

THE BEST

4



FINANCIAL

REPORTS FOR

HOAS AND CONDO

COMMUNITIES

Community
 **Financials**

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I HEAR IT

ALL THE TIME,



the board gets a stack of paper reports but doesn't look at them. The reason why? I suspect information overload and not knowing what to look for in each report. It can be overwhelming for a community board member that isn't used to looking at financial reports. So how about if you only needed a handful of reports to look at – it would make it simpler and take less time to get a picture of your association's financial health. So the following is our top 4 financial reports for HOAs and condo communities.

As a board member you have a fiduciary responsibility to exercise due care and diligence when overseeing the community and its funds. The following four reports are vital tools for protection of association assets, control and planning.

1. Aged Delinquency Report

This aged delinquency report/ aged owner balance report shows who is behind in their assessments. Different reports can also break out the delinquency by type of charge owed (assessment, late fees, etc). The board needs to review this at every board meeting to see what action needs to be taken at certain late dates (30, 60 days) like sending a demand letter or turning the account over to a collection attorney or agency. If you get behind in collections it can cause a problem with services at your community and worse you may not be able to collect the entire past due amount depending on your state laws and how long it took you to commence a legal action. Some states only guarantee collection of 9 months past due assessments and it takes a few months for the action to work itself through the courts so if you are owed a year you may only get 9 months – ouch!

Aged Owner Balance								
Sample Community As of: 06/30/2018			Run Date: 08/27/2018 Run Time: 04:57 PM					
Account #	Lot	Name/Address	Unit/Apt #	Current	Over 30	Over 60	Over 90	Total
45	10A	Brooke Berry 45 Magnolia Way		\$4,075.06	\$0.00	\$0.00	\$0.00	\$4,075.06
777	1E	Bobby Brown 777 Magnolia Way		\$1,157.70	\$0.00	\$0.00	\$0.00	\$1,157.70
48	9E	Jennifer Jordan 48 Magnolia Way		\$2,028.43	\$0.00	\$0.00	\$0.00	\$2,028.43
222	2A	John Smith 222 Magnolia Way		\$1,157.70	\$0.00	\$0.00	\$0.00	\$1,157.70
36	9B	Sam Smithers 36 Magnolia Way		\$12.49	\$0.00	\$0.00	\$0.00	\$12.49
Total:				\$8,431.38	\$0.00	\$0.00	\$0.00	\$8,431.38

Over 30 and Over 60 Should
Trigger Different Collection Steps

2. Comparative Income & Expense Report

This is my favorite report to run the association. The Income Statement is meant to inform how the association is **doing** compared to budget. It shows the current period actual expense, budgeted expense and any variance between the two. It also shows the same thing for the year to date. When you see a variance it is a warning flag to ask why and dig deeper. It can also allow you to make up any shortfall quickly so you don't cripple your community's cash flow and vendor payments. For example if you are spending more on snow removal than budgeted due to an extreme winter you can do a special assessment right away to cover the shortfall while it is still cold and owners are more understanding.

