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Independent Forensic Review of the Proposed FY2026–27 Operating Budget

Executive Summary and Key Findings

175 East Delaware Place Homeowners Association
Chicago, Illinois

A companion publication to the
Forensic Review of the Proposed FY2026–27 Budget (Version 1.1, issued August 23, 2026)

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Executive Summary and Key Findings — Version 1.1
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This summary is derived exclusively from the full report and introduces no findings, opinions, assumptions, or calculations of its own. Where this summary and the full report differ in any respect, the full report controls. Readers making decisions in reliance on this material should consult the full report and its Exhibits, Appendices, and Companion Working Papers. This Version 1.1 conforms the summary 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.

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Citation convention: references in the form (§D-n) point to the numbered sections of the full report's Detailed Analysis; "KF n" to its Key Findings 1–17; "Exhibit A–H" and "Appendix A–H" to the full report's exhibits and appendices.

Purpose and Scope

This publication summarizes the *Forensic Review of the Proposed FY2026–27 Budget* prepared for the 175 East Delaware Place Homeowners Association (the "full report"). It is designed to be read in twenty to thirty minutes and to direct readers to the full report's supporting analysis. It contains no information that does not appear in the full report.

The question the full report set out to answer is not whether the proposed FY2026–27 budget is "right" or "wrong," but whether the Board has enough reliable information to approve it. The full report examines the reliability of the records the budget is built from, the authority behind the decisions it embeds, and the completeness of what it discloses to the owners who must fund it.

The full report's analysis is drawn from the Association's own records — its budget package, general ledger, audited financial statements, Form 1120-H, reserve study, Declaration, and Board materials — reconciled independently in the report's Exhibits A and H. The Board's budget package carries no assessment/ancillary allocation and no exempt/nonexempt distinction of its own; the allocation analysis is drawn from the general ledger and the Association's own Form 1120-H, applied in the report's Exhibit A.

> **Timing.** The Board will consider the FY2026–27 budget at the August 17, 2026 meeting using financial information only through April 30, 2026: the Finance Committee completed its work in early June, so the Board will act without May and June operating results. The prior cycle shows why that matters — the committee's July 21, 2025 projection of roughly $200,000 of favorable underspend closed the year, forty-one days later, at a $2,723 surplus, an approximately $197,000 variance between projected and actual results. (§D-6.)

Overall Conclusion

Can the Board rely on this budget for approval? Not in its current form. Based on the procedures performed and the matters discussed throughout the full report, the proposed FY2026–27 budget does not yet provide a sufficiently reliable basis for Board approval. Material accounting, financial-reporting, governance, and disclosure deficiencies should be corrected before the budget is adopted. Subject to those corrections, the Board can then evaluate whether the revised budget appropriately reflects the Association's anticipated operating requirements and long-term financial obligations.

The full report reaches two conclusions rather than one. The first concerns the quality of the budget information the Board received: it is not sufficiently reliable to support adoption without the corrections the report sets out. The second concerns the quality of the preparation, reconciliation, and review process that produced it: the package as issued does not reconcile to the prior year's adopted budget or to the Association's own accounting results, and cannot be reconciled to owner-level assessment amounts from the materials distributed, so the figures analyzed in the report required independent reconciliation before any conclusion could be drawn from them. (Executive Summary; Evaluation of Professional Work Products, V.)

The report is equally clear about what its recommendation does and does not ask. The documented strengths in this cycle's substantive budgeting — among them the 45.1% increase in the reserve contribution and the reduced insurance premium — are real, are not diminished by the reconciliation failures, and do not cure them. None of the findings asks the Board to substitute the author's judgment for management's — only to obtain and act on information the budget presently omits. Each deficiency is specific, documented, and correctable before the August 17 adoption vote. (Conclusion and Recommendations.)

Key Findings at a Glance — Executive Dashboard

Six subject areas organize the full report's findings. Each row summarizes the issue, why it matters, and where the full report develops it.

