

## **MONEY MANAGEMENT**

By David Stone

Two brothers woke up before dawn, went to the pineapple vendor downtown, picked up 50 pineapples for \$50 and spent the day selling the pineapples for \$1 each. They sold out the first day. The entrepreneurs counted up their receipts and realized they made no profit. The second day they purchased 100 pineapples for \$1 each. They loaded the truck, sold each for \$1 and at the end of the day discovered no profit. Dismayed, the brothers pondered why there was no profit to be made in the pineapple-selling business and went to sleep frustrated. "I figured it out," one brother yelled to the other, in the middle of the night. "I know why we are not making any money. We need to get a bigger truck!"

We sometimes forget that a community association is a business. While its widget is not a jet engine or a light bulb, its widget is to maintain and enhance the value of the community. No matter what the business is, if it cannot be properly managed, the business will fail. The widget itself is secondary to running the business. A commonly overlooked factor that contributes to the downfall of many businesses is receivables.

As in any business, keep your receivables (assessments) under tight control. Do not let past due assessments continue to accrue. As time passes so does the chance of collecting receivables. As in any business, a strict collection policy is very important.

Remind your homeowners that the association must get paid in a timely manner. Establish structured payment procedures in a collection policy and most importantly, enforce them.

I know a private practitioner lawyer who never did his billing on time. He asked me what he needed to do to get his receivables down. I asked him why his clients should have any sense of urgency to his bills when he exhibited no urgency in getting his bills out. Well, after 60 days of consistent billing with a part-time bookkeeper he hired, his 90-plus-day receivables dropped by almost 70 percent. Some associations, mostly self managed associations, are not consistent in billing procedures. Therefore, it is important, even vital, for associations to be consistent in its billing and assessment policies. Furthermore, when hiring an outside company to assist with your collections, an association must be clear on its internal collection procedures and policies. This must be clearly communicated to the association's collection company.

Balance a firm, aggressive position on your assessment receivables with the need for good neighborly relations.

Also remember, the collection of assessments from an outside collection agency or law firm, requires compliance with the federal Fair Debt Collection Practices Act. The state of Nevada also has strict collection laws including collection agency licensing, as required under the most recently passed SB 153.

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Nevada Association Services, Inc. is a licensed Nevada collection agency.*