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CASE STUDY · REAL ESTATE · CO-LIVING

From chaotic books to a 7-business-day close.

How **Co-Living Capital** rebuilt its accounting foundation and became an **AI-ready finance function.**

Clean · Standardize · Automate ↗



1 THE CLIENT

Co-Living Capital

Led by **Pascal Wagner**, Co-Living Capital operates in the U.S. real estate and co-living sector, using PadSplit to manage its properties and QuickBooks Online for bookkeeping and financial reporting.

INDUSTRY	OPERATING MODEL	PROPERTY PLATFORM	ACCOUNTING SYSTEM
Real Estate Investment & Property Management — USA	**Co-living / PadSplit properties**	**PadSplit**	**QuickBooks Online**

As the portfolio grew, years of inconsistent bookkeeping created a financial environment where management could no longer fully rely on the books for **decision-making, tax reporting, partner reporting or accurate property-level performance analysis.**

2 THE PROBLEM

Growth had outpaced the financial infrastructure.

The problem was not one incorrect account or a few unreconciled transactions.

The accounting foundation itself needed to be rebuilt.

Years of inconsistent bookkeeping had left errors, missing documentation, unsupported balances and unclear property-level reporting throughout the QuickBooks file.

THE CORE ISSUE

Bookkeeping is simple in concept. Maintaining accurate, complete and decision-ready books every single month is not.

Real estate accounting becomes increasingly demanding as the number of properties, bank accounts, credit cards, escrows, capital expenditures, acquisitions, disposals and shared expenses increases.

Co-Living Capital did not simply need another bookkeeper.

It needed its financial foundation rebuilt.

2 THE PROBLEM

What we found — and why it mattered.

Journal Entries

01

Historical journal entries had been posted without traceable supporting documents or adequate explanations.

Impact: Management had no reliable audit trail behind important accounting adjustments.

Bank & Credit Cards

02

Several accounts were unreconciled and historical statements were missing.

Impact: Cash, expenses and liabilities could not be fully relied upon.

Fixed Assets

03

HVAC and other qualifying capital expenditures had been recorded as expenses.

Impact: Property profitability was distorted and the asset base was misstated.

Property Purchases & Disposals

04

Acquisition and disposal accounting had not been recorded correctly.

Impact: Property cost basis, assets and gains or losses on sale could be misstated.

Partnership Accounting

05

The business operated as a partnership during its earlier years; some historical bank statements were no longer available and partnership gains and losses had not been properly computed.

Impact: Historical partner positions and financial results were unclear.

Property-Level Reporting

06

Administrative and shared costs were not properly allocated across properties.

Impact: Management lacked a clear view of which properties were actually profitable.

Escrow Accounts

07

Escrow balances had not been reconciled to supporting statements.

Impact: Amounts held by third parties could not be independently verified.

Source Documents

08

Utility bills and multiple bank and credit-card statements were missing from the shared drive.

Impact: Transactions could not consistently be traced back to source documentation.

Balance Sheet

09

Long-outstanding receivables remained on the books.

Impact: Assets could be overstated and the balance sheet did not reflect economic reality.

Month-End Close

10

There was no disciplined, standardized closing process.

Impact: Financial information was not available quickly enough for timely management decisions.

3 PROPOSED SOLUTION

Clean first. Standardize second. Automate third.

We deliberately implemented the transformation in three stages. AI was not our starting point — **accounting integrity was.**

01
Clean
Rebuild the books from inception

02
Standardize
Build controls, SOPs and a disciplined close

03
Automate
Introduce AI & automation

> **"Automating broken books only produces wrong numbers faster."**

PHASE 1

Rebuild the books from inception

Instead of repairing only the latest month or year, we went back through the accounting history from inception. Our objective was not simply to make QuickBooks reconcile. It was to build a **defensible financial record with a clear accounting trail.**

THE HISTORICAL CLEANUP INCLUDED

- Reviewing and correcting journal entries
- Establishing supporting documentation for journal entries
- Reconciling bank and credit-card accounts
- Reconciling escrow balances to statements
- Reviewing historical receivables
- Correcting fixed-asset accounting
- Capitalizing qualifying HVAC and property improvement costs
- Correcting property acquisition accounting
- Correcting property disposal accounting
- Reviewing historical partnership activity
- Recomputing partnership gains and losses where sufficient information was available
- Improving the allocation of shared and administrative costs across individual properties

The goal was to move from **transaction recording** to **financial information management could actually trust.**

PHASE 2

Build controls, SOPs and a disciplined close

Cleaning historical books solves the past. Processes and controls prevent the same problems from returning. We therefore documented and implemented accounting procedures covering critical areas of the finance function.

Capitalization SOP

A formal capitalization process was established so that expenditures such as HVAC systems and significant property improvements would be evaluated and treated consistently rather than being automatically expensed.

