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COMMON INTERESTS

2020 FINANCIAL Issue

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Financial Best Practices
Paying Assessments
Rate Shock
Reserve Studies Made Easy
Turnover Audit
And More!

ROCKY MOUNTAIN CHAPTER
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COMMON INTERESTS

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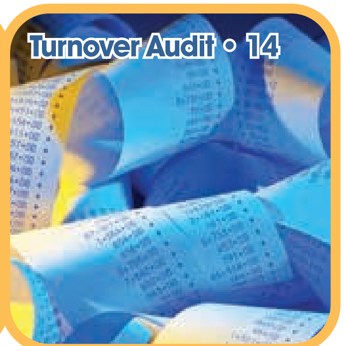

President's Letter

ALICIA GRANADOS
Chapter President
CAI-RMC

As we begin to look toward fall and dive into the final stretch of 2020, it is an understatement to say that this year has not gone exactly as expected. CAI-RMC prides itself on being an essential resource for community association information, education, collaboration and networking opportunities. While 2020 has not yet allowed us to gather and connect in traditional face-to-face settings, the chapter board and committees have been working to find new ways to reach our members

Each year, the board and committee leaders get together for a day of strategic planning to prepare chapter goals and focus on plans for the coming year. Part of what we discovered during our August strategic planning session is that the unforeseen events of 2020, while challenging, have also pushed us to develop many wonderful ideas that will undoubtedly carry into the future. Like all of you, we have adapted and discovered that we are capable of much more than we imagined. How many times in the past have we said or heard "Oh no . . . our members would never be able to manage the technology to hold a virtual meeting!"? Yet here we are, with Zoom meeting participation that often exceeds that of prior in-person events. While nothing will ever replace the value of getting together with unmasked smiles, handshakes and hugs, we've learned that we can provide a variety of options to meet everyone's needs. Virtual meetings and education are just one example of how the events of 2020 have helped us shift our thinking and continue to improve connections and events moving forward.

We owe a huge thank you to all of our committee members who are working hard to adapt programs to meet the changing guidelines. We are still hopeful we will be able to gather in person for events this fall, including our annual "Spring" Conference, which sprung forward to Thursday, November 12th. Look for more details on that event as we get closer. We can't wait to see everyone!

As we continue to plan for 2021, we would truly love to hear from you. The chapter leadership relies on your feedback to understand how CAI-RMC can best meet your needs. Will you please take a moment to send us a note with your ideas and suggestions?

Continue to stay safe and we look forward to seeing you all soon!

COMMON INTERESTS

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Community Association Collections

in a COVID-19 World

STEPHANE DUPONT, ESQ.
The Dupont Law Firm

A lot has changed in the community association industry since March 2020, when the COVID-19 crisis began to substantially impact our lives. Many of us are now working from home in our pajama bottoms and dress shirts while engaging in endless Zoom meetings, electronic association meetings, and participating in endless discussions on whether common area amenities should be reopened.

The Colorado legislature was quick to respond to the crisis by passing laws and regulations impacting eviction and foreclosure matters and preventing the filing of many lawsuits for a period of time. Those initial measures, however, have had a relatively minor impact on community association collections.

Collection of association debt is normally a four-step process. The association or community association management company first sends out delinquency letters and a payment plan opportunity to a delinquent homeowner. Next, the homeowner is pursued by the association attorney, who may typically send a demand letter and record a lien. If the debt is not resolved, the next step involves filing a lawsuit in the county where the association is located. The first court appearance is called the 'return date' which is the deadline for a homeowner to contest the lawsuit and, in some cases, meet with the association attorney to attempt to work out a resolution or payment plan. In the current COVID-19 world, the requirement or ability to appear at the court return date has been eliminated. The final step of the collections process, collecting the judgment, follows after a judgment enters against the delinquent homeowner --- a court determination that the association is owed a fixed amount of money from a delinquent homeowner. A judgment is typically collected by garnishing funds on account at a financial institution or the wages of a delinquent homeowner.

On June 29, 2020, Governor Polis signed Senate Bill 20-211, which will have a substantial impact on association collections. The law requires associations to send a written notice to a delinquent owner, prior to starting any garnishment proceedings (and other less utilized collection methods), to provide them with an opportunity to object as a result of financial hardship due to COVID-19. No documentation or additional explanation needs to be provided by the homeowner to the association to terminate the garnishment process. The law provides for this protection until November 1, 2020, with a possible extension until February 1, 2021. Additionally, through February 1, 2021, a delinquent homeowner may claim $4,000.00 of funds as exempt from a bank garnishment – this means that even if a delinquent homeowner does not claim COVID-19 protection from garnishment, the association may not be entitled to the first $4,000 of funds on account.

So, what does this mean for associations? The result is that the garnishment process will likely be ineffective for the next several months, except in the rare case where a delinquent homeowner does not object. Unfortunately, this likely means that when the restrictions are lifted, the delinquent homeowners may be further financially indebted with a long road ahead for the association to collect. The new law, thankfully, does not delay or prohibit any portion of the collections process with the exception of collecting judgments entered against delinquent homeowners.

There are several measures that an Association can take to stay ahead financially, given the new restrictions and current economic climate. Here are some suggestions on how to minimize the impact to your association from the new law and general economic downturn:

Given the inevitable delays in the collections process, an association may want to consider extending a longer payment plan to a delinquent owner than they would normally approve. Further, consider waiving soft costs such as late fees and interest charges. However, work with your legal counsel to determine objective criteria for how you will work with owner requests for payment plans so that you have a policy to apply such measures.

An association may consider strictly enforcing its mandatory collection policy to ensure that delinquencies are being processed as efficiently as possible to maximize cash flow to an association.

Some associations have realized cost savings from shutting down their common amenities, due to safety concerns for COVID-19. In some cases, these cost savings may be sufficient to offset any loss of association income from delays in the collection process.

Start discussing possible increases to the 2021 budget to help hedge against a likely rise in delinquent association assessments.

As a last resort, an association may consider foreclosing its lien against a delinquent homeowner. This suggestion is especially pertinent to older collection matters that started prior to the COVID-19 crisis.

A meeting in the near future with your board, community association manager, and attorney to develop a strategic plan to hedge against future delinquencies may help your association to stay ahead of the curve.

Stephane Dupont is an attorney with The Dupont Law Firm in Parker, CO, with over 20 years of experience representing community associations. Stephane can be reached at sdupont@dupontlawco.com.

10 Financial Best Practices for Homeowner Associations and Condominiums

RUSSELL MUNZ
Community Financials, Inc.

I say that the best practices are born out of lessons learned from the worst practices. If you have been a board member or manager for a few years, you may have come across some worst practices. They can result from incompetence, or in the extreme, criminal activity (embezzlement). Read on to learn about the 10 Financial Best Practices for Homeowner Associations and Condominiums.

Transparency

Online Banking: A management company controller embezzled $2M by doctoring the financial reports and not providing bank statements. This would have been prevented if the board had access to the bank statements and, even better, could see the bank accounts online, view current bank information, and historical bank statements.

Online Bill Approval by 2 Board Members: Some communities have been embezzled by board members that had the checkbook and came on hard times. If you have an online bill approval system with more than one board member, you have checks and balances. You also don't have surprise bills; instead, your board has the control to approve or reject a bill.

Reporting

Monthly & On-Time Reports: Some boards I talk with have not received financial reports for months. If you don't receive financial statements on time or for several months, there is a problem. How can you operate a community without up to date information?

Use a Comparative Income & Expense Report: Make sure you get this report. It shows the actual income and expense versus what you had budgeted and the variance. Some communities have lost thousands in water bills because they did not see the bills, and they did not have this variance report that would have shown the increase in cost (this is also a useful tool for flagging theft).

