

## Financial Education

**WE ALL KNOW** how difficult it can be to find homeowners willing to serve on their community association board. We tell them no experience is necessary. We say we will guide them, share our experience, and impart knowledge.

Once willing to give their time, the next obstacle is educating them. For many, budgeting and finances represent the biggest learning curve.

How do you take a homeowner with no accounting experience and tell them they are responsible for the community's financial health? For most, the idea of being responsible for the assets of the association can be both exciting and a little overwhelming. How do you teach new and current board members to read and understand financial statements?

A few years ago, I had a board comprising many retired professionals ranging in age from 78 to 94. The approach I decided to take was a simple one. With my experience and education in accounting

as well as my patience as a mother, I chose to make it a classroom experience. Every other week, we met in our clubhouse for lunch over two hours. By the time they left, everyone learned something new.

The first lesson was the balance sheet. All lessons were projected on a large screen. Handouts were provided. We went through the balance sheet line by line. I described each type of general ledger account, and the effect it had on the overall balance sheet. I explained why assets need to equal liabilities plus equity. Shedding light on this process provided board members a sense of comfort and security. Most importantly, they began to understand that a balance sheet represents a moment in time and will change.

The lessons continued. We discussed, line by line, the income statement. We explored the budget and how those amounts are determined. We considered

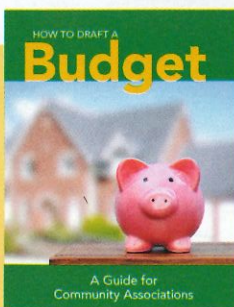
different ways to prepare the budget. We discussed the most important message of the budget: It is an educated guess, based on empirical evidence, that forecast needs for the future of the community.

We covered collections, accounts receivable, and accounts payable, and we brought together how all these pieces fit into financial statements. We also spent time developing an in-depth understanding of the reserve study. We covered state laws. We even tackled insurance.

Brought together by the power of knowledge gained and a shared purpose, my board became very unified and deepened their understanding of the bigger picture. They were able to make smart, decisive choices for the community. Their respect for each other also grew. They truly did stand united, and homeowners respected that.

A great board is a combination of the personalities and life experiences of its members who make thoughtful, educated decisions for their community. The work the board has been able to complete is fantastic. Seven years later, with one exception, they all still serve. A "no vacancy" sign now replaces the "no experience needed" sign. **CG**

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### Budget basics

Find everything you need to draft your association budget in CAI's handy guide, available in print and digital. Find out how to get started and what needs to be done to prepare. Learn how to factor expenses from administrative costs to xeriscaping. *How to Draft a Budget* covers operating expenses, capital improvements, insurance and risk management, overhead, administrative expenses, taxes, and maintenance. Contains reasonable and workable suggestions for balancing a budget and

presenting a budget to homeowners successfully—even when you're raising assessments. Drafting an association budget doesn't have to be stressful or overwhelming. Follow the steps offered in this helpful guide.

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