

Association Financials

Understanding Your Association Financial Reports

Your
Condominium Homeowner Association

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Your Homeowners Association

BALANCE SHEET

Period 2/1/2014 to 2/28/2014

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2

ASSETS

3

Cash Union Bank Operating \$ 71,571.52

4

Morgan Stanley Reserves \$ 1,056,916.33

US Bank Reserves \$ 62,064.95

US Bank Secondary Reserves \$ 1,488.96

\$ 1,120,470.24

5

Total Operating Cash \$ 1,192,041.76

Receivables-Accounts \$ 79,333.94

Receivables-Interest \$ 2,164.56

Receivables-Water \$ 89,673.87

Receivables-Late Charges \$ 9,398.22

Receivables-Collections Fees \$ 9,697.62

Receivables-CC&R Fines \$ 2,275.00

Receivables-NSF Charges \$ 75.00

Total Receivables \$ 192,618.21

6

TOTAL ASSETS \$ 1,384,659.97

CURRENT LIABILITIES

Accounts Payable \$ 5,370.13

Assessments Paid in Advance \$ 15,180.56

Subtotal Current Liabilities \$ 20,550.69

RESERVES

Reserve Fund-Allocated \$ 1,056,916.33

Subtotal Reserves \$ 1,056,916.33

7

EQUITY

Retained Earnings \$ 162,139.44

Current Year Net Income \$ 89,072.74

Subtotal Equity \$ 251,212.18

TOTAL LIABILITIES & EQUITY \$ 1,328,679.20

Understanding Your Monthly Balance Sheet

1. Balance Sheet

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

2. Assets

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

3. Operating Account

The majority, if not all, of the HOA monthly income and expenses passes through the operating. It is listed on the balance sheet as Cash Union Bank Operating.

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 Funds

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 Cash and the Total Receivables.

7. Equity

Equity can be understood as monetary value that has been built up over time. This report shows the retained earnings from two viewpoints, specifically from the prior years (not including the current fiscal year) and the from the current year alone.

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Your Homeowners Association
INCOME EXPENSE STATEMENT
 Period 2/1/2014 to 2/28/2014

