

# **Condo and HOA Financials: How to Report, Manage, and Protect Your Association's Money**

An Exclusive Special Report  
from [HOAleader.com](https://HOAleader.com)

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## About HOAleader.com

HOAleader.com's attorney editors and experienced journalists constantly research the latest developments in HOA law affecting homeowner and condominium associations across the U.S. Then we publish plain-English analyses of what those developments mean to you as an HOA leader, and what you need to do now to comply with HOA laws, steer clear of legal trouble, avoid or resolve conflicts within your homeowners association, make HOA management easier, and safeguard your community association's property values and quality of life.

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The screenshot shows the HOAleader.com website. At the top is the logo "HOAleader.com" with the tagline "THE PRACTICAL GUIDE TO HOMEOWNER ASSOCIATION MANAGEMENT". Below the logo is a navigation bar with links: Home | Browse by Topic | Discussion Forum | Research | Search | Member Log-in. The main content area features a large orange sidebar on the left with a "Sign up for the FREE HOAleader Tip of the Week" section, a search bar, and an "INTERACT" section with links to "Free Newsletter", "Discussion Forum", "Follow on Twitter", and "RSS Feed". The main content area has a headline "Practical Advice for Condominium and Homeowners Association Leadership" followed by a list of roles: "If you are ... on your HOA or condo association's board of directors, on a homeowner association committee, a professional community association manager, or an advisor or vendor to community associations". Below this is a paragraph about HOAleader.com's mission and a "Start Your Free 7-Day Trial" button. To the right of the main content is a "FREE WHITEPAPERS" section with a link to "HOA Finances: Best Practices for Getting Your Homeowners Association through Difficult Economic Times" and a "Download now" button. Below that is a "SPONSORED LINKS" section featuring an advertisement for "Is your community reaching its potential?" with a "CONTACT ASSOCIA TODAY" button and the website "www.associaonline.com".

# A Message from the President

Dear HOA Leader,

Imagine our surprise when HOAleader.com offered our [How to Read Your Association's Financial Reports](#) webinar for the first time—and it turned out to be one of our most-attended webinars.

Boring old financial information? Yep. It was a hit.

And the questions during the question-and-answer section of the webinar? They also telegraphed that board members nationwide want and need more information on how to handle the financial side of operating a community association.

This report, [Condo and HOA Financials: How to Report, Manage, and Protect Your Association's Money](#), is another tool to help you more effectively oversee the finances underpinning all of your operations. We've sought the advice of legal and management experts nationwide to compile this comprehensive report on the best practices for handling financial reporting and management at your association.

You're getting critical information, including:

- Why there's such a disconnect among some board members when it comes financial matters
- Major financial reports you should be generating and tips for better understanding them
- The difference between cash and accrual accounting and why one might work better for you than the other
- 7 ways to prevent and spot potential fraud
- How to determine whether you need a bookkeeper, accountant, CPA, or auditor
- Other financial advisors your association might need to consult
- The basics of reserve studies and investment reports
- What financial records your owners are entitled to see, along with the information you still might want to withhold or redact
- Two sample balance sheets, along with a summary of how to read and understand them
- Two sample revenue and expense statements, along with a summary of how to read and understand them
- A sample statement of cash activity
- A sample bank reconciliation report
- A sample general ledger report
- A sample open invoice report
- A sample projected income statement
- A sample delinquency report

With this information, we continue to follow our mission: To offer useful information in our characteristic clear, plain English that's simple for you to apply at your association.

As always, when it comes to issues of legal compliance for HOAs, it is important to remember that each state has its own rules, and you should consult with an attorney or other professional as to the appropriate steps for your specific situation.

Our goal for this report, as for all [HOAleader.com](#) information products, is to help make your association a better run organization and help make you a better leader for your community. I am confident that you will find concrete ideas you can put to work in your condo or homeowners association.

To find more HOA governance tips, [visit HOAleader.com today](#).

Best regards,



**Matt Humphrey**  
President  
Plain-English Media  
Publisher of [HOAleader.com](#)

# Table of Contents

A Message from the President	i
Condos, HOAs, and Financials: Why Is There So Often a Disconnect?	1
The Major Financial Reports Your Condos and HOAs Should Have, and What Each Tells You	3
The Difference Between Cash and Accrual Accounting—and 6 Reasons It Matters	8
7 Ways to Prevent and Spot Potential Condo/HOA Fraud	12
Bookkeeper, Accountant, CPA, or Auditor: Which Is Best for Your Condo/HOA Needs?	17
Condo/HOA Financial Advisors: Which Do You Need and for What?	20
The Basics of Investment and Reserve Reports	25
Condo/HOA Financial Records: What Can Owners and Others See?	27
Sample Balance Sheet and How to Read It	30
Sample Revenue and Expense Statement and How to Understand It	32
Other Sample Reports	36
<b>Appendix 1:</b> Additional Special Reports from HOAleader.com	43
<b>Appendix 2:</b> Webinars Available On Demand from HOAleader.com	46
<b>Appendix 3:</b> Most Popular Articles on HOAleader.com	49

# Condos, HOAs, and Financials: Why Is There So Often a Disconnect?

Our experts say that condo and HOA board members seem to consistently fall into one of two categories: They're either financially savvy or they're financially indifferent. There doesn't seem to be any in between. There appear to be several reasons for that.

## Nobody Reads That Stuff, Right?

"It's a sad fact that people buying a home don't look at the association's financials, though they should, and they're supposed to be given them before they buy," reports Steven J. Weil, Ph.D., president of Royale Management Services in Fort Lauderdale, Fla., which manages 28 condos and HOAs.

"That's also very true for board members," adds Weil. "We do four classes a month for our clients on how to read and use your financial statements—how to dig through them and not just look at them. But the ones who don't understand their financials don't understand that they don't understand, and they don't show up."

[Michael Kim](#), who through his Chicago law firm, Michael C. Kim & Associates, represents about 500 associations, also sees plenty of board members who don't track their financials as they should. "I think it's a combination of the fact that they don't understand them," he surmises, "but there are also probably a fair number of board members who don't even read them."

Don't get us wrong. Our experts see plenty of condo and HOA members who are totally on top of their association's financials. "If you get people on the board who have a financial background, they dive deep," explains [Andrew Schlegel](#), CCAM®, executive vice president of community management for Orange County and Los Angeles at FirstService Residential-California in Aliso Viejo. "And sometimes they take their own experience and try to apply it to the [HOA financials](#), but it's not a perfect match.

"Other folks don't even look at the financials, so it's a mixed bag," he states. "Boards also change, and one board may be heavy into the association's financials, but then new people come on the board, and they don't ask a question for the next two years."

## Why You Need to Try

In Schlegel's experience, it's best when there's a board member or several who devote their attention to the association's financial details. "It's always great to have at least one person on the board who has some financial background or acumen," he says. "It is a corporation, after all.

"I'm biased because my background is in accounting and finance, but at least one-third of management or [governance issues](#) are finance related," he explains. "Those involve questions like: Are we budgeting correctly? Are we collecting enough [assessments](#)? Are we reporting properly and enough? All those things impact the operations of an association."

Kim personally has been that eagle-eyed board member. “When I was on my own association board and I was treasurer for a while, I’d make it sure I’d always review the financials because maybe one other board member would read them—but most wouldn’t,” he recalls. “You can’t really call board members out on that, and even if you do, they’ll just say they’ll do better. What are you going to do?”

How did Kim know what to look for? “Years and years ago, when I was a younger attorney, I’d deal with corporate-type matters,” he explains. “So I took a course offered at a law school that was essentially accounting for lawyers to get a feel for what I should be aware of.

“As lawyers, we don’t look to replace or second-guess accountants, but we should have an idea of what they’re talking about,” insists Kim. “And when I got involved in my own association, obviously it was my money, so I’d look at the statements and question what didn’t make sense to me.”

That simple look-see by someone with only basic financial training can make a difference. “There was one case—and this happens on a rare occasion—where we were paying a bill to somebody we had no familiarity with,” notes Kim. “It turns out the [management company](#) had mistakenly used our funds to pay a vendor for another association. They acknowledged the mistake, and it wasn’t as though they were trying to rip us off. But it doesn’t hurt to have somebody look at the statements.”

## **You Might Be a Hero**

Some board members also believe that others are more responsible for overseeing the association’s finances. That’s not a safe assumption.

“Just because you’re not the treasurer doesn’t mean you’re not responsible,” says Weil. “[Every board member has responsibility](#) to review the financial statements and ask questions about things that look out of place to them.”

Boards that don’t do that may face a bigger challenge as a result. “We recently concluded a case involving a situation in which board members apparently weren’t careful in reviewing financials or didn’t question them,” explains Kim. “That led to a significant loss to the association through a sort of [embezzlement situation](#). We ended up in a fight with the management company over who was responsible.”

## **Don’t Be Shy; Ask Away**

OK, we’ve convinced you to spend more time reviewing your financial statements each month. But you’re a little intimidated, you say? Don’t be afraid to ask for help. [Brad van Rooyen](#), founder and senior member of Tampa, Fla.-based HomeRiver Group and its national specialist for community association management and the president of Home Encounter, says making it all understandable is a vital part of his job.

“In my experience, either you get people on boards who have a financial background and understand association financials, or they have no financial background and get thoroughly confused by the reports,” he explains. “I as a manager need to recognize the level of sophistication of each board member and give them a summary of the financial statements or explain them in lay terms. I’ve also learned that you can’t assume that because someone has a finance degree, they can read an association financial statement or balance sheet.”



# The Major Financial Reports Your Condos and HOAs Should Have, and What Each Tells You

This is exciting! You're ready to dig in so that you can truly understand your association's finances. We're at your service!

Here's a summary of the types of reports you should be having compiled for board members, along with tips how to read them and what to look for when you're reviewing them.

## As the Kids Say, Your Mileage May Vary

The first thing to remember about financial reports is that they'll probably look different across the country. "I could have a financial report for one association that's 50 pages long and another at my larger associations that could be 175 pages long," explains [Barbara Holland, CPM](#), regional manager for FirstService Residential in Las Vegas.

Another point to remember is that entire books have been written on financial statements, so this article is intended to give you some grounding and food for thought to help you create reports that work at your association. You may decide not to follow some of our experts' suggestions, or you may add details they haven't suggested. Let's jump in, shall we?

## Begin with the Balance Sheet

This report tells you the health of your association, says [Brad van Rooyen](#), founder and senior member of Tampa, Fla.-based HomeRiver Group and its national specialist for community association management and the president of Home Encounter. "In its simplest terms, it shows how much money your association has, how much money is owed to your association, and how much your association owes others."

[Andrew Schlegel](#), CCAM®, executive vice president of community management for Orange County and Los Angeles at FirstService Residential-California in Aliso Viejo, summarizes this report similarly: "It has the assets, liabilities, and the members' equity or the fund balances," he says. "It's what you own and what you owe, and the difference is what you're worth, or your members' equity."

"Your association's key asset is typically cash, so you need to know how much cash you have," he notes. "That's important because if there's any kind of malfeasance going on or there's anything wrong, you need enough cash to operate. Cash levels are critical in my mind."

"You should [always have actual bank statements](#) and a bank reconciliation that ties to those actual cash balances," adds Schlegel. "If there's monkey business, the way you find it is by looking at those statements."



Be sure to not only check your current figures but also how they've changed, advises Steven J. Weil, Ph.D., president of Royale Management Services in Fort Lauderdale, Fla., which manages 28 condos and HOAs. "With the balance sheet, you want to see where you are but also whether things changed from the last month," he says.

"Then you need the backup," he adds. "You need a detailed general ledger that lists all the accounts and all the transactions that went through the accounts so you can drill down and see things like: What was that \$9,000 [maintenance expense](#) for?"

Holland agrees the balance sheet should be your first stop each month, and she offers these tips for its compilation and for you in reviewing it:

- **If it seems foreign at first, that's OK.** "It's confusing for a lot of people," she admits. "The first section typically lists the association's actual cash assets. You should be able to see how much money at the end of the month is in your operating account and how much is in your [reserve account](#). You may also have a certificate of deposit that doesn't change until its maturity date, and maybe you have money market accounts; those are all updated typically on a quarterly basis.
- **Your balance sheet should include a contingency account.** "That's something I recommend that all my clients have," says Holland. "Many state laws are specific about how you can use your reserve account. In Nevada, you can't use the reserve account to fund something that's brand-new. So if we want to add cameras, that's not coming from the reserve account; it's got to come from the operating or contingency account.

"The contingency can also cover things like [unexpected lawsuits](#)," she adds. "The marketplace will eventually change again—we'll have a downturn again. When it does, there will be higher [delinquencies](#), and you'll have that fund to help you cover them."

- **Another important segment of the balance sheet is the receivables.** "We're talking about money owed to the association at the end of the month," explains Holland. "This will show homeowner receivables, and that will include [assessments](#) and [fines](#). If I want to see the actual detail for each account, I can scroll down and see that one particular homeowner's account shows \$2,710 owed at the end of the month."

Weil agrees and adds that your report should also "age" the receivables. "You need an accounts receivable aging report so you know who hasn't paid you, how much they owe, and how long they've owed it," he explains. "This allows you to spot people who haven't paid before it becomes a major problem. You need to take action when you're owed \$300; if you wait until the amount is \$5,000, you're never going to be able to collect that amount."

Failing to age your receivables can interfere with your ability to meet your association's obligations, explains [Michael Kim](#), who through his Chicago law firm, Michael C. Kim & Associates, represents about 500 associations. "Most associations have basically a 60-day time frame," he says. "If you're behind on one month's assessment, they're not going to send you to the attorney for collection. But if you're 60 days or more behind and don't have a good explanation or

haven't worked to [create a payment arrangement](#), they'll generally send you for collection.

"The statement will total not just how much one person is behind but how much everybody in the whole association is behind," adds Kim. "Your association may have obligations to outsiders, such as a loan from a bank; most lenders who give money to associations will have a covenant in the lending document requiring that delinquencies don't exceed a certain amount, say 10 percent of the total.