Database:	COMMUNITY FINANCIALS		Comparative Income Statement				Page:	1
ENTITY:	225		Income Statement				Date:	2/12/2018
			Community Financials				Time:	09:09 AM
			ABC CONDO ASSOCIATION INC.					
Accrual								
		Current Period			Year-To-Date			
	Actual	Budget		Actual	Budget		Annual	
Thru:	Nov 2017	Nov 2017	Variance	Nov 2017	Nov 2017	Variance	Budget	
Operating Income:								
Common Charge Income	43,140.38	43,139.00	1.38	86,279.59	86,282.03	(2.44)	517,672.03	
Common Charges-Other	175.00	0.00	175.00	200.00	0.00	200.00	0.00	
Parking Income	100.00	0.00	100.00	200.00	0.00	200.00	0.00	
Late Fee Income	125.00	0.00	125.00	200.00	0.00	200.00	0.00	
Legal Fee Income	0.00	0.00	0.00	100.00	0.00	100.00	0.00	
Move In/ Move Out Income	600.00	0.00	600.00	600.00	0.00	600.00	0.00	
Violations	100.00	0.00	100.00	200.00	0.00	200.00	0.00	
Interest	21.47	0.00	21.47	46.92	0.00	46.92	0.00	
Operating Income - Total	44,261.85	43,139.00	1,122.85	87,826.51	86,282.03	1,544.48	517,672.03	
Administrative Expenses								
Management Fee	995.00	995.00	0.00	1,990.00	1,990.00	0.00	11,940.00	
Miscellaneous Expenses	102.00	1,831.00	1,729.00	102.00	3,662.00	3,560.00	21,972.00	
Other Administrative	23.20	0.00	(23.20)	(1,268.08)	0.00	1,268.08	0.00	
Accounting Expense	250.00	250.00	0.00	500.00	500.00	0.00	3,000.00	
Legal Fees	100.00	208.00	108.00	100.00	420.00	320.00	2,500.00	
Total Administrative Expenses:	1,470.20	3,284.00	1,813.80	1,423.92	6,572.00	5,148.08	39,412.00	
Operating Expenses:								
Electricity	9,545.67	11,333.00	1,787.33	19,392.33	22,670.00	3,277.67	136,000.00	
Oil	2,875.00	4,500.00	1,625.00	5,133.49	9,000.00	3,866.51	54,000.00	
Gas	3,064.79	5,000.00	1,935.21	4,398.83	10,000.00	5,601.17	60,000.00	
Water	642.06	700.00	57.94	1,236.22	1,400.00	163.78	8,400.00	
Sewer	753.81	250.00	(503.81)	3,015.25	500.00	(2,515.25)	3,000.00	
Insurance	3,274.52	3,400.00	125.48	6,646.51	6,800.00	153.49	40,800.00	

Look for variances and ask why / dig deeper

3. Balance Sheet

A balance sheet is an important part of the financial package. It tells where the association stands with their asset, liability and reserves at a particular point in time.


There are three key accounts on a balance sheet that Condo & HOA officials should pay special attention to:

1. **Cash in the Operating Checking Account** – shows ability to meet current operating expenses.
2. **Accounts Payable** – shows how much is owed to vendors and service providers.
3. **Capital Reserves** – shows how much is available for major capital repair and replacement projects in the near and distant future.

Sample Community			Run Date: 08/27/2018
BALANCE SHEET			Run Time: 04:56 PM
As of: 06/30/2018			
Assets			
Account #	Account Name	Total	
01010	Cash Checking - Operating	\$487,485.71	
01070	Cash Savings - Reserves	\$149,428.38	
01210	Certificates of Deposit-Reserv	\$300,000.00	
01320	Reserve Assmts. Receiv.	\$1,633.44	
01340	Late Fees Receivable	\$200.00	
01390	Owner Interest Receiv.	\$184.83	
01410	Special Assessment Receivable	\$6,413.11	
	TOTAL ASSETS	\$945,345.47	
Liabilities			
Account #	Account Name	Total	
03310	Prepaid Owner Assessments	\$1,981.51	
	TOTAL LIABILITIES	\$1,981.51	
Equity			
Account #	Account Name	Total	
05011	Reserves - Unallocated	\$4,919.18	
05020	Reserves - Pavement	\$196,965.00	
05030	Reserves - Concrete	\$70,335.00	
05040	Reserves - Retaining Wall	\$127,209.20	
05210	Reserves - Roofs	\$50,000.00	
05510	Prior Year Net Inc./Loss	\$354,360.17	
	TOTAL EQUITY	\$803,788.55	
	TOTAL NET INCOME (LOSS)	\$139,575.41	
	TOTAL LIABILITIES AND EQUITY	\$945,345.47	

4. Bank Reconciliation Report

The Bank Reconciliation report is used to “prove” that the cash assets shown on the association’s books and balance sheet agree with what the bank statement shows. The reconciliation takes into account outstanding checks that have not been processed by the bank as well as deposits of cash that have not been processed by the bank. There should not be any difference it should be \$0 but if there is a difference it is a flag for you to look into something further. This report is a great tool to ensure you are not a victim of embezzlement (for more on this see my Community Embezzlement Case Studies).