Area	Issue in brief	Why it matters	Full report
Budget methodology	The package's FY2025-26 comparative does not reconcile to the prior year's adopted budget; current-year amounts do not agree with the Association's own accounting results; the annual assessment total cannot be tied to owner-level amounts from the materials distributed. The comparative double-counts approximately $325,000 of segregated cable/internet revenue, converting a projected operating deficit into an apparent surplus.	The figures the Board is asked to adopt could not be developed from the package alone and required independent reconciliation (Exhibits A and H).	KF 5, 10, 17; §D-9, §D-11; Exhibits A, H
Financial reporting	The monthly books are not maintained on the audit's basis: reserve investments are carried at market value until the auditor's year-end adjustment, and the FY2024-25 audit accruals were reversed in many cases but not all — the $95,597.84 Accrued Interest Receivable remains on the books, and a ~$64,000 year-end property-tax accrual was recorded by neither management nor the auditor.	The baselines from which the budget's reserve and tax figures are derived are distorted; monthly statements the Board relies on are on a different accounting basis than the audited statements.	KF 1–2; §D-10; Exhibit D; Appendix D
Reserve funding	The $1,480,000 contribution sits $973,400 below the reserve study's $2,453,400 recommendation — a comparison and a gap the budget itself neither states nor computes. The funding level was set by the Finance Committee; no owner vote is known and no disclosure was made.	The Declaration mandates reasonable reserves and permits waiver only by a 2/3 owner vote with disclosure; the same bar appears in §9(c)(3)–(4) of the Illinois Condominium Property Act. Fannie Mae/Freddie Mac warrantability consequences follow on a fixed schedule.	KF 3–4; §D-6; Exhibit E; Appendices C, F
Governance	The reserve decision was made by a body without authority to make it; the management bonus has not been separately presented for Board approval; a voluntary Holiday Fund is run off the Association's books by its committee, including a 2020 advance whose documentation and authorization have not been produced.	The §9(c)(4) liability shield for directors and the managing agent is unavailable where no valid, disclosed waiver exists; Association funds should be disbursed only with Board authorization.	KF 3, 7, 15; §D-1, §D-6, §D-15

Internal controls	The late-fee account no longer measures late fees: recurring credits and waivers equivalent to 98 standard $250 adjustments (~58% of assessments) were recorded with one documented Board approval, and fine revenue has been reclassified into the account. No transaction-level audit trail exists. Several items are reported net where GAAP requires gross.	The account cannot support the budget's late-fee projection, and adjustments cannot be independently verified from the Association's records.	KF 9, 14; §D-8, §D-15; WP-LF-1
Tax and accounting	The Association's two return preparers applied materially different Form 1120-H methodologies; the corrected exempt-function classification has been prepared (Exhibit C) but not adopted; income tax on the budget's non-exempt income ($110,728 federal, $15,000 state) is carried as a reserve expenditure rather than an operating cost; ancillary operations are presented only in aggregate.	The Board cannot see which activities carry the $452,351 ancillary loss, whether those losses are deductible, or what tax the budget will generate, before adopting the segment.	KF 11, 16; §D-4, §D-8, §D-9, §D-14; Exhibits C, G

Conditions for a Reliable Adoption Decision

The full report's "Issues at a Glance" table asks whether each condition necessary for a reliable budget-adoption decision is currently satisfied. As of the report's issuance, none is. The full report develops each row in the Key Findings and Detailed Analysis cited.

Condition for a reliable adoption decision	Met?	See
Current FY2025-26 budget reconciles to the prior year's adopted budget	**No**	KF 5; §D-11
Current-year amounts presented in the package agree with the Association's own accounting results	**No**	§D-9; §D-11
Budget package internally consistent without independent reconciliation	**No**	§D-9; Exhibits A and H
Reserve waiver legally authorized (owner vote)	**No**	KF 3; §D-6
Reserve funding meets secondary-market (Fannie/Freddie) standard	**No**	KF 4; §D-6
Reserve study current	**No**	KF 4; §D-6
Prior-year audit accruals reversed	**No**	KF 1; §D-10
Monthly books maintained on the audit's (GAAP) basis	**No**	KF 2; §D-10
Workforce / staffing plan provided	**No**	KF 6; §D-1
Lease and non-assessment (ancillary) revenue verifiable from the budget	**No**	KF 8–10; §D-8
Corrected exempt-function classification adopted	**No**	KF 11; §D-9
Per-unit assessment schedule provided to owners	**No**	KF 12; §D-12
Current-year shortfall & shortage assessment disclosed	**No**	KF 5; §D-11
Financial activity reported gross (not netted to $0); Association funds disbursed only with Board authorization	**No**	KF 14–15; §D-15
Each ancillary operation's net result disclosed to the Board before adoption	**No**	KF 16; §D-8, §D-4, §D-14
Operating-fund / working-capital target kept current (not eroded by inflation)	**No**	KF 13; §D-11
Provision for uncollectible assessments / credit losses budgeted	**No**	§D-7
Tax on the nonexempt income the budget will generate provided for as an operating cost (budgeted $110,728 federal / $15,000 state, charged against reserves)	**No**	§D-14