"You need to be cognizant of that, and your bank will likely ask for periodic reports," reports Kim. "If the bank sees that delinquencies are over that amount, it'll get nervous. They'll look at gross dollars delinquent and total owners delinquent. If they see a trend in either, that could cause a problem with the loan covenant. The bank might not call in the loan, but it might put you on a default interest rate, which is typically higher than your original interest rate."

All of these points relate to another of Holland's suggestions: Receivables should also include an allowance for what she calls doubtful accounts. "This is for people who are delinquent, and it estimates how much of the money owed that you think the association will never see," she states.

"Let's say a homeowner owes \$8,000 in fines at the end of the year," explains Holland. "We know in the state of Nevada that if the property is foreclosed on by the bank, we're not going to get any fines unless it's what we call a health-and-safety fine, which has a priority on it. And even if that home is sold in a traditional sale, there's still a chance we won't see the entire amount of fines being reimbursed. So on that entry, we might estimate that we'll have \$4,710 we'll never collect."

## **Next up: The Income Statement**

Your income statement will show your income and expenses for the, and it'll typically have a column with actual amounts versus the budgeted amounts with a variance, reports van Rooyen. "There's also usually a column for year-to-date actual versus year-to-date budget with a variance, and there'll usually be a final column with the annual budgeted amount.

"It'll break it down with a general ledger," adds van Rooyen. "Your income will list all the sources you get your income from—such as your assessments, your laundry facility, your income from fines, your [application fee income](#)—and what was collected in that period. That's normally run on a monthly basis, and it shows what you actually did versus what you budgeted.

"It does the same thing for expenses, breaking them down by category—such as [insurance](#), maintenance, or [landscaping](#), and that'll vary by association as well," states van Rooyen. "All this shows you what you spent for each of those general ledger accounts compared to what you budgeted for the period."

Kim thinks your balance sheet is a good start when it comes to reviewing your financials, but he thinks the income statement might be more important. "Your balance sheet is fine, but in terms of actual, everyday importance, you need your income statement,"

he says. "It tracks what you're paying out and what you're getting in. And what you're getting in ties to your delinquencies, so it shows homeowners who are falling behind and by how much."

"You need to know your income and expenses compared to the budget," he explains. "If you're familiar with how the association incurs expenses, you can identify them and see if something needs to be dealt with, such as an expense that seems to be much higher than anticipated."

Holland agrees on the importance of the income statement. "To me, this is more important in many ways than the balance sheet," she notes. "You'll see figures reported in two ways, one for the month and another for the dollar variance or the percent difference in the variance from the budgeted amount. In other words, we were supposed to get \$12,000, and we got only \$11,000."

"Most will also show you year-to-date numbers," she adds. "For example, February's report will show that you were supposed to collect \$15,000 in January and February, and it'll show you how much you've collected for the year to date."

You can add as many accounts here as you like, but Holland says that can throw you into the weeds and may not be helpful. "Sometimes breaking it down too much doesn't make sense, and some boards break it down too much," she says. "For instance, you want to know things like the actual landscaping expense and maybe include categories for supplies and tree trimming."

"The purpose is for the board to look at a financial report and have a fairly good idea as to how they're spending the money as opposed to one general ledger account that says 'landscaping,'" she says. "But then you can have categories like vandalism, gate maintenance, animal waste removal—you could add whatever you want. Each shows you the same thing: What was budgeted and the dollar and percent variance."

How your bookkeeper or manager enters income and expenses can also affect the statement, which is something you need to keep in mind as you review statements. "Take utilities," says Holland. "Sewer and rubbish bills here in Nevada are quarterly. I can either enter the budgeted amount quarterly or amortize it over a 12-month time. If it's January and you show that you spent \$300 for the quarter, your budget will show you're over by \$200."

"One more thing: A different version of the income expense statement that's extremely important is the 12-month view, which allows you to see trends," says Holland. "If you're in July on a 12-month report, you'll see what happens for the first seven months of the year, and it'll show you the specific budget for July and for the year."

"Here in Nevada, we're concerned about water use and leaks," she notes. "By having a 12-month spreadsheet, I can follow the [water expenses](#) and see what we've actually paid. Another example is that for many associations I manage that have vehicle gates, it's very helpful for them to track how much they're paying to repair those gates because of vandalism for the year."

## More Docs to Review

What else should you review? Our experts suggest the following:

**Your check register**—Often your check register is embedded within your income statement, but if it's not, all our experts suggest you have this report compiled and look at it.

"I tend to look at the check register or the general ledger because I want to see who's getting the checks," says Kim. "My own association is relatively small, only 49 units, and usually it's not a problem just glancing at it. There are maybe 20-30 checks each month not counting the ordinary mandatory checks to pay employees.

"But you want to see who's getting paid how much, and you're checking whether those seem consistent with our expectation that you're paying a certain vender a certain amount of money," he explains. "My practice is you take at least a meaningful glance at that report just to see if something pops up at you."

**Your actual bank statements**—"Most of the financial reports will also include the bank statements and reconciliation," says Holland. "The treasurer typically goes through this and shows whether the checks cleared, but the president should, too. That's going to give them a very good picture of the finances. The bank statements also become important against these other reports when we're talking about something not looking right."

Schlegel agrees. "We've taken over the management of some associations, and their balance sheets will say they have this much cash," he states. "But we've said: Where is it? It's not on the actual statement.

"If someone were going to try to commit fraud, one of the classic ways to do that is to alter the bank statements, where you put in 'deposits in transit' or transfers that aren't really there," explains Schlegel. "The person committing the fraud will say, 'The deposit just hasn't hit the statement yet.' But a good auditor would look two days later and again ask: 'Where is the deposit? It was supposed to hit.' A person who's skilled at reading these statements will know it's a sign that something's up if they see those transfers from month to month."

You might feel like you're swimming in detail here. But van Rooyen simplifies it all for you: "If you're looking at your balance sheet, income statement, and your aged receivables consistently on a monthly basis and you understand what they're saying, you'll be able to make sound financial decisions for your association."

# The Difference Between Cash and Accrual Accounting—and 6 Reasons It Matters

There are two primary ways to account for your association's financials: The cash method and the accrual method.

Generally, our experts suggest associations use the accrual method, but you don't have to if you believe the cash method works best for your situation. Here's how each work and the advantages one might have over the other.

## The Difference is Simple (Somewhat)

"If you account for your financials on a cash accounting basis, you're essentially recognizing events—such as income or expenditures—based on when the transaction has actually occurred," explains [Michael Kim](#), who through his Chicago law firm, Michael C. Kim & Associates, represents about 500 associations.

"You spend the money to pay a debt or you receive money from someone who owes you money," he adds. "If someone owes you money and pays you, the reality is that you have the money in hand. Similarly, if you owe somebody money and pay them, that expenditure is real, meaning you've paid that."

"Accrual accounting recognizes that you've incurred an expense, but you haven't necessarily paid the bill," states Kim. "Let's say you have a periodic bill due in March, but you don't pay it. The accrual system will still recognize that as a liability because you incurred that as an expense. Under the cash system, that liability isn't recognized that month because you didn't pay anything."

"On the other hand, if someone is supposed to pay you money and didn't, even though you're supposed to get the money, that becomes an account receivable under the accrual method," notes Kim, who says he defers to accountants on which system his clients should use. "You don't have the money, but the amount is due to you."

Here's another way of looking at it. "Under a cash system, you count money in and money out," says Steven J. Weil, Ph.D., president of Royale Management Services in Fort Lauderdale, Fla., which manages 28 condos and HOAs. "If you don't receive money, you don't count it. It's like reconciling your bank account."

"The accrual basis takes into account all the expenses each month whether those expense are actually paid or not," he continues. "We may post an invoice on the books this month for ABC Electrician, and the electrician may not get paid until next month. But the expense is recorded this month. At the same time, if an association is supposed to get a \$350 payment from a unit owner, we post the income. If the homeowner doesn't pay it, it'll show up as a past-due account."

## Six Pros and Cons

Why use one system or the other? Here are a six pros and cons often mentioned for each:

**1. A law may require it.** "You see accrual often because of state laws or because Uncle Sam wants the tax return to be done in that manner," contends [Barbara Holland, CPM](#), regional manager for FirstService Residential in Las Vegas. "As far as our state's concerned, the official report has to be on an accrual basis."

**2. Cash is often considered easier to understand.** "In my experience, the average board member understands a cash accounting system better than an accrual system," says Holland. "Let's say \$12,000 came in, and I spent \$12,000 in expenses.

"But breaking it down, you see that your insurance policy came due, and you made the entire annual \$12,000 payment," she explains. "In a cash system, on January when you pay that, you'll see under insurance \$12,000. In an accrual system, it'll show you an expense of \$1,000 because it amortizes the payment over the year. As you go through each month, it'll show that expense of \$1,000. In accrual, the money is transferred to whatever period of time it applies.

"This is where it's difficult for a lay person to follow these funds on an accrual basis," says Holland. "I wish many state laws would allow us to also produce a cash management report as far as showing the income and expenses so that people could more easily realize that, come January, they'll need \$12,000 for their insurance premium. But somebody who just joined the board might look at an accrual statement and think, 'Gee, come January, we need to spend only \$1,000 on insurance.' No, you'd better have \$12,000."

Homeowners could be similarly confused by the accrual method. "If homeowners look at the check register and the income statement, they'll not necessarily see that same dollar that shows up on the check register on the financial report because of how money is moved around in an accrual method," asserts Holland. "Maybe we paid X in March for water, but that was for February's bill. The accrual system makes it harder to explain to homeowners that nobody's playing games."

**3. The cash method could be misleading.** "We took over the management of a HOA, and the one thing the board was very proud of was that it was right on budget—every dollar they collected, they'd spent, and they hadn't spent more than they'd budgeted," recalls Weil. "But they were on a cash accounting basis. They spent only what they had.

"Their accounting system didn't include the \$45,000 worth of bills that were as much as eight months old and were sitting in the manager's drawer because the association didn't have the money to pay them," he adds. "We sometimes find there are lot of unpaid bills and vendors are calling for money with a cash accounting system.

"And the board often has no idea because on a cash basis, you count only the money you receive and actually pay out," notes Weil. "You don't count the things you owe and



the money you're supposed to collect but haven't. This board didn't even know who was behind on their assessments."

Kim agrees the snapshot nature of cash accounting can be a drawback. "Most of my clients essentially operate on a cash basis," he says. "But to get an accurate picture, even if you didn't spend the money to pay a bill, it's still a liability."

"Let's assume you wrap up 2017 owing a vendor \$10,000 and didn't pay it," says Kim. "That's still a liability of the corporation, and that has to be acknowledged or recognized in the financials. Otherwise you're kidding yourself."

"It's similar to people who are supposed to pay you," he notes. "You'll have assessments receivable, which is again a recognition of the fact that someone owes you money. But to get a true financial picture, you also need to know the liabilities that you legitimately owe."

**4. The accrual method could be misleading, too.** "We pretty much let boards decide which approach they prefer," notes [Andrew Schlegel](#), CCAM®, executive vice president of community management for Orange County and Los Angeles at FirstService Residential-California in Aliso Viejo.

"A lot depends on the size and complexity of the organization," he states. "We have some clients who have more than \$10 million a year in revenue and expenses, and sometimes there's a lot of deferred billings where an accrual system can be more valuable. We have other clients that are smaller, and cash can work fine for them."

"In fact, sometimes cash is better because it really shows you exactly what came in versus what went out," he opines. "In accrual, your assessment revenue number will always be what was billed, but it doesn't mean you're collecting it all. So accrual can be misleading, and it might overstate revenues because of uncollected assessments."

Schlegel is also quick to agree with what our other experts said above: Cash can be confusing, too. "On the flip side, cash can be misleading because it might understate expenses because if you didn't get a bill on time or didn't have the money to pay it; then it's not showing up on the report—but it's still owed," he admits. "It's a liability not being reflected."

**5. The accrual method is considered by some to be more accurate.** "We always do accounting based on an accrual basis," reports [Brad van Rooyen](#), founder and senior member of Tampa, Fla.-based HomeRiver Group and its national specialist for community association management and the president of Home Encounter.

"That's how in the industry it's typically been done, and it gives you a better picture of how you're performing," he adds. "Your revenue will be recorded when it's earned, and expenses will be recorded when they're consumed. You record all fees you're entitled to collect whether you collected them or not. But under expenses, you recognize only the actual expense you use that month."



**6. Accrual may be easier when it comes to meeting other requirements.** “In California, associations have to disclose the financials to members every year, and the financials must be at least be reviewed by a CPA annually—and those statements will be on a full accrual basis even if the association uses a cash accounting method,” says Schlegel.

Van Rooyen chooses accrual to avoid his clients incurring extra cost for a similar reason. “We stick to one system, the accrual, when it comes time to prepare year-end statements,” he says. “When that information goes to the CPA for audits or reviews, they’ll want to see it that way. So in an effort to keep associations’ expense down, so we’re not recreating financial documentation later in the year, we do it on an accrual basis.”

Can’t decide? Perhaps you can adopt some of each system. “Our systems are set up so we can do both types of accounting,” Schlegel states. “Our financials also have elements of both. Even if we do accounting for an association on a cash basis, the supporting detail for receivables and other things are still there. On the other side, if we use an accrual basis and boards want to know how much cash is collected, that’s also there in a different report, but further back in the set of reports.”

# 7 Ways to Prevent and Spot Potential Condo/HOA Fraud

"Just do an internet search for 'association fraud,' and it'll pull up page after page of horror stories," laments [Brad van Rooyen](#), founder and senior member of Tampa, Fla.-based HomeRiver Group and its national specialist for community association management and the president of Home Encounter. "It does happen. I've read horror stories where associations have lost everything."

Unfortunately, he's right, though fraud isn't something van Rooyen has personally experienced in an HOA or condo his company was managing.

