

By Senator Braynon

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1                                   A bill to be entitled  
2       An act relating to community associations; amending s.  
3       718.111, F.S.; revising requirements relating to the  
4       preparation and completion of the homeowners'  
5       association's annual financial report; revising the  
6       requirements for a financial report based on the  
7       association's number of units; revising the  
8       requirements for a financial report based on the  
9       amount of a condominium's revenues; amending s.  
10      719.104, F.S.; revising requirements with respect to  
11      cooperative financial statements and reports; revising  
12      application; amending s. 720.303, F.S.; revising  
13      requirements relating to the preparation and  
14      completion of the condominium association's annual  
15      financial report; revising the requirements for a  
16      financial report based on the community's size;  
17      providing an effective date.

18  
19 Be It Enacted by the Legislature of the State of Florida:

20  
21       Section 1. Subsection (13) of section 718.111, Florida  
22       Statutes, is amended to read:

23       718.111 The association.—

24       (13) FINANCIAL REPORTING.—Within 90 days after the end of  
25       the fiscal year, or annually on a date provided in the bylaws,  
26       the association shall prepare and complete, or contract for the  
27       preparation and completion of, a financial report for the  
28       preceding fiscal year. Within 21 days after the final financial  
29       report is completed by the association or received from the

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30 third party, but not later than 120 days after the end of the  
31 fiscal year or other date as provided in the bylaws, the  
32 association shall mail to each unit owner at the address last  
33 furnished to the association by the unit owner, or hand deliver  
34 to each unit owner, a copy of the financial report or a notice  
35 that a copy of the financial report will be mailed or hand  
36 delivered to the unit owner, without charge, upon receipt of a  
37 written request from the unit owner. The division shall adopt  
38 rules setting forth uniform accounting principles and standards  
39 to be used by all associations and addressing the financial  
40 reporting requirements for multicondominium associations. The  
41 rules must include, but not be limited to, standards for  
42 presenting a summary of association reserves, including a good  
43 faith estimate disclosing the annual amount of reserve funds  
44 that would be necessary for the association to fully fund  
45 reserves for each reserve item based on the straight-line  
46 accounting method. This disclosure is not applicable to reserves  
47 funded via the pooling method. In adopting such rules, the  
48 division shall consider the number of members and annual  
49 revenues of an association. Financial reports shall be prepared  
50 as follows:

51 (a) An association that meets the criteria of this  
52 paragraph shall prepare a complete set of financial statements  
53 in accordance with generally accepted accounting principles. The  
54 financial statements must be based upon the association's total  
55 annual revenues, as follows:

56 1. An association with total annual revenues of \$125,000  
57 ~~\$100,000~~ or more, but less than \$200,000, shall prepare compiled  
58 financial statements.

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59           2. An association with total annual revenues of at least  
60 \$250,000 ~~\$200,000~~, but less than \$400,000, shall prepare  
61 reviewed financial statements.

62           3. An association with total annual revenues of \$500,000  
63 ~~\$400,000~~ or more shall prepare audited financial statements.

64           ~~4.(b)1.~~ An association with total annual revenues of less  
65 than \$125,000 ~~\$100,000~~ shall prepare a report of cash receipts  
66 and expenditures.

67           ~~5.2.~~ An association that operates fewer than 50 ~~75~~ units,  
68 regardless of the association's annual revenues, shall prepare a  
69 report of cash receipts and expenditures in lieu of financial  
70 statements required by this paragraph ~~(a)~~.

71           ~~6.3.~~ A report of cash receipts and disbursements must  
72 disclose the amount of receipts by accounts and receipt  
73 classifications and the amount of expenses by accounts and  
74 expense classifications, including, but not limited to, the  
75 following, as applicable: costs for security, professional and  
76 management fees and expenses, taxes, costs for recreation  
77 facilities, expenses for refuse collection and utility services,  
78 expenses for lawn care, costs for building maintenance and  
79 repair, insurance costs, administration and salary expenses, and  
80 reserves accumulated and expended for capital expenditures,  
81 deferred maintenance, and any other category for which the  
82 association maintains reserves.

