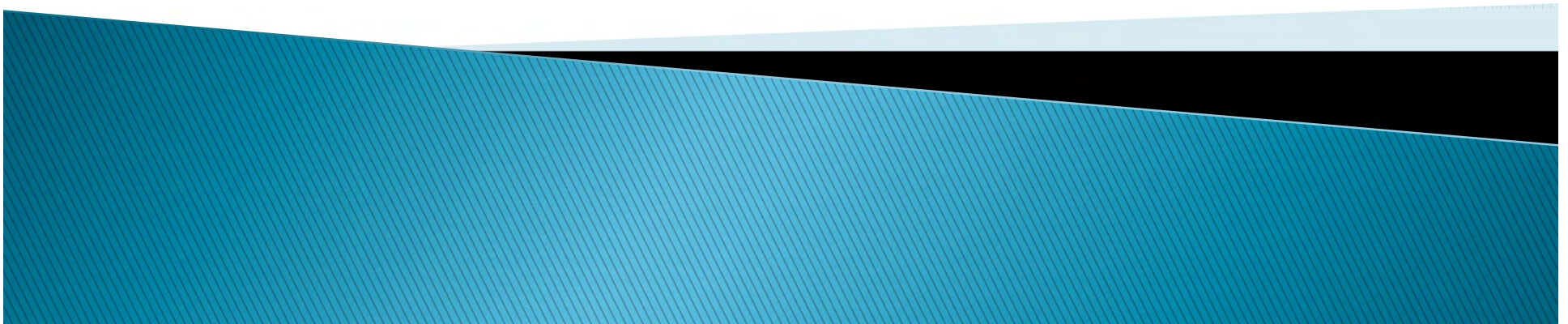


# FISCAL ACCOUNTABILITY

Allen County Neighborhoods Association

January 24, 2017



# Agenda

- ▶ Record Keeping
  - What records to keep and why?
- ▶ Dues
  - Assessments and Collections
- ▶ Insurance
  - What insurance is needed and why?
- ▶ Budgets
  - Why budgets are needed and how to prepare them?
- ▶ Tax Returns
  - Which tax returns do I need to file?



# Authoritative Sources

- ▶ **Indiana Code (IC) 32-25.5 – Homeowners Association**
- ▶ **Indiana Code (IC) 32-28-14 – Homeowners Association Liens**
- ▶ **Indiana Secretary of State–Required association/corporation filings.**
- ▶ **Internal Revenue Service and Code (IRS & IRC) and Indiana Department of Revenue (DOR)– Taxation**



# Recordkeeping

- ▶ What records should be retained & maintained?
  - Articles of Incorporation, Covenants and Bylaws
  - IC 32-25.5-3-3(g)-(m)
    - Apply to all HOA's and stipulate required records
  - Current roster of all members
    - Including address and legal description
    - Contact information
  - Board Meetings
    - Minutes or a summary of the meeting should be retained and maintained as a best practice
    - If governed by IC 32-25.5 the following apply(subject to covenants):
      - Special Meeting information-10% or more members petition
      - Contractual agreements that increase assessments by more than \$500
      - Borrowing funds
      - Suspension of voting rights
  - IC 32-25.5-4
    - Applies to all HOA's and allows Attorney General to bring action for fraud or misappropriation



# Dues

- Assessments

- Dues for Common Expenses
- Extraordinary Expenses

- Collection

- In-house
- Third party
- Internal Controls—also for expenses

- Liens



# Insurance

- ▶ Why should my HOA obtain insurance?
- ▶ Various types
  - Property
  - Commercial General Liability
  - Automobile
  - Director's and Officer's
  - Fidelity Bond
  - Comprehensive Equipment Coverage Insurance
  - Workers Compensation
  - Umbrella Liability



# Budgets

- ▶ Required by IC 32-25.5-3-3 to prepare annual budget
- ▶ Contents
  - Estimated Revenues and Expenditures for the budget year
  - Estimated Surplus or deficit at the end of the current budget year
- ▶ Distribution or Notice
  - Each Member
- ▶ Approval
  - Majority at meeting
  - Quorum, or lack thereof
- ▶ Examples



# Tax Returns

- ▶ Consult a tax professional—annual filing is required, no matter whether you are tax exempt or not
- ▶ HOA's have to file, even if they have \$0 taxable income
- ▶ HOA's are usually taxed as a corporation
- ▶ Tax exemption is rare
  - Application for tax exempt status under Section 501(c)(4) or (7) requires filing Form 1024 with IRS and paying fee
- ▶ State taxes
  - Form IT-20
- ▶ Federal Taxes may be Form 1120, 1120-H, or 990
  - Decision between 1120 or 1120-H is based on which is most tax advantageous as tax rates are different.
  - Form 990 is for those HOA's that receive tax exemption under sections noted above





# Conclusion

- ▶ Questions? Comments?
- ▶ Contact information
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