

1998

## Common interest realty associations industry developments - 1998/99; Audit risk alerts

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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

# **Common Interest Realty Associations Industry Developments — 1998/99**

Complement to AICPA Audit and Accounting Guide  
*Common Interest Realty Associations*



## Notice to Readers

This Audit Risk Alert is intended to provide auditors of financial statements of common interest realty associations with an overview of recent economic, industry, regulatory, and professional developments that may affect the audits they perform. The AICPA staff has prepared this document. It has not been approved, disapproved, or otherwise acted on by a senior technical committee of the AICPA.

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*Accounting and Auditing Publications*

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# ***Common Interest Realty Associations Industry Developments—1998/99***

## **Industry and Economic Developments**

### **Industry Profile**

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#### *What are CIRAs?*

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The term *common interest realty association* (CIRAs) is generally used to describe an organization of real estate property owners principally responsible for serving the collective needs of the owners by providing certain services (for example, security and waste removal) as well as managing and maintaining common property that they all share or own. CIRAs are separate legal entities providing the owners, who generally agree to be bound by restrictive covenants, with a means for self-governing.

The major kinds of CIRAs include condominiums, cooperatives, home owner's associations, and time-shares. These forms of real estate ownership—especially home owner's associations and condominiums—have grown significantly. It should also be noted that the concept of CIRA developments is not limited to personal residences. Increasingly, common ownership arrangements have spread to resort condominiums in the form of time-share developments; industrial and commercial condominiums, such as shopping centers and professional offices; and mixed-use developments such as hotels, offices, and residential units.

The current popularity of CIRA developments arises from both the supply and demand sides of the economic equation. Those in the construction industry are faced with increasing costs for land, building materials, and financing. Building high-density planned community projects allows developers to spread higher costs over a greater number of units, and increase the likelihood of profitability. Prospective home buyers also face economic constraints. The costs of single-family home ownership (including purchase

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price, operation, and maintenance) may be prohibitive for many buyers. Additionally, market studies have shown that aging Baby Boomers and families with two wage earners generally have neither the time nor the inclination to maintain and operate single-family residences. Many of these individuals seek the lower cost, lower maintenance features of CIRA developments.

Recent estimates indicate that 42 million Americans live in some 205,000 community associations. Experts forecast continued growth of between six and eight thousand new community associations per year. Growth of time-share associations also remains strong. There are over 1,200 such associations currently—over 64,000 units, and analysts expect annual growth rates of between 12 and 15 percent. Given these current statistics, demographic trends, the increasing costs of the construction and ownership of single-family homes, along with life-style preferences, industry observers expect that in the not-too-distant future, almost one-half of the country's population will live in some form of CIRA development.

## **Current Environment**

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*What industry and economic developments should an auditor be aware of when auditing a CIRA?*  
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During 1998, the housing market activity was mixed. Sales of new homes (CIRA home sales comprised almost 50 percent of all sales for new homes during the year) as well as existing homes were robust in the first several months due to lower mortgage rates (the lowest levels in almost three decades) low unemployment, and strong income growth. But record levels of new housing starts were followed by a slowdown in third-quarter activity as U.S. stock markets suffered setbacks caused by global financial troubles in Asia, Russia, and Latin America. Consumer confidence fell by late summer, hampering housing activity. The Federal Reserve Board's "beige book" economic survey cited more stringent credit standards for business loans and tight labor markets as factors that could temper economic growth through 1998.



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The liabilities section of many CIRA balance sheets has become somewhat more complex in recent years. CIRAs commonly borrow money to fund emergency needs such as much-needed capital improvements and repairs of damaged units caused by natural disasters. Increasingly, CIRAs have used Small Business Administration (SBA) loans rather than banks as a source of long-term financing. In addition, CIRAs may be obligated for environmental remediation of their contaminated land sites or buildings under state or federal law. Appendix C of SOP 96-1, *Environmental Remediation Liabilities*, provides relevant guidance on how to audit such liabilities. A discussion on SOP 96-1 appears in the “Accounting Issues and Developments” section of this Alert. The tax treatment of environmental cleanup costs is addressed in the “Regulatory and Legislative” section herein.

An annual occurrence among residential CIRAs, such as condominium associations and cooperative corporations, is the election of a new board of directors. Viewed as a positive change by some, the changeover of CIRA boards of directors may make it more difficult for auditors to obtain signatures on management representation letters. Some auditors have adopted the practice of obtaining the signatures of the managing agent (if the CIRA utilizes one) in addition to the members of the board, especially if a changeover has taken place. A further discussion of requirements under SAS No. 85, *Management Representations*, (AICPA, *Professional Standards*, vol. 1, AU sec. 333), appears in the “Audit Issues and Developments” section of this Alert and a sample representation letter appears in Appendix A

## **Legislative and Regulatory Developments**

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*What are some of the recent federal tax developments that affect CIRAs?*

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In auditing the financial statements of CIRAs, in particular, when considering the adequacy of the tax provision, auditors can benefit by being familiar with federal (and possibly state and local) income taxation. Such knowledge would benefit the auditor when evaluating management’s consideration of applicable accounting literature, predominantly, Financial Accounting Standards Board (FASB) State-

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ment No. 109, *Accounting for Income Taxes* (FASB, *Current Text*, vol. 2, sec. I27), as well as considering the CIRA's possible compliance with tax laws pursuant to SAS No. 54, *Illegal Acts by Clients* (AICPA, *Professional Standards*, vol. 2, AU sec. 317). The following sections address tax issues of current and ongoing significance to CIRAs.

### **Tax Treatment of Surplus Membership Assessments**

According to the Internal Revenue Service (IRS) Revenue Ruling 70-604, assessments by a condominium management corporation that are in excess of the amounts used for the operation of the condominium property, and that are returned to the owner-stockholders, or applied to the following year's assessments, are not taxable income to the operation (provided this procedure is approved by the members of the association).

Recently, the IRS released Field Service Advice (FSA) 1998-136 in which it advised that the excess fees collected by a condominium management association could, *in some situations*, be considered taxable income. The FSA describes a situation in which a CIRA collected fees from its members but failed to refund the excess or apply it to the next year's membership fees. Instead, the excess was simply retained and carried forward until a year in which membership expenses exceeded the amount of fees collected. The CIRA recharacterized some of the excess as a return of capital, citing Revenue Ruling 70-604, 1970-2 C.B. 9 as its basis.

