



Overview

Below are definitions/explanations of some terms used in the software and in the documentation.

[Accounting Method](#) – Cash, Accrual, Modified Cash

[Expected Rent](#)

[Potential Rent](#)

[Ledger Balances](#) – Operating, Cash Equity, Escrow, Escrow Deficit

[Retained Earnings](#)

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Accounting Method

The accounting method can be cash, accrual or modified cash. Each profile can have a different default accounting method for reporting. The system automatically maintains cash, accrual, and modified cash transactions simultaneously. This means that you can run reports for any owner based on any accounting method at any time or change accounting methods without having to post adjusting transactions.

Cash

Income and expenses are reported as the cash balances change, i.e. as the transactions are posted. Income (receivables) is reported when received and expenses (payables) are reported when a check is written.

Accrual

Income is reported when earned (charged) and expenses are reported when they are incurred (posted). Rental income, for example, is considered as income when it is charged rather than when it is received. Invoices (payables) are reported as expenses when posted rather than when a check is written.

Modified Cash

This method treats charges (income) on an accrual basis and payables (expenses) on a cash basis.

Expected Rent

Market Rent is set up in the Unit Profile and is the amount of rent you would expect to get for the unit. It is used to report on the vacancy losses when there is no lease in effect. The actual rent amount charged to the tenant, set up in the Tenant Profile, may be different from the market rent.

Potential Rent

1. To determine potential rent the program looks through tenants for each unit, beginning with current, then future, past, then unit market rent. The first non-zero amount encountered is the potential rent.
2. Potential rent differs from Expected rent in that it includes a rent amount for vacant properties so you can see the difference between what your current income should be (expected) and what would be expected with 100% occupancy (potential).
3. Note that if a unit has a current tenant with a \$0 rent amount, the potential rent is \$0 and when the unit becomes available (vacant) the potential follows the rule in paragraph 1 above.

Potential rent shows on the unit reports: rental analysis report and rental details.

Rental Analysis				
September 28, 2018				
Property Management				
Description	Potential	Expected	Difference	Loss
Overview for September 2018				
Units Analyzed	9	9		
All Units				
Units with Rent	9	7		
Units with No Rent		2		
Rent	\$10,260.00	\$8,085.00	\$2,175.00	21.2%
Management Fees	\$842.94	\$742.63	\$100.31	11.9%
Average Rent	\$1,140.00	\$1,155.00		
Average Management Fee	\$93.66	\$82.51		
Average Management Fee Percent	8.22%	9.19%		
Highest Rent	\$2,325.00	\$2,325.00		
Lowest Rent	\$690.00	\$690.00		
Highest Management Fee	\$162.75	\$162.75		
Lowest Management Fee	\$59.50	\$45.00		
Occupied Units				
Units with Rent	7	7		
Rent	\$8,085.00	\$8,085.00		
Management Fees	\$652.63	\$652.63		
Average Rent	\$1,155.00	\$1,155.00		
Average Management Fee	\$93.23	\$93.23		
Average Management Fee Percent	8.07%	8.07%		
Highest Rent	\$2,325.00	\$2,325.00		
Lowest Rent	\$690.00	\$690.00		
Highest Management Fee	\$162.75	\$162.75		
Lowest Management Fee	\$59.50	\$59.50		
Vacant Units				
Units with Rent	2			
Units with No Rent		2		
Rent	\$2,175.00		\$2,175.00	100%
Management Fees	\$190.31	\$90.00	\$100.31	52.71%
Average Rent	\$1,087.50			
Average Management Fee	\$95.16	\$45.00		
Average Management Fee Percent	8.75%			
Highest Rent	\$1,100.00			
Lowest Rent	\$1,075.00			
Highest Management Fee	\$96.25	\$45.00		
Lowest Management Fee	\$94.06	\$45.00		

9 total units, so 9 units with potential rent. 7 units with expected rent and 2 units with no expected rent.

2 vacant units with potential rent. 2 vacant units with no expected rent.

Ledger Balances

Ledger Operating Balance: consists of the net of Equity, Income, Expense, Special Liabilities accounts. This is the balance that appears on owner statements.

