

THE BOARD'S GUIDE TO FINANCIAL OVERSIGHT

What Every Board Should Review in Its Monthly Financial Package

A practical guide to cash, budget performance, collections, payables, reconciliations, reserves, and the questions that deserve Board attention.

Receiving financial statements is not the same as understanding them.

A useful monthly review should tell the Board where the association stands, what changed, and what needs attention - without requiring volunteer directors to become accountants.

Because Communities Deserve Better!

Community Association Management, Limited

Educational White Paper | September 2026

Receiving Financial Statements Is Not the Same as Understanding Them

A Board does not need to become a team of accountants to exercise meaningful financial oversight. It does need to understand what the major reports are telling it, what changes deserve questions, and which items should never be accepted simply because they appear in a monthly packet.

Good financial oversight is a governance function. Management and accounting professionals may prepare the records and reports, but the Board remains responsible for understanding the association's financial condition well enough to make informed decisions.

The standard

A useful financial package should help the Board answer three questions every month: Where do we stand? What changed? What needs attention?

What this guide covers

- Balance sheet and available cash
- Income statement and budget-to-actual results
- Accounts receivable aging and collection status
- Accounts payable and upcoming obligations
- Bank statements, reconciliations, and transaction activity
- Reserve balances and transfers
- Cash-basis accounting and how to read it correctly
- A practical monthly Board review checklist

1. Start With the Balance Sheet

The balance sheet is a snapshot of the association at a specific point in time. It shows what the association owns, what it owes, and the accumulated financial position of its operating and reserve funds.

What the Board should look for

- Operating cash: Is there enough available cash to cover normal obligations without relying on reserves?
- Reserve cash: Do reserve balances agree with the Board's understanding of what has been set aside for future capital needs?
- Receivables: Are owner balances growing, stable, or declining?
- Liabilities: Are there unpaid bills, accrued obligations, loans, or other amounts the Board should understand?
- Fund balances: Has the operating position materially weakened or strengthened since the prior month or year-end?

Do not review the balance sheet in isolation.

A cash balance can look strong while the association has large unpaid bills, significant delinquencies, or upcoming capital obligations. The Board needs the balance sheet, income statement, aging, accounts payable, and bank information together.

2. Read the Income Statement Against the Budget

The income statement shows financial activity over a period of time. For a Board, the most useful version is usually a budget-to-actual report that compares what the association expected to collect and spend with what actually occurred.

Focus on meaningful variances

Not every variance deserves discussion. A small timing difference in one month may correct itself in the next. The Board should focus on material or recurring differences that could change the year-end result or signal an operational issue.

- Revenue below budget because assessments are not being collected as expected
- Utilities, insurance, landscaping, repairs, or other recurring costs consistently above budget
- Large one-time expenses that were not anticipated
- Expense categories that repeatedly require transfers from another line item
- Revenue or expense trends that make the approved annual budget unrealistic

Ask why - then ask whether the trend continues

A variance explanation should do more than describe what happened. It should help the Board understand whether the issue is temporary, whether future months are likely to be affected, and whether the Board needs to change spending, funding, or expectations.

3. Understand Cash-Basis Accounting

Community uses cash-basis accounting for association financial reporting. In practical terms, income is generally reflected when cash is received and expenses when cash is paid. For many volunteer Boards, this makes the monthly financial statements easier to read because the reports more closely follow actual cash movement.

Why cash basis can be easier for Boards

- The income statement more closely reflects money actually received and paid during the period.
- Board members can more readily connect reported activity to bank transactions and cash balances.
- Budget-to-actual reporting is often easier to follow for associations whose primary concern is operating cash flow.

What cash basis does not eliminate

Cash-basis reporting does not mean the Board can ignore obligations that have not yet been paid or assessments that have not yet been collected. That is why the monthly financial package also needs accounts payable information, owner balance and collection reports, bank statements, and reconciliation summaries.

Cash-basis reports tell part of the story.

The Board should combine the financial statements with receivable, payable, banking, and reserve information before drawing conclusions about the association's financial health.

