



# SHAW & LINES, LLC

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## HOA & CONDO LAWYERS

**Attorneys**

Augustus H. Shaw IV\*†

Mark E. Linst

Patrick J. Whelan\*\*

\*Also Licensed in Nebraska

\*\*Also Licensed in Florida

† Member, College of Community Association Lawyers

**Address**

4523 E. Broadway Rd.

Phoenix, Arizona 85040

**Phone/Fax/Web**

p 480-456-1500

f 480-456-1515

[www.shawlines.com](http://www.shawlines.com)

## HOA Audit

### Corporate Issues Every Association Should Evaluate

Authored and presented by  
**Augustus H. Shaw IV, Esq., CCAL**  
**Shaw & Lines, LLC**

Email [ashaw@shawlines.com](mailto:ashaw@shawlines.com)

Web site [www.shawlines.com](http://www.shawlines.com)

**This document is intended to provide general information. It does not and cannot provide specific legal advice. For additional information or answers to questions, you may contact Augustus H. Shaw IV, Esq. of Shaw & Lines, LLC at 480-456-1500 or send questions to [ashaw@shawlines.com](mailto:ashaw@shawlines.com).**

*This course is approved by Community Association Managers International Certification Board (CAMICB) to fulfill continuing education requirements for the CMCA® certification. [www.Camicb.org](http://www.Camicb.org).*

## **Syllabus**

### **Learning Objectives:**

Did you know your HOA is a non-profit corporation with certain corporate formalities and laws that need to be abided by outside of your CC&Rs? This Seminar will discuss the "corporate" side of your HOA with a focus on corporate governance issues, regulations and other requirements. This Seminar will also discuss what "type" of non-profit corporation most HOAs are.

- I. INTRODUCTION.**
- II. WHAT IS A CORPORATE AUDIT OR TUNE-UP.**
- III. I.R.S. NON-PROFIT STATUS ISSUES.**
- IV. CORPORATE REPORTING REQUIREMENTS.**
- V. REQUIREMENTS REGARDING DOCUMENTS AND RECORDS.**
- VI. CORPORATE BOARD OF DIRECTORS ISSUES.**
- VII. CONCLUSION.**



**SHAW & LINES, LLC**  
HOA & CONDO LAWYERS

**HOA AUDIT  
CORPORATE ISSUES EVERY  
ASSOCIATION SHOULD  
EVALUATE**

THIS COURSE IS APPROVED BY COMMUNITY ASSOCIATION MANAGERS INTERNATIONAL CERTIFICATION BOARD(CAMICB) TO FULFILL CONTINUING EDUCATION REQUIREMENTS FOR THE CMCA® CERTIFICATION. WWW.CAMICB.ORG.

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**HOA Corporate Tune-Up**

- A “Corporate Audit” or “Tune-Up” allows the HOA to assess the strength of the corporate entity.
- A “Corporate Audit” or “Tune-Up” could discover potential legal issues before they become serious.

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**HOA Corporate Tune-Up**  
**What Type of Non-Profit Corporation is the HOA?**

- Most HOAs may apply for non-profit status under IRC §501(c)(4) or IRC §501(c)(7).
- If the HOA