

# Related Party Transactions

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## What types of transactions are we required to disclose?

- Transactions with Developer
  - Includes transition dates, units owned by Developer, amounts due to/from Developer, services provided, subsidy agreements, etc.
- Transactions with Board member
  - Board family members included
  - Payments involving board members
  - Services performed by Board members for which they are compensated
- Relationship with Other Associations
  - Sub-association to master and master to sub-association where there are financial cost sharing responsibilities, even when monies are not exchanged
    - Footnote disclosure not needed if assessments (received or paid) are noted on the face of the financials
    - The master/sub name would be disclosed in Note 1
    - Differentiate between master/sub assessment fees disclosed on the financial statement and other shared expenses
  - Cost-sharing agreements with outside Associations
- Transactions with management companies/affiliates
  - Must differentiate between Management Services already included in Management Contract as these do NOT need to be disclosed:
    - Office supplies, collection activities, overseeing of projects (insurance claims, etc.), attending Board meetings
  - And those items not generally considered to be “management” – which **would** be disclosed:
    - Repairs
    - Reserve expenses
    - Payroll
    - Insurance
    - Reserve Study

## The GAAP Pronouncement

ASC 850: Requirements for disclosure-

3. Do disclosures of material related party transactions include: (FASB ASC 850-10-50-1)
  - a. The nature of the relationship(s)? (If necessary to an understanding of the effects of the transactions, the related party should be identified by name.)
  - b. A description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which an operating statement is presented and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements?
  - c. The dollar amounts of transactions for each of the periods for which operating statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period?
  - d. Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement?