

Forest Lakes Community Association, Inc.
Monthly/Annual Accounting Principles
October 2008

Community Group provides FLCA with a complete package of the accounting records of the Association to give the Board of Directors the tools that are needed to responsibly make financial decisions and determinations on behalf of the Association.

Monthly Financial Reporting

A monthly reporting package is provided to the Board of Directors. The package includes a Balance Sheet, Budget Variance Report, Detailed Reserve savings and expense report, Cash Disbursement Listing and a homeowner Delinquency Report.

The accounting basis which Community Group utilizes is referred to as a "modified accrual reporting". According to David L. Campbell, of Adams, Jenkins & Cheatham, "most if not all, homeowner association management companies use the *modified accrual* basis". With this type of reporting, the assessments are accrued as they are due and expenses as they are paid.

Because the financial statements are prepared using a modified accrual basis system, they do not reflect certain monthly accruals that will be reflected in the year end audited financial statement.

Audit Report

A Certified Public Accountant chosen by the Board of Directors is hired to perform a complete audit of the association's financial standing. The audit is done annually. The audit is performed "in accordance with generally accepted auditing standard" and the resulting audited financial statements are presented "in conformity with generally accepted accounting principles".

Taxes

In addition to the audit, the CPA completes the association's income tax returns. The return is an accurate picture of the associations' financial condition at the end of the tax year.

L. Nuckols, CMCA