"If you've got good accounting practices in place, you shouldn't experience it," he contends. "Where you tend to see it in an association is where it's self managed and where there's very little oversight over the financial practices. It's usually where someone has exclusive access to the bank statement or the checkbook, and there's nobody else looking on."

## Does Hiring a Manager Avoid Fraud?

Van Rooyen personally believes that fraud is rare at [professionally managed community associations](#). "When you read the news reports, you don't often see management companies involved," he asserts. "It doesn't mean it doesn't happen—there are [bad actors in management companies](#), as well—but it doesn't happen as often with management companies involved."

What van Rooyen has experienced is associations seeking out his company because the board knew something wasn't quite right. "I've had new clients who came to me because they knew their self-management enabled financial losses," he says. "They came to us because the treasurer was paying vendors whom the board wasn't necessarily in favor of hiring—whether that was a relative or a friend—and they wanted to remove that from being an issue moving forward."

"In another case, there was as a simple accounting error by a volunteer treasurer that resulted in the association underestimating the amount of money it needed to operate," adds van Rooyen. "That resulted in the imposition of a [large assessment](#)."

In that situation, the board chose to believe the treasurer that it was an inadvertent error; van Rooyen isn't so sure. "The treasurer wasn't providing financials monthly to the board, so it was discovered about six months after the fact," he explains. "The treasurer had created an autodraft for his personal utility bill, and he said he didn't notice the funds weren't coming out of his own account. I'm still of the mindset that how do you miss a couple-hundred-dollar-a-month bill not coming out of your account, and why did it take months to catch it? He paid it back in a couple of installments to the association. Even so, this could have been avoided."

"I'm not saying that a management company wouldn't have that same problem," admits van Rooyen. "But when you're dealing with homeowners and they do financial management themselves, when there's a problem, they start to point the finger. Then they say, 'Time out! We're going to have someone else do it so that if there's fault, it lies with the management company.' For that reason, management companies should be bonded and insured so the association is made whole if there's a problem."

## Why It Happens

There are some common reasons fraud occurs, reports [Michael Kim](#), who through his Chicago law firm, Michael C. Kim & Associates, represents about 500 associations.

In some cases, it's simply someone thinking that taking small bits of money from time to time won't harm anybody. "In one situation, a person in the accounting department of a former law firm who'd been there for 20-30 years saw nothing wrong with her taking a little bit of money here and there," says Kim. "But it added up to quite a bit of money that was stolen."

Kim has also seen addictions cause otherwise honorable people to steal. "I've been in situations where, frankly, it was shocking to me who perpetrated the fraud," he recalls. "Years ago, I knew a manager for many, many years and had absolutely no question about his integrity; I never had any suspicion he'd do anything wrong."

"It turned out he'd embezzled hundreds of thousands of dollars from his association clients," Kim says. "He had a gambling addiction, which is no different from a drug addiction. He got himself in a bad situation, and that certainly impaired his judgment. When people are addicted, they're not the same person they were before the addiction."

## 7 Ways to Deter and Spot Fraud

Whether you're professionally managed or self-managed, you need to create checks and balances to prevent theft. You also need to be able to scan your financial statements for anomalies that should make you wonder what's up and then investigate further. Here are seven steps to take to reduce your risk of loss.

### 1. Create a system with strong internal controls and many people involved.

"Most people will tell you that you really need to look at your internal controls," says Kim. "You put a system in place so that people aren't put in a position where they're tempted to steal."

"Of course, if you have a five-unit association, it's harder to set up internal controls," he admits. "You still can, but it's more likely that the treasurer will be the person receiving and depositing the checks and writing checks."

"Even then, when I was on my condo board, I looked at the check register regularly because I wanted to see where the checks were going," says Kim. "The controls don't have to be elaborate. It could start with being sure to look at your actual bank statement instead of a summary of your accounts because one way people commit fraud is by falsifying documents."

[Andrew Schlegel](#), CCAM®, executive vice president of community management for Orange County and Los Angeles at FirstService Residential-California in Aliso Viejo, agrees that you should involve many people in your financial processes. "If your association is small or self-managed, what's key there is that more than one member of the board has to be looking at the financials," he insists. "If you leave all the financials just for the treasurer to handle, you're beholden to whatever they come up with."

"Sometimes, self-managed associations hire an outside bookkeeper to do the financials, but then you have to look out for collusion between the bookkeeper and the treasurer," he adds. "Similarly, if your association is self managed and you've hired a general manager to run the building, and that GM reports to the board, be careful that it's not just one board member who has that relationship overseeing the GM; it's better to mix it up now and then."

"If people are colluding to defraud the association, it's important to have another set of eyes looking at what's happening," says Schlegel. "Getting a review or audit every year by a CPA is a good check, but it's more helpful for another person on the board to question things from time to time."

**2. The same rule holds true with managers: Don't let a manager be your sole financial actor.** "You should never let your management company be a signer on the checks," insists Steven J. Weil, Ph.D., president of Royale Management Services in Fort Lauderdale, Fla., which manages 28 condos and HOAs. "Your manager should help you choose vendors, supervise their work, make sure it's done, and sign off on invoices before they get paid."

"But somebody not involved in that cycle, typically board members, need to sign the checks," he continues. "And there should always be two signers. When you sign any check, look at the invoice it's paying, and ask who this company or person is and why you're paying them."

Schlegel agrees that you shouldn't assume your manager doesn't need scrutiny. "If you see a strange vendor you don't recognize, that's cause for alarm," he says. "Who is it? Who contracted with them? And what do we get for the money? We've taken over plenty of HOAs where an unscrupulous manager has colluded with a vendor who's submitting a bill for work that wasn't done. But it looks like a valid bill and expense."

"That's the typical way a dirty manager would try to commit fraud—it's actually having an invoice," he notes. "It could be a phony invoice, too; that's where a manager makes up an invoice for ABC Landscaping, runs it through the system, and it gets paid. But maybe ABC Landscaping is the manager's sister's company or a made-up entity."

"A key control we have to prevent that is that every single one of our vendors has to be registered and qualified in our system," explains Schlegel. "We have to get W-9s from them and proof of their insurance so we know it's a valid vendor and it's a real business that's doing work for the association. That way, even if a manager was trying to do something improper, we'd be much more likely to catch it before it could get out the door."

**3. Look closely at your check register for things that don't seem right.** "You need to see your actual check register," insists [Barbara Holland, CPM](#), regional manager for FirstService Residential in Las Vegas. "For many companies, you actually get copies of the bills or you have access to see the bills through a computer system.

"So when you read the check register, you might see a check for Barbara Holland for \$3,000," she explains. "Maybe this is the first time you've seen a check to Barbara Holland. On the other hand, maybe she's an owner who had a plumbing company come in and do work that included work on the [common areas](#).

"That review allows you to see that check and say, 'This doesn't look right; I've never seen that name before,'" she notes. "Or you might say, 'It looks like we're missing a utility account.' You know you get seven bills even month, but you see only six; what happened to the seventh? Or 'We don't normally spend that amount of money on water; that looks unusual.' That could be a sign of fraud; or when you compare the water bill to the 12-month expense sheet, you may find that your next call may be to the management company saying, 'We have a water leak somewhere.'"

**4. Review your receivables.** "Ask: 'Are we actually receiving money, and if not what are we going to do about it?'" recommends Weil. "I took over an association several years ago where the president received cash for assessments but never recorded the payments.

"You need to record all payments made to the association, and you need to have a rule that you'll take no cash—payment must be made in a way that's trackable," advises Weil. "The best answer to that is to sign up for a bank account that has a lockbox and ask that all payments be placed in the lockbox. That way the payments go to the bank, the bank posts them to the account, and there's never a question like: 'Did you get the check? I left it in Sally's mailbox' or something like that. At least in our area, banks have an obligation under the law to post deposits by 2 p.m. the next day."

**5. Regularly check your delinquent accounts.** "Over the years, I've had the real estate division ask me to review another company's financials," says Holland. "They felt there was misuse of money. When I've done that, I start off looking at the financial reports and try to follow things.

"One thing to look at is: What did everybody pay?" says Holland. "Let's say a homeowner ended up owing \$200 in assessments at the end of January. Come February, that homeowner's beginning balance should be \$200.

"I've seen people in accounting thinking they were smart who were manipulating that," she continues. "Let's say there were five homeowners who owed small amounts of money at the end of the last month. But when the month rolled over, those amounts don't show up. Someone took that money from the association and tried to cover it by making it seem like, 'Gee, those people don't really owe money.' That's an example of why you should be looking at your delinquencies."

**6. Don't give anybody an ATM or debit card for association accounts.** "Florida passed a new condo law in July—it doesn't apply to HOAs yet—that prohibits condos from having ATM and debit cards," reports Weil. "But you shouldn't have on any association account an ATM or debit card."

"We also advise against having [association credit cards](#)," he notes. "We say, 'Let the board reimburse people who spend money on the association's behalf.' Also, you don't want to allow anybody to have the ability to wire money out of association bank accounts, including board members."

**7. Don't assume an occasional audit is all the protection you need.** "There are three levels of financial statement preparations," explains Kim. "One is a so-called compilation, then there's a review, and finally there's an audit."

"Even if you get to the so-called highest level, the level of an audit, where there's supposed to be greater scrutiny of the transactions that constitute the financial statements, the auditor will tell you they have techniques or standards of testing to see if transactions are valid or whether the statements have validity," he says. "But they'll also tell you they're not going to look at every single transaction that's taken place."

"That gives you and them reasonable assurance that your financial statements are sound and complete, but it's commonly known in the industry that an audit isn't intended to detect fraud," notes Kim. "To detect fraud, you'd have to do a forensic audit, which is a more in-depth review to detect or uncover fraudulent transactions."

**Get more information on [preventing fraud and embezzlement at your association](#) here.**

# Bookkeeper, Accountant, CPA, or Auditor: Which Is Best for Your Condo/HOA Needs?

Who should handle the day-to-day responsibilities for your financial records? And when might you need additional services?

You've got many options, and whether you seek the assistance of a bookkeeper, an accountant, a CPA, or an auditor (or you turn to your manager) often depends on your size and situation.

## Definitions, Please!

At their most basic level, here's what financial professionals do:

- A bookkeeper simply keeps your association's financial records updated by entering transactions into ledgers where appropriate.
- An accountant can do that, too, but also typically prepares financial statements.
- A CPA performs much the same services as an accountant but has a higher level of training and is licensed by the state.
- An auditor performs financial audits and must be a CPA.

## Associations Go Their Own Ways

[Barbara Holland, CPM](#), regional manager for FirstService Residential in Las Vegas, says most of her clients have both a bookkeeper and a CPA. "The average company will hire people in accounting who aren't necessarily CPAs," she explains. "Those people understand how to keep a general ledger and so on."

The larger clients of [Michael Kim](#), who through his Chicago law firm, Michael C. Kim & Associates, represents about 500 associations, rely on their [professional management company](#) for those services. The smaller the clients, however, the less likely they'll seek help. "With the smaller associations, say 20 units or less, there's probably a good chance they've never seen an accountant," he says. "They say they can't afford an accountant."

However, Kim says he insists clients hire an accountant in some situations. "If we're in litigation and we're going to have a settlement, I recommend they bring in their accountant to assist us in ensuring the payments received by the association can be and are structured to be tax free," he explains. "You won't want someone to write you a check without having done the tax planning in advance and then you find you'll be taxed on the money. So whenever I have significant dollar-amount settlements, I insist the association's accountant gets involved."



"I have taken various continuing legal education courses on the tax effects of settlements," he adds. "But that means I know enough to know that I should get the advice of somebody who knows this better than I do. I don't want to go on my somewhat limited expertise."

"Another case where I recommend an accountant—and my clients usually take my advice—is when they're doing a major capital project, and there are expenditure limitations built into the [governing documents](#)," adds Kim. "In those cases, we want to know: Are expenses properly categorized as capital? I like to partner with the accountant so we're on the same page."

## **Your Manager May Take the Reins**

A manager who assumes responsibility for his clients' financial work is [Brad van Rooyen](#), founder and senior member of Tampa, Fla.-based HomeRiver Group and its national specialist for community association management and the president of Home Encounter.

"We act as the bookkeeper to the association," he explains. "We [collect dues](#), pay bills, do the bank reconciliation, [prepare financial reports](#), and help manage [reserve accounts](#) to ensure compliance with Federal Deposit Insurance Corp. limits; we also provide clients with options on how to hold that money while they're waiting to use it."

That's also the role of Steven J. Weil, Ph.D., president of Royale Management Services in Fort Lauderdale, Fla., which manages 28 condos and HOAs. "We handle the day-to-day accounting, what you'd call the bookkeeping, for a number of associations in other parts of the state," says Weil. "For example, we don't work as a manager in the Florida Keys, but we do work that we call full-service accounting there. However, anybody doing the day-to-day activity—posting the checks, paying the vendors—shouldn't be doing an audit or review. That's when you need a CPA or an auditor."

What if you've hired a manager and want to farm out financial responsibilities to someone else? "We have to do the financials if we're going to be managing the client," insists [Andrew Schlegel](#), CCAM®, executive vice president of community management for Orange County and Los Angeles at FirstService Residential-California in Aliso Viejo.

"Long ago, we determined that it just doesn't work any other way," he explains. "We have to be held accountable, and how could we possibly manage an association if we don't see, understand, or monitor what's going on with the finances?"

"On the flip side, we have clients who ask our company to do only the financials, and we used to do that but don't do that anymore," adds Schlegel. "If the manager doesn't work for us and works just for the board and there's some collusion between the manager and a board member, we wouldn't know. We'd be a party to it but would never know."

"So if you're doing the management, you need to be in charge of the budget and accounting," he contends. "And if you're in charge of managing and budgeting, you need to be in charge of accounting."

## When You Need a Check on Your Finances

Your [state may require](#) that your association do a compilation, a review, or an audit every so often, and that may mean you need to hire a CPA or auditor. For instance, Schlegel says in California, [community association financials](#) have to be at least reviewed every year.

