

Free eBook!

# COMMUNITY ASSOCIATION MANAGEMENT ACCOUNTING 101



*Understanding  
the Basic  
Principles of  
Community  
Association  
Accounting*

*a publication from*

 **TOPS**

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# Disclaimer

This eBook provides a basic overview of community association accounting, but may not cover every aspect you'll need to consider for your organization's special needs and your specific state laws.

For a complete understanding, we recommend you connect with your local CAI chapter and inquire about available classes or discuss any questions raised by this eBook with your CPA.

Be sure to consult your community association's legal documents, as well as an attorney familiar with laws affecting community associations in your state prior to making any decisions that affect your community association.

# Introduction

If someone had suggested that I write a synopsis of standard accounting procedures a few years ago, I would have considered it an easy task. I was employed by a goods & services company, utilizing basic standard accounting with debits and credits. The sole differences were the taxes (state & sales tax), depending on what state we shipped to or where our service technicians were located throughout the country.

To my surprise, when I started working in Community Association Management I discovered that it's a different world. Not only do community association managers have to abide by Federal and individual state laws, they also have to satisfy their ever changing community boards. I discovered that the whole concept of community association accounting and reporting is by far more in-depth than your average Corporation Accounting.

My goal is to break down Community Management Accounting, making it easier to understand, and if you are in the market for new management software or just want to be more knowledgeable regarding the accounting side of your business, this material will assist you in obtaining the knowledge you need.

*Nancy Marry  
Technical Support Team Lead  
TOPS Software Technical Support*



# CHAPTER 1

## Compare and Contrast



If you've learned how to balance your personal checkbook, you have a basic understanding of accounting principles. The average company operates on a form of accounting called Goods and Services accounting, which basically means tracking incoming monies (credits) and outgoing monies (debits) and calculating the difference (profit). Sure there are many more complexities that factor into business accounting, but those are the basics.

# Accounting is Accounting

With any position in any field, there are always changes, new people, new ideas implemented, etc. But usually in a Goods & Services type business, it's the sales strategies or marketing – not the Accounting side of the company that faces changes. Accounting is Accounting, right?

Not necessarily in Community Management, where you are subject to change with each new board election and legislative session—it is definitely an ever changing area.

The differences I found when learning Community Management Accounting were in both the terms that are used and how transactions are reported. I can't tell you how many times I've had a call from a CPA with a dispute over community association accounting methods. (One tip I can give you right off the bat is if you are in the market to hire a CPA for your company, make sure they are well informed regarding Community Associations or you will be forever in conflict.)



*“Accounting is accounting, right? Not necessarily.”*

## Compared to Goods & Services

In goods and services accounting, revenue does not exist until you have sold an item or service, and the money is in your account. Although budgets exist in goods and services accounting, they are more of a guideline, or a snapshot of the past to help keep companies on target for reaching profitability goals, rather than a holy document etched in stone.

However, in CAM accounting, prediction is the name of the game – nearly everything that is done, from contracts with vendors to management fees to maintenance of amenities to collections processing for delinquent owners is strictly budgeted for.

In fact, goods and services is a poor accounting model with which to compare. CAM accounting works more like a combination of small government (predictable tax revenue) and a non-profit organization (what comes in must go out). Even the IRS looks at community associations as not for profit\* organizations in their tax treatment.

*\*not to be confused with non-profit organizations.*



*“In CAM accounting, prediction is the name of the game.”*



# Compared to Small Government

Like a small government, a community association is funded by the very homeowners who live in the community. Once development on a community is complete, there are a finite number of sources from which revenue can be earned. One cannot sell more homes than the community has to offer. That makes the amount of revenue the association can collect from homeowners in assessments (or dues) predictable in the sense that you know exactly how much you can expect to receive.

Of course, not all homes may be occupied all of the time, but every home has an owner, even if that owner is a bank or a developer, even if the homeowner is in arrears.

This predictability allows associations to be able to project a very good estimate of the amount of revenue the community will earn in a given year. This projection is, of course, the foundation of the budget.



## Compared to Non-Profit Charities

Because no homeowner wants to pay more than they absolutely have to, community associations tend to run very strict budgets, where every single dollar going in and coming out is specifically earmarked in the budget. The key to a community association with solid financials is a great budget. In this sense, CAM Accounting begins to seem more like a non-profit organization.

In a charity, any revenue not used for operating expenses must go out to perform the charitable service. The goal at the end of the fiscal year is to have a zero balance, where every cent that has come in has gone back out again.

In our case, the ‘charity’ is the reserve fund – the community’s savings that will be used for major, community-wide expenses such as roof repairs and balcony replacements. If not enough of the revenue is dedicated to savings in the reserve fund, the community may have to charge homeowners a lump sum to pay for an emergency. These “Special Assessments” do not make for happy homeowners – trust me!



*“The key to a community association with solid financials is a great budget.”*

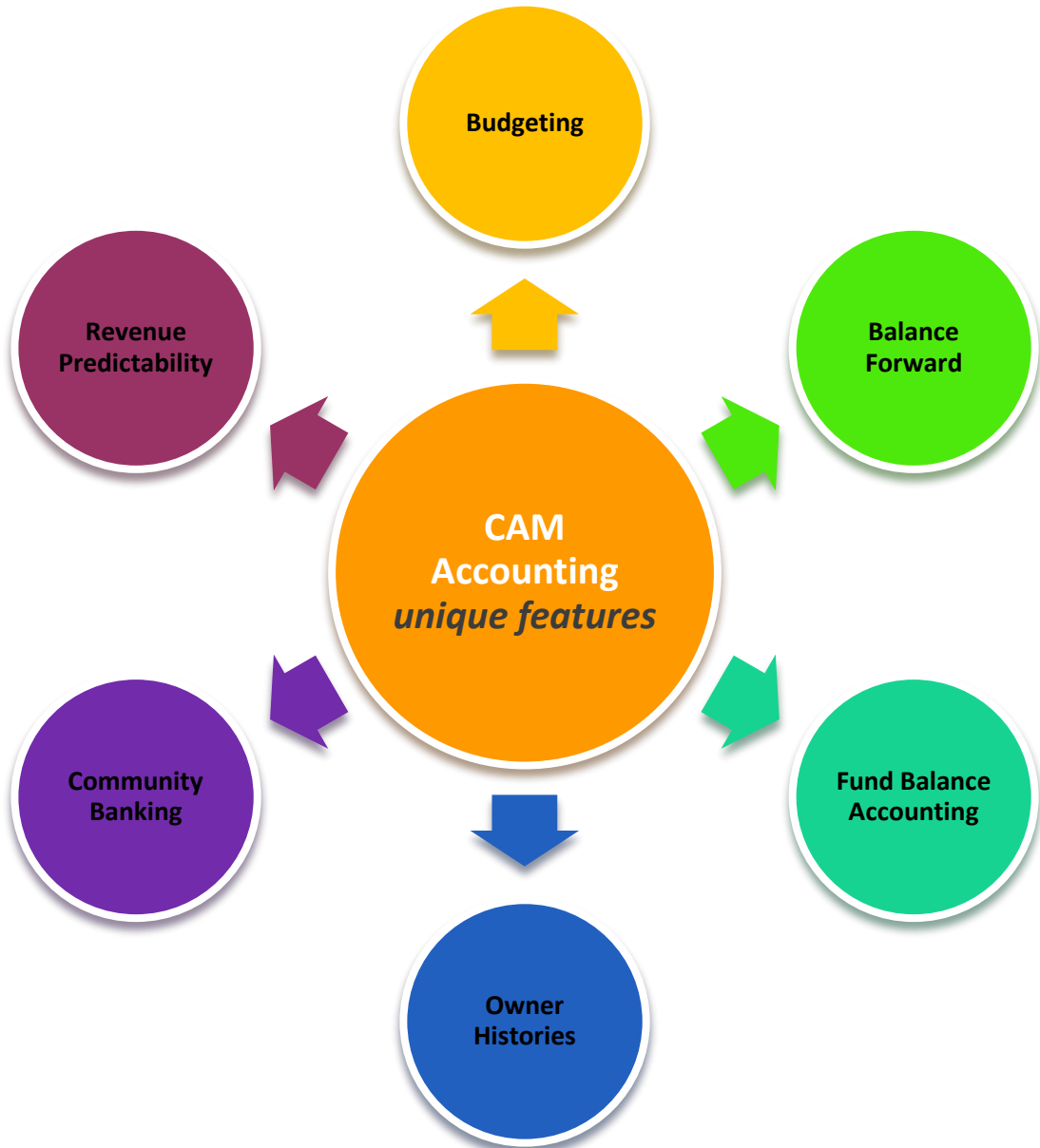
# CHAPTER 2

## CAM Accounting in Unique



As demonstrated in chapter one, Community Associations represent a hybrid of Government, non-profit and business. This chapter will explore the individual properties of this hybrid that make accounting for Community Association Management so unique.

