**EJF Quick Sheet**

**10 Steps to Understanding the Monthly Financial Report**

1) Is the cash balance of the **operating account** equal to 10%-20% of the annual assessment budget?

2) Does the **reserve account** display the monthly reserve contribution transfer? Is the reserve fund balance at least 80% of the Reserve Study recommendation?

3) Did the **Accounts Receivable** balance increase or decrease? Is Board action required?

4) In the **Equity** section were the reserve transactions posted? Is Net Income positive or negative?

5) Review the monthly numbers on the **Statement of Revenue and Expenses**. Pay attention to the Year-to-Date columns; these are often more useful. Focus on variances greater than 10%.

6) Review the **Summary Statement of Revenue and Expenses** for gaps, trends, or missing information.

7) The **general ledger** provides detail about every account, but often the expense items are the most useful.

8) Check the **bank reconciliation report** for accounts with missing statements (“Out-of-Balance") or stale checks or deposits.

9) **Bank statements** show all activity. Review checks to identify any payees or amounts that seem unusual or need clarification.

10) Review **investment accounts** for upcoming maturity dates, cash balances (should not be too large), and types of investments.