"There's a compilation, a review, or an audit, with the compilation being the least rigorous level of testing and the audit the highest of the three," he explains. "Most associations do an audit because it costs only a little more than the other services. We handle our clients' financials, but for these tasks, the board hires a company separately."

Florida also mandates financial reviews at various intervals, though it also permits some associations to opt out. "We encourage the board to obtain an audit, a CPA compilation, or a review every year," says van Rooyen. "Florida now mandates financial thresholds where associations are required to get an audit. But owners can always vote to waive that requirement, and there are some that do just that."

"Maybe they've met the revenue threshold under the law, but they've got only three or four vendors they have to pay, and their financials aren't overly complex," he states. "For others, their income and expense statement is three pages long, and those are the ones who tend to engage the CPA to do the audit every year. That typically costs \$3,000-\$5,000 depending on how intensive the work is, but I usually see the invoice come in at around \$4,000-\$4,500."

Schlegel says his company can suggest about a dozen potential companies to its clients for this financial exercise, but some find a company to do this financial test without their management company's help. "But there aren't a lot of CPA firms that have community associations as a target market because it's not very lucrative," he says. "Doing this type of review is typically pretty quick, and an audit fee might be only \$2,000-\$3,000. I do get clients who say, 'We want to get a big firm like Ernst and Young to do it.' I tell them that's fine, but often they won't do such a small job, or they'll charge \$10,000 for it."

## The Limits of the Experts

Remember, however, that hiring a CPA doesn't mean you'll be protected from fraud. "People will ask me, 'How come the CPA didn't discover the fraud?'" explains Holland. "My answer is that technically that wasn't their job. That would require a forensic audit. A CPA reviews expenses to show what happened during the year and for the tax return. But good CPAs will absolutely say something when they see something out of the ordinary."

Whether you're required to have a financial review of some sort or not, Weil thinks you should want one. "As a board member, I'd want an audited financial report annually," he says. "That protects me as officer or director of the association. That way you can say, 'We didn't just listen to our manager or bookkeeper. We turned our financial records over to a third party who's licensed, and they went over them to see that we're accurately presenting the financials.'"

# Condo/HOA Financial Advisors: Which Do You Need and for What?

Did you know that when you seek and follow the advice of professionals in making decisions on behalf of your HOA, in most states you'll be presumed to have acted in the association's best interest? Translation: That also means you'll be [protected from legal claims](#) that you acted improperly or negligently.

We've given you the lowdown on bookkeepers, accountants, CPAs, and auditors, but there are other financial experts you may wish to consult with. Here, our experts discuss whether you might need to seek the advice of other professionals.

**Bankers**—Our experts say their clients don't really have regular, ongoing, direct relationships with bankers.

"For most associations we manage, we have the relationship with the bank, and all of our associations bank with the same bank—it streamlines [assessment payments](#), and our software integrates with the bank's," reports [Brad van Rooyen](#), founder and senior member of Tampa, Fla.-based HomeRiver Group and its national specialist for community association management and the president of Home Encounter.

That said, van Rooyen's clients might still shop around for the best loan rates if they have a costly project for which they'll be borrowing or when it comes time to invest in certificates of deposit.

It's a similar situation for another Florida management company. "Most of our client associations have a banking relationship through us," reports Steven J. Weil, Ph.D., president of Royale Management Services in Fort Lauderdale, Fla., which manages 28 condos and HOAs. "Some have their own bank accounts, but that's a matter of somebody sitting at the desk having opened the account."

That's also the case for clients of [Barbara Holland, CPM](#), regional manager for FirstService Residential in Las Vegas. "Most of our boards don't deal with the banker," she says. "Nowadays if you want to open a bank account, managers have relationships where they'll call the bank representative they do business with and say, 'Can you send me the signature card paperwork, and I'll get it to my board?'"

"There are banks that offer CDs where they'll require board members to physically go down and sign some paperwork," she adds. "But for the most part here at our company, because of our company's relationships with multiple banks, we can do this electronically, though it may require the board to sign a required document when there's movement of money."

In fact, you may be better served by [creating an investment policy](#) for your manager to follow and then let your manager execute that with a bank or other financial institution. "Most clients don't get that involved with their banking other than just deciding the terms or the maturities of CDs," says [Andrew Schlegel](#), CCAM®, executive vice president

of community management for Orange County and Los Angeles at FirstService Residential-California in Aliso Viejo.

"We ask boards to create an investment policy to guide our actions," he adds. "It usually contains three things: Don't invest in anything where you could lose principal; don't invest in anything that has a term longer than when you might need to use the money; and the priority is yield—get the most interest you can. That means for our clients are typically getting CDs or treasuries."

That said, there are times when Schlegel will ask a banker to consult with a client. "Some clients might have more than \$10 million in [reserves](#)," he explains. "In those cases, we'll have a banker come out once a year and describe what's happening in the market, the yield curve, and so on so board members have some outside or independent expertise to help them make decisions on maturities."

**Manager**—In addition to your association's day-to-day financial responsibilities, managers can also act as a second set of eyes and advisor on other financial issues.

"I see all the bills, and I can evaluate things like: Does this one belong to my association?" notes Holland. "A lot of associations have similar names, and I can see that this isn't this particular association's bill. I can also look at a bill and say: This isn't what we agreed on; it's not [what the contract said](#)."

"Part of my job is also to inform the board that we followed the [collection policy](#) and a homeowner got a delinquency notice, but now we need to send that owner to collections," adds Holland. "The board might simply tell us to follow the established procedure and to not even report back to them. Other boards will ask us to talk to the board before sending anyone to collection."

"Also, if I come up with a payment plan with a delinquent homeowner, I'll present it to the board and give a recommendation," she says. "Nevada law says we have to come up with a payment plan, but maybe the homeowner and I can't agree on the repayment term. We'll have to confirm with the board that this is what I recommend; this is what the homeowner wants; what do you want to do?"

Van Rooyen also considers accounts receivables a form of consultancy with his clients. "We're going to speak to them about their accounts receivables and do an analysis on that," he says. "An issue that's increasingly one that associations need to look at is whether their assessment level is appropriate. We provide an overview to the board on that issue."

"We also feel like it's our job to point out any areas of concern," says van Rooyen. "Is the board spending or authorizing more expenditures of money in any one category than expected? We'll pull the detail and be prepared to explain why that's a concern. Sometimes boards are fully aware of it, and other times they're asking us to spend money and we have to tell them they don't have the money budgeted for that."

Holland agrees. "I also have a responsibility to say to the board, 'You're so over budget right now, it's not funny,'" she says. "I took over an association that was close to bank-

ruptcy. We told them, 'Literally, don't expect to spend money for two years.' That's what we had to do to rebuild."

One more area your manager might consult with you on: Your vision. "Sometimes we'll do a [strategic planning session](#) with a board to create longer-term goals and priorities," notes Schlegel. "That helps us as management to understand their vision of what success at their association is and drive everything toward that. For example, it's helpful to know if they want to replace all the balcony railings in the next five years because we can say, 'Let's start planning now to get the funds available.'"

**Attorney**—You might not think your lawyer should be part of your financial team. Au contraire!

"You typically don't go to your attorney for financial information," says Weil. "But it's fine to ask your attorney: How does this contact work? For a management contract, you might ask: Is this fee in line with what you've seen with other managers? But asking them to comment on financial decisions? No."

Contracts are indeed an area where Schlegel thinks attorneys can help. "I don't see attorneys involved in financial matters that much," he says. "Their key role I think is when you have a complicated contract with a vendor. It's important to have the attorney review it.

"Also, I'm dealing with this situation with a client right now: There's a big vendor that they pay a lot of money to, and the contract is fairly complicated," adds Schlegel. "When the manager gets the bill each month, it's hard to tell if the billing is in accordance with the contract. Also, sections of the contract seem to contradict each other. In those cases, it's a good idea to ask the attorney: 'Based on the contract, do you think they're overcharging?' They can interpret pricing conditions and terms in the contract to make sure the vendor is complying with the contract."

Holland says she also sees her clients seek legal advice on borrowing or purchasing decisions. "You have an attorney involved when we're looking to borrow money or maybe we're looking at [buying a piece of property and thinking of annexing it into the association](#)," she explains. "The board will ask the attorney: 'What does the law say if we want to make this big, major modification to the association and if we were to borrow money to do it?' In those cases, you'll want to get their advice and input, along with that of a CPA."

Oh, and don't forget the biggie for lawyers: Collections, of course. "The lawyer comes in to help administer the [accounts receivable collection](#)," says van Rooyen. "Once a homeowner gets to a certain financial threshold where collection letters have been ignored or the homeowner hasn't responded, we recommend to the board to send to the account to the attorney to secure the association's debt position by [filing a lien](#) or a [foreclosure](#).

"Those are things that sometimes people don't like talking about," he adds. "But the board has the [fiduciary responsibility](#) to all owners to ensure that every owner is meeting their financial obligations."

Schlegel agrees. "You need lawyers on the revenue side," he insists. "If we're having a collection issue, that's another time the attorneys are valuable for HOAs. They're a cost of doing business."

**Tax advisor**—It's rare that you'll need a tax advisor other than a CPA. "CPAs can do tax issues," states Weil. "They're licensed by the state board of accountancy."

"There are also enrolled agents—we're an EA—that fall under the licensure of the federal secretary of the treasury, and we're tax specialists," he adds. "Anybody who can spell the word TAX can hang a sign on their door. The real question is: What are their credentials, and do they understand your organization?"

"Most associations' taxes aren't that difficult," notes Weil. "They're nonprofits, and most can file Form 1120-H for their taxes, which is almost always the best way to go. Then they pay tax only on [nonexempt income](#), which doesn't come from owners; for example, maybe you're collecting money from boat docks or laundry machines. But when you seek a tax expert, you should ask: How many HOAs and condos do you handle, and how many do you prepare the taxes for?"

Holland says it's the clients with the most money who seek a financial advisor but not necessarily a tax advisor. "I have a number of associations where reserves are more than \$1 million, and they do pay taxes," she says. "The CPA is involved to a certain extent, but the person more involved is the financial consultant who helps us with that money; there's a federally insured maximum of \$250,000 per account under the Federal Deposit Insurance Corp."

"So we normally see more of a financial consultant involved as more of a tax advisor," explains Holland. "A good CPA should have within their firm someone who can advise on what you can and can't do as far as taxes."

"Associations aren't really nonprofit as far as Uncle Sam goes," she notes. "That just means that any excess money goes back into the association. If we have a client that truly has excess funds, we recommend they give homeowners a credit for the new year. I've had situations where the homeowners haven't had to pay assessments for the first three months of the year because of a surplus. You want to do that instead of writing checks to 800 homeowners and then doing 1099s for those checks."

**Insurance advisors**—Weil thinks this type of advisor is critical. "The largest cost today for most associations today is [insurance](#)," he says. "You need an agent who understands and can explain to you what you're covered for, what you aren't covered for, and what your costs and risks are. That shouldn't be the agent who came up with the cheapest premium because that means you probably don't have full coverage."

**Reserve advisors**—"These are probably the single most important specialist I can think of when it comes to an association's financials, especially if an association has to sock away money and prepare for the ongoing and future replacement and repair of lots of common elements, pools, clubhouses, fences, walls, drainage systems, and so on," says van Rooyen.



"What the company will do is a full report reviewing the [association's current reserve funding](#)," he notes. "They'll look at how much money the association has in each column and how much it's going to need over the remaining life of the elements that are taken into account under the reserve study. And they'll prepare a funding plan that minimizes the need for a special assessment."

You have many choices for hiring this type of professional. "There's some overlap when it comes to reserve advisors," says [Michael Kim](#), who through his Chicago law firm, Michael C. Kim & Associates, represents about 500 associations.

"Many associations use reserve studies to calculate their capital needs because in Illinois for many associations, the law does require that you have reasonable reserves," explains Kim. "There are companies that are reserve study providers. That's all they do."

"Other companies have that as an adjunct to their service, including some accountants," he notes. "Once in a while you might also have an engineering company that also provides reserve studies."

"I don't have a preference," he states. "But that's something that's part of the financial reporting that accountants do with regard to audits. It's usually not required to be part of an audit, but an accountant can say, 'This association has a reserve study and they're following the law on that or not.'"

#### **Get more information on:**

- [HOA Insurance](#)
- [HOA Reserves](#)



# The Basics of Investment and Reserve Reports

If your association is well run, you'll have [reserve funds](#) that you may be able to invest. Here's a basic summary of how to begin that process.

## A Reserve Study is Critical

First, [check your state laws](#) to see if they dictate how you address reserve funding and reserve funds. "Our state used to be very informal," reports [Barbara Holland, CPM](#), regional manager for FirstService Residential in Las Vegas. "But homeowners were getting [major assessments](#) in one year because nobody was allocating funds for capital improvements.

"So Nevada law changed in 1999 to require associations to conduct reserve studies every five years for improvements that have a lifetime of 30 years or less," she explains. "We're also required to review the reserves quarterly and annually. The law says you have to properly fund your reserve account. If we don't have enough money in reserves, the board can have a reserve assessment and override a [homeowner vote](#) not to have a special assessment. The risk for board members there is that homeowners may [recall board members](#) who do that."

If your state doesn't mandate that you do a reserve report on a certain schedule, what's wise? "With reserves, I think it's important that you're updating the reserve study every three to five years and adjusting your reserves accordingly," advises [Brad van Rooyen](#), founder and senior member of Tampa, Fla.-based HomeRiver Group and its national specialist for community association management and the president of Home Encounter.

## Don't Be Tempted with Investments

When you're following your reserve study recommendations, you'll have money sitting there waiting to be used—eventually. Can you invest it? Yes, but remember your [fiduciary duty](#). "I'd never recommend an association invest in stocks and bonds," says van Rooyen. "I don't even think they're legally entitled to do that."