For the exempt-function row, the corrected classification has been prepared in the author's analysis (Exhibit C) but not adopted into the official budget, which makes no exempt/non-exempt distinction of its own; it is completed by Board adoption of that classification, not by further management work.

Top Ten Findings

The full report states seventeen Key Findings. The ten below are those its Executive Summary, Roadmap, and Conclusion develop as the principal deficiencies bearing on adoption; the remaining seven appear in the cross-reference guide at the end of this publication. Each entry preserves the full report's qualifications; each is summarized, not restated — the full report's text controls.

1. The FY2024-25 audit accruals were reversed in many cases, but not all — the $95,597.84 Accrued Interest Receivable remains on the books (KF 1)

Finding. Management's December 2025 general ledger contains REV AUDIT entries reversing many of the auditor's year-end accrual entries, but the reversals were not universal: the approximately $95,600 Accrued Interest Receivable (account 1410) was not reversed, and the June 30, 2026 balance sheet continued to report it at $95,597.84. The general ledger reviewed contains no entry reversing or removing it. Separately, a year-end property-tax accrual of approximately $64,000 in total, split between two general-ledger accounts, was recorded by neither management nor the independent auditor. (By contrast, the auditor's ~$115,000 FY2025 federal income-tax accrual was booked by management in December 2025 and subsequently reversed, so that payable has been settled off the books and poses no double-count risk.) Post-audit treatment varied by account; conclusions regarding any individual balance require account-by-account analysis rather than generalization in either direction.

Why it matters. The unreversed receivable leaves FY2025-26 reserve interest income and reserve-fund reporting dependent on how subsequent interest receipts were applied, and the omitted property-tax accrual understates the year's expense.

Potential impact. Both distort the baselines from which the budget's reserve and tax figures are derived; prior-year income is positioned to be recognized a second time in the current year depending on how receipts were applied.

Full report: Key Finding 1; Detailed Analysis §D-10; Exhibit D; Appendix D.

2. The monthly books are not maintained on the audit's basis of accounting (KF 2)

Finding. The Association records its reserve investment portfolio — $21.9 million, of which roughly $18.2 million is certificates of deposit — at market value on the monthly books, so unrealized gains and losses flow through Reserve Interest Income until the auditor adjusts the portfolio back to amortized (held-to-maturity) cost at year-end.

Why it matters. The monthly statements the Board relies on are prepared on a different accounting basis than the audited statements; the year-end correction is recurring and retroactive rather than a one-time event.

Potential impact. Board decisions made from monthly statements rest on figures that require annual correction to reach an accepted accounting basis; this is a distinct problem from the accrual items in Finding 1, with a distinct remedy — a change in bookkeeping basis for the investments.

Full report: Key Finding 2; Detailed Analysis §D-10.

3. The $973,400 reserve funding reduction raises substantial compliance questions under the Declaration and the Illinois Condominium Property Act (KF 3)

Finding. The Declaration mandates reasonable reserves for capital expenditures and deferred maintenance (Article VI, §1) and permits waiver only "in whole or in part [by] a vote of 2/3 of the total votes of the Association," disclosed in the financial statements and in bold in §22.1 responses — the same bar §9(c)(3)–(4) of the Act sets. The funding level was set by the Finance Committee; no owner vote is known and no disclosure was made.

Why it matters. The single most consequential number in the budget was set by the wrong body, below the "reasonable reserves" standard the Declaration itself commands.