Get a Bank Reconciliation Report: This report proves that the money you have in the bank matches what you have in your financial reports. This is another protection from fraudulent activities.

Process

Offer Owners Multiple Ways to Pay: Make it easier for owners to pay, and you can improve your cash flow. Some owners travel a lot; others don't live at the property full time, etc. Provide a way to make payment by check, online debit of their bank account, or use of a credit card if needed. Additionally, you want a system that allows owners to set up recurring payments.

Have a Collection Policy & Systems to Follow it Uniformly: If you don't know what a collection policy is, you need to get one set up ASAP. The collection policy outlines the community's collection process, timing of activities, charges, etc. Then you need to be able to apply late fees, mail notices, and handoff to collection agencies or attorneys. Then make sure you are applying the same treatment for all owners.

Have Effective Deterrents: Some governing documents were written decades ago and I've seen late fees of five to fifteen dollars – you have to adjust these for inflation. Do you think $10 is a deterrent? Follow what large corporations are doing and charge appropriate late fees that are reasonable but work. Additionally, communities often get paid last for a 2nd reason; all the other bills report delinquencies to credit rating agencies that impact the owner's credit score. This is available to community associations, and we have seen a dramatic 25-35% reduction in delinquent balances within 90 days.

Cash, Debit & Credit Cards: Be careful. Don't have petty cash, period. It can be stolen, and there is no recourse when cash disappears as compared to credit cards. Debit Cards can have a daily limit set on them, but someone can just hit the limit every day for days on end. We recommend setting up a separate bank account tied to this card with a limit. Credit cards can be better as they can be set up with limits. Someone needs to track who has physical credit cards (collect them during employee or board turn over), what the limits are, etc. When possible, we encourage boards not to use these and instead use supply accounts that can be paid upon receipt of invoice, or submit for reimbursement for the few times a board member may purchase something personally on behalf of the community.

Close Unused Accounts: If you have additional accounts that you no longer use but have cash balances, close them out and consolidate them. First, former board members or employees may be signers on the account and may have an old checkbook. Second, I've seen where the signers on the account moved, and the new board could not get access to the funds (it took a year and a lot of work to access their money). Lastly, it simplifies your accounting and less to track and read on your reports.

I hope you incorporate these best practices into your community's procedures. You'll improve cash flow, you'll reduce the chances of negative surprises, and you'll sleep better.

Russell Munz is a Licensed / Certified CAM in 7 states and Founder and President of Community Financials, Inc. a nationwide financial management company that provides monthly accounting services to HOAs and Condos based in Boulder, CO. If you want to learn more about financial best practices, you can visit the resources page of his website at www.CommunityFinancials.com or you can send him your questions through the Contact Us page and he'll be happy to provide additional help.

FINANCIAL POWER 101

TRISHA K. HARRIS, ESQ.
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Special districts are quasi-municipal corporations and political subdivisions of the State of Colorado, governed by Title 32 of the Colorado Revised Statutes (the "Special District Act") and other laws governing public entities. Special districts are typically formed to provide public infrastructure and services to new and existing development that counties or municipalities are unable to provide. Often, special districts also operate and maintain public improvements, such as park and recreation facilities, to the extent such improvements are not dedicated to other public entities for purposes of operations and maintenance.

But, how do special districts in the State of Colorado pay for the construction, operation and/or maintenance of public improvements?

Special districts have a variety of tools to raise revenue for the purposes of constructing infrastructure, maintaining and improving such infrastructure, and for providing services to the residents of the district. These include the imposition of ad valorem property taxes, issuance of bonds (which are most commonly repaid to investors through property taxes imposed by the district), and the imposition of fees, rates, tolls, penalties, and charges. For example, a district may impose taxes to provide revenue for debt service on bonds and for general operating costs. At the same time, for example, that district may impose a separate fee for use of a recreational facility within the district, which fees are used for the operation of that facility. This article will address the taxes and fees that are typically paid by property owners to a district to finance the district's on-going annual expenses. A discussion of the ability of a district to raise revenue through the issuance of bonds is beyond the scope of this article.

Ad Valorem Property Taxes

The Special District Act grants special districts the power to levy and collect property taxes in order to pay the expenses of the district. An ad valorem tax is one that is based on the assessed value of one's taxable personal or real property.

The assessor for each county determines, on a bi-annual basis, the "actual value" of all properties within the county. An assessment ratio is then applied to the actual value to result in the "assessed value" for each property. Currently, the Colorado Constitution requires that 55% of all property taxes in Colorado be paid by commercial properties, and that 45% be paid by residential properties. For commercial property, the assessment ratio is a constant 29%. For residential property, the assessment ratio varies in order to maintain the 55%/45% ratio required by the Colorado Constitution. Currently, the residential assessment ratio is 7.15%.

By no later than December 15 of each year, each district in the state must certify to the county the mill levy it intends to impose that year, for collection in the succeeding year. A mill is equal to one dollar per $1,000 of assessed value. Districts will typically impose an operations and maintenance mill levy to pay for general administrative, operating and maintenance expenses of the district, such as management fees, insurance, legal expenses, annual compliance, accounting expenses, and the maintenance of public improvements owned or maintained by the district. If the district has issued bonds or otherwise has existing debt obligations, the district will also impose a debt service mill levy. Revenue generated from the imposition of a debt service mill levy may only be used for the repayment of debt, whereas revenue from the operations and maintenance mill levy may be used for general expenses, as well as debt service.

Property taxes imposed by a district are collected by the county treasurer as part of an owner's property taxes, and the revenue therefrom is then remitted by the county to the district. The county retains 1.5% of the district's taxes as its fee for the collection services.

The mechanics of the imposition of ad valorem taxes may be best understood through an example. Let's say an owner's property has an "actual" value of $500,000, and the district in which the owner's property is located has imposed an operations and maintenance mill levy of 10 mills, and a debt service mill levy of 40 mills. The following illustrates the calculation of the tax that would be due for both a commercial property and a residential property:

	Actual Value	Assessment Ratio	Assessed Value	O&M Mill Levy	Debt Service Mill Levy	Total Mill Levy	Taxes Due
Commercial	$500,000	29%	$145,000	10	40	50	$7,250.00
Residential	$500,000	7.15%	$35,750	10	40	50	$1,787.50

Fees and Charges

The Special District Act also authorizes districts to impose fees, rates, tolls, penalties, or charges for services, programs, or facilities furnished by the district. An example of a typical fee imposed by a district is an on-going (such as monthly, quarterly, or annual fee) for the operation and maintenance of specific improvements. For example, a district may impose an annual recreation fee that is used for the operation and maintenance of the district's recreation center and pool. Or, a district may impose a fee on just a portion of the owners for the maintenance of improvements that directly benefit such owners, such as the maintenance of alleys that back to and access only certain homes. Any such fees must be justified and reasonable in relation the services, programs, or facilities funded through such fees, and the revenue generated from such fees may only be used to pay for expenses related to such services, programs, or facilities to which the fee applies.

Any such fees imposed by a district are not a personal obligation of the owner, but rather are secured by a statutory lien on the property of the owner. This lien is superior to all other liens on the property, including any mortgages and homeowner association liens, with the exception of the lien on the property for taxes. As such, the remedy for non-payment of such fees would be an action to foreclose the district's lien for the unpaid fees.

A district's powers to raise revenues may be limited by the district's electoral authorization and/or its service plan. To get a basic understanding of a district's revenues and expenses, the first stop should be a review of the district's budget and audit. Copies of both documents are required to be filed with the Division of Local Government each year. The Division of Local Government maintains a website for district information where various documents can be accessed (https://dola.colorado.gov/lgis/), or, as a public record, copies may be requested directly from the district.

