



— TEMPLATE —

# Developer Turnover Financial Audit Checklist

*Developer Turnover*

DOCUMENT	Template
CATEGORY	Developer Turnover
EDITION	2026
ISSUER	Common Interest Community Standards Council

TEMPLATE

# Developer Turnover Financial Audit Checklist

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SECTION 01

## STATUTORY RECORDS DEMAND

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### FLORIDA CONDOMINIUMS (Fla. Stat. Section 718.301(4))

The developer must deliver

- Original or photocopies of the declaration of condominium
- Articles of incorporation of the association
- Bylaws of the association
- Rules and regulations
- Minute books of the association from inception, including all minutes of meetings of unit owners, board, and committees
- All financial records of the association from inception
- Association funds and control of those funds
- All tangible personal property of the association, with a property inventory
- A copy of the plans and specifications used to construct the condominium
- A list of names and addresses of unit owners
- Insurance policies
- Copies of permits issued by governmental bodies
- Warranties on contractor and subcontractor work
- A roster of unit owners and their addresses
- Leases of common elements and other leases to which the association is a party
- All employment contracts and service contracts in which the association is a party
- All other contracts to which the association is a party
- Financial review or audit by an independent CPA (statutory threshold)

### FLORIDA HOAs (Fla. Stat. Section 720.307)

Developer transition includes

- All association records
- Financial records from inception
- Control of association funds
- All contracts in force
- Insurance policies
- Reserve study (if any)
- Statutory triggers for turnover have been met (typically tied to percentage of parcels conveyed)

#### TEXAS CONDOMINIUM REGIMES (Tex. Prop. Code Chapter 82)

- Period of declarant control under Section 82.103 has terminated
  - Records contemplated by the declaration are delivered
  - All association funds are transferred to association control
  - Reserve study (if commissioned) is provided
  - Insurance policies are assigned
  - All contracts in the developer's name on behalf of the association are delivered
- #### TEXAS SUBDIVISION HOAs (Tex. Prop. Code Chapter 209)

- Declaration of covenants, conditions, and restrictions
- Bylaws of the association
- Articles of incorporation
- Financial records and bank account control
- All contracts in force
- Insurance policies
- Reserve study, if commissioned
- Subdivision information statement under Tex. Prop. Code Section 207.003 records

#### SECTION 02

### TURNOVER AUDIT (STATUTORY OR BEST PRACTICE)

- Independent CPA engaged (NOT the developer's CPA)
- Engagement scope covers period from incorporation to turnover date
- Engagement performed in accordance with AICPA generally accepted auditing standards
- Engagement references the AICPA Audit and Accounting Guide for Common Interest Realty Associations
- Florida condominiums: confirm engagement satisfies Section 718.301(4)(c) requirements
- Audit covers:
  - Assessment revenue collected vs. assessment revenue billed
  - Developer assessment obligations under the declaration and statute
  - Operating expenses paid, segregated between association expenses and declarant expenses
  - Reserve fund contributions vs. required contributions
  - All inter-fund transfers
  - Related-party transactions with the developer and affiliated entities
  - Any operating expenses paid by the association that should have been declarant expenses
- Audit report includes findings and management letter

## SECTION 03

## ABSORPTION-RATE BUDGET MODEL REVIEW

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Demand the full absorption-rate financial model the developer used

- Buildout schedule (lots/units by year, by product type)
- Assessment revenue projection by year
- Fixed cost base assumed by year
- Variable cost ramp assumed by year
- Reserve contribution phase-in
- Developer subsidy projection by year
- Actual subsidy paid vs. projected subsidy
- Capital asset / amenity opening schedule

Compare model assumptions to actual

- Actual absorption pace vs. projected absorption pace
- Actual assessment collection vs. projected
- Actual operating expenses vs. projected fixed + variable
- Actual reserve contributions vs. projected
- Actual developer subsidy vs. projected

