

June 27, 2009

GAAP for Homeowners Associations and Condominiums
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972 Real Estate—Common Interest Realty Associations 10 Overall

972-10-05 Overview and Background

General

972-10-05-1 The Codification contains several Topics for real estate due to the differing accounting treatment for various real estate subindustries. The Topics include:

- a. Real Estate—General
- b. Real Estate—Common Interest Realty Associations
- c. Real Estate—Real Estate Investment Trusts
- d. Real Estate—**Time-Sharing** Activities
- e. Real Estate—Retail Land.

See also Subtopic [360-20](#) for accounting guidance for the sale of real estate other than retail land.

972-10-05-2 The Real Estate—Common Interest Realty Associations Topic addresses the unique accounting and reporting issues for **common interest realty associations**. This Topic includes the following Subtopics:

- a. Overall
- b. Presentation of Financial Statements
- c. Notes to Financial Statements
- d. Property, Plant, and Equipment
- e. Deferred Revenue
- f. Revenue Recognition
- g. Other Expenses
- h. Income Taxes

- i. Related Party Disclosures.

> Other Considerations

972-10-05-3 Although housing cooperatives have been around since the 1920s, and planned unit developments since the 1840s, it was not until new forms of real estate ownership, such as **condominiums** and time-share associations, emerged in the 1960s that the terms used to describe them became common. A key feature of these forms of real estate ownership is the existence of an **association** of owners, referred to in this Topic as a common interest realty association, which is responsible for providing certain services and maintaining certain property that all the owners share or own in common. Homeowners' associations and condominium associations are two examples of common interest realty associations.

972-10-05-4 The main characteristics of such ownership are the following:

- a. Individual ownership of a lot, defined interior space, or shares of stock
- b. Ownership of an undivided interest in the **common property**, with all owners bound by covenant, restriction, or contract through an association of owners
- c. Automatic membership in a common interest realty association that has been established under state laws and that performs maintenance and other service activities for the owners
- d. Funding of the common interest realty association's activities by periodic assessments of all owners.

972-10-15 Scope and Scope Exceptions

General Note for Financial Instruments: Some of the items subject to the guidance in this Subtopic are **financial instruments**. For guidance on matters related broadly to all financial instruments, (including the fair value option, accounting for registration payment arrangements, and broad financial instrument disclosure requirements), see Topic {To Come}. See Section {To Come} for guidance on the scope of the Financial Instruments Topic.

General

> Overall Guidance

972-10-15-1 The Subtopics within the Real Estate—Common Interest Realty Associations Topic only provide incremental industry-specific guidance for the entities defined in this Scope Section, or as further defined in the Scope Sections of the individual Subtopics. Entities within the scope of this Topic shall also comply with the applicable guidance not included in this Topic.

> Entities

972-10-15-2 The Real Estate—Common Interest Realty Associations Topic provides guidance for all entities that are **common interest realty associations**. A key feature of these forms of real estate ownership is the existence of an **association** of owners, which is responsible for

providing certain services and maintaining certain property that all owners share or own in common. Some examples of common interest realty associations are:

- a. **Homeowners associations**
- b. **Condominium** associations
- c. Time-share associations
- d. **Planned-unit developments**
- e. **Cooperative housing corporations.**

> Transactions

972-10-15-3 The guidance in the Real Estate—Common Interest Realty Associations Topic applies to all transactions conducted by common interest realty associations.

972-10-20 Glossary

Association

An organization of unit owners responsible for the operation, administration, and management of the common property. Generally, a not-for-profit corporation with membership of all owners.

Common Interest Realty Association

An association, also known as a community association, responsible for the governance of the common interest community, for which it was established to serve. A common interest realty association is generally funded by its members via periodic assessments by the common interest realty association so that it can perform its duties, which include management services and maintenance, repair, and replacement of the common property, among other duties established in the governing documents and by state statute.

Common Property

A common interest realty association's real or personal property to which title or other evidence of ownership is held by either:

- a. Individual members in common
- b. The common interest realty association directly.

