

5 Reasons Accurate Monthly Statements Are Necessary

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Without accurate [financial management](#), including monthly statements, [HOA board members](#) have little to no control over the association. This dangerous fiduciary habit could lead to resident distrust and interrupted [community harmony](#), poor decision-making on behalf of the community, insufficient funds, missed financial obligations, and/or legal action.

That's why IKO Community Management in Olney, Maryland, details why it's imperative to have accurate monthly statements and overall financial management:

You fully understand your financial situation. [According to Gateway Commercial Finance](#), a financial institution in Delray Beach, Florida, "You need to know where your [homeowners association] stands daily, weekly, monthly, quarterly, and annually."

If you don't, a lot of questions will be raised at inopportune times. For example, think about the following basic inquiries:

- Is your association making money due to an increase in [HOA fees](#) or fines?
- Do you have enough funds to meet community goals?
- How much inventory do you have for the community center or pool? When do you need to order new inventory?
- What's the total balance after utilities, office supplies, and taxes?

By understanding your community's financial well-being, you'll be able to respond to these questions without stressing over the accuracy of the answer.

You also catch costly mistakes earlier. Accurate monthly statements help you find fraud, embezzlement, theft, and other illegal activities within your homeowners association before it's too late.

It helps you make better decisions. As an HOA board member, you're in charge of making final decisions for the betterment of the community as a whole. An accurate monthly statement helps you determine where you've been spending the most money, how much you have left in the operating and reserve accounts, and so on.

It provides you with a financial management tool that can be properly used when weighing the pros and cons of an expense.

For example, you want to do a brand-new landscaping project that requires a bulk of the funds. However, community pool supplies need to be ordered, and residents would prefer a playground clean-up for the summer.

Armed with this information, you and other HOA board members can decide if which is feasible this quarter. Based on funds alone, does the landscaping project, community pool supplies order, or a playground clean-up take precedence?

Accurate monthly statements help you meet tax obligations. Like a business, homeowners associations need accurate financial records, including monthly statements. One of the main reasons is because your association is lawfully responsible for meeting monthly, quarterly, and annual federal, state, and city tax obligations -- depending on where you're located.

Inaccurate financial information is a law-breaker. If you don't have accurate monthly statements, you're likely in non-compliance with your community Covenants, Conditions & Restrictions and bylaws, as well as local, state, and federal regulations.

"Keeping your books up-to-date and accurate is the best remedy for your [homeowner association's] financial health," according to Gateway Commercial Finance.

You receive a snapshot of success. Financial statements act as a historical record of the overall success of the community. If a developer, new contractor, or potential resident questions the success of your neighborhood, correct monthly statements are a great piece of proof.

Whether an HOA board member, professional accountant, or bookkeeper handles the financial management of your community, it's imperative that accurate monthly statements are kept. This should be done regularly and performed either manually or via an invoice software.