

NATIONAL ASSOCIATION OF HOUSING COOPERATIVES

ANNUAL CONFERENCE

MONTE CARLO HOTEL and CASINO

LAS VEGAS, NV

BASICS FOR BOARD TREASURERS

OCTOBER 28, 2016

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Basics For Board Treasurers is a session on the basic financial aspects of operating a cooperative housing company. It is designed for new treasurers and other board members who want a basic understanding of the financial operations of their co-op. It touches on the following major topics:

- **Treasurer’s responsibilities including those spelled out in the co-op’s by-laws and those implied by the by-laws**
- **Reading and understanding the monthly financial reports provided to the board by management.**
- **An overview of both operating and capital budgets including simple techniques to use in preparing a co-op’s budgets.**
- **An overview of Federal Tax requirements for cooperative housing corporations including a review of Section 216 of the Internal Revenue Code**
- **Other tax issues, including Real Estate Tax, Sales Tax and Corporate Income Taxes.**

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TREASURER'S RESPONSIBILITIES

AS SPECIFIED IN BY-LAWS

- **CARE AND CUSTODY OF FUNDS AND SECURITIES AT BOARD'S DIRECTION**
 - **KEEP IN BANK OR TRUST COMPANY**
 - **BROKERAGE ACCOUNTS**
- **FURNISH FINANCIAL STATEMENTS TO SHAREHOLDERS**
- **FURNISH TAX DEDUCTION INFORMATION**

IMPLIED BY BY-LAWS

- **COLLECT MAINTENANCE**
- **PAY BILLS**
- **INVEST FUNDS AT DIRECTION OF BOARD**
- **DEAL WITH INDEPENDENT AUDITORS**
- **PREPARE BUDGETS**
- **GIVE FINANCIAL REPORTS TO BOARD AND SHAREHOLDERS**
- **REVIEW FINANCES OF PROSPECTIVE TENANT SHAREHOLDERS**

DIRECT PERFORMANCE VS. DELEGATION

- **ASSISTANTS**
- **MANAGING AGENT**
- **OTHER PROFESSIONALS**

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MANAGING AGENTS' REPORTS – CASH REPORTS

- MONTHLY REPORTS OF ACTUAL CASH RECEIPTS AND DISBURSEMENTS
- BREAKDOWN BUDGET INTO MONTHLY NUMBERS AND COMPARE TO ACTUAL
- PROVIDES EARLY WARNINGS IF BUDGET WILL NOT BE MET
- MANAGING AGENT SHOULD BE PREPARED TO EXPLAIN DISCREPANCIES
- ONE OF THE REPORT PACKAGES (USUALLY THE TREASURER'S) SHOULD INCLUDE COPIES OF BILLS, BANK RECONCILIATION AND BANK STATEMENTS.
- REVIEW CASH REPORT
 - SUMMARY OF RECEIPTS AND DISBURSEMENTS – FINANCIAL HIGHLIGHTS
 - CASH FLOW – INCOME AND EXPENSES BY CATEGORY
 - ANALYSIS OF CHARGES AND COLLECTION -- STATUS REPORT -- RENT ROLL
 - OPEN ACCOUNTS RECEIVABLE -- TENANT ARREARS
 - DETAILED EXPENSE REPORT BY ACCOUNT
 - DETAILS OF DISBURSEMENT BY CHECK -- CHECK REGISTER
 - OPEN ACCOUNTS PAYABLE -- UNPAID BILLS

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BUDGETS

- **PLAN - REVENUE AND EXPENSES.**
- **CAPITAL - OPERATIONS**
 - **OPERATING - DAY TO DAY OPERATIONS INCLUDING NORMAL MAINTENANCE**
 - **CAPITAL - MAJOR REPAIRS RENOVATION AND REHABILITATION**
- **OPERATING BUDGET/SETTING BUILDING MAINTENANCE**
 - **PROVIDES FOR WHAT IS NEEDED - ESTABLISH MAINTENANCE**
 - **WHEN DO YOU DO THE BUDGET – 2 TO 3 MONTHS BEFORE YEAR BEGINS.**
 - **YEAR TO DATE ACTUAL**
 - **PROJECT BALANCE OF YEAR**
 - **COMPARE TO BUDGET**
 - **INCREMENTAL - THIS YEAR PLUS**
 - **ZERO BASED - WHAT DO YOU NEED**
 - **LABOR**
 - **ENERGY**
 - **TAXES**
 - **MORTGAGE**
 - **SUPPLIES**
 - **REPAIRS**
- **CAPITAL BUDGET**

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- AN OUTLINE OF THE CO-OP'S LONG TERM REQUIREMENTS FOR THE "REPAIR" AND REPLACEMENT OF THE BUILDING'S COMPONENTS AND MAJOR SYSTEMS

BUDGETS (CONTINUED)

- HAVE ENGINEER/ARCHITECT/AGENT/OTHERS INSPECT THE BUILDING TO DETERMINE CONDITION, REMAINING USEFUL LIFE AND ESTIMATED COST TO REPAIR OR REPLACE
 - FACADE/ROOF/PARAPETS
 - WINDOWS
 - HEATING SYSTEM
 - ELECTRICAL SYSTEM
 - ELEVATORS
 - GROUNDS
 - ETC.
- SOURCE OF FUNDS FOR FINANCING THE WORK
 - EXISTING RESERVES
 - FUTURE RESERVES
 - BORROWING
 - INSTITUTIONAL
 - CONTRACTOR
 - ASSESSMENTS

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SECTION 216 of the INTERNAL REVENUE CODE

- **DEFINES A CO-OP FOR:**
 - **PASS THROUGH OF REAL ESTATE TAX AND INTEREST DEDUCTION**
 - **FORGIVENESS OF GAIN ON SALE OF PRINCIPAL RESIDENCE**
- **REQUIREMENTS**
 - **ONE CLASS OF STOCK AND**
 - **EACH SHAREHOLDER ENTITLED TO OCCUPY APARTMENT AS DWELLING UNIT AND**
 - **NO ENTITLEMENT TO DISTRIBUTIONS, EXCEPT OUT OF EARNINGS AND PROFITS OR LIQUIDATION AND**
 - **80 PERCENT OR MORE OF GROSS INCOME DERIVED FROM TENANT STOCKHOLDERS (SO CALLED 80/20 RULE) OR**
 - **80 PERCENT OF MORE OF SQUARE FOOTAGE AVAILABLE FOR USE BY TENANT STOCKHOLDERS FOR RESIDENTIAL OR ANCILLARY USE, OR**
 - **90 PERCENT OF EXPENDITURES FOR OPERATION, MAINTENANCE, CARE OF PROPERTY**

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OTHER TAX ISSUES

- **REAL ESTATE TAX**
 - **ASSESSMENT PROTESTS**
 - **ESCROWS**
- **SALES TAX**
 - **COLLECT ON SALES OF GOODS AND SERVICES**
 - **USE TAX FOR OUT OF STATE PURCHASES**
 - **VENDOR FAILURE TO BILL AND COLLECT**
- **CORPORATE TAXES**
 - **FEDERAL**
 - **STATE AND LOCAL**