

# The Role of an HOA/Condo Treasurer

Money is always of paramount concern for members of a condo or homeowners association (HOA). Ultimately, they want their personal investment—their home—protected and maintained, but members also want their HOA fees spent and invested wisely. HOA members entrust the board treasurer with managing the financial security of the association.

Depending on the size of the association, the treasurer may have to deal with a large-scale budget and complicated reserve funds or simply develop a small budget and prepare the annual tax return.

As with most HOA board positions, the treasurer position is time-consuming and usually unpaid. The treasurer is one of the more critical and most scrutinized positions on the board; knowing the responsibilities—and the risks associated with the position—will minimize his or her exposure to claims.

## The Treasurer's Responsibilities

Similar to the chief financial officer of a company, the HOA board treasurer has a wide range of duties relating to the association's finances. These include the following seven main areas of responsibility:

### 1. The Annual Budget

Each year, the treasurer works with the board to develop the HOA's annual operating budget. Depending on the size of the HOA, the budget can be simple or complex.

### 2. Reserve Funds

With the help of an investment expert, the treasurer develops a long-term plan to invest reserve funds so there is adequate capital for major building projects, such as replacing the roof, repaving a parking lot and more.

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### 3. The Annual Audit and Tax Returns

The treasurer must file the HOA tax return by the IRS deadline each year. Additionally, an audit of the association's finances should also be done annually. The treasurer should select a certified public accountant to conduct the audit and monitor the progress.

### 4. Insurance Coverage

The treasurer ensures that the HOA has purchased insurance policies that adequately cover all of its exposures.

## 5. Financial Records

The treasurer maintains all HOA financial records and determines how long each document should be retained. Some documents, such as audit reports, budgets and tax returns, should be kept permanently. Others, such as bank statements and canceled checks, must be kept for only a certain number of years.

## 6. Reporting to the Board on Finances

At board meetings, the treasurer provides financial updates and reports financial issues to the other board members. The treasurer should be willing to assist other board members and homeowners with obtaining a basic understanding of the association's finances.

## 7. Other Financial Duties

Usually, the property manager is responsible for maintaining the books. However, the treasurer oversees the bookkeeper to make sure that there are sound accounting practices.

Other financial duties include preparing invoices and billing homeowners, paying bills and contractors, and providing status reports for home sales.

## Risks of the Treasurer's Role

Homeowners are concerned with the protection of their investment; since the treasurer is in charge of their money, his or her susceptibility to scrutiny increases.

Some of the risks of the treasurer position include the following:

### Financial inexperience.

Not all HOA treasurers hold or have held financial positions outside of the HOA. Some HOAs must rely on less qualified individuals to fill the position.

### Breach of fiduciary duties.

Keep in mind that all board members, including the treasurer, have the fiduciary duty to make decisions in good faith. Using inexperience or ignorance as an excuse is not an acceptable defense.

### Poor investments.

How are reserve funds being invested? There is always the risk of lawsuits, especially when an investment of HOA funds results in a loss. Sometimes this can actually be the result of uninformed investment strategies, at other times, it's simply poor market conditions. Either way, the treasurer can be blamed for investment decisions that result in losses.

### Alleged embezzlement of funds or fraud.

There is always the risk that someone could allege the treasurer or the bookkeeper embezzled the association's funds.

## Mitigate Risks

In theory, anyone serving as HOA treasurer should have a degree in finance or accounting and/or related financial management experience. However, many HOAs have trouble finding volunteers with the qualifications they need to fill these positions. If a treasurer lacks experience, he or she should attend related workshops or webinars to get up to speed. Additionally, consult experts—accountants, auditing firms and lawyers—for advice and assistance.

Safety and liquidity of the HOA's assets is always important, especially for reserve funds. The treasurer has a fiduciary duty as a board member to protect the HOA's funds, and every investment decision made should ensure the funds are wisely invested and readily available when needed. Consult a financial expert if needed.

Transparency in the association's finances is the best way to avoid risks while serving as board treasurer. When presenting financial reports to the board or homeowners, provide information in an organized, readable format. Do not convolute financial reports to hide errors. Keep a paperwork trail to refer to later on in the case of a lawsuit. Also, avoid conflicts of interest, such as hiring accounting or auditing firms to whom you have a personal connection.

If you have additional questions about the risks of serving as an HOA board treasurer or a board member, contact Valent Group today.

For more information about Valent Group's condominium association (COA) specialization, please visit [www.valentgroup.com/condoassociations](http://www.valentgroup.com/condoassociations)

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