Account	Description	4 Current Period			5 Year-To-Date			7 Yearly Budget
		Actual	Budget	Variance	Actual	Budget	Variance	
INCOME: 2								
4010	Dues Income	39,942.00	39,942.00	0.00	79,884.00	79,884.00	0.00	479,304.00
4020	Interest	757.19	0.00	757.19	1,502.47	0.00	1,502.47	0.00
4030	Miscellaneous	417.27	0.00	417.27	417.27	0.00	417.27	0.00
4035	Water Income	32,880.58	30,000.00	2,880.58	145,279.77	60,000.00	85,279.77	360,000.00
4050	Late Charges	1,140.00	0.00	1,140.00	2,344.00	0.00	2,344.00	0.00
4055	Collection Fee	2,520.00	0.00	2,520.00	5,715.00	0.00	5,715.00	0.00
4085	NSF Charges	0.00	0.00	0.00	(30.00)	0.00	(30.00)	0.00
4090	Reserve Assessment	4,438.00	4,438.00	0.00	8,876.00	8,876.00	0.00	53,256.00
4100	Interest-Reserves	0.00	750.00	(750.00)	121.23	1,500.00	(1,378.77)	9,000.00
	Subtotal Income	82,095.04	75,130.00	6,965.04	244,109.74	150,260.00	93,849.74	901,560.00
EXPENSES: 3								
Administrative								
6010	Accounting	0.00	125.00	(125.00)	0.00	250.00	(250.00)	1,500.00
6020	Management	2,773.75	2,773.75	0.00	5,547.50	5,547.50	0.00	33,285.00
6024	Collections	720.00	0.00	720.00	720.00	0.00	720.00	0.00
6030	Board Meetings	0.00	50.00	(50.00)	0.00	100.00	(100.00)	600.00
6035	Delinquent Letters	0.00	0.00	0.00	3,510.00	0.00	3,510.00	0.00
6036	Lien Fees	1,800.00	0.00	1,800.00	1,800.00	0.00	1,800.00	0.00
6040	Reserve Study	0.00	125.00	(125.00)	0.00	250.00	(250.00)	1,500.00
6050	Insurance	0.00	1,000.00	(1,000.00)	0.00	2,000.00	(2,000.00)	12,000.00
6065	Postage	0.00	416.67	(416.67)	902.34	833.34	69.00	5,000.00
6070	Legal	0.00	1,250.00	(1,250.00)	2,422.50	2,500.00	(77.50)	15,000.00
6080	Supplies	0.00	0.00	0.00	25.00	0.00	25.00	0.00
6100	Security	600.00	1,517.50	(917.50)	1,200.00	3,035.00	(1,835.00)	18,210.00
6105	Surveillance Equipment	0.00	40.00	(40.00)	0.00	80.00	(80.00)	480.00
6106	Intercom	0.00	42.75	(42.75)	0.00	85.50	(85.50)	513.00
6110	Income Taxes	0.00	125.00	(125.00)	0.00	250.00	(250.00)	1,500.00
6130	License	0.00	16.67	(16.67)	0.00	33.34	(33.34)	200.00
6140	Miscellaneous G&A	10.00	41.67	(31.67)	(3,405.00)	83.34	(3,488.34)	500.00
6200	Events Committee	62.70	166.67	(103.97)	116.90	333.34	(216.44)	2,000.00
6300	Bad Debt Assessments	420.00	250.00	170.00	560.00	500.00	60.00	3,000.00
6305	Bad Debt Water	0.00	250.00	(250.00)	0.00	500.00	(500.00)	3,000.00
	Administrative	6,386.45	8,190.68	(1,804.23)	13,399.24	16,381.36	(2,982.12)	98,288.00
Utilities								
7010	Electricity	1,226.13	1,250.00	(23.87)	2,949.88	2,500.00	449.88	15,000.00
7020	Gas	0.00	275.00	(275.00)	0.00	550.00	(550.00)	3,300.00
7030	Telephone	298.07	68.00	230.07	611.44	136.00	475.44	816.00
7040	Water	82,185.04	45,833.33	36,351.71	119,682.87	91,666.66	28,016.21	550,000.00
7050	Time Warner	0.00	187.50	(187.50)		375.00	(375.00)	2,250.00
	Utilities	83,709.24	47,613.83	36,095.41	123,244.19	95,227.66	28,016.53	571,366.00

Your Homeowners Association
INCOME EXPENSE STATEMENT

Period 2/1/2014 to 2/28/2014

Account	Description	Current Period			Year-To-Date			Yearly Budget
		Actual	Budget	Variance	Actual	Budget	Variance	
Maintenance								
8010	Landscape Contractor	6,000.00	6,000.00	0.00	12,000.00	12,000.00	0.00	72,000.00
8015	Landscape Extras	0.00	1,250.00	(1,250.00)	0.00	2,500.00	(2,500.00)	15,000.00
8020	Landscape Repairs	0.00	1,250.00	(1,250.00)	429.97	2,500.00	(2,070.03)	15,000.00
8021	Backflow Testing	0.00	20.00	(20.00)	0.00	40.00	(40.00)	240.00
8030	Pool Contractor	240.00	300.00	(60.00)	480.00	600.00	(120.00)	3,600.00
8035	Pool Repairs	0.00	166.67	(166.67)	0.00	333.34	(333.34)	2,000.00
8040	Pool Supplies	145.00	166.67	(21.67)	302.50	333.34	(30.84)	2,000.00
8050	Janitorial Cleaning	450.00	450.00	0.00	450.00	900.00	(450.00)	5,400.00
8061	Water Meter Repair	0.00	375.00	(375.00)	0.00	750.00	(750.00)	4,500.00
8062	Lighting Maintenance	0.00	95.00	(95.00)	0.00	190.00	(190.00)	1,140.00
8063	Lighting Extras	0.00	250.00	(250.00)	0.00	500.00	(500.00)	3,000.00
8065	Pest Control	135.00	135.00	0.00	270.00	270.00	0.00	1,620.00
8070	Plumbing	0.00	125.00	(125.00)	0.00	250.00	(250.00)	1,500.00
8071	Access Gate Maintenance	0.00	259.00	(259.00)	0.00	518.00	(518.00)	3,108.00
8072	Access Gate Repairs	0.00	375.00	(375.00)	0.00	750.00	(750.00)	4,500.00
8073	Street Sweeping	0.00	230.00	(230.00)	0.00	460.00	(460.00)	2,760.00
8075	General Maintenance	2,375.00	1,208.33	1,166.67	4,461.10	2,416.66	2,044.44	14,500.00
8080	Emergency Fund	0.00	2,231.83	(2,231.83)	0.00	4,463.66	(4,463.66)	26,782.00
8090	Reserve Allocation	0.00	4,438.00	(4,438.00)	0.00	8,876.00	(8,876.00)	53,256.00
	Maintenance	9,345.00	19,325.50	(9,980.50)	18,393.57	38,651.00	(20,257.43)	231,906.00
8	TOTAL EXPENSES	99,440.69	75,130.01	24,310.68	155,037.00	150,260.02	4,776.98	901,560.00
9	Current Yr Income/Loss	(17,345.65)	(0.01)	(17,345.64)	89,072.74	(0.02)	89,072.76	0.00

