

FALL 2011

# Community Management Concepts

## FROM THE DESK of the PRESIDENT

Kirk Bliss, ARM®, AMS®, CAM®



During the holiday season people tend to exhibit thoughtfulness, kindness and generosity more than any other time of year. Throughout the year, many of you demonstrate this spirit almost daily. It does not go unnoticed that many board members we work with truly care about their residents and create a better environment for their communities year round. We are very proud of you for your expressions of kindness and outstanding leadership. As we enjoy our holidays, let's not forget that once they are over, residents still need our help out there.

On behalf of all of us at CMC, thank you for your confidence and support. We pledge to work hard in 2012 to bring new ideas and creative products to you and to provide responsive, anticipatory service. Please let us know what we can do better or different going forward. May your holiday season and the New Year be filled with much joy, happiness and success. We look forward to working with you in the coming year and hope our business relationship continues for many years to come.

All the best for a vibrant 2012!

## CMC Holiday Office Closings

CMC will be closed in observance of:

### THANKSGIVING

Thursday, November 24, 2011

Friday, November 25, 2011

### CHRISTMAS

Monday, December 26, 2011

### NEW YEARS

Monday, January 2, 2012

If there is an emergency, please call our office number at (727) 535-2424; calls will automatically be connected to our 24-hour answering service. We will respond to emergencies as quickly as possible. We will respond to all non-emergency messages within 24 hours of re-opening. Thank you.

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**Associa**®

Community Management Concepts, Inc.



# CUSTOMER RELATIONSHIP MANAGEMENT IN AN ASSOCIATION

In today's customer-driven economy, community associations must move to a customer-focused personalized approach. The expectation of association members is that they are the customers of the association's Board of Directors. Members want to feel important and they want to know that the Board of Directors has the necessary expertise to manage their interests. The more you demonstrate your specific understanding of their problems, concerns and aspirations, the more quickly they'll support you—often without really understanding what you are promoting or deciding.

Therefore, the highest goal of customer relationship management for Boards of Directors is making sure they are keeping customers (members) happy, discovering and solving problems. A problem is simply the difference between what you have and what you want. It may be a matter of getting something, of getting rid of something, of avoiding something, or of getting to know what you want. In order to do this, they must build and nurture relationships with the members.

As a business professional, you should ask yourself: "What business am I in?" The answer is quite simple: if your business has anything to do with people—and ALL associations do—you are in the business of building relationships. Some Boards of Directors think that if they manage an association, they are in the business of making business decisions. They aren't. They are in the business of building relationships because that's how you make decisions that are compatible with the needs and interests of association members.

In every association and business activity, influential people succeed and non-influential people don't. You cannot influence someone unless he or she likes you in some way. People are motivated for their reasons, not yours. Rapport is the key to influence. Rapport and influence start with acceptance of the other person's point of view, their state of mind and their style of communication. To influence, you have to be able to appreciate and understand the other person's standpoint. And these work both ways: I cannot influence you without being open to influence myself.

Beyond making decisions as an individual, and as every Board of Director member knows, the landscape gets a little more complicated when you are a leader of a homeowner or condominium association. First, you have to make decisions in a group environment. This is very different

than individual-based decision making and involves a whole different set of dynamics, considerations, challenges, and opportunities. Personality traits such as emotional maturity and the ability to get along with others take on more importance in making these types of decisions and managing an association. Rather than focusing strictly on business acumen or technical skill, associations need Board of Director members who can persuade as well lead, and communicate as well as command. It is a different type of skill set than the traditional command-and-control personality. It is a more subtle, sophisticated type and requires someone who is an "influencer."

But, probably the most unique dynamic that comes into play is that a Board of Director member is made up from members of a community in which they live. The people who elect them and who they represent are friends and neighbors. Therefore, the health of the association is fundamentally determined by the relationship the neighbors have for each other and for the Board of Directors. Make bad decisions or untimely decisions that do not adequately represent the views of the overwhelming majority of members and you will lose their critical support. Board of Directors, spurred on by expensive and egotistical attorneys, attacking neighbors with nasty letters including threats of fines is not how good neighbors treat each other.

For that reason, when making decisions in an association, everything possible should be done to create and maintain open and amicable relationships. Members of the community should be encouraged to attend board meetings, to form and join committees, and to express their needs and opinions and solve mutual problems together. Although in some circumstances they do not have the right to vote on a particular topic, they certainly they have every right to be involved in the discussion pertaining to that topic. Demands are resented. Requests are considered and honored when possible.





