



KEEN REALTY

GUIDE TO QUALITY COMMERCIAL PROPERTY MANAGEMENT ACCOUNTING



MANAGEMENT



BROKERAGE



INVESTMENTS



DEVELOPMENT

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INTRODUCTION

In commercial real estate, precision in accounting and efficiency in operations are critical to the success of property investments. At Keen Realty Group, we pride ourselves on providing industry-leading property management accounting services through the Yardi system, alongside best-in-class tools such as Microsoft Teams, Commercial Café, and robust fraud prevention measures. Our comprehensive accounting procedures ensure accuracy, transparency, and trust.

At Keen Realty, we leverage advanced technology, streamlined processes, and a commitment to continuous improvement to deliver exceptional, reliable results for our clients, ensuring their properties are managed with the utmost expertise and care.

IN COMMERCIAL REAL ESTATE, EXPERTISE MATTERS.

DAILY ACCOUNTING PROCEDURES

Accounts Payable (AP)

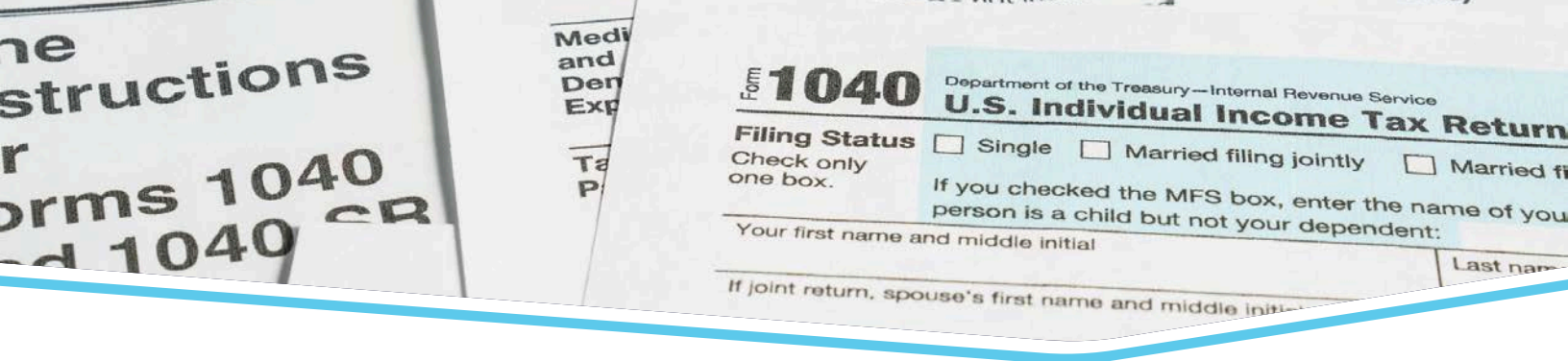
- **Importance:** Timely payment of vendor invoices is vital to maintaining smooth operations and strong vendor relationships.
- **Keen's Approach:**
 - We automate AP processes by utilizing **Yardi** software to manage invoice approvals, routing, and payments. This reduces manual data entry, speeds up processing times, and improves record-keeping.
 - Keen's **KEEN EDGE** ensures that payments are processed accurately and on schedule. We utilize **Microsoft Teams** for seamless communication of bank balances after each check run, and our payment processes are safeguarded by **Positive Pay**, a treasury management service banking partners to prevent fraudulent checks from being processed and ensure that only approved payments are cleared, reducing the risk of fraud. (**NOTE:** Additional fees apply and is only implemented as agreed to by the client when the account is opened).



- To further secure our payment processes, we rely on **ACH and online bill pay**, minimizing mail fraud, mobile check deposit scams and check washing incidents.
- We have established a multi-layered review and approval process for all invoices and payments, involving property managers, accountants, and leadership where necessary.
- We perform regular reconciliations between vendor statements and AP records to identify discrepancies, duplicate payments or outstanding invoices.
- AP tasks are part of our daily leadership huddles, ensuring alignment across the team, and improvements are continuously made through **Kaizen meetings**, allowing every voice to contribute to process enhancements.
- **Reporting:** Payments are recorded in Yardi, providing real-time information for clients. Our layered approval and review system ensures financial accuracy while adhering to both internal and external deadlines.

Accounts Receivable (AR)

- **Importance:** Consistent rent collection is essential for positive cash flow and maintaining the financial health of a property.
- **Keen's Approach:**
 - We streamline rent collection through **Commercial Café**, enabling tenants to pay rent digitally, reducing mail or other delays from manual check processing. This allows us to maintain our **KEEN EDGE** by ensuring on-time collections each month.
 - We clearly communicate payment terms to tenants and implement a structured follow-up process for late payments. Through the use of automated reminders and escalation protocols, we can effectively manage overdue accounts, maintain cash flow and reduce delinquency rates.
 - For tenants with water submeters, we use **Next Century** and **Tehama** for precise real-time data of high-water usage properties. We also track **gross sales** for tenants with percentage rent clauses in their leases, ensuring accurate calculations and timely invoicing.
 - Our AR process is reviewed in daily leadership huddles, with ongoing improvements discussed in **Kaizen meetings** to enhance efficiency.
- **Reporting:** Real-time AR aging reports are available to clients, ensuring they are always informed about tenant payment statuses. Our robust system respects internal deadlines and client expectations.