As a general rule, you can invest association funds only very conservatively. "When interest rates are low, basically what happens is that boards are tempted to ask if they can do something else with their money other than investing in very conservative investments," explains [Michael Kim](#), who through his Chicago law firm, Michael C. Kim & Associates, represents about 500 associations.

"I tell my clients: You look at three things with reserve funds," he explains. "First, how soon are you going to need the money? It's almost like planning for retirement. If it's in the next year or so, you want it in, as best as can be, insured accounts. If you're going beyond that time, I'm not saying you can be more aggressive, but you want something with a more meaningful return.

"That means you may be able to commit to other investment instruments that have longer term or incentives to put that money aside for a longer time," notes Kim. "My experience is that most associations stick with government-insured instruments. They may stick money in certificates of deposit, insured money-market accounts, or government bonds—all of which is, for lack of a better term, really safe. They also don't exceed the Federal Deposit Insurance Corp.'s insurance depository limits of \$250,000. So you don't see \$200,000 in one account and \$3 million in another.

"Occasionally we get a really interesting situation where an investment produces a really good return," Kim states. "But the board has a fiduciary duty not just to protect association funds but also to have them grow reasonably.

"If you're trying to shop CD rates or invest in some bank or even an internet bank that's legitimate and insured, that's fine," says Kim. "But when people start talking about noninsured instruments, we're always very cautious. Not too many, if any, of my associations feel comfortable to venture out."

Wherever you invest, Holland says you need to review your investment reports as you'd do other financial reports. "We get reports each month that show much money is in a CD, what type of interest we can expect, and when the CD matures," she explains. "That same report will show the money in the reserve account. So the investment report is showing you where your money is located with specific information on maturity time, interest rate, and a projection of the ending balance at the time of maturity."

#### **Get more information on:**

- [HOA Insurance](#)
- [HOA Investments](#)
- [HOA Reserves](#)

# Condo/HOA Financial Records: What Can Owners and Others See?

All of these financial documents we're talking about are very likely [association records](#). So does that mean you have to share every one of them with your association's members? Should any be public? Can you summarize some data to [protect privacy](#)? Is there anything you don't share at all? Read on for guidance.

## States Will Probably Guide You

Most states have rules on the type of information condos or HOAs, or both, must share with their members.

Take Illinois, for example. "For the most part, the way the law is structured, it can be fairly transparent," says [Michael Kim](#), who through his Chicago law firm, Michael C. Kim & Associates, represents about 500 associations. "Owners should get a copy of the budget. If there are [assessments](#) that are going to be levied, they should know that, too. Also, at the end of the year, a compilation should be shared with unit owners."

Florida also has [disclosure requirements](#). "Owners are entitled to see any of the records of the association except they can't see open or pending legal matters that are privileged," notes Steven J. Weil, Ph.D., president of Royale Management Services in Fort Lauderdale, Fla., which manages 28 condos and HOAs.

[Brad van Rooyen](#), founder and senior member of Tampa, Fla.-based HomeRiver Group and its national specialist for community association management and the president of Home Encounter, interprets Florida law similarly. "Owners have a right to make a records request of any record of the association," he explains. "Of course, if it's related to ongoing litigation or a legal matter, that's not permitted. But when it comes to [financials](#), they can see it all.

"We provide a set of financials to the board, and then we post the income statement and balance sheet on our web portal," notes van Rooyen. "We're providing them preemptively because that stops homeowners from feeling in the dark."

California requires associations to disclose, disclose, and then disclose some more. "In California, as you can imagine, we have a fairly robust civil code, the Davis-Stirling act," states [Andrew Schlegel](#), CCAM®, executive vice president of community management for Orange County and Los Angeles at FirstService Residential-California in Aliso Viejo. "Under that, owners can literally get anything. They have to ask, and they have to pay for copies. But if they ask, they can get almost anything.

"Also we have to send a financial review or audited financial statements, but we also have to send the budget and [reserve study](#) to homeowners every year," notes Schlegel. "Between all that, usually owners are satisfied they have what they need."

Depending on your state law, other information might become somewhat public, too, and by that we mean disclosed to nonmembers. "In a resale package here in Nevada, potential homeowners will get the reserve study, our delinquency rate, and the budget," reports [Barbara Holland, CPM](#), regional manager for FirstService Residential in Las Vegas.

## What You Shouldn't Disclose

You also have an obligation to protect private or confidential information, which means you need to prevent the release of certain information.

"The [management company](#), treasurer, or association needs to take appropriate steps to redact bank accounts or routing numbers before providing financial information to association members," advises van Rooyen. "We're also not giving a list of [homeowners in collections](#); we can provide an account number, but not names."

Kim also believes you might want to carefully manage delinquency information, but Illinois law doesn't require it. "In Illinois, hypothetically, one could argue that the assessment delinquency report shouldn't be shared in terms of the names of the particular owners or units involved," he says. "The numbers should be made available, but you don't want to face a claim of defamation, false light, or invasion of privacy."

"My perspective is that from a legal standpoint, if you want to do that to be nice, that's fine," he says. "But it's not a legal requirement. This is a situation where everybody's supposed to be paying their fair share of the expenses, and I think people have a right to know if somebody's not paying. Even if there was an error and a reported delinquency wasn't legitimate, there's a qualified privilege in those situations that would protect the board from legal claims. I'm not going to make a big deal of whether my clients keep the names of delinquent owners in or not, but they should let owners know about delinquencies."

Weil suggests you also protect additional information even if not all of it is related to financial matters. "Requestors aren't entitled to see anybody's Social Security number or credit score," he explains. "If we [grant a service or emotional support animal request](#), or maybe we permitted a variance for an owner to install a ramp due to a disability, they can't see information that relates to the requestor's health information."

"They also can't ask for things like passwords to the computer or door system," says Weil. "But they can see all the financial records and [contracts](#). After all, those records belong to them, not the board or management company."

Kim adds another note: It may be wise or polite to be vague in some instances. "You can handle your financial disclosures, which I believe the owners are entitled to, but still be careful," he says. "Maybe your [association has employees](#), and you don't want to create a problem with employees, so you don't want to reveal their income. So maybe you report gross salary numbers rounded up. That can be hard with small staff, but you still need to give the owners information to help them understand the financials. The owners have a right to know how their money's being spent."

## There are Still Difficult Issues

There are other instances where owners may demand information, but you may hesitate to provide it. "There might be things that are curious," states Kim. "You're in a lawsuit and you're not insured for the type of loss claimed. You estimate that you may have to pay X dollars. So you put aside that money like insurance companies do.

"But if that's disclosed in your financial statements, does that signal to the other side that you expect to lose?" he wonders. "Not necessarily. But it might be different if you're putting aside money for a potential settlement. If you put that amount aside, it could lead to issues of the other side finding out what your weak points are.

"There's the same quandary with regard to budgeting for legal fees for litigation," notes Kim. "Are people going to say: 'That's how much this association is going to spend on this litigation and not a dime more, so we'll push them to that amount and then they'll cave'? Those issues are significant. So if the board wanted to include legal fees or potential legal resolution costs, I suppose it could. But I'd want to look at how much is being reported and how that's being identified. Other than that, I don't think there's anything owners aren't entitled to know."

Schlegel says contracts can also be tricky. "Owners might say, 'I want to see your contract with this provider,' but sometimes there are confidential provisions," he notes. "I was dealing with one last night for a cell tower. An association signed an agreement to get money for a Verizon cell tower on its property.

"An owner said, 'Those emit electromagnetic waves, and I need to see the contract,'" explains Schlegel. "In that case, the board already hired an expert to review the situation, the attorney reviewed the contract, and I'm sure Verizon is within the law on how many waves it can emit.

"I'm going to have to work with the attorney on what to provide," he adds. "Maybe certain sections are redacted, but that's a slippery slope. I might ask the owner: What's important for you to know? I can show you that part of the contract, or we can explain it to you because there are probably five pages you won't understand.'

"I really don't like that part about our law in California," laments Schlegel. "Also, our management contract has evolved over the years. The way we price, what we indemnify for, and things like that are hard-fought knowledge. To give it up to anybody takes us down a slippery slope. Still, we try to do all the disclosures that are mandatory promptly and fully."

## Get more information on:

- [HOA Financial Matters](#)
- [HOA Recordkeeping](#)
- [Privacy](#)

## DEMO ASSOCIATION

### 1. Balance Sheet

01/27/2016

#### 2. Assets

Actual Current Year

#### 3. Operating

Petty cash (incidental expenses)

54.14

Bank current account

11,957.16

#### TOTAL Operating

12,011.30

#### 4. Reserve

Reserve Bank Account

87,655.76

#### 5. TOTAL Reserve

87,655.76

#### 6. Total Assets

99,667.06

#### Liabilities

Security Deposits - Boats

3,000.00

#### Total Liabilities

3,000.00

#### Net Worth

#### Operating

Retained Earnings (Capital)

14,011.30

#### TOTAL Operating

14,011.30

#### Reserve

Reserve Equity (Capital)

82,655.76

#### TOTAL Reserve

82,655.76

#### 7. Total Net Worth

96,667.06

#### Total Net Worth and Liabilities

99,667.06

## **Understanding Your Monthly Balance Sheet**

### **1. Balance Sheet**

The Balance Sheet displays a snapshot of the HOA's financial condition at the end of each month. It lists the association's total assets and members' equity. The Total Assets should equal the Total Net Worth.

### **2. Assets**

Assets are all of the funds which an HOA owns, specifically the operating account and all reserve accounts.

### **3. Operating**

The majority, if not all, of the HOA's monthly income and expenses passes through the operating account.

### **4. Reserve Funds**

The association is responsible for saving money each month to be transferred from the operating account to a reserve account. These reserve funds are not to be used for paying monthly operating expenses, but should be used for capital improvements, i.e. items that are identified in the association's Reserve Study. For several reasons, we strongly discourage the practice of paying vendors directly from the reserve account(s). One important legal reason that all payments must be made from the operating account is so that we can appropriately supply vendors with their annual 1099 forms as is required of the association by state law.

### **5. Total Reserve**

Total Reserve Funds refers to the sum of all reserve accounts that are listed on the balance sheet.

### **6. Total Assets**

Total Assets is obtained by adding the Total Operating Funds and the Total Reserve Funds.

### **7. Total Net Worth**

Total Net Worth can be understood as monetary value that has been built up over time.



## DEMO ASSOCIATION

### 1. Revenues and Expenses Statement

From : 12/01/2015 to 12/31/2015

<u>December 2015</u>			<u>January to December</u>		
<b>4.</b> <u>Actual</u>	<u>Budget</u>	<u>Var. \$</u>	<u>Actual</u>	<b>5.</b> <u>Budget</u>	<b>6.</b> <u>Var. \$</u>

#### 2. Revenues

Assesment Income	12,482	13,130	(648)	149,036	157,560	(8,524)
Builder Assessments	0	1,337	(1,337)	1,200	16,000	(14,800)
Capital Contributions	250	837	(587)	9,500	10,000	(500)
NSF Fees	0	0	0	25	0	25
Collection Charges	0	0	0	(25)	0	(25)
Violations	0	0	0	35	0	35
Interest received on late payments	1,225	0	1,225	7,774	0	7,774
Collection Charges	20	0	20	1,952	0	1,952
<b>Total Revenues</b>	<b>13,977</b>	<b>15,304</b>	<b>(1,327)</b>	<b>169,497</b>	<b>183,560</b>	<b>(14,063)</b>

#### 3. Expenses

##### Administrative

Postage	1	75	74	31	900	869
Office Supplies/Expense	0	87	87	463	1,000	537
Management - Administrative	1,190	1,337	148	16,000	16,000	0
Demand Letters	0	125	125	525	1,500	975
Collection Letters	100	212	112	1,760	2,500	740
Dues/Licenses/Fees	0	9	9	122	75	(47)
Welcoming Committee / Social	0	84	84	1,569	1,063	(506)
<b>TOTAL Administrative</b>	<b>1,291</b>	<b>1,929</b>	<b>639</b>	<b>20,470</b>	<b>23,038</b>	<b>2,568</b>

##### Banking & Accounting

Bad Debt / Collection Adjustments	0	404	404	275	4,848	4,573
Bank Charges	0	83	83	1,104	1,040	(64)
<b>TOTAL Banking &amp; Accounting</b>	<b>0</b>	<b>487</b>	<b>487</b>	<b>1,379</b>	<b>5,888</b>	<b>4,509</b>

##### Legal & Professional

Audit Tax Returns	0	31	31	375	350	(25)
Legal Fees - General	59	87	28	1,306	1,000	(306)
Legal Fees - Collection	735	288	(447)	12,879	3,500	(9,379)
Management Fees	2,365	2,370	5	28,375	28,374	(1)
<b>TOTAL Legal &amp; Professional</b>	<b>3,159</b>	<b>2,776</b>	<b>(383)</b>	<b>42,935</b>	<b>33,224</b>	<b>(9,711)</b>

##### Utilities

Cable	6,533	8,333	1,800	119,783	99,996	(19,787)
<b>TOTAL Utilities</b>	<b>6,533</b>	<b>8,333</b>	<b>1,800</b>	<b>119,783</b>	<b>99,996</b>	<b>(19,787)</b>

<u>December 2015</u>			<u>January to December</u>		
<u>Actual</u>	<u>Budget</u>	<u>Var. \$</u>	<u>Actual</u>	<u>Budget</u>	<u>Var. \$</u>

**Maintenance**

General Maintenance	0	1,113	1,113	811	13,400	12,589
<b>TOTAL Maintenance</b>	<b>0</b>	<b>1,113</b>	<b>1,113</b>	<b>811</b>	<b>13,400</b>	<b>12,589</b>

**Insurance**

Insurance Coverages	618	666	48	8,278	8,014	(264)
<b>TOTAL Insurance</b>	<b>618</b>	<b>666</b>	<b>48</b>	<b>8,278</b>	<b>8,014</b>	<b>(264)</b>

<b>7.</b>	<b>Total Expenses</b>	<b>11,601</b>	<b>15,304</b>	<b>3,704</b>	<b>193,656</b>	<b>183,560</b>	<b>(10,096)</b>
<b>8.</b>	<b>Net Income</b>	<b>2,376</b>	<b>0</b>	<b>2,376</b>	<b>(24,159)</b>	<b>0</b>	<b>(24,159)</b>

## Understanding Your Monthly Revenues and Expenses Statement

### 1. Revenues and Expenses Statement

This report shows the income and expenses for the indicated month. It also shows the Year-To-Date figures. It may appear complicated, but it is a great report that provides much valuable information once it is understood. Simply, it tells you whether your actual income and expense figures are on track with the annual budget. The Monthly and Year-To-Date figures are compared to the association's budget and state the difference in dollars. The first three columns cover the actual income and expenses for the month, the budget for this period and the dollar variance. The second set of three columns communicates the same type of information, except that it covers the Year-To-Date figures (from the beginning of the fiscal year through the month listed on the financial.)