# Unique aspects of CAM Accounting



# Budgeting is a Key Factor



*“Great CAM Accounting consists of a great budget with proper allocation of all funds...”*

As we covered in chapter one, the primary difference between CAM Accounting and other types of Accounting is the prediction process in which the community association utilizes budgeting to attempt to make an accurate prediction.

Great CAM Accounting consists of a great budget with proper allocation of all funds so that every cent is accounted for where owners are not over-charged, but also large scale repairs and community-wide emergencies are prepared for financially. The trick is in finding that perfect balance and maintaining it year after year!

So, extreme budgeting and revenue predictability are two of the unique properties of CAM Accounting, but there are more.

# Balance Forward

CAM Accounting is sometimes referred to as Balance Forward Accounting due to the automated process of 'carrying forward' an owner's balance from month to month, simply tacking on the monthly assessment amount to the balance owed each month, and applying any payments received to the entire amount, rather than a specific 'bill'. (Unpaid amounts are carried over from period to period.)

Be sure to check with your lawyer or local professional organization. Some states have regulations on what can or cannot be carried forward. Monthly assessments are nearly always carried forward, but fines for violations, legal fees, special assessments and collection costs may not be allowed to be forwarded in your state.



*“Some states have regulations on what can or cannot be carried forward.”*

# Fund Balance Accounting

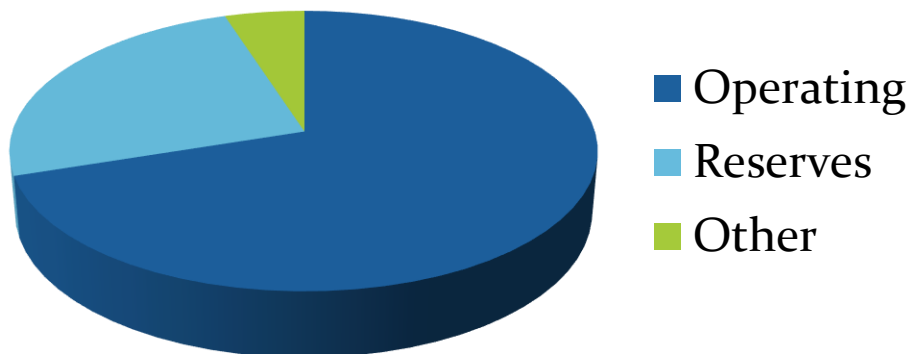
Reserve funds are the savings that communities keep for major renovations that could not be covered by the operating budget. This could be large expenses like replacing roofs or regular maintenance tasks like re-painting parking lot lines.

The reserve funds must be kept in a separate bank account from the operating funds. If they are not, the IRS can look at them as taxable income to the community.

This is called “fund balance accounting” where community funds must be kept track of by their fund type—typically “Operating”, “Reserves” and “Other”.

The AICPA Guidelines for community association accounting recommend reporting on a fund balance basis.

**Sample Distribution of Funds**



# Owner History

The owner database that is the cornerstone of industry specific software is also a unique property of CAM accounting. Owners are the “customers” in a traditional accounts receivable accounting system, but the owners in community association accounting have unique data tracking requirements.

For example, you need to track the settlement date when an owner purchased a home and also the resale date when they sold it. Why? Because that is the period of time that they owned the home in the community and are therefore responsible for paying the assessments levied against the home during this period.

Because of this need to keep track of ownership, community associations must keep track of previous owners with their charge and payment history.



*“Associations must keep track of previous owners with their charge and payment history.”*



# Community Association Banking

Many community bylaws require funds to be federally insured in case of bank failure. To ensure that your various funds are protected under the FDIC, each account should not exceed \$100,000 per tax ID in that bank.

Some banks will offer additional insurance coverage for deposits in excess of FDIC. If your bank does not offer this protection, another option is to spread reserve funds up to \$100,000 among several banks.

When considering a bank for your community association, look for banks that tailor their services to community associations. Your Community Association banker can review your community's reserve study to help you build a portfolio that matches the risk, return and liquidity needs of your association.

The final decision of which banker to use for each community association is the responsibility of the Board of Directors.



*“Each account should not exceed \$100,000 per tax ID in that bank.”*

# CHAPTER 3

## Choosing an Accounting Method



Deciding which Accounting method to use is not something to take lightly or to think that if you don't like it one way you can switch to the other method. When you chose your method, adherence to the initial choice is imperative for the sake of consistency in comparing financial reports from year-to-year.

## Available Accounting Methods

- **Cash Accounting:** income is counted when cash (or a check) is actually received, and expenses are counted when actually paid
- **Accrual Accounting:** transactions are counted when they happen, regardless of when the money is actually received or paid.
- **Modified Accrual:** this is actually the method most often followed for community accounting. It simply means that if an AP bill has not been received for an expense incurred during an accounting period, the expense is not recorded (accrued) until the bill is actually received.

### The Five Million Dollar Rule

Most state laws follow the rule if your community has revenue of less than \$5 million per year, you are free to choose which accounting method to adopt. Whichever method you use, it's important to realize that each option has its positives and negatives.



*“If your community has revenue of less than \$5 million per year, you are free to choose”*

# Cash Accounting Method

Cash Accounting is the simplest accounting method for non-accounting people to grasp. But there is a danger that it may not accurately portray the true financial position of the community.

For example, if there is not enough money to pay all the bills for the community, those unpaid bills will not show on the financial reports. The officers may think the financial position of the community is fine when, in fact, they are falling further and further into debt.



### When to choose Cash Accounting

Smaller communities and those that do not have utility expenses paid by the community might be good candidates for Cash Accounting. Also, self-managed communities where there are no accounting professionals on the Board of Directors might want to consider Cash Accounting.

# Accrual Accounting Method

This is the most accurate accounting method because it shows the true financial position of the community.

In Accrual Accounting, revenue is recognized when it is charged regardless of when payment is received, and expenses are recognized when the product or service is received or completed regardless of when paid.

If a bill for a product or service is not received but the delivery has been made or the work completed, then an 'Accrual Entry' is made in the General Ledger to record the expense.

But it is hard for non-accounting people to understand accrual. They may ask "How come the electricity expense shows \$300.00 on the financial statements but I don't see a check to the electric company on the Check Register". The answer is, of course, the expense was 'accrued' because the electric bill was received (or due) even though it was not paid during the accounting period.

*"This is the most accurate accounting method because it shows the true financial position of the community."*

# Modified-Accrual Accounting Method

This simpler version of Accrual Accounting simply means that if an AP bill has not been received for an expense incurred during an accounting period, the expense is not recorded (accrued) until the bill is actually received.

There is good logic for this; the community manager most likely needs to review each bill and approve it for payment, and if no bill has been received yet, then it can't be approved for payment.

Under Modified Accrual, the accounts receivable system is generally handled the same way as it is under the full Accrual Accounting above. So Modified Accrual mainly means differences in how and when the community expenses (payables) are recorded on the books.