The IRS has indicated that any amounts collected from the membership in excess of allocable expenses must be included in the CIRA's income unless, by action of the members, the excess is to be applied to the next year's expenses. Finding the CIRA's reliance on Revenue Ruling 70-604 misplaced, it noted that the ruling does not provide the authority to carry over the excess beyond the next year.

### **Filing Form 1120H**

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*What are the pros and cons of filing Form 1120H? What are the requirements for filing Form 1120H?*

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CIRAs that qualify may elect to be taxed under Internal Revenue Code (IRC) Section 528 utilizing form 1120H (home owner's asso-

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ciations) and are taxed at a 30 percent flat rate on net income in excess of one hundred dollars, generally from sources other than net member assessments. There are several benefits associated with a CIRA's election to file under IRC Section 528 including the following.

- Income from member assessments is generally exempt from tax.
- The election does not jeopardize the tax treatment to individual owners.
- The form is relatively simple to complete.
- Large CIRAs are not subject to the alternative minimum tax (AMT). (See discussion below regarding AMT and small corporations.)
- Some states provide an exemption on state income taxes.
- CIRAs need not segregate the amounts collected in advance for replacements and deferred maintenance because members' assessments are tax-exempt. (Contributions to capital retain their character regardless of that election.)

Disadvantages to filing Form 1120H include the following.

- A flat rate of 30 percent for taxable income in excess of \$100, preventing the CIRA's use of the benefits of the lower income tax brackets associated with regular corporate entities
- Inability to use net operating loss (NOL) deductions (The CIRA may not revoke its IRC Section 528 election made in previous years to obtain the tax benefits of a NOL carryback.<sup>1</sup>)
- Inability to write off organizational costs
- Inability to use the alternative tax rate imposed by IRC Section 1201(a)

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1. The IRS has ruled that a CIRA may revoke its IRC Section 528 election if a professional tax adviser provided inadequate advice on the benefits of the election.

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The requirements for filing Form 1120H under IRC Section 528 are as follows.

- The CIRA must meet the IRS's definition of a home owners' association, which generally includes (residential) condominium associations, home owners' associations, and time-share associations.<sup>2</sup> Cooperatives corporations cannot file Form 1120H.
- With the exception of time-share associations, substantially all of the CIRA's units must be held for residential purposes.
- At least 60 percent of the CIRA's gross income for the tax year must consist of exempt function income (income related to managing and maintaining CIRA property).
- At least 90 percent of the CIRA's expenses for the tax year must be for the purpose of carrying on one or more of the exempt functions (functions related to managing and maintaining CIRA property) of a condominium or home owners' association. Time-share associations must spend at least 90 percent during the tax year for activities provided to or on behalf of their members.
- No member may profit from the CIRA's net earnings.

The CIRA's alternatives to filing Form 1120H are to file either Form 1120 (corporations) under IRC Section 277 or, in very rare situations, Form 990 (exempt organizations) under IRC Sections 501(c) 4, 501(c), or 501(c)(12). An election must be made annually.

## **Tax Treatment of Environmental Cleanup Costs**

*How should CIRAs treat environmental cleanup costs for tax purposes?*

CIRAs filing federal tax Form 1120 under IRC Section 277 are taxed as regular corporations, subject to the graduated corporate rates. Such CIRAs are taxed on net income from member assessments over expenditures, unless an excess of member assessments

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2. Beginning with the 1997 tax year, time-share associations that qualify under IRC Section 528 may elect to file Form 1120H. Previously, these entities were taxed as regular corporations.

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has been actually or constructively refunded to members (see the discussion on Revenue Ruling 70-604 herein), or that excess has been appropriated and segregated to restricted accounts for capital replacements. Accordingly, CIRAs may deduct expenses attributable to providing its members with services, insurance, goods, or other items of value to the extent of income derived during the year from members or transactions with members.<sup>3</sup>

Because of economic performance rules under IRC Section 461(h), CIRAs should not deduct the costs associated with environmental cleanups until they are actually paid.

### **Alternative Minimum Tax**

The Taxpayer Relief Act of 1997 repealed the AMT for small corporations for tax years beginning after December 31, 1997. For this purpose, small corporations are those that have annual gross receipts for the three-tax-year period (or, if shorter, the period of existence) ending with the following:

- Its first tax year beginning after December 31, 1996, are \$5 million or less
- Each later tax year (up to and including the current tax year) are \$7.5 million or less

## **Audit Issues and Developments**

### **The Year 2000 Issue**

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*What are the year 2000-related issues for CIRA auditors?*  
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The year 2000 issue relates to the inability of many electronic data processing (EDP) systems to accurately process year-date data beyond the year 1999. This is attributable to the fact that the majority of computer programs in use today were designed to store dates in the date/month/year (dd/mm/yy) format, thus allowing only two digits for each date component. So, for example, the date December 31, 1998, is stored in most computers as 12/31/98.

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3. In determining the applicability of IRC Section 277 to CIRAs, the accountant should refer to applicable court cases and the IRC.

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Inherent in programming for dates in this manner is the assumption that the designation 98 refers to the year 1998. Initially developed as a cost-saving technique, this long-standing practice of using two-digit-year input fields will cause many computers to treat the entry 00 as 1900. Therefore, such programs will recognize the date January 1, 2000 (01/01/00), as January 1, 1900, and process data incorrectly, or perhaps not at all.

There are other possible complications as well. The year 2000 is a leap year. Systems that are not year 2000 ready may not register the additional day, thus producing incorrect results for date-related calculations. In addition, certain year 2000 problems may occur this year. For example, some software programs may have assigned special meanings to entries date coded as *xx/xx/98* or *xx/xx/99* to allow for the testing of software modifications. Therefore, actual transactions using such dates may not be processed correctly or stop functioning. Failures may also take place currently when systems perform calculations into or beyond the year 2000.

Unless these year 2000 problems are remedied, significant problems relating to the integrity of all electronically processed information based on time will occur. For example, member assessments receivables may be erroneously identified as past due, interest calculations will be incorrect, and paid-up insurance policies may be considered expired. To further complicate the issue, even if a CIRA's computer software and hardware are year 2000 ready, the entity may be affected by the computer systems of vendors or third-party data processing services that have made no such modifications.

CIRAs may also be affected by year 2000 problems on another level. From an operational standpoint, computer-run maintenance systems—security, fire and smoke alarms, elevators, heating and air-conditioning systems could cease running, causing dangerous and costly situations. Other systems vulnerable to the year 2000 problem may be indirectly controlled by computer by way of a chip embedded in their designs, for example, in an intercom, smoke alarm, or lighting system. CIRAs may also be at risk if their vendors and managing agents are not year 2000 ready.

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Auditors of CIRAs should also be aware of the risk of litigation relating to the year 2000 issue. Some clients may be uninformed about the year 2000 issue, while others may underestimate its magnitude. Those who mistakenly believe that the year 2000 issue should be addressed and resolved as part of the audit process may seek legal recourse if that outcome is not achieved. Therefore, auditors may wish to educate their clients on the year 2000 issue and its implications. Auditors may wish to incorporate these issues in the engagement letter by outlining the responsibilities of both the client and the auditor. By advising the client and planning ahead, auditors may avoid any potential dispute with the client, while at the same time offering the opportunity of helping the client understand the seriousness of the problem and identifying resources that may be needed to address the issues.

Auditors of CIRAs should be aware of the many auditing and accounting issues that arise from the year 2000 issue, including audit planning, going-concern issues, establishing an understanding with the client, valuation, impairment, revenue and expense recognition, and disclosure. A more comprehensive discussion of this topic can be found in the *Audit Risk Alert—1998/99*.

### **Management Representations—New Guidance and Special Concerns**

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*What guidance exists for auditors regarding management representations?*  
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The Auditing Standards Board (ASB) issued SAS No. 85, *Management Representations*, in November 1997. SAS No. 85, which is effective for audits of financial statements for periods ending on or after June 30, 1998, provides guidance regarding written management representations to be obtained by an auditor as part of an audit performed in accordance with generally accepted auditing standards (GAAS). In conjunction with the new guidance contained in SAS No. 85, auditors are reminded of the following points.

- Auditors should inform the officers and managing agent of a CIRA about their responsibility for the financial statements and their responsibility to provide the auditor with complete and reliable financial data and information.

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- If other audit evidence contradicts a management representation, an auditor is required to investigate the circumstances and consider the reliability of the representation. In such a case, an auditor should consider whether the reliance placed on other management representations is appropriate and justified.
  - Clients with no accounting staff and limited knowledge of generally accepted accounting principles (GAAP) might rely, to a degree, on the auditor for the fair presentation of the financial statements. Such clients often are reluctant to make representations regarding GAAP without mentioning their reliance on the auditors.<sup>4</sup> In such a case, an auditor may suggest that the client include wording in the representation letter similar to the following.

I am responsible for the fair presentation in the financial statements of financial position, results of operations, and changes in financial position in conformity with generally accepted accounting principles. Because of my limited expertise with generally accepted accounting principles, including financial statement disclosure, I have engaged you to advise me in fulfilling that responsibility.

In addition, auditors of CIRAs should consider obtaining representations about the following matters in addition to those described in SAS No. 85:

- Disclosures based on a study of future major repairs and replacements
- The CIRA's policy for funding future major repairs and replacements
- The CIRA's policy for disposing of the excess of revenues over expenses, if any

See Appendix A, "Illustrative Representation Letter," for a sample management representation letter.

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4. Auditors may also wish to consider providing the client an explanatory brochure published by the AICPA entitled "The Representation Letter," which can be obtained from the AICPA's Order Department at (888) 777-7077.



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## Independence Issues

*Which independence questions typically arise in the audits of CIRAs?*

### Newly Revised AICPA Independence Ruling Under Rule 101

Effective May 31, 1998, the AICPA's Professional Ethics Executive Committee issued a revised Ruling No. 31 Under Rule 101, *Performance of Services for Common Interest Realty Associations (CIRAs), Including Cooperatives, Condominium Associations, Planned Unit Developments, Homeowners Associations, and Timeshare Developments*, of the AICPA Code of Professional Conduct (the Code). The revised ruling allows a practitioner to audit a CIRA he or she is associated with under certain conditions in which the CIRA provides services similar to those provided by a municipality. The revised ruling reads as follows.

- **Question**—A member or member's firm is associated with, or is a member of, a common interest realty association (CIRA) as the result of the ownership or lease of real estate.<sup>5</sup> Would the independence of the member or member's firm be considered to be impaired with respect to the CIRA?
- **Answer**—Yes, except independence would not be considered to be impaired with respect to the CIRA if all of the following conditions are met:
  - a. The CIRA performs functions similar to local governments, such as public safety, road maintenance, and utilities.
  - b. The member or member's firm's annual assessment is not material to either the member or member's firm or the CIRA's operating budgeted assessments.
  - c. The liquidation of the CIRA or the sale of common assets would not result in a distribution to the member or member's firm.
  - d. Creditors of the CIRA would not have recourse to the member or member's firm if the CIRA became insolvent.

5. The term *member or member's firm* is defined in Interpretation 101-9 of the AICPA Code of Professional Conduct (AICPA, *Professional Standards*, vol. 2, ET sec. 101.11).

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- e. The member or member's firm does not act or appear to act in any capacity equivalent to a member of management or as an employee for the CIRA, including membership on the board of directors or committees (excluding advisory committees as defined in Ethics Ruling No. 72 [ET section 191.144-.45]).

If the member or member's firm has a relationship with a real estate developer or management company that is associated with the CIRA, see Interpretation 102-2 [AICPA, *Professional Standards*, vol. 2, ET section 102.03] for guidance.

### **Other Relevant Ethics Interpretations and Rulings**

Auditors of CIRAs may encounter other independence issues, as discussed in the following interpretations and rulings.

- *Interpretation 101-3—Accounting Services.* Many CIRAs are small entities with few, if any, employees on staff to perform bookkeeping functions. Sometimes, employees or volunteer board members with little or no accounting knowledge maintain the books and records. CIRAs that do not use a management company may ask the auditor to perform these functions, which often include check preparation, payroll record maintenance, data processing, or financial statement preparation. Auditors should be aware of the conditions and restrictions existing under the Code, as stated in Interpretations 101-3 (AICPA, *Professional Standards*, vol. 2, ET sec. 101.05); Ethics Ruling No. 3, *Member as Signer or Cosigner of Checks* (AICPA, *Professional Standards*, vol. 2, ET sec. 191.005-.006); and Ethics Ruling No. 4, *Payroll Preparation Services* (AICPA, *Professional Standards*, vol. 2, ET sec. 191.007-.008).
- *Exposure Draft—Omnibus Proposal of Professional Ethics Division Interpretations and Rulings.* On November 16, 1998, the Professional Ethics Executive Committee (the committee) proposed a revision to Interpretation 101-3, *Accounting Services*, to address the various kinds of nonaudit services that an auditor may perform for a client. If adopted,

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the committee would delete several related rulings, including those noted in the preceding, and Ethics Ruling No. 55 (discussed in the following), because they are incorporated into the revised Interpretation 101-3. Auditors may download a copy of the exposure draft from the AICPA's Web site at <http://www.aicpa.org>.

- *Interpretation 101-1.B1, Interpretation of Rule 101 and Ethics Ruling No. 55—Independence During Systems Implementation.* Interpretation 101-1.B1 states that an auditor may not act or appear to act in any capacity equivalent to that of a member of management or of an employee. CIRAs sometimes engage an auditor to implement a new computer system during which he or she may become involved in hiring new personnel or instructing and overseeing the training of existing employees on the new system. Auditors should carefully evaluate their proposed role in the implementation of a CIRA's new system to determine whether they are complying with the requirements of Interpretation 101-1B.1 (AICPA, *Professional Standards*, vol. 2, AU sec. 101.02) and Ethics Ruling No. 55, *Independence During Systems Implementation Services* (AICPA, *Professional Standards*, vol. 2, ET sec. 191.109-.110).
- *Ethics Ruling No. 52—Unpaid Fees* (AICPA, *Professional Standards*, vol. 2, ET sec. 191.103-.104). Revised in November 1997, Ethics Ruling No. 52 provides that independence is impaired if, when the report on a client's current year is issued, billed or unbilled fees, or a note receivable arising from such fees (relating to *any* professional services previously rendered), remain unpaid for a period exceeding one year prior to the date of the report. The only exception regards fees outstanding from a client in bankruptcy.
- *Ethics Ruling No. 106—Member has Significant Influence Over an Entity that has Significant Influence Over a Client* (AICPA, *Professional Standards*, vol. 2, ET sec. 191.212-.213). If an auditor (who is also defined as a *member* under the Code) has significant influence over an entity that also

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has significant influence over the CIRA, independence is considered to be impaired.<sup>6</sup>

## **Internal Control**

Many CIRAs tend to be small, financially unsophisticated organizations. As such, the internal control of CIRAs may include characteristics that affect an auditor's assessment of control risk. Characteristics that may increase control risk include the following.

- In a number of cases, smaller CIRAs have opted for self-management as a cost-saving measure. In such entities, an inadequate segregation of duties may result because the entire accounting function is the responsibility of one or a few individuals. Additionally, the accounting function may be undertaken by volunteer property owners who do not possess the requisite accounting skills or who are unable to devote adequate time and effort to the job.
- Ownership by sponsors and financial institutions, increased awareness of litigation and the potential for personal liability, along with personal demands, may impede the ability of some CIRAs to find qualified officers, directors, and other volunteers willing to handle the accounting, finance, and administration functions of the organization.
- Smaller CIRAs may be managed by small, understaffed, and frequently inexperienced, management companies. These factors may contribute to an unreliable accounting and reporting function.
- The limited resources of some CIRAs may engender informal accounting systems with inadequate control procedures.

If the internal control of a CIRA includes the preceding characteristics, control risk might be assessed at a higher level. Auditors should adjust the scope of their audits accordingly, and should document the understanding of the entity's internal control as required by AICPA

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6. For a definition of "significant influence," see Interpretation 101-9—*The meaning of certain independence terminology and the effect of family relationships on independence* (AICPA, *Professional Standards*, vol. 2, ET sec. 101.11).

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SAS No. 55, *Consideration of the Internal Control in a Financial Statement Audit* (AICPA, *Professional Standards*, vol. 1, AU sec. 319), as amended by SAS No. 78. If that understanding reveals that the oversight function is weak, there is increased risk that material errors and irregularities will result in misstatements in the financial statements, and reportable conditions, as defined in SAS No. 60, *Communication of Internal Control Related Matters Noted in an Audit* (AICPA, *Professional Standards*, vol. 1, AU sec. 325), may exist. In such circumstances, there is a greater need to recognize the increased potential for fraud. Accordingly, auditors may wish to consider the guidance set forth under SAS No. 82, *Consideration of Fraud in a Financial Statement Audit* (AICPA, *Professional Standards*, vol. 1, AU sec. 316).

## **Related Parties**

FASB Statement No. 57, *Related Party Disclosures* (FASB, *Current Text*, vol. 1, sec. R36), defines related parties as the following:

...parties with which the enterprise may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

In a CIRA environment, members of the organization's management, the developer, the sponsor, along with the governing board and their families, are generally considered to be related parties. Transactions occurring between the CIRA and such parties may be fairly common. For example, a sponsor or developer may provide managerial, maintenance, insurance, or other services to the CIRA.

FASB Statement No. 57 sets forth the requirements for related-party disclosures. Although certain accounting pronouncements may prescribe a specific accounting treatment for related-party transactions, established accounting principles ordinarily do not require transactions with related parties to be accounted for on a

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basis other than that which would be appropriate if the parties were not related. Auditors should view related-party transactions within the framework of existing pronouncements, placing emphasis on the adequacy of disclosure. “Related Parties” (AICPA, *Professional Standards*, vol. 1, AU sec. 334) provides guidance on procedures auditors should consider to identify related-party relationships and transactions when they are performing an audit of financial statements in accordance with generally accepted auditing standards (GAAS). Auditors should satisfy themselves concerning the required financial statement disclosures.

