Hawthorn of Aurora – October 5, 2026

Introduction

Historical Perspective vs Current Situation

Operating Expenses: 2023-2025

Reserve Fund Status
- Contributions
- Spending
- Balance
- Summary

Recommendation

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Introduction

Residents

Board Members

- Mark Atwood – President
  - Resident since 1992
  - Past HOA President 2005-2019
- Cathy Conroy – Treasurer
  - Resident since 2002
  - Past HOA Secretary/ Treasurer 2005-2019
- Kiran Bhat Kashi – Vice President
  - Resident since 2024
  - HOA Board Member 2024-Present
- Amy Mulligan - Secretary
  - Resident since 2010
  - HOA Board Member 2026-Present

Hawthorn of Aurora –
Historical Perspective vs. Current Situation

Historically, we have had

- Relatively new assets, requiring minimal funds for replacement/ major maintenance
- Growing number of homes, generating incremental income every year
- Low inflation rates

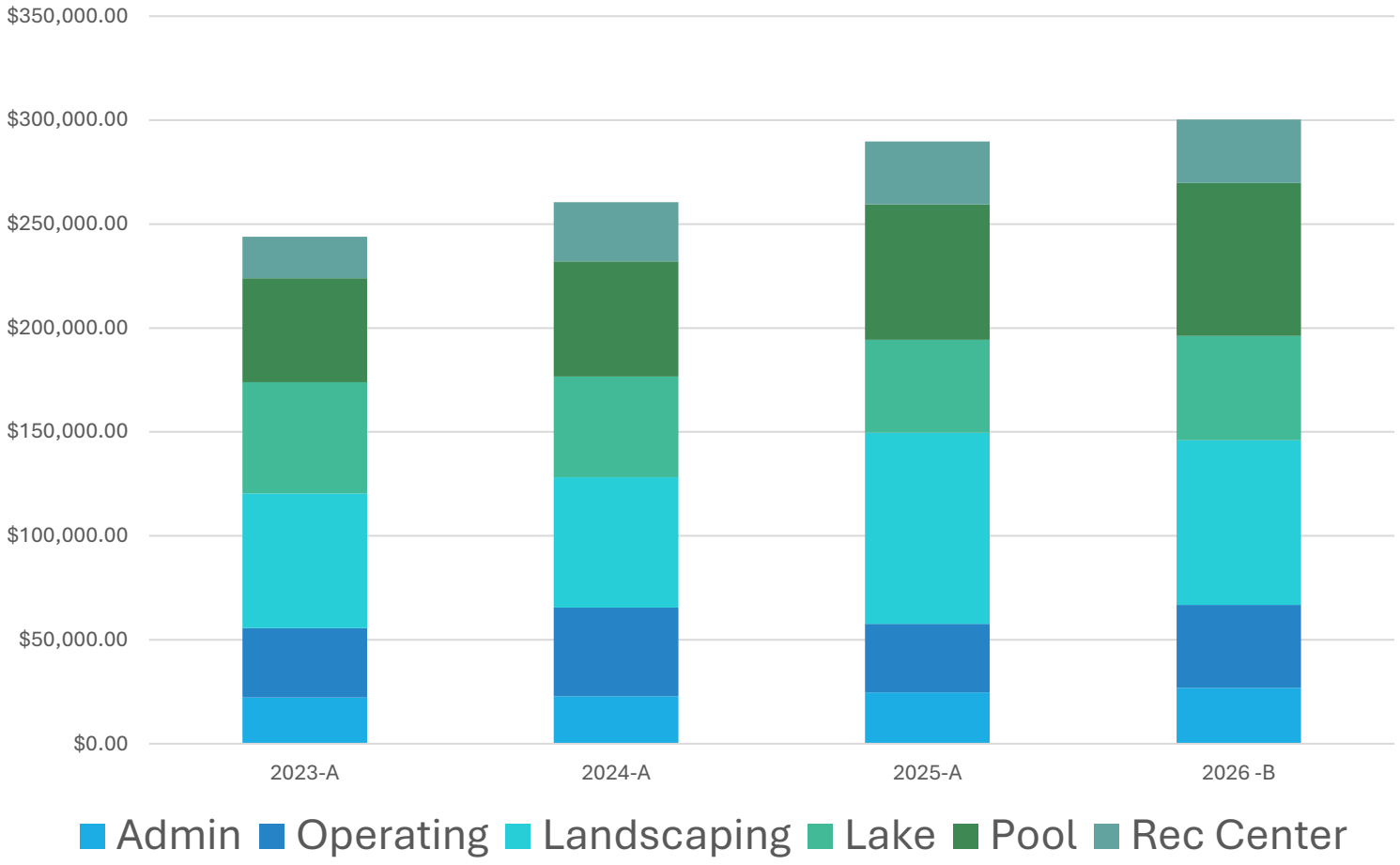
Current situation is significantly different on all three fronts:

- Aging assets, all 20-25yrs+
- Neighborhood growth has slowed substantially
- Significantly higher inflation

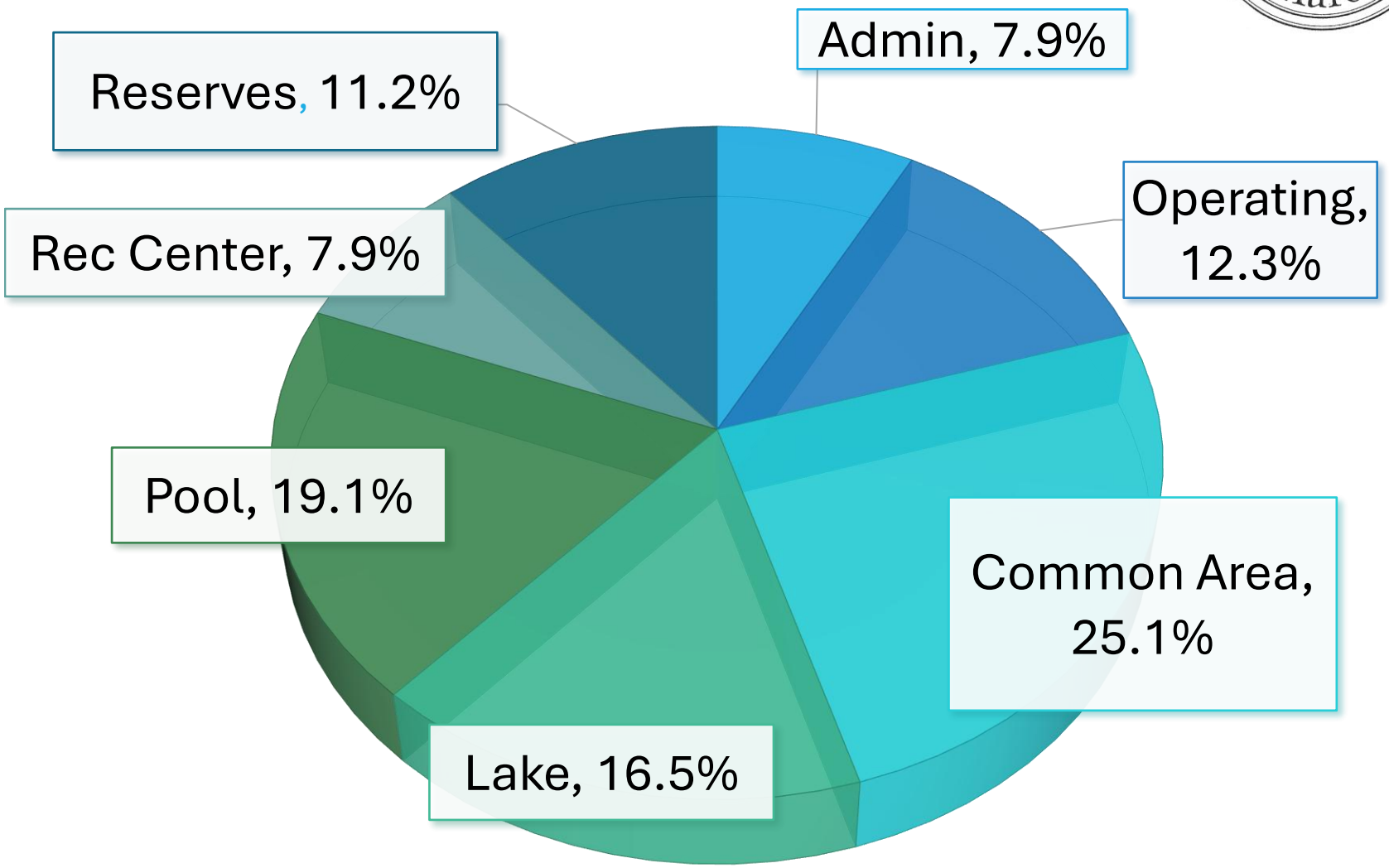
Resulting in:

- Increased annual operating expenses – Currently ~95% of Revenue
- Decreased annual contribution to reserve funds
- Increased reserve fund requirements

Expense Breakdown by Year
2023-2025 Actual and 2026 Budget



Operating Expenses by Category
2023-2025



What are Reserves and Why We Need them

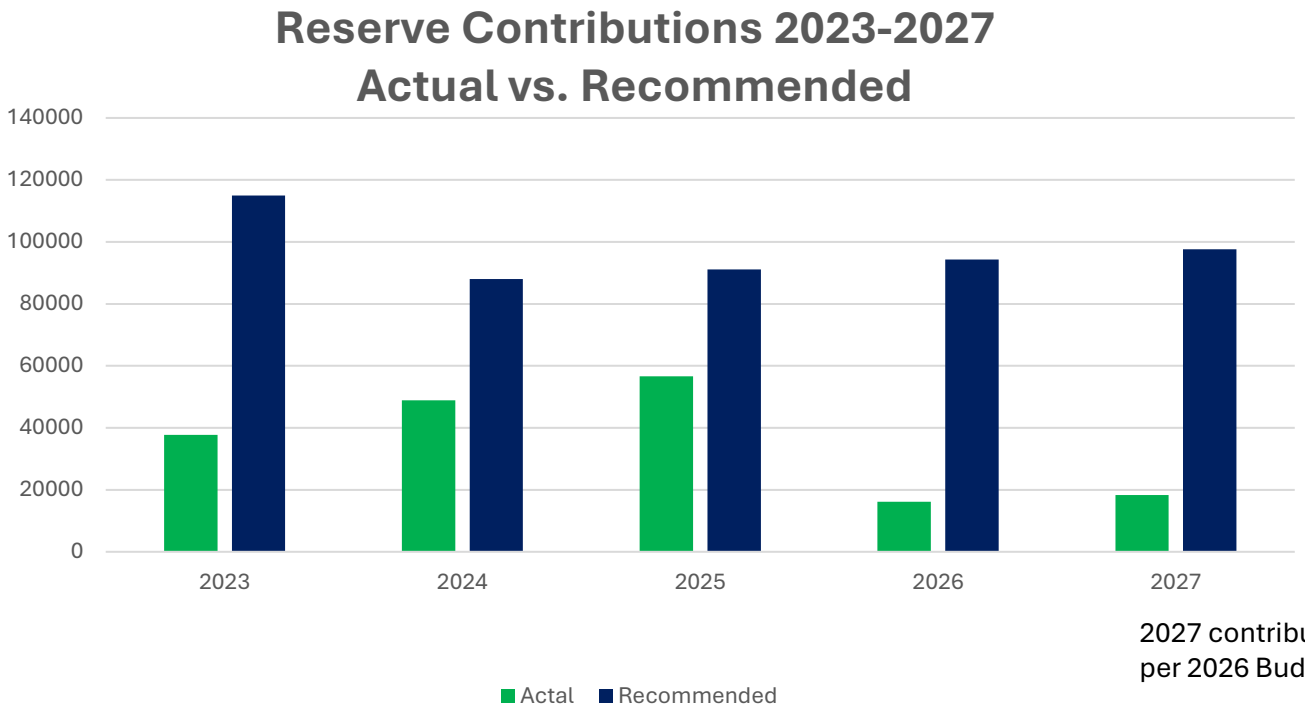
- Routine (5 year) Reserve Studies
- Reserves are NOT extra money
- Capital expenditures are predictable
- Adequate reserves protect property values
- Goals
  - To avoid financial emergencies
  - Allow for proactive and timely decisions
  - Avoid increased costs due to delayed maintenance
  - Avoid Assessments

Status of Reserves

- Contributions
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Reserve Contributions

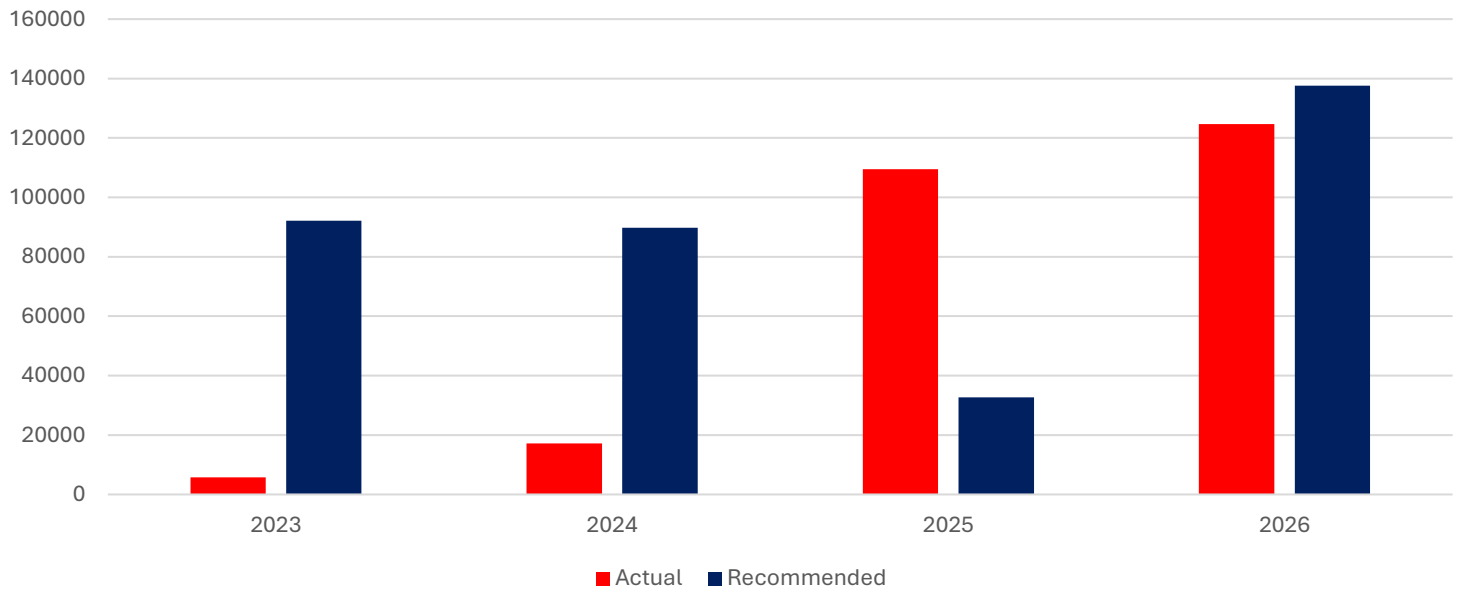
- Have historically been comprised of “net income” from previous year
- Historical contributions have been significantly below recommended amounts, based on reserve study recommendations
- As costs have increased, due to inflation, bottom line contributions have declined, especially in recent years
- The trend is not good.