## SECTION 04

## RESERVE STUDY AND RESERVE FUND

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- Current reserve study delivered
- Date of last reserve study update identified
- Consultant qualifications confirmed (credentialed reserve specialist or PE)
- Reserve study conforms to CAI National Reserve Study Standards
- Funding plan from the study identified
- Recommended annual contribution at study date identified
- Actual annual contributions, year by year, compiled
- Gap between recommended and actual contributions calculated
- Current reserve fund balance documented
- Current reserve fund cash documented
- Reconciliation between reserve fund balance and reserve cash
- If material gap exists, determine cause: ( ) Developer underfunded ( ) Operating-fund borrowing from reserves ( ) Other (specify)

SECTION 05

## DECLARANT SUBSIDY LEDGER

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Build a year-by-year ledger of

- Developer subsidy required by declaration
- Developer subsidy actually paid
- Method of payment (cash contribution, expense absorption, deficit funding)
- Treatment in the books (income, contribution, loan)
- Whether any subsidy was structured as a recoverable loan against future assessments
- Whether developer-owned lots paid assessments and at what rate

Florida-specific: Confirm Fla. Stat. Section 718.116(9) condominium or Section 720.308 HOA developer assessment obligations were met.

Texas-specific: Confirm the declaration's declarant-period assessment provisions were honored.

SECTION 06

## CONTRACTS REVIEW

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Compile every contract in force

- Management contract -- term, renewal, termination clause, affiliation with developer
- Landscape contract
- Pool / amenity operations contracts
- Security / patrol contracts
- Pest control / maintenance contracts
- Trash / waste contracts
- Cable, internet, bulk service contracts
- Any equipment lease
- Any service agreement with a developer-affiliated entity

For each contract

- Term remaining
- Auto-renewal provision
- Termination notice required
- Termination penalty
- Was it competitively bid before signing?
- Is the vendor affiliated with the developer?
- Are pricing terms market-rate or below/above market?

SECTION 07

## CONSTRUCTION WARRANTIES AND DEFECT ITEMS

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- Construction warranties on amenities documented
- Construction warranties on infrastructure (pavement, gates, mechanical) documented
- Warranty expiration dates calendared
- Independent inspection of amenities and common areas before warranty expiration
- Punch list items from original construction identified
- Latent defect items identified
- If statute of repose or statute of limitations is approaching, counsel engaged

SECTION 08

## LEGAL TRANSITION

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- Engagement of independent association counsel (NOT developer counsel)
- Review of declaration for any developer-favorable provisions that survive turnover
- Review of bylaws for transitional provisions
- Identification of any pending or threatened litigation
- Identification of any regulatory or compliance matters
- Insurance coverage review and renewal (D&O, general liability, property)
- Records-retention policy adoption
- Open meetings and notice procedures established

SECTION 09

## FIRST POST-TURNOVER BUDGET

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Build from actual operating data

- Twelve months of actual expense data compiled
- Insurance renewal quote obtained
- Management contract re-bid or renegotiated
- Reserve contribution sized against reserve study, not prior year
- Operating expenses previously absorbed by developer identified and added
- Per-lot impact calculated
- Multi-year glide path projection drafted
- Owner communication drafted explaining structural drivers

SECTION 10

## Common Gaps At Turnover

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- Reserve fund underfunded relative to study
- No reserve study at all, or reserve study more than five years old
- Affiliated management contract auto-renewing on unfavorable terms
- Operating expenses paid by association that should have been declarant expenses
- Developer-owed assessments not paid or not properly credited
- No turnover audit performed
- Construction warranty deadlines approaching with no inspection
- Records gaps (minutes missing, contracts missing)
- Insurance gaps or pending non-renewal

SECTION 11

## Timing Reminders

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- Statutory records-delivery deadline calendared
- Turnover audit completion deadline calendared
- Contract renewal-notice deadlines calendared
- Construction warranty expiration dates calendared
- First post-turnover budget adoption deadline calendared
- Annual member meeting deadlines calendared

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*This checklist is an educational resource. Developer turnover involves statutory deadlines, contractual rights, and potentially construction-defect or warranty claims. The receiving board should engage qualified independent counsel and a qualified CPA before the transition meeting.*