

## Other Services

CPAs can provide a homeowners' association with a wide range of financial services in order to help it operate more effectively and within the requirements of its governing documents, Florida Statutes and Florida Administrative Code. A few examples of these services include:

- Assisting in the format and content preparation of the association's annual operating budget;
- Ensure the association is in compliance with the requirements of budgeting and accounting for reserves for future capital expenditures and deferred maintenance, if established;
- Helping the board fulfill its fiduciary responsibilities by assessing the adequacy of the association's accounting procedures and internal controls;
- Advising the board on the methods available for establishing or funding reserve and deferred maintenance funds;
- Advising the board regarding matters relating to the developer and turnover of control of the association;
- Assisting the board of directors in determining that a proper exchange of records occurs when there is a change in management companies;
- Consulting with management and the board regarding the association's computerized accounting operations, software and hardware, banking, cash management and investments;
- Providing interim financial statements or reports during the course of the association's fiscal year;
- Providing assistance with the adjusting and closing of its books and records;
- Assisting the association with accounting for damages caused by a disaster such as a hurricane or flood, including proceeds from insurance claims and how the funds are spent;
- Assisting the association in maintaining separate accounting records for special assessment proceeds and disbursements;
- Providing a variety of bookkeeping, controllership and other financial management services;
- And many, many more...

## For More Information...

about how your association can benefit from a relationship with a Florida CPA, please contact a CPA with sufficient experience in Florida's common interest realty association industry. You may be surprised at just how much your CPA can be of service.

To view Florida Statutes Chapter 720, visit:  
[www.flsenate.gov/Statutes](http://www.flsenate.gov/Statutes)

To request a copy of either, please contact:

**Division of Florida Land Sales,  
Condominiums and Mobile Homes  
Bureau of Condominiums**

Northwood Centre  
1940 N. Monroe St.  
Tallahassee, FL 32399-1032  
(850) 487-1395 or (800) 226-9101

**Created by the FY 2013-2014  
FICPA Common Interest Realty Associations Section.  
Visit us at [www.ficpa.org/cira](http://www.ficpa.org/cira).**



Florida Institute of Certified Public Accountants

P.O. Box 5437  
Tallahassee, FL 32314

Revised August 2013

# YOUR HOMEOWNERS ASSOCIATION and the CERTIFIED PUBLIC ACCOUNTANT



Florida Institute of Certified Public Accountants

Your homeowners' association is required to comply with the requirements of Chapter 720 of the Florida Statutes. To ensure it properly fulfills its financial reporting and compliance obligations, your association can engage the services of a CPA to assist in preparing its required annual financial reports, interim or annual financial statements and tax returns, and offer advice with respect to many of your association's financial matters.

## CPA Services

### Financial Reports and Statements

At a minimum, a homeowners' association is required to prepare a report of cash receipts and expenditures after the end of its fiscal year. If your association consists of 50 or more units, your association may be required to prepare compiled, reviewed or audited financial statements instead of the cash receipts and expenditures report. Which financial statement your association must prepare depends on its total annual revenues, as follows:

Total Annual Revenues	Type of Financial Statement Required
\$150,000 - \$299,999	Compiled financial statements
\$300,000 - \$499,999	Reviewed financial statements
\$500,000 and above	Audited financial statements

When calculating total annual revenues, the association must consider maintenance fees charged to owners for operations and reserves, all sources of other earned association income, and non-recurring sources of revenues including special assessments, insurance proceeds, developer funding, and legal settlements. Therefore even an association with a modest budget may require one of these levels of financial statements any given year.

Only an independent CPA can issue a report on audited or reviewed financial statements. CPAs are also your best option in preparing the proper compiled financial statements. The following summarizes what a CPA must do in order to report on compiled, reviewed and audited financial statements:

### Compiled Financial Statements

A compilation involves placing financial data obtained from the association into a financial statement format. The CPA does not express an opinion or any other form of assurance on compiled financial statements.

### Reviewed Financial Statements

Independent review consists of inquiries into the association's management and certain analytical procedures that are applied to financial data obtained from the association. The purpose of a review is to obtain a basis for expressing limited assurance that no material modifications are necessary in order for the financial statements to be in conformity with generally accepted accounting principles. The limited procedures applied in a review make the report somewhat more reliable than a compilation, but substantially less than an audit.

### Audited Financial Statements

An audit is one of the most significant and comprehensive services a CPA can provide. The CPA expresses an opinion about the fairness of presentation of the association's financial statements. The CPA conducts the audit in accordance with generally accepted auditing standards and provides reasonable assurance that the financial statements are not materially misstated. An audit also includes examining and testing evidence that supports the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the association, making an overall assessment on the risk of fraud, and evaluating the overall financial statement presentation.

### Why CPA Services?

Regardless of the level of service needed, financial statements must be prepared in accordance with generally accepted accounting principles. A complete set of financial statements includes the CPA's report, a balance sheet, a statement of revenues and expenses, a statement of changes in fund balance, a statement of cash flows and required financial statement disclosures that contain informative information about many aspects of your association's operations.

The financial statements on which CPAs report must be prepared on the accrual basis, using fund accounting. This basis of accounting matches revenues and expenses for the period in which they apply, regardless of when the revenue is collected or the expense is paid.

This method of accounting reflects a more accurate picture of an association's financial condition because it includes all economic events within the proper reporting period.

Whether your association is required to prepare either compiled, reviewed or audited financial statements or the report of cash receipts and expenditures, these reports should be completed in a timely manner. After the association receives the financial statements from its CPA or when it completes its cash report, the association must either mail or hand deliver a copy of it to each owner, or provide each owner a notice that a copy of the financial report will be provided to them without charge upon receipt of a written request from the unit owner. The financial statements or the cash report must be made available to all unit owners 21 days after receiving the financial statements from their CPA or after completion of the cash report, but no later than 120 days after the end of your association's fiscal year, unless your association's bylaws specify another due date.

Association members may elect to waive the requirement to have the association's financial statements compiled, reviewed or audited if a majority of the voting interests elect to do so. However, every year, at a minimum, the association must at least prepare the financial report of cash receipts and expenditures. Alternatively, owners may petition the Board of Directors to hold a vote to increase the level of financial reporting.

## Taxation and Tax Planning

Although most homeowners' associations are established as not-for-profit corporations, they are not tax-exempt organizations. Homeowners' associations have an advantage in that they annually can choose to file one of two income tax forms. Depending on which form is chosen, certain types of association income will either be subject to or exempt from taxation. Even if your association has no taxable income, it still must file the required income tax forms annually. The CPA can assist by evaluating the income tax planning alternatives and assist the association in choosing the best method to minimize income tax and/or audit exposure. CPAs also advise the association on any other federal and state tax returns that may be required (including state income, payroll, sales, state intangible, and county personal property taxes and more), and when and where they must be filed, and can assist in their preparation.