### 2. Revenues

The income generated by the HOA mainly comes from Dues and Special Assessments. Other amounts of income are from Parking, Late Charges, Laundry, Insurance Claims and other miscellaneous sources.

### 3. Expenses

This section refers to all of the operating expenses that have been paid out to vendors, on a current month as well as a year-to-date basis. Those expenses are grouped into categories as per each association's budgeted needs.

### 4. Actual

The figures in this column refer to the amounts that have been received or spent for the month. A negative number in the Net Balance in Operating (at the bottom of this report) means that the HOA has overspent for the year.

### 5. Budget

The numbers in this column reflect what the association budgeted to receive and/or pay for this portion of the year for each item. If the YTD Actual amount is higher than the YTD Budget amount, then the association has spent more than what was budgeted.

### 6. Var. \$

When considering the REVENUES section of this report (Dues, Late Charges), the figures in this column are the result of subtracting the Budget amount from the Actual amount (Actual minus Budget.) When you are reviewing the EXPENSES section, subtract the Actual amount from the Budget amount (Budget minus Actual) to obtain the figures in the Var. \$ column. A negative number in the REVENUES section means that the HOA did not receive the budgeted funds. A negative number in the EXPENSES section means that the HOA has spent more than the budgeted amount.

## **7. Total Expenses**

This line is a total of the disbursements for the month and year-to-date columns. A TOTAL is displayed at the bottom of each category. Near the bottom of the report, the TOTAL EXPENSES is obtained by adding all category totals together.

## **8. Total Income**

The NET INCOME is the associations net cash flow for the month or year to date.

Balance Sheet - Construction Defect  
ABCD Homeowners Association 02/28/2014

FIRSTSERVICE RESIDENTIAL, NEVADA, LLC  
8290 ARVILLE STREET  
Las Vegas NV 89139

	Operating Fund	Reserve Fund	Construction Defect Fund	Total
<b>ASSETS</b>				
Petty Cash	400.00	0.00	0.00	400.00
US Bank - Lockbox Checking	120,415.87	0.00	0.00	120,415.87
MoO - Checking NIB	4,420.49	0.00	0.00	4,420.49
MoO - Checking NIB	0.00	37,194.34	0.00	37,194.34
US Bank Const Defect	0.00	0.00	0.63	0.63
MoO - ICS - Promontory	0.00	813,930.98	0.00	813,930.98
Merrill Lynch - Money Market	0.00	49,981.31	0.00	49,981.31
<b>TOTAL CASH</b>	<b>\$125,236.36</b>	<b>\$901,106.63</b>	<b>\$0.63</b>	<b>\$1,026,343.62</b>
<b>HOMEOWNER DELINQUENCY</b>				
AR - Assessments	61,788.96	0.00	0.00	61,788.96
AR - Fines	15,100.00	0.00	0.00	15,100.00
AR - Miscellaneous - Homeowner	70,605.76	0.00	0.00	70,605.76
<b>TOTAL HOMEOWNER DELINQUENCY</b>	<b>\$147,494.72</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$147,494.72</b>
<b>LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS</b>				
Allowance for Assessments	(80,932.14)	0.00	0.00	(80,932.14)
Allowance for Fines	(15,100.00)	0.00	0.00	(15,100.00)
<b>NET HOMEOWNER DELINQUENCY</b>	<b>\$51,462.58</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$51,462.58</b>
<b>OTHER ASSETS</b>				
Due (To)/From Funds	(17,111.00)	20,340.00	(3,229.00)	0.00
Prepaid - Expenses	6,580.61	0.00	0.00	6,580.61
Prepaid - Insurance	20,597.08	0.00	0.00	20,597.08
Prepaid Federal Income Tax	177.00	0.00	0.00	177.00
FA - Property & Equipment	1,109.08	0.00	0.00	1,109.08
AD - Property & Equipment	(129.38)	0.00	0.00	(129.38)
<b>TOTAL OTHER ASSETS</b>	<b>\$11,223.39</b>	<b>\$20,340.00</b>	<b>(\$3,229.00)</b>	<b>\$28,334.39</b>
<b>TOTAL ASSETS</b>	<b>\$187,922.33</b>	<b>\$921,446.63</b>	<b>(\$3,228.37)</b>	<b>\$1,106,140.59</b>
<b>LIABILITIES</b>				
Prepaid - Assessments	26,321.90	0.00	0.00	26,321.90
AP - Account Setup Fees	1,000.00	0.00	0.00	1,000.00
AP - Transfer to Collections	5,425.00	0.00	0.00	5,425.00
AP - Pending Undaimed Property	220.00	0.00	0.00	220.00
AP - Open	62,456.95	0.00	0.00	62,456.95
AP - Accrued	9,838.10	0.00	0.00	9,838.10
<b>TOTAL LIABILITIES</b>	<b>\$105,261.95</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$105,261.95</b>
<b>CONTRIBUTED CAPITAL</b>				
Prior Period Adjustments	3,318.57	0.00	0.00	3,318.57
Members' Equity	110,591.88	909,843.62	(3,228.37)	1,017,207.13
Excess of Revenue/Expenditures	(\$31,250.07)	\$11,603.01	\$0.00	(\$19,647.06)
<b>TOTAL EQUITY</b>	<b>\$82,660.38</b>	<b>\$921,446.63</b>	<b>(\$3,228.37)</b>	<b>\$1,000,878.64</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$187,922.33</b>	<b>\$921,446.63</b>	<b>(\$3,228.37)</b>	<b>\$1,106,140.59</b>

Statement of Revenue & Expenses - Operating  
Budget vs Actual  
ABCD Homeowners Association 02/28/2014

FIRSTSERVICE RESIDENTIAL, NEVADA, LLC  
8290 ARVILLE STREET  
Las Vegas NV 89139

	Feb Actual	Feb Budget	Feb Variance	YTD Actual	YTD Budget	YTD Variance	2014 Budget
<b>REVENUE</b>							
Assessments	55,744	55,744	0	111,488	111,488	0	668,928
Late Fees	380	0	380	680	0	680	0
Fines	0	0	0	1,500	0	1,500	0
Fines - Contra Account	1,000	0	1,000	1,000	0	1,000	0
Key Fees	25	0	25	50	0	50	0
Int - Financial	0	0	0	0	0	0	0
<b>TOTAL REVENUE</b>	<b>\$57,149</b>	<b>\$55,744</b>	<b>\$1,405</b>	<b>\$114,718</b>	<b>\$111,488</b>	<b>\$3,230</b>	<b>\$668,928</b>
<b>EXPENSES</b>							
<b>Landscaping</b>							
LS - Contract	2,300	2,300	0	4,600	4,600	0	27,600
LS - Lift Stations	2,181	750	(1,431)	7,645	1,500	(6,145)	9,000
LS - Irrigation	0	200	200	0	400	400	2,400
LS - Extras	20,238	5,100	(15,138)	40,475	10,200	(30,275)	61,200
<b>Total Landscaping</b>	<b>\$24,719</b>	<b>\$8,350</b>	<b>(\$16,369)</b>	<b>\$52,720</b>	<b>\$16,700</b>	<b>(\$36,020)</b>	<b>\$100,200</b>
<b>Repairs and Maintenance</b>							
R/M - Repairs & Maintenance	170	1,400	1,230	769	2,800	2,031	16,800
R/M - Pest Control	540	540	0	1,080	1,080	0	6,480
R/M - Lighting Maintenance	282	282	1	563	564	1	3,384
R/M - Lighting Repair & Supplies	452	300	(152)	452	600	148	3,600
R/M - Janitorial Services	1,900	1,900	0	3,800	3,800	0	22,800
R/M - Locksmith Services	0	40	40	0	80	80	480
Pool/Spa Service Contract	582	756	174	1,164	1,512	348	9,072
Pool/Spa Repairs & Supplies	2,016	176	(1,840)	3,567	352	(3,215)	2,112
R/M - Plumbing Services Contract	0	341	341	198	682	484	4,092
R/M - Fire Pump Service Contract	0	200	200	0	400	400	2,400
R/M - Recon Reimb to Owner	0	250	250	0	500	500	3,000
<b>Total Repairs and Maintenance</b>	<b>\$5,941</b>	<b>\$6,185</b>	<b>\$244</b>	<b>\$11,594</b>	<b>\$12,370</b>	<b>\$776</b>	<b>\$74,220</b>
<b>Utilities</b>							
Electricity	2,888	2,503	(385)	5,365	5,006	(359)	30,036
Water	6,791	5,000	(1,791)	13,446	10,000	(3,446)	60,000
Sewer	2,973	2,799	(174)	5,946	5,598	(348)	33,588
Gas	(196)	250	446	416	500	84	3,000
Telephone	357	365	8	713	730	17	4,380
Trash Service	3,117	2,523	(594)	5,775	5,046	(729)	30,276
<b>Total Utilities</b>	<b>\$15,929</b>	<b>\$13,440</b>	<b>(\$2,489)</b>	<b>\$31,661</b>	<b>\$26,880</b>	<b>(\$4,781)</b>	<b>\$161,280</b>

Continued on Page 2

03/20/2014 3:16:21 PM

Projected Income Statement  
ABCD Homeowners Association 02/28/2014

FIRSTSERVICE RESIDENTIAL, NEVADA, LLC  
8290 ARVILLE STREET  
Las Vegas NV 89139

Acct	Description	Jan Act 2014	Feb Act 2014	Mar Bud 2014	Apr Bud 2014	May Bud 2014	Jun Bud 2014	Jul Bud 2014	Aug Bud 2014	Sep Bud 2014	Oct Bud 2014	Nov Bud 2014	Dec Bud 2014	Act/Bud	Budget 2014	Variance 2014
<b>REVENUE</b>																
40005	Assessments	55,744	55,744	55,744	55,744	55,744	55,744	55,744	55,744	55,744	55,744	55,744	55,744	668,928	668,928	0
45156	Late Fees	300	380	0	0	0	0	0	0	0	0	0	0	680	0	680
45245	Fines	1,500	0	0	0	0	0	0	0	0	0	0	0	1,500	0	1,500
45250	Fines - Contra Accou	0	1,000	0	0	0	0	0	0	0	0	0	0	1,000	0	1,000
45445	Key Fees	25	25	0	0	0	0	0	0	0	0	0	0	50	0	50
45645	Int - Financial	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL REVENUE</b>		<b>\$57,569</b>	<b>\$57,149</b>	<b>\$55,744</b>	<b>\$55,744</b>	<b>\$55,744</b>	<b>\$55,744</b>	<b>\$55,744</b>	<b>\$55,744</b>	<b>\$55,744</b>	<b>\$55,744</b>	<b>\$55,744</b>	<b>\$55,744</b>	<b>\$672,158</b>	<b>\$668,928</b>	<b>\$3,230</b>
<b>EXPENSES</b>																
<b>Landscaping</b>																
70005	LS - Contract	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	27,600	27,600	0
71005	LS - Lift Stations	5,464	2,181	750	750	750	750	750	750	750	750	750	750	15,145	9,000	(6,145)
71225	LS - Irrigation	0	0	200	200	200	200	200	200	200	200	200	200	2,000	2,400	400
71410	LS - Extras	20,238	20,238	5,100	5,100	5,100	5,100	5,100	5,100	5,100	5,100	5,100	5,100	91,475	61,200	(30,275)
<b>Total Landscaping</b>		<b>\$28,001</b>	<b>\$24,719</b>	<b>\$8,350</b>	<b>\$8,350</b>	<b>\$8,350</b>	<b>\$8,350</b>	<b>\$8,350</b>	<b>\$8,350</b>	<b>\$8,350</b>	<b>\$8,350</b>	<b>\$8,350</b>	<b>\$8,350</b>	<b>\$136,220</b>	<b>\$100,200</b>	<b>(\$36,020)</b>
<b>Repairs and Maintenance</b>																
72000	R/M - Repairs & Main	600	170	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	14,769	16,800	2,031
72040	R/M - Pest Control	540	540	540	540	540	540	540	540	540	540	540	540	6,480	6,480	0
72100	R/M - Lighting Mainte	282	282	282	282	282	282	282	282	282	282	282	282	3,383	3,384	1
72110	R/M - Lighting Repair	0	452	300	300	300	300	300	300	300	300	300	300	3,452	3,600	148
72190	R/M - Janitorial Servi	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	22,800	22,800	0
72235	R/M - Locksmith Serv	0	0	40	40	40	40	40	40	40	40	40	40	400	480	80
72300	Pool/Spa Service Con	582	582	756	756	756	756	756	756	756	756	756	756	8,724	9,072	348
72310	Pool/Spa Repairs & S	1,551	2,016	176	176	176	176	176	176	176	176	176	176	5,327	2,112	(3,215)
72355	R/M - Plumbing Servi	198	0	341	341	341	341	341	341	341	341	341	341	3,608	4,092	484
72375	R/M - Fire Pump Ser	0	0	200	200	200	200	200	200	200	200	200	200	2,000	2,400	400
72430	R/M - Recon Reimb t	0	0	250	250	250	250	250	250	250	250	250	250	2,500	3,000	500
<b>Total Repairs and Maintenance</b>		<b>\$5,652</b>	<b>\$5,941</b>	<b>\$6,185</b>	<b>\$6,185</b>	<b>\$6,185</b>	<b>\$6,185</b>	<b>\$6,185</b>	<b>\$6,185</b>	<b>\$6,185</b>	<b>\$6,185</b>	<b>\$6,185</b>	<b>\$6,185</b>	<b>\$73,444</b>	<b>\$74,220</b>	<b>\$776</b>