Understanding Your Monthly Income Expense Statement

1. Income Expense Statement

This report shows the income and expenses for the individual month. It also show 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 over 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. Income

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

3. Disbursements

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.

4. Current Period Actual

The figures in this column refer to the amounts that have been received or spent for the month. A negative number in the Current Year Income/Loss (at the bottom of this report) means the HOA has overspent for the month/year. This amount is added to the Retained Earnings-Prior Years when the books are close at the association's year-end (See Balance Sheet).

5. Year-To-Date Budget

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

6. Variance

When considering the INCOME 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 DISBURSEMENTS 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 INCOME section means that the HOA did not receive the budgeted funds. A negative number in the DISBURSEMENTS section means that the HOA has spent more than the budgeted amount.

7. Yearly Budget

This column shows the annual budget for each line item as well as the totals for each section. The association prepares and distributes an annual budget (represented by the figures in this column) which must be completed and approved no more than 60 days and no less than 30 days prior to the association's fiscal year end.

8. 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 OPERATING EXPENSES is obtained by adding all four category totals together.

Finally, the TOTAL EXPENSES value is arrived at by adding the RESERVE ALLOCATIONS (monthly checks issued to transfer money to a reserve account) to the TOTAL EXPENSES.

9. Current Year Income/Loss

The Net Balance in Operating is the association's net cash flow in the operating account for the month or year to date after taking into account any reserve contributions. See Ending Balance below.

10. Reserve Allocation

Journal entries for Reserve Transfer checks and the Reserve Interest earned are entered in the system in order to reconcile the Reserve bank statements each month. Those journal entries show on these lines of the report.

Your Homeowners Association

1

CASH DISBURSEMENTS

Period 2/1/2014 to 2/28/2014

2	3	4	5	6	
Check-Dt	Check #	Vendor #	Vendor Name	Check Amt	Reference
2/1/14	37	26	Your Management Group	4528.14	Adj for Jan 14

Vchr #	Inv #	Inv Date	Acct #	Eff Date	Amount Pd	Reference
67	013114A	1/31/2014	6035	1/31/2014	780.00	Adj for Jan 14
67	013114A	1/31/2014	4085	1/31/2014	80.00	
67	013114A	1/31/2014	6035	1/31/2014	2700.00	
67	013114A	1/31/2014	7010	1/31/2014	35.80	
67	013114A	1/31/2014	6035	1/31/2014	30.00	
67	013114A	1/31/2014	6065	1/31/2014	902.34	

Understanding Your Monthly Cash Disbursements

1. Cash Disbursements

The cash Disbursement Report is organized by Check number and displays important information that has been printed on each check and check stub. The total spent for the month is listed at the bottom of the Check Amount column.

2. Check Date

This report also shows the date each check was printed. Our accounting department processes all invoices received each week and provides a list of those invoices to the property manager who will authorize which ones to be paid (sometimes also coordinating with and/or receiving approval from the HOA board.) Please coordinate with your property manager so that invoices are not submitted at the last minute, but rather provided with plenty of time to be paid in the normal weekly check run.

3. Check

Each check issued to a vendor for payment has its own number. The Expense Register may seem to be confusing since at times there are two or more rows with the same check number. Sometimes a vendor may be charging for two or more items on an invoice which the property manager or the HOA board wishes to break up into separate expenses. In this case, the same check number will be displayed, showing the same vendor, a different expense account, and most likely a different amount paid.

