

11 WAYS TO

IMPROVE YOUR HOA ACCOUNTING

Homeowners Associations (HOAs) often reevaluate their operations due to one primary reason: a loss of trust in financial management. If your board isn't completely confident in your current accounting practices, this guide offers 11 actionable ways to strengthen your financial operations—organized into five key categories:



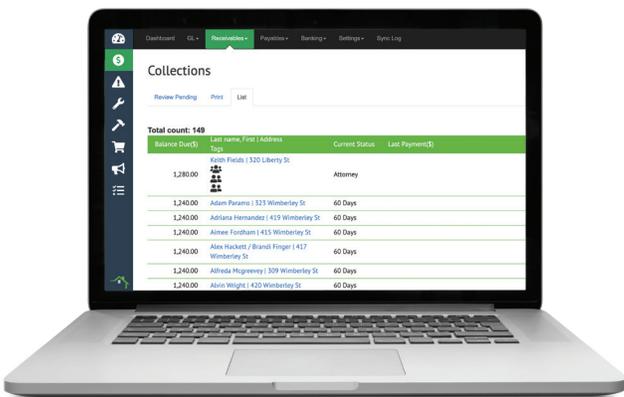
BEST PRACTICE BOOKKEEPING

1 Collect Homeowner Dues Effectively

Provide multiple payment options, send automated reminders, enforce late charges consistently, and follow a collection policy that treats all homeowners equally to reduce board liability.

2 Pay Bills Quickly and Transparently

Use an online approval system for better visibility and dual approval. Offer various methods—ACH, checks, direct deposit, wire transfers—and avoid late fees and contractor complaints.



3 Use HOA-Specific Financial Reporting

Produce reports that compare income and expenses against the budget. Fund Balance Sheets should clearly show Operating, Reserve, and Special Assessment accounts in separate columns.

Reserve Fund Tracking

Maintain a reserve fund for large or unexpected repairs. Follow procedures defined in your governing documents for withdrawals.

 **Pro Tip:** Use accrual accounting to reflect true financial status, not just cash flow.

FIDUCIARY RESPONSIBILITY

4 Get Monthly Financial Reports

Boards should receive professional, easy-to-read financial reports every month. These help with bad debt collection, applying for loans, and tracking budget progress.

Community Financials		Operating Income Statement					HOA Name	
		03/01/2023 - 03/31/2023					04/20/2023 09:49:39 AM	
	Current Month	Budget Month	Variance	YTD Actual	YTD Budget	YTD Variance	Yearly Budget	
Revenue								
4000	Assessment Fees	13,712.10	13,712.00	0.10	41,116.30	41,137.00	(0.70)	164,545.00
4002	Special Assessment	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4030	Late Fees	0.00	0.00	0.00	20.00	0.00	20.00	0.00
4031	Parking Fees	400.00	0.00	400.00	1,200.00	0.00	1,200.00	0.00
4070	Collection Fees	0.00	0.00	0.00	10.00	0.00	10.00	0.00
4081	Parking Space Fee	0.00	234.00	(234.00)	0.00	702.00	(702.00)	2,800.00
4099	Bad Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Revenue		14,112.10	13,946.00	166.10	42,346.30	41,839.00	507.30	167,345.00
Operating Expenses								
Administration								
5000	Financial Management	839.00	884.00	25.00	2,377.00	2,652.00	75.00	10,608.00

 **Pro Tip:** If time is limited, focus on the top four key reports.

5 Build a Realistic Budget

Your budget should cover all operating costs, anticipate price increases, include project funding, and maintain a cushion for the unexpected. Review regularly and align it with reserve studies. Include anticipated expenses in the budget rather than putting owners through unplanned special assessment expenses.

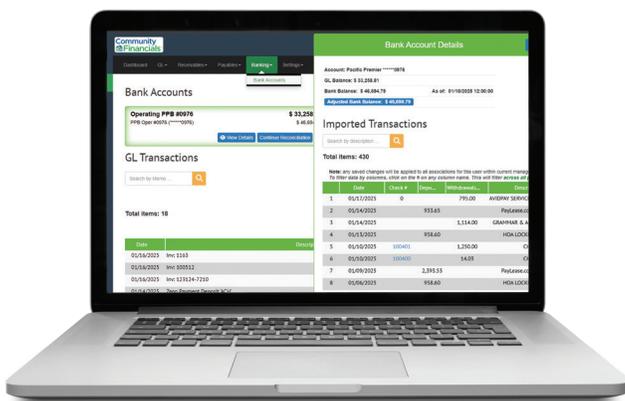
 **Pro Tip:** Don't forget to factor in administrative costs for special assessments.

SECURITY – REDUCING RISK

6 Maintain an Audit Trail

Keep a centralized digital record of invoices, approvals, bank statements, and loan documents. Audit trails improve transparency, validate financial activity, and support periodic audits.

 **Pro Tip:** Even if not required by law, schedule regular audits based on your community's size. (annually for larger communities and every 2nd or 3rd year for smaller)



7 Divide Duties & Strengthen Internal Controls

Separate tasks to reduce fraud risk. For example, the person entering payments shouldn't also approve or issue them. Use systems that allow multi-party approval for added security.

8 Make Banking Information Accessible

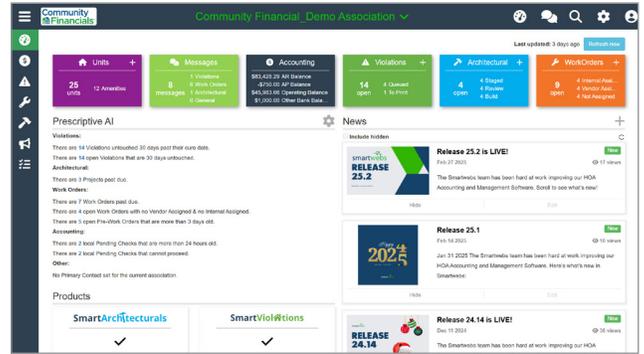
Ensure bank balances and transactions sync with accounting software for real-time oversight. Your financial packet should include bank reconciliation reports and bank statements.

 **Pro Tip:** Catch issues early by routinely matching bank data with financials.

CONVENIENCE

9 Enable Online Access

Boards and managers should have access to financial reports 24/7. Homeowners should be able to view their account status, payment history, and essential documents online—ideally through a portal, not a public website.



10 Use One Centralized System

An all-in-one HOA platform streamlines accounting, violations, architectural reviews, communications, and document sharing. Easy-to-use systems reduce the learning curve for rotating board members and managers.

SERVICE

11 Ensure Reliable Support

Is your current accounting system volunteer-run, understaffed, or outdated? If questions go unanswered or responsibilities are unclear, consider a professional service provider.

A specialized service like Community Financials can reduce stress and free up time.



HOA & Condo Financial Services Nationwide

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