Treasurer Role:

Not Just Collecting Dues & Paying Bills

It's Also

Recognizing Risk & Protecting Your Association

Michael D Fitzpatrick

Cobblestone Resident for 4 ½ Years

Board Member and Treasurer for 3+ years

Property & Causality Insurance Management & Sales for 35 + years

TWO Roles

Treasurer

Risk Manager

Treasurer Basic Financial Responsibilities

- Receiving and depositing funds
- Approving and making disbursements
- Reconciling bank statements
- Preparing financial reports
- Managing the budget
- Monitoring cash flow
- Investing surplus funds according to an investment policy
- Accountable for maintaining accurate financial records
- Communicating financial information to relevant stakeholders
- Ensuring compliance with legal and financial regulations

Budgets: Operating & Reserve (Fund Accounting)

- Operating – What you need know
  - Insurance
  - Utilities
  - Landscaping
  - Snow removal
  - Pool
  - Management Company
  - Administrative
  - Reoccurring Maintenance

  - Process: Stakeholder involvement, review of past years experience, anticipated increase over past years, extra reserve for unexpected expenses. Secure contracts to firm up budget numbers.

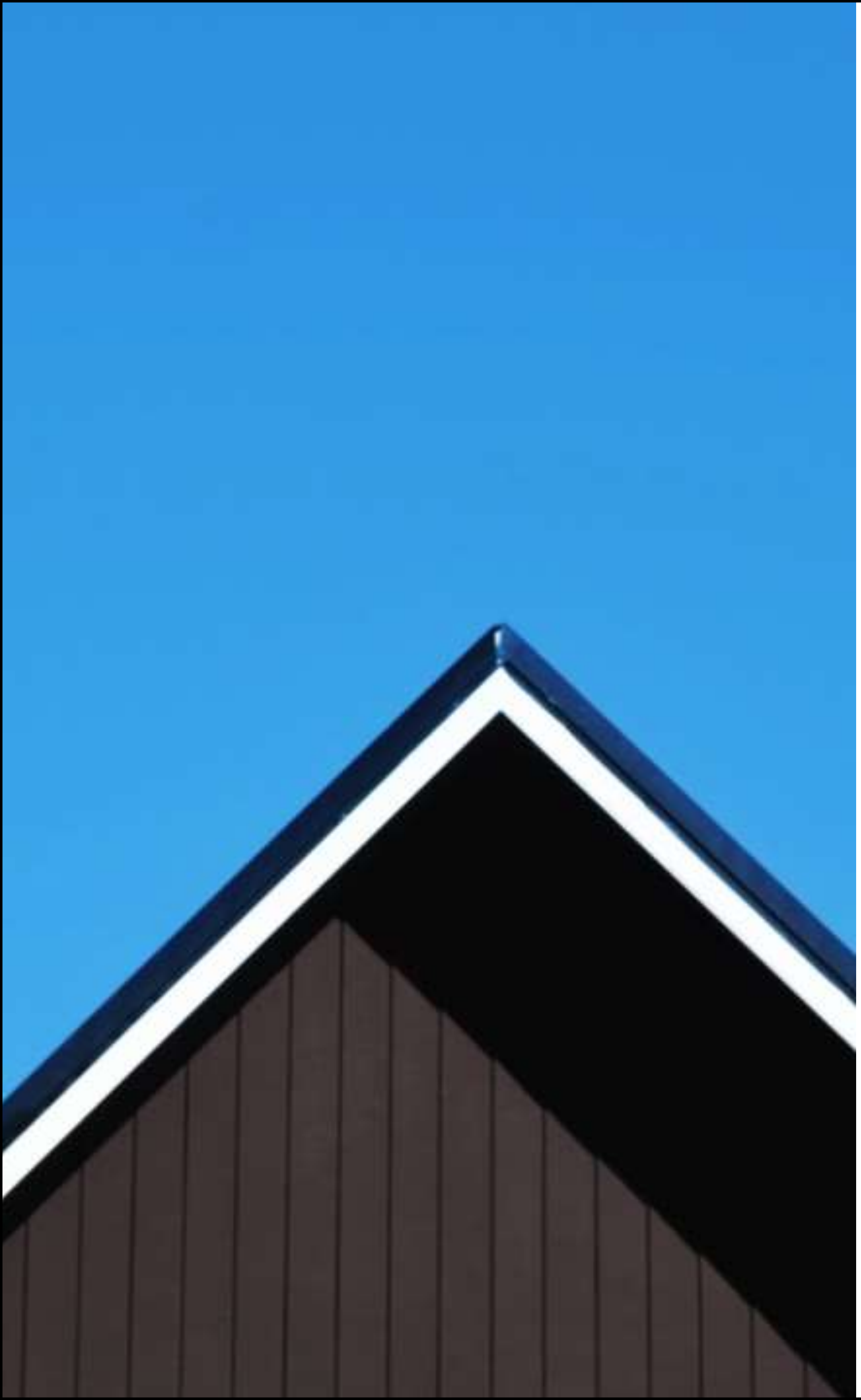
Budgets: Operating & Reserve (Fund Accounting)

Reserve Budget – What you need in the future (Capital Projects)

- Roofs
- Siding
- Parking lots, sidewalks and streets
- Sewer & water
- Lights
- Common spaces

Process: Reserve Study

- tells you how much $$ you need
- when can funds be used
- how are funds replenished
- what should target funding levels should be used to avoid special assessments



Budget Example & Inflation

• Siding	$7,000,000	40 Years	150 Units	$ 97.22/Unit
• Roofing	$3,000,000	20 Years	150 Units	$ 83.33/Unit

JUST 3% Annual Inflation:

• Siding	$22,834,265	40 Years	150 Units	$ 317.64/Unit
• Roofing	$5,418,334	20 Years	150 Units	$ 150.51/Unit

Risk Management

- Risk management is the comprehensive process of identifying, analyzing, and controlling potential threats and uncertainties that could negatively impact an organization's objectives.
- It involves assessing the likelihood and impact of various risks—**such as financial, strategic, or operational**—and developing strategies to minimize their harm or probability, thereby protecting assets, capital, and operations.

5 Principals of Risk Management

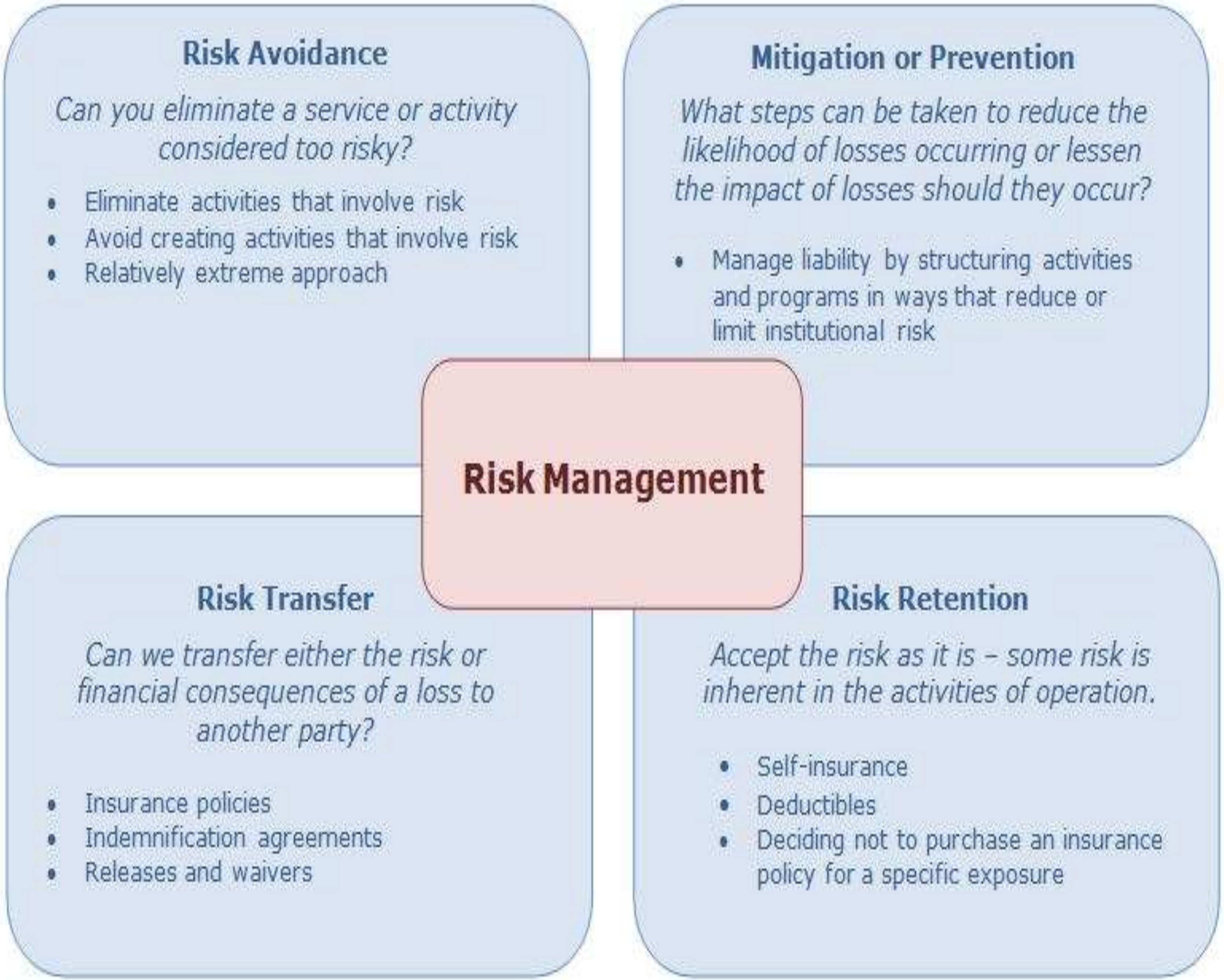
- Risk Identification
  - finding potential exposures
- Risk Analysis
  - assessing the likelihood and impact of risks
- Risk Treatment
  - developing strategies to manage risks
- Risk Monitoring and Review
  - ongoing evaluation and adaptation of the plan
- Integration and Communication
  - embedding risk management into organizational processes and ensuring open communication

Who is Responsible for Risk Management?

Risk management Responsibility leadership falls to the Board of Directors, who set risk appetite and culture.

Hired Management or employees are available to advise and share industry knowledge.

Risk Management Techniques



Insurable Risks to Associations

- Physical Property
  - Wind, Hail, Fire, Flood, Quake
  - Law and Ordinance – Municipal
- Liability
  - Employers Liability
  - Employee Practices Liability
  - Directors & Officers Liability
- Financial Investments
  - Inflation, % Rate, Market Risk
- Loss of Assets (Embezzlement)
  - Money & Security
  - Employee Dishonesty
  - Fidelity Bond

Not Insurable Risks to Associations

- Property Deterioration
  - Accelerated capital deterioration
  - Special Assessment & Dues Increases
  - Lack of long-range planning or implementation
- Board Governance
  - Policy development & implementation
  - Uninformed Board members
  - Not following Declaration & Bylaws
  - Succession Planning
- Legislative, Regulatory & Legal
  - New State & Federal laws/regulations
  - Mortgage underwriting standards
  - Case Law evolving

Risks to Associations

- Environmental
- Reputation
- Cyber Security
- Time Risk

Changing Risk Landscape

Availability of Loans and Insurance

Long-term planning and strategic asset management

Dependence of the lending industry on reserve data

Contribution levels and percentage of funding

- Enhanced transparency – funding benchmarks – structural evaluations

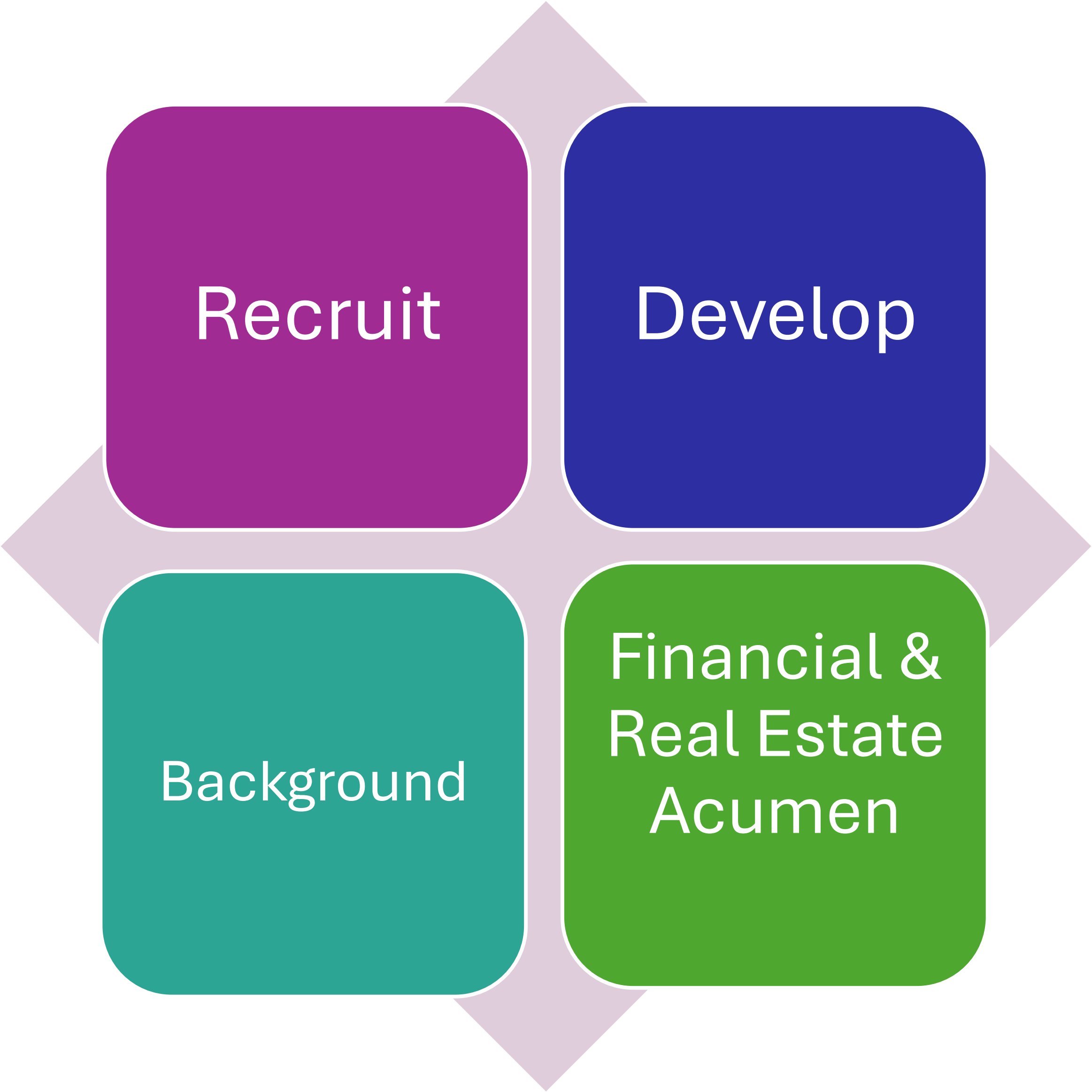
1st Line of Defense against Financial Risk

- Align annual Budgets with long term goals – be honest & use experts
- Communicate with transparency to more stakeholders – Finance Committee, all Owners regularly, outside CPA, banks/lenders
- Educate Board members how to read and engage with financial information
- Hire expert visionary manager who remains current on industry changes; who advises the Board on risks and how to mitigate them.

Financial Board Policies & Procedures

- Collection
- Investment
- Check Issuing
- Bank Transfers
- Deposit/Withdrawal
- A/R and A/P
- Banking Relationships
- Litigation

Getting the Best People for the Job



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