

What is the Role of the Financial Committee?

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Being a Board member can be challenging with all of the day to day items that arise. As a Board member or manager, we are trusted with ensuring that the Association runs smoothly. This includes overseeing financial matters such as review of the monthly expenses and financial statements, and preparation of the Association's annual budget.

As an owner paying monthly assessments, Association invoices and expenses aren't always seen on a regular basis and therefore can result in frustration and negative feelings toward the Board or Association due to lack of information. Especially in this economy, it can appear to owners that the Association's assessments are higher than needed because owners do not have a full understanding of the Association's actual expenses. Transparency is key; the Association will establish a better rapport with owners by providing as much information as possible and involving owners in the financial planning process.

To assist in being a transparent Board and/or Management Team and to help owners understand how the Association operates, it can be very helpful and educational for the Board to appoint a Financial Committee. While there are many things that a Financial Committee can be tasked with, ongoing assignments such as review of the monthly financials and/or the task of drafting the Association's annual budget are most common. Reviewing the monthly financial statements and comparing them to invoices and the annual budget can be a time consuming task, especially for Associations that have a considerable number of monthly expenses. As a result, it can be very helpful to assign this task to a Committee that can help share the work load. This is also an excellent way to practice fraud prevention as having additional people reviewing the financial statements deters fraud and increases the likelihood of catching any suspicious activity. The Financial Committee can also assist with ensuring that the Association charged all extra fees appropriately that month. It is all too easy to inadvertently overlook charging a move-in fee for a new owner or tenant, so this a great thing for the Committee to reconcile each month.

A Financial Committee can also be an invaluable asset in preparing the Association's annual budget. As many Board members and managers can attest, preparation of the budget requires hours of research including time spent contacting vendors, estimating upcoming utility usage, etc. The

Financial Committee can assist with these tasks, as well as make recommendations to the Board for upcoming expenses to include the budget. In addition, involving as many owners as possible in the budgeting process helps create a widespread understanding of the Association's income and expense requirements throughout the community. Owners that are involved in the budgeting process will better understand the basis behind the Association's assessment calculations and thus are more likely to be a proponent of the Association when it comes to budget ratification time. They can then help educate owners who were not involved with the budgeting process and as a result, more and more owners will become informed and a greater sense of community is created through the power of knowledge.

The Financial Committee's duties can also be extended to assist with large projects where multiple bids are required. The Board of Directors may not always have time to research companies, acquire references and perform an in-depth review of the proposals. The Committee can perform much of the legwork and provide a recommendation of the top one or two contractors for Board review and approval.

It is important to note that in no way does having a Financial Committee take away from the fiduciary duty of the Board in reviewing the financials, making sure the budget is appropriate and correct, and ensuring that the invoices are accurate and being paid in a timely manner, however, the Committee can be of great help. Having a Financial Committee to find any "issues" ahead of time and perform some of the leg work can greatly assist in making the Board's financial review and decisions smoother. In addition, it involves owners in the community who may not otherwise be as engaged and thus helps create a greater sense of community. After all, we are all in this together.