03/20/2014 3:16:21 PM

Projected Income Statement  
ABCD Homeowners Association 02/28/2014

FIRSTSERVICE RESIDENTIAL, NEVADA, LLC  
8290 ARVILLE STREET  
Las Vegas NV 89139

Acct	Description	Jan Act 2014	Feb Act 2014	Mar Bud 2014	Apr Bud 2014	May Bud 2014	Jun Bud 2014	Jul Bud 2014	Aug Bud 2014	Sep Bud 2014	Oct Bud 2014	Nov Bud 2014	Dec Bud 2014	Act/Bud	Budget 2014	Variance 2014
<b>Total Taxes and Insurance</b>		<b>\$4,010</b>	<b>\$4,030</b>	<b>\$4,102</b>	<b>\$4,102</b>	<b>\$4,102</b>	<b>\$4,102</b>	<b>\$4,102</b>	<b>\$4,102</b>	<b>\$4,102</b>	<b>\$4,102</b>	<b>\$4,102</b>	<b>\$4,098</b>	<b>\$49,056</b>	<b>\$49,220</b>	<b>\$164</b>
<b>Reserve</b>																
90000	Reserve Transfer	5,670	5,670	5,670	5,670	5,670	5,670	5,670	5,670	5,670	5,670	5,670	5,670	68,040	68,040	0
<b>Total Reserve</b>		<b>\$5,670</b>	<b>\$5,670</b>	<b>\$5,670</b>	<b>\$5,670</b>	<b>\$5,670</b>	<b>\$5,670</b>	<b>\$5,670</b>	<b>\$5,670</b>	<b>\$5,670</b>	<b>\$5,670</b>	<b>\$5,670</b>	<b>\$5,670</b>	<b>\$68,040</b>	<b>\$68,040</b>	<b>\$0</b>
<b>TOTAL EXPENSES</b>		<b>\$74,535</b>	<b>\$71,433</b>	<b>\$55,277</b>	<b>\$55,277</b>	<b>\$55,277</b>	<b>\$55,277</b>	<b>\$59,765</b>	<b>\$55,277</b>	<b>\$56,207</b>	<b>\$55,277</b>	<b>\$55,277</b>	<b>\$55,273</b>	<b>\$704,147</b>	<b>\$668,932</b>	<b>(\$35,215)</b>
<b>EXCESS OF REVENUE/EXPENSES</b>		<b>(\$16,966)</b>	<b>(\$14,284)</b>	<b>\$468</b>	<b>\$468</b>	<b>\$468</b>	<b>\$468</b>	<b>(\$4,021)</b>	<b>\$468</b>	<b>(\$463)</b>	<b>\$468</b>	<b>\$468</b>	<b>\$472</b>	<b>(\$31,989)</b>	<b>(\$4)</b>	<b>(\$31,985)</b>



03/20/2014 2:07:43 PM

**Delinquent Report**  
**ABCD Homeowners Association**  
**As of 02/28/2014**

Building: 0001 - ABCD Homeowners Association  
 8290 Anville Street  
 Las Vegas, NV 89139

Unit	Resident	Unit Address	Status Date	Last Pay Date	Last Pay Amount	Current	Over 30 Days	Over 60 Days	Over 90 Days	Balance	
0083	01 Stephen D Olsen	3145 E Main Street #1083	08/12/2013			218.00	234.56	218.00	3,671.60	4,342.16	
0087	01 S and D LLC	3145 E Main Street #1087	08/12/2013	11/08/2013	208.00	218.00	224.14	218.00	1,246.21	1,906.35	
0100	01 Carolyn Borowicz	3145 E Main Street #1100	08/12/2013	12/17/2013	208.00	218.00	261.21	218.00	10,070.91	10,768.12	
0138	01 Mario Clevon	3145 E Main Street #2004	08/12/2013			360.00	43.23		9,202.39	9,605.62	
0138	02 Federal National Mortgage Assoc	3145 Main Street #2004	02/24/2014			2,873.00				2,873.00	
0211	01 Bo Banks	3145 E Main Street #2077	08/12/2013	11/15/2013	25.00	218.00	729.59	818.00	6,835.52	8,601.11	
0228	01 ABCD LLC	3145 E Main Street #2094	08/12/2013	02/12/2014	208.00	218.00	241.93	218.00	5,006.59	5,684.52	
0230	01 Kotha Ku	3145 E Main Street #2096	08/12/2013	03/07/2014	2,300.00	218.00	227.59	218.00	2,017.39	2,680.98	
Totals:						11	5,195.00	2,651.67	2,562.00	45,732.68	56,141.35
0001 Totals:							9,348.88	9,614.46	5,214.14	123,317.24	147,494.72
BAL Beginning Balance							0.00	3,378.50	391.18	60,800.93	64,570.61
LEGC Legal Collection							606.00	0.00	0.00	2,079.12	2,685.12
INT Interest							0.00	230.46	0.00	1,954.17	2,184.63
LF Late Fees							790.00	240.00	160.00	510.00	1,700.00
MA Monthly Assessment							7,637.88	4,265.50	2,862.96	43,644.12	58,410.46
FINE Fine							0.00	1,500.00	1,800.00	11,800.00	15,100.00
NSF NSF Fee							0.00	0.00	0.00	1,581.90	1,581.90
COLL Collection Fees							65.00	0.00	0.00	260.00	325.00
DOC Document Fee							0.00	0.00	0.00	687.00	687.00
ASFR Account Setup Fee Resale							250.00	0.00	0.00	0.00	250.00
Grand Totals:							9,348.88	9,614.46	5,214.14	123,317.24	147,494.72
BAL Beginning Balance							0.00	3,378.50	391.18	60,800.93	64,570.61
LEGC Legal Collection							606.00	0.00	0.00	2,079.12	2,685.12
INT Interest							0.00	230.46	0.00	1,954.17	2,184.63
LF Late Fees							790.00	240.00	160.00	510.00	1,700.00
MA Monthly Assessment							7,637.88	4,265.50	2,862.96	43,644.12	58,410.46
FINE Fine							0.00	1,500.00	1,800.00	11,800.00	15,100.00
NSF NSF Fee							0.00	0.00	0.00	1,581.90	1,581.90

03/20/2014 1:47:27 PM

**Outstanding Check List**  
**ABCD Homeowners Association**  
**USBO US Bank - Lockbox Checking**  
**For Checks Dated Through: 02/28/2014**

Check	Date	Vendor	Type	Amount
81	01/21/2014	usbanco	US Bancorp Equipment Finance, Inc.	Printed \$1,156.76
102	02/25/2014	cenlink4	CenturyLink	Printed \$356.70
<b>Report Total</b>				<b>\$1,513.46</b>

03/20/2014 2:06:28 PM

Statement of Cash Activity  
ABCD Homeowners Association 10010-010 -  
US Bank - Lockbox Checking February 01,  
2014 thru February 28, 2014

Beginning Balance - January 31, 2014	\$111,353.41
<b>Cash Receipts</b>	
Homeowner Payments	\$51,354.69
Miscellaneous Deposits	\$25.00
<b>Total Cash Receipts</b>	<b>\$51,379.69</b>
<b>Cash Disbursements</b>	
Expenditures	(\$58,481.66)
Voided Checks	\$14,043.66
<b>Total Cash Disbursements</b>	<b>(\$44,438.00)</b>
<b>Misc Transactions</b>	
(Reversed) Record NV Energy ACH drawn 01/27/13	\$2,439.45
Record GWGAS ACH's drawn 02/10	(\$318.68)
<b>Total Misc Transactions:</b>	<b>\$2,120.77</b>
Ending Balance - February 28, 2014	\$120,415.87

03/20/2014 1:47:27 PM

Bank Reconciliation  
ABCD Homeowners Association  
USBO US Bank - Lockbox Checking  
As of Date: 02/28/2014

Bank Balance As Of 02/28/2014	\$121,929.33
Deposits in Transits	0.00
Outstanding Checks AP	-1,513.46
	<hr/>
Bank Balance As Of 02/28/2014	\$120,415.87
 Book Balance As Of 02/28/2014	 \$120,415.87
Adjusted Book Balance	<hr/> \$120,415.87

General Ledger Report  
 ABCD Homeowners Association  
 For Dates 02/01/2014 to 02/28/2014

Account Type	Sub JE ID	Source	Description	Date	Debit	Credit	Balance
			Account Ending Balance				(263.08)
70005 LS - Contract			Beginning Balance				2,300.00
	010 Operating		Subaccount Beginning Balance				2,300.00
REJ	2676673	2676672	(Reversed) Redass February Landscape Invoice	02/01/2014	2,300.00		
			Subaccount Total		2,300.00	0.00	2,300.00
			Subaccount Balance				4,600.00
			Total Monthly Activity		2,300.00	0.00	2,300.00
			Account Ending Balance				4,600.00
71005 LS - Lift Stations			Beginning Balance				5,463.50
	010 Operating		Subaccount Beginning Balance				5,463.50
AVC	2662910	479679	relump Reliable Pump Inc Installation of autodialer	02/20/2014	1,609.00		
JE	2719390	0	Redass miscoded invoice	02/28/2014	572.13		
			Subaccount Total		2,181.13	0.00	2,181.13
			Subaccount Balance				7,644.63
			Total Monthly Activity		2,181.13	0.00	2,181.13
			Account Ending Balance				7,644.63
71035 LS - Lift Station			Beginning Balance				0.00
	010 Operating		Subaccount Beginning Balance				0.00
AVC	2639793	476664	relump Reliable Pump Inc February Service	02/06/2014	572.13		
JE	2719390	0	Redass miscoded invoice	02/28/2014		572.13	
			Subaccount Total		572.13	572.13	0.00
			Subaccount Balance				0.00
			Total Monthly Activity		572.13	572.13	0.00
			Account Ending Balance				0.00
71410 LS - Extras			Beginning Balance				20,237.50
	010 Operating		Subaccount Beginning Balance				20,237.50
AVC	2654738	478569	revland Reveles Landscaping & Maintenance, Ltd	02/14/2014	20,237.50		
			Remal				
			Subaccount Total		20,237.50	0.00	20,237.50
			Subaccount Balance				40,475.00

03/20/2014 2:07:14 PM

Open Invoice Report  
As Of 02/28/2014

Vch #	Type	Invoice Inv Date	GL Date Due Date	Account	Description	Hold	Invoice Amt Bank Code	Amount Paid	Balance
		01/30/2014	02/06/2014		February Installment		USBO US Bank - Lockbox Checking		
		ABCD		78105-010	Ins - Liability & Propert		10.00	00.00	10.00
		ABCD		13100-010	Prepaid - Insurance		3,828.84	00.00	3,828.84
482075	Regular	193481-5	02/28/2014		UCA General Insurance Ser	No	3,848.84	00.00	3,848.84
		02/14/2014	02/28/2014		March Installment		USBO US Bank - Lockbox Checking		
		ABCD		78105-010	Ins - Liability & Propert		10.00	00.00	10.00
		ABCD		13100-010	Prepaid - Insurance		3,838.84	00.00	3,838.84
482076	Regular	247484173	02/28/2014		US Bancorp Equipment Fina	No	2,113.48	00.00	2,113.48
		02/28/2014	02/28/2014		February & March Installments - Surveillance		USBO US Bank - Lockbox Checking		
		ABCD		75105-010	Security Supplies & Equip		1,056.74	00.00	1,056.74
		ABCD		13000-010	Prepaid - Expenses		1,056.74	00.00	1,056.74
Vendor Totals		Invoices:					62,456.95	00.00	62,456.95

# Additional Special Reports from HOAleader.com

## **Board Member's Guide to Managing the Most Challenging People Issues at Your HOA or Condo**

Surely you've heard this mantra spoken by HOA insiders: The biggest challenges boards face are "the 3 Ps," which stand for Parking, Pets, and People. In this report, our editorial team has tapped into the expertise of legal and management experts nationwide to provide you with information on best practices for handling the most difficult people challenges in your community. [Download now »](#)

## **Pets at Condos and HOAs: Best Practices for the Challenges that Come with Residents' Animals**

You may recall a fact often cited by many HOA insiders: The biggest challenges boards face are "the 3 Ps," which stand for Parking, Pets, and People. Here, our editorial team and our legal and management experts nationwide have come together to provide information on best practices for handling the difficult issues you face with pets in your community. [Download now »](#)

## **What HOA and Condo Boards Need to Know to Create Effective and Enforceable Parking Policies**

HOA insiders often say that the biggest challenges boards face are "the 3 Ps." Based on your own experience as an HOA board member, you can probably guess that those Ps stand for Parking, Pets, and People. It's our overarching goal to make your life easier. So with this report, "Eliminate Parking Problems at Your HOA: How to Create an Effective and Enforceable Parking Policy," we're aiming to remove parking as one of the issues that throws speed bumps in your path to effective management. Here our editorial team and HOA legal and management experts all over the nation share with you tips and tools you can start using today to take the angst and stress out of parking in your community. [Download now »](#)

## **What HOA and Condo Boards Need to Know About Regulating Rentals**

Rental restrictions are unlike most other policies HOA boards create because they necessarily curb owners' real property rights. The law jealously protects property owners' rights, which means any HOA board that seeks to restrict rentals in their community needs to act wisely and deliberately. This report provides you with the information you need achieve that goal. [Download now »](#)

## **HOA Checklists: Your Road Map for an Entire Year of Homeowner Association Operations**

This report is intended to be your road map for an entire year of operations that you begin using today and turn to for years to come. It provides you with checklists compiled by our editorial team with substantial input from experts on HOA operations and management from across the country to ensure you're steering your association in the right direction and not letting crucial issues slip through the cracks. [Download now»](#)

