

# PREPARING FINANCES

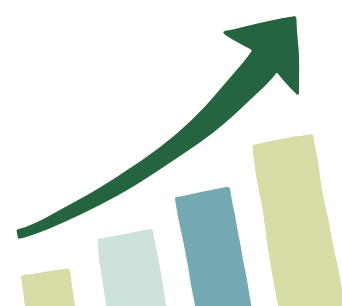
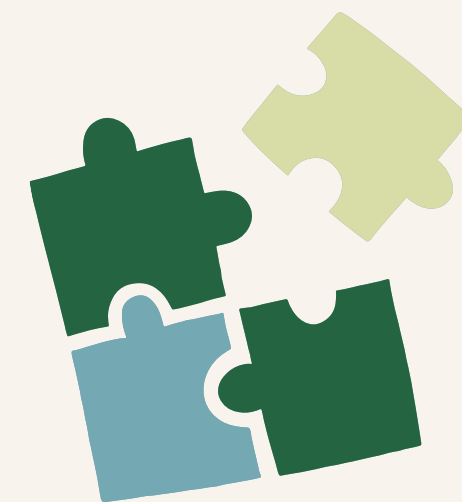
for Community Associations



**Northern Area  
Community Network**



Department of  
**Agriculture, Environment  
and Rural Affairs**





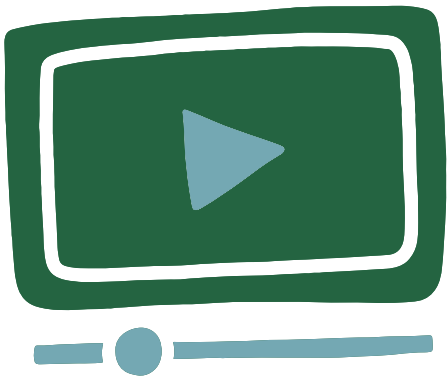


Preparing finances for a community association involves careful planning and organisation to ensure the financial health and stability of the association. Here's a step-by-step guide:

- **Establish a Budget:** Begin by creating a detailed budget outlining all expected income and expenses for the association. Consider regular expenses such as maintenance, utilities, insurance, and administrative costs, as well as any long-term expenses like capital improvements or reserves.
- **Identify Income Sources:** Determine where the association's income will come from. This may include membership dues, rental income (if applicable), grants, fundraising events, or other sources. Ensure that income sources are reliable and sufficient to cover expenses.



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- **Track Expenses:** Implement a system for tracking expenses accurately. Use accounting software or spreadsheets to record all transactions and categorise them according to budget categories. This will provide visibility into where the association's money is being spent and help identify areas for potential cost savings.
  - **Establish Financial Policies:** Develop clear financial policies and procedures for the association, including guidelines for spending, purchasing approvals, reimbursement processes, and financial reporting. Ensure that these policies are communicated to all members and followed consistently.
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- **Build Reserves:** Set aside funds for reserves to cover unexpected expenses or future projects. Establishing reserve funds helps prevent the need for special assessments or borrowing in the event of emergencies.
- **Monitor Cash Flow:** Regularly review cash flow to ensure that income is sufficient to cover expenses and that there are no cash flow gaps. Adjust the budget or financial practices as needed to maintain a positive cash flow.

- **Maintain Accurate Records:** Keep thorough and up-to-date financial records, including income statements, balance sheets, bank statements, and receipts. This documentation is essential for financial transparency, auditing, and reporting to members.
- **Review and Audit:** Conduct regular reviews of the association's financial performance, preferably annually or semi-annually. Consider hiring an independent auditor to perform a financial audit to ensure compliance with regulations and best practices.



- **Communicate with Members:** Keep association members informed about the financial health of the organisation through regular updates, financial reports, and meetings. Transparency fosters trust and encourages member participation in financial decision-making.
- **Seek Professional Advice:** If needed, consult with financial professionals, such as accountants or financial advisors, who have experience working with community associations. They can provide guidance on financial management best practices and help navigate complex financial issues.

By following these steps and implementing sound financial practices, a community association can effectively manage its finances and ensure long-term sustainability and success.