Potential impact. Because no valid, disclosed waiver exists, the §9(c)(4) liability shield for directors and the managing agent is unavailable, and the budget does not disclose the underfunding on its face.

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

4. The reserve waiver creates a warrantability failure on a fixed schedule (KF 4)

Finding. Effective August 3, 2026 — fourteen days before the adoption vote — Fannie Mae LL-2026-03 and Freddie Mac Bulletin 2026-C subject the project to Full Review, and a contribution below the reserve study's highest recommended allocation fails the reserve test by the waiver amount, $973,400, dollar for dollar. A 15%-of-assessment-income floor takes effect January 4, 2027. The reserve study itself dates from 2022.

Why it matters. Warrantability affects the eligibility of units for conforming financing; the failure arrives on a fixed regulatory schedule, not at the Association's discretion.

Potential impact. The compliance gap equals the waiver amount; the report directs the Board to obtain the Association's secondary-market compliance plan and reserve-study status before relying on the current contribution level.

Full report: Key Finding 4; Detailed Analysis §D-6; Appendix F (Treasurer's May 21, 2026 email).

5. The budget presents an operating surplus atop a reserve waiver atop a current-year comparative that double-counts ~$325,000 (KF 5, with KF 10)

Finding. Effective January 1, 2026, the Association segregated cable and internet from assessments and began charging a flat monthly per-unit fee. The FY2026-27 proposed budget correctly carries the segregation into separate revenue lines; its FY2025-26 comparative, however, double-counts the segregated amounts — leaving them in the combined assessment figure while also presenting them as separate revenue lines — overstating current-year revenue by approximately $325,000 and thereby converting a projected operating deficit into an apparent surplus. Management's year-end projection also omits the required ~$64,000 property-tax accrual; recording it converts the projected small operating surplus into a projected operating deficit of $39,137, which the owner-facing materials do not disclose, and the Declaration's mandatory shortage-adjustment provision is engaged.

Why it matters. The comparative the Board is measuring the new budget against is not a clean baseline, and the current-year deficit and shortage adjustment are undisclosed to owners.

Potential impact. Approximately $325,000 of overstated current-year revenue; an undisclosed $39,137 projected deficit after the required accrual; flat per-unit billing that charges 703 legal units on the billing roster for approximately 645 connections actually delivered.

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

6. Roughly 28% of the budget — payroll, benefits, and management compensation — is presented without a workforce plan (KF 6, with KF 7)

Finding. The $3,011,292 workforce cost (27.5% of total operating revenue; 30.1% of assessment income at the detail layer) is presented with no FTE roster, shift-coverage model, overtime assumption, or staffing benchmark. The Association's union employees and the management company's contracted personnel are commingled without totaling either; the management-office cost is distributed across three separate budget sections — Administrative (wages), Payroll Taxes and Fringes (employer burden, including accounts 4400, 4420, and 4600), and Insurance (workers' compensation, booked there because the dedicated account 4710 is not used) — which is why it is invisible in the major-category summaries the Board receives. The management bonus has not been separately presented for Board approval.

Why it matters. Neither workforce's all-in cost is presented on the face of the budget, and the largest cost category is adopted without the plan that would support it.

Potential impact. The Board approves its largest expense category without visibility into headcount, coverage, or the fully-burdened management-office cost.

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

7. Lease revenue and a below-market related lease cannot be verified from the budget (KF 8)

Finding. The manager's apartment carries a rent unchanged since at least February 1, 2024 and a 0% increase assumed upon its February 1, 2027 renewal — a renewal the budget presupposes, five months inside the budget year — with the below-market indicators the Engineer's Unit history already taught the Association. The Hancock Market percentage-rent revenue is unverifiable because the tenant's required annual gross-sales disclosures have not been produced.

Why it matters. Both the manager's apartment (whose components the 2022 reserve study includes) and the commercial lease are carried on management's word.

Potential impact. Budgeted lease revenue rests on unverified inputs; the report directs production of the leases, renewal history, a market-rent benchmark, and the tenant's gross-sales certifications with a billed-to-collected reconciliation.

Full report: Key Finding 8; Detailed Analysis §D-8.

