

**SAMPLE**  
**HOMEOWNERS' ASSOCIATION**  
**FINANCIAL STATEMENT ANALYSIS**

ONE MONTH AND **TWO** MONTHS ENDED **FEBRUARY 28, 2019**

The following analysis of your financial statements is designed to bring to your attention those major areas of concern that we feel should be addressed by the board.

This analysis is not intended to be all inclusive; it is simply to enhance your understanding of your Association's current financial condition.

In addition, our office is always available to assist you in resolving any questions or concerns you may have related to your financial statements.

## **BALANCE SHEET**

### CASH AND INVESTMENTS

#### *Outstanding checks*

There are checks that have been outstanding (not cashed) for some time. Please refer to the bank reconciliation reports included in your financial statements and advise us in writing how these checks should be handled.

If the items are still outstanding after 6 months, they are generally considered stale dated and may not be honored by the bank. However, as a precaution we will issue a stop payment for these checks and void them in your financial statements.

### ASSESSMENTS RECEIVABLE

Your "Delinquency Report – Aged" lists all members that have not paid their dues and/or other charges in full as of Balance Sheet date. Currently, there are some members on this report that are more than 90 days delinquent – each of these accounts should be monitored.

### ALLOWANCE FOR DOUBTFUL ACCOUNTS

Management has evaluated the collectability of the current outstanding balances in Assessments Receivable, and they have estimated that the uncollectible portion of these receivables is \$2,000.00

These financial statements have been adjusted to reflect these uncollectible receivables by reporting an Allowance for Doubtful Accounts in the amount of \$2,000.00.

**Therefore, the amount reported as an Allowance for Doubtful Accounts on the Balance Sheet is not to be changed without first discussing proposed adjustments with management.**

ACCRUED LIABILITIES

The monthly financial statements report expenses on the accrual basis of accounting, which means that expenses are recorded when incurred, not when paid. This information is derived from invoices that we have received up to the time we issued our report.

However, we may not have received all invoices for goods or services for the current period by the time we issued our report. Therefore, we have recorded "Accrued Liabilities" to reflect the fact that some "recurring" expenditures may have been recorded in the month following the period in which the services were provided.

#7800-001	Utilities-water	\$ 150.00
#02005-001	Accrued Liabilities (analysis)	\$ <u>150.00</u>

Because these items are "recurring" (*are expected to be the same or similar every month*), they are intended to remain unchanged for the entire year.

INTERFUND BALANCES

Operating Fund-insurance

The Operating Fund owes the Reserve Fund \$28,886.70 as of the Balance Sheet date. This balance is a result of borrowing from reserves to pay for insurance. This is being paid back on a monthly basis of \$28,886.70 and will be paid in full by September 2020.

FUND BALANCES – OPERATING FUND

Beg Balances-Excess \$ 58,085.34

The Operating Fund had an excess fund balance as of the beginning of the current year. This means that the Association had collected more money from its members for the regular operations of the Association than it has spent from the inception of the association to the beginning of the current year.

Current Year-Excess (Deficit) \$ 21,870.88

Total Fund Balances-Excess \$ 76,956.22

As a result, the Total Fund Balance in the Operating Fund is an excess.

The excess, if any, should be handled in the following order until it is exhausted:

1. Determine whether these excess funds will be eliminated by the end of the current year.
2. Consider whether these excess funds are necessary to cover short term cash flow needs of the Association.
3. Transfer any excess to the Reserve Fund, but only to bring the Reserve Fund to the 100% funded level as established by your Reserve Study.
4. Spend any excess on deferred maintenance and/or improvements to the Association during the current year (*steps 3 and 4 are interchangeable*).
5. Consider any excess, or deficit, that remains when creating the budget for next year. (*This step is very important because any excess that remains must be considered in the budgetary process in order for the Association to be in compliance with IRS Rev. Rul. 70-604.*)
6. Finally, if there still is an excess, it should be returned to the members.

## **PRIOR YEAR-END ADJUSTMENTS**

We have not been provided with a copy of the prior year-end's financial statements and adjustments from your independent CPA. Therefore, we have not been able to post the adjustments, if any, to the financial statements.

## **STATEMENT OF REVENUES AND EXPENSES**

### REVENUE – OPERATING FUND

#### *Regular Assessments-Operating (Variance)*

The amount included in the annual Budget is different than the amount assessed the owners for the current year. Both amounts are listed in the statement of revenues and expenses for the operating fund. This difference results in a **\$0.70 positive** variance between the actual amount assessed and the amount budgeted each month.

The effect of this variance is that by the end of the current year, the association will have assessed its members **\$4.00 more** than was originally included in the budget.

**This variance is valid and will exist for the entire year; therefore, the amount reported as “Regular Assessments-Operating” is the amount actually assessed the members and is NOT to be adjusted to the budget.**

EXPENSES – OPERATING FUND

Several expense accounts have a significant variance between the actual amount and the amount per the budget in the Operating Fund.

Each of the following accounts should be monitored:

- Landscape-maint. & repair
- Landscape-irrigation repairs
- Roofs