Journal Entry Controls

Manual journal entries were required to have:

- A clear accounting rationale
- Appropriate supporting documentation
- A traceable audit trail

Reconciliation Procedures

Bank accounts, credit cards and escrow accounts became part of a structured recurring reconciliation process.

Property-Level Accounting

Shared and administrative expenses were allocated more systematically so management could understand financial performance **property by property.**

MONTH-END CLOSING SOP

A formal closing process was implemented — giving management significantly more time during the month to review financial performance and make decisions using current information.

7 days

↗ Books closed within 7 business days of month-end

PHASE 3

Introduce AI & automation

Only after the data was cleaned and the processes were standardized did we introduce AI and automation into routine bookkeeping activities. This sequence was intentional.

Bad Data + Automation = Faster Errors

Clean Data + Standardized Processes + Automation = Scalable Finance

Once the accounting foundation was reliable, repeatable activities could be automated with significantly lower risk. AI became an **accelerator of a well-designed accounting process**, rather than an attempt to compensate for a broken one.

4 DELIVERABLES

What Co-Living Capital received.

Clean Books

- QuickBooks Online books cleaned from inception
- Historical accounting reviewed and corrected
- Supporting documentation established for journal entries
- Bank accounts reconciled
- Credit-card accounts reconciled
- Escrow accounts reconciled to statements
- HVAC and other qualifying expenditures appropriately capitalized
- Property acquisition accounting corrected
- Property disposal accounting corrected
- Partnership accounting reviewed
- Partnership gains and losses recomputed where records supported the calculation
- Long-outstanding receivables reviewed and corrected
- Balance-sheet integrity significantly improved

Decision-Ready Reporting

- Administrative and shared costs allocated more appropriately across properties
- Improved **property-level P&L visibility**
- More reliable balance-sheet reporting
- Clearer understanding of individual property performance
- Financial information available earlier in the month for management review

Documented Financial Processes

- Capitalization SOP
- Journal-entry documentation standards
- Reconciliation procedures
- Balance-sheet review process
- Property accounting procedures
- Month-end closing SOP
- Structured supporting-document framework

Scalable Automation



- Routine bookkeeping processes standardized
- AI and automation introduced only after cleanup
- Repetitive accounting work reduced
- Finance processes positioned to scale as the property portfolio grows

5 WOW FACTOR & OUTCOME

We didn't automate the mess. We fixed the foundation first.

MANY BUSINESSES ASK

"What can we automate?"

WE STARTED WITH

"Can the underlying financial data and process be trusted?"

For Co-Living Capital, the answer initially was no. So we fixed the accounting foundation first.

BEFORE		AFTER
× Unsupported and untraceable journal entries	→	✓ Journal entries backed by supporting documentation
× Unreconciled credit cards and accounts	→	✓ Structured recurring reconciliations
× HVAC and capital improvements expensed	→	✓ Capitalization under a documented SOP
× Incorrect property acquisition/disposal accounting	→	✓ Proper property transaction accounting
× Unclear historical partnership results	→	✓ Partnership activity reviewed and reconstructed where records permitted
× Shared costs not properly allocated	→	✓ Improved property-level expense allocation
× Unclear property profitability	→	✓ Property-level P&L visibility
× Unreconciled escrow accounts	→	✓ Escrow balances reconciled to statements
× Long-outstanding balance-sheet items	→	✓ Balance sheet reviewed and cleaned
× No disciplined closing timetable	→	✓ Books closed within 7 business days
× Manual and inconsistent workflows	→	✓ Standardized processes supported by AI and automation

BUSINESS OUTCOME

Co-Living Capital moved from fragmented, difficult-to-trust bookkeeping to a **structured, documented and scalable finance environment.**

MANAGEMENT GAINED

- Greater confidence in the financial statements
- Better visibility into individual property performance
- Stronger balance-sheet integrity
- A clear supporting-document trail
- Consistent accounting treatment across the portfolio
- Faster month-end reporting
- Better information for investment and operating decisions
- Processes capable of supporting portfolio growth
- A clean financial foundation for AI and automation

MOST IMPORTANTLY

7

business days to close

Management now has substantially more time each month to act on financial information while it is still relevant.

THE BIGGER LESSON FOR REAL ESTATE OPERATORS

Clean books are not the end product. Better decisions are.

For a real estate investor or property manager, the accounting system should reliably answer:

What do we own?

What do we owe?

What is each property actually earning?

Where is cash being consumed?

Which properties are creating value — and which are destroying it?

Answering those questions requires more than transaction categorization. It requires the combination of:

Clean Data → **Strong Controls** → **Property-Level Reporting** → **Standardized Processes** → **Intelligent Automation**

That is how bookkeeping becomes a finance function capable of supporting growth.

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