Trisha K. Harris is a senior associate with the law firm of White Bear Ankele Tanaka & Waldron. White Bear Ankele Tanaka & Waldron serves the needs of residential, commercial and mixed use projects throughout the State of Colorado, and in particular provides advice and counsel to project developers, property owners and residents on a wide range of issues.

TURNOVER AUDIT

What is the Declarant Required to Provide?

KELLY K. MCQUEENEY, ESQ.
Altitude Community Law, P.C.

The Colorado Common Interest Ownership Act ("CCIOA") establishes a turnover process for most new common interest communities whereby control of the community transitions from the declarant to the owners. CCIOA's transition process occurs over a period of time during which the owners gradually become more involved in the governance of the community, which includes transferring control of the board of directors to the owners, the financial operation of the community association, and common properties originally maintained and owned by the declarant. Nevertheless, CCIOA also establishes a specific time at which declarant control terminates, unless a community's declaration provides for an earlier termination date.

This article focuses on a particular part of the transition process, the Turnover Audit. For common interest communities established on or after July 1, 1992, C.R.S. § 38-33.3-303(9) of CCIOA requires that within 60 days after the end of declarant control, the declarant turn over certain documents, records and an audit of the association's financial statements. A list of the documents, records, and other items to be turned over can be found in Section 303(9) of CCIOA and includes, "an accounting for association funds and financial statements, from the date the association received funds and ending on the date the period of declarant control ends."

These accounting and financial statements must be audited by an independent certified public accountant ("Turnover Audit"). The CPA's audit must be accompanied by a letter from the CPA expressing the CPA's opinion that the association's financial statements either present fairly the financial position of the association in conformity with generally accepted accounting principles, or a disclaimer of the CPA's ability to attest to the fairness of the financial information presented. If such disclaimer is provided, the CPA must explain its reasons why it cannot assert an opinion as to the fairness of the financial statements.

CCIOA states that the expense of the Turnover Audit shall not be paid for or charged to the association. Depending upon the length of the time it takes the community to transition from declarant control, the Turnover Audit could be an expensive process. For larger communities or communities where it may take more than two years to transition, the declarant may want to perform annual audits while still under declarant control; however, this is not required as part of the Turnover Audit.

Once the owner-controlled board receives a copy of the Turnover Audit, the board can consider having its own accountant for the association review the Turnover Audit and all other financial information provided by the declarant. The association's accountant may then assess whether the Turnover Audit fairly reflects the status of the Association's finances, but also whether there are any outstanding obligations, such as payments for and collection of assessments and other amounts (e.g., working capital) that arose during the declarant control period. The board or its accountant should also review the Turnover Audit and financial statements provided by the declarant to identify any irregularities and whether the financial records are complete.

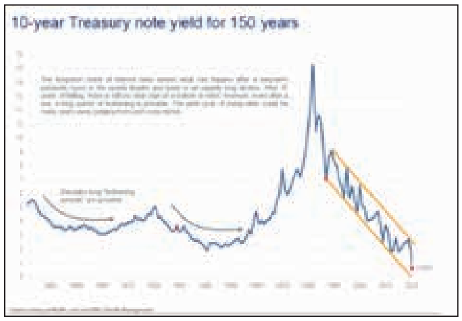
If the CPA performing the Turnover Audit cannot attest as to the fairness of the financial information presented and/or the association discovers any discrepancies, missing documents, or failure to pay or collect amounts owed during the declarant control period, the association should consult with its legal counsel and address these issues as soon as possible with the declarant.

While CCIOA imposes a duty on the declarant to provide the Turnover Audit at its expense, the owner-controlled board has a fiduciary duty to the association to review the audit and address any issues raised in a timely manner. The longer an association waits, the harder it may become to get the information and remedy the association needs to reconcile its accounts and financial standing after transition.

RATE SHOCK

NICOLE BAILEY
RBC - West Wealth Management Team

This chart illustrates the interest rate movement of the U.S. ten-year Treasury note. The historically low rates we have today signify borrowing rates that can benefit homeowners and other borrowers. Mortgage rates are at new lows and many homeowners and buyers are taking advantage of more affordable financing options. The benchmark U. S. ten-year Treasury Note hit an all-time low yield of 0.398% on March 9th. While this is great news for many, community associations and other savers are now being forced to re-evaluate their investment strategies. This article aims to provide context around the current interest rate environment, how it will impact community associations, and strategies to consider moving forward.



On September 21, 1981, the U.S. ten-year Treasury Note was 15.68%. As shown in the charts, interest rates have been declining ever since. In December 2019, the rate had fallen to 1.92%, and on March 9th, the benchmark rate traded during the day at 0.398%. The global demand on United States fixed income has been largely driven by the roughly fifteen trillion dollars of international sovereign debt that offers negative interest rates. In Germany, for example, if you want to buy a ten year German bond (called the Bund), you have to pay the government to take your money. This sounds crazy, but it has been this way for some time now. Investors worldwide seeking to purchase fixed income have been drawn to the United States because our bonds are still, for the time being, offering positive rates of return. In addition to this fundamental change in interest rates worldwide, the Coronavirus and its impact on global economies has further exacerbated the low interest rate environment through a 'flight to quality' where investors sell 'riskier' assets and buy 'risk free' assets such as government bonds. In an effort to provide stimulus and liquidity to the U.S. economy amid the concerns for our economy, on March 3rd, the Federal Open Market Committee cut the Federal funds rate (overnight rates charged between banks) to 0%--0.25%.

It is common knowledge that the price of goods and services increase over time and thus the value of the dollar (your purchasing power) decreases over time. The rate of these changes is calculated by the rate of inflation, or consumer price index (CPI). When considering the effect of inflation on a community association, it is important to consider the types of goods and services the association is purchasing. While, hypothetically, the CPI in a particular geographic area may be 2.00% +/-, the inflation rate for a community association may be considerably higher due to costs unique to our industry, such as insurance or the cost of contractors.

The impact of inflation rates should be considered in the context of association investment policies. If a community association has an Investment Policy restricting their investments to certificates of deposit (CDs) and other U.S. government securities, the board has a responsibility to consider the effects of inflation on those assets. Assumptions made in our industry starting decades ago would consider earnings on reserve funds and the inflation on those reserve fund assets to be a wash. This 'theory' has not been accurate for many years now and going forward could even be a bigger problem. For example, the deficit of earnings rates vs. the inflation rate for community associations can no longer be assumed to net zero. What does this mean to your association? It means the board needs to be more diligent than ever in keeping the reserve study and projected costs up to date. Instead of updating the reserve study every three to five years, these numbers may need to be updated every year or two. The consequences of not doing so may result in a reserve fund being unexpectedly underfunded. As we all know, this is a surprise no board would welcome.

Many boards over the past ten years or so have decided to amend their Investment Policy statements to incorporate certain other asset classes that historically have provided higher returns than traditional CDs. The goal in doing so is not to try and 'get rich' or be an investment 'guru', but rather to simply try and keep up with the rate of inflation, and thus protect the association's purchasing power of reserve fund assets. We only need to allocate a small portion of a reserve account to accomplish this. For example---a $100,000 reserve account is invested as follows: $70,000 in 'laddered' CDs or other government securities that earn 1.5% and $30,000 in other another asset class or classes that earn 5%. The blended return for the Reserve account is 3%. This is far closer to the rate of inflation, and has the potential of maintaining your purchasing power versus the 1.5% you would have earned on traditional CDs.