4. Vendor Name

Each vendor's name is listed on this report. Any codes in parentheses can be ignored. It is extremely important to make sure that the HOA provides up-to-date tax information and insurance documentation on each vendor it employs.

5. Check Amount

The Expense Register shows the amount paid for each type of expense. For example, a gardener was paid for two invoices which are both included on one check. The check is cut for \$130.00 because he was paid for LANDSCAPING CONTRACT (\$110.00) and SPRINKLERS (\$20.00).

6. Reference

This section contains pertinent account information that was originally printed on the check stub. Please remember to leave the check stubs attached to the checks so that when vendors receive their checks, the payments can be applied correctly to the association's accounts.

1

Your Homeowners Association
HOMEOWNER ACCOUNT SUMMARY
Period 2/1/2014 to 2/28/2014

2

Account Number	Assessment	Late	Legal	Other	Other	PP	Year	Prepaid	Total
Responsible Party	A1	01	05	Code	Amount	Code		Amount	Balance
123456									140.00CR
Washington, George						PP-A1		140.00CR	
123457	5344.00	482.80		TOTAL:	1220.37				7047.17
Burr, Aaron				03	354.00				
				07	350.00				
				04	153.17				
				09	363.20				

3

Understanding Your Homeowner Account Summary

1. Homeowner Account Summary

This report will show outstanding Homeowner Account balances whether there is an outstanding balance or credit. The report will itemize the outstanding balance by a code which is on the Receivables By Account report.

2. Account Number and Responsible Party Owner)

The Account Number of the unit and the Responsible Party for the account.

3. Codes

A1 (Assessments), 01 (Late Charges), 02 (NSF Charges), 03 (Collection Fee), 04 (Interest), 05 (Legal), 07 (CCR Fines) 09 (WaterCharges), PP-A1 (Prepaid Assessments).

1

Your Homeowners Association
RECEIVABLES BY ACCOUNT
 Period 2/1/2014 to 2/28/2014

ACCOUNT SUMMARY**2**

Account Number	Account Description	Current Balances
1310	Receivable-Accounts	\$ 79,333.94
1350	Receivable-Late Charges	\$ 9,398.22
1355	Receivable-Collection Fees	\$ 9,697.62
1320	Receivable-Interest	\$ 2,164.56
1335	Receivable-Water	\$ 90,057.54
1390	Receivable-NSF Charges	\$ 75.00
1370	Receivable-CC&R Fines	<u>\$ 2,275.00</u>
	TOTAL AMOUNT DUE	\$ 193,001.88
2310	Assessments Paid in Advance	\$ 15,180.56
	GRAND TOTAL	<u><u>\$ 177,821.32</u></u>

3**CHARGE CODE RECAP**

Code	Description	G/L Acct #	Amount
PP	Credit-Prepaid	2310	(\$10,912.20)
A1	Assessment	1310	\$79,333.94
01	Late Fees	1350	\$9,398.22
03	Collection Fee	1355	\$9,697.62
04	Interest	1320	\$2,164.56
09	Water Charges	1335	\$90,057.54
02	NSF Charges	1390	\$75.00
PP-A1	Credit-Prepaid	2310	(\$4,268.36)
07	CCR Fines	1370	<u>\$2,275.00</u>
	TOTALS:		<u><u>\$177,821.32</u></u>

Understanding Your Receivables By Account Summary

1. Receivables By Account Summary

The Receivable Summary by Account breaks down the totals at the bottom of the Homeowner Account Summary report. The totals at the bottom of both reports will match each other.

2. Account Numbers

These numbers will correspond to the numbers on the Monthly Balance Sheet.

3. Charge Code Recap

These numbers are a summary of the Homeowner Accounts, itemized by codes.