MONTHLY ACCOUNTING PROCEDURES

Financial Management Reports

- **Importance:** Financial reports provide property owners with a clear and accurate picture of their property's financial health.
- **Keen's Approach:**
 - Keen's **KEEN EDGE** guarantees the timely preparation and delivery of monthly financial management reports. These reports are detailed and undergo a multi-level review to ensure accuracy and clarity.
 - Continuous improvement through **Kaizen meetings** and team development via **mentorship programs** and **quarterly lunch and learns** ensures that our reporting is both cutting-edge and reliable.
 - Utilizing **Microsoft Teams** ensures efficient collaboration and communication throughout the reporting process.
- **Reporting:** Our financial reports include a comprehensive overview of the property's income and expenses for the month, presented in an easy-to-understand format for owners. This ensures they have the financial insight needed to make informed decisions.

QUARTERLY ACCOUNTING PROCEDURES

Budget to Actual Reviews

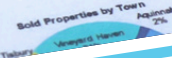
- **Importance:** Regular reviews of budget-to-actual performance ensure that operational costs are managed efficiently, and unexpected variances are addressed.
- **Keen's Approach:**
 - Our **KEEN EDGE** ensures that budget reviews are conducted on time every quarter, allowing for any necessary adjustments to recoverable expenses and operational budgets.
 - These reviews are accompanied by **Kaizen-driven** process improvements, ensuring every step is optimized for efficiency and accuracy.
 - **Microsoft Teams** enables communication across teams, ensuring swift coordination and decision-making during the budget reallocation process.
- **Reporting:** Keen provides detailed variance reports, complete with explanations of any discrepancies between budgeted and actual amounts. This transparency helps property owners stay on top of operational expenses.

MONTHLY REPORT

APPROVED

Year to Date

Funding Item	Delivered	Year-over-Year Change	Actual	Year-over-Year Change
Feb	2,003	+9.3%	1,852	+12.0%
Mar	2,445	+17.8%	1,158	+9.3%
Apr	2,369	+5.3%	1,213	+24.2%
May	2,340	+15.1%	1,255	+20.2%
Jun	2,530	+20.7%	1,165	+13.2%
Jul	2,188	+10.1%	1,082	+12.8%
Aug	2,083	+4.8%	1,015	+3.5%
Sep	1,922	-0.2%	857	+10.8%
Oct	1,895	+8.8%	717	+8.1%
Nov	1,705	+1.3%	545	+13.8%
Dec	1,368	+8.2%	512	+13.8%



Project Review & Budget Adjustments

- **Importance:** Regular project reviews ensure that capital improvements and other property-related projects stay within budget and are completed efficiently.
- **Keen's Approach:**
 - Our leadership team meets quarterly to review upcoming or ongoing projects, making any necessary budget reallocations. Keen's **KEEN EDGE** ensures that these adjustments are made with precision, avoiding any delays.
 - We consistently review and refine our project management processes through **Kaizen meetings**, ensuring we are always improving our approach to capital expenditures.
- **Reporting:** Adjusted budgets are provided to owners, ensuring they are informed of any changes and the reasons behind them. Our reviews help keep capital projects on track and within financial targets.

Investor Distributions

- **Importance:** Accurate and timely distributions are essential to maintaining investor trust and fulfilling financial obligations.
- **Keen's Approach:** Keen handles investor distributions with care, respecting all deadlines and following general partner directives to ensure distributions are accurate and timely.
 - The **KEEN EDGE** ensures that all financial disbursements are processed with precision, and our **mentorship programs** train team members to manage these tasks with the utmost professionalism.
- **Reporting:** Quarterly reports are provided to investors, offering a transparent view of the distributions and reinforcing their confidence in Keen's management.