Many may argue that associations should not 'risk' association assets at all. Others argue that the real 'risk' may be losing purchasing power. These points are both valid discussion points. Drawing an example from a different industry, the Employee Retirement Income Security Act of 1974 (ERISA), which provides guidance on investment strategies for pension plans, requires diversification among all asset classes. This would include traditional asset classes like stocks, bonds, and real estate. Why should we look at this law when considering how to invest association assets? What is the purpose of a pension fund? It is to provide a reliable source

of retirement income to many people. Most would agree this is a very important responsibility. The people charged with the duty of managing these assets are 'managing funds, on behalf of other people, to be used on a future date.' Does that responsibility sound familiar? Generally speaking, this is what boards are doing when they manage the investments of a reserve fund. Both parties are seeking to provide funding for a later dated purpose.

Some states have specific statutes that govern the investment of association assets. Most do not. Investment Policies should be used by all associations, regardless of their statutes. In addition to state statutes, associations need to review their governing documents to determine if there is any language pertaining to investment of funds. Generally, a 'policy' (Investment or otherwise) can be changed anytime by a board vote. As with other services associations receive from their vendors, we believe it is very important to use investment advisors who are well versed in providing services to Community Associations. Critical to any association investment strategy is first and foremost understanding liquidity needs, both short and long term. When providing investment services to an association, a qualified financial advisor will also be versed in the servicing aspect (administrative) and communication aspect, (both with boards and managers) of providing investment services for an association.

Whatever investment strategy your association uses, the board needs to be keenly aware of the effects inflation has on the future purchasing power of the reserve fund assets. We recommend all associations at a minimum, have a discussion regarding their long-term investment strategy and the impact of inflation on the reserve fund assets in the future.

Nicole brings a broad background in community management in the Atlanta and Denver areas to her role on the West Wealth Management team. She actively volunteers with the Rocky Mountain Chapter of Community Associations Institute on the Marketing and Membership Committee.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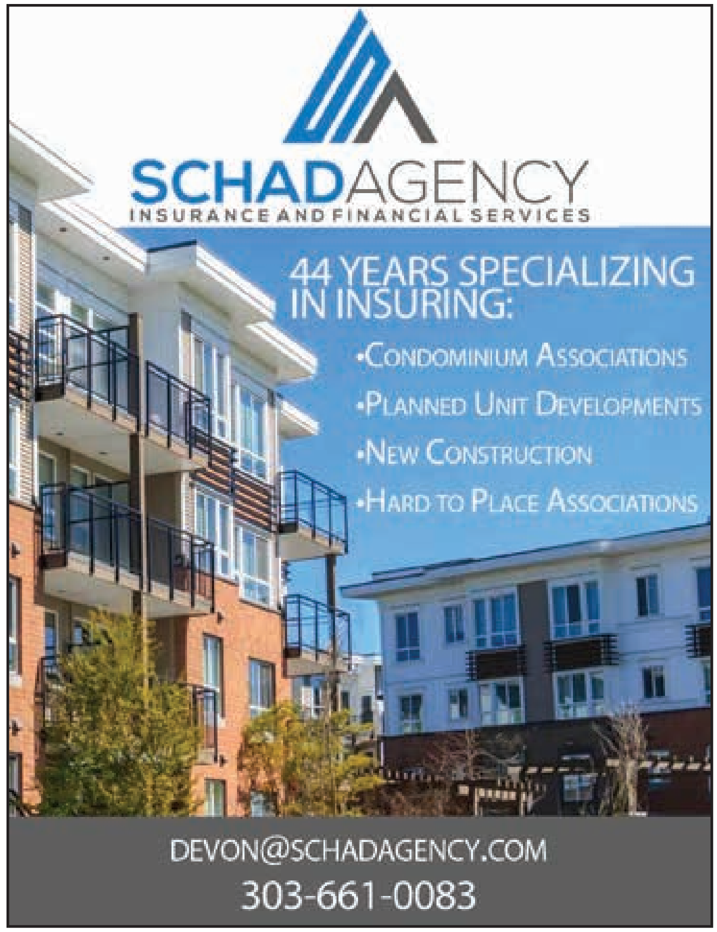
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WHAT'S NEW in Payment Processing?

7 Ways to Enhance Your Cash Management Platform

DIANE HOLBERT
Pacific Western Bank

BETH WARNING
Pacific Western Bank

Now more than ever, organizations across all industries are re-evaluating their payment processes and working capital cycles. With remote working and imposed social distancing practices comes a greater risk for fraud and difficulty managing paper-intensive processes. Just in the past few months, 65% of organizations have reported they are shifting from paper to electronic formats, and 38% of organizations have implemented changes in their internal check issuance procedures to ensure payments are still delivered on time while going through the appropriate approval channels.* So, what does this mean for the HOA industry? How can property managers leverage technology to safeguard their business in a cash-strapped economy and drive productivity by improving their cash management practices? Whether you are managing one community or hundreds, the below tips can allow your organization to save time, mitigate fraud, manage risk, and create a foundation for strategic growth.

Diane Holbert and Beth Warning work with Pacific Western Bank as VP, Treasury Relationship Manager, and VP, Treasury Sales and Services Officer, respectively. In their roles, they serve as CAI certified Business Partners to HOA organizations by bringing expertise and customized solutions to each of their unique clients. Pacific Western Bank and its executive team joined the Denver market in the summer of 2017.

1 Moving Paper Payments to Electronic

As the payments landscape continues to evolve, protection and efficiency remain some of the top priorities for how operational cash is managed. The movement to electronic payments from paper continues to signify that organizations believe faster payments will have a positive impact on their working capital processes, vendor and customer relationships, and more. The use of checks has been cut in half since 2004, and this trend continues today.** Utilizing electronic payment options such as ACH and merchant processing offers more than just faster payments – processes such as reconciliation, researching payments, and more become quicker and simpler.

2 Application Programming Interface (API) Integration

As your business grows, managing payment processes can significantly impact the success of your business. As technology dramatically improves, the integration between your accounting, ERP, bank, and other software applications can provide a holistic solution to access your consolidated financial information to not only extract data, but make payments, reconcile dues, and more.

3 Integrated Payables

Changing technology has provided organizations more ways to create effective working capital cycles. Depending on what stage your organization is in, there are different solutions to streamline processes and/or open up time to allocate resources to other projects. Integration between accounting and bank systems can allow you to provide your bank with one file that consolidates checks, ACH, wire, and even card payments which ultimately, saves your team time from executing many separate types of transactions.

4 Purchase & Virtual Corporate Cards

Credit cards continue to be an increasingly used form of payment; they are also accepted by more and more organizations each year. Creating a formal corporate card program provides control, security, and opportunity for return on spend that is traditionally a complete cost. Purchase and virtual cards are issued to employees on behalf of the company to make designated purchases either in person or directly from their accounting system under previously approved industry codes.

5 Same-Day ACH

Same-Day ACH is a form of payment that serves as a cost-effective substitute to wires or even re-issuing lost checks. It is extremely useful in several scenarios, such as emergency payroll, business to business payments, and business to consumer payments as it offers same-day settlement at a fraction of the cost while using the secure ACH network.

6 Dual Approval

Managing the audit flow process for outgoing payments can often be overlooked or a clunky, sometimes manual process if original signatures are required. Through working with your accounting and bank systems, an electronic audit trail can provide transparency into where funds have been sent and who provided the authority. Ensuring separation of duties by defining roles of initiator and approver is an easy, simple way to protect your funds.

7 Positive Pay

In 2019, 58% of organizations reported payments fraud in the form of a forged check, attempted ACH Debit, stolen card, or other external human act.** Despite the consistently decreased use of the check, it continues to be one of the simplest ways to access sensitive account and routing number information to ultimately create a fake check or pull money from an unauthorized account. By working with your bank partner, you have the ability to ensure all checks and electronic transactions are pre-approved and saved in a secure environment to not only protect your funds but provide insight into how attempted fraud has occurred.

