



The Role of the Treasurer

The association treasurer is responsible for maintaining the finances and ensuring the financial stability of the association. He or she is the financial voice of the board and liaison to auditors, CPAs, brokers, agents, and bankers. This includes a number of duties and responsibilities.

PREPARE THE BUDGET

The most important responsibility the treasurer has is preparing the annual operating budget.

MAINTAIN ASSOCIATION ACCOUNTS

The association's documents and bylaws specify a number of financial responsibilities that the treasurer must oversee. These may include:

- Maintaining adequate insurance coverage
- Keeping financial records
- Investing association funds
- Collecting assessments and delinquencies
- Reserving funds for future needs
- Filing income tax returns

UNDERSTAND BASIC FINANCIAL STATEMENTS

The treasurer must understand at least the basic components of the financial statement:

- Assets
- Liabilities
- Members' equity: reserves and operating fund balance

In addition, it would be advantageous to the association if the treasurer also had an understanding of the other components of the financial statement such as:

- Initial working capital
- Special project funds
- Income statement
- Statement of cash flow

REPORT TO THE BOARD

The treasurer should report at regular board meetings on the state of the association's finances based on the following information, which may be maintained and provided by the manager or finance committee:

- Balance sheet
- Statement of income
- Cash receipts and cash disbursements activity
- Unit owner balances
- General ledger activity and journal entries
- Schedule of accounts payable
- Bank statements and bank reconciliations

IMPLEMENT A RESERVE PROGRAM

Reserves are a primary responsibility of the treasurer and the board of directors. The treasurer must:

- Conduct a reserve study.
- Update the reserve study periodically.

- Develop and implement a reserve funding schedule.
- Fund the reserve accounts appropriately.

See Section 12 for more information about reserves.

SELECT A CPA AND CONDUCT AN AUDIT

Ensuring that the association is working with a qualified certified public accountant (CPA) is one of the treasurer's important duties. CPAs with community association experience are better equipped to provide the expertise you need. The treasurer should work with the CPA to perform an annual audit—a very important document for a community association, the management company, and the board. Even if your association uses the services of a CPA, or if your treasurer is a CPA, all board members—especially in self-managed associations—should have a basic understanding of community association finances.

BOOKKEEPING

In smaller, self-managed communities, the treasurer's duties may include bookkeeping.

FINANCIAL LIAISON

The treasurer is the liaison between the association board and finance committee, its subcommittees, and between the board and the members on financial matters. In addition, the treasurer is the liaison to reserve study engineers, bankers, CPAs, insurance agents, investment brokers, and auditors.

MAINTAIN RECORDS

The treasurer should make sure that important financial records are safely maintained for an appropriate time.

TOOL 5.1: *Use our Suggested Retention Schedule—Maintaining the Association's Financial Records—to determine how long to maintain your association's financial records.*



Cautions

Diverting association assets from their intended use or purpose is a very real possibility in any community association. It's important that treasurers use internal controls to prevent the misuse of association funds.

Safety and liquidity of association assets are essential to the community association. It's important for treasurers to know where and how to invest homeowner's funds to ensure their protection.

Treasurers must decide whether to file the association's income tax returns under Internal Revenue Service Code Sections 528 or 277. It's important to make the right decision—the wrong one can cost the association substantial penalties.

There are numerous important considerations when developing a community association operating budget. It's important to avoid some and include others to maintain the financial strength of the community.

Check your state's laws for specific provisions regarding audits, financial statements, delivery, etc.



FOR MORE HELP

Available online at www.caionline.org/bookstore.cfm or call (888) 224-4321 (M–F, 9–6:30 ET).

The Role of the Association Treasurer, Guide for Association Practitioners #22, by Howard A. Goldklang. (Community Associations Institute, 2002.)

Community Association Leadership, a Guide for Volunteers. (Community Associations Press, 2002.)

CAI Treasurer: Accounting Software for Self-Managed Homeowner and Condominium Associations and Cooperatives. CD or Download. (Community Associations Institute, 2002.)

To download a PDF of the entire Board Member Tool Kit, go to www.caionline.org/toolkit.

Maintaining the Association's Financial Records

The following list contains an approximate length of time that association records should be kept before they are discarded.

PERMANENTLY

- Audit reports
- Federal and state income tax returns
- Personal property tax returns
- Minute books
- Deeds and other property records
- Budgets

7 YEARS

- Bank statements
- Deposit tickets
- Canceled checks
- General ledgers
- Cash receipts and cash disbursements journals
- Payroll records

3 TO 5 YEARS

- Insurance policies (no longer active)
- Contracts (no longer active)
- Vendor invoices

3 YEARS

- Bank reconciliations