# AssociaLiving.com

AssociaLiving is a fun and insightful online magazine created specifically for our Associa communities and homeowners.

A resource of useful and inspiring information for residents and community associations across North America, AssociaLiving includes relevant stories about Entertaining, Home, Practical Living and Community, each geared toward enriching our homes and building stronger community associations.

Sign up for AssociaLiving ([www.associaiving.com](http://www.associaiving.com)) to get great recipes for fall or to discover activities for the whole neighborhood. Keep reading to be inspired with holiday decorating ideas or to learn the ins-and-outs of weatherproofing your home. AssociaLiving has something for everyone in your family and community.

For those everyday clever ideas, visit AssociaLiving's Neighborly Notes blog. Neighborly Notes provides quick and savvy ideas to help make your home a happier,

healthier and more efficient place to live. Blogger Carol, like many of our homeowners, juggles a life comprised of many roles: spouse, parent, child and working professional, to name just a few. She has hectic days like everyone else, but no matter where they are spent, she ends them all at the same place: home. The editors of AssociaLiving hope the helpful tips and tricks about everything from organizing things around the home to entertaining with a twist will help make your days run a little smoother.

Celebrate the best of community living.

Visit [www.associaiving.com](http://www.associaiving.com) and sign up to get the latest ideas in Home, Community, Entertainment and Practical Living.



## HB 1195 | Kirk Bliss, ARM®, AMS®, CAM®, President/CEO

**HB 1195** came into law effective July 1, 2011 providing clarification of some laws already in place. In addition, a number of new laws have been implemented. Listed below are highlights regarding some of the significant changes for several of the laws which have the most impact on condominiums, homeowner associations and cooperatives.

### CONDOMINIUMS

**Fire Code:** Buildings less than (4) four stories which have open walkways allowing for ingress and egress to units are now exempt from installing manual fire alarm systems in accordance to Section 9.6 Life Safety Code.

**Official Records (the following provides clarification as to what personal information is allowed to be disclosed by association):**

- Unit Owner Name
- Unit Designation
- Mailing Address/ Property Address (required for mailing)

**Requires Owner Approval (prior to disclosure):**

- Email Address
- Phone Number/Fax Number
- Any Other Information Not Outlined Above

**Personnel Records Association/Management (no disclosure allowed):**

- Disciplinary, Payroll, Health and Insurance Records
- Phone numbers, Social Security, Email
- Any Other Information Not Outlined Above

**Records Open to Public Review:**

- Employee Agreement, Management Agreement, Budget And Financial Records Including Compensation Paid

**Board Meetings (unit owners are excluded from the following board meetings):**

- Meeting Held In Which Discussion Pertains to Personnel
- Board Meetings/Committee Meetings Held in Which Association's Legal Counsel is Present or Discuss Pending Legal Litigation or Seeking or Rendering Legal Advice

**Eligibility requirements to be a Director:** Owners wishing to place their name to appear on the ballot as candidates must be eligible to serve on the Board of Directors at the (40) forty-day notice deadline requirement to submit intent to be candidates. If delinquent at this deadline, they cannot be on the ballot for said election.

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# HB 1195, cont.

**Board Member Certification (this requires newly elected board members to meet one of the two requirements):**

- Provide Within (90) Ninety Days a Written Letter Certifying That You Have Read the Association's Governing Documents and Will Work to Uphold Said Documents to the Best of Your Ability
- Provide Proof of Certification of Satisfactory Completion of Educational Curriculum by an Approved Division Condominium Educator

## HOMEOWNER ASSOCIATIONS

**Comments:** owners are now entitled to speak at all board meetings and can speak to any designated item

**Official Records:** "Identical as outlined above for Condominiums"

**Director Eligibility:**

- Person Who is Delinquent of Any Fee, Fine or Other Monetary Obligation to the Association for More Than

(90) Ninety Days is not Eligible to Run For the Board of Directors

- Person With or Convicted of a Felony in Florida or in any United States' District Court That Will Be Considered a Felony in Florida is Not Eligible—However if Felon's Civil Rights Have Been Resolved for at Least (5) Five Years of the Date in Which Person Seeks Election to the Board, Person Is Eligible

## COOPERATIVES

**Collection Fees/Liens:** The amendment takes away the cooperative association's ability to lien for reasonable cost of "collection services".

**Demand for Rent:** New language which is specific in nature must be substantially followed as it is outlined in "Appendix III for Demand for Rent".