# Comparing Accounting Methods

While simpler to understand, **Cash Accounting** can result in a see-saw (spiking) effect with revenue and expense reporting.

Under Cash Accounting, expenses can be high one month because all the bills were paid, then low the next month because not all the bills were paid making it hard to judge how the community is actually doing financially compared to the budget.

Both **Accrual methods** discussed have the effect of “smoothing out” the income and expenses from period to period.

Accrual Accounting not only matches the income for an accounting period to the expenses incurred during that period, but it also is a better tool for comparing actual financial results to the approved budget.

For reasons of accuracy and visibility of the true financial position of a community, either method of Accrual Accounting is better than Cash Accounting.



*“For accuracy and visibility of the financial position of a community, either method of Accrual Accounting is better.”*

# Portfolio Management

It's not unusual for a management company to have a mix of accounting methods within its portfolio of managed communities—and the accounting software needs to be capable of handling the preferences of each community.

A good community accounting system will let you decide which accounting method to follow for a particular community, and be able to handle any of the three accounting methods discussed above.

In the event a community demands one accounting method over another, a well-designed accounting software will give you the capability to meet these demands on a community-by-community basis.







# What is the General Ledger (GL)?

The GL is the running record of all the transactions you do; it is the foundation of the entire accounting system. All subsidiary ledgers (like receivables and payables) create GL transactions. Like a calculator, it keeps a running tape.

The General Ledger is where certain key financial reports are generated. The Balance Sheet, Profit and Loss Statement and Reserve Fund Balances are all generated out of the General Ledger.

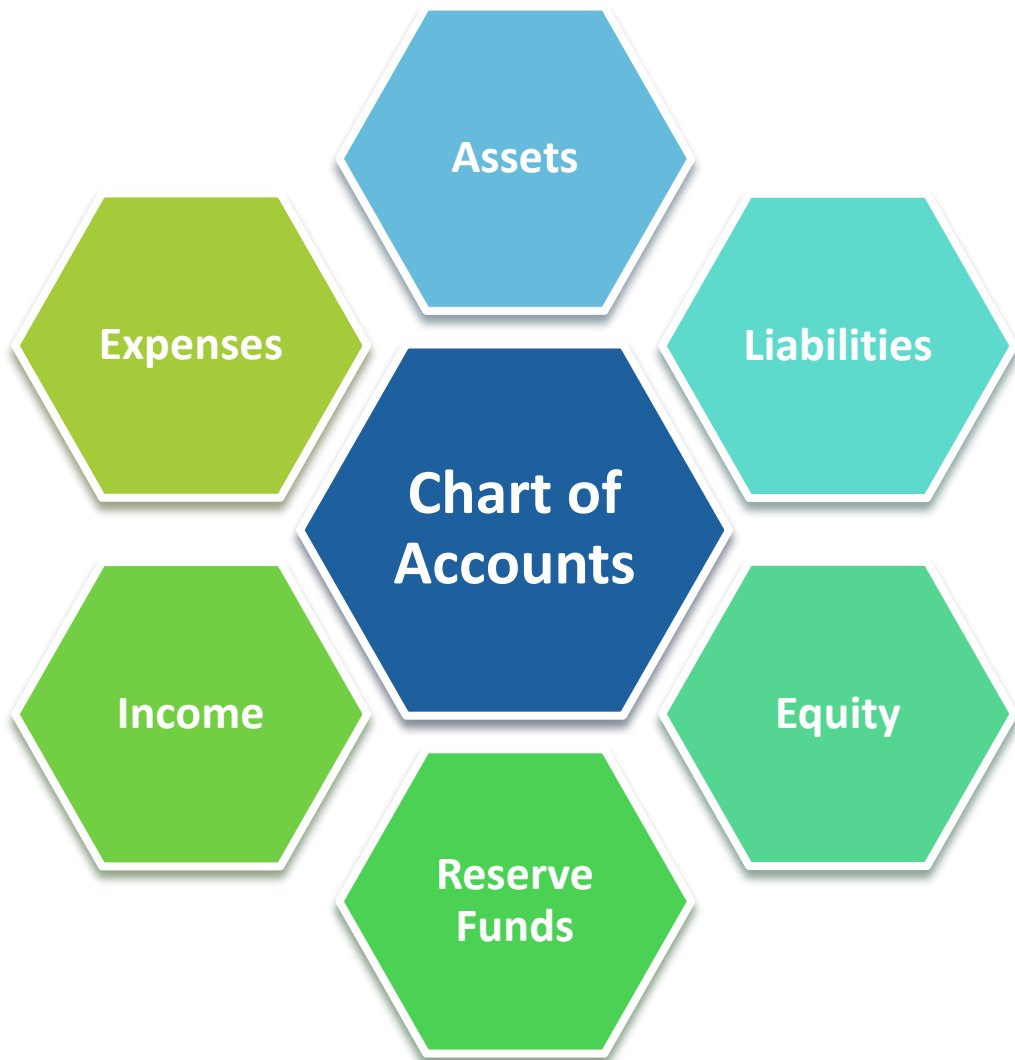
A key part of the General Ledger is the Chart of Accounts. The Chart of Accounts is all the active accounts that are being kept track of within the General Ledger. The Chart of Accounts is also available to all the subsidiary ledgers so there is a common link to pass transactions from the subsidiary ledgers to the General Ledger.



*“The Chart of Accounts is all the active accounts that are being kept track of within the General Ledger”*

# General Ledger Sections

The Chart of Accounts and, therefore, the General Ledger is broken up into these 6 sections:



# General Ledger Definitions

- **Assets:** Asset accounts appear on Balance Sheet, normally a Debit balance. Examples include Cash in Bank Accounts, Petty Cash, CDs, Accounts Receivable, Prepaid Insurance, Land.
- **Liabilities:** Liability accounts appear on the Balance Sheet, normally a Credit balance. Examples include Accounts Payable (bills), Unearned Income, Loans (payable).
- **Equity** (or Owners Equity): Net Worth (amounts left over after assuming all liabilities) — normally a credit balance. A debit balance would indicate a Loss. Equity accounts appear on the Balance Sheet (Retained Earning).
- **Income:** Income accounts appear on the Income Statement, normally a credit balance. Examples include Maintenance Fees/Dues, Special Assessments, Laundry Income, Interest Income, Rental Income, Work Order Income, Fines.
- **Expenses:** Expense accounts appear on the Income Statement, normally a Debit balance. Examples include Utilities, Monthly Landscaping Fees, Pool Maintenance, Office Supplies, Salaries, Bank Charges.

# Tracking Your Transactions

To be of maximum benefit to the users in the management office and also to accountants and auditors who might be examining the community's books, an accounting system should keep track of every transaction for at least the current fiscal year.

Preferably, the accounting system will let the management office elect to keep multiple years of history readily available so that questions about previous years can be easily answered.

A detailed history over several years is not only the General Ledger but also the subsidiary ledgers (modules) of receivables (AR) and Payables (AP) should be available on demand when needed to research a question.



*“Your accounting system should keep multiple years of history available.”*

## Other Features to Look For

“Drill-down” from the General Ledger back to the details of a transaction in the subsidiary ledger is an important tool for answering questions about what makes up a particular General Ledger transaction. Drill down only works when the General Ledger transactions are tied into the subsidiary ledgers (modules). It is very handy when trying to research a General Ledger balance—but is of maximum benefit when multiple years of transaction history are kept in the accounting system.



Additionally, the ideal accounting system should be “date sensitive”. This means it can read transactions by their dates. There is a major advantage to a “date sensitive” accounting system—you can reprint any report for any date in the past and the accounting system will regenerate the report with exactly the same information as the original report that would have been generated back on the past date. This is a huge help if a report has been misplaced or a retroactive accounting entry must be made which changes a previously generated report.