8. The late-fee account no longer measures late fees, and it now carries the Association's fine income (KF 9)

Finding. The accounting records reflect $42,500 of late-fee assessments and $24,500 of credits, waivers, and write-offs during March 2025 – February 2026 — the dollar-equivalent of 98 standard $250 adjustments, approximately 58% of assessments — while the Board records reviewed documented only one Board-approved waiver, totaling $250. This does not establish that the remaining adjustments lacked authority, only that the records reviewed did not identify Board documentation supporting them. Fine revenue has been posted or reclassified into the account from Miscellaneous Income, and no transaction-level audit trail (ledger, write-off schedule, credit-memo log, or adjustment register) exists or was produced.

Why it matters. The account's net activity is not a clean measure of late-fee revenue, and adjustments cannot be independently verified from the Association's records — raising significant questions regarding authorization, delegated authority, internal controls, and the consistent application of collection policies.

Potential impact. The budget's late-fee projection rests on an account that commingles three different activities; the credits, waivers, and write-offs beyond the one documented $250 approval have no identified Board documentation in the records reviewed.

Full report: Key Finding 9; Detailed Analysis §D-8; Companion Working Paper WP-LF-1.

9. The Association's return preparers applied materially different Form 1120-H methodologies — and the budget would carry the inconsistency forward (KF 11)

Finding. The Association's two return preparers applied materially different methodologies for identifying nonexempt income and allocating deductions: the filings diverge on Unit Charges, operating Interest Income, Sale & Lease Processing Fees, Moving Fees, Miscellaneous Income, the Hancock Market deductions, and the JHC 44th Floor Lease deductions. The operative question, as the full report frames it, is comparability, consistency, and reliability — not whether either preparer's individual allocation decisions were defensible.

Why it matters. The budget's assessment/ancillary columns make the same classification judgments the returns make; adopting the budget as columned would embed one preparer's methodology — on items where the Association's own filings diverge — into the Association's official financial plan.

Potential impact. The report's Exhibits A and H apply one account-level methodology consistently; the corrected exempt-function classification (Exhibit C) has been prepared but awaits Board adoption.

Full report: Key Finding 11; Detailed Analysis §D-9; Exhibit C.

10. The budget-adoption disclosure omits the statutorily required per-unit schedule (KF 12)

Finding. Owners must receive, at least 25 days before adoption, a budget indicating with particularity each unit's anticipated assessments and other anticipated income; the Association has consistently omitted it.

Why it matters. The per-unit schedule is the reconciliation device that would have caught several documented errors, and its omission arguably never starts the 25-day clock.

Potential impact. A statutory-compliance gap and a lost error-detection control; the report directs distribution of a compliant per-unit budget with proof of delivery.

Full report: Key Finding 12; Detailed Analysis §D-12; Exhibit F.

The remaining seven Key Findings — KF 13 (operating-fund target frozen since at least 2009), KF 14 (net-basis reporting where GAAP requires gross), KF 15 (the off-books Holiday Fund and the 2020 advance), KF 16 (ancillary operations presented only in aggregate), KF 17 (assessment methodology documented; the budget implements a 3.750% January 1, 2027 step recovering a 2.500% consistent-basis increase over eight months), and the balance of KF 5/7/10 detail — are summarized in the dashboard and cross-reference guide and developed in full in the report.

Financial Impact Summary

The figures below are the full report's principal financial observations, stated on its corrected allocation (Exhibit A) and its reconciliation of the budget package (Exhibit H).

Item	Amount	Full report
FY2026-27 operating revenue	$10,935,576	Executive Summary; Exhibit H
FY2026-27 operating expense (includes the $1,480,000 reserve contribution)	$10,915,438	Executive Summary; Exhibit H
Net operating surplus	≈ $20,000 ($20,138)	Executive Summary; Exhibit H
— Assessment-side surplus (corrected allocation)	$472,489	Executive Summary; Exhibit A
— Ancillary-side loss (corrected allocation)	($452,351)	Executive Summary; Exhibit A
Assessments	$10,007,019 — a $244,074 (2.500%) consistent-basis increase, implemented as a 3.750% step effective January 1, 2027; Exhibit H separately prints a 1.926% budget-over-budget change (three measures reconciled at §D-11)	Executive Summary; KF 17; §D-11
FY2025-26 comparative overstatement (cable/internet double count)	≈ $325,000	KF 5, 10; §D-11; Conclusion
Projected FY2025-26 result after the required ~$64,000 property-tax accrual	$39,137 projected operating deficit (undisclosed; converts management's projected small surplus)	KF 5; §D-11
Unreversed Accrued Interest Receivable (account 1410)	$95,597.84	KF 1; §D-10; Exhibit D
Workforce cost (payroll, benefits, management compensation & taxes)	$3,011,292 — 27.5% of total operating revenue; 30.1% of assessment income ("roughly 28%" at the summary layer)	KF 6; §D-1; Exhibit B

