

Client Alert

Business Information for
Clients and Friends of
Shumaker, Loop & Kendrick, LLP

June 28, 2017



Ellis

Johnson

Changes to Financial Reporting Requirements for Associations

Jonathan J. Ellis, Partner | jellis@slk-law.com | 813.227.2335

Monica H. Johnson, Associate | mhjohnson@slk-law.com | 813.221.7159

On June 23, 2017, Governor Scott approved House Bill 6027, which provides substantively identical changes to the annual financial reporting requirements for condominium, cooperative, and homeowners' associations.

Under current law, associations are required to complete annual financial statements of the previous year's financial activities and provide the report to their unit or parcel owners. The complexity of these statements is based on the annual revenues of the association. Associations having larger revenues must prepare more detailed financial statements. The associations' members, however, may vote to allow the association to prepare less detailed financial statements. Notwithstanding, condominium and cooperative associations may not prepare less detailed financial statements for more than three consecutive years.

House Bill 6027 amends the financial reporting requirements for condominium, cooperative, and homeowners' associations. Specifically, House Bill 6027:

- removes the provisions requiring or permitting associations operating fewer than 50 units or parcels, regardless of their annual revenues, to prepare a report of cash receipts and expenditures in lieu of financial statements; and
- removes the provisions prohibiting cooperatives and condominiums from waiving certain financial reporting requirements for more than three consecutive years.

These changes will 1) require condominium, cooperative, and homeowners' associations to prepare a specific type of financial statement based on the association's revenue, as set forth in the statute, unless an association's membership votes to prepare a less detailed financial statement; and 2) if

approved by a vote of the membership, allow condominium and cooperative associations to waive more detailed financial statements indefinitely, but still requiring, at a minimum, a report of cash receipts and expenditures.

Economically, associations operating fewer than 50 units or parcels may experience increased costs to the extent they are required to prepare compiled, reviewed, or audited financial statements, and are no longer allowed to compile cash receipts and expenditures without a membership vote. This may force smaller associations to obtain additional professional services, such as use of an accountant. On the other hand, condominiums or cooperatives may indefinitely vote to waive preparation of a specific type of financial statement instead of having to prepare a more detailed financial statement once every four years.

These changes go into effect on July 1, 2017. Please contact a member of the Community Associations practice group at Shumaker, Loop & Kendrick, LLP, 813.229.7600, if you have any questions about them.

www.slk-law.com



This is a publication of Shumaker, Loop & Kendrick, LLP and is intended as a report of legal issues and other developments of general interest to our clients, attorneys and staff. This publication is not intended to provide legal advice on specific subjects or to create an attorney-client relationship.