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.
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
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
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
• 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
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
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