Condominium

A form of ownership of real property that combines exclusive ownership of a defined space and an undivided interest in the common elements. (Also referred to as a condo.) A common interest realty association is not a condominium unless the undivided interests in the common elements are vested in the unit owners.

Cooperative Housing Corporation

Also referred to as a coop, a cooperative housing corporation is an entity established as a corporation that owns the real estate, usually a multi-unit dwelling, and all improvements on it and is responsible for its maintenance and payment of debt service. Ownership in the corporation is evidenced by shares of stock owned by tenant-shareholders who are entitled to occupy a unit

under a proprietary lease. The individual ownership interests in most cooperatives are structured as personal property interests, but some are structured as real property interests.

Homeowners Association

See [Association](#).

Planned-Unit Development

A real estate development that consists of separate lots with contiguous or noncontiguous common areas and facilities owned and maintained by a common interest realty association in which owners have stock or a membership interest.

Tenancy-for-Years

A time-sharing arrangement in which a customer has a qualified right to possession and use of a time-sharing interval for a certain number of years, after which it reverts to the seller or a third party. Also known as Estate-for-Years or Term-for-Years.

Time-Sharing

An arrangement in which a seller sells or conveys the right to occupy a dwelling unit for specified periods in the future. Forms of time-sharing arrangements include but are not limited to fixed and floating time, interval ownership, [undivided interests](#), points programs, vacation clubs, right-to-use arrangements such as [tenancy-for-years](#) arrangements, and arrangements involving special-purpose entities.

Undivided Interest

A time-sharing arrangement that involves a tenant-in-common interest in a condominium unit or entire improved property, and in which the interest holder is assigned a specific period (generally, a specific week). The interest holder is also assigned a specific unit if the undivided interest is in the entire improved property.

972 Real Estate—Common Interest Realty Associations 205 Presentation of Financial Statements

972-205-05 Overview and Background

General

972-10-05-1 This Subtopic addresses fund reporting and financial statement requirements for **common interest realty associations**.

972-205-15 Scope and Scope Exceptions

General

> **Overall Guidance**

972-10-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [972-10-15](#).

972-205-20 Glossary

Common Interest Realty Association

An association, also known as a community association, responsible for the governance of the common interest community, for which it was established to serve. A common interest realty association is generally funded by its members via periodic assessments by the common interest realty association so that it can perform its duties, which include management services and maintenance, repair, and replacement of the common property, among other duties established in the governing documents and by state statute.

Cooperative Housing Corporation

Also referred to as a coop, a cooperative housing corporation is an entity established as a corporation that owns the real estate, usually a multi-unit dwelling, and all improvements on it and is responsible for its maintenance and payment of debt service. Ownership in the corporation is evidenced by shares of stock owned by tenant-shareholders who are entitled to occupy a unit under a proprietary lease. The individual ownership interests in most cooperatives are structured as personal property interests, but some are structured as real property interests.

972-205-45 Other Presentation Matters

General

> **Fund Reporting**

972-10-45-1 Assets transferred to the **common interest realty association** by the developer and recognized in the balance sheet shall be reported as additions to the operating fund balance (or property fund, if such a fund is established). A common interest realty association may not need to use fund reporting if it does not assess for future major repairs and replacements.

972-10-45-2 Common interest realty associations that assess owners annually for portions of future major repairs and replacements shall report those assessed amounts separately from amounts assessed for normal operations. If a common interest realty association uses fund reporting, amounts assessed for future major repairs and replacements shall be reported in the major repair and replacement fund separately from transactions in the operating fund. Transfers between funds that are not part of the current-period operating revenues shall be presented only in a statement of changes in fund balances or in a statement of changes in members' equity, if a nonfund reporting approach is used. (See paragraphs [972-235-50-2 through 50-3](#) for recommended disclosures.)

972-10-45-3 Some common interest realty associations may also conduct commercial operations or separate business activities, such as rental operations, in addition to their primary activities. Such activities may be reported on as one or more additional funds.

> **Nonfund Reporting**

972-10-45-4 Nonfund reporting is an alternative to fund reporting. However, fund reporting is more informative to users, because financial statements using nonfund reporting often do not disclose whether assessments have been used for purposes other than those for which they were designated. For example, if nonfund reporting is used, a user of financial statements may be unable to determine whether assessments for future major repairs and replacements have been used in current operations.