ANNUAL ACCOUNTING PROCEDURES

Operating and Capital Budget Preparation

- **Importance:** Annual budgets ensure the financial planning necessary for a property's successful operation and future capital investments.
- **Keen's Approach:**
 - Keen's **KEEN EDGE** guarantees that operating and capital budgets are prepared with thoroughness and submitted before the start of each fiscal year. These budgets are prepared collaboratively, utilizing **Microsoft Teams** to streamline communication across departments.
 - Use historical financial data, market trends, and tenant lease terms to forecast both operating expenses and capital expenditures. Analyze previous budgets, actual expenses, and emerging industry trends to guide budget accuracy.
 - Engage key stakeholders, including property managers, asset managers, accountants, and contractors, during the budget preparation process to ensure all critical inputs and perspectives are considered. Collaboration ensures that all relevant factors—maintenance, tenant needs, potential projects—are addressed, creating a comprehensive and actionable budget that aligns with owner and tenant expectations.
 - Incorporate contingency funds for unexpected expenses (typically 5-10% of the budget) and allow flexibility for cost adjustments due to economic changes, unforeseen repairs, or tenant turnover. Contingencies and flexibility account for unplanned expenses and market fluctuations, helping to prevent budget overruns and maintaining financial stability throughout the year.
 - Assess and prioritize capital projects based on their urgency, expected ROI, and impact on property value and tenant satisfaction. Use a long-term capital plan to schedule major upgrades and improvements over several years. Prioritizing capital expenditures ensures that the most critical projects are completed on time and within budget, maximizing property value and minimizing operational disruptions.
 - **Mentorship programs** play a critical role, as seasoned professionals train junior staff in the intricate details of budget creation.
 - Continuous improvement is at the heart of our process, with **Kaizen meetings** ensuring we are always refining our approach.
- **Reporting:** Property owners receive comprehensive budgets detailing expected rental income, operating expenses, and capital expenditures. These budgets help set the financial roadmap for the year ahead.



Expense Reconciliations

- **Importance:** Accurate reconciliations of recoverable expenses ensure that tenants are billed fairly, and owners recover their costs.
- **Keen's Approach:**
 - Review each tenant's lease to determine specific obligations related to recoverable expenses, such as common area maintenance (CAM), property taxes, insurance, and utilities. Ensure that all charges conform to the terms outlined in the lease agreements. Accuracy in interpreting lease terms ensures that tenants are billed correctly for their share of operating expenses, avoiding disputes and fostering transparency.
 - Keen uses **Yardi** to track estimated and actual recoverable expenses and automate the allocation of operating expenses across tenants based on their lease terms, square footage, or percentage of occupancy. Automation reduces the risk of human error and ensures that expenses are distributed accurately and consistently, saving time and improving accuracy in reconciliations, ensuring tenants are only charged their fair share. Our **KEEN EDGE** approach ensures reconciliations are done promptly and accurately each year.
 - Implement a system to track and categorize all operating expenses throughout the year, separating recoverable from non-recoverable expenses. This ensures that only appropriate expenses are included in the reconciliation. Consistent tracking and categorization prevent errors and omissions, ensuring that recoverable expenses are correctly accounted for and that tenants only pay their fair share.
 - Prepare detailed, easy-to-understand reports that clearly outline the expenses being passed through to tenants, including supporting documentation where necessary. Communicate any significant changes or variances compared to previous years. Transparent reporting builds trust with tenants and reduces the likelihood of disputes. It also helps tenants understand the costs associated with maintaining the property and ensures compliance with lease obligations.
 - Our **layered review process** guarantees accuracy, while our daily leadership huddles and **Kaizen meetings** ensure that any discrepancies are addressed swiftly.
- **Reporting:** Reconciliation reports are delivered to tenants and owners alike, providing transparency and peace of mind.

Lender Compliance Reporting

- **Importance:** Compliance with loan agreements is crucial for maintaining financing and avoiding penalties.
- **Keen's Approach:** Keen takes a proactive approach to lender compliance, ensuring that all financial documentation is submitted on time. We respect both internal and external deadlines to keep property owners in good standing with their mortgage agreements



- Our **KEEN EDGE** means we meet lender requirements with precision, utilizing our multi-level review process to guarantee accuracy.
- **Reporting:** Annual financial statements and required documentation are submitted to lenders, ensuring compliance with loan covenants.

BEST PRACTICES FOR COMMERCIAL REAL ESTATE ACCOUNTING

1. **Respect for Deadlines:** Keen Realty's **KEEN EDGE** ensures that all processes are completed on time, meeting contractual obligations and maintaining strong relationships with stakeholders.
2. **Continuous Improvement:** Through **Kaizen meetings**, we consistently fine-tune our processes, ensuring they are as efficient and accurate as possible.
3. **Fraud Prevention:** Tools such as **Positive Pay**, **ACH payments**, and digital rent collection via **Commercial Café** help prevent fraud and improve security.
4. **Proactive Communication:** **Microsoft Teams** ensures seamless communication, keeping leadership informed of all significant financial activities.
5. **Team Empowerment:** **Mentorship programs** and **quarterly lunch and learns** foster the development of highly skilled professionals who are committed to delivering excellence.

CONCLUSION

*Keen Realty Group's accounting services are grounded in accuracy, efficiency, and a proactive approach to continuous improvement. Our **KEEN EDGE** ensures timely reporting, compliance, and financial transparency, delivering best-in-class results for our clients. With the use of advanced tools and a culture of team development, Keen Realty provides exceptional property management accounting services year-round.*



KEEN REALTY

EXPERTISE, PEACE OF MIND, AND ATTENTION TO DETAILS
EVERY STEP OF THE WAY.

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