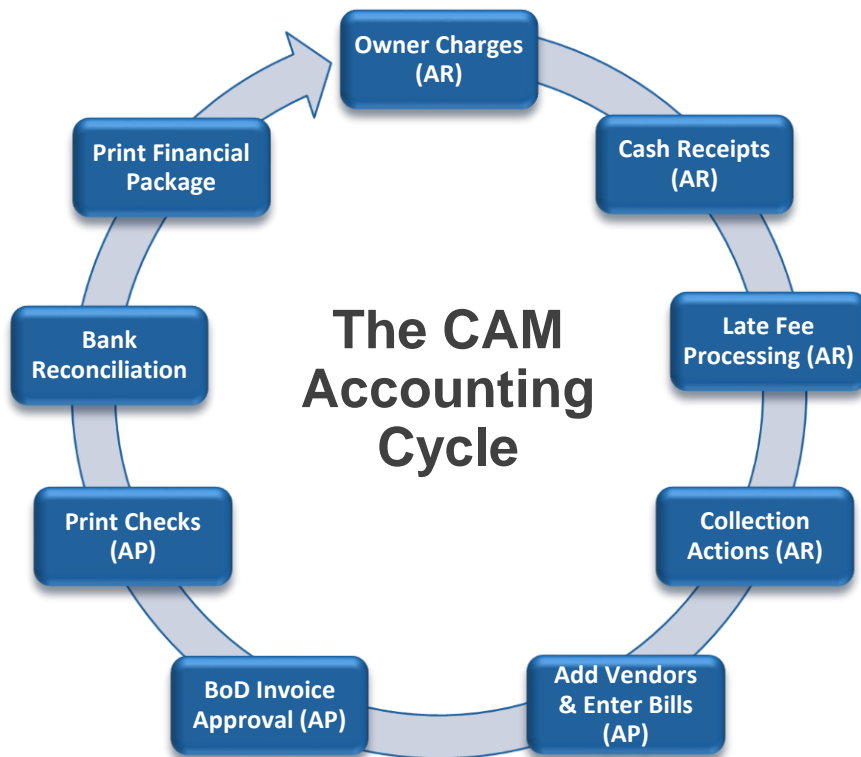
# CHAPTER 5

## The Accounting Cycle



The best way to ensure accuracy in your accounting procedures is to follow a consistent process. The accounting cycles provided in this chapter will give you a standard process blueprint that you can follow. As with any process, you should check your community rules and regulations as well as state laws and make any changes required.

# The Accounting Cycle



Here's a typical accounting cycle for a community association. This accounting cycle applies to a single community, and does not include accounting operations for your management company, nor does it incorporate shared accounting operations for multiple communities in your portfolio. Of course, there are also other areas of community management that are not covered here, such as maintenance, owner and board communications, and deed enforcement.



## Two Basic Functions in the Cycle

- Bills
- Receipts
- Interest
- Fees
- Transfers
- Loans
- Data Entry

### Recording



It may seem like a lot of steps, but in fact, there is a lot of overlap. In general, community accounting is broken into two basic functions: Recording and Reporting financial transactions. Each of those can be further broken down into tasks:

### Recording financial transactions & events

- Paying a bill
- Receiving an owner payment
- Recording interest on a bank account
- Charging a homeowner a fee
- Transferring cash from one bank account to another
- Obtaining a loan

- Balances
- Statements
- Registers

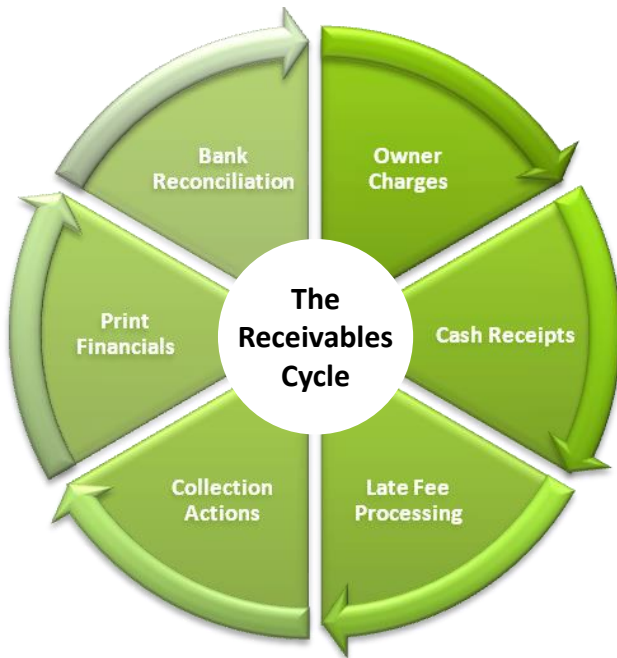
### Reporting



### Reporting on financial information

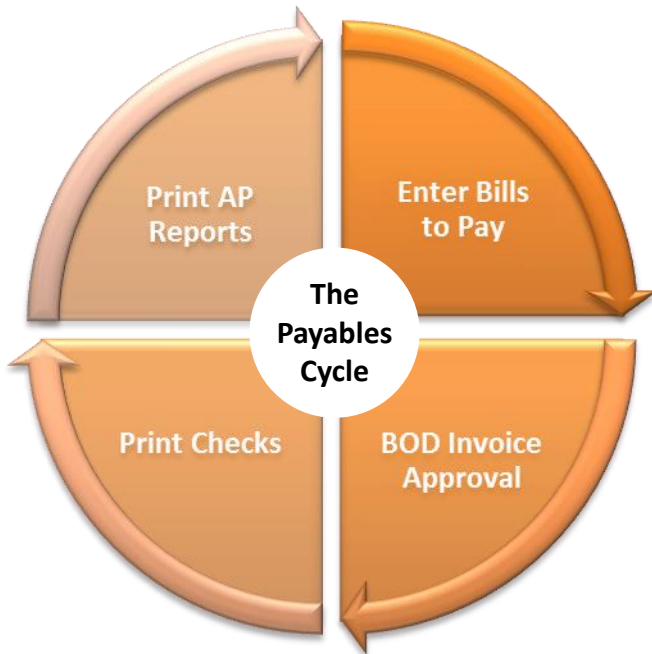
- Balance Sheet
- Income Statement
- General Ledger or Trial Balance
- Owner Balance Due
- AP Check Register
- Reserve Fund Balances
- Other Subsidiary Ledger Reports

## Processing Receivables



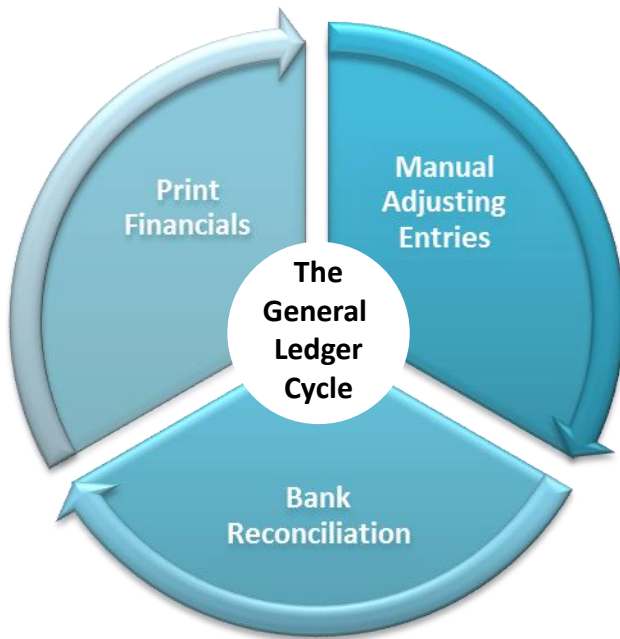
- 1. Process Owner Charges:** Includes applying owner charges, printing invoices or coupons, automated billing and balance inquiries
- 2. Process Cash Receipts:** process owner payments received throughout the period
- 3. Late Fee Processing:** assess late fees for owners that have exceeded the payment window as laid out in the community documents.
- 4. Collection Actions:** determine delinquent owners, write letters to inform them of actions to be taken, assess fines, escalate delinquencies to attorney in compliance with community bylaws.
- 5. Print AR Reports:** reports showing owners with balances due and the status of collection action and any other AR reports requested by the community officers.

## Processing Payables



- 1. Enter Bills to Pay:** Add vendors to your accounting system as needed for bills that you receive for the community, and enter those bills into the system
- 2. BOD invoice approval:** compile bills to be paid and present the list to the association's Board Of Directors for approval.
- 3. Print Checks:** For approved invoices, write checks or pay bills online on behalf of the community.
- 4. Print AP Reports:** Print a Check Register listing all checks written during the accounting period and any other AP reports requested by the community officers.

## Processing Receivables



- 1. Make Manual Adjusting Entries:** like accruals or to book transactions that did not get recorded already by the AR or AP modules.
- 2. Bank Reconciliation:** Reconcile bank account statements with actual values from the period. Make adjustments in the general ledger as necessary.
- 3. Print Financials:** Generate the financial reports package for distribution to the community's board of directors.

**Note:** If you use TOPS for your community accounting software you can define a "Board Reporting Package" that prints all the financial reports at once rather than piecemeal in each accounting module.

# CHAPTER 6

## Monthly Board Financial Reports



To have a true understanding of your communities' finances, you need more than just a collection of monthly totals; you need to understand what your numbers mean and how to use them to answer specific financial questions. The answers to specific financial questions are answered in your Month End Reports.

# Giving the Board what they Want

Personal choices often determine what Board Members want to read in monthly reports or what information they want the report to display.

My philosophy on that has been that you should do everything that is REASONABLE to accommodate your board members, but if it takes 2 days and your entire accounting team to create these reports it's not reasonable, and definitely not worth the time or effort.

I've seen board members who just wanted redundancy in the reports – you only need 1 balance sheet if it is created correctly – you do not need a balance sheet broken out into another balance sheet. Your classic month end report tells the whole story of the community's financial status.

Your own knowledge of your reports will be your saving grace. I have had numerous clients that have faced the Board – and when asked a question regarding a certain entry on a report, they crumble. Be sure you are educated on the numbers you are providing.



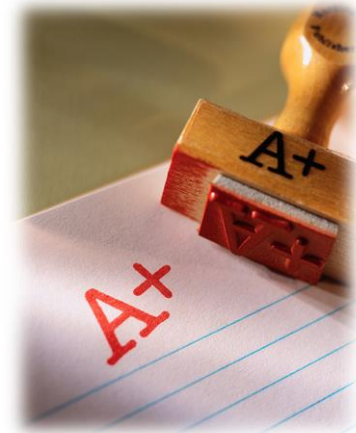
*“You should do everything that is reasonable to accommodate your board members”*

## Giving the Board what they Need

The first order of business that should be conducted when you take over management of a community or a new board or board member enters the equation, is to sit down with them and go through your monthly reports package (often called Monthly Financials) and explain with notes and highlights exactly what is being reviewed and how the reports come together to give the board a comprehensive picture of the community's financial health.

Believe me, teaching the board how to read the reports and to educate them in what they are seeing is a battle worth winning; it can make your Board meetings far more pleasant in the future!

No matter what software you use to manage your communities, even a paper ledger sheet, the following reports will satisfy any of your board members – no matter how picky they are!



*“Teaching the board how to read the reports and to educate them in what they are seeing is a battle worth winning”*

# Key Financial Reports

The reports in your monthly financial package should have all pertinent information on them broken out into 5 reports.

If you have all the information listed correctly on these reports in standard accounting forms, your financials will be on point every month and fully transparent.

The required reports are:

- Balance Sheet
- Profit & Loss Statement
- Owner Balances
- Aged Payables
- Check Register

Optionally, consider including:

- Bank Reconciliation
- Homeowner Deposits





# Balance Sheet Report

The first report we will review is the Balance Sheet – your balance sheet should contain all

1. **Assets**, which consists of:
  - a. **Cash Accounts** (as in your bank accounts) you want to make sure you have them all listed in the top section of your balance sheet. They should have the ending balance for the month.
  - b. **Accounts Receivables** should be listed next – this is the outstanding dues that are owed to the Community – this can include fees/ fines.
  - c. **Prepaid Insurance**- these are insurance premiums paid in advance.
  - d. Now you will have a **TOTAL** – this is your TOTAL Assets -Your Money
2. **Liabilities**, which is what you owe:
  - a. **Accounts payables**- which are your bills.
  - b. **Prepaid Balances**- this is money your homeowners have paid in advance to cover their dues.
3. This is what a basic balance sheet consists of - you can add in your **Reserves** and break out these accounts in more detail (or create a separate **Reserve Fund** report), but this is the basic layout.


In addition to a standard Balance Sheet report, your accounting system should be able to generate a Fund Balance Sheet to meet the AICPA Guidelines for community accounting reporting. This would give you the option to generate whichever Balance Sheet report format your community officers prefer.

## Balance Sheet Report Sample

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### Balance Sheet

Beachside Harbor Condominium  
As of July 31, 2011



Account	Description	Operating	Reserves	Other	Totals
<b>ASSETS</b>					
1310-000	Assessments Receivable		18,339.36		18,339.36
1320-000	Developer Assmts. Receiv.		37.50		37.50
1330-000	Special Assmts. Receiv.		970.53		970.53
1340-000	Late Fees Receivable		3,475.01		3,475.01
1350-000	Legal Fees Receivable		49,786.99		49,786.99
1380-000	Owner Admin. Fees Receiv.		3,572.70		3,572.70
1460-000	Work Order Receivable		112.65		112.65
1480-000	Pool Guest Pass Receivable		5,675.00		5,675.00
1510-000	A/R Other		17,720.19		17,720.19
1610-000	Prepaid Insurance		240,000.00		240,000.00
1620-000	Prepaid Expenses		300,000.00		300,000.00
	<b>TOTAL ASSETS</b>		<b>639,659.93</b>	<b>.00</b>	<b>639,659.93</b>
<b>LIABILITIES &amp; EQUITY</b>					
<b>CURRENT LIABILITIES:</b>					
3010-000	Accounts Payable		56,516.16		56,516.16
3110-000	Employee Federal With.		29,259.59		29,259.59
3310-000	Prepaid Owner Assessments		468,592.32		468,592.32
	<b>Subtotal Current Liab.</b>		<b>554,368.07</b>	<b>.00</b>	<b>554,368.07</b>
<b>RESERVES:</b>					
5010-000	Reserves - Unallocated		36,129.72		36,129.72
5020-000	Reserves - Pavement		332,456.23		332,456.23
5040-000	Reserves - Retaining Wall		83,144.00		83,144.00
5050-000	Reserves - Street Lights		1,200,985.50		1,200,985.50
5060-000	Reserves - Tot Lot		281,712.85		281,712.85
5070-000	Reserves - Pool		550.00		550.00
5090-000	Reserves - Pool		56,882.26		56,882.26
	<b>Subtotal Reserves</b>		<b>1,991,860.56</b>	<b>.00</b>	<b>1,991,860.56</b>
<b>EQUITY:</b>					
	Current Year Net Income/(Loss)		(149,091.45)		(149,091.45)
	<b>Subtotal Equity</b>		<b>(149,091.45)</b>	<b>.00</b>	<b>(149,091.45)</b>
	<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>405,276.62</b>	<b>1,991,860.56</b>	<b>2,397,137.18</b>

# Profit & Loss Statement Report

The other side of your assets and liabilities are the **Income and Expenses**, or what some people call the P&L or Profit Loss Statement. I like to have a budget listed so I can see if there are any variances.

On your income and expense statement, the first section will be your income accounts. In accrual accounting this is not the funds you have taken in for the month. *The income accounts are your billings—* period. Again this only pertains to accrual accounting.

The bottom line figure, current net/year, income/loss on this report should match your Balance Sheet. Otherwise, your Balance Sheet will not “balance”.


The second part of the report is the expense statements. It’s exactly what it sounds like: your expenses. What you have paid out for utilities, admin services, office supplies and if you have used any of your reserve money.

## Income & Expense Report Sample (P&L)

09/24/2013 08:47 AM

### Income and Expense Statement (P&L)

Beachside Harbor Condominium  
From 7/1/2011 to 7/31/2011



Actual	Current Period Budget	Variance	Description	Actual	Year-To-Date Budget	Variance	Yearly Budget
<b>INCOME</b>							
69,995.00	(16,000.00)	85,995.00	INCOME				
69,995.00	(16,000.00)	85,995.00	Subtotal Income	(100,405.00)	(192,000.00)	91,595.00	(192,000.00)
				(100,405.00)	(192,000.00)	91,595.00	(192,000.00)
<b>EXPENSES</b>							
<b>General &amp; Administrative</b>							
.00	2,000.00	2,000.00	Accounting Fees	95,000.00	95,000.00	.00	95,000.00
.00	.00	.00	Newsletter	21.28	650.00	628.72	650.00
.00	250.00	250.00	Property Taxes	8,352.79	17,000.00	8,647.21	17,000.00
359.63	400.00	40.37	Federal Income Tax	71.88	1,000.00	928.12	1,000.00
.00	.00	.00	State & Local Income Tax	5,067.11	5,500.00	432.89	5,500.00
			Other Taxes & Fees	229.81	250.00	20.19	250.00
359.63	2,650.00	2,290.37	General & Administrative	v 108,742.87	119,400.00	10,657.13	119,400.00
<b>Community Room/Building</b>							
.00	.00	.00	Electricity - Units	919.49	1,000.00	80.51	1,000.00
.00	.00	.00	Gas - Units	9,700.00	10,000.00	300.00	10,000.00
.00	.00	.00	Water & Sewer - Units	4,137.11	4,200.00	62.89	4,200.00
1,315.72	644.00	(671.72)	Oil - Units	8,040.25	8,380.00	319.75	8,380.00
2,160.00	300.00	(1,860.00)	Roof Maintenance - Units	3,860.00	6,200.00	2,340.00	6,200.00
265.28	550.00	284.72	Painting - Units	4,125.07	4,500.00	374.93	4,500.00
679.11	1,000.00	320.89	Plumbing Repairs - Units	22,187.22	29,000.00	6,812.78	29,000.00
.00	.00	.00	COMMUNITY ROOM/BUILDING	16,000.00	10,000.00	(6,000.00)	10,000.00
4,420.11	2,494.00	(1,926.11)	Community Room/Building	g 68,969.14	73,260.00	4,290.86	73,260.00
<b>Maintenance</b>							
69,995.00	(16,000.00)	(85,995.00)	Tree Maintenance	(100,405.00)	(192,000.00)	(91,595.00)	(192,000.00)
(16,991.94)	(14,700.00)	2,291.94	Elevator Maintenance	(28,620.56)	(25,000.00)	3,620.56	(25,000.00)
53,003.06	(30,700.00)	(83,703.06)	Maintenance	(129,025.56)	(217,000.00)	(87,974.44)	(217,000.00)
57,779.80	(25,556.00)	(83,335.80)	TOTAL EXPENSES	48,686.45	(24,340.00)	(73,026.45)	(24,340.00)
12,215.20	9,556.00	2,659.20	Current Year Net Income	\$ (149,091.45)	(167,660.00)	18,568.55	(167,660.00)

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# Owner Balances Report

The third report that you are going to need is an owner balance summary report. An owner balance summary report should list all the owners who have a balance-due “as of” the report date.

The total on the last page should consist of all your receivable accounts and your prepaid accounts. The figures on this last page must match the figures that you have on your Balance Sheet (which in turn means it matches the General Ledger balances) in the receivables section and your prepaid owner balances (those who have a credit balance).

This report should pull data from your homeowner accounts no matter what accounting software you are using. The format should be a list of running totals per GL account.


If you run a balance sheet on say 6/30/13 and you run your owner balance summary on 6/30/13 the figures must match.

## Owner Balances Report Sample

09/24/2013 08:46 AM

### Aged Owner Balances

Beachside Harbor Condominium  
As of July 31, 2011



UNIT #	ACCOUNT #	NAME/ADDRESS	CURRENT	OVER 30	OVER 60	OVER 90	TOTAL
U04-02		C2 Commercial Asmt	50.00				50.00
		TOTAL:	0.00	0.00	0.00	26.20	26.20
		Notes: 04/30/11 Wrong date; sb 5/1/11	0.00	0.00	0.00	26.20	26.20
U04-03		02 NSF charges	50.00				50.00
		TOTAL:	0.00	0.00	0.00	25.00	25.00
		Notes: 05/31/11 Chase BK. Trsf Credit from other #65-BANK1 for AV 05/31/11 Reverse Chase Bk. Trsf correction on 5/31/11 05/01/12 Waive late fee - new owner	0.00	0.00	0.00	25.00	25.00
56-1065		A1 HOA Assessment 01 Late Fees 14	275.00				275.00
		TOTAL:	0.00	0.00	0.00	150.00	150.00
		Notes: 09/10/12 Certified mailing fee 09/25/12 Lien filing fee; tsfcd to TW for collection 02/15/13 Action taken: 01 - 45 Day Lien 03/12/13 certified mailing charge 04/10/13 Sent to TW for collection NJK 04/19/13 Waived certified mailing fee. NJK	0.00	0.00	0.00	15.00	15.00
		TOTAL:	0.00	0.00	0.00	95.00	95.00
		TOTAL:	0.00	0.00	0.00	260.00	260.00
56-1064		A1 HOA Assessment 01 Late Fees 03 Admin. Fees 14	275.00				275.00
		TOTAL:	0.00	0.00	0.00	300.00	300.00
		Notes: 03/20/12 Lien filed; transferred to TW 09/10/12 Certified mailing fee 09/25/12 Lien filing fee; tsfcd to TW for collection	0.00	0.00	0.00	30.00	30.00
		TOTAL:	0.00	0.00	0.00	15.00	15.00
		TOTAL:	0.00	0.00	0.00	95.00	95.00
		TOTAL:	0.00	0.00	0.00	440.00	440.00
U08E-03		C2 Commercial Asmt	50.00				50.00
		TOTAL:	0.00	0.00	0.00	50.00	50.00

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# Aged Payables Report

Now let's take a look at the other side—Paying the Bills!

Every accounting software program should be able to provide you with an aged accounts payable report. This aged report should consist of all the outstanding bills that your community owes up to a specific time frame.

Using the date of 6/30/13 as an example; this report should show all unpaid invoices from vendors up to the 6/30/13 date.


For clarity for your board members, this report should include the name of the vendor, invoice description, date, and the amount of the invoice. At the end of the report is a total. The total should match your balance sheet and the liabilities section under the specific GL account labeled accounts payable, and this must match your balance sheet at all times.

## Aged Payables Report Sample

09/24/2013 08:46 AM

### Aged Accounts Payable Summary

Beachside Harbor Condominium  
As of July 31, 2011



Vendor	Vchr #	Invoice	Reference	Date	Amount
CITY	674	08461021200053		09/11/13	726.46
	676	08461021100056		09/11/13	472.82
	677	08461021000059		09/11/13	390.50
	678	08461020900051		09/11/13	1014.58
	680	08461020600050		09/11/13	572.11
	681	08461020500053		09/11/13	359.63
	682	08461020300059		09/11/13	623.56
	683	08461020200052		09/11/13	654.43
	684	08461020100055		09/11/13	699.20
	685	08461020000058		09/11/13	1920.10
	686	08461020700057		09/11/13	235.77
	687	08461022100057		09/11/13	359.63
	688	08461022000050		09/11/13	726.46
	689	08461021900052		09/11/13	952.84
	690	08461021800055		09/11/13	479.50
	691	08461021700058		09/11/13	675.01
718	03300650530014		09/11/13	1213.20	
				<b>Total:</b>	<b>12,075.80</b>
EISENB	719	5 OF 36	36 PAYMENTS	09/11/13	1916.13
FPL	693	50324-74388		09/11/13	392.97
	694	63182-58248		09/11/13	51.97
	697	22508-06342		09/11/13	69.48
	699	69676-89446		09/11/13	55.91
	700	80934-52541		09/11/13	48.64
	702	87548-04386		09/11/13	14.67
	706	86388-06045		09/11/13	27.17
	707	17734-66048		09/11/13	63.90
	708	66127-07049		09/11/13	21.92
	709	09233-79002		09/11/13	30.35
	710	58979-11102		09/11/13	56.00
	711	31008-32108		09/11/13	73.53
	712	59479-13108		09/11/13	39.55
	713	75729-51593		09/11/13	60.28
	714	64998-32597		09/11/13	73.21
715	39036-72594		09/11/13	30.78	
716	09736-23698		09/11/13	48.11	
717	12336-61550		09/11/13	427.43	
				<b>Total:</b>	<b>1,605.87</b>
PAVING	573	032913	Asphalt repair (north)	05/28/13	26368.00
PREMIU	720	398553	4 OF 10 PAYMENTS	09/11/13	16701.89
				<b>Grand total:</b>	<b>58,667.69</b>

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# Check Register Report

The final report you need to include in your monthly financials packet is intended to provide additional transparency to the board members.

The accounts payable check register report will answer board members questions regarding checks that were written within the month, and all information applicable to the invoice and its payment from the community's funds.

The Check Register not only lists all the AP checks written during the month but it should also show the invoice detail along with a brief description of each invoice so the board of directors can understand what goods or services each check paid for during the period.

## Check Register Report Sample


09/24/2013 08:46 AM

### Check Register

Beachside Harbor Condominium

CASH DISBURSEMENTS

Starting Check Date: 5/01/13  
Ending Check Date: 5/15/13  
Cash account #: 1030



Check Date	Check #	Vendor #	Vendor Name	Check amount	Reference
5/01/13		5 (M)EISENB	EISENGER, BROWN, LEWIS & FRANKEL		
5/01/13	1084	BUENA	BUENA VISTA	1,916.13	36 PAYMENTS
5/01/13	1085	VOID		1,957.24	03/25/13-03/30/13
5/01/13	1086	VOID		.00	
5/01/13	1087	VOID		.00	
5/01/13	1088	VOID		.00	
5/01/13	1089	VOID		.00	
5/01/13	1090	VOID		.00	
5/01/13	1091	VOID		.00	
5/01/13	1092	VOID		.00	
5/01/13	1093	VOID		.00	
5/01/13	1094	BAKALA	BAKALAR & ASSOCIATES, P.A.	.00	
5/01/13	1095	CPM	CREAM PROPERTY MAINTENANCE	1,579.00	Martinez, Craig #48
5/01/13	1096	CREAM	THE CREAM GROUP	2,405.34	Maintenance 05/13
5/01/13	1097	DSR	DATA SOURCE RESEARCH	7,482.71	Cleaning supplies
5/01/13	1098	EVANS	EVANS ROOFING	679.66	Feb & March
5/01/13	1099	MARILL	MARILL SECURITY SERVICES	2,990.00	roof repair unit 1C
5/03/13	1100	PRODOC	PRODUCTIVE SERVICE LLC	1,612.90	02/25/13-03/03/13
5/03/13	4 (M)NEXTIV	NEXTIVA		2,000.00	April cut + tree removal
5/06/13	5 (M)FPL	FPL		150.85	First month & phone
5/08/13	5 (M)NEXTIV	NEXTIVA		37.37	May /13
5/08/13	1101	FITNES	THE FITNESS SOLUTION, INC.	2,480.65	1911 NW 96TH TER POOL
5/08/13	1102	FLOHEA	BROWARD COUNTY HEALTH DEPT.		
5/08/13	1103	MASCO	MASTER & COMPANY, P.A.	121.90	Svc call
5/08/13	1104	PALM	PALM BEACH GOLF CARS	750.00	Main pool
5/08/13	1105	POWER	POWER EXTERMINATORS, INC	1,350.00	Progress billing audit
5/08/13	1106	SKY	SKYVIEW POOLS INC.	137.80	May lease billing
5/08/13	1107	SUNSHI	SUNSHINE GOLF CAR	95.00	indoor pest control
5/08/13	1108	TIAR	TIAR HANDYMAN SERVICES	775.00	April 2013
5/08/13	1109	REFLEC	REFLECTIONS AT PEMBROKE PINES	137.80	enclosure
5/08/13	1110	REFLEC	REFLECTIONS AT PEMBROKE PINES	410.00	jacuzzi repair
5/13/13	1111	JSP	JUAN FENA	9,113.55	april reserve transfer
5/14/13	5 (M)PREMIU	PTS INSURANCE		9,113.55	May reserve transfer
5/15/13	5 (M)CITY	CITY OF PEMBROKE PINES		263.36	supplies
5/15/13	1112	ASAP	ASAP LOCKSMITH	16,701.89	2 OF 10 PAYMENTS
5/15/13	1113	ATT	AT & T	16,359.58	2301 NW 96TH TERRACE
5/15/13	1114	BAKALA	BAKALAR & ASSOCIATES, P.A.	370.00	Pool Entry Gate
5/15/13	1115	BUENA	BUENA VISTA	208.39	April 4- May 3 final bill
5/15/13	1116	CITY	CITY OF PEMBROKE PINES	697.04	Roemer, Ricardo
5/15/13	1117	CRITTE	CRITTER COPS FL INC	1,381.58	04/14/13-04/27/13
5/15/13	1118	POWER	POWER EXTERMINATORS, INC	4,866.20	Permit Fee
5/15/13	1119	QUILL	QUILL CORPORATION	140.00	May Service
5/15/13	1120	WASTE	WASTE PRO-FT LAUDERDALE	700.00	Lawn pest control
			Totals:	224.69	Brother ink
				1,046.46	April 2013
				90,275.64	

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# Optional Financial Reports to Include

## Bank Reconciliation Report

Before rendering financial reports, all community bank account reconciliations should be completed. This makes sure that the cash being reported on reports matches with the actual cash in the bank.

Sometimes board of directors will request a copy of each bank reconciliation report. Any good accounting system should be able to print such a report.

The reconciliation report should quite simply provide a listing of monies going in and out of the bank account, along with the matching transactions in the General Ledger.

## Homeowner Deposits Report

Although it is not required, one final report you may wish to consider including in your monthly financials package is a homeowners deposit report for the month.

This report gives a breakdown of the homeowners' real cash deposits. The bottom line on this report will show the board members the actual cash income the community has received for the month.

## Bank Reconciliation Report Sample


09/24/2013 08:47 AM

### Bank Reconciliation

Beachside Harbor Condominium  
From 7/1/2011 to 7/31/2011

Bank # 01 Cash Account  
G/L Acct Bal: 14,887.88  
Bank Balance: 51,418.42  
Statement date: 05/31/13

1010 Checking Operating 2



Chk-#	Date	Reference	Clr-date	Uncleared Checks	Uncleared Deposits
<b>OUTSTANDING ITEMS:</b>					
1001	12/14/12	BEACHSIDE HARBOR & BAY, INC		116.60	
1005	12/14/12	THE URBAN GROUP		62.72	
1088	03/13/13	BEACHSIDE HARBOR & BAY, INC		9,113.55	
1089	03/13/13	BEACHSIDE HARBOR & BAY, INC		9,113.55	
362	03/15/13	THE URBAN GROUP		9,113.55	
1035	05/08/13	BEACHSIDE HARBOR & BAY, INC		9,113.55	
1036	05/08/13	BEACHSIDE HARBOR & BAY, INC		9,113.55	
1041	05/08/13	BEACHSIDE HARBOR & BAY, INC		9,113.55	16,701.89
1041	05/08/13	BEACHSIDE HARBOR & BAY, INC		9,113.55	
Total Outstanding				36,633.52	16,701.89