## **HOA Elections: A Guide to Managing the Election Process at Condo and Homeowner Associations**

In this report you'll discover tips from our editorial team and experts on HOA governance and management from across the country on how to plan, properly notice, and execute an HOA election. These are tips you can begin implementing immediately to make your elections run more smoothly and withstand challenges from disgruntled homeowners. [Download now»](#)

## **50 Tips for HOA and Condo Boards, Volume 2: Homeowners Association Management Best Practices**

This report is a follow-up to our earlier special report, 50 HOA Management Tips: Best Practices for Homeowners Association Boards. It is filled with new and cutting-edge advice from our editorial team and experts on HOA governance and management from across the country. You'll find tips to minimize your legal risk, tips to improve your collections, tips to manage the human side of HOA leadership, tips to streamline rule enforcement, tips to save your association money, and much more. [Download now»](#)

## **HOA Reserves, Special Assessments, Loans & More: A Homeowners Association Board Member's Guide to HOA Funding Options**

The best-run HOAs have boards that are smart with money. Those boards manage their owners' money with care, and when they have unplanned projects that require additional funding, they're equally methodical and thoughtful. What do those boards do that's so smart? They explore every funding option, starting with well-known ideas like drawing on reserves, taking out a loan, or passing a special assessment. Then they unearth funding options that few HOA board members know about. In this special report, you'll discover tips and guidance on funding options from HOAleader.com's expert contributors. [Download now»](#)

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In this exclusive HOA management special report, we offer insight and guidance on finding a good HOA manager and determining whether you need an onsite manager, must-have and must-not-have contract language, and tips for responding when your management company isn't doing its job, including guidance on when to cut ties or work toward a better relationship. We also educate going-it-alone boards on best practices for self-managed homeowners associations, and much, much more. [Download now»](#)

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In this special report, we lay the groundwork for your HOA board to draft policies and procedures governing a broad scope of condo or homeowners association life by providing you with 17 sample policies released exclusively to you by HOAleader.com's expert contributors. [Download now»](#)

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We're hearing from a growing number of association members who want more detail about their responsibilities—or who want an easy way to educate their newly elected fellow board members about what, exactly, board members do. What's the president supposed to do? How about the vice president, secretary, and treasurer? [Download now»](#)

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This report compiles advice from our editorial team and from experts on HOA governance and management from across the country. You'll find tips about different ways to keep your association safe from embezzlement and financial malfeasance, tips about managing the human side of HOA leadership, tips about rule enforcement, tips on saving your association money, and much more. [Download now»](#)

## **HOA Finances: Best Practices for Getting Your Homeowners Association through Difficult Economic Times**

This report was created to help you make smart decisions that will in turn help your HOA weather the current financial storm. We've spoken to leading condominium and homeowner association advisors across the country and distilled their recommendations down into practical, plain-English suggestions for what you can do now to best position your association for financial stability. Times are tough, but the good news is there are steps you can take today that will help. [Download now»](#)

## **HOA Debt Collection from A to Z: How to Create and Implement a Debt Collection System at Your HOA Special Report**

In this report, our editorial team and experts on HOA law, management, and collections from across the country provide information you can begin implementing immediately to collect money due your association more quickly and easily. [Download now»](#)



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Does your state require that your condo or homeowner association board have open meetings? If so, what does that mean? And what about executive session? What can you discuss privately, and what must you discuss in front of homeowners who wish to attend? Here's a rundown. [Read more»](#)

## 6. **Master Homeowners Associations: Is Your HOA Its Own Master?**

Imagine your surprise. You buy a home in a community knowing full well that you'll become a member of your local homeowners association only to learn that your homeowners association is really a subassociation and you're bound to follow the rules of a bigger "master" association. Here's a primer on master associations and how masters and subassociations, often called "subs," interact. [Read more»](#)

## 7. **9 Mistakes New HOA Board Members Make—And How to Avoid Them**

Here we list the nine most common mistakes new HOA board members make and provide tips for turning those mistakes into successes. [Read more»](#)

## **8. Discussion Forum Follow-Up: Reining in Bullies on Your HOA Board**

A reader on the HOAleader.com discussion board asks: "I am on the board of directors of our HOA, but the president is just running wild and not following any of the bylaws or CC&Rs..." Here, we provide tips for handling secretive, power-hungry board member tactfully yet effectively. [Read more»](#)

## **9. HOA Reserve Studies: What You Need to Know**

Just what is a reserve study? What should it include, and how often should it be done? We've got answers. [Read more»](#)

## **10. HOA Rules: What You Must Know About Flag Restrictions**

There are several legitimate reasons why your HOA might want to provide guidance to homeowners on flag displays. Before you do, however, make sure you understand the maze of laws governing the issue. [Read more»](#)

## **11. HOA Reserve Funds: The Pros and Cons of Underfunding Reserves**

Some boards stop funding—or underfund—their homeowners association reserves as a way to ease the burden on homeowners during difficult economic times. Is this a smart move for your HOA? [Read more»](#)

## **12. HOA Pet Rules & Required Accommodations: The Facts About Comfort Animals**

Is Fido a medical necessity, or are we being taken for chumps? That's the question HOA board members are asking themselves as a growing number of owners claim that their beloved pet isn't a violation of their association's rules but a critical part of their medical treatment. Here's what you need to know about comfort animals and how your association should treat owners' requests for them. [Read more»](#)

## **13. HOA Finances: Think Twice Before Throwing a Party with Unused Budget Funds**

This week's tip deals with condo and homeowners associations that take leftover money in a miscellaneous or contingency budget account and fritter them away with things like parties. Be careful before taking that step. [Read more»](#)

## **14. What Happens When Nobody Runs for the HOA Board?**

An HOAleader.com reader wants to know what happens when nobody runs for any open board seats. Here our experts give the lowdown. [Read more»](#)

## **15. 9 Responsibilities HOA Boards Shouldn't Delegate to a Manager**

HOA management companies can be a great help to an association's board of directors. But a manager is not supposed to usurp the board's duties. Here we share nine duties you shouldn't allow your HOA manager to handle. [Read more»](#)

## **16. HOA Contracts: Can One Board Member Contractually Bind Your Homeowners Association?**

Can one board member, without the board's knowledge, bind the association to a contract? The short answer is yes. However, our experts have suggested practices you can implement to prevent it from happening at your association. [Read more»](#)

## **17. HOA Financial Matters: What's Receivership, and When Do Condo and Homeowner Associations Need It?**

Though it's still rare in community associations, receivership has become more common in today's economy. With any luck, your HOA will never experience receivership. But some unlucky associations will. So here are some basics on receivership, along with information about how it's arising in condo and homeowner associations today. [Read more»](#)

## **18. Definition: Quorum**

A quorum is the smallest number of board members necessary to legally conduct the business of your HOA. Most, but not all, groups define a quorum as a ... [Read more»](#)

## **19. A Sex Offender Has Moved Into Your HOA ... What Now?**

If you're like most homeowners, your first thought when you learn that a sex offender has moved into your community is: What can we do to get the offender to leave? Here's what you must know about your association's—and the offender's—rights. [Read more»](#)

## **20. Tax Day: What Your Board Must Know about Homeowners Association Taxes**

Homeowners associations have to file tax returns like the rest of the corporations in the United States. Here's a primer on the rules associations must follow when they file and advice on minimizing the stress of tax day for your HOA. [Read more»](#)

## **21. Discussion Forum Follow-Up: What's a Common Area in My HOA?**

A reader on the HOAleader.com discussion board asks a question many associations end up grappling with: What's a common area? A handful of owners in our reader's town-home have decks, rather than concrete slabs, which everybody else has. The governing documents don't reference maintenance for decks. Our reader wonders: Who's responsible? [Read more»](#)

## **22. Definition: Declaration of Covenants, Codes & Restrictions (CC&Rs)**

The declaration of covenants, conditions, and restrictions (CC&Rs) are recorded with the register of deeds in the initial phase of development of a townhome or planned community. [Read more»](#)

## **23. HOA Governance: How to Change Your Homeowner Association's CC&Rs**

Whatever the reason, at some point you'll need to amend your HOA's covenants, conditions and restrictions (CC&Rs). Here's how to make the changes by the book and deal with the inevitable political tension that arises from taking such an action. [Read more»](#)

## **24. The Pros and Cons of Keyless Access in HOAs**

A HOAleader.com reader reports that his HOA is considering keyless access—like swipe or insert cards—for elevators to help increase building security. His board is particularly concerned about those who may have avoided proper screening or requested additional keys to allow unauthorized access for friends. [Read more»](#)

## **25. Helping Owners Fund a Special Assessment**

Here, we hear how condominium and homeowner association boards crafted creative financing that helped them pass a special assessments and offer tips for funding your own special assessment. [Read more»](#)

## 26. **Robert's Rules for HOAs: What You Need to Know**

Robert's Rules of Order is a more-than-100 year old guide that provides governing bodies procedural rules to keep their deliberations orderly. What are the pros and cons of following Robert's Rules? If your association decides to follow it, what are the most important rules everyone should know? Here's a summary. [Read more»](#)

## 27. **HOA Legal Compliance: A Primer on the Fair Housing Act for Homeowners Associations**

The Fair Housing Act prevents many types of discrimination in housing. Here's a basic overview of how it affects your homeowners association. [Read more»](#)

## 28. **HOA Elections: What's Cumulative Voting, and Should You Use It?**

Most people don't even know what cumulative voting is and probably couldn't tell you if it's allowed in their state or their association. Here, we explain the procedure, discuss its pros and cons, and offer insight as to whether to change your bylaws to include or exclude it. [Read more»](#)

## 29. **HOA Board Member Behaving Badly? Know How and When to Discipline**

You may be surprised to learn that you and your fellow volunteers can be disciplined for your behavior as members of the board of directors of your homeowners association or condominium association. Here we explain when it's appropriate for boards to consider disciplining their fellow board members, along with the possible range of action they can take. [Read more»](#)

## 30. **How Far Does an HOA President's Power Extend? Discussion Forum Follow-Up**

Can a president sign a landscape contract without the board's approval? And did the president of this reader's HOA have a conflict of interest here? Our experts provide answers. [Read more»](#)

## 31. **HOA Management Fees: Beware These Questionable Fees; How Your Association Can Address Them**

Here, White and other attorneys who represent associations reveal fees they've seen slipped into their clients' management contracts and invoices. They also offer tips for addressing them. [Read more»](#)

## 32. **HOA Governing Documents Explained**

HOA gurus freely banter about the terms "CC&Rs," "bylaws," "rules and regs," and "governing documents." But what exactly are those documents, and which are the most and least powerful? In this article, we lay out what constitutes each governing document and sort out which ones have more authority than others. [Read more»](#)

## 33. **Definition: Reserve Accounts**

Reserve accounts (also referred to as "reserve funds" or simply "reserves") are funds set aside by the homeowner association to pay for the replacement ... [Read more»](#)



#### **34. HOA Board Members: Ensure that You're Personally Insured**

You may think that since your homeowner association has general liability insurance, you'll be protected if a member sues you and your fellow HOA board members. Not so. That's where directors and officers (D&O) insurance comes in. Here's what to look for in a policy to make sure you're protected. [Read more»](#)

#### **35. HOAs and Parking: What Your Homeowner Association Board Should Know About Towing**

Here's what you need to know about creating a towing policy that complies with your local laws and provides owners proper notice before their car gets hauled away. We also provide tips if you're entering into a contract with a towing company. [Read more»](#)

#### **36. Handicap Parking: What Your Homeowners Association Must Know**

Is your condo or homeowners association required to provide handicapped parking for residents and visitors? If so, how many spaces do you need, and where must they be? What if an owner requests handicapped parking? Can you require proof, and where must you locate the spot? When can you legally deny the request? Here, we answer those questions. [Read more»](#)

#### **37. New Cases Scrutinize HOA Architectural Committee Decisions—Part 3**

Three recent court cases are a reminder that your board is responsible for oversight of its architectural review process and can be held liable when it fails to meet that duty. In this final installment of a 3-article series, we discuss a Washington case where an architectural committee overstepped. [Read more»](#)

#### **38. HOA Board Recalls, Part II: If You Must Do a Recall Vote, Read This First**

In November 2008, a California appellate court held invalid an association's requirement that director recalls required a 60 percent supermajority of the association's total voting power. Here's what you need to know about that case even if your association isn't in California, along with tips on how to properly conduct a recall vote. If you're a board member who has gotten wind of a potential recall effort in your community, you'll find advice for you too. [Read more»](#)

#### **39. HOA Rules: Which Political Signs Can You Regulate?**

While a campaign-issued two-foot by two-foot Barack Obama or John McCain sign might look just fine on owners' lawns, would you feel as comfortable with a 10-foot by 10-foot sign? What if the sign promoted a White supremacist running for local office? The answer may be a rule banning political signs in your homeowners association. Before you enact such a rule, however, make sure you know whether your state permits you to do so and understand the Pandora's box you may be opening. [Read more»](#)

#### **40. HOA Boards: Four Ways to Prevent and Ease Board Burnout**

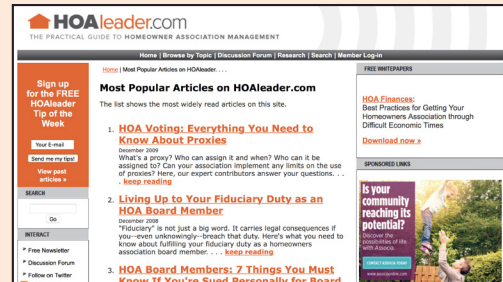
Let's face it. In many condo and homeowners associations, a handful of people carry the load for the rest of the community. Those heavy lifters can sometimes become burned out. What can you do to prevent burnout? And what can you do to ease the burden when HOA board members are feeling drained? Here are four suggestions. [Read more»](#)

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