## **A Change of Auditors**

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*What are the responsibilities of predecessor and successor auditors under the new auditing standard?*

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SAS No. 84, *Communications Between Predecessor and Successor Auditors* (AICPA, *Professional Standards*, vol. 1, AU sec. 315), which superseded SAS No. 7 of the same name, provides guidance in communications between predecessor and successor auditors if a change of auditors is in process or has taken place.

To begin with, SAS No. 84 redefines the terms *predecessor* and *successor* auditors. A predecessor auditor (the predecessor) is defined as an auditor who—

1. Has reported on the most recent audited financial statements or was engaged to perform but did not complete an audit of any subsequent financial statements.
2. Has resigned, declined to stand for reappointment, or been notified that his or her services have been or may be terminated

A successor auditor (the successor) is defined as an auditor who is considering accepting an engagement to audit financial statements but has not communicated with the predecessor auditor, as required by SAS No. 84, and to an auditor who has accepted such an engagement.

SAS No. 84 cites as a necessary procedure on the part of the successor the inquiry of the predecessor. The successor, upon receiving

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permission from the prospective client, should make specific and reasonable inquiries of the predecessor regarding matters that will assist the successor in determining whether to accept the engagement. Though the successor may consider making any reasonable inquiry, SAS No. 84 requires that matters subject to inquiry should include the following:

- Information that might bear on the integrity of management
- Disagreements with management as to accounting principles, auditing procedures, or other similarly significant matters
- Communications to audit committees or others with equivalent authority and responsibility regarding fraud, illegal acts by clients, and internal-control-related matters
- The predecessor's understanding as to the reasons for the change of auditors

The predecessor should respond promptly and fully to the successor's reasonable inquiries. If, as a result of unusual circumstances, the predecessor decides to offer a limited response, this fact should be clearly stated. The successor should consider the implications of a limited response in deciding whether to accept the engagement.

SAS No. 84 also states that the successor should request the client to authorize the predecessor to allow a review of his or her working papers. (An illustrative client consent and acknowledgment letter documenting this authorization is included in SAS No. 84). The successor's review of the predecessor's working papers may affect the nature, timing, and extent of the successor's procedures with respect to the opening balances and consistency of accounting principles. However, the work performed and the conclusions reached are solely the responsibility of the successor. The predecessor should ordinarily permit the successor to review his or her working papers, but SAS No. 84 provides that the extent, if any, to which a predecessor permits access to the working papers is a matter of judgment.

SAS No. 84 also discusses audits of financial statements that have been previously audited, as well as providing communications

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guidance if possible misstatements are discovered in financial statements reported on by a predecessor auditor. Auditors who find themselves in the role of predecessor or successor auditors should refer to the full text of SAS No. 84 to determine the extent of their responsibilities under GAAS. SAS No. 84 became effective with respect to the acceptance of engagements after March 31, 1998.

## **Special Assessments**

CIRAs levy special assessments for various purposes, from covering an operating deficit or litigation costs to funding major repairs and replacements. Special assessments should be reported as revenue unless they are designated for specific costs that have not yet been incurred and may therefore be deferred in accordance with paragraph 4.12 of the Guide. Auditors should also consider the proper timing and valuation of special assessments receivables, which may be collectible over a period of years.

The Guide specifies that audit procedures applied to assessment revenues should include comparing total reported assessments for the period under audit with budgeted amounts and testing whether amounts assessed to individual owners have been computed in accordance with the CIRA's documents.

When auditing assessments receivable, the Guide states that the auditor should design tests to provide reasonable assurance that the following have occurred.

- All assessments receivable owed to the CIRA at the balance-sheet date are recorded.
- Recorded assessments receivable represent amounts owed to the CIRA at the balance-sheet date.
- Assessments receivable are properly described and classified in the financial statements.

The auditor may achieve these objectives by performing substantive tests or a combination of substantive tests and tests of control activities. One of the most widely used substantive tests for determining the existence and accuracy of receivables is confirmation of the amount receivable by direct communication with parties owing



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amounts to the entity being audited. SAS No. 67, *The Confirmation Process* (AICPA, *Professional Standards*, vol. 1, AU sec.330), provides guidance about the confirmation process in audits performed in accordance with GAAS. If replies to confirmation requests are not received or if the replies are not satisfactory, the auditor should obtain satisfaction about the existence and accuracy of assessment receivable balances by alternative procedures such as examining subsequent cash receipts and the existence of liens filed against units, although such liens do not assure the collectibility of assessments receivable.

In addition, when auditing revenues and related receivables from special assessments, auditors may wish to consider examining the following:

- Documents supporting the board's decision to levy special assessments (minutes of meetings, contracts, or legal documents)
- The CIRA's governing documents indicating the criteria for assessing members
- The CIRA's governing documents indicating the criteria for assessing developers (owners of unsold CIRA units), and the legal responsibilities of developers to pay those assessments
- Expenditures, if any, related to special assessments (Expenses, including allocable costs such as income taxes, whether incurred or budgeted, should be directly associated with the assessment. If the assessment is for major repairs and replacements, relevant expenses include direct costs of repairing and replacing specific common property and indirect costs, such as liability insurance expense incurred during the construction period).

## **New Auditing Standards**

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*Which recently issued auditing standards are relevant to CIRAs?*

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### **SAS No. 87, *Restricting the Use of an Auditor's Report***

SAS No. 87 was issued by the ASB in September 1998 and is effective for reports issued after December 31, 1998. SAS No. 87 provides

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guidance to auditors in determining whether an engagement requires a restricted-use report and, if so, which elements to include in that report. The Statement states that an auditor should restrict use of the report if the following occur.

- The subject matter of the auditor's report or the presentation being reported on is based on measurement or disclosure criteria contained in contractual agreements or regulatory provisions that are not in conformity with GAAP or other comprehensive basis of accounting (OCBOA),
- The accountant's report is based on procedures that are specifically designed and performed to satisfy the needs of specified parties who accept responsibility for the sufficiency of the procedures,
- The auditor's report is issued as a by-product of a financial statement audit and is based on the results of procedures designed to enable the auditor to express an opinion on the financial statements taken as a whole, and not to provide assurance on the specific subject matter of the report.

A complete listing of auditing pronouncements issued during 1998 can be found in the *Audit Risk Alert—1998-99*.