#### Bank Reconciliation Summary

Checkbook Balance	31,486.79	Reconciling Balance	
Uncleared Checks, Credits	36,633.52 +	Bank Stmt. Balance	51,418.42
Uncleared Deposits, Debits	16,701.89 -	Difference	51,418.42
			0.00

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## Homeowner Deposits Report Sample

09/24/2013 08:47 AM

### Cash Receipt Deposits

Beachside Harbor Condominium  
From 7/1/2011 to 7/31/2011



1

STREET ADDRESS	PAYEE NAME	AMOUNT RECEIVED	ASSMT'S AI	LATE FEES 01	LEGAL 05	PREPAID PF	OTHER CODE	AMOUNT
1000 10TH AVE	UNIT 101	150.00						
1000 10TH AVE	UNIT 102					150.00		
1000 10TH AVE	UNIT 103	300.00						
1000 10TH AVE	UNIT 104					300.00		
1000 10TH AVE	UNIT 105	150.00						
1000 10TH AVE	UNIT 106					150.00		
1000 10TH AVE	UNIT 107	150.00						
1000 10TH AVE	UNIT 108					150.00		
1000 10TH AVE	UNIT 109	150.00	150.00					
1000 10TH AVE	UNIT 110							
1000 10TH AVE	UNIT 111	150.00	150.00					
1000 10TH AVE	UNIT 112							
1000 10TH AVE	UNIT 113	150.00	150.00					
1000 10TH AVE	UNIT 114							
1000 10TH AVE	UNIT 115	150.00	150.00					
1000 10TH AVE	UNIT 116							
1000 10TH AVE	UNIT 117	150.00						
1000 10TH AVE	UNIT 118					150.00		
1000 10TH AVE	UNIT 119	150.00	150.00					
1000 10TH AVE	UNIT 120							
1000 10TH AVE	UNIT 121	150.00						
1000 10TH AVE	UNIT 122							
1000 10TH AVE	UNIT 123	150.00	150.00					
1000 10TH AVE	UNIT 124							
1000 10TH AVE	UNIT 125	150.00						
1000 10TH AVE	UNIT 126							
1000 10TH AVE	UNIT 127	150.00						
1000 10TH AVE	UNIT 128							
1000 10TH AVE	UNIT 129	150.00						
1000 10TH AVE	UNIT 130							
1000 10TH AVE	UNIT 131	150.00						
1000 10TH AVE	UNIT 132							
1000 10TH AVE	UNIT 133	150.00						
1000 10TH AVE	UNIT 134							
1000 10TH AVE	UNIT 135	150.00						
1000 10TH AVE	UNIT 136							
1000 10TH AVE	UNIT 137	150.00						
1000 10TH AVE	UNIT 138							
1000 10TH AVE	UNIT 139	150.00						
1000 10TH AVE	UNIT 140							
1000 10TH AVE	UNIT 141	150.00						
1000 10TH AVE	UNIT 142							
1000 10TH AVE	UNIT 143	150.00						
1000 10TH AVE	UNIT 144							
1000 10TH AVE	UNIT 145	150.00						
1000 10TH AVE	UNIT 146							
1000 10TH AVE	UNIT 147	150.00						
1000 10TH AVE	UNIT 148							
1000 10TH AVE	UNIT 149	150.00						
1000 10TH AVE	UNIT 150							
1000 10TH AVE	UNIT 151	150.00						
1000 10TH AVE	UNIT 152							
1000 10TH AVE	UNIT 153	150.00						
1000 10TH AVE	UNIT 154							
1000 10TH AVE	UNIT 155	150.00						
1000 10TH AVE	UNIT 156							
1000 10TH AVE	UNIT 157	150.00						
1000 10TH AVE	UNIT 158							
1000 10TH AVE	UNIT 159	150.00						
1000 10TH AVE	UNIT 160							
1000 10TH AVE	UNIT 161	150.00						
1000 10TH AVE	UNIT 162							
1000 10TH AVE	UNIT 163	150.00						
1000 10TH AVE	UNIT 164							
1000 10TH AVE	UNIT 165	150.00						
1000 10TH AVE	UNIT 166							
1000 10TH AVE	UNIT 167	150.00						
1000 10TH AVE	UNIT 168							
1000 10TH AVE	UNIT 169	150.00						
1000 10TH AVE	UNIT 170							
1000 10TH AVE	UNIT 171	150.00						
1000 10TH AVE	UNIT 172							
1000 10TH AVE	UNIT 173	150.00						
1000 10TH AVE	UNIT 174							
1000 10TH AVE	UNIT 175	150.00						
1000 10TH AVE	UNIT 176							
1000 10TH AVE	UNIT 177	150.00						
1000 10TH AVE	UNIT 178							
1000 10TH AVE	UNIT 179	150.00						
1000 10TH AVE	UNIT 180							
1000 10TH AVE	UNIT 181	150.00						
1000 10TH AVE	UNIT 182							
1000 10TH AVE	UNIT 183	150.00						
1000 10TH AVE	UNIT 184							
1000 10TH AVE	UNIT 185	150.00						
1000 10TH AVE	UNIT 186							
1000 10TH AVE	UNIT 187	150.00						
1000 10TH AVE	UNIT 188							
1000 10TH AVE	UNIT 189	150.00						
1000 10TH AVE	UNIT 190							
1000 10TH AVE	UNIT 191	150.00						
1000 10TH AVE	UNIT 192							
1000 10TH AVE	UNIT 193	150.00						
1000 10TH AVE	UNIT 194							
1000 10TH AVE	UNIT 195	150.00						
1000 10TH AVE	UNIT 196							
1000 10TH AVE	UNIT 197	150.00						
1000 10TH AVE	UNIT 198							
1000 10TH AVE	UNIT 199	150.00						
1000 10TH AVE	UNIT 200							

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Mya Property Management Inc.

# CONCLUSION

## Unique Requirements call for Unique Software

Community Association accounting has unique requirements that cannot be handled by a general purpose accounting system. It takes an industry specific accounting system, like TOPS, to efficiently handle all the requirements and demands of community accounting.

If you don't use an industry specific accounting system, then you will end up with several disparate software systems each with it's own data to maintain—and that is not only highly inefficient for the staff having to use several different software systems, it also significantly increases the chances of the error and databases that get out of “sync” with each other.

Like a carpenter trying to do a job, it's always best to have the right tool to do the job correctly—and that's where the right accounting and property management software can help.



Learn more about the advantages of industry-specific software with this [Free White Paper](#)

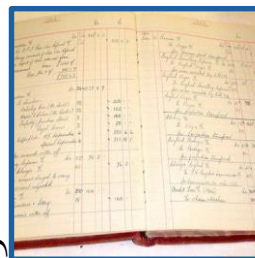
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2. Calculator/Accounts: <http://bit.ly/14NQrYt> (p24)
3. Ledger Book: <http://bit.ly/1cs4m8m> (p32)
4. Meeting Room: <http://bit.ly/17bkCoP> (p38)
5. Board Meeting: <http://bit.ly/15uGuek> (p41)



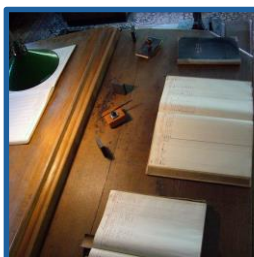
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3



4



1



2

## Further Reading

- CAI Research Foundation Best Practices: Financial Operations  
<http://www.cairf.org/research/bpfinancial.pdf>
- Best Rate...Your Bank?  
<http://www.cai-mn.com/displaycommon.cfm?an=1&subarticlenbr=22>



# Thank you for Reading CAM Accounting 101!

*If you're interested in improving your CAM accounting processes, request a custom demo of the TOPS all-in-one Community Association Management software.*

**Free Demo of TOPS**

*a publication from*