Ledger Cash Balance: consists of the net of non-escrow bank accounts. This is the balance that appears on a cash flow statement.

Ledger Equity Balance: consists of net of non-escrow bank accounts less any escrow deficit

Ledger Escrow Balance: net of bank accounts marked "Escrow Deposit Analysis"

Ledger Escrow Deficit: if the cash in the escrow bank accounts is less than the security deposits (escrow analysis), the deficit is the difference. Otherwise 0.

Ledger Available Balance for checkwriting - depends on check type:

Distribution: Equity Balance less Distribution Reserve less any set-asides (short term liabilities) (and less invoices and work order estimates dated within the next 30 days, although this can be overridden)

Set-Aside: Operating Balance less Base Reserve

Escrow Checks (Security Refund): Escrow Balance

Bills and Other Checks: Equity Balance less Base Reserve less Set-Asides (current liabilities)

Retained Earnings

Retained earnings are the total of all income, expense and equity transactions that have been posted to a ledger. In some cases, they are separated from Current Year Earnings, which are those for the current year, so they reflect all prior year earnings. Current year earnings are moved into Retained Earnings at the end of the fiscal year, usually December 31.

Retained earnings can be seen on a Balance Sheet - a report under Ledger Reports.

Check Writing

Base Reserve – Enforce Base checkbox not marked

The Base Reserve has no effect on distribution checks.

The base reserve is the minimum dollar amount that the ledger's Available Cash can be drawn down to when posting invoice checks and recurring checks. If the invoice or recurring check will draw the Available Cash below this amount, that check will be marked Skip when compiled. You can unskip it for posting, provided the balance is not being drawn below the Minimum Base Reserve in Setup, Processing Defaults.

Base Reserve – Enforce Base checkbox marked

The base reserve is the minimum dollar amount that the ledger's Available Cash can be drawn down to when posting invoice checks and recurring checks from AP, Scheduled Payables. If the check will draw the Available Cash below this amount, that check will be marked Skip when compiled. When posting a single check through AP, Single Checks a warning will display if the ledger's balance will be drawn below the Base Reserve, but the warning can be overridden.

Note: A blank base reserve is \$0.

Ledger Balance - Negative

If your business situation allows drawing the ledger balance negative when posting invoices and recurring checks, set the Minimum Base Reserve in Setup, Processing Defaults to an appropriate negative amount. Set the ledger's Base Reserve to an appropriate negative amount if you don't want to control unskipping checks that draw the ledger balance below the base reserve but not below the minimum base reserve. The ledger's base reserve will be overridden by the amount entered in Setup, Processing Defaults for Minimum Base Reserve if higher than the ledger's base reserve. In other words, if you set up the ledger's Base Reserve as \$0 and the Minimum Base Reserve in the Processing Defaults is \$1,000, the system will not draw the owner's ledger below \$1,000.

Enforce Base

Mark the Enforce Base check box if you never want the ledger balance to be drawn below the base reserve amount when doing scheduled payables. If this checkbox is not marked, an invoice check or recurring check which would bring the Available Cash below the base reserve will be skipped with the option to override and post the check. If the Enforce Base checkbox is marked, an invoice or recurring check will be skipped with no option to override if it will cause the ledger's balance to fall below the reserve. The Minimum Base Reserve in Setup, Processing Defaults is ignored if the Enforce Base checkbox is marked. If you attempt to post a check in AP, Single Check that will draw the balance below the Enforce Base amount, a warning message will display but the warning can be overridden.

Distribution Reserve

The distribution reserve is the amount of money you wish to hold back from the check you write to the owner using AP, Scheduled Payables, Distribution Check. That is the only time the distribution reserve amount will be used. See Owner Distribution Check Calculations for information on how the distribution amount is arrived at.

Base Reserve Examples:

Ledger Base Reserve	Setup-Minimum Base Reserve	
0	-1000	Checks drawing the ledger's Available Cash below \$0 will be marked skipped. You can unskip provided the ledger's Available Cash after the check is no less than -1,000.
0	0	Normal situation – checks drawing the ledger's Available Cash below \$0 will be skipped. You cannot unskip.
-1,000	-1,000	Checks drawing the ledger's Available Cash below -1,000 will be skipped. You cannot unskip.