



## Financial Information – Chapter 718 - Condominiums

### Overview

Florida's Chapter 718 requires condominium associations to maintain detailed financial records, adopt transparent budgets, and properly fund reserves for major repairs and maintenance. Assessments must follow ownership shares, and unpaid amounts accrue interest and fees. Annual financial reports are mandatory, with requirements based on revenue levels.

Associations must appropriately separate funds, follow bidding rules for large contracts, and use reserve funds only for their intended purposes. The Structural Integrity Reserve Study (SIRS) ensures adequate funding for key structural and safety components. These provisions promote financial integrity and help ensure sound financial management of condominium associations.

### Accounting Records

- The association must maintain detailed accounting records, including receipts, invoices, bank statements, general ledgers, and unit owner ledgers.
- Separate accounting records are required for each condominium operated by the association.
- Revenues, expenditures, and special assessments must be shown distinctly from normal budgeted expenses.
- Financial records must be retained for at least seven years, while certain audit and reserve study reports must be kept for fifteen years.
- Intentional failure to create or maintain accounting records with the intent to cause harm may result in civil penalties or criminal penalties.

### Assessments

- Assessments must be allocated based on the proportionate share outlined in the declaration of condominium.
- Budgets must identify assessments for each unit type.
- A monthly, bimonthly, or quarterly statement for each unit, also commonly known as a unit owner ledger, must reflect the name of the unit owner, due date and amount of each assessment, the amount paid, and the balance due.
- Unpaid assessments accrue interest, either at the rate set by the declaration or at 18 percent per year if not specified, and may also include late fees.

### Budget

- The proposed budget must be adopted at least 14 days before the start of the fiscal year.
- A budget meeting must be properly noticed 14 days in advance, and the notice must include a copy of the proposed budget. If a substitute budget is required then a copy must be provided at least 14 days prior to budget meeting.
- Reserve schedules must be provided with the budget notice sent to owners.

- Budgets must include reserve accounts for capital expenditures and deferred maintenance such as roof replacement, building painting, and pavement resurfacing, plus any item over \$25,000 (adjusted annually by the Division beginning in 2026).
- If a proposed annual budget requires assessments that exceed 115 percent of the assessments for the previous fiscal year, the board must also propose a substitute budget that excludes any discretionary expenses not required to be included in the budget. The substitute budget must be presented at the same meeting for consideration and possible adoption by the unit owners.
- Reserves required by a Structural Integrity Reserve Study cannot be waived or reduced, except that members of an association operating a multicondominium may determine to provide no reserves or less reserves than required if an alternative funding method has been approved by the division.

### **Commingling of Funds**

- Reserve and operating funds may be held in the same account for investment purposes, but they must always be accounted for separately and at no time can balance be less than the amount identified as reserve funds.
- Association funds cannot be placed in or commingled with the personal account of a board member, unit owner, manager or any other community association.

### **Board Governance and Compensation**

- The bylaws of the association determine how the board of administration is composed, including the number of directors and their duties.
- If the bylaws do not specify this, the default provisions in section 718.112(2)(a), Florida Statutes, apply.
- Board members generally serve without compensation unless the bylaws expressly authorize payment.
- A director or officer more than 90 days delinquent in the payment of any monetary obligation due to the association abandons their position creating a vacancy.

### **Bids and Contract**

- All contracts for the purchase, lease, or renting of materials or equipment, and all contracts for the provision of services to the association, must be in writing. This includes any contract that is not to be fully performed within one year after it is made.
- Competitive bids are required if the total payment under the contract exceeds 5 percent of the association's total annual budget, including reserves.
- Contracts with attorneys, accountants, community association managers, engineers, and architects are exempt from the bidding requirement.
- Associations with 10 or fewer units may vote by two-thirds of the owners to opt out of the bidding process.
- The board is not required to select the lowest bid.

## **Financial Reporting**

- Associations must prepare and complete, or contract for the preparation and completion of the annual financial report within 90 days of the fiscal year end.
- Reports must be delivered to all unit owners within 180 days of the fiscal year end or within the time provided by the bylaws. Reporting depends on annual revenue:
  - Under \$150,000 requires a report of cash receipts and expenditures;
  - \$150,000 to \$299,999 requires compiled financial statements;
  - \$300,000 to \$499,999 requires reviewed financial statements;
  - \$500,000 or more requires audited financial statements.
- A vote of the unit owners can lower the required level of reporting, but not for consecutive years. Any vote taken must occur before the end of the fiscal year and is only effective for the fiscal year in which the vote was taken.

