



Tools

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ASSOCIATIONS INSTITUTE

to Thrive in Community Living

2018 Condo-HOA Conference & Expo
February 23 & 24 | Rosemont, IL

Tools for the Financial Stability of Your Association

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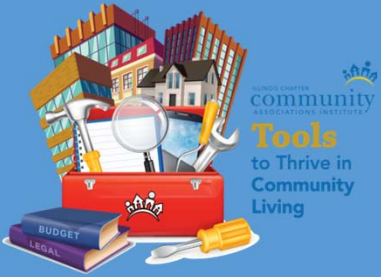
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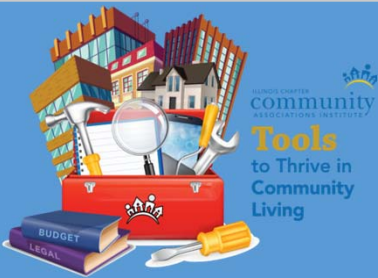


DISASTER DRIVE

Case Study #1

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DISASTER DRIVE

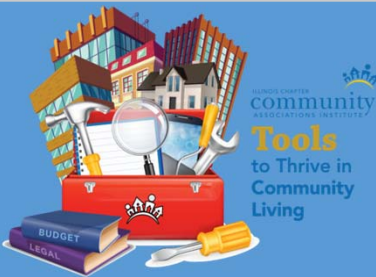
- The Association has deferred maintenance for many years and never given much consideration to having a reserve study completed. Existing reserve funds have been adequate in years past but the Association has not pursued a major capital expenditure for some time. An unusually brutal winter causes part of the brick masonry to fall into the street, attracting the attention of the building department and the news media. While investigating the cause of the failure, engineers identify significant problems related to the walls, the windows and even the roofing system. A substantial repair and replacement project (\$550,000) is required to adequately fix several major building components and time is of the essence. The Association must determine an appropriate manner to fund the project in very short order.



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Disaster Drive Balance Sheet

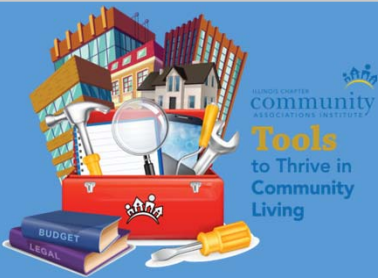
DISASTER DRIVE BALANCE SHEET						
		December 31, 2017			DECEMBER 31, 2016	
	OPERATING FUND	REPLACEMENT FUND	TOTAL	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS						
Cash - Checking Accounts	\$ 135,750	\$ 49,750	\$ 185,500	\$ 55,688	\$ 35,700	\$ 91,388
Certificates of Deposit	25,000	114,000	139,000	-	75,000	75,000
Accounts Receivable - Unit Owners (12% of the 103 units are delinquent more than 90 days)	129,500	-	129,500	75,500	-	75,500
Allowance for Doubtful Accounts	(68,000)	-	(68,000)	(35,000)	-	(35,000)
Due from Operating Fund	-	100,000	100,000	-	-	-
TOTAL ASSETS	\$ 222,250	\$ 263,750	\$ 486,000	\$ 96,188	\$ 110,700	\$ 206,888
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 15,500	\$ 1,301	\$ 16,801	\$ 15,000	\$ 2,800	\$ 17,800
Prepaid Assessments	10,916	-	10,916	4,500	-	4,500
Due to Replacement fund	100,000	-	100,000	-	-	-
Loan Payable	-	100,000	100,000	-	-	-
TOTAL LIABILITIES	126,416	101,301	227,717	19,500	2,800	22,300
FUND BALANCES	95,834	162,449	258,283	76,688	107,900	184,588
TOTAL LIABILITIES AND FUND BALANCES	\$ 222,250	\$ 263,750	\$ 486,000	\$ 96,188	\$ 110,700	\$ 206,888



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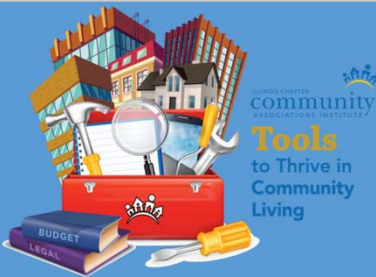


