**Cagianut CPA’s Top Ten (OK, 12!) Budget Tips!**

**KKNW 1150am 9/3/4 Condo and HOA Buzz**

**Catherine (Cathy) Kuhn, CPA**

1. **What are the primary budgeting goals for CAs?**

**(Step back – this isn’t just about the numbers)-**

* **Protect, Maintain, Enhance Assn Value**
  + **Large investment for owners**
  + **Consider future owners**
* **Maintain a particular standard of living**
  + **Expectations vary among owners**
  + **Each community has its own personality (ie golf community, high rise, low income community?)**
* **Sense of Community**
  + **Avoid a minority having control over the budget process-divisiveness**
  + **Newsletters, events, welcome packets**
  + **Look at the big picture and benefits**
* **Use least amount of resources to obtain maximum benefits**
  + **NOT “cheapest” is best**
  + **BOTH money AND TIME are a resource**
  + **Penny wise, pound foolish**

1. **DON’T automatically assume that a number on the budget last year needs to be there this year**

* **Question WHY items should repeat (ie pool heated all year? Changing colors – how often, could lighting be more efficient?)**
* **Do your homework, research!**

1. **DON’T take last year and add cost of living index, or any set percentage**

* **Challenge the $$**
* **May not be able to do this with ALL costs- rotate, look at large $$ items**

1. **DON’T start by determining Assessment Income (top line)**

* **Start with EXPENSES first**
* **If total is unreasonable increase, go back and refine**
* **Exception- some CCRs restrict % increases- check that**

1. **Budget should detail by month, rather than an annual amount**

* **Ex: Water expense**
* **Valid comparison to the ACTUAL amounts each MONTH**

1. **Look at the BIG PICTURE!**

* **Large expenses that are a large % of the budget**
* **Utilities, insurance, payroll, landscaping**
* **Don’t get caught up in the small items/details**

1. **Budget for contingencies!!**

* **CAI – 1-3 months of average expenses retained in cash**
* **Don’t forget about bad debt expense**
* **Add some to each line item, OR, contingency line item**

1. **Provide appropriate disclosures to the membership in the packet**

* **2012 requirements – RS disclosure in the packet**
* **64.34.308 Condominiums**
* **64.38.025 HOAs**

1. **Follow up on the Budget during the year!**

* **Primary reason for budget is to BENCHMARK against the ACTUAL Income Statement amounts each month**

1. **DON’T CHANGE the budget during the year**

* **IT’s only a TOOL**
* **It will never be perfect**
* **Exception – supplemental budget for SAs, material changes, large errors**

1. **Make notes during the year of the variances, for next year**
2. **Start EARLY next year (late summer, early fall)**