* 2020 AFP Survey: Impact of the COVID-19 Pandemic
** 2020 AFP Electronic Payments Survey
*** 2020 AFP Payments Fraud and Control Survey Report

Congratulations Recent Designation Recipients

Congratulations to our newest credentialed professionals! CAI credentials help ensure that your manager has the knowledge, experience and integrity to provide the best possible service to your association. Earning a CAI credential demonstrates an elevated commitment to their professional education—and your community's welfare.

CAI-RMC is proud of the following individuals who have demonstrated a personal commitment to self-improvement and have elevated their practical knowledge and expertise:

Name	City	Organization	Designation	Award Date
Mr. Jason Kyle Stephenson, CMCA	Denver	Hammersmith Management, Inc.	CMCA	06/17/2020

If you are a manager, insurance and risk management consultant, reserve provider, or business partner wishing to enhance your career, the information at www.caionline.org can help you. CAI awards qualified professionals and companies with credentials to improve the quality and effectiveness of community management.


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Have your community association board members changed since last year?
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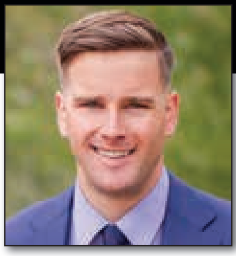
RESERVE STUDIES *Made Easy*



BRYAN FARLEY
Association Reserves

Fully Funded Balance, Annual Asset Deterioration, Percent Funded, Total Annual Reserve Contribution Rate...

In trying to explain Reserve Study concepts for clients, Reserve Study companies and their lingo may have created some unintended consequences. Unfortunately, this just makes a board's job more difficult.

The board hires a Reserve Specialist to put together a budgetary action plan, the board reviews, then distributes the findings and votes on an action plan. If a Reserve Study is shrouded in language that is foreign to the members of the community, then it will be hard for the board to do their job successfully.

What are some examples of this?

When we are hired to help a community out, I usually find that the board of directors is doing so under the encouragement of their community manager. This is great and we recommend this action. However, most of the time, the board is not really sure what they signed up for. They tend to understand that the Reserve Study will help them with their budget, but how?

Most of the board members that I interact with tend to think of the Reserve Study as a special cash flow statement, and by special they mean, "why are we paying someone to do this?"

A reserve specialist should make sure that the board fully understands why they hired a firm to complete their Reserve Study as well as how to utilize the final product. A reserve specialist's job is to educate the board on the 'Why' of Reserve Studies.

Well, then why have a Reserve Study completed?

The reason a board needs a Reserve Study is to understand the annual deterioration costs of the property and make sure that all owners, today and in the future, pay their fair share each and every month.

All boards understand the importance of their operating costs (landscaping, snow removal, water, gas) because these expenses occur on a daily/monthly/yearly basis. These costs are easy to understand because the board knows that if they neglect to pay their cost for the service, then that service will not occur. Meaning, if the board decides to not pay their water bill for the month, then they will immediately see the consequences of their choice.

However, the same board will neglect their two-million-dollar asphalt parking lot deterioration, even though the asphalt is failing every single day in front of their eyes. Yet, once the board sees a bid proposal to resurface their asphalt, the most common reaction is shock, denial, and then anger that no one had planned for this expense.

Why does this happen? This happens due to human nature. Researcher George Ainslie found that, "humans tend to opt for immediate rewards instead of rewards down the pike, even if the later rewards are greater. For example, when offered $50 now instead of $100 in a month, most people will choose the fifty bucks." *

If you live in an HOA, then you have probably noticed this. You may have asked yourself, "Why should I be paying for new asphalt in 15 years when I won't be living here in 15 years?" Like most people, you would rather not pay now and not pay later - or basically get your cake, eat it, and have your neighbor pay for it too.

> The reason a board needs a Reserve Study is to understand the annual deterioration costs of the property and make sure that all owners, today and in the future, pay their fair share each and every month."

What is there to do?

Here are a few tools to help boards and their owners understand their Reserve Study needs in just a few minutes so they can put their Reserve Study findings into action:

#1 Annual Deterioration Rate:

If you take a look at your Reserve Study, then look for the table that explains the annual rate of deterioration.

Think of the annual rate of deterioration as the 'bill' or 'cost' of your reservable assets. The reason that this number is so powerful is due to the fact that it is a static number. That means that regardless of whether an owner lives in a community for one year, or twenty years, that owner needs to pay the deterioration cost for every single year that they live in that community. This will allow an equitable spread of the community's costs over the lifetime of the property's assets. It forces the board to look at the current annual cost, rather than the future estimated cost. If the board can frame the reserve expenses as a current and necessary cost, then the ownership cannot just pass the buck along to the future owners.

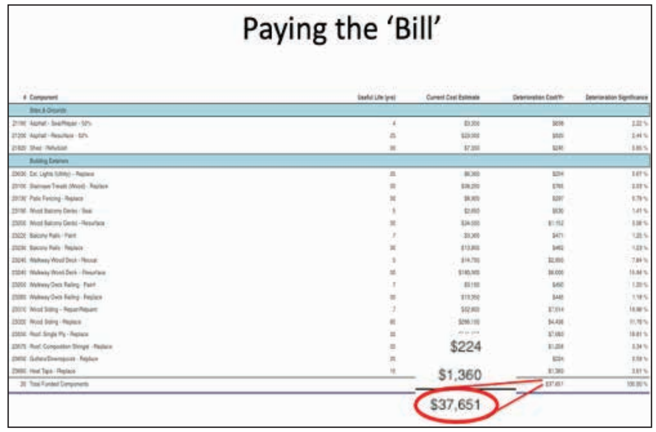
In this example, the property has about $38,000 in annual deterioration costs. Let us say that there are (35) unit owners that contribute into the reserve account. That means each owner needs to offset at least ~$1,100 per year in deterioration costs. To break it down even further, every single day the cost of this property's deterioration for each owner comes out to ~$3 a day.

Therefore, in order to just keep pace with the deterioration, each homeowner at this property needs to contribute ~$3 per day into the reserve account to break even with the ongoing maintenance deterioration.

This is the cost or the bill of the reserves for the property. If the current group of ownership decides to either not contribute to reserves or to significantly underfund reserves, then the costs will just compound year over year and the community will get further and further behind.

#2 Recommended Contribution Rate:

Once the annual deterioration rate has been established, the next step is to offset the inevitable deterioration with ongoing reserve contributions that get the property financially ahead.



On average, a well-funded property contributes about 30% more than their annual rate of deterioration. Using the example above, a property that has about $38,000 in annual deterioration costs should be putting away around $49,000 a year into reserves.

The difference between the annual deterioration rate and the recommended contribution rate, in this case $11,000, represents the amount needed to outperform inflation and shortfall due to prior underfunding.

It is more important for the board to pursue adequate ongoing reserve contributions then try to time their expenses. In other words, if the monies are predictably contributed on an ongoing basis, then the board will be prepared for a premature failure of a heater, or any other asset.