972-10-45-5 Because this Subtopic primarily addresses the fund reporting approach, readers should substitute the term members' equity for the term fund balance if financial statements using nonfund reporting are presented. Furthermore, the fund for major repairs and replacements would be presented as an appropriation of retained earnings in such financial statements.

> **Financial Statement Requirements**

972-10-45-6 Full presentations of financial statements for common interest realty associations presented in conformity with generally accepted accounting principles (GAAP) shall include all of the following:

- a. A balance sheet
- b. A statement of revenues and expenses
- c. A statement of changes in fund balances or a statement of changes in members' equity if nonfund reporting is used
- d. A statement of cash flows
- e. Notes to financial statements.

972-10-45-7 Information about the operating fund shall present assets, liabilities, and the fund balance specifically associated with the common interest realty association's normal maintenance and service activities. For example, the operating fund shall include information about cash, assessments receivable, prepaid expenses, and trade payables. Property and equipment, if reported as assets, are generally reported in the operating fund. If the amount of property and equipment held by a common interest realty association is significant, the common interest realty association may account for it in a separate fund.

972-10-45-8 The presentation of information about the fund for major repairs and replacements (the replacement fund) shall include information about assets, liabilities, and the fund balance specifically associated with the common interest realty association's long-term major repair and replacement activities. The fund includes all assets that are held, for example, for the future replacement of roofs, roads, and furniture (some common interest realty associations may have a deferred maintenance fund which is used for painting or refinishing of building exteriors). Those assets usually consist of cash, marketable securities, and short-term investments. Liabilities in that fund generally are for work done on contracts for major repairs and replacements.

972-10-45-9 The statement of revenues and expenses shall present information about all assessments, other revenues, and expenses. All common interest realty association activities, except for replacement fund activities, shall be presented in the operating fund in the statement of revenues and expenses unless the common interest realty association has other funds such as

a deferred maintenance fund or a capital improvement fund, and so forth. Depreciation shall be reported as an expense of the fund in which the asset is reported.

972-10-45-10 The financial statements shall include a statement of changes in fund balances, which reconciles beginning and ending fund balances with results of operations for the period. The statement may be presented separately or may be combined with the statement of revenues and expenses. Permanent transfers between funds shall be presented as interfund transfers in the statement of changes in fund balances, not as revenues. For example, if the board of directors transfers excess operating funds to the replacement fund at the end of an operating year, the interfund transfer shall be shown in the statement of changes in fund balances, not by reclassifying revenues.

> **Interfund Receivables and Payables**

972-10-45-11 Common interest realty associations may have interfund receivables and payables resulting from any of the following:

- a. Obligations of one fund are paid for with the assets of another fund.
- b. Amounts assessed for the activities of one fund are collected, but not transferred, by another fund.

972-10-45-12 Corresponding interfund receivables and payables shall be presented to highlight the transactions resulting in those balances and to provide information about amounts assessed and collected that were not used in accordance with the budget.

> **Unclassified Balance Sheets**

972-10-45-13 Common interest realty associations can generally present unclassified balance sheets. Common interest realty associations having significant commercial operations, however, should consider presenting classified balance sheets.

> **Cooperatives**

972-10-45-14 Cooperatives shall present all of the following:

- a. A balance sheet
- b. A statement of operations
- c. A statement of changes in shareholders' equity
- d. A statement of cash flows
- e. Notes to financial statements
- f. The supplementary information required by paragraph 972-235-50-3.

972-10-45-15 Statements of operations of cooperatives shall present information about all revenues and expenses. Reported revenues shall include all charges to tenant-shareholders and other income. If per-share data are deemed useful, they shall be considered for disclosure in the notes to the financial statements.

972-10-45-16 A statement of retained earnings (deficit) may be combined with the statement of operations. If there is activity in paid-in capital, a separate statement of shareholders' equity should be prepared.

