TRADE HOA 
STRESS FOR 
SUCCESS 

FOCUSING ON 
FINANCIAL 
HEALTH
ABOUT TODAY’S SPEAKERS AND SPONSORS

• Today’s Sponsors
  – Currie & McLain CPA’s
  – Pacific Continental Bank

• Today’s Speaker
  – John Caughell, Currie & McLain
  – Doug McLain, Currie & McLain
  – Richard Thompson,

• Find out more about the sponsors on the web
  • www.currie-mclain.com
  • WWW.therightbank.com

• The spreadsheet supporting the examples is available free of charge by writing to johncaughell@currie-mclain.com
OBJECTIVES AND GOALS OF TODAY’S PRESENTATION

• Gain an Understanding of Financial Controls to Reduce Risk
• Provide Budgeting Tools to Ensure Fair Assessments
• Understand the Replacement Reserve and How it Works
• Gain an Understanding of How to Evaluate Property Management Companies
• How to Effectively Work with Accountants and Attorneys
INTERESTING FACTS

• HOA’s were first established in the middle 1800 but didn’t take off until the 1960’s
• There were approximately 340,000 associations representing 26 million households in 2015
• 4 States account for 38% of all Associations
• Homeowner Associations account for over half of all Associations
• Washington has over 10,000 Associations Oregon has under 4,000
• Over $23 Billion was contributed to Replacement Reserves in 2015 (Average $884/household)
• Over $85 Billion of assessments collected (Average $3,269/household)
• $1.76 Billion is the estimated value of volunteer board time spent on Association business

• Source Community Associations Institute (caionline.org)
• Budgeting for Cash or Accrual or Both
  – Highly recommend accrual based budgeting
  – Use weighted cases to calculate budgeted expenditures
  – Do not forget to assess bad debt
• Budgeting for Reserve Expenditures
  – Updated Reserve Study will guide the amount to charge
  – Do not reduce it without consultation with an expert
  – Keep in mind that it is subject to risk of non-collection also
HOA STRESS POINT FINANCIAL HEALTH

• Getting Quotes and Setting Performance Standards for Significant Financial Areas
  – Maintenance
  – Legal fees
  – Audit
  – Accounting
  – Management
• Separation of Duties Can Reduce Risk
  – Check signers should not initiate transactions
  – Annual conflict of interest evaluation
  – Bonding for Treasurer or others with access to accounts
What are Good Financial Controls

- Two check signers
- Bank reconciliation performed by a non-check signer
- Dues payments to lock box
- Evaluate expense variances
- Follow up with delinquent accounts
- Review your financial statement audit
HOA STRESS POINT DEALING WITH RESERVES

• The Reserve Study
  – Helps plan for future expenditures on common property
  – Needs to be evaluated against reality
• Funding the Reserve
  – Reserve study provides the amount to assess
  – Consider factoring in uncollectible assessments
HOA STRESS POINT DEALING WITH RESERVES

• Special Assessments
  – Typically arise when reserve assessments not fully charged to unit holders
  – Requires some sort of borrowing in almost all cases
  – Homeowners, not the Association, should borrow funds
  – Ideally Association would have a new fund for debt service in addition to future reserves
HOA STRESS POINT ENGAGING WITH MANAGERS

• Self-Manage or Hire a Manager?
  – Manager can be one of the larger expenses
  – Requires more engagement
  – Can add stress to board
  – If you lack time and expertise, outsource management
HOA STRESS POINT ENGAGING WITH MANAGERS

• Evaluating and Engaging a Manager
  – Create and follow a checklist of items important to the Association
  – Interview at least two management companies
  – Request and check references
HOA STRESS POINT 3 ENGAGING WITH MANAGERS

• Cost Saving Ideas for working with a Manager
  – Have board meetings at Managers office if their attendance required
  – Set clear guidelines for escalation of services
  – Give Manager reasonable time to reply to requests
IN CONCLUSION

• Serving on an HOA board should not be all consuming
• Good financial controls will reduce risk and sleepless nights
• When in doubt, outsource the detail work to a trusted partner
• Manage your outsourced partners by establishing goals and objectives
THANK YOU FOR ATTENDING

• Questions?
• Additional Resources
• Feel free to contact me at johncaughell@currie-mclain.com
• Or by Skype johncaughell@currie-mclain.com
• PDF of this slideshow is available upon request and will also be posted at
  • www.linkedin.com/in/johncaughellcpa

Our March Lunch and Learn is “Changes to Generally Accepted Accounting Principles that may impact your business” If you are or know a small business owner, controller, or advisor consider coming to learn more about GAAP and options for financial statement presentation.
March 16, 2017 11:30-1:30.