#3 Percent Funded:

If the association begins to contribute at the amount recommended needed to adequately cover the annual deterioration and inflation costs, they will soon be considered a 'well-funded' property. We determine which properties are well funded by their percent funded. Percent funded is found by a simple calculation:

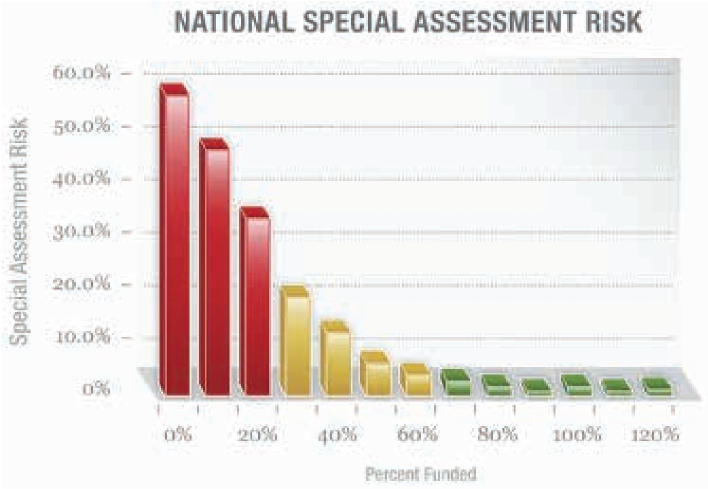
$$\% \text{ Funded} = \frac{\$ \text{ in Reserve Fund}}{\$ \text{ in Deterioration}}$$

It is easy to figure out the numerator of this equation: It's the amount of reserve funds (if any) that have already been set aside within the reserve account.

The denominator translates deterioration into monetary terms. It requires a calculation, combining the fraction of deterioration that has occurred to each and every component each year.

Percent funded tells us statistical risk for a property's reserves. If a property has a low percent funding level, for example between 0%-30%, then we know that statistically the property is at a high risk for special assessments, deferred maintenance, and cash flow deficiencies. However, when a property has a high percent funding level, 70% and above, then the property has a less than 1% risk of special assessments, deferred maintenance, and cash flow deficiencies.

The percent funded is a simple way to describe the current health of the property's reserve fund. A low percent funded does not mean that a property is 'bad'. A high percent funded also does not mean a property is 'good'. Percent funded just tells us current statistical risk. Each year, the percent funded of a property will change, either lower or higher, depending on the reserve contribution rate and whether or not reserve projects are completed on time.



Although we used a little math along the way, the hope is that this article can be used as a simple cheat-sheet at the next board meeting when there are questions on interpreting the data from the recently completed Reserve Study.

George Michelsen Foy (2018, June 25). Humans Can't Plan Long-Term, and Here's Why https://www.psychologytoday.com/us/blog/shut-and-listen/201806/humans-cant-plan-long-term-and-heres-why

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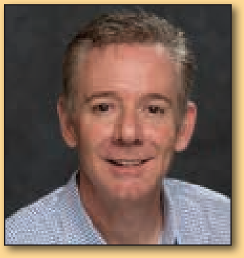
Bryan Farley, RS is the president of Association Reserves, CO/UT/WY. Bryan has completed over 2,000 Reserve Studies and earned the Community Associations Institute (CAI) designation of Reserve Specialist (RS #260). His experience includes all types of condominium and HOAs throughout the Rocky Mountains.

How can your HOA benefit from an Indexed Annuity?



C. DAVID STANSFIELD
Farmers Insurance

As a 25-year Insurance Agent and multiple year member of the Million Dollar Round Table (top 1% of financial insurance agents), I have met with many business owners and clients to explain the pros and cons of Indexed Annuities. I recently learned of an HOA that deposited a large sum of their cash reserve account into an Indexed Annuity and realized, this might be the best time for HOAs to consider this opportunity. Interest rates are at an all-time low, the stock market is at an all-time high, and reasonable rate of return, with limited or no risk, is always appreciated. This prompted me to explain why certain Indexed Annuities can be a good option for an HOA reserve account.

Let us start with the definition of an Indexed Annuity. According to Wikipedia, "An indexed annuity in the United States is a type of tax-deferred annuity whose credited interest is linked to an equity index—typically the S&P 500 or international index. It guarantees a minimum interest rate (typically between 1% and 3%) if held to the end of the surrender term and protects against a loss of principal."

There are two types of Indexed Annuities: Income Annuities and Accumulation Annuities.

Income Annuities allow someone to invest a fixed amount of money and take immediate income OR wait a specified amount of time to begin taking income (single income or joint income options exist). This type of annuity is not recommended for an HOA due to the lack of liquidity, surrender charges, and it is designed to payout income for life.

Accumulation Annuities allow individuals and an HOA to invest a fixed amount of money, have a guarantee of no loss of principle, and provide a choice of different indexes to invest in. The S&P 500 Index or Balanced Index are common indexes used in Accumulation Annuities. This is an opportunity to participate in an Index increase, but not experience decreases in index value. Many accumulation annuities have multiple index choices, as well as a guaranteed fixed account. Even with the low interest rates we are experiencing, fixed rates of 2% are still available. This is still significantly higher than the rate of a Certificate of Deposit (CD).

Based on the explanation above, I recommend Accumulation Annuities for HOAs versus a Certificate of Deposit (CD). See chart below for a comparison of a five-year Accumulation Annuity and a typical CD.

Indexed Annuity investors are provided a level of investment protection known as the State Guarantee Fund. Each state, as well as the District of Columbia and Puerto Rico, has a guaranty association, and every insurance company must belong to the guaranty association in the state where they operate.

When researching potential Indexed Annuity products and providers, it is a good idea to investigate the ratings of the issuing insurance company before making an annuity purchase. Resources to check the ratings of insurance companies are: AM Best, Fitch, Moody's and Standard and Poor's. If you plan on purchasing annuities worth more than your state guaranty association limits, you may want to purchase multiple annuities from different companies, without exceeding the guaranty limits on a single annuity.[2]

Accumulation Annuity	Certificate of Deposit
Minimum 10% interest of premium after five years.	Varies year to year; current average rate is 0.37% /year.[1]
Multiple Index Strategies and investment options available to investors; higher upside with no risk of loss and investment flexibility.	N/A
Return of Premium Benefit - full return of original investment amount; no early termination fee	Loss of accumulated principal interest and early termination fees apply; varies by bank
10% annual withdrawal option with no fee	N/A
Guaranteed 2% premium interest option	N/A

C. David Stansfield, LUTCF has been an insurance agent for 25 years and is a multiple year member of the Million Dollar Round Table, which encompasses the top 1% of financial insurance agents. If you have more questions about Indexed Annuities and how they can benefit you or your HOA, feel free to reach out to me at dstansfield@farmersagent.com.

References:

"Current CD Rates- July 2020", Golderberg, M.; July 16, 2020, MSN; https://www.msn.com/en-us/money/personalfinance/current-cd-rates-july-2020/ar-BBHwnKx

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HOW STRONG *Financially* IS MY ASSOCIATION?

G. MICHAEL KELSON
Aspen Reserve Specialties

At the annual meeting, the treasurer reports that there is $175,000 in the Reserve account. To most people, hearing that figure mentioned usually makes you pretty happy. I mean, wouldn't you be excited to hear you have $175,000 in your savings account? Unfortunately, what is not mentioned is the fact that asphalt work, painting, and pool resurfacing is all scheduled the following year, and the cost of these projects is about $150,000, essentially depleting the Reserve account.

If someone is measuring the financial strength of an association, what is the best way to go about gathering this information? Review the budget and balance sheet only? As you saw in the example above, a starting balance does not paint the full picture. In our opinion, the best way to determine the overall health of an associations financial status is through the Reserve Study.

The Reserve Study will provide a long-term budget tool for the association to plan for future capital replacement expenditures. A Reserve Study is compiled by a professional evaluating the conditions of Reserve components at the time of a site visit. In addition, when on site, the professional will measure and quantify the assets the association is responsible to maintain. Once the field work is completed, the professional will estimate the replacement cost of the components and compare the balance of the Reserve fund to "what should be in" the Reserves at that point in time. This is called the percent funded. Of course, the higher the percentage, the stronger your Reserve fund may be.