## **Accounting Issues and Developments**

### **Long-Term Debt**

.....  
*What accounting issues should CIRA auditors be aware of when auditing long-term debt?*  
.....

As CIRAs have aged, they may have also borrowed increasing amounts of money to finance badly needed repairs and capital improvements on necessities such as boilers, elevators, and windows. CIRAs affected by a natural disaster often need to obtain funds quickly to make repairs. Depending upon the provisions of their state law and governing documents, CIRAs can borrow funds in a variety of ways. One way in which CIRAs have borrowed funds recently is through small business loans obtained from the federal government.

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CIRAs sometimes borrow from the Small Business Administration (SBA) on behalf of their owners to help them pay for property damages caused by natural disasters such as hurricanes, floods, and tornadoes. Because repayment of an SBA loan is the responsibility of the owners, the CIRA must maintain subsidiary receivable records, which can become complicated by various factors such as sales, early payoffs, and assumptions. Nevertheless, the benefits to CIRAs owners are manifold, as interest rates tend to be well below market rates and the loans terms can be as much as thirty years. Loan repayments begin one year after the loan is initiated. The SBA charges simple interest only on the amount actually borrowed by the owners (that is, drawn down from the CIRA's total loan proceeds). Accordingly, the CIRA should record a payable (and corresponding owner receivable) for the amount assessed to the owners for the loan repayment. The notes to the financial statements should adequately disclose the loan terms.

### **SOP 96-1, *Environmental Remediation Liabilities***

CIRAs may become liable, under state or federal laws, for environmental cleanup costs. Using the criteria of FASB Statement No. 5, *Accounting for Contingencies* (FASB, *Current Text*, vol. 1, sec. C59), as a starting point, auditors may determine whether a liability should be accrued and disclosed, disclosed only, or not addressed at all. SOP 96-1, *Environmental Remediation Liabilities*, sets requirements for recognizing, measuring, and accruing these liabilities and for related disclosures.

Appendix C entitled "Auditing Environmental Remediation Liabilities" of SOP 96-1 provides specific guidance to auditors on planning, performing, and reporting on an audit of financial statements in accordance with GAAP as it relates to auditing environmental remediation liabilities arising from Superfund laws, the corrective action provisions of the Resource Conservation and Recovery Act of 1976, and other analogous federal, state, and non-United States laws and regulations, including the following:

- Audit planning and objectives
  - Understanding the business

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- Audit objectives
  - Assessing audit risk
  - Substantive audit procedures
    - Reviewing and testing the process used by management to develop the estimate
    - Developing an independent expectation of the estimate
    - Using the work of a specialist
    - Auditing potential recoveries
    - Inquiries of a client’s lawyer
    - Client representations
    - Assessing disclosures
    - Evaluating audit test results
  - Reporting
    - Departures from GAAP
    - Scope limitations
    - Making reference to a specialist
    - Accounting changes
    - Communication with audit committees

## **Funding for Future Major Repairs and Replacements**

.....  
*What are the current disclosure requirements for future major repairs and replacements?*  
.....

Currently, the Guide requires all CIRAs to disclose information in their financial statements about funding for future major repairs and replacements (paragraph 4.27), including the following:

- Legal requirements (via state law or the CIRA’s governing documents) to accumulate funds for future major repairs and replacements
- A description of the CIRA’s funding policy and a statement as to whether the CIRA is in compliance with the above-mentioned legal requirements or CIRA policy

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- A statement that funds, if any, are being accumulated on the basis of estimates that may materially differ from actual expenditures
  - Amounts assessed in the current period for major repairs and replacements
  - A statement as to whether a study was conducted to estimate the remaining useful lives of common property and the costs of future major repairs and replacements

The Guide also states that CIRAs that fund future major repairs and replacements by special assessments or borrowings as needs occur should disclose that information as well.

Some CIRAs elect to exclude the preceding disclosures from their financial statements. Under such circumstances, auditors are required by “Required Supplementary Information” (AICPA, *Professional Standards*, vol. 1, AU 558), to add an explanatory paragraph to the audit report indicating the omission.

### **Proposed SOP Regarding Real Estate Time-Sharing Transactions**

.....  
*What accounting issues relevant to real estate time-sharing transactions has the AcSEC recently discussed?*  
.....

As a result of a lack of guidance specific to real estate time-sharing transactions, and resulting diversity in practice, the Accounting Standards Executive Committee (AcSEC) of the AICPA added a project to its agenda to propose an SOP that addresses issues related to the development of time shares, including the following questions:

- Which revenue recognition method should be used?
- How should allowances for uncollectible receivables be determined?
- What kinds of selling costs may be deferred?

As of its October 1998 meeting, AcSEC proposed that right-to-use transactions, in which title does not pass, should be accounted for similar to operating leases rather than as sales. AcSEC considered

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the retail-land-sales (RLS) and the other-than-retail-sales (OTRLS) models of FASB Statement No. 66, *Accounting for Sales of Real Estate* (FASB, *Current Text*, vol. 3, sec. Re1), and an alternative model, that would be developed, as the basic model to be adopted for time-sharing transactions. AcSEC agreed to develop an alternative to the RLS and OTRLS models, that would more closely fit the nature and substance of time-sharing transactions. This approach would necessitate an amendment to FASB Statement No. 66 to exclude time-sharing transactions from its scope and, as this approach was not contemplated in the original prospectus. A new or amended prospectus will be deliberated by FASB. AcSEC also discussed the issue of expensing versus deferring costs incurred by the seller of the time-sharing interest and also requested that the task force clarify the rights, responsibilities, and relationships among developers, purchasers, and exchange companies. AcSEC plans to discuss these issues further at its January 1999 meeting.

Although not directly related to CIRAs, some auditors of CIRAs may have an interest in these matters. Further information can be obtained from the AICPA's Web site at <http://www.aicpa.org>.

## **New FASB Pronouncements**

.....  
*What new accounting pronouncements have been issued that may affect CIRAs?*  
.....

- FASB Statement No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*, an amendment of FASB Statements No. 87, 88, and 106 (FASB, *Current Text*, vol. 1, secs. P16, P40) was issued in February 1998, and revises disclosure requirements for employers' pension and other postretirement benefit plans. It does not change the measurement or recognition of those plans. The new Statement standardizes the disclosure requirements for pensions and other postretirement benefits to the extent practicable and eliminates certain disclosures formerly required under FASB Statement Nos. 87, *Employers' Accounting for Pensions* (FASB, *Current Text*, vol. 1, sec. P16); 88, *Employers'*

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*Accounting for Settlements and Curtailments of Defined Benefit Plans and Termination of Benefits* (FASB, *Current Text*, vol. 1, P16); and 106, *Employers' Accounting for Postretirement Benefits Other than Pensions* (FASB, *Current Text*, vol. 1, sec. P40). FASB Statement No. 132 requires additional information on changes in the benefit obligations and fair values of plan assets that will facilitate financial analysis. The effective date is fiscal years beginning after December 15, 1997, with early application encouraged.

- FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, was issued in June 1998, and establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. FASB Statement No. 133 supercedes FASB Statement Nos. 105, *Disclosure of Information about Financial Instruments with Off-Balance Sheet Risk, and Financial Instruments with Concentrations of Credit Risk*, and 119, *Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments*. It carries forward the requirement under FASB Statement No. 119 to disclose the objectives, context, and strategies for holding and issuing derivatives. Qualitative disclosures describing the overall risk management profile are encouraged, but not required. FASB Statement No. 133 eliminates the requirement to disclose the average fair value of derivatives held for trading purposes. It also eliminates the requirement under both FASB Statement Nos. 105 and 119 to disclose the face or contract amount of derivatives held at the balance-sheet date although these amounts might be disclosed in order to present details about the investments. In addition, requirements under FASB Statement No. 105 to disclose the nature and terms of financial instruments with off-balance-sheet risk and the cash-flow requirements associated with them are also eliminated. The effective date is fiscal years beginning on or after June 15, 1999, with early adoption permitted.

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- FASB Statement No. 134, *Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise*, was issued in October 1998. It is unlikely that this Statement will impact CIRAs as it relates primarily to mortgage banking enterprises.

For a comprehensive summary of accounting pronouncements issued this year, see the *Audit Risk Alert—1998/99*.

## **AICPA Services**

### **Order Information**

To order AICPA products, call (888) 777-7077 (menu selection #1); write AICPA Order Department, P.O. Box 2209, Jersey City, NJ 07303-2209; or fax (800) 362-5066. Prices do not include shipping and handling. For best results call Monday through Friday between 8:30 A.M. and 7:30 P.M. Eastern time. Obtaining product information and placing online orders can be done at the AICPA's Web site ([www.aicpa.org](http://www.aicpa.org)).

### **Audit and Accounting Guide**

The AICPA Audit and Accounting Guide *Common Interest Realty Associations*, is available through the AICPA's loose-leaf subscription service. In the loose-leaf service, conforming changes (those necessitated by the issuance of new authoritative pronouncements) and other minor changes that do not require due process are incorporated periodically. Paperback editions of Audit and Accounting Guides as they appear in the service are printed annually. Copies may be obtained by calling the AICPA Order Department at (888) 777-7077 or faxing a request to (800) 362-5066.

### **CIRA Financial Reporting Checklist**

The AICPA's Accounting and Auditing Publications Division has published a revised version of the Disclosure Checklist and Illustrative Financial Statements *Common Interest Realty Associations*, a nonauthoritative practice aid for preparers or reviewers of finan-



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cial statements of CIRAs. Copies may be obtained by calling the AICPA Order Department at (888) 777-7077 or faxing a request to (800) 362-5066.

### **Accounting and Auditing Technical Hotline**

The AICPA Technical Hotline answers members' inquiries about accounting, auditing, attestation, compilation, and review services. Call (888) 777-7077.

### **Ethics Hotline**

Members of the AICPA's Professional Ethics Team answer inquiries concerning independence and other behavioral issues related to the application of the AICPA Code of Professional Conduct. Call (888) 777-7077.

### **References for Additional Guidance**

Further information on matters addressed in this Alert is available through various publications and services listed in the table at the end of this document. Many nongovernment and some government publications and services involve a charge or membership requirement.

Fax services allow users to follow voice cues and request that selected documents be sent by fax machine. Some fax services require the user to call from the handset of the fax machine; others allow the user to call from any phone. Most fax services offer an index document, which lists titles and other information describing available documents.

Electronic bulletin board services and Web sites allow users to read, copy, and exchange information electronically. Most are available using a modem and standard communications software. Some bulletin board services are also available using one or more Internet protocols.

Recorded announcements allow users to listen to announcements about a variety of recent or scheduled actions or meetings.

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## World Wide Web Site

“AICPA Online,” the Institute’s Web site ([www.aicpa.org](http://www.aicpa.org)), offers CPAs the unique opportunity to stay abreast of developments in accounting and auditing, including exposure drafts. The home page is updated daily. The Web site includes “In Our Opinion,” the newsletter of the AICPA Audit and Attest Standards Team. The newsletter provides valuable and timely information on technical activities and developments in auditing and attestation standard setting.

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This Audit Risk Alert replaces *Common Interest Realty Association Industry Developments—1997/98*.

Auditors should also be aware of the economic, regulatory, and professional developments that may affect the audits they perform, as described in *Audit Risk Alert—1998/99* and *Compilation and Review Alert—1998/99* which may be obtained by calling the AICPA Order Department.

This Audit Risk Alert is published annually. As you encounter audit or industry issues that you believe warrant discussion in next year’s Alert, please feel free to share them with us. Any other comments that you have about the Alert would also be greatly appreciated. You may email these comments to [Rdurak@aicpa.org](mailto:Rdurak@aicpa.org) or write to:

Robert Durak  
AICPA  
Harborside Financial Center  
201 Plaza Three  
Jersey City, NJ 07311-3881

***Illustrative Representation Letter***

*[To be prepared on the CIRA's or managing agent's letterhead]*

*[Date]*

To *[Independent Auditor]*

We are providing this letter in connection with your audit of the balance sheet and the related statement of revenues, expenses, and changes in fund balances, and cash flows of XYZ Condominium Association as of December 31, 19X2, and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of XYZ Condominium Association in conformity with generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, *[as of (date of auditor's report)]*, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with generally accepted accounting principles.
2. We are responsible for the fair presentation of the information about future major repairs and replacements in the supplementary information accompanying the financial statements.

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3. We have made available to you all:
    - a. Financial records and related data
    - b. Minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared
  4. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
  5. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
  6. There has been no—
    - a. Fraud involving management or employees who have significant roles in internal control
    - b. Fraud involving others that could have a material effect on the financial statements
  7. The Association has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
  8. The following have been properly recorded or disclosed in the financial statements:
    - a. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties
    - b. Guarantees, whether written or oral, under which the Association is contingently liable
    - c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. [Significant estimates are estimates at the balance-sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.]

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9. There are no:
    - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
    - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*.<sup>7</sup>
    - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
  10. The Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
  11. The company has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

[Note that additional representations that are unique to the CIRA could be added here. Examples might include *items 12 and 13*.]

12. The Board of directors is collecting funds for major repairs and replacements in conformity with the Association's policy to fund for those needs based on a study conducted in November 19X2. The board of directors believes that the funds will adequately provide for future major repairs and replacements.
13. The board of directors has allocated the excess of the association's revenues over its expenses during the current year to the fund for future major repairs and replacements.

To the best of our knowledge and belief, no events have occurred subsequent to the balance-sheet date and through the date of this letter

.....  
7. In the circumstance discussed in footnote 7 of SAS No.85, this representation might be worded as follows:

We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with Financial Accounting Standards Board Statement No. 5, *Accounting for Contingencies*, and we have not consulted a lawyer concerning litigation, claims, or assessments.

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that would require adjustment to or disclosure in the aforementioned financial statements.

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*[Name of Chief Executive Officer and Title]*<sup>8</sup>

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*[Name of Chief Financial Officer and Title]*<sup>8</sup>

.....  
8. Management representatives acting as signators to the letter might include officers of the CIRA and the managing agent, if any.

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**APPENDIX B*****The Internet—An Auditor's Research Tool***

Some Web sites that may provide valuable information to auditors are listed in the following table.

<i>Name of Web Site</i>	<i>Content</i>	<i>Internet Address</i>
American Institute of CPAs	Summaries of recent auditing and other professional standards as well as other AICPA activities	<a href="http://www.aicpa.org">http://www.aicpa.org</a>
Financial Accounting Standards Board	Summaries of recent accounting pronouncements and other FASB activities	<a href="http://www.fasb.org">http://www.fasb.org</a>
Governmental Accounting Standards Board	Summaries of recent accounting pronouncements and other GASB activities	<a href="http://www.gasb.org">http://www.gasb.org</a>
General Accounting Office	GAO policy and guidance materials, reports on federal agency major rules	<a href="http://www.gao.gov">http://www.gao.gov</a>
The Electronic Accountant	World Wide Web magazine that features up-to-the-minute news for accountants	<a href="http://www.electronicaccountant.com">http://www.electronicaccountant.com</a>
AuditNet	Electronic communications among audit professionals	<a href="http://www.cowan.edu.au/mra/home.htm">http://www.cowan.edu.au/mra/home.htm</a>
CPAnet	Links to other Web sites of interest to CPAs	<a href="http://www.cpalinks.com/">http://www.cpalinks.com/</a>
Guide to WWW for Research and Auditing	Basic instructions on how to use the Web as an auditing research tool	<a href="http://www.tetranet.net/users/gaostl/guide.htm">http://www.tetranet.net/users/gaostl/guide.htm</a>
Accountant's Home Page	Resources for accountants and financial and business professionals	<a href="http://www.computercpa.com/">http://www.computercpa.com/</a>
Double Entries	A weekly newsletter on accounting and auditing around the world	<a href="http://www.csu.edu.au/lists/onet/ADBLE-L/index.html">http://www.csu.edu.au/lists/onet/ADBLE-L/index.html</a>
U.S. Tax Code Online	A complete text of the U.S. Tax Code	<a href="http://www.fourmilab.ch/ustax/ustax.html">http://www.fourmilab.ch/ustax/ustax.html</a>
Financial Systems Forum	Topics involving the improvement of financial systems by providing information on methodologies, service organizations, and vendors with a focus on applications concerning accounts payable, accounts receivable, asset management, general ledger, and inventory	<a href="http://www.fsforum.com">http://www.fsforum.com</a>

*(continued)*

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<i>Name of Web Site</i>	<i>Content</i>	<i>Internet Address</i>
Cybersolve	Online financial calculators such as ratio and break even analysis	<a href="http://www.cybersolve.com/tools1.html">http://www.cybersolve.com/tools1.html</a>
FedWorld. Gov	U.S. Department of commerce sponsored site providing access to government publications	<a href="http://www.fedworld.com">http://www.fedworld.com</a>
Hoovers Online	Online information on various companies and industries	<a href="http://www.hoovers.com">http://www.hoovers.com</a>
Vision Project	Information on the profession's vision project	<a href="http://www.cpavision.org/horizon">http://www.cpavision.org/horizon</a>
Internet Bulletin for CPAs	CPA tool for Internet sites, discussion groups, and other resources for CPAs	<a href="http://www.kentis.com/ib.html">http://www.kentis.com/ib.html</a>

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## INFORMATION SOURCES

<i>Organization</i>	<i>General Information</i>	<i>Fax Services</i>	<i>Internet</i>	<i>Recorded Announcements</i>
American Institute of Certified Public Accountants	<i>Order Department</i> Harborside Financial Center, 201 Plaza Three Jersey City, NJ 07311-3881 (800) TO-AICPA or (888) 777-7077	<i>24 Hour Fax Hotline</i> (800) 362-5066	www.aicpa.org	<i>AcSec Telephone Line</i> (212) 596-6008
Financial Accounting Standards Board	<i>Order Department</i> P.O. Box 5116 Norwalk, CT 06856-5116 (203) 847-0700, ext. 10		www.fasb.org	<i>Action Alert Telephone Line</i> (203) 847-0700 (ext. 444)
Community Associations Institute	1630 Duke Street Alexandria, VA 22314 (703) 548-8600		www.caionline.org	
National Association of Housing Cooperatives	1614 King Street Alexandria, VA 22314 (703) 549-5201			