83           ~~(b)(e)~~ An association may prepare, without a meeting of or  
84 approval by the unit owners:

85           1. Compiled, reviewed, or audited financial statements, if  
86 the association is required to prepare a report of cash receipts  
87 and expenditures;

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88           2. Reviewed or audited financial statements, if the  
89 association is required to prepare compiled financial  
90 statements; or

91           3. Audited financial statements if the association is  
92 required to prepare reviewed financial statements.

93           (c)~~(d)~~ If approved by a majority of the voting interests  
94 present at a properly called meeting of the association, an  
95 association may prepare:

96           1. A report of cash receipts and expenditures in lieu of a  
97 compiled, reviewed, or audited financial statement;

98           2. A report of cash receipts and expenditures or a compiled  
99 financial statement in lieu of a reviewed or audited financial  
100 statement; or

101           3. A report of cash receipts and expenditures, a compiled  
102 financial statement, or a reviewed financial statement in lieu  
103 of an audited financial statement.

104

105 Such meeting and approval must occur before the end of the  
106 fiscal year and is effective only for the fiscal year in which  
107 the vote is taken, except that the approval may also be  
108 effective for the following fiscal year. With respect to an  
109 association to which the developer has not turned over control  
110 of the association, all unit owners, including the developer,  
111 may vote on issues related to the preparation of financial  
112 reports for the first 2 fiscal years of the association's  
113 operation, beginning with the fiscal year in which the  
114 declaration is recorded. Thereafter, all unit owners except the  
115 developer may vote on such issues until control is turned over  
116 to the association by the developer. Any audit or review

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117 prepared under this section shall be paid for by the developer  
118 if done before turnover of control of the association. An  
119 association may not waive the financial reporting requirements  
120 of this section for more than 3 consecutive years.

121 Section 2. Subsection (4) of section 719.104, Florida  
122 Statutes, is amended to read:

123 719.104 Cooperatives; access to units; records; financial  
124 reports; assessments; purchase of leases.-

125 (4) FINANCIAL REPORT.-

126 (a) Within 90 ~~60~~ days after ~~following~~ the end of the fiscal  
127 or calendar year or annually on such date as is otherwise  
128 provided in the bylaws of the association, the board of  
129 administration of the association shall mail or furnish by  
130 personal delivery to each unit owner a complete financial report  
131 of actual receipts and expenditures for the previous 12 months,  
132 or a complete set of financial statements for the preceding  
133 fiscal year prepared in accordance with generally accepted  
134 accounting procedures. The report shall show the amounts of  
135 receipts by accounts and receipt classifications and shall show  
136 the amounts of expenses by accounts and expense classifications  
137 including, if applicable, but not limited to, the following:

- 138 1. Costs for security;
- 139 2. Professional and management fees and expenses;
- 140 3. Taxes;
- 141 4. Costs for recreation facilities;
- 142 5. Expenses for refuse collection and utility services;
- 143 6. Expenses for lawn care;
- 144 7. Costs for building maintenance and repair;
- 145 8. Insurance costs;

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146 9. Administrative and salary expenses; and  
147 10. Reserves for capital expenditures, deferred  
148 maintenance, and any other category for which the association  
149 maintains a reserve account or accounts.

150 (b) The division shall adopt rules that may require that  
151 the association deliver to the unit owners, in lieu of the  
152 financial report required by this section, a complete set of  
153 financial statements for the preceding fiscal year. The  
154 financial statements shall be delivered within 90 days following  
155 the end of the previous fiscal year or annually on such other  
156 date as provided in the bylaws. The rules of the division may  
157 require that the financial statements be compiled, reviewed, or  
158 audited, and the rules shall take into consideration the  
159 criteria set forth in s. 719.501(1)(j). The requirement to have  
160 the financial statements compiled, reviewed, or audited does not  
161 apply to associations if a majority of the voting interests of  
162 the association present at a duly called meeting of the  
163 association have determined for a fiscal year to waive this  
164 requirement. In an association in which turnover of control by  
165 the developer has not occurred, the developer may vote to waive  
166 the audit requirement for the first 2 years of the operation of  
167 the association, after which time waiver of an applicable audit  
168 requirement shall be by a majority of voting interests other  
169 than the developer. The meeting shall be held prior to the end  
170 of the fiscal year, and the waiver shall be effective for only  
171 one fiscal year. ~~This subsection does not apply to a cooperative  
172 that consists of 50 or fewer units.~~