Now, there are times the percent funded may be low (30% or lower), but because the association is either recently constructed, or recently had major Reserve projects completed, the fund may be considered in a "weak" position. However, with no major projects scheduled for many years, there is no need to sound the alarm. In cases like this, the association has plenty of time to strengthen the account through Reserve contributions and nominal annual increases before the projects are scheduled for replacement. Of course, the recommendation needs to be followed, and the report should be updated frequently (every 2 – 3 years is ideal).

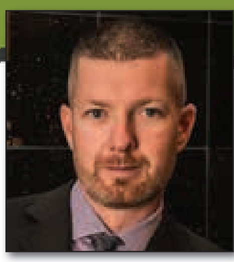
There are many benefits of being in a strong financial position. It provides more wiggle room for an issue that unexpectedly comes up, or a cushion in case the project costs a little more due to underlying issues the professional was unaware of at the time of the site evaluation. It allows you the opportunity to hire the BEST contractor, not the cheapest. And of course, the association is able to maintain the property as needed, rather than deferring maintenance, which impacts the overall property value.

Let's face it, there are also things that happen in life in which we cannot prepare. Huge snow years, hailstorms, COVID! In these times, the Reserve contribution may not be able to be transferred. Or you may need to borrow from Reserves to help pay for operating expenses. Understand this is okay to do, as long as the association adopts a repayment plan. Typically, this repayment plan will take place over the following 12-18-month period. Of course, this option should only be considered if the Reserve fund is in a strong enough financial position to continue to address projects as they come up.

In conclusion, when measuring the financial strength of your association, be sure you are looking at the big picture. Is the association able to meet the demands of the operating budget? Does the association appear to be in good condition (paint is in good condition, asphalt is free from major potholes and cracks, landscaping is well manicured, etc.)? But the best tool to use in determining the overall health of the association is through the Reserve Study and the percent funded position.

G. Michael Kelsen, RS, PRA has been in the Reserve Study business for almost 30 years. In 2001, he started his own company, Aspen Reserve Specialties, and has been successfully addressing the Reserve Study needs of his clients ever since. Aspen Reserve Specialties completes between 150 – 200 Reserve Studies each year for condominiums, townhomes, high rises, loft buildings, commercial properties, schools, and places of worship.

What Do My HOA Fees Cover?



JAMES PHIFER
ACCU, Inc

If you are a Community Manager you have often heard, "I pay my HOA fees! What do you do for me!?" First, I think it best that we seek to understand their position as an owner. There is often a misconception that the fees they pay go into the Management Company's bank account, and then the manager uses the funds how they see fit. This is where customer service can really shine.

Next, take a moment to help them understand what living in a covenant-controlled community means and the services that are provided to them. Depending on the product type, these services are going to vary greatly. If the owner is living in a single-family community, the services provided by the HOA may be as simple as landscaping of common elements and some insurance. When compared to a high-rise community, the services are going to increase exponentially.

To write an article about "What do HOA fees cover" would be near impossible given the different product types and amenities. Some communities have pools, some clubhouses, some pickleball courts, others have boilers and control systems, and many have nothing more than a monument sign.

If you as a Community Manager are talking to the client, then there is one common denominator: The management fee. I think it is vital that we, as managers and management companies, spend time with our clients explaining that we provide a service and that service needs to be a budget line item in their annual budget. Sending the owner a copy of the Actual vs. Budget (a.k.a Statement of Revenues and Expenses, etc.), or helping them locate this document online is going to help educate them on where their money gets allocated.

Now for the Tricky Part!

Another hurdle that Community Managers face is helping an Owner or Board Member understand what accrual accounting or modified accrual accounting is and the importance of these accounting methods. It can be challenging to explain to owners why income is shown as collected when perhaps in some cases it has not been, and the delinquency information is displayed elsewhere in the financial report. Unlike cash accounting, if an invoice comes in, it is booked to the financial before it is paid. It is not surprising that many owners in communities get frustrated. This information is confusing for industry professionals, so it is incumbent on our industry to try to help guide each member to a better understanding of how to read a financial statement. That way, they can get the granular detail of the question, "Where do my fees go?" Yes, it seems like Wizard Math, and many members may not want to know that much. So, to make it easy for them, perhaps the following is the best approach.

James W. Phifer – President of ACCU, Inc. With over 40 years of commitment to community associations across Colorado we are committed to education and building community. For more information about us and additional ongoing education you can visit us at www.accuinc.com and click the blog link in the upper right-hand corner for links to our blogs and videos, or you can check us out on YouTube by visiting our blog on our website.

If you have not already, send them or have them obtain a copy of the Actual vs. Budget. Then, show them the income from Assessments. Explain that the amount deducted from that to fund the Reserves is for the Association to have a savings account to fund long term maintenance items such as roads or roofs.

Next, show them the Expense Sheet and go line item by line item showing what is covered in their community: pool, trash, utilities, landscape, snow removal, management, etc. Help them understand where the community may be under or over budget. If the community has annual or bi-annual audit done, be sure to explain that the community has a third-party CPA do an audit of the financials put together by the management company.

Next, show them the Expense sheet and go line item by line item showing what is covered in their community: Pool, Trash, Utilities, Landscape, Snow Removal, Management, etc. Help them understand where the community may be under or over budget. If your community has annual or bi-annual audits done, be sure to tell them that the community has a third-party CPA do an audit of the financials put together by the management company.

Obtained from (https://communityfinancials.com/wp-content/uploads/Comparative-Inc-Expense-w-Variance.jpg)

The chart on the right is a good example of a Single Family HOA financial report.

The red note box is a prime example of what to do when reviewing a financial. Determine if there is a wide variance, and if so, dig deeper to find out why. Now, remember a budget is a target, not something that is set in stone. There are a lot of items and issues that come up in a year, so be aware that there are line items that may be over. What is imperative is that the community accounts for those overages going into the next budget cycle. It is NOT ADVISABLE to keep fees low if you are overspending the budget.

Pro Tip for Managers

Always prepare the budget to meet expenses. It is ultimately up to the Board and Community if they want to adopt a budget that doesn't meet the expenses. Still, it is up to you as the professional to offer a budget that covers the Association's annual costs and obligations. Store that budget in the folder each year, so if questioned, you have the professional recommendation.

This should give you a good start to answering the question "Where are my HOA fees going?" Owners and Board members will be able to tell if the Community is over or under budget based on the Statement of Revenues and Expenses portion of the financial statement. Those who are interested in learning more about how to answer this question should contact their management company and ask for education on reading the General Ledger.

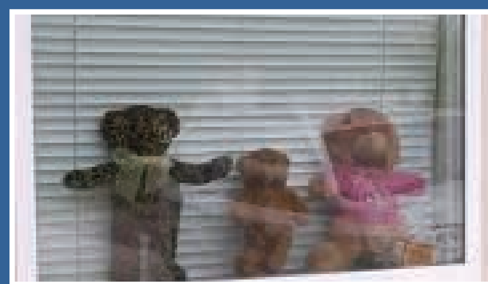
Community Spotlight

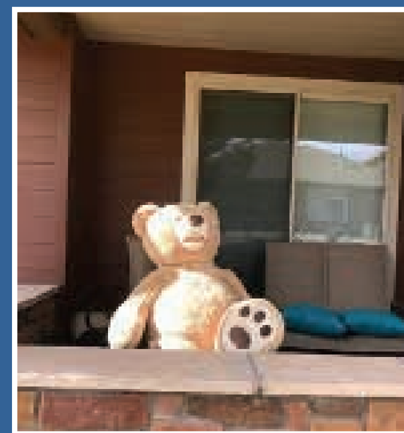
2020 Charlou Chalk Walk

The 2020 Charlou Chalk Walk was a huge success. The Board of Directors delivered 91 baskets to all the homeowners in the Community which contained chalk and custom cups. They asked owners to draw on the driveways and to take a stroll around the neighborhood to admire all the artwork. Mother Nature had other plans for all of the amazing chalk drawings, but a fun time was had by all! The Charlou Community was happy to see everyone outside and still enjoying each other's company (safely) despite the rain. Thank you to the Charlou Board of Directors, Associa, and all the homeowners for displaying that living in an HOA is fun!