2027 contribution per 2026 Budget

Actual contribution has been 48% of the recommended contribution

Reserve Spending 2023-2026
Actual vs. Recommended



Actual spending has been 73% of the recommended spending

Actual Reserve Expenses 2023-2026 ($ thousands). Total $254K

2023 - $6K
- Rec center equipment - HVAC

2024 - $17K
- Pool furniture down payment

2025 - $106K
- Clubhouse renovations – carpet, paint, furniture
- Pool tiles
- Pool furniture final payment

2026 - $125K
- Clubhouse renovation final payments for 2025 projects
- Rec center equipment- HVAC
- Pool plaster

Outstanding Reserve projects that have not been done and have not been funded ($ thousands) Total $279K:

2023 Recommendations - $91.6K
- Concrete work for parking lot
- Pavillion roof
- Pool deck replacement and repairs
- Pool fence

2024 Recommendations - $79K
- Floating docks

2025 Recommendations
- N/A. Clubhouse furniture and carpeting was done in 2025

2026 Recommendations - $108.6K
- Playground equipment
- Tennis courts
- Pool cover
- Pool mechanical equipment

Upcoming Reserve projects that have not been done and are not funded ($ thousands)
Total : $451.7K

2027 Recommendations - $151.4K
- Additional concrete work for parking lot
- Additional docks replacement/ repair

2028 Recommendations - $98.1K
- Picnic tables
- Fence for tennis courts
- Clubhouse equipment
- Clubhouse roof

2029 Recommendations
- N/ A. Pool finishes; plaster (being done in 2026); Pool tile finishes (done in 2025)

2030 Recommendations - $202.2K
- Additional dock replacement
- Clubhouse tile/ lobby, kitchen, lighting, restrooms
- Pool metal doors

Reserve Fund Balance

- August 31, 2026 Balance was $309K

- September- October spending will include:
  - $8K for furnace replacement at clubhouse
  - $100K for remainder of pool re-plastering project

- Less than $200K projected for year end balance

- Additional possible expenses through year end
  - Clubhouse roof
  - Pavillion roof
  - Pool building damage

- Reserve Study recommends over $300K for year end balance in 2026

Summary - Status of Reserves

- Contributions
  - Actual contributions less than 50% of recommended funding

- Spending
  - Have not done all the recommended projects
  - Actual spending less than 75% of recommended spending, resulting in a backlog of projects 2023-2026

- Balance
  - Estimated to be under funded by at least $100K by year end
  - This is significantly understated, since we have not funded, nor done nearly $300K in reserve projects

Recommendation

- Increase maintenance assessment $290/ year from $660/ year to $950/ year

- Generate incremental $108K/ year, most of which will be ear-marked to be contributed to reserve fund(s)

- Work to manage annual operating budget to contribute $20-$30K to reserve funds each year. If necessary, apply up to 10% increases to continue that level of contribution

- Conduct updated Reserve Study in 2027 and re-assess

Next Steps

- Collect proxies to allow for a quorum (now thru Oct 28)
  - Quorum – need 224 (60% of 373 homes)
  - Votes needed to pass (2/3 of the quorum)

- Hold meeting and conduct vote (October 28)

- Prepare and finalize 2027 Operating and Reserve Budget

Questions


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RESERVE ADVISORS

HAWTHORN of Aurora

Hawthorn of Aurora

Recommended Reserve Funding Table and Graph

Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)	Year	Reserve Contributions ($)	Reserve Balances ($)
2023	115,000	322,993	2033	120,000	271,220	2043	169,200	398,264
2024	88,000	323,444	2034	124,200	377,919	2044	175,100	555,375
2025	91,100	384,305	2035	128,500	436,065	2045	181,200	626,974
2026	94,300	343,532	2036	133,000	520,051	2046	187,500	541,810
2027	97,600	300,102	2037	137,700	558,479	2047	194,100	533,017
2028	101,000	304,969	2038	142,500	660,145	2048	200,900	580,377
2029	104,500	270,943	2039	147,500	384,964	2049	207,900	143,116
2030	108,200	178,933	2040	152,700	313,486	2050	215,200	125,850
2031	112,000	182,289	2041	158,000	223,491	2051	222,700	137,563
2032	115,900	214,174	2042	163,500	363,011	2052	230,500	133,706

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Dues vs Assessments

Dues

- Regular Dues are the fairest way to fund costs
- Predictable for homeowners
- Money is available when needed

Assessments

- Forces decisions based on money available
- Shifts the burden to the future residents
- Creates unpredictable homeowner expenses
- Increases overall costs. Reactive repairs are almost certainly more expensive than proactive maintenance