## IT PAYS NOT TO DISCRIMINATE – CONDOMINIUMS AND HOMEOWNER ASSOCIATIONS

The Federal Fair Housing Act prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status (including children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18), and handicap (disability). Florida State and local ordinances likewise prohibit housing providers, including community associations, from discriminating against anyone protected by the law.

You may have an understanding of the fair housing laws and also know that discrimination on the basis of handicap (or disability) includes the refusal to permit reasonable accommodations or modifications. *Are you aware of other protected classifications?* Local ordinances, on a county and/or municipal level, also govern actions of housing providers. In addition to the classifications mentioned above, some local ordinances include age, marital status, political affiliation and sexual orientation in the protected classifications.

Community associations need to be aware of the local ordinances. A board member may make a statement or take an action in violation of the law for what seems like a perfectly valid reason. In some cases those decisions

ultimately required the association to pay thousands, even hundreds of thousands, of dollars in damages and penalties. Some examples include:

- National Origin Discrimination found when the housing provider charged Russian applicants a fee over and above the fees charged to American applicants.
- An association paid \$15,000.00 to a homeowner after it refused to allow him to install a window air conditioning unit in his home. The homeowner suffered from pulmonary asbestosis, asbestos-related pleural disease, and chronic "irritative" bronchitis.
- Discrimination found when a condominium association would only allow an owner to install a ramp at the rear entrance of her building if she agreed to sign a release stating that she would maintain the ramp at her own expense.

The Justice Department recently announced its largest settlement of a housing discrimination case. The condominium association paid \$1.25 million to settle claims of failing to grant reasonable accommodations to disabled persons.

Board members – please take the time and the effort to understand these and other fair housing requirements.

# HOA Architectural Control Criteria Should Reflect Florida – Friendly Landscaping Principles

**D**rought conditions, watering restrictions, bank foreclosures and abandoned homes all have an impact on yard and grounds maintenance. All have an impact on the look and feel of a community as well as owner/resident satisfaction. As a member of a board of directors you have to ask yourself, “Is the time, energy, money and aggravation of fighting with cash-strapped homeowners to re-sod, re-plant annuals, perform property inspections, hold violation/fining hearings, etc. worth the effort?” That question is especially relevant in light of pertinent Florida laws. One of the provisions of the Homeowners’ Association Act says: §720.3075(4):

(a) The Legislature finds that the use of Florida-friendly landscaping and other water use and pollution prevention measures to conserve or protect the state’s water resources serves a compelling public interest and that the participation of homeowners’ associations and local governments is essential to the state’s efforts in water conservation and water quality protection and restoration.

(b) Homeowners’ association documents, including declarations of covenants, articles of incorporation, or bylaws, may not prohibit or be enforced so as to prohibit any property owner from implementing Florida-friendly landscaping, as defined in s. 373.185, on his or her land or create any requirement or limitation in conflict with any provision of part II of chapter 373 or a water shortage order, other order, consumptive use permit, or rule adopted or issued pursuant to part II of chapter 373.

Another chapter of the Florida Statutes defines the term “Florida-friendly” landscape. It likewise prevents HOAs from enforcing deed restrictions in a way that precludes the use of these techniques. §373.185(3):

(a) The Legislature finds that the use of Florida-friendly landscaping and other water use and pollution prevention measures to conserve or protect the state’s water resources serves a compelling public interest and that the participation of homeowners’ associations and local governments is essential to the state’s efforts in water conservation and water quality protection and restoration.

(b) A deed restriction or covenant may not prohibit or be enforced so as to prohibit any property owner from implementing Florida-friendly landscaping on his or her land or create any requirement or limitation in conflict with any provision of part II of this chapter or a water shortage order, other order, consumptive use permit, or rule adopted or issued pursuant to part II of this chapter.

Therefore, what are the rules in homeowners associations? Is the requirement to maintain a lush green lawn still the norm? If so, should that be the case? It does not appear so in light of these requirements. Consequently, HOA boards and committees are updating architectural control guidelines to reflect current thought about Florida landscape with an eye towards maintaining the aesthetic quality of the neighborhood while making life a little easier (and less expensive) for the homeowners.

Recently, several homeowners in a DeLand, Florida HOA removed all of the St. Augustine grass and replaced it with Florida native plantings. Neighbors were thrilled with the results and so were the homeowners – they capped off sprinklers for good and hardly ever have a need to water the landscape. Water collected in a rain barrel provides enough of a supplement during dry spells and weekly mowing has been replaced with quarterly care of jasmine, palms, coco plum and other drought-tolerant plants.

*Support from the HOA makes a huge difference.* Have you really taken a look at the architectural control criteria or landscape guidelines in the past few years? If not, we encourage community leaders to work with your local University of Florida – IFAS Extension and residents to develop updated guidelines that work for everyone. You can find out more about Florida-Friendly landscaping at [www.floridayards.org](http://www.floridayards.org). Check out the plant database to see what beautiful options are available.





# New FHA Mortgage Rules for Condominiums Begin October 1, 2011 | Kirk Bliss, ARM®, AMS®, CAM®

LENDERS across the country are gearing up for new FHA condominium standards which began on October 1, 2011. The revised FHA mortgage rules were announced in a June 2011 letter to lenders from HUD. The bottom line: if you now own a condominium and want to finance or refinance with an FHA-backed loan, the process will now be more difficult.

## Here are some of the standards that HUD is requiring.

- Project approval is “not” required for FHA To FHA streamline refinances or for FHA/HUD Real Estate Owned (REO) sales. If you have a FHA loan and want a streamline refinance, you’re golden.
- Ineligible properties include condominium, condominium hotels, timeshares or segmented ownership projects, houseboat projects, multi-dwelling unit condominiums, i.e., more than one dwelling per condominium unit, and all projects not deemed to be used primarily as residential.

## Note: Some additional standards for condominium properties, as explained by HUD:

- At least 50 percent of the units of a project must be owner-occupied or sold to owners who intend to occupy the units.
- For proposed, under construction or projects still in their initial marketing phase, FHA will allow a minimum owner occupancy amount equal to 50 percent of the number of presold units (the minimum presales requirement of 50 percent still applies).
- No more than 15 percent of the total units can be in arrears (more than “30 days” past due) of their condominium association fee payment.
- Projects consisting of three or less units will have no more than one unit encumbered with FHA insurance.
- Projects consisting of four or more units will have no more than 30 percent of the total units encumbered with FHA insurance.

## Concerns:

- For instance, the FHA might say that 50 percent of all units must be owner-occupied, but a lender might require 60 percent or even 70 percent.

- Another potential problem concerns litigation. When a condominium project is being sued, lenders may not want to finance individual units because of potential liabilities. For instance, if a condominium project loses a suit and each unit owner must pay a big special assessment that would be an additional risk to lenders—and not without reason. Note: The problem is that the litigation, even if minor, might delay or stop lender interest in a property. If you are refinancing a condominium and now have FHA financing, you should be fine. If you are buying or selling a unit after October 1, 2011, FHA-backed financing may be more difficult.

## New FHA Condominium Guidelines Allow for Higher Delinquency Rates:

The Federal Housing Administration (FHA) Condominium Project Guidelines were recently revised in various respects. One significant change takes account of the financial difficulties that condominium associations and their owners have been facing over the past several years. The previous guidelines stated that associations would not be approved if more than 15% of units were more than 30 days delinquent.

## Under the new guidelines, condominium associations that exceed the 15% threshold can still qualify for FHA approval if they meet the following:

- Have no more than 20% of units that are over 30 days delinquent.
- Provide a report showing the past six months of assessments charged and collected to verify same.
- Provide a report showing current reserve fund balances and operating accounts that exceed the amount of outstanding delinquencies.
- Provide a report the association has budgeted for delinquencies such as “Bad Debit line item”.
- Provide a reserve study less than (24) months old demonstrating that an association can meet its replacement needs financial obligations.
- Provide a report reflecting collection efforts including, legal action and payment plans on delinquent accounts.

If your association is interested in obtaining FHA approval, it should contact an experienced professional that works in your area to determine whether it meets the many criteria that are involved in that process. It is important to be aware that FHA does not necessarily mean you will incur bad owners. However, the association should be monitoring such during these difficult economical times. One of the few options new owners have is to obtain FHA financing.

# The Dynamics of Association Board Leadership – Team Behavior

**H**ow Board of Director members interact says a great deal about the state of a condominium or homeowner association. Leadership is the ability to make things happen by encouraging and channeling the contributions of others, taking a stand on and addressing important issues, and acting as a catalyst for change and continuous improvement.

In a volunteer community association, the Board of Director member will face problems and opportunities which are complex and challenging. As a result, today's Board of Director must encourage and apply the contributions of all of its members – both individually and as a group.

Some ways that effective and ineffective Board of Director teams interact:

**Ineffective teams:** People shield those in power from unpleasant facts, fearful of penalties and criticism for shining light on the rough realities.

**Effective teams:** People bring forth grim facts – “Come here and look – this is ugly” – to be discussed; leaders never criticize those who bring forth harsh realities.

**Ineffective teams:** People assert strong opinions without providing data, evidence, or a solid argument.

**Effective teams:** People bring data, evidence, logic, and solid arguments to the discussion.

**Ineffective teams:** The Board of Director President has a very low questions-to-statements ratio, avoiding critical input and/or allowing sloppy reasoning and unsupported opinions.

**Effective teams:** The Board of Director President employs a Socratic style, using a high questions-to-statements ratio, challenging people, and pushing for penetrating insights.

**Ineffective teams:** Team members acquiesce to a decision but don't unify to make the decision successful – or worse, undermine it after the fact.

**Effective teams:** Team members unify behind a decision once made, and then work to make the decision succeed, even if they vigorously disagreed with it.

**Ineffective teams:** Team members seek as much credit as possible for themselves, yet do not enjoy the confidence and admiration of their peers.

**Effective teams:** Each team member credits other people for success, yet enjoys the confidence and admiration of his or her peers.

**Ineffective teams:** Team members argue to look smart or to further their own interests rather than argue to find the best answers to support the overall cause.

**Effective teams:** Team members argue and debate, not to improve their personal position but to find the best answers to support the overall cause.

**Ineffective teams:** The team conducts “autopsies with blame,” seeking culprits rather than wisdom.

**Effective teams:** The team conducts “autopsies without blame,” mining wisdom from painful experiences.

**Ineffective teams:** Team members often fail to deliver exceptional results and blame other people or outside factors for setbacks, mistakes, and failures.

**Effective teams:** Each team member delivers exceptional results, yet in the event of a setback each accepts full responsibility and learns from mistakes.

## What does a good association decision look like?

Clearly, the top function of a condominium or homeowner Board of Director is to make good decisions that are best for the association and its members. When Boards of Directors do not make good decisions, they can alienate its members, create distractions, and build mistrust towards the Boards of

Directors. Decisions won't stick; they will be revisited again. People will implement actions not chosen, or the results of the decision will be invisible in a matter of weeks. What does a good decision really look like?

There are **TWO CRITICAL COMPONENTS**; the quality of the decision and the timeliness of the decision.

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## Good Association Decision, cont.

### QUALITY OF THE DECISION.

How would you recognize a high-quality decision for your association if you saw one?

1. Is the right question being answered?
2. Have we generated a small set of creative yet feasible alternatives (or choices)?
3. Do we have meaningful and reliable information, particularly about risk?
4. Have we identified clear preferences and trade-offs?
5. Did we exercise sound reasoning, and clear communication about complex issues?
6. Do we have a commitment to action?

### TIMELINESS OF THE DECISION.

The second component of good decision making is its timeliness. Nothing slows down a Board of Directors more than paralysis by analysis – the inability to make even smallest decisions quickly. Unnecessarily delaying a decision or making no decision is just the same as making a decision. You have simply chosen the option of taking no action. It means you are defaulting to the status quo.

When you don't make a timely decision, there are a lot of negatives that can happen, even though the decision itself may be a sound one. It can cause delays in decision

implementation which in turn, can result in a missed opportunity or make a bad situation worse. It can put the association into a "downtime" condition that brings it to a temporary standstill on the issue being examined. It allows the grapevine and rumor mill to churn, which now brings further complications that have to be addressed. But, probably one of the biggest problems that it brings is a loss of confidence in the association's leaders. Hesitation or a reluctance to make a decision is often the sign of ineffective leadership and is a surefire way for a Board of Director to lose support of its members and thus its ability to lead.

When it comes to decision making, successful Board of Directors have learned that action is vital. They live with the reality of consequences and know there will always be uncertainty in their decisions. No one can see all possible ramifications; no one can predict every contingency; no one can absolutely prevent failure. Strong leaders know that failure is not final, it is a learning opportunity. The real danger surrounding decision making is not "will I make the wrong decision" but "did I make the best decision possible given the facts and circumstances in a timely manner". Good leaders will always recover from poor decisions; they learn and become wiser. But weak leaders will mess around and miss opportunities. And once they finally make a decision, chances are their decision will have no momentum, no passion and no urgency – it is too late.

## YEAR END FINANCIAL REPORTING: Condominiums, Homeowner Associations and Cooperatives | Manjola Kavacic, Client Controller

### CONDOMINIUM ASSOCIATIONS

Condominium associations must provide their members with a year-end financial report (or notice that a report is available, free of charge) within 120 days of the end of the fiscal year. The level of required financial report depends upon the association's annual revenues.

- Associations with revenues of more than \$400,000.00 must produce an audit.
- Associations with revenues of \$200,000.00 to \$400,000.00 must produce a review.
- Associations with revenues of \$100,000.00 to \$200,000.00 must produce a compilation.

- Associations with revenues of less than \$100,000.00 must produce a report of cash receipts and expenditures.

However, if the condominium has less than 75 units, the law merely requires a report of cash receipts and expenditures, regardless of the association's annual revenue. While the unit owners may vote to reduce the level of financial reporting, it is worthwhile to discuss the benefits of each level of review. Section 718.111(13), Florida Statutes directs the Division of Florida Condominiums, Timeshares and Mobile Homes to adopt rules setting forth uniform accounting principles and standards. The 2010 changes require

those rules to set standards for reporting a summary of association reserves. Communities that reserve on a line-item basis (straight line method) will need to include a good faith estimate disclosing the annual amount of reserve funds that would be necessary for full funding once the Division adopts rules. Condominium associations should therefore engage in some due diligence when preparing reserve schedules. A reserve study is always a good idea as it not only provides the basis for the annual reserve schedule, but will also identify the projects requiring priority attention.

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# YEAR END FINANCIAL REPORTING, CONT.

## HOMEOWNER ASSOCIATIONS

Section 720.303(6), Florida Statutes, part of the Florida Homeowners' Association Act, has been amended regarding budgets and reserves, but those changes likewise impact the year-end financial reports. The 2010 changes distinguish between "statutory" and "non-statutory" reserves. There are different disclosures required, depending on the type of reserves established.

HOAs that do not include "statutory" reserve schedules and funding for those reserves in their annual budgets must include the following disclosure in the year-end financial statements:

THE BUDGET OF THE ASSOCIATION DOES NOT PROVIDE FOR RESERVE ACCOUNTS FOR CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE THAT MAY RESULT IN SPECIAL ASSESSMENTS. OWNERS MAY ELECT TO PROVIDE FOR RESERVE ACCOUNTS PURSUANT TO SECTION 720.303(6), FLORIDA STATUTES, UPON OBTAINING THE APPROVAL OF A MAJORITY OF THE TOTAL VOTING INTERESTS OF THE ASSOCIATION BY VOTE OF THE MEMBERS AT A MEETING OR BY WRITTEN CONSENT.

HOAs that include "non-statutory" reserve funding in their annual budgets must include the following disclosure in the year-end financial statements:

THE BUDGET OF THE ASSOCIATION PROVIDES FOR LIMITED VOLUNTARY DEFERRED EXPENDITURE ACCOUNTS, INCLUDING CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE, SUBJECT TO LIMITS ON FUNDING CONTAINED IN OUR GOVERNING DOCUMENTS. BECAUSE THE OWNERS HAVE NOT ELECTED TO PROVIDE FOR RESERVE ACCOUNTS PURSUANT TO SECTION 720.303(6), FLORIDA STATUTES, THESE FUNDS ARE NOT SUBJECT TO THE RESTRICTIONS ON USE OF SUCH FUNDS SET FORTH IN THAT STATUTE, NOR ARE RESERVES CALCULATED IN ACCORDANCE WITH THAT STATUTE.

## COOPERATIVES

Financial Report:

(a) Within 60 days following the end of the fiscal or calendar year or annually on such date as is otherwise provided in the bylaws of the association, the board of administration of the association shall mail or furnish by personal delivery to each

unit owner a complete financial report of actual receipts and expenditures for the previous 12 months, or a complete set of financial statements for the preceding fiscal year prepared in accordance with generally accepted accounting procedures. The report shall show the amounts of receipts by accounts and receipt classifications and shall show the amounts of expenses by accounts and expense classifications including, if applicable, but not limited to, the following:

1. Costs for security;
2. Professional and management fees and expenses;
3. Taxes;
4. Costs for recreation facilities;
5. Expenses for refuse collection and utility services;
6. Expenses for lawn care;
7. Costs for building maintenance and repair;
8. Insurance costs;
9. Administrative and salary expenses; and
10. Reserves for capital expenditures, deferred maintenance, and any other category for which the association maintains a reserve account or accounts.

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