Any audit or review prepared before turnover must be paid for by the developer.

## **Improper Use or Transfer Fee Issued**

- The association is permitted to charge a use fee to a unit owner for the use of a common element or association property when the charge relates to expenses incurred by that unit owner having exclusive use of the common element or association property.
- The association has the power to make and collect assessments and to lease, maintain, repair and replace common elements or association property.
- The association may require, if authorized in the declaration or bylaws, a prospective lessee to pay a security deposit (deposited into the association's escrow account) in an amount not to exceed the equivalent of one month's rent.
- The association may charge a transfer fee if required to approve transfer. The maximum transfer fee amount is currently \$150. The fee must be adjusted every 5 years and published on the Division's website at [www.myfloridalicense.com](http://www.myfloridalicense.com).

## **Late Fees and Fines**

- Payments received must be applied first to interest, then to late fees, then to attorney's fees and collections costs, and finally to assessments.
- Fines may not become liens against a unit.
- A fine may not exceed \$100 per violation, or \$1,000 in total, and requires at least 14 days' written notice with an opportunity for a hearing before a committee.
- Voting rights or use of common areas may be suspended if an owner is more than 90 days delinquent and owes more than \$1,000, provided the suspension is approved at a properly noticed board meeting.

## **Misuse of Funds**

- Association funds may be used only for condominium operations unless the governing documents provide otherwise.
- Reserve funds may be used only for their intended purposes unless properly reallocated with owner approval.

- Special assessment funds must be spent solely for the purpose stated in the notice of assessment.
- Debit cards may not be used for any association expense, and improper use is considered theft.

## **Reserves**

- Associations must include reserve accounts in the annual budget for capital expenditures and deferred maintenance.
- The minimum required reserves include roof replacement, building painting, and pavement resurfacing, along with any other item that has a deferred maintenance expense or replacement cost greater than \$25,000 (adjusted annually by the Division beginning in 2026).
- Reserve funding must be calculated based on estimated remaining useful life and replacement cost or deferred maintenance expense of each item.
- Members of a unit-owner-controlled association may vote to reduce or waive reserves, but beginning December 31, 2024, reserves identified in a Structural Integrity Reserve Study may not be waived or reduced, except for an association operating a multicondominium if an alternative funding method has been approved by the division.
- Associations that completed a milestone inspection within the past two years, for budgets adopted on or before December 31, 2028, may pause or reduce reserve contributions for up to two years with approval from a majority of voting members.
- Reserve funds, and any interest earned on them, may only be used for the purposes for which they were established unless redirected with a majority vote of all unit owners.
- Reserve accounts may be pooled for two or more required components, but reserve funding must ensure that funds are sufficient to meet projected expenses for all included components.
- Before developer turnover, reserves may not be waived, reduced, or used for other purposes.

## **Structural Integrity Reserve Study (SIRS)**

- All residential condominiums three habitable stories or higher must complete a structural integrity reserve study at least once every 10 years.
- The study must be based on a visual inspection of the property and must be performed or verified by a licensed engineer, licensed architect, or a certified reserve specialist/professional reserve analyst.
- At a minimum, the study must include the following components:
  - Roof
  - Structure, including load-bearing walls and other primary structural members and systems
  - Fireproofing and fire protection systems
  - Plumbing
  - Electrical systems
  - Waterproofing and exterior painting
  - Windows and exterior doors

- Any other item with a deferred maintenance expense or replacement cost greater than \$25,000, or the reserve threshold updated by the Division, if the failure to replace or maintain the item would negatively affect one of the listed components.
- Each SIRS must identify every item inspected, provide the estimated remaining useful life of the item, and estimate the replacement cost or deferred maintenance expense. The study must also include a recommended annual reserve funding plan designed to fully fund each item by the end of its useful life.
- Reserve funding levels identified in a SIRS may not be waived or reduced by a vote of the unit owners. Reserve funds for these items may only be used for their intended purpose and may not be reallocated to other projects.
- Associations must distribute a copy of the completed SIRS, or provide notice that it is available for inspection, to all unit owners within 45 days of completion. Notice may be sent by mail, personal delivery, or electronic transmission to consenting owners.
- A statement confirming completion of the study and notice to owners must also be filed with the Division within 45 days using the association's online account.
- Failure of officers or directors to complete a required SIRS is considered a breach of fiduciary duty.