

ARTHUR CERVANTES PROPERTIES, INC.

UNDERSTANDING HOA FINANCIAL HEALTH

Why the association's budget and reserves matter

Think of an HOA like a small town with a shared wallet.

Homeowners pay dues into that wallet. Part of the money pays today's bills, and part should be saved for big jobs that will come later. Those savings are called **reserves**.

Two buckets of money

Operating money pays regular bills: landscaping, pool service, management, utilities, insurance and routine maintenance.

Reserve money is savings for expensive future work: roofs, paving, elevators, gates, painting, plumbing, clubhouses and other major shared components.

Why reserves matter

- Strong reserves can mean the HOA is planning ahead instead of waiting for something to break.
- Low reserves can lead to higher dues, special assessments, delayed repairs or borrowing.
- Deferred maintenance can hurt appearance, safety, insurance availability, lending eligibility and resale value.
- A healthy HOA is not just about the bank balance. We also look at the budget, reserve study, delinquent owners, insurance, lawsuits, upcoming projects and recent meeting minutes.

Green lights / yellow lights / red lights

GREEN LIGHTS	YELLOW LIGHTS	RED LIGHTS
Current reserve study	Large projects coming	Repeated special assessments
Regular reserve contributions	Dues recently increased	Major deferred repairs
Balanced operating budget	Some deferred maintenance	Insurance problems
Adequate insurance	Reserve funding below plan	Large deficits or serious litigation

ACP review goal

Before a buyer becomes comfortable with an HOA property, ACP can help organize the documents and highlight questions to ask. The HOA, lender, insurance professional, attorney or other qualified professional remains the source for official answers.