173 Section 3. Subsection (7) of section 720.303, Florida  
174 Statutes, is amended to read:

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175           720.303 Association powers and duties; meetings of board;  
176 official records; budgets; financial reporting; association  
177 funds; recalls.—

178           (7) FINANCIAL REPORTING.—Within 90 days after the end of  
179 the fiscal year, or annually on the date provided in the bylaws,  
180 the association shall prepare and complete, or contract with a  
181 third party for the preparation and completion of, a financial  
182 report for the preceding fiscal year. Within 21 days after the  
183 final financial report is completed by the association or  
184 received from the third party, but not later than 120 days after  
185 the end of the fiscal year or other date as provided in the  
186 bylaws, the association shall, within the time limits set forth  
187 in subsection (5), provide each member with a copy of the annual  
188 financial report or a written notice that a copy of the  
189 financial report is available upon request at no charge to the  
190 member. Financial reports shall be prepared as follows:

191           (a) An association that meets the criteria of this  
192 paragraph shall prepare or cause to be prepared a complete set  
193 of financial statements in accordance with generally accepted  
194 accounting principles as adopted by the Board of Accountancy.  
195 The financial statements shall be based upon the association's  
196 total annual revenues, as follows:

197           1. An association with total annual revenues of \$100,000 or  
198 more, but less than \$200,000, shall prepare compiled financial  
199 statements.

200           2. An association with total annual revenues of at least  
201 \$200,000, but less than \$400,000, shall prepare reviewed  
202 financial statements.

203           3. An association with total annual revenues of \$400,000 or

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204 more shall prepare audited financial statements.

205 ~~4.(b)1.~~ An association with total annual revenues of less  
206 than \$100,000 shall prepare a report of cash receipts and  
207 expenditures.

208 ~~2. An association in a community of fewer than 50 parcels,~~  
209 ~~regardless of the association's annual revenues, may prepare a~~  
210 ~~report of cash receipts and expenditures in lieu of financial~~  
211 ~~statements required by paragraph (a) unless the governing~~  
212 ~~documents provide otherwise.~~

213 5.3. A report of cash receipts and disbursement must  
214 disclose the amount of receipts by accounts and receipt  
215 classifications and the amount of expenses by accounts and  
216 expense classifications, including, but not limited to, the  
217 following, as applicable: costs for security, professional, and  
218 management fees and expenses; taxes; costs for recreation  
219 facilities; expenses for refuse collection and utility services;  
220 expenses for lawn care; costs for building maintenance and  
221 repair; insurance costs; administration and salary expenses; and  
222 reserves if maintained by the association.

223 ~~(b)(e)~~ If 20 percent of the parcel owners petition the  
224 board for a level of financial reporting higher than that  
225 required by this section, the association shall duly notice and  
226 hold a meeting of members within 30 days of receipt of the  
227 petition for the purpose of voting on raising the level of  
228 reporting for that fiscal year. Upon approval of a majority of  
229 the total voting interests of the parcel owners, the association  
230 shall prepare or cause to be prepared, shall amend the budget or  
231 adopt a special assessment to pay for the financial report  
232 regardless of any provision to the contrary in the governing



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233 documents, and shall provide within 90 days of the meeting or  
234 the end of the fiscal year, whichever occurs later:

235 1. Compiled, reviewed, or audited financial statements, if  
236 the association is otherwise required to prepare a report of  
237 cash receipts and expenditures;

238 2. Reviewed or audited financial statements, if the  
239 association is otherwise required to prepare compiled financial  
240 statements; or

241 3. Audited financial statements if the association is  
242 otherwise required to prepare reviewed financial statements.

243 (c) ~~(d)~~ If approved by a majority of the voting interests  
244 present at a properly called meeting of the association, an  
245 association may prepare or cause to be prepared:

246 1. A report of cash receipts and expenditures in lieu of a  
247 compiled, reviewed, or audited financial statement;

248 2. A report of cash receipts and expenditures or a compiled  
249 financial statement in lieu of a reviewed or audited financial  
250 statement; or

251 3. A report of cash receipts and expenditures, a compiled  
252 financial statement, or a reviewed financial statement in lieu  
253 of an audited financial statement.

254 Section 4. This act shall take effect July 1, 2013.