Your Homeowners Association

GL TRIAL BALANCE

Period 2/1/2014 to 2/28/2014

1

2

Acct #	Description	Begin Balance	Total DR	Total CR	Net Change	End Balance
1000	Cash-Union Bank	140,895.08	72,381.61	141,705.17	(69,323.56)	71,571.52
2300	Accounts Payable	(48,054.61)	137,559.65	94,875.17	42,684.48	(5,370.13)

3

Acct #	Date	Source	Reference	DR-Amt	CR-Amt	Description	A/P Reference
1000	2/1/2014	AP0062	37		4528.14	Your Mgt Group	Adj for Jan 14
2300	2/1/2014	AP0062	37	4528.14		Your Mgt Group	Adj for Jan 14

4

Acct #	Description	Begin Balance	Total DR	Total CR	Net Change	End Balance
6035	Delinquent Letters	3,510.00	0.00	0.00	0.00	3,510.00
4085	NSF Charges	30.00	0.00	0.00	0.00	30.00
7010	Electricity	1,723.75	1,226.13	0.00	1,226.13	2,949.88
6065	Postage	902.34	0.00	0.00	0.00	902.34

5

GL Code	Date	Source	Reference	DR-Amt	CR-Amt	Description	A/P Reference
6035	1/31/2014	AP0061	VH67	780.00		Your Mgt Group	Adj for Jan 14
4085	1/31/2014	AP0061	VH67	80.00		Your Mgt Group	Adj for Jan 14
6035	1/31/2014	AP0061	VH67	2700.00		Your Mgt Group	Adj for Jan 14
7010	1/31/2014	AP0061	VH67	35.80		Your Mgt Group	Adj for Jan 14
6035	1/31/2014	AP0061	VH67	30.00		Your Mgt Group	Adj for Jan 14
6065	1/31/2014	AP0061	VH67	902.34		Your Mgt Group	Adj for Jan 14

Understanding Your Monthly G/L Trial Balance

1. General Ledger Trial Balance-Full Detail

This report itemizes all the financial activities of an association within one given month. The General Ledger is date sensitive. This means, you can backdate or forward date transactions to any accounting period. The accounting system understands the dates of the transaction and will post them to the correct accounting period. The General Ledger utilizes Double Entry accounting, where there is a debit, there must be an offsetting credit and vice versa.

2. Operating Account and Accounts Payable

Operating Account #1000 show beginning balance as first day of month, all income received and all expenses paid out if.

Accounts Payables #2300 will have a debit for the check written and a credit when the invoice received. Checks may be written in current month, but invoiced from previous month.

3. Example of Double-Entry Accounting

Check #37, in the amount of \$4528.14 written to Your Management Company shows the amount as a credit or reducing the available Cash #1000 and a debit to Accounts Payable #2300, thus increasing the expense accounts of the various G/L Code affected by the transaction.

4. Account Balances

G/L Code, Beginning Balances, Total Debit or Total Credit, Net Change and Ending Balances affected by transactions during the month.

1 **Your Homeowners Association**
BANK RECONCILIATION REPORT
 Union Bank

Balance per bank statement as of February 28, 2014	2		\$ 153,777.80
Deposits in Transit		575.31	575.31
 Outstanding Checks	3		
LADWP	999	66.71	
Verizon	41	181.09	
Adams Kessler LLC	43	2422.50	
HOA Specialists	44	760.00	
XXX Glen I	47	82125.04	
Your Management Group	999	(2773.75)	
			82781.59
 Adjusted bank balance as of February 28, 2014			\$ 71,571.52
 Balance at beginning of period		4	\$140,895.08
 Receipts	5	72,381.61	
Payment Adjustments		0.00	
Viod Checks		0.00	
Interest		0.00	
			72,381.61
 Disbursments	6	141,695.17	
Payment Adjustments		0.00	
Void Checks		0.00	
Returned Items Charge		10.00	
			141,705.17
 Balance as of February 28, 2014	7		\$71,571.52

1. Bank Reconciliation

Bank Reconciliation Report will reconcile the transactions per the General Ledger with the Bank Statement from the association's bank.

2. Bank Balance

Balance per bank statement as of the last day of the month.

3. Outstanding Checks

Check that per the bank statement show as unpaid.

4. Balance at beginning of period

Balance as February 1, 2014 per Account #1000 of the General Ledger.

5. Receipts

All monies deposit into the association's bank account, including water receipts.

6. Disbursements

All disbursement made from operating account including all common area expenses.

7. Balance as of February 28, 2014

Ending balance as of the last day of month after all receipt has been received and all bills have been paid.