Do you have an uplifting story you would like to spotlight from your community, business, or management company? We would love to feature your story in an issue of *Common Interests*! Please send your inquiry to the CAI-RMC Editorial Committee Chair, Justin Bayer, at JBayer@knottlab.com to share your story and potentially be featured in a Community Spotlight!

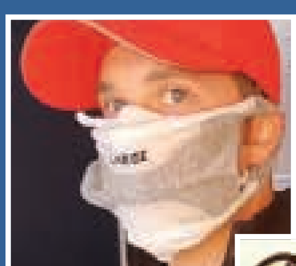
QuaranTAINment hosted by the Gold Peak HOA!





All across social media, pictures of hearts in all sizes and colors are being posted in the windows of houses, hospitals, apartments and nursing homes. It's a simple gesture with a massive meaning. It shows that while communities may be isolated from each other due to social distancing, they can still show support, and even "play" together.

Palomino Park Bear Hunt
Kids and their parents can go "Bear Hunting" by simply spotting all the neighborhood bears on their walks or rides!



Great, just great. We learn that it is highly suggested to wear a mask when in public... I've seen winter scarfs, bandanas worn like burglars, paper plates, even underwear! (sorry kids!) We applaud everyone's ingenuity, but what if we could show you something that you can make from home, doesn't require a sewing machine, no glue gun, just regular supplies you already have!

PAYING ASSESSMENTS IN TURBULENT TIMES

GABRIEL STEFU, ESQ.
WesternLaw Group, LLC

All around the country, businesses, non-profits, and organizations of all kinds are dealing with the ramifications of the COVID-19 pandemic. Homeowner's HOAs ("HOAs"), as volunteer-based, non-profit organizations, are uniquely affected by this pandemic. From homeowners being financially impacted, to decisions regarding the restrictions the virus places on access to communal facilities, HOAs are left to make decisions on how best to manage their funds, the income of assessments, and the possible financial leniency given to homeowners.

A Balancing Act

Though it is tempting and commendable to offer leniency to homeowners during these trying times, it is important to realize the necessity of collecting HOA assessments. On the one hand, boards can provide leniency to homeowners, including staying foreclosures, covenant enforcement violations, and "soft" costs, such as late fees. On the other hand, HOAs need funds to continue to operate. Continuing to collect monthly assessments from homeowners is the best way to ensure that HOAs can pay their expenses and can continue to provide for the needs of the HOA.

Keeping the HOA Running

Monthly assessments are vital to an HOA. Because HOAs do not make a profit or generate other revenue, many times, assessments are the only source of funds for an HOA. These incoming funds provide the bedrock to allow HOAs to continue to operate. Boards and homeowners must realize that, though times are currently hard for many people, the HOA still has a duty to provide for the needs of its community. Much of the incoming assessment funds are used to pay HOA bills, to contract with landscapers, to maintain and repair buildings and common property, to afford security, to keep insurance, and to provide for other benefits to the homeowners. When money is saved from assessments in the form of a Reserve Fund, that fund is also used for the benefit of the community to fund future capital improvements.

The reality is that HOAs have both financial and legal responsibilities owed to their homeowners and to other businesses that an HOA may contract. Monthly assessments that fuel HOAs are a necessary and pivotal part of fulfilling these obligations.

Consequences of Non-payment

Unfortunately, the contracts and legal obligations of an HOA do not halt when a pandemic occurs. HOAs are still required to fulfill their contracts and pay their expenses.

For example, if an HOA did not collect monthly assessments, even during this pandemic, they could find themselves open to liability from other entities with whom they have a binding contract. HOAs contract with numerous companies and persons to maintain and repair common elements and units, and their duty to fulfill these contracts does not stop. If an HOA does not perform on these contracts, the services provided may stop, or the HOA may be liable to the contracting party. Furthermore, the board of directors of HOAs has a fiduciary duty owed to their homeowners. They may violate these duties if they do not fulfill their legal obligations by breaching contracts, letting common elements remain in disrepair, or not collecting monthly assessments.

In addition, not collecting or lowering assessments right now may harm an HOA in the future. The steadiness and reliability of monthly assessments allow an HOA to plan and prepare for future expenses. If assessments stopped, not only would the HOA not have funds to address situations in the future, but they may have to charge homeowners an increased amount in the future to make up for the lack of funds. The lack of collecting dues now may lead to a build-up of missing funds that will be exponentially harder to recoup. This is not ideal for either the homeowner or the HOA.

If an HOA does not collect homeowner assessments, many of the consequences above, and others unforeseen, will manifest.

Leading with Empathy

The sign of a well-run HOA will be their ability to handle the continued collection of assessments effectively and empathetically against the backdrop of these turbulent times. No board is perfect, but there are a few things that both boards and homeowners can do to create transparency and work together through the current struggles.

Communication. Both sides should converse and reflect on the information above that assessments are necessary for the current and long-term stability of an HOA.

Leniency Outside of Assessments. Boards can grant leniency to homeowners by holding off on foreclosures, covenant enforcement, and waiving soft costs such as late fees and interest, but should be encouraging all homeowners to at least pay the monthly assessment.

Mutual Benefit. Monthly assessments go to the benefit of all homeowners in a community, not just for a select few. Rally around each other during these hard times and communities will come out even stronger than before.

It is during times like these that communities should come together. HOA boards around the county would do well to recognize the need for empathy and leniency - where it can be given - while reinforcing the importance of homeowners timely paying their monthly assessments.

As always, we recommend that HOAs reach out to legal counsel for any advice to ensure that boards meet their fiduciary duties and properly communicate with the homeowners during these difficult times.

The law firm of WesternLaw Group, LLC focuses on the preventive aspects of Homeowner Association (HOA) procedures, and interpretation of governing documents. They develop methods for associations to operate and communicate with a level of efficiency that enhances a sense of community. They encourage open communication between the owners, board of directors, and management companies in an effort to resolve conflicts prior to taking legal action.

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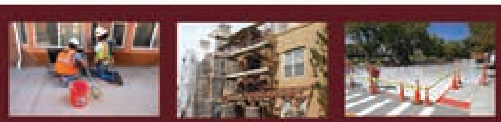

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25 Tue	Manager / PCAM Member Forum (Virtual)
September	
1 Tue	Peak 2 - Financials (In-Person, Fort Collins)
4 Fri	Business Partner Forum (Virtual)
17 Thu	Clay Shoot (In-Person, Brighton)
21 Mon	Mountain Conference and Annual Meeting (In-Person, Vail)

October	
15-16 Thu–Fri	M-205 Risk Management (In-Person, Thornton)
27 Tue	Management Company Member Forum (Virtual)

Please make note that the Spring Conference has been rescheduled to November 12, 2020

*Due to COVID-19 Pandemic, many events have either been canceled, postponed, or moved to an online platform. Please make sure to check out the chapter site for updated listing of events (www.cai-rmc.org). The 2020 Spring Conference has been rescheduled to November 12, 2020.