Late-fee activity, Mar 2025 – Feb 2026	$42,500 assessed; $24,500 of credits/waivers/write-offs (98 standard $250 equivalents; one documented Board approval of $250)	KF 9; §D-8; WP-LF-1
Income tax on budgeted non-exempt income, carried against reserves rather than operating	$110,728 federal; $15,000 state	§D-14; Issues at a Glance
Operating-fund / working-capital target	~$1.425M, frozen since at least 2009; 2.25 months of current operating revenue ≈ $2.050M — a $625,420.50 erosion	KF 13; §D-11; Roadmap step 7
Prior-cycle projection variance (why data currency matters)	July 21, 2025 projection of ≈ $200,000 favorable underspend closed 41 days later at a $2,723 surplus — an ≈ $197,000 variance	Executive Summary; §D-6

The full report notes that these headline figures are individually unremarkable; the concern is what sits beneath them. Detailed schedules appear in the report's Exhibits and are not recreated here.

Reserve Funding Summary

Item	Amount	Full report
Reserve study recommended annual contribution (2022 study)	$2,453,400	§D-6; Appendix C
Budgeted FY2026-27 contribution (a 45.1% increase — a documented strength)	$1,480,000	§D-6; Conclusion
Shortfall — stated and computed nowhere in the budget itself	$973,400	KF 3; §D-6; Exhibit E

Authority. The funding level was set by the Finance Committee. The Declaration (Article VI, §1) permits waiver only by a 2/3 owner vote, disclosed in the financial statements and in bold in §22.1 responses — the same bar §9(c)(3)–(4) sets. No owner vote is known; no disclosure was made; the §9(c)(4) liability shield is therefore unavailable. (KF 3; §D-6.)

Warrantability. Fannie Mae LL-2026-03 / Freddie Mac Bulletin 2026-C subject the project to Full Review effective August 3, 2026; a contribution below the study's highest recommended allocation fails the reserve test by the $973,400 waiver amount, dollar for dollar, and a 15%-of-assessment-income floor takes effect January 4, 2027. (KF 4; §D-6.)

Study currency. The reserve study dates from 2022; the report treats an updated study's status as information the Board should obtain before relying on the current contribution level. (KF 4; §D-6;

Roadmap step 3.)

Disclosure. The budget shows only the $1,480,000 contribution, with the budget schedules containing no reference to the recommendation and no quantification of the gap; the "waived per finance committee" label is the author's workpaper annotation, not the budget's. (Executive Summary; §D-6.)

Governance and Internal Control Summary

Authority and approval

The reserve-funding decision — the single most consequential number in the budget — was made by the Finance Committee, a body without authority to waive reserves under the Declaration or the Act. (KF 3; §D-6.)

The management bonus has not been separately presented for Board approval. (KF 7; §D-1.)

Off-books activity and gross reporting

A voluntary Holiday Fund is run off the Association's books by its Holiday Fund committee; the report directs that it be classified and reported correctly (custodial or gross, not netted to $0), that its ledger be obtained, and that the documentation and authorization of a 2020 advance be produced, with any receivable recorded. (KF 15; §D-15.)

Several items are reported on a net basis where GAAP requires gross; fine income is missing from where it should be reported. (KF 14; §D-15, §D-7.)

Internal controls over adjustments

Late-fee credits, waivers, and write-offs equivalent to 98 standard $250 adjustments were recorded with one documented Board approval ($250) in the records reviewed; no transaction-level audit trail exists or was produced. The report is careful on both sides: this does not establish the adjustments lacked authority — it establishes the absence of supporting documentation in the records reviewed. (KF 9; §D-8; WP-LF-1.)