972-205-50 Disclosure

General

> Cooperatives

972-10-50-1 Components of retained earnings or deficit shall not be disclosed. Allocating a portion of retained earnings to an amount equal to accumulated depreciation is an unacceptable practice.

972-10-50-2 The notes to the financial statements should disclose a **cooperative's** funding policy, if any, for future major repairs and replacements, as discussed in paragraph [972-235-50-2](#).

> Other Matters

972-10-50-3 See paragraph [972-205-45-15](#) for guidance on disclosing per-share information.

972 Real Estate—Common Interest Realty Associations 235 Notes to Financial Statements

972-235-05 Overview and Background

General

972-10-05-1 This Subtopic addresses disclosure requirements for **common interest realty associations**. Subtopic-specific disclosure requirements are included within the respective Subtopics.

972-235-15 Scope and Scope Exceptions

General

> Overall Guidance

972-10-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [972-10-15](#).

972-235-20 Glossary

Association

An organization of unit owners responsible for the operation, administration, and management of the common property. Generally, a not-for-profit corporation with membership of all owners.

Common Interest Realty Association

An association, also known as a community association, responsible for the governance of the common interest community, for which it was established to serve. A common interest realty association is generally funded by its members via periodic assessments by the common interest realty association so that it can perform its duties, which include management services and maintenance, repair, and replacement of the common property, among other duties established in the governing documents and by state statute.

Common Property

A common interest realty association's real or personal property to which title or other evidence of ownership is held by either:

- a. Individual members in common
- b. The common interest realty association directly.

Condominium

A form of ownership of real property that combines exclusive ownership of a defined space and an undivided interest in the common elements. (Also referred to as a condo.) A common interest realty association is not a condominium unless the undivided interests in the common elements are vested in the unit owners.

Cooperative Housing Corporation

Also referred to as a coop, a cooperative housing corporation is an entity established as a corporation that owns the real estate, usually a multi-unit dwelling, and all improvements on it and is responsible for its maintenance and payment of debt service. Ownership in the corporation is evidenced by shares of stock owned by tenant-shareholders who are entitled to occupy a unit under a proprietary lease. The individual ownership interests in most cooperatives are structured as personal property interests, but some are structured as real property interests.

Homeowners Association

See Association.

972-235-50 Disclosure

General

972-10-50-1 In addition to disclosures required by generally accepted accounting principles (GAAP) for other entities, the notes to a **common interest realty association's** financial statements shall also include disclosures about all of the following:

- a. The common interest realty association's legal form (corporation or **association**) and that of the entity for which it provides services (for example, **condominium**, **homeowners association**, cooperative), areas it controls, and the number of units. (In place of the number of units, **cooperative housing corporations** may disclose the

number of shares and time-share associations may disclose the number of weeks.)

- b. Services (such as maintenance) and subsidies provided by the developer
- c. The number of units (shares for cooperative housing corporations and weeks for time-share associations) owned by the developer.

> **Future Major Repairs and Replacements**

972-10-50-2 A common interest realty association shall disclose information in its notes to financial statements about its funding for future major repairs and replacements. Disclosures about such funding shall include all of the following:

- a. Requirements, if any, in statutes or the common interest realty association's documents (or mortgage or governmental bodies funding requirements, for example, Federal Housing Administration often has such requirements) to accumulate funds for future major repairs and replacements and the common interest realty association's compliance or lack of compliance with them
- b. A description of the common interest realty association's funding policy, if any, and compliance with that policy
- c. A statement that funds, if any, are being accumulated based on estimated future (or current) costs, that actual expenditures may vary from these estimates, and that the variations may be material
- d. Amounts assessed for major repairs and replacements in the current period, if any
- e. A statement indicating whether a study was conducted to estimate the remaining useful lives of **common property** components and the costs of future major repairs and replacements.

Common interest realty associations that fund future major repairs and replacements by special assessments or borrowings when needs occur shall disclose that information.

