



Budget & Finance Essentials for Self- Directed HOAs

A Practical Guide for Volunteer
Treasurers

By Eric Johnson

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Dedication

This booklet is dedicated to the countless **volunteer board members, treasurers, and committee leaders** who generously give their time, energy, and wisdom to make their communities stronger, safer, and more connected.

Your quiet acts of service – reading financial reports after dinner, responding to emails on weekends, trimming budgets to make ends meet, and making tough decisions with grace – often go unseen. But your efforts build trust, maintain the places we call home, and uphold the shared values of neighborly living.

Thank you for caring enough to serve.

May this guide support you in your important work and remind you that you're not alone.

With Gratitude,

Eric Johnson

New Century Bookkeeping

Introduction

Who This Booklet Is For

This guide is designed for volunteer treasurers and board members of self-directed homeowners associations (HOAs) – the kind without property management companies to handle the financials. Whether you're brand new or just want to feel more confident in your role, this booklet offers the clarity and tools you need.

What Is a Self-Directed HOA?

A self-directed HOA is run entirely by its homeowner-members, not by a hired management company. This means board members are responsible for overseeing budgets, collecting dues, paying bills, and keeping records in order. It's a lot to manage, but it's doable with the right systems in place.

Why Budgeting & Financial Oversight Matter

When the finances are handled well, homeowners feel confident, maintenance gets done on time, and property values are protected. When they aren't, it can lead to conflict, cash shortfalls, and even legal risks.

Part 1: Getting Oriented as a New Treasurer

1. Your Role as HOA Treasurer

As treasurer, you are the financial steward of the HOA. Your responsibilities typically include:

- Maintaining accurate financial records
- Creating and monitoring the budget
- Handling bank accounts and payments
- Issuing reports to the board and members
- Filing necessary tax forms

2. Where to Start: First 30 Days Checklist

- ☐ Gain access to the bank account and bookkeeping software
- ☐ Review the current budget, financial reports, and bank statements
- ☐ Learn how dues are collected and recorded
- ☐ Confirm the HOA is current on taxes and state filings
- ☐ Skim your bylaws and CC&Rs for any financial rules

3. Understanding Your Governing Documents

Your bylaws and CC&Rs explain how money can be collected, spent, and approved. Make sure you understand:

- When the budget must be approved
- Who authorizes spending
- How reserve funds are managed

4. Working with the Board

Communicate regularly and clearly. The treasurer should provide simple, honest financial updates and raise concerns early.

Part 2: Budgeting & Financial Planning

1. How to Build an Annual Budget (Step-by-Step)

- ☐ List all expected income (mostly dues)
- ☐ List all expected expenses (maintenance, utilities, insurance, admin, etc.)
- ☐ Add a reserve contribution (see below)
- ☐ Calculate the dues needed to cover everything
- ☐ Present to the board and/or homeowners for approval

2. Forecasting Income and Dues

Dues are the backbone of HOA finances. Make sure your budget includes:

- Realistic assumptions (some owners may pay late)
- Plans for late fees or collection costs

3. Typical HOA Expense Categories

- Landscaping / Grounds Maintenance
- Insurance (general liability, D&O)
- Utilities
- Repairs and Maintenance
- Professional Services (legal, accounting)
- Reserve Contributions

4. What to Do When the Budget Doesn't Cover Expenses

- Cut or delay non-urgent spending
- Consider a special assessment
- Raise dues going forward
- Enforce collection of delinquent accounts
- Communicate early and often with members

5. Planning for Reserves

Every HOA needs a reserve fund for big-ticket repairs. If possible, conduct a reserve study and fund it annually.

Even small HOAs can plan ahead for:

- Roofs
- Paving
- Fences or gates
- Shared equipment or infrastructure

6. How to Read Financial Reports

You should receive (or create) monthly or quarterly:

- Profit & Loss Statement: Income vs. expenses
- Balance Sheet: What the HOA owns and owes
- Budget vs. Actual Report: Helps spot over/under-spending
- Chart of Accounts: A well-organized Chart of Accounts (COA) is the backbone of any accounting system – especially for HOAs and nonprofits. It organizes financial activity into categories so that transactions can be properly tracked, reported, and understood.

Essential Elements of a Chart of Accounts

Each account in the COA falls into one of five main categories, and is usually numbered for easy organization.