Fine revenue has been reclassified into the late-fee account, so neither activity can be evaluated independently from the account as recorded. (KF 9; §D-8.)

Process quality

The package as issued does not reconcile to the prior year's adopted budget or to the Association's own accounting results, and cannot be reconciled to owner-level assessment amounts from the materials distributed — the report's second conclusion, addressed to the preparation, reconciliation, and review process. (Executive Summary; Evaluation of Professional Work Products, V.)

The recurring, retroactive year-end correction of the books is chronic rather than isolated. (KF 1–2; §D-10; Roadmap step 2.)

Questions Remaining Before Budget Adoption

Framed from the issues the full report identifies, these are the questions the Board should satisfactorily resolve before approving the proposed budget. Each traces to the cited findings.

1. Has the $95,597.84 Accrued Interest Receivable been resolved — what is the documentary basis for its continued recognition, and how were subsequent interest receipts applied? Has the omitted ~$64,000 property-tax accrual been recorded? (KF 1; §D-10.)

2. Will the monthly books be maintained on the audit's basis going forward — in particular, will the reserve portfolio be carried at amortized cost so the recurring year-end correction stops? (KF 2; §D-10; Roadmap step 2.)
3. Has the reserve-funding decision been placed before the owners — the only body with authority to waive reserves — and what are the Association's secondary-market compliance plan and reserve-study status? (KF 3–4; §D-6.)
4. Do the owner-facing materials disclose the current-year projected deficit after the required accrual, and the Declaration's mandatory shortage adjustment? (KF 5; §D-11.)
5. Has a position-by-position workforce plan been produced, separating union employees from contracted management personnel with the all-in cost of each, and has the management bonus been separately presented for approval? (KF 6–7; §D-1.)
6. Can the budget's lease revenue be verified — the leases, renewal history, a market-rent benchmark, and the Hancock Market tenant's gross-sales certifications with a billed-to-collected reconciliation? (KF 8; §D-8.)
7. Who authorized the late-fee adjustments beyond the one documented $250 waiver, under what delegated authority, and where is the transaction-level audit trail? (KF 9; §D-8.)
8. Has the corrected exempt-function classification (Exhibit C) been adopted, so the budget rests on one consistently applied methodology rather than the divergent methodologies the Association's own filings reflect? (KF 11; §D-9.)
9. Has a compliant per-unit assessment schedule been distributed to owners within the statutory window, with proof of delivery? (KF 12; §D-12.)
10. Has the Board seen each ancillary operation's net result — which activities carry the $452,351 loss, and whether those losses are deductible — and a provision for uncollectible assessments and for the income tax the budget's non-exempt income will generate as an operating cost? (KF 16; §D-4, §D-7, §D-8, §D-14.)

Recommendations — The Ten-Step Roadmap

The full report translates its findings into ten actions the Board should complete before adopting the FY2026-27 budget; the consolidated documentation supporting them is assembled in its Exhibit F. Condensed:

#	Action (condensed from the full report's Roadmap)	Full report
1	Restate the year-to-date financial statements on a reversed, conformed basis, so the figures the budget is built from no longer double-count the prior year's income and expense.	KF 1–2; §D-10
2	Correct the accounting baseline: a written statement of the accounting basis for the monthly financials, and confirmation the reserve portfolio and routine accruals are carried consistently with the audited basis.	KF 1–2; §D-10
3	Resolve the reserve-funding decision: place the waiver before the owners, and obtain the secondary-market compliance plan and reserve-study status.	KF 3–4; §D-6; Exhibit E
4	Produce the missing workforce plan: a position-by-position schedule separating union employees from contracted personnel, with the all-in cost of each, the account 4600 assumptions, and the employer-payroll-tax treatment of contracted staff.	KF 6–7; §D-1; Exhibit B
5	Correct the exempt-function budget classifications by adopting the corrected assessment/ancillary column placements on one documented methodology.	KF 11; §D-9; Exhibit C
6	Issue a compliant per-unit assessment schedule to owners within the statutory window, with proof of delivery.	KF 12; §D-12; Exhibit F
7	Reset the operating-fund / working-capital target against current expenditures (~$2.050M at 2.25 months of current operating revenue) rather than the ~$1.425M figure frozen since at least 2009.	KF 13; §D-11
8	Provide for credit losses and income taxes: budget a provision for uncollectible assessments, and obtain the Form 1120 vs. 1120-H election analysis with the tax on non-exempt income carried as an operating cost.	§D-7, §D-14
9	Obtain per-operation ancillary detail: a profit-and-loss schedule for each ancillary operation, so the Board can see which activities carry the loss and whether those losses are deductible.	KF 16; §D-8; §D-4
10	Defer budget adoption until steps 1–9 are complete — at which point the Board will have a reliable basis on which to evaluate and approve the budget.	Roadmap; Conclusion

