

Chapter 6

Accounting and Insurance

Not everything that can be counted counts, and not everything that counts can be counted.
Albert Einstein

6.1. Accounts and Reports

The following management standards of performance shall be followed unless the Master Board, by resolution, specifically determines otherwise:

- (a) generally accepted accounting principles shall be employed;
- (b) the Master Organization's cash accounts shall not be commingled with any other accounts;
- (c) no persons, on behalf of the Master Organization, shall accept remuneration from vendors, independent contractors, or others providing goods or services to the Master Organization, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Master Organization;
- (d) any agent of the Master Organization shall disclose promptly to the Master Board any financial or other interest which he or she may have in any firm providing goods or services to the Master Organization;

(e) an annual report consisting of at least the following shall be made available for inspection by any interested party within 180 days after the close of the fiscal year: (i) a balance sheet showing actual receipts and expenditures; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Master

Board determines, by an independent public accountant.

The Master Organization shall provide any interested party a copy of the annual financial report within 10 business days following receipt of a written request for access.

6.2. Borrowing

The Master Organization shall have the power to borrow money for any legal purpose.

6.3. Insurance

Acting through the Master Board or its duly authorized agent, the Master Organization shall obtain and maintain in effect the following types of insurance, if reasonably available and affordable and to the extent the Master Board deems reasonably necessary:

(a) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for such improvements as customarily are insured on property which the Master Organization owns, if any. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. All property insurance policies which the Master Organization obtains shall have policy limits sufficient to cover the full replacement cost of the insured improvements;

(b) Commercial general liability insurance on any property which the Master Organization owns or maintains, insuring the Master Organiza-

MARKUP #1 ->

MARKUP #1 - CONFLICTS WITH MANDATORY STATE STATUTE BOARD & COUNSEL REVIEW

Sec. 6.3 (p. 38): Clause restricts statutory owner/agent records inspection rights or violates the 75-day free annual financial statement and member-audit rights under N.C. Gen. Stat. § 47F-3-118 & § 55A-16-02.

Statutory / Legal Reference: N.C. Gen. Stat. § 47F-3-118 & § 55A-16-02
Statutory Comparison: Under N.C. Gen. Stat. § 47F-3-118 & § 55A-16-02, all financial and other records of the association (including executive board meeting minutes and member rosters, subject to N.C.G.S. Article 16 of Chapter 55A) shall be made reasonably available for examination and copying by any lot/unit owner and the owner's authorized agents upon 5 business days' written notice. Furthermore, within 75 days after the close of the fiscal year, the association must provide all owners in writing (at no charge) an itemized statement of income and expenses and the names and addresses of all executive board members, and a more extensive CPA compilation, review, or audit may be ordered by a majority vote of the executive board or of the owner's present and voting at an annual or special meeting.

CURRENT WORDING IN DOCUMENT:
Following shall be made available for inspection by any interested party within 180 days after the close of the fiscal year: (i) a balance sheet show-

SAMPLE DISCUSSION WORDING (FOR HOA ATTORNEY REVIEW):
Pursuant to N.C. Gen. Stat. § 47F-3-118 & § 55A-16-02, all financial and corporate records of the Association, including minutes of all meetings of the members and Executive Board, shall be made reasonably available for inspection and copying by any owner or the owner's authorized agent upon five (5) business days' written notice. Within seventy-five (75) days after the close of each fiscal year, the Association shall publish and deliver to all owners in writing, at no charge, an annual statement of income and expenses and the names and addresses of all Executive Board members.

ISSUE #1