1. Assets (1xxx)

Things the organization owns or controls:

- 1010 - Checking Account
- 1020 - Reserve Savings
- 1030 - Accounts Receivable (dues owed)
- 1040 - Prepaid Insurance
- 1050 - Equipment or Fixed Assets

2. Liabilities (2xxx)

What the organization owes to others:

- 2010 - Accounts Payable
- 2020 - Accrued Expenses
- 2030 - Deferred Revenue (prepaid dues)
- 2040 - Payroll Liabilities (if applicable)

3. Net Assets / Equity (3xxx)

Represents the cumulative difference between assets and liabilities:

- 3010 - Net Assets Without Donor Restrictions (for nonprofits)
- 3020 - Net Assets With Donor Restrictions (restricted funds)
- 3030 - Retained Earnings (for HOAs or for-profits)
- 3040 - Current Year Net Income

4. Income / Revenue (4xxx)

Money coming into the organization:

- 4010 - Member Assessments / Dues

4020 - Special Assessments
4030 - Interest Income
4040 - Grant Income (nonprofits)
4050 - Other Income (e.g., rental, fees)

5. Expenses (5xxx-7xxx)

Money going out to operate the organization. Common HOA or nonprofit expense categories:

5010 - Landscaping / Grounds Maintenance
5020 - Insurance
5030 - Utilities
5040 - Legal & Accounting
5050 - Repairs & Maintenance
5060 - Management Fees (if applicable)
5070 - Bank Fees
5080 - Office Supplies / Admin
5090 - Reserve Contributions
5100 - Program or Event Expenses (nonprofit-specific)

Pro Tips:

- Use sub-accounts for more detail without cluttering reports (e.g., 5040.01 for legal fees, 5040.02 for CPA fees).
- Avoid too many accounts – keep it simple but meaningful.
- Customize for your organization – nonprofits may have program-specific income and expenses; HOAs may have class tracking for buildings or phases.

Part 3: Money Management & Bookkeeping

1. HOA Bank Accounts

- Keep at least two accounts: Operating and Reserves
- Reconcile accounts monthly
- Never co-mingle personal and HOA funds

2. Using QuickBooks Online (QBO)

- Track income and expenses by category
- Reconcile bank statements
- Generate reports with one click
- Share access with a bookkeeper or accountant securely

3. Paying Bills & Keeping Receipts

- Keep digital copies of all invoices and receipts
- Use online bill pay when possible
- Require board approval for larger expenses (check your bylaws)

4. Tracking Dues & Delinquencies

- Maintain a ledger of each owner's payments
- Send reminders before and after due dates
- Charge late fees consistently if allowed
- Follow up firmly but respectfully

5. Internal Controls

- Require dual signers for checks if possible
- Have someone other than the treasurer review bank statements monthly
- Avoid cash handling

Part 4: Taxes & Reporting

1. What Taxes an HOA Must File

- Federal: File IRS Form 1120-H annually (or 1120 if applicable)
- Oregon: File Form OR-20 only if there is taxable income
- Issue 1099s to any non-incorporated vendor paid over \$600

2. Understanding IRS Form 1120-H

- Taxes only non-dues income (e.g., rental income or interest)
- Most HOAs qualify if 60% of income is from dues and 90% of expenses benefit the common area

3. Oregon-Specific Filings

- Annual Report: File online with Oregon Secretary of State
- OR-20: Required only if you have taxable income (rare)
- Include a copy of your 1120-H with your Oregon filing

4. When to Hire Help

Consider a bookkeeper or CPA if:

- You feel overwhelmed
- Your records are behind
- You need help with tax filings or audit prep

Part 5: Preparing for a Financial Review

In a financial review for a nonprofit, the treasurer plays an important but specific role. A review is less in depth than a full audit, but it still requires preparation and cooperation with the reviewing accountant (often a CPA). Here's what's generally expected of a treasurer:

Before the Review

- Ensure records are up to date
- Verify that all transactions are entered and reconciled (bank accounts, credit cards, investment accounts).
- Confirm all accounts payable/receivable are current.

1. Prepare key financial statements

- Statement of Financial Position (Balance Sheet).
- Statement of Activities (Income & Expense).
- Statement of Cash Flows (if available).
- Budget to actual reports.

2. Organize supporting documentation

- Bank statements and reconciliations.
- Payroll records.
- Copies of checks, invoices, receipts.
- Board approved budgets and meeting minutes authorizing major decisions.
- Grant agreements, donor restrictions, and other commitments.