> The full report's recommendation asks the Board to do four things: obtain the information identified in its findings and Exhibit F; review the underlying evidence, which comes from the Association's own records; evaluate the documented issues; and make an informed budget decision on that record before adoption. It rests on the documented evidence and on the Board's own informed review, not on acceptance of the report's conclusions. (Issues at a Glance.)

Guide to the Full Report

The full report — *Forensic Review of the Proposed FY2026–27 Budget*, Version 1.1, issued August 23, 2026 (Version 1.0 issued July 27, 2026), 129 pages — is organized as follows. Its Supporting Materials volume carries Exhibit H, Appendices A–H, and the Companion Working Papers.

For...	See in the full report
The three-question summary and the six principal deficiencies	Executive Summary (pp. 24–27)
The condition-by-condition adoption checklist	Issues at a Glance (pp. 22–23)
All seventeen findings in full, each with "Why it matters" and "Require"	Key Findings (pp. 28–35)
The ten pre-adoption actions	Roadmap — Board Actions Before Adoption (pp. 36–37)
Workforce and management compensation (KF 6–7)	§D-1 (pp. 41–48); Exhibit B
Insurance (a documented strength: reduced premium)	§D-5 (pp. 53–55); Appendix H
Reserves, the waiver, warrantability, and the prior-cycle variance (KF 3–4)	§D-6 (pp. 56–64); Exhibit E; Appendices C, F
Other operating items; provision for uncollectible assessments	§D-7 (pp. 65–69)
Ancillary operations, leases, late fees, cable/internet billing (KF 8–10, 16)	§D-8 (pp. 70–79); WP-LF-1
The color-coded spreadsheet and exempt-function classification (KF 11)	§D-9 (pp. 80–84); Exhibits C, H
Audit adjustments, REV AUDIT reversals, the $95,597.84 receivable (KF 1–2)	§D-10 (pp. 85–91); Exhibit D; Appendix D
The FY2025-26 shortfall, shortage adjustment, operating-fund target (KF 5, 13, 17)	§D-11 (pp. 92–97)
The per-unit disclosure requirement (KF 12)	§D-12 (p. 98)
Five-year operating trend	§D-13 (pp. 99–100); Five-Year Financial Narrative (pp. 38–39)
The federal tax election and taxes on non-exempt income	§D-14 (pp. 101–102); Exhibit G

Net-basis reporting and the Holiday Fund (KF 14–15)	§D-15 (pp. 103–105)
Governance over revenue-producing assets and ancillary operations	§D-16 (pp. 106–107)
The two-conclusion evaluation of the package and process	Evaluation of Professional Work Products (pp. 108–114)
The recommendation and the five-year context	Conclusion and Recommendations (pp. 115–116)
The consolidated document demand	Exhibit F (pp. 121–126)

Standard of this summary. Every statement above is drawn from the full report; nothing has been added, recalculated, or extended. Qualifications stated in the report — including that post-audit accounting treatment varied by account and requires account-by-account analysis; that the late-fee documentation gap does not establish that adjustments lacked authority; and that the report's substantive-strength observations stand alongside its reliability conclusions — are preserved wherever the underlying finding is summarized. Where this summary and the full report differ in any respect, the full report controls.

Prepared by Michael J. Novak, CPA, CMA, CFA — Common Interest Advisors, LLC. Companion publication to the *Forensic Review of the Proposed FY2026–27 Budget* (Version 1.1, issued August 23, 2026; Version 1.0 issued July 27, 2026).