the Board looks. The management bonus has not been separately presented to the Board for approval.

> **Why it matters to you.** The largest category of your assessment dollars is being approved without the plan that would let the Board — or you — see what it actually buys.

Full report: Key Findings 6–7; §D-1; Exhibit B.

6. The side operations lose money — and owner assessments cover the loss

Beyond assessments, the Association runs a set of side operations — leases, storage, laundry, moving fees, and similar activities (the report calls them "ancillary"). On the report's corrected allocation, those operations taken as a whole run at a combined loss of $452,351 a year. The headline "surplus" of about $20,000 is really a $472,489 surplus on the owner-assessment side sitting next to that loss.

The report says it plainly: these activities "do not lighten the assessment burden — they add to it. Operations often assumed to be self-supporting, or even to subsidize owners, instead **draw on assessment revenue to cover their shortfall**, so the true assessment requirement is higher than the operating budget's headline suggests."

The budget shows these operations only as one combined number. There is no profit-and-loss breakdown for each activity, so the Board cannot see which operations carry the loss, how far assessments subsidize them, or whether the losses are even deductible for tax purposes — yet, in the report's words, it is being asked to adopt the segment blind.

One fairness point the report itself makes: a Board may legitimately decide to price a member amenity below cost. What the record does not contain is evidence that the Board ever made that decision on this information.

> **Why it matters to you.** Money collected from owners as assessments is covering the side operations' shortfall. Whether that is the right choice for any given amenity is a decision the owners' elected Board should make deliberately, operation by operation — and it currently lacks the information to make it.

Full report: Key Finding 16; §D-8, §D-4, §D-14; Five-Year Financial Narrative; Conclusion.

7. Some of the Association's income can't be checked from its own records

Leases. The on-site manager's apartment is rented at an amount unchanged since at least February 2024, with the budget assuming a 0% increase at its February 2027 renewal — a renewal the budget takes for granted. The grocery tenant's percentage rent can't be verified because the tenant's required annual sales reports have not been produced.

Late fees. Over twelve months, the records show $42,500 of late fees charged and $24,500 of those fees credited, waived, or written off — the equivalent of 98 standard $250 adjustments, about 58% of what was charged. The Board records reviewed document only one approved waiver, for $250. The report is precise about what this means and does not mean: it does not establish that the other **adjustments lacked authority — it establishes that the records reviewed don't show who approved** them. There is also no transaction-level record — no ledger or log — that would let anyone check the adjustments one by one. And fine income has been moved into the same account, so the account no longer cleanly measures late fees at all.

> **Why it matters to you.** These are real dollars flowing in (or being forgiven) with no way to verify them from the Association's own records — a basic internal-controls question.

Full report: Key Findings 8–9; §D-8; Companion Working Paper WP-LF-1.

8. Owners never received the budget breakdown the law requires

Illinois law says owners must receive, at least 25 days before adoption, a budget showing each unit's anticipated assessments and other anticipated income — with particularity. The Association has consistently omitted that per-unit schedule. The report also notes a practical cost: preparing the per-unit schedule is exactly the exercise that would have caught several of the errors documented elsewhere in the review, and its omission arguably means the 25-day clock never started.

A related tax point: the Association's two tax-return preparers have used materially different methods for classifying its income and deductions over the years, and the proposed budget would carry one of those inconsistent methods forward. The review prepared a corrected, single-method classification (the report's Exhibit C) that awaits Board adoption.

> **Why it matters to you.** The per-unit schedule is your legal right and the system's built-in error check. The tax-method inconsistency affects how much of the Association's income is taxable — the budget carries $110,728 of federal and $15,000 of state income tax, currently charged against reserves rather than shown as an operating cost.

Full report: Key Findings 11–12; §D-9, §D-12, §D-14; Exhibit C.

