Annual operating budget (any state)

Association: ____ **State:** ____________ **Property type:** ☐ Condominium ☐ Cooperative ☐ HOA ☐ Other **Fiscal year:** ____________ to ____________ **Prepared by:** ____________________

What this is

Most association budget templates are a picture of a table. You still add every column yourself, and every arithmetic error you make survives into the budget the board adopts and the assessment an owner pays.

This one calculates. The Excel workbook that ships with this guide is a working model: enter your units, your expenses, and your reserve contribution, and it produces the assessment per unit per month. It also tells you when the numbers do not reconcile, which is the part that matters, because a budget that is out by half a percent looks exactly like one that is correct.

Blue cells are yours to type in. Grey cells are calculated. Typing over a grey cell breaks the model and nothing will warn you.

Where this structure comes from

The line items and the sheet order were not invented. They were checked against **879 budget documents from 336 associations**, harvested from association websites and held in Common Elements' own document corpus.

Three things in that corpus changed this template:

- **56 percent of budgets open with an income section**, so this one does too. A budget showing only expenses cannot tell a board what the assessment actually has to cover once laundry, parking, and late fees are counted.
- **72 percent show a prior year comparison**, so prior year actual and prior year budget are columns rather than an afterthought.
- **27 percent carry a bad debt or uncollectible line.** An earlier draft of this workbook had nowhere to put one.

Two things it also settled: **only 18 percent** apply a contingency, so the contingency percent defaults to zero rather than to a number somebody has to notice and remove; and **only 15 percent** have payroll, so the payroll sheet is off by default.

One honest caveat about that evidence. **Those 336 associations are all in Florida**, because that is where the document corpus is deepest today. Budget *practice* travels better than budget *law* does, which is why the structural findings are used here and none of the statutory ones are. Do not read the percentages as national.

The one idea that makes it work

Associations divide a budget among owners in several different ways, and most templates pick one and quietly assume everybody uses it:

- **Equal shares.** Every unit pays the same.
- **Percentage interest.** Each unit carries a fractional interest set by the declaration, often from square footage or original value.
- **By unit class.** A three bedroom pays more than a one bedroom, on a stated factor.
- **By division.** Phases, neighbourhoods, or sub associations carry different shares.

All four are the same arithmetic if each row carries a **count** and a **weight**:

> share of a row = (count × weight) ÷ total of (count × weight)

Your method	Count	Weight
Equal shares	total units, on one row	1
Percentage interest	1 per row (or the units in the group)	the percentage from the declaration
By unit class	units in that class	the class factor, for example 1.0, 1.5, 2.0
By division	units in that division	its share basis

One formula, four methods. You do not switch templates when your allocation is not the simple one.

Worked example, by class. Ten one-bedrooms at weight 1.0, twenty two-bedrooms at 1.5, five penthouses at 2.0. Weighted totals are 10, 30, and 10, so 50 in all. The classes carry 20 percent, 60 percent, and 20 percent of the budget. On a 164,303 assessment that is 273.84, 410.76, and 547.68 per unit per month.

The sheets, in the order you fill them

1. Setup

Answer these first. They drive everything else.

- ☐ Association name, state, property type
- ☐ Fiscal year start and end
- ☐ **Structure**: standalone, master, or sub association
- ☐ **Association has employees**: yes or no
- ☐ **Assessment frequency**: monthly, quarterly, or annual
- ☐ **Allocation method**

- ☐ **Contingency percent**, applied to operating expenses. Defaults to zero, because most budgets do not carry one.

2. Units and allocation

One row per unit, class, or division, with its count and weight. The sheet computes each row's share and then tells you whether the shares reconcile to 100 percent.

- ☐ Every unit in the association is represented exactly once
- ☐ The check reads OK rather than OFF BY

If the check reads OFF BY, a count or a weight is wrong. Do not adjust a share directly. Shares are calculated, and typing over one silently breaks every figure downstream.

3. Payroll, only if you have employees

Positions, wages, and full-time equivalents. Employer taxes calculate from rates you can edit, because they vary by state and by your experience rating:

- ☐ Employer FICA, default 7.65 percent
- ☐ Federal and state unemployment
- ☐ Workers compensation, from your policy
- ☐ Benefits, typed rather than calculated, because health, retirement, and paid leave vary too much between associations for a rate to be honest

The total flows into the operating budget automatically. **If Setup says the association has no employees, the payroll line is zero** whatever is on the sheet, so you do not have to delete anything for the model to stay correct.

4. Operating budget

Income first, then expense accounts grouped the way the chart of accounts groups them, so the budget and the ledger agree. Enter the proposed column. Prior year actual and prior year budget are optional, and entering them makes the variance column useful.

Income here is everything **other than** owner assessments: late fees, interest, laundry, parking, screening fees, amenity fees. Assessments are the output of this workbook, not an input, which is why they are not on this sheet.

Every line also shows **per period** and **per unit per year**, so an unreasonable figure is visible where a board will actually look at it.

- ☐ Every recurring expense has a line
- ☐ Nothing cyclical that belongs in reserves is sitting in an operating line
- ☐ An uncollectible or bad debt allowance is set, or the board has decided it needs none

5. Reserves

One row per component, from the reserve study. The annual contribution column is typed, not calculated, because **a funding plan is a decision and not an arithmetic result**. A straight line reference is shown underneath so you can see how far the board's plan sits from the simplest possible baseline.

- ☐ Contribution matches what the reserve study recommends, or the board has recorded why it does not

6. Assessment calculation

The build up, and the answer:

> operating + contingency + reserves + any master assessment less income that is not assessments = the amount to assess

Then each row from Units and allocation takes its share, and the sheet shows annual, per period, and **per unit per period**, which is the number an owner actually asks about.

- ☐ The balance check reads OK

7. Master and subs, only if applicable

A **sub association** enters the master assessment it owes, and it carries into the budget as a requirement.

A **master** allocates its budget among the sub associations on the same count-times-weight basis.

8. Board summary

One page: the build up, the amount to assess, and the average per unit. Suitable for the meeting packet.

Average per unit is an average only. Where units carry different shares, an individual owner's figure is on the assessment sheet.

Before the board adopts it

- ☐ Shares reconcile to 100 percent
- ☐ Allocated total equals the amount to assess
- ☐ Reserve contribution is the study's number, or the departure is recorded
- ☐ Every prior-year variance over your materiality threshold has a note
- ☐ Payroll switch matches reality
- ☐ Notice given as your state and bylaws require for a budget meeting
- ☐ CPA has reviewed the budget
- ☐ Adopted figure, the adoption date, and the vote recorded in the minutes

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What this workbook does not do

It does not tell you your state's rules. Budget adoption is one of the more heavily regulated association activities, and the requirements differ substantially: the notice a budget meeting needs, whether owners may reject a budget, whether reserves must be funded or may be waived and by what vote, whether an increase above a threshold triggers anything, and what must be delivered to owners and when.

Establish those before you adopt. They change the process, not the arithmetic, which is why they are not in the workbook.

Disclaimer

This is a starting point, not accounting, legal, or tax advice, and it is deliberately not state specific. Your association's declaration, bylaws, and articles govern how assessments are allocated and control over anything here.

Budget requirements differ substantially between states, including the notice a budget meeting requires, whether owners may reject an adopted budget, whether reserves must be funded and whether funding may be waived and by what vote, whether an increase above a stated threshold triggers additional process, and what must be delivered to owners and by when. Do not treat the absence of a requirement here as evidence that your state does not impose one.

The workbook calculates from what you enter. It cannot tell you that an input is wrong, only that your figures do not reconcile with each other. Have the association's CPA review the budget, and its attorney confirm the adoption process for your state, before the board adopts it. Common Elements is not a CPA firm and does not practice law or accountancy, and using this workbook creates no accountant-client or attorney-client relationship.