

To: Board of Directors, Pilottown Homeowners Association From: Richard H. Moore 11/12/2023

In consequence of fundamental differences of opinion about transparency in the management of the PVHOA budget on behalf of the community, I hereby resign as Treasurer and member of the Board. My reasons are as follows:

1. The ignorance of proper budgeting and cavalier attitude expressed in the most recent Board meeting, compounded by a similar ignorance and attitude expressed in the proceedings of the Social Committee, made clear to me that I cannot subject myself to the potential liability for the misconduct or mismanagement of Pilottown Village property, assets, and funds. As Treasurer, I have a clear fiduciary relationship and responsibility – indicated by the bonding requirement that could be imposed on the Treasurer, pursuant to the Bylaws.
2. The ignorance was indicated by discussion of several essential factors pertaining to the budget, to wit:
 - a. It was stated that the Board had not made changes to the budget in our prior actions to establish budgets for both the Social Committee and the Website. This is materially and factually incorrect and false. By taking formal Board action to establish these, we were changing the budget.
 - b. It was stated that the line item for Accounting Services had nothing to do with the budgets for the Social Committee and Website when in fact I had explicitly stated the relationship when I made motions for creating those budgets. Moreover, I specifically pointed out that we were saving most of the budgeted amount for Accounting Services because I was providing that pro bono by my labor, supplies, and software which is not being charged to the HOA. Not only is there a relationship but it is disingenuous and insulting to suggest that my labor and expense being donated is of no consequence.
 - c. It was stated that the budget passed by the Membership in the Annual Meeting could not be changed by the Board. This is both materially and absolutely false in fact, policy, and procedure. As mentioned, we have already changed the budget. But furthermore, the Bylaws explicitly state:
 - i. The Board of Directors shall establish annually a budget for the Association to cover such costs as snow removal, maintenance, repair, replacement, mowing, insurance, utility, and other proper services, expenditures and reserves. Based on the budget, an equal assessment shall be levied against each residential Lot, and an assessment shall be levied against the Nursing Home Site, calculated by dividing the number of beds (to a maximum of 180 beds) in the Nursing Home by four (4), and multiplying the result by the assessment being made against each residential Lot. The directors may, by majority vote, authorize the Treasurer to grant discounts of a specified and uniform amount on assessments paid prior to the due date therefore. All assessments shall be due on or before June 1 of each year for the year then in process.

There is no requirement stated anywhere in the Bylaws that the Budget must be approved in the Annual Meeting. And the Budget that is set is for the year in progress, which fiscal year begins January 1 and ends December 31, meaning that assessments are projected based on both actual and expected expenses. It is furthermore the case that the Bylaws state:

- ii. Unless and until the budget for the Association as previously established is changed by majority vote of the Board of Directors, it shall continue from year to year as previously established, notwithstanding that the year for which it was previously established has passed.
 - d. It was stated that the fixed budget simply needed to be reported out at the Annual Meeting with “variances” that, if over the budgeted amounts were “unanticipated expenditures.” This is improper accounting and incorrect budgeting – especially insofar as it is the function of the Board, by the Bylaws, to set and to change the Budget as it deems appropriate. In accounting parlance, “unanticipated expenditures” are those which are unplanned surprises, as might occur from storm damage or a lawsuit or any other factor for which no contingency or actual approval has been previously made. An actual vote in advance completely vitiates the claim that it is “unanticipated.” Furthermore, “expenditures” are actual, whereas “expenses” are planned – so budgets are based on planned expenses, and reported for prior periods by actual expenditures.
3. Regardless of these facts, it is incumbent on the Board to keep the Membership informed, if we are to operate in a transparent manner. Moreover, if we make changes in the structure of the budget, which are in fact changes to the budget, then it behooves us to either reduce planned expenses elsewhere or assure that funds will be collected by assessments, or identify amounts to expend from reserves until such reserves are restored – which is clear from the plain language of the Bylaws.

As the expressions of ignorance and cavalier attitudes escalated in the Board Meeting, with no support whatever from either the President or other Board Members for a proper treatment and discussion of the Budget, I immediately resigned my position as Treasurer and Board Member and will transfer all records and have my name removed from all accounts and authorities as soon as possible. I will not be liable for such misfeasance of others in office.

In my view, it is incumbent on us as Board Members to establish a budget that correctly conveys the purposes and policies for which monies are collected, reserved, and spent; and to assure open discussion, communication, and transparency with an annual audit. It is the audit which should be presented at the Annual Meeting, not any action or ratification on the budget, which is already in effect for a good part of the year by the time of the Annual Meeting.

There was no community discussion nor explanation of the existing budget or an audit, but we as a Board have the legal authority to make changes, and the obligation to inform the community when we do, with the reasons for our actions. To do otherwise is to treat members as ignorant, unconcerned, and irrelevant to the process. Keeping them in the dark is not transparent, honest, or responsible. There is no rational reason when we have abundant means of communication and the authority as well to act.

Incidentally, the budget that was presented appears deficient in a number of respects for not adequately communicating the status of finances and assets. For instance, what properties are owned and what is their value? What is our actual equity as an Association? What capital plans have we made or should we make? What contingencies should we consider? Do we have any long-term debts or obligations, and if not, then let's say so. I am attaching a suggested outline to accomplish this.

So, best wishes and adieu. Good luck. I shall return all records and ask to have my name removed from all accounts.