

By Senator Ring

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1                   A bill to be entitled  
2           An act relating to community associations; amending  
3           ss. 718.111, 719.104, and 720.303, F.S.; requiring  
4           certain condominium, cooperative, and homeowners'  
5           associations to provide financial reports to the  
6           Division of Florida Condominiums, Timeshares, and  
7           Mobile Homes under certain circumstances; deleting a  
8           provision authorizing certain associations to prepare  
9           a report of cash receipts and expenditures in lieu of  
10          certain financial statements; providing an effective  
11          date.

12  
13 Be It Enacted by the Legislature of the State of Florida:

14  
15           Section 1. Subsection (13) of section 718.111, Florida  
16           Statutes, is amended to read:

17           718.111 The association.—

18           (13) FINANCIAL REPORTING.—Within 90 days after the end of  
19           the fiscal year, or annually on a date provided in the bylaws,  
20           the association shall prepare and complete, or contract for the  
21           preparation and completion of, a financial report for the  
22           preceding fiscal year. Within 21 days after the final financial  
23           report is completed by the association or received from the  
24           third party, but not later than 120 days after the end of the  
25           fiscal year or other date as provided in the bylaws, the  
26           association shall mail to each unit owner at the address last  
27           furnished to the association by the unit owner, or hand deliver  
28           to each unit owner, a copy of the financial report or a notice  
29           that a copy of the financial report will be mailed or hand  
30           delivered to the unit owner, without charge, upon receipt of a  
31           written request from the unit owner. Upon notification by a unit  
32           owner to the division that the association has not provided the

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33 unit owner with a copy of the financial report after receipt of  
34 a written request as required under this subsection, the  
35 association must provide the unit owner with a copy of the  
36 financial report. If the association fails to do so, the  
37 association must provide the division with a copy of the  
38 financial report for the next 3 years and may not waive a  
39 financial reporting requirement as provided in paragraph (d).  
40 The division shall adopt rules setting forth uniform accounting  
41 principles and standards to be used by all associations and  
42 addressing the financial reporting requirements for  
43 multicondominium associations. The rules must include, but not  
44 be limited to, standards for presenting a summary of association  
45 reserves, including a good faith estimate disclosing the annual  
46 amount of reserve funds that would be necessary for the  
47 association to fully fund reserves for each reserve item based  
48 on the straight-line accounting method. This disclosure is not  
49 applicable to reserves funded via the pooling method. In  
50 adopting such rules, the division shall consider the number of  
51 members and annual revenues of an association. Financial reports  
52 shall be prepared as follows:

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

58 1. An association with total annual revenues of \$150,000 or  
59 more, but less than \$300,000, shall prepare compiled financial  
60 statements.

61 2. An association with total annual revenues of at least

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62 \$300,000, but less than \$500,000, shall prepare reviewed  
63 financial statements.

64 3. An association with total annual revenues of \$500,000 or  
65 more shall prepare audited financial statements.

66 (b)1. An association with total annual revenues of less  
67 than \$150,000 shall prepare a report of cash receipts and  
68 expenditures.

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

73 2.3. A report of cash receipts and disbursements must  
74 disclose the amount of receipts by accounts and receipt  
75 classifications and the amount of expenses by accounts and  
76 expense classifications, including, but not limited to, the  
77 following, as applicable: costs for security, professional and  
78 management fees and expenses, taxes, costs for recreation  
79 facilities, expenses for refuse collection and utility services,  
80 expenses for lawn care, costs for building maintenance and  
81 repair, insurance costs, administration and salary expenses, and  
82 reserves accumulated and expended for capital expenditures,  
83 deferred maintenance, and any other category for which the  
84 association maintains reserves.

85 (c) An association may prepare, without a meeting of or  
86 approval by the unit owners:

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

90 2. Reviewed or audited financial statements, if the

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91 association is required to prepare compiled financial  
92 statements; or

93 3. Audited financial statements if the association is  
94 required to prepare reviewed financial statements.

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

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

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

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

106

107 Such meeting and approval must occur before the end of the  
108 fiscal year and is effective only for the fiscal year in which  
109 the vote is taken, except that the approval may also be  
110 effective for the following fiscal year. If the developer has  
111 not turned over control of the association, all unit owners,  
112 including the developer, may vote on issues related to the  
113 preparation of the association's financial reports, from the  
114 date of incorporation of the association through the end of the  
115 second fiscal year after the fiscal year in which the  
116 certificate of a surveyor and mapper is recorded pursuant to s.  
117 718.104(4)(e) or an instrument that transfers title to a unit in  
118 the condominium which is not accompanied by a recorded  
119 assignment of developer rights in favor of the grantee of such

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120 unit is recorded, whichever occurs first. Thereafter, all unit  
121 owners except the developer may vote on such issues until  
122 control is turned over to the association by the developer. Any  
123 audit or review prepared under this section shall be paid for by  
124 the developer if done before turnover of control of the  
125 association. An association may not waive the financial  
126 reporting requirements of this section for more than 3  
127 consecutive years.

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

130 719.104 Cooperatives; access to units; records; financial  
131 reports; assessments; purchase of leases.—

132 (4) FINANCIAL REPORT.—

133 (a) Within 90 days following the end of the fiscal or  
134 calendar year or annually on such date as provided in the bylaws  
135 of the association, the board of administration shall prepare  
136 and complete, or contract with a third party to prepare and  
137 complete, a financial report covering the preceding fiscal or  
138 calendar year. Within 21 days after the financial report is  
139 completed by the association or received from the third party,  
140 but no later than 120 days after the end of the fiscal year,  
141 calendar year, or other date provided in the bylaws, the  
142 association shall provide each member with a copy of the annual  
143 financial report or a written notice that a copy of the  
144 financial report is available upon request at no charge to the  
145 member. Upon notification by a member to the division that the  
146 association has not provided the member with a copy of the  
147 financial report upon request as required under this subsection,  
148 the association must provide the member with a copy of the

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149 financial report. If the association fails to do so, the  
150 association must provide the division with a copy of the  
151 financial report for the next 3 years and may not waive a  
152 financial reporting requirement as provided in paragraph (b) or  
153 paragraph (e). The division shall adopt rules setting forth  
154 uniform accounting principles, standards, and reporting  
155 requirements.

156 (b) Except as provided in paragraph (c), an association  
157 whose total annual revenues meet the criteria of this paragraph  
158 shall prepare or cause to be prepared a complete set of  
159 financial statements according to the generally accepted  
160 accounting principles adopted by the Board of Accountancy. The  
161 financial statements shall be as follows:

162 1. An association with total annual revenues between  
163 \$150,000 and \$299,999 shall prepare a compiled financial  
164 statement.

165 2. An association with total annual revenues between  
166 \$300,000 and \$499,999 shall prepare a reviewed financial  
167 statement.

168 3. An association with total annual revenues of \$500,000 or  
169 more shall prepare an audited financial statement.

170 4. The requirement to have the financial statement  
171 compiled, reviewed, or audited does not apply to an association  
172 if a majority of the voting interests of the association present  
173 at a duly called meeting of the association have voted to waive  
174 this requirement for the fiscal year. In an association in which  
175 turnover of control by the developer has not occurred, the  
176 developer may vote to waive the audit requirement for the first  
177 2 years of operation of the association, after which time waiver

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178 of an applicable audit requirement shall be by a majority of  
179 voting interests other than the developer. The meeting shall be  
180 held prior to the end of the fiscal year, and the waiver shall  
181 be effective for only one fiscal year. An association may not  
182 waive the financial reporting requirements of this section for  
183 more than 3 consecutive years.

184 (c)1. An association with total annual revenues of less  
185 than \$150,000 shall prepare a report of cash receipts and  
186 expenditures.

187 ~~2. An association in a community of fewer than 50 units,~~  
188 ~~regardless of the association's annual revenues, shall prepare a~~  
189 ~~report of cash receipts and expenditures in lieu of the~~  
190 ~~financial statements required by paragraph (b), unless the~~  
191 ~~declaration or other recorded governing documents provide~~  
192 ~~otherwise.~~

193 ~~2.3.~~ A report of cash receipts and expenditures must  
194 disclose the amount of receipts by accounts and receipt  
195 classifications and the amount of expenses by accounts and  
196 expense classifications, including the following, as applicable:  
197 costs for security, professional, and management fees and  
198 expenses; taxes; costs for recreation facilities; expenses for  
199 refuse collection and utility services; expenses for lawn care;  
200 costs for building maintenance and repair; insurance costs;  
201 administration and salary expenses; and reserves, if maintained  
202 by the association.

203 (d) If at least 20 percent of the unit owners petition the  
204 board for a greater level of financial reporting than that  
205 required by this section, the association shall duly notice and  
206 hold a membership meeting within 30 days after receipt of the

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207 petition to vote on raising the level of reporting for that  
208 fiscal year. Upon approval by a majority of the voting interests  
209 represented at a meeting at which a quorum of unit owners is  
210 present, the association shall prepare an amended budget or  
211 shall adopt a special assessment to pay for the financial report  
212 regardless of any provision to the contrary in the declaration  
213 or other recorded governing documents. In addition, the  
214 association shall provide within 90 days after the meeting or  
215 the end of the fiscal year, whichever occurs later:

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

219 2. Reviewed or audited financial statements, if the  
220 association is otherwise required to prepare compiled financial  
221 statements; or

222 3. Audited financial statements, if the association is  
223 otherwise required to prepare reviewed financial statements.

224 (e) If approved by a majority of the voting interests  
225 present at a properly called meeting of the association, an  
226 association may prepare or cause to be prepared:

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

229 2. A report of cash receipts and expenditures or a compiled  
230 financial statement in lieu of a reviewed or audited financial  
231 statement; or

232 3. A report of cash receipts and expenditures, a compiled  
233 financial statement, or a reviewed financial statement in lieu  
234 of an audited financial statement.

235 Section 3. Subsection (7) of section 720.303, Florida

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236 Statutes, is amended to read:

237 720.303 Association powers and duties; meetings of board;  
238 official records; budgets; financial reporting; association  
239 funds; recalls.—

240 (7) FINANCIAL REPORTING.—Within 90 days after the end of  
241 the fiscal year, or annually on the date provided in the bylaws,  
242 the association shall prepare and complete, or contract with a  
243 third party for the preparation and completion of, a financial  
244 report for the preceding fiscal year. Within 21 days after the  
245 final financial report is completed by the association or  
246 received from the third party, but not later than 120 days after  
247 the end of the fiscal year or other date as provided in the  
248 bylaws, the association shall, within the time limits set forth  
249 in subsection (5), provide each member with a copy of the annual  
250 financial report or a written notice that a copy of the  
251 financial report is available upon request at no charge to the  
252 member. Upon notification by a member to the division that the  
253 association has not provided the member with a copy of the  
254 financial report upon request as required under this subsection,  
255 the association must provide the member with a copy of the  
256 financial report. If the association fails to do so, the  
257 association must provide the division with a copy of the  
258 financial report for the next 3 years and may not waive a  
259 financial reporting requirement as provided in paragraph (d).  
260 Financial reports shall be prepared as follows:

261 (a) An association that meets the criteria of this  
262 paragraph shall prepare or cause to be prepared a complete set  
263 of financial statements in accordance with generally accepted  
264 accounting principles as adopted by the Board of Accountancy.

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265 The financial statements shall be based upon the association's  
266 total annual revenues, as follows:

267 1. An association with total annual revenues of \$150,000 or  
268 more, but less than \$300,000, shall prepare compiled financial  
269 statements.

270 2. An association with total annual revenues of at least  
271 \$300,000, but less than \$500,000, shall prepare reviewed  
272 financial statements.

273 3. An association with total annual revenues of \$500,000 or  
274 more shall prepare audited financial statements.

275 (b)1. An association with total annual revenues of less  
276 than \$150,000 shall prepare a report of cash receipts and  
277 expenditures.

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

283 2.3. A report of cash receipts and disbursement must  
284 disclose the amount of receipts by accounts and receipt  
285 classifications and the amount of expenses by accounts and  
286 expense classifications, including, but not limited to, the  
287 following, as applicable: costs for security, professional, and  
288 management fees and expenses; taxes; costs for recreation  
289 facilities; expenses for refuse collection and utility services;  
290 expenses for lawn care; costs for building maintenance and  
291 repair; insurance costs; administration and salary expenses; and  
292 reserves if maintained by the association.

293 (c) If 20 percent of the parcel owners petition the board

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294 for a level of financial reporting higher than that required by  
295 this section, the association shall duly notice and hold a  
296 meeting of members within 30 days of receipt of the petition for  
297 the purpose of voting on raising the level of reporting for that  
298 fiscal year. Upon approval of a majority of the total voting  
299 interests of the parcel owners, the association shall prepare or  
300 cause to be prepared, shall amend the budget or adopt a special  
301 assessment to pay for the financial report regardless of any  
302 provision to the contrary in the governing documents, and shall  
303 provide within 90 days of the meeting or the end of the fiscal  
304 year, whichever occurs later:

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

308 2. Reviewed or audited financial statements, if the  
309 association is otherwise required to prepare compiled financial  
310 statements; or

311 3. Audited financial statements if the association is  
312 otherwise required to prepare reviewed financial statements.

313 (d) If approved by a majority of the voting interests  
314 present at a properly called meeting of the association, an  
315 association may prepare or cause to be prepared:

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

318 2. A report of cash receipts and expenditures or a compiled  
319 financial statement in lieu of a reviewed or audited financial  
320 statement; or

321 3. A report of cash receipts and expenditures, a compiled  
322 financial statement, or a reviewed financial statement in lieu

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323 of an audited financial statement.

324 Section 4. This act shall take effect July 1, 2016.