3. Review internal controls

- Be able to explain processes for handling cash, approving expenditures, and segregating duties.

During the Review

1. Provide access & explanations

- Work with the CPA/reviewer to provide requested documents promptly.
- Be prepared to explain accounting policies (e.g., how restricted funds are tracked).

2. Answer questions

- Clarify board oversight procedures.
- Explain any unusual or significant transactions.
- Discuss how financial reports are shared with the board.

After the Review

1. Review the report with the board

- Present the reviewer's findings and recommendations.
- Explain any adjustments made during the review.

2. Implement improvements

- Work with staff/board to strengthen internal controls or recordkeeping if recommendations are given.

3. Maintain accountability

- Ensure the board understands the results and how the nonprofit's finances remain compliant and transparent.

In short: The treasurer's role is to make sure the financial house is in order, provide documentation, answer questions, and communicate results clearly to the board.

Part 6: Real-World Support & Tools

1. Sample Year-End Checklist

- ☐ Reconcile all bank accounts
- ☐ Send 1099s
- ☐ Prepare financial report for members
- ☐ File Form 1120-H
- ☐ File Oregon Annual Report

2. Glossary of Terms for Self-Directed HOAs

Annual Budget

A financial plan outlining expected income and expenses for the HOA over a 12-month period. It helps guide decision-making and sets assessment amounts.

Assessments (Dues)

Mandatory payments made by homeowners to the HOA, used to fund the association's operations, maintenance, and reserves.

Board of Directors

A group of homeowners elected to govern the HOA, including making financial decisions and overseeing community operations.

Bylaws

Rules that govern how the HOA operates, including financial procedures, voting rights, and board responsibilities.

Capital Reserve Fund

Money set aside for major repairs or replacements of community property such as roofs, paving, or fencing.

Cash Basis Accounting

An accounting method where income is recorded when received and expenses when paid, often used by smaller HOAs.

Common Area

Property owned collectively by all HOA members, including amenities like parks, roads, clubhouses, or landscaping.

Delinquent Account

An owner's account that is past due in paying assessments or other charges owed to the HOA.

Depreciation

The reduction in value of assets over time, often used for financial planning and tax purposes.

Fiduciary Duty

The legal obligation of board members to act in the best interest of the HOA and its members, particularly regarding financial decisions.

Financial Statement

A formal record of the HOA's financial activities, typically including a balance sheet, income statement, and cash flow report.

Fiscal Year

The 12-month period used for budgeting and financial reporting. It may or may not align with the calendar year.

General Ledger

A complete record of all financial transactions maintained by the HOA for accurate accounting.

Income Statement (Profit & Loss Statement)

A report showing the HOA's revenues, expenses, and net income or loss over a specific period.

Management Company

A third-party firm hired to handle administrative, maintenance, and financial duties of the HOA. Not typically used in fully self-directed HOAs.

Operating Fund

The fund used for day-to-day expenses such as landscaping, utilities, insurance, and minor repairs.

Quorum

The minimum number of members who must be present at a meeting to conduct official HOA business.

Reserves (Reserve Funds)

Funds set aside for future capital expenditures or unexpected repairs. Based on a reserve study.

Reserve Study

An evaluation of the HOA's assets and funding needs for long-term maintenance and replacement planning.



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Restricted Funds

Restricted Funds are assets given to a nonprofit with specific limitations imposed by the donor on how or when the funds may be used.

Special Assessment

A one-time charge imposed on homeowners to cover unexpected costs not included in the annual budget.

Treasurer

The board member responsible for managing the HOA's finances, overseeing the budget, financial reports, and banking.

Unrestricted Funds

Money that can be used at the discretion of the HOA board without being legally or contractually earmarked for a specific purpose.

Variance (Budget Variance)

The difference between budgeted and actual income or expenses. Helps measure financial performance and planning accuracy.

Vote of the Membership

A formal process by which homeowners approve budgets, special assessments, or board elections, often requiring a quorum.

Working Capital

The amount of liquid assets available to cover short-term obligations and operating expenses.

About the Author



Eric Johnson is a professional bookkeeper serving non-profits and self-directed HOAs. He helps volunteer-led organizations make sense of their finances, stay compliant, and feel confident at tax time.

"I take your shoebox of chaos and turn it into actionable information you can use to move your organization forward."

Contact: Eric@NewCenturyBookkeeping.com

NewCenturyBookkeeping.com