Disaster Drive Income Statements

Disaster Drive						
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES						
	YEAR ENDED DECEMBER 31, 2017				YEAR ENDED DECEMBER 31, 2016	
	OPERATING FUND	REPLACEMENT FUND	TOTAL		OPERATING FUND	REPLACEMENT FUND TOTAL
REVENUES						
Member Assessments	\$ 285,000	\$ 25,000	\$ 310,000		\$ 285,000	\$ 35,000 \$ 320,000
Late Charges	15,500	-	15,500		6,200	- 6,200
Other Income	465	-	465		500	- 500
Interest Income	361	471	832		375	475 850
TOTAL REVENUES	301,326	25,471	326,797		292,075	35,475 327,550
EXPENSES						
Grounds Maintenance	154,500	-	154,500		116,750	- 116,750
Common Area Expense	49,250	-	49,250		38,000	- 38,000
Administrative	78,430	-	78,430		76,037	- 76,037
Replacement Fund Expenses	-	24,000	24,000		-	35,000 35,000
TOTAL EXPENSES	282,180	24,000	306,180		230,787	35,000 265,787
EXCESS REVENUES/(EXPENSES)	19,146	1,471	20,617		61,288	475 61,763
FUND BALANCES - BEGINNING OF YEAR	76,688	107,900	184,588		15,400	100,000 115,400
FUND BALANCES - END OF YEAR	\$ 95,834	\$ 109,371	\$ 205,205		\$ 76,688	\$ 107,900 \$ 177,163

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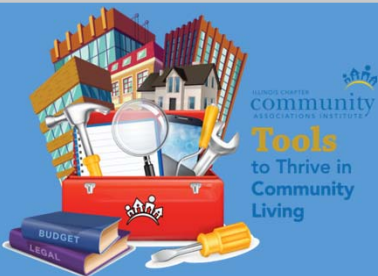


SURPRISE STREET

Case Study #2

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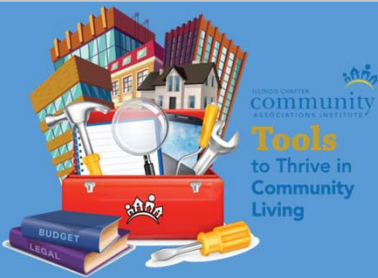


Surprise Street

- The Association has generally been good at planning, but maintains a low reserve balance. A reserve study was completed sometime in the past and is updated every so often as a major project is completed. In fact, the reserve study suggests that improvements at the front entry, including landscaping and general repairs be performed next year. This was recommended due in part to minor peeling paint and other deficiencies but also to refresh the curb appeal of the building. The estimated cost of the refresh project is \$160,000. The roof however has continued to leak despite ongoing repair efforts. Although discussed in the current reserve study, the roof was budgeted for \$750,000 but was not anticipated for replacement for another 5 years. The Association must perform a roofing replacement project next year.

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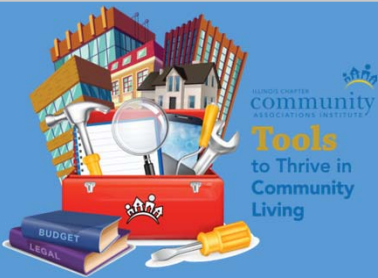


SURPRISE STREET BALANCE SHEET

SURPRISE STREET BALANCE SHEET						
	December 31, 2017			DECEMBER 31, 2016		
	OPERATING FUND	REPLACEMENT FUND	TOTAL	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS						
Cash - Checking Accounts	\$ 35,750	\$ -	\$ 35,750	\$ 55,688	\$ 35,700	\$ 91,388
Certificates of Deposit	-	25,000	25,000	-	-	-
Money Market Account	9,500	10,672	20,172	-	-	-
Accounts Receivable - Unit Owners	26,500	-	26,500	25,000	-	25,000
(5% of the 250 units are delinquent more than 90 days)	-	-	-	-	-	-
Allowance for Doubtful Accounts	-	-	-	-	-	-
Due from Operating Fund	-	-	-	-	-	-
TOTAL ASSETS	\$ 71,750	\$ 35,672	\$ 107,422	\$ 80,688	\$ 35,700	\$ 116,388
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 15,500	\$ 1,301	\$ 16,801	\$ 15,000	\$ 2,800	\$ 17,800
Prepaid Assessments	10,916	-	10,916	4,500	-	4,500
Due to Replacement fund	-	-	-	-	-	-
Loan Payable	-	-	-	-	-	-
TOTAL LIABILITIES	26,416	1,301	27,717	19,500	2,800	22,300
FUND BALANCES	45,334	34,371	79,705	61,188	32,900	94,088
TOTAL LIABILITIES AND FUND BALANCES	\$ 71,750	\$ 35,672	\$ 107,422	\$ 80,688	\$ 35,700	\$ 116,388