4. Accounts Receivable: Know Who Owes the Association - and What Is Happening Next

Uncollected assessments reduce the cash available to operate the association. A Board should not review only the total amount owed. It should understand how old the balances are and where delinquent accounts are in the collection process.

What to review

- Total delinquent balance and whether it is increasing or decreasing
- Aging by current, 30-, 60-, 90-day, and older balances as applicable
- The last payment date for materially delinquent owners
- Current collection status and the next scheduled step
- Payment plans, collection holds, or other exceptions that may delay progression
- Accounts that appear stalled or have remained in the same stage longer than expected

Community's reporting includes homeowner balances, last payment information, and collection status so the Board can see both the financial amount and the operational progression of delinquent accounts.

Aging without status is incomplete.

A Board should be able to see not only how much is owed, but whether the collection process is actively moving each account toward resolution.

5. Accounts Payable: Understand What Has Been Committed

A strong cash balance can be misleading if the association has significant unpaid obligations. Accounts payable information helps the Board understand what has already been incurred but has not yet cleared the bank.

Questions worth asking

- Are there old invoices that should have been resolved?
- Are there unusually large or unexpected vendor balances?
- Do recurring vendors appear to be paid on a reasonable schedule?
- Are there duplicate-looking invoices or charges that deserve explanation?
- Will upcoming payments materially change the association's available operating cash?

The purpose is not for directors to re-approve every properly authorized invoice. It is to understand the association's near-term obligations and identify anything that appears unusual.

6. Bank Statements and Reconciliations: Verify That the Records Agree With the Bank

A bank reconciliation compares the accounting records with the bank's records and identifies differences such as outstanding checks, deposits in transit, timing differences, or errors. It is one of the most important controls in the monthly financial package.

Community's integrated banking environment supports daily bank reconciliation, while Board financial packets include bank statements and reconciliation summaries. Daily reconciliation allows discrepancies to be identified closer to when they occur rather than waiting until month-end.

What the Board should look for

- Bank statement ending balances that agree to the reconciliation
- Old outstanding checks or deposits that remain unresolved
- Unexpected transfers between accounts
- Unusual payees or transaction amounts
- Material reconciling differences that are not clearly explained

Reconciliation is not just an accounting task.

It is an independent check that the association's books and the bank agree. Unexplained differences should be investigated, not carried forward indefinitely.

7. Reserves: Confirm the Money Is Where the Board Expects It to Be

Detailed reserve funding strategy belongs in a separate Board discussion and reserve-planning process. In the monthly financial review, the Board's job is more basic: confirm that reserve balances, transfers, and expenditures match the Board's approved plan and expectations.

Monthly reserve oversight should include

- Current reserve cash balances
- Transfers into or out of reserves during the month
- Reserve expenditures and the projects they relate to
- Any missed or delayed budgeted reserve contribution
- Any use of reserve funds that was not expected or previously discussed

Questions about how much the association should hold in reserves, how those funds should be invested, and how future capital needs should be funded belong in the association's reserve study and long-term capital planning process.

8. Review Transactions for What Does Not Fit

Most monthly transactions will be routine. Board oversight becomes valuable when something does not fit the normal pattern.

- A new vendor the Board does not recognize
- A payment materially larger than the normal amount for that service
- Several payments to the same vendor in a short period
- Unexpected bank transfers or withdrawals
- Charges in a budget category that do not appear to belong there
- Material expenses without an obvious relationship to Board-approved work or normal operations

A question is not an accusation. Good financial governance depends on directors being willing to ask for clarification when activity is unusual, material, or simply unclear.

9. The Treasurer Has a Special Role - but the Whole Board Owns Oversight

The Treasurer is often the Board's financial point person and liaison to management, accountants, bankers, reserve professionals, and other financial advisors. That role can make the Treasurer especially valuable in preparing questions and helping the Board understand the reports.

Financial oversight, however, should not become the Treasurer's private responsibility. Major financial decisions belong to the Board, and every director should be able to understand the association's overall financial condition well enough to participate meaningfully.

1 Community Associations Institute, The Board Member Tool Kit: the Treasurer serves as the Board's financial liaison and monthly financial information commonly includes the balance sheet, income statement, cash activity, owner balances, accounts payable, bank statements, and reconciliations.

