

Owner's Associations

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Why have CPA Relationship?

- ❖ Fiduciary Responsibility – Trusted Advisor
- ❖ Big Picture View – Economics No Emotions or Politics
- ❖ Independence and Continuity

Compliance

Tax Return Choice

1120 H Short Form

- ❖ Residential
- ❖ Spend 90% Assessments
- ❖ Taxed on Interest and Side Activities Like Homeowner
- ❖ Low Risk IRS Audit
- ❖ Higher Tax 30%

Compliance

Tax Return Choice

1120 Long Form

- ❖ Commercial Activities
- ❖ Reserve Accounting Critically Important
- ❖ Much More Complex – More Fees
- ❖ Lower Tax Rate 21%

Financial Statements - Special

- ❖ Handling of Common Property – Not Asset, Fiduciary Responsibilities
- ❖ Reserve Disclosures Required- Required Disclosure
 - Reserve Study
 - Estimated Repair/ Replace Next Twenty to Thirty Years
 - Cash Set Aside to Fund
- ❖ Insurance Disclosures Important

Assurance Services – Financial Statement Emphasis Not Management Efficiency

- ❖ **Compilation**
 - Prepare Financial Statements – No Assurance

- ❖ **Review**
 - Prepare Financial Statements – CPA Analytical Procedures

- ❖ **Audit**
 - Prepare Financial Statements – CPA Analytical Procedures
 - Custom Risk Based Audit - AICPA Generally Accepted Auditing Standards
 - Review Internal Controls – IT
 - Verification Procedures

Questions?



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