



PERSPECTIVE

BASICS OF FINANCIAL STATEMENTS

Ask your financial questions before the meeting so that the manager or Treasurer is prepared to answer them at the meeting!

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As a prior owner of a management company and on-line manager, one of the most frustrating part of my job was discussing the financial statements at each Board meeting. As the Manager, I was not the preparer of the documents and did not have each little entry grained into my head. I would get questions from the Treasurer and other Board members who were looking at the documents for the first time at the meeting. Some questions would pop into their head and they expected me to have an answer at the tips of my tongue. The most frustrating questions came from CPA's who had volunteered to serve on the Board. For some reason they had a need to show their knowledge and your possible lack of the same.

It is NOT your money and you, as Fiduciaries, need to understand the huge responsibility that sits on your shoulders in making investment decisions for other people's money.

After a few years of frustration and dread of these portions of the Board meetings, I found a solution, which helped not only me, but the Board members as well. As they were required by law to review the financial statements and reconciliation for both

their operating and reserve accounts on a quarterly basis, I found a way to make the meetings more productive for all of us.

I asked the book-keeper to take a sample set of financial statements, number each line item, and give a description of each number on a

separate sheet of paper. For example, on the Balance Sheet, number 1 would be the current balance in the Operating Account at the Bank of Nevada as of the date shown on the statements. Number 2 would be the current balance in one of the Reserve Accounts (if you have more than \$250,000 in one account it is not insured for more than \$250,000) at

Norwest Bank, etc.

The bookkeeper was able to advise which numbers should tie in together to show that the Income Statement and Balance Sheet balanced with each other. She was also able to show which line-items on the actual bank statements from the bank should tie into both documents. Please do not accept any reconciliation from your bookkeepers unless a copy of the actual bank statement is attached. How can you verify that the money is still in the accounts if you don't have verification from the bank on a monthly basis? As a manager, I used to bring the original bank statements and reconciliation to each meeting in the event any director wished to verify the original figures.

After the sample documents and explanation are prepared, a special workshop should be scheduled to discuss the documents with the preparer of the documents, not the manager (unless he or she prepares them). This will save time at the Board meetings and allow Board members to ask questions openly without fear of "appearing" stupid, since this is the purpose of the meeting.

After everyone is comfortable with the information they have received and understand their responsibility in reviewing the documents, the Board should understand that they should receive the documents BEFORE the meeting and call the management company with any questions as well. It is not fair to the manager to play "got you" at the meeting. If you see a mistake, bring it to his or her attention before the meeting and then the Board will be prepared to accept the financial statement with the corrections that the Management Company has already agreed to make. Please remember that everyone makes mistakes and should be allowed to correct them while advising the steps that will be taken to try to eliminate the same mistakes in the future.

This practice will save a considerable amount of time at meetings and keep your manager from getting ulcers over "the financials".

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Complete Community Association Legal Services

LET THE CLARK COUNTY NEIGHBORHOOD JUSTICE CENTER HELP YOU HELP YOUR OWNERS

Many times neighbors have unique problems matters in which one of the parties refuses to participate willingly. Association issues or authority to intervene. We want to let you know about a service provided by Clark County, which provides free mediation between neighbors or individuals. The service is called the Neighborhood Justice Center and can be reached at (702) 455-3898. They are located in Las Vegas and are open between the hours of 8:00 a.m. and 5:00 p.m. Monday through Friday.

Mediation is a process that assists disputing parties to resolve their differences and reach a mutually satisfactory agreement with the help of a trained, neutral third party.

The Center will not handles disputes where the problems are such that they can't be settled through negotiation, where matters involve violent activity or

Benefits of Using NJC

Some of the benefits of the Center are: Cost effective, faster than litigation, process is personalized, issues are discussed in depth, parties control the outcome rather than having a decision made for them and it is private and confidential.

The Association can only get involved in those issues for which it has authority in the governing documents and may tell you that they cannot help resolve a specific problem. Please consider contacting the Neighborhood Justice Center who will help you come to a resolution.