Do not create another single-point dependency.

A strong Treasurer can improve Board oversight. The association should still avoid a system where only one director understands the financial reports or knows how to access critical financial information.

10. A 15-Minute Monthly Financial Review

The Board does not need to audit the books every month. It does need a repeatable review process. The following sequence can help directors focus on the information most likely to affect decisions.

Step	Review	Board question
1	Cash & balance sheet	Do operating and reserve balances look reasonable? Any material change from last month?
2	Budget vs. actual	Which material variances are new, recurring, or likely to continue?
3	Receivables	Are delinquencies growing? Are old balances progressing through collections?
4	Payables	Are there old, unusual, or large unpaid obligations?
5	Bank reconciliation	Do bank balances reconcile? Any old or unexplained reconciling items?
6	Transactions	Any unusual payees, transfers, duplicate-looking charges, or large one-time expenses?
7	Reserves	Did planned contributions, transfers, and reserve expenditures occur as expected?
8	Follow-up	What questions need an answer, who owns them, and when should the Board expect the response?

11. Red Flags That Deserve Prompt Follow-Up

- Bank accounts that are not reconciled promptly
- Repeated unexplained reconciliation differences
- Operating cash declining month after month without a clear plan
- Delinquencies growing while collection stages are not advancing
- Large or recurring unfavorable budget variances without explanation
- Old accounts payable balances that remain unresolved
- Transfers involving reserve funds that the Board does not recognize
- Financial reports delivered late or with missing supporting schedules
- One person being the only director who understands or can access critical financial information

The goal is visibility, not micromanagement.

Board oversight should identify exceptions, trends, and decisions that require attention. It should not duplicate the day-to-day work of the accounting team.

12. Questions Every Board Should Ask About Financial Reporting

- How soon after month-end should we expect the complete financial package?
- Which reports are included every month, and which supporting schedules are available when needed?
- How often are bank accounts reconciled, and who performs that reconciliation?
- Can we see collection status as well as the amount each owner owes?
- How are unusual variances, old payables, or reconciliation differences brought to the Board's attention?
- Can authorized directors access prior financial statements and supporting records electronically?
- Who should the Board contact when it has a financial question, and how is follow-up documented?
- How does the reporting process help the Board identify a problem before it becomes a year-end surprise?

A good financial package should create questions - and answer them.

Transparency does not mean giving the Board more pages. It means giving directors the right information, enough supporting detail to understand it, and a clear path to resolve questions.

How Community Supports Board Financial Oversight

Community Association Management, Limited is an independently owned, AAMC-accredited community association management company serving North Carolina and South Carolina. Community's financial reporting model is designed to give Boards consistent information and the supporting detail needed to understand the association's financial position.

What Boards receive

- Monthly balance sheet, budget-to-actual reporting, accounts payable, and transaction detail
- Accounts receivable aging with homeowner balances, payment information, and collection status
- Bank statements, reconciliation summaries, and daily reconciliation supported by Community's integrated banking environment
- Cash-basis reporting and budgeting support designed to make monthly activity easier for volunteer Boards to follow
- Electronic financial records available to authorized Board members

The Board should never have to guess what the numbers mean

Financial reporting is most useful when it supports decisions. Community's role is not only to prepare reports, but to give the Board a repeatable financial picture that helps directors identify trends, ask informed questions, and make better decisions about the association's resources.

Know Where You Stand Before the Next Board Meeting

A monthly financial package should not be something the Board simply receives and files away. It should help directors understand cash, collections, spending, obligations, reserves, and the issues that deserve follow-up.

Visit communityassociationmanagement.com to learn more about Community's financial management and service options or request a conversation about your association's needs.

Because Communities Deserve Better!

Educational Notice: This white paper is intended for general educational discussion. It is not legal, tax, investment, insurance, or accounting advice. Association requirements vary by governing documents, contracts, accounting policies, tax status, and applicable law. Boards should consult qualified professionals regarding specific legal, tax, insurance, accounting, or investment questions.