Bank Reconciliation					
Sample Community As of: 08/27/2018			Run Date: 08/27/2018 Run Time: 04:56 PM		
Bank: FAKE - FAKE Sample Bank			Account Balance	\$487,485.71	
GL Account: 01010 - Cash Checking - Operating			+ Uncleared Payments	\$0.00	
GL Account Balance			- Uncleared Deposits	\$487,485.71	
Statement Date			Reconciling Balance	\$0.00	
Bank Statement Balance			- Statement Balance	\$0.00	
			Difference	 \$0.00	
Check #	Date	Source / Batch	Reference	Uncleared Deposits	Uncleared Checks
	6/30/2018	GL 1	Beginning Balance Entry	\$487,485.71	\$0.00

Additional Reports to Consider

Bank Statements

Bank statements are another tool to ensure you are not a victim of theft. Plus you can easily see how much money you have in the bank. Bank statements are easier to understand than the balance sheet since we’re all used to looking at them and they show the current amount of money in the bank account(s), recent deposits and withdrawals.

Current Capital Reserve Plan

You don’t need a fancy report but you should have something that shows how much money you have set aside and the anticipated cost for replacements and larger capital projects. This report is far superior than looking at a capital/ reserve bank account which can be deceiving. You may think you have a lot of money saved but if you had a big roofing or paving project it could be wiped out with no funds for other projects.

HARMONY HILL

SCH. A

RESERVE FUNDING PLAN

Year		Beginning Capital Reserve Fund	Additions to reserves from Operating Budget (3% annual incr.)	Special Assmts or loans	Interest on avg. reserve fund balance	Capital outlays (Sch. B)	Ending Capital Reserve Fund
2015	1	\$180,200	\$16,800			\$12,800	\$184,200
2016	2	\$184,100	\$17,300				\$201,400
2017	3	\$201,400	\$17,800				\$219,200
2018	4	\$219,200	\$18,300			\$4,800	\$232,700
2019	5	\$232,700	\$18,900				\$251,600
2020	6	\$251,500	\$19,400			\$11,600	\$259,300
2021	7	\$259,400	\$20,000			\$6,300	\$273,100
2022	8	\$273,100	\$20,600			\$3,300	\$290,400
2023	9	\$290,400	\$21,200				\$311,600
2024	10	\$311,600	\$21,900				\$333,500
2025	11	\$333,400	\$22,500			\$87,200	\$268,700
2026	12	\$268,800	\$23,200			\$76,500	\$215,500
2027	13	\$215,500	\$23,900			\$75,700	\$163,700
2028	14	\$163,600	\$24,600				\$188,200
2029	15	\$188,200	\$25,300			\$4,000	\$209,500
2030	16	\$209,600	\$26,100			\$15,700	\$220,000
2031	17	\$220,000	\$26,900			\$8,500	\$238,400
2032	18	\$238,400	\$27,700			\$7,200	\$258,900
2033	19	\$258,900	\$28,500				\$287,400
2034	20	\$287,400	\$29,400				\$316,800
			\$450,300	\$0	\$0	\$313,600	

Summary

As a volunteer board member you only have so much time to dedicate to operating your community. There are emergencies to deal with, vendors, projects and of course financial and administrative tasks. A large part of your responsibility is your fiduciary responsibility to the community. Overseeing that the community funds are safe and being spent properly is of high importance. To simplify this task we highly recommend you make sure to review our top 4 financial reports for HOAs and condo communities.