What the Report Asks the Board to Do

The full report translates its findings into ten steps, in order, and recommends completing them before the adoption vote. In brief:

#	Step, in plain terms
1	Reissue this year's financial statements with the leftover audit adjustments properly reversed, so the budget isn't built on double-counted numbers.
2	Fix the bookkeeping basis going forward, so the monthly statements match the audit's basis and the annual year-end correction stops repeating.
3	Put the reserve decision where it belongs — before the owners — and obtain the Association's plan for meeting the new Fannie Mae/Freddie Mac standards, plus the status of an updated reserve study.
4	Produce a real workforce plan: every position, union staff and contracted management staff separated, with the full cost of each.
5	Adopt the corrected income-classification method so the budget rests on one consistent approach.
6	Send owners the legally required per-unit budget schedule, with proof of delivery.
7	Update the Association's working-capital target — it has been frozen since at least 2009, and inflation has eroded it by $625,420.50 against the Board's own standard.
8	Budget for two real costs that are missing: an allowance for owners who don't pay (currently $0 against real delinquency) and the income tax the budget's non-assessment income will generate, shown as an operating cost.
9	Get a profit-and-loss breakdown for each side operation — laundry, storage, leases, and the rest — so the Board can see which activities lose money and why.
10	Defer the adoption vote until steps 1–9 are done — at which point the Board will have a reliable basis to evaluate and approve the budget.

> The report's recommendation asks the Board to do four things: obtain the information identified in the findings; review the underlying evidence, which comes from the Association's own records; evaluate the documented issues; and make an informed decision on that record before adoption. It rests on documented evidence and the Board's own review — not on accepting the report's conclusions.

Full report: Roadmap — Board Actions Before Adoption; Issues at a Glance; Exhibit F (the consolidated list of documents to request).

Questions You Might Ask

1. Will the owners vote on the reserve funding level, as the Declaration and Illinois law require?
2. What is the Association's plan for the new Fannie Mae/Freddie Mac lending standards that take effect August 3 — and for the 15% floor in January?
3. Will owners receive the per-unit budget schedule the law requires, before the vote?
4. Has the leftover $95,600 accounting item been resolved, and the missing ~$64,000 property-tax expense recorded?
5. Do the budget materials tell owners about the current year's projected deficit once that expense is recorded?
6. Who approved the late-fee waivers beyond the one documented $250 approval — and where is the transaction-level record?
7. Can we see the staffing plan behind the budget's largest expense, with the management company's full cost as one number?
8. Which side operations carry the $452,351 loss that assessments are covering — and did the Board ever decide, deliberately and on real numbers, to price any of them below cost?

Each question corresponds to findings in the full report: KF 1, 3–5, 6–7, 9, 12, 16; §D-1, §D-6, §D-8, §D-10, §D-11, §D-12.

What This Review Does Not Say

It does not say the budget is "wrong," and it does not accuse any person of wrongdoing. The question throughout is whether the Board has enough reliable information to approve the budget.

It does not say the late-fee adjustments were unauthorized — only that the records reviewed don't document who authorized them.

It does not dismiss the budget's strengths. The 45.1% increase in reserve savings and the reduced insurance premium are real. They are not diminished by the problems found — and they do not cure them.

It does not ask the Board to adopt the reviewer's judgment. Every recommendation is to obtain information, review the Association's own records, and decide on a complete record.

Every problem identified is, in the report's words, specific, documented, and correctable before **the August 17 vote**.

Where to Read More

If you want to understand...	Read in the full report
The whole picture in the report's own summary	Executive Summary (pp. 24–27)
The checklist of conditions for a reliable vote	Issues at a Glance (pp. 22–23)
All seventeen findings, in full detail	Key Findings (pp. 28–35)
The reserve decision, the waiver, and the mortgage rules	§D-6 (pp. 56–64)
Payroll and the management company's cost	§D-1 (pp. 41–48)
Leases, late fees, and the cable/internet billing	§D-8 (pp. 70–79)
The accounting corrections and the $95,600 item	§D-10 (pp. 85–91)
The current-year deficit and the shortage provision	§D-11 (pp. 92–97)
The per-unit disclosure requirement	§D-12 (p. 98)
The recommendation, start to finish	Conclusion and Recommendations (pp. 115–116)

This guide was prepared from the *Forensic Review of the Proposed FY2026–27 Budget* (Version 1.1, issued August 23, 2026; Version 1.0 issued July 27, 2026) and its companion Executive Summary. It adds nothing to the report and rounds figures only where the report itself rounds them. Where this guide and the full report differ in any respect, the full report controls. Prepared by Michael J. Novak, CPA, CMA, CFA — Common Interest Advisors, LLC.