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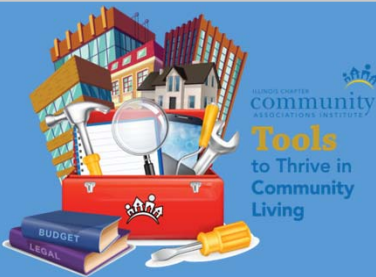


SURPRISE STREET INCOME STATEMENT

SURPRISE STREET						
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES						
	YEAR ENDED DECEMBER 31, 2017			YEAR ENDED DECEMBER 31, 2016		
	OPERATING FUND	REPLACEMENT FUND	TOTAL	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES						
Member Assessments	\$ 285,000	\$ 25,000	\$ 310,000	\$ 300,000	\$ 25,000	\$ 325,000
Late Charges	15,500	-	15,500	6,200	-	6,200
Other Income	465	-	465	500	-	500
Interest Income	361	471	832	375	475	850
TOTAL REVENUES	<u>301,326</u>	<u>25,471</u>	<u>326,797</u>	<u>307,075</u>	<u>25,475</u>	<u>332,550</u>
EXPENSES						
Grounds Maintenance	154,500	-	154,500	116,750	-	116,750
Common Area Expense	49,250	-	49,250	40,500	-	40,500
Roof repairs	35,000	-	35,000	28,000	-	28,000
Administrative	78,430	-	78,430	76,037	-	76,037
Replacement Fund Expenses	-	24,000	24,000	-	40,000	40,000
TOTAL EXPENSES	<u>317,180</u>	<u>24,000</u>	<u>341,180</u>	<u>261,287</u>	<u>40,000</u>	<u>301,287</u>
EXCESS REVENUES/(EXPENSES)	(15,854)	1,471	(14,383)	45,788	(14,525)	31,263
FUND BALANCES - BEGINNING OF YEAR	<u>61,188</u>	<u>32,900</u>	<u>94,088</u>	<u>15,400</u>	<u>47,425</u>	<u>62,825</u>
FUND BALANCES - END OF YEAR	\$ 45,334	\$ 34,371	\$ 79,705	\$ 61,188	\$ 32,900	\$ 94,088

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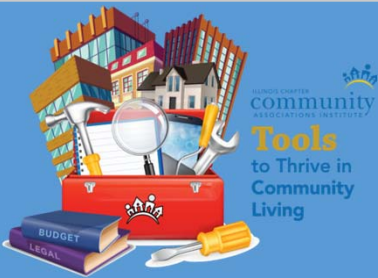


SURPRISE STREET RESERVE INFORMATION

SURPRISE STREET					
SURPRISE STREET					
RESERVE STUDY EXCERPT					
DECEMBER 31, 2017					
RESERVE COMPONENT	YEAR OF REPLACEMENT				
	2018	2019	2020	2021	2022
Refresh Project:					
FRONT ENTRYWAY					
REPAIRS	125,000				
LANDSCAPING	35,000				
ROOF PROJECT					750,000
(Now failing)					

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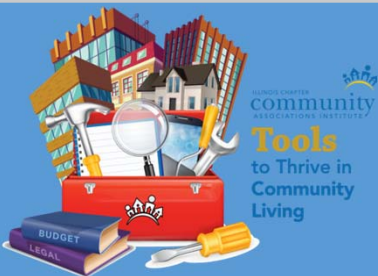


PREPARED PARKWAY

CASE STUDY #3

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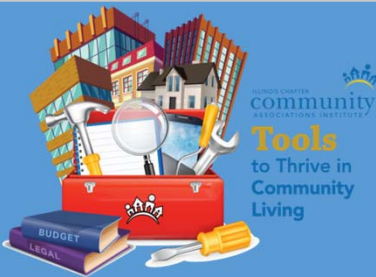


Prepared Parkway

- This Association has been diligent and frequently updates their reserve study every 3 – 5 years. They generally maintain a healthy reserve balance and as such have never had to special assess. Over the years, owners have expressed increasing dissatisfaction with the window systems, citing operational problems, leakage, drafts and a general lack of interior comfort. Window replacement is inevitable but is not anticipated for another 5-7 years. Initial estimates for a window replacement project are several million dollars (\$7M - \$9M) without considering inflation. This is far more than the Association has ever spent on a capital project and despite the future timeframe, appears it will always be in excess of the Association's reserve funds.

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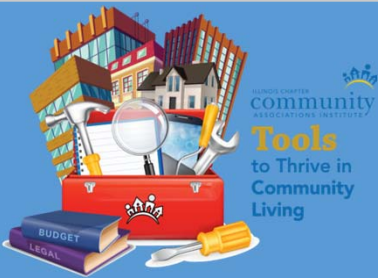


Prepared Parkway Balance Sheet

PREPARED PARKWAY BALANCE SHEET						
	DECEMBER 31, 2017			DECEMBER 31, 2016		
	OPERATING FUND	REPLACEMENT FUND	TOTAL	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS						
Cash - Checking Accounts	\$ 115,500	\$ 110,000	\$ 225,500	\$ 125,000	\$ 125,000	\$ 250,000
Certificates of Deposit	-	955,000	955,000	-	950,000	950,000
Money Market Account	75,000	350,000	425,000	-	250,000	250,000
Accounts Receivable - Unit Owners (5% of the 250 units are delinquent more than 90 days)	26,500	-	26,500	25,000	-	25,000
Allowance for Doubtful Accounts	-	-	-	-	-	-
Due from Operating Fund	-	-	-	-	-	-
TOTAL ASSETS	\$ 217,000	\$ 1,415,000	\$ 1,632,000	\$ 150,000	\$ 1,325,000	\$ 1,475,000
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 15,500	\$ 1,301	\$ 16,801	\$ 15,000	\$ 2,800	\$ 17,800
Prepaid Assessments	10,916	-	10,916	4,500	-	4,500
Due to Replacement fund	-	-	-	-	-	-
Loan Payable	-	-	-	-	-	-
TOTAL LIABILITIES	26,416	1,301	27,717	19,500	2,800	22,300
FUND BALANCES	190,584	1,413,699	1,604,283	130,500	1,322,200	1,452,700
TOTAL LIABILITIES AND FUND BALANCES	\$ 217,000	\$ 1,415,000	\$ 1,632,000	\$ 150,000	\$ 1,325,000	\$ 1,475,000

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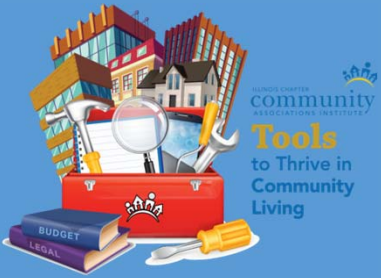


Prepared Parkway Income Statement

SURPRISE STREET						
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES						
	YEAR ENDED DECEMBER 31, 2017				YEAR ENDED DECEMBER 31, 2016	
	OPERATING FUND	REPLACEMENT FUND	TOTAL		OPERATING FUND	REPLACEMENT FUND
						TOTAL
REVENUES						
Member Assessments	\$ 675,000	\$ 350,000	\$ 1,025,000	\$ 650,000	\$ 350,000	\$ 1,000,000
Late Charges	15,500	-	15,500	6,200	-	6,200
Other Income	465	-	465	500	-	500
Interest Income	361	26,400	26,761	375	23,187	23,562
TOTAL REVENUES	<u>691,326</u>	<u>376,400</u>	<u>1,067,726</u>	<u>657,075</u>	<u>373,187</u>	<u>1,030,262</u>
EXPENSES						
Grounds Maintenance	140,750	-	140,750	116,750	-	116,750
Common Area Expense	317,740	-	317,740	292,688	-	292,688
Window Leak Repairs	94,322	-	94,322	56,500	-	56,500
Administrative	78,430	-	78,430	76,037	-	76,037
Replacement Fund Expenses	-	284,901	284,901	-	97,712	97,712
TOTAL EXPENSES	<u>631,242</u>	<u>284,901</u>	<u>916,143</u>	<u>541,975</u>	<u>97,712</u>	<u>639,687</u>
EXCESS REVENUES/((EXPENSES)	60,084	91,499	151,583	115,100	275,475	390,575
FUND BALANCES - BEGINNING OF YEAR	<u>130,500</u>	<u>1,322,200</u>	<u>1,452,700</u>	<u>15,400</u>	<u>1,046,725</u>	<u>1,062,125</u>
FUND BALANCES - END OF YEAR	<u>\$ 190,584</u>	<u>\$ 1,413,699</u>	<u>\$ 1,604,283</u>	<u>\$ 130,500</u>	<u>\$ 1,322,200</u>	<u>\$ 1,452,700</u>

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Prepared Parkway Reserve Excerpt

PREPARED PARKWAY							
RESERVE STUDY EXCERPT							
DECEMBER 31, 2017							
	YEAR OF REPLACEMENT						
RESERVE COMPONENT	2018	2019	2020	2021	2022	2023	2024
Windows					3,500,000	3,500,000	1,500,000
Other Capital Replacements	25,000	45,000	125,000	65,000	150,000	125,000	35,000



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