

SVH HOA Loan information

Loan Interest is an operational expense. It is a budget item and shown on the budget comparison.

Loan Principal is a transfer of assets. It is shown on the balance sheet.

When a Loan Principal is “budgeted” it must be recognized under the annual net income on the Budget Comparison Sheet.

The SVH HOA Board incorrectly included the loan principal as an expense line item (9320 Loan Principal) on the 2025 budget. Because the payment of principal is not reflected as an expense item, the accounting shows \$0.00 under Actual in the Budget Comparison, and is misleading. The payment of loan principal can be found on the Balance Sheet under Long Term Liability (Figure 1).

Figure 1.

Liabilities and Equity			
Current Liability			
2020 - Prepaid Owner Assessments	\$4,830.56	\$27,022.55	(\$22,191.99)
<u>Current Liability Total</u>	<u>\$4,830.56</u>	<u>\$27,022.55</u>	<u>(\$22,191.99)</u>
Long Term Liability			
2500 - Loan	\$300,468.53	\$303,503.11	(\$3,034.58)
<u>Long Term Liability Total</u>	<u>\$300,468.53</u>	<u>\$303,503.11</u>	<u>(\$3,034.58)</u>
Reserves			

In this example the current loan balance is \$300,468. The third column shows a change of \$3,034 representing the principal loan payment for the month.

Loan interest is an operational expense and is shown on the Budget Comparison report (Figure 2).

Figure 2.

<u>Administrative</u>							
8020 - Postage	\$8.03	\$8.33	\$0.30	\$48.88	\$58.31	\$9.43	\$100.00
8030 - Certified Postage	\$15.00	\$7.50	(\$7.50)	\$210.00	\$52.50	(\$157.50)	\$90.00
8045 - Annual Meeting Mailer	\$0.00	\$0.00	\$0.00	\$1,180.00	\$1,180.00	\$0.00	\$1,180.00
8100 - Loan Interest	\$1,074.91	\$1,248.38	\$173.47	\$7,821.16	\$8,738.66	\$917.50	\$14,980.56
8120 - Statement Fees	\$595.00	\$200.00	(\$395.00)	\$1,785.00	\$1,400.00	(\$385.00)	\$2,400.00
8130 - Late Notices / Demand Letters	\$0.00	\$83.33	\$83.33	\$390.00	\$583.31	\$193.31	\$1,000.00
8140 - Violation Letters	\$6.00	\$41.67	\$35.67	\$228.00	\$291.69	\$63.69	\$500.00
8180 - Lien / Judgment Fees	\$0.00	\$166.67	\$166.67	\$0.00	\$1,166.69	\$1,166.69	\$2,000.00
8190 - Permits & Licenses	\$0.00	\$140.00	\$140.00	\$280.00	\$420.00	\$140.00	\$420.00
8220 - Income Taxes	\$0.00	\$0.00	\$0.00	\$50.00	\$50.00	\$0.00	\$50.00
8240 - Meeting Expenses	\$0.00	\$0.00	\$0.00	\$50.00	\$0.00	(\$50.00)	\$0.00
8260 - Meeting Minutes	\$100.00	\$0.00	(\$100.00)	\$100.00	\$0.00	(\$100.00)	\$0.00
8280 - Community Events	\$103.00	\$500.00	\$397.00	\$354.66	\$1,500.00	\$1,145.34	\$2,500.00
8490 - Miscellaneous Administrative	\$0.00	\$50.00	\$50.00	\$914.78	\$350.00	(\$564.78)	\$600.00
<u>Total Administrative</u>	<u>\$1,901.94</u>	<u>\$2,445.88</u>	<u>\$543.94</u>	<u>\$13,412.48</u>	<u>\$15,791.16</u>	<u>\$2,378.68</u>	<u>\$25,820.56</u>

In this example from the same month, the loan interest paid for the month is \$1,074.91.