> **Required Supplementary Information**

972-10-50-3 Common interest realty associations shall disclose the following as unaudited supplementary information:

- a. Estimates of current or future costs of future major repairs and replacements of all existing components, such as roofs, including estimated amounts required, methods used to determine the costs, the basis for calculations (including assumptions, if any, about interest and inflation rates), sources used, and the dates of studies, made for this purpose, if any. There is no requirement for common interest realty associations to obtain studies prepared by professional engineers. The estimates may be made by the board of directors or estimates obtained from licensed contractors.
- b. A presentation of components to be repaired and replaced, estimates of the remaining useful lives of those components, estimates of current or future replacement costs, and amounts of funds accumulated for each to the extent designated by the board.

972 Real Estate—Common Interest Realty Associations

360 Property, Plant, and Equipment

972-360-05 Overview and Background

General

972-10-05-1 This Subtopic addresses recognition and disclosure issues for common real and personal property related to **common interest realty associations**.

972-360-15 Scope and Scope Exceptions

General

> Overall Guidance

972-10-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [972-10-15](#).

972-360-20 Glossary

Association

An organization of unit owners responsible for the operation, administration, and management of the common property. Generally, a not-for-profit corporation with membership of all owners.

Common Interest Realty Association

An association, also known as a community association, responsible for the governance of the common interest community, for which it was established to serve. A common interest realty association is generally funded by its members via periodic assessments by the common interest realty association so that it can perform its duties, which include management services and maintenance, repair, and replacement of the common property, among other duties established in the governing documents and by state statute.

Common Property

A common interest realty association's real or personal property to which title or other evidence of ownership is held by either:

- a. Individual members in common
- b. The common interest realty association directly.

Condominium

A form of ownership of real property that combines exclusive ownership of a defined space and an undivided interest in the common elements. (Also referred to as a condo.) A common interest realty association is not a condominium unless the undivided interests in the common elements are vested in the unit owners.

Homeowners Association

See [Association](#).

972-360-25 Recognition

General

> Common Real Property

972-10-25-1 Cooperatives shall recognize common real property as assets. Because of their legal structure, cooperatives have title to all their **common property** and have the authority to dispose of it and retain the proceeds. Other **common interest realty associations**, such as **condominiums** and **homeowners associations**, have adopted other practices for recognizing common real property.

> Real Property Directly Associated with the Units

972-10-25-2 Most common interest realty associations other than cooperatives, regardless of whether they have title, do not recognize as assets real property directly associated with the units.

> Real Property Not Directly Associated with the Units

972-10-25-3 Most common interest realty associations other than cooperatives recognize real property not directly associated with the units as assets when the common interest realty association has title or other evidence of ownership of the property and any of the following conditions are met:

- a. The common interest realty association can dispose of the property, at the discretion of its board of directors, for cash or claims to cash, with the common interest realty association retaining the proceeds.
- b. The property is used by the common interest realty association to generate significant cash flows from members on the basis of usage or from nonmembers.

972-10-25-4 However, some common interest realty associations recognize as assets all real property to which they have title or other evidence of ownership and that is not directly associated with the units, regardless of whether either of the above conditions is met.

> Personal Property

972-10-25-5 Common interest realty associations shall recognize common personal property, such as furnishings, recreational equipment, maintenance equipment, and work vehicles, that is used by the common interest realty association in operating, preserving, maintaining, repairing, and replacing common property and providing other services, as assets.

972-360-30 Initial Measurement

General

972-10-30-1 Common property recognized as assets of a **common interest realty association** shall be initially measured at the common interest realty association's cost to acquire it if the common interest realty association acquired the property in a monetary transaction. If the common interest realty association acquired the property in a nonmonetary transaction, such as by a nonreciprocal transfer from the developer, and if the property is recognized as an asset of the common interest realty association, the common interest realty association shall initially measure the property using fair value at the date of its acquisition. It may be helpful to consider the developer's cost, if it is known, in determining the fair value.

972-360-35 Subsequent Measurement

General

972-10-35-1 Property and equipment recognized as assets by common interest realty associations shall be depreciated based on their estimated useful lives.

972-360-50 Disclosure

General

> General Information

972-10-50-1 All of the following information about a **common interest realty association's common property** shall be disclosed in the notes to its financial statements:

- a. The accounting policy for recognition and measurement of common property
- b. A description of common property recognized as assets in the common interest realty association's balance sheet
- c. A description of common property to which the common interest realty association has title, or other evidence of ownership, that is not recognized as assets in the common interest realty association's balance sheet
- d. The common interest realty association's responsibility to preserve and maintain the common property
- e. Terms and conditions of existing land or recreation leases
- f. Restrictions on the use or disposition of the common property.

972-10-50-2 All property owned by a cooperative shall be presented on its balance sheets. Cooperatives generally own the real estate and have the ability to borrow and pledge their assets

as collateral. Some cooperatives, therefore, do not accumulate funds for future major repairs and replacements.

> **Depreciation**

972-10-50-3 For property and equipment recognized as assets by common interest realty associations the following information shall be disclosed:

- a. Depreciation expense for the period
- b. Balances of major classes of depreciable assets, by nature or function, at the reporting date
- c. Accumulated depreciation, either by major classes of depreciable assets or in total, at the reporting date
- d. A general description of the method or methods used in computing depreciation for major classes of depreciable assets.

972 Real Estate—Common Interest Realty Associations

430 Deferred Revenue

972-430-05 Overview and Background

General

972-10-05-1 This Subtopic addresses deferred revenue recognition issues related to **common interest realty associations**.

972-430-15 Scope and Scope Exceptions

General

> **Overall Guidance**

972-10-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [972-10-15](#).

972-430-20 Glossary

Common Interest Realty Association

An association, also known as a community association, responsible for the governance of the common interest community, for which it was established to serve. A common interest realty association is generally funded by its members via periodic assessments by the common interest realty association so that it can perform its duties, which include management services and maintenance, repair, and replacement of the common property, among other duties established in the governing documents and by state statute.

972-430-25 Recognition

General

972-10-25-1 Deferred revenue may include items such as special assessments designated for specific costs that have not yet been incurred. Such amounts shall be reported as revenues when the corresponding liabilities and expenses are reported.

972 Real Estate—Common Interest Realty Associations

605 Revenue Recognition

972-605-05 Overview and Background

General

972-10-05-1 This Subtopic addresses recognition and disclosure issues related to **common interest realty association** revenue.

972-605-15 Scope and Scope Exceptions

General Note for Financial Instruments: Some of the items subject to the guidance in this Subtopic are **financial instruments**. For guidance on matters related broadly to all financial instruments, (including the fair value option, accounting for registration payment arrangements, and broad financial instrument disclosure requirements), see Topic {To Come}. See Section {To Come} for guidance on the scope of the Financial Instruments Topic.

General

> Overall Guidance

972-10-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [972-10-15](#).

972-605-20 Glossary

Common Interest Realty Association

An association, also known as a community association, responsible for the governance of the common interest community, for which it was established to serve. A common interest realty association is generally funded by its members via periodic assessments by the common interest realty association so that it can perform its duties, which include management services and maintenance, repair, and replacement of the common property, among other duties established in the governing documents and by state statute.

972-605-25 Recognition

General Note for Fair Value Option: Some of the items subject to the guidance in this Subtopic may qualify for application of the Fair Value Option Subsections of Subtopic {To Come}. Those Subsections (see paragraph {To Come}) address circumstances in which entities may choose, at specified election dates, to measure eligible items at fair value (the fair value option). See Section {To Come} for guidance on the scope of the Fair Value Option Subsections of the Financial Instruments Topic.

General

972-10-25-1 Special assessments shall be reported as revenue, unless they are deferred in accordance with the guidance in paragraph [972-430-25-1](#). See Section [972-430-25](#) for guidance concerning recognition of deferred revenue from special assessments.

972-605-45 Other Presentation Matters

General

972-10-45-1 Periodic assessments for funding future major repairs and replacements shall be reported in the replacement fund in statements of revenues and expenses in the periods in which they are assessed, regardless of whether they have been collected or expended.

972-10-45-2 Information about revenues shall include amounts for regular and special assessments from members and amounts for such items as assessments charged to the developer, developer contributions and subsidies, lawsuit settlements, interest income, laundry and vending machine income, or special-use charges from members and nonmembers. Individual categories of revenues may be combined if not material. Interest earned shall be presented as revenue of the appropriate fund unless the **common interest realty association** has a specific policy to treat it otherwise.

972-605-50 Disclosure

General

972-10-50-1 In addition to disclosures required by generally accepted accounting principles (GAAP) for other entities, the notes to a **common interest realty association's** financial statements shall also include disclosures about both of the following:

- a. The proposed use for funds collected in special assessments
- b. Assessments that were used for purposes other than those for which they were designated.

> **Significant Sources of Revenue**

972-10-50-2 The developer or other parties may provide the common interest realty association with some of its revenues. If 10 percent or more of a common interest realty association's revenues are derived from any one source, that fact and the amount of revenue from each source shall be disclosed.

972 Real Estate—Common Interest Realty Associations

720 Other Expenses

972-720-05 Overview and Background

General

972-10-05-1 This Subtopic addresses the accounting for major repair or replacement expenditures by **common interest realty associations**.

972-720-15 Scope and Scope Exceptions

General

> **Overall Guidance**

972-10-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [972-10-15](#).

972-720-20 Glossary

Common Interest Realty Association

An association, also known as a community association, responsible for the governance of the common interest community, for which it was established to serve. A common interest realty association is generally funded by its members via periodic assessments by the common interest realty association so that it can perform its duties, which include management services and maintenance, repair, and replacement of the common property, among other duties established in the governing documents and by state statute.

Common Property

A common interest realty association's real or personal property to which title or other evidence of ownership is held by either:

- a. Individual members in common
- b. The common interest realty association directly.

972-720-25 Recognition

General

972-10-25-1 Common interest realty associations that use fund accounting shall charge expenditures for major repairs or replacements to the fund or funds established for major repairs or replacements. If an expenditure from the major repairs and replacement fund relates to **common property** recognized as an asset, the amount expended shall be reported as a transfer to the operating fund (or property fund, if such a fund is established).

972 Real Estate—Common Interest Realty Associations

740 Income Taxes

972-740-05 Overview and Background

General

972-10-05-1 This Subtopic addresses income tax disclosure issues for **common interest realty associations**.

972-740-15 Scope and Scope Exceptions

General

> Overall Guidance

972-10-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [972-10-15](#).

972-740-20 Glossary

Common Interest Realty Association

An association, also known as a community association, responsible for the governance of the common interest community, for which it was established to serve. A common interest realty

association is generally funded by its members via periodic assessments by the common interest realty association so that it can perform its duties, which include management services and maintenance, repair, and replacement of the common property, among other duties established in the governing documents and by state statute.

972-740-45 Other Presentation Matters

General

972-10-45-1 Because income taxes are generally not related to the excess of revenues over expenses as in commercial entities, they may be presented in the same manner as other operating expenses in the statement of revenue and expenses. **Common interest realty associations** should follow the guidance in Topic [740](#).

972-740-50 Disclosure

General

972-10-50-1 In addition to disclosures required by generally accepted accounting principles (GAAP) for other entities, the notes to a common interest realty association's financial statements shall include disclosures about both of the following:

- a. The common interest realty association's income tax filing status and its liability for income taxes
- b. Credits from taxing authorities that will be phased out in future reporting periods.

972 Real Estate—Common Interest Realty Associations 850 Related Party Disclosures

972-850-05 Overview and Background

General

972-10-05-1 This Subtopic addresses the disclosure requirements of common interest realty associations for related party transactions.

972-850-15 Scope and Scope Exceptions

General

> **Overall Guidance**

972-10-15-1 This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section [972-10-15](#).

972-850-20 Glossary

Common Interest Realty Association

An association, also known as a community association, responsible for the governance of the common interest community, for which it was established to serve. A common interest realty association is generally funded by its members via periodic assessments by the common interest realty association so that it can perform its duties, which include management services and maintenance, repair, and replacement of the common property, among other duties established in the governing documents and by state statute.

972-850-50 Disclosure

General

972-10-50-1 Some individual board members, officers, or developers may provide **common interest realty associations** with insurance, maintenance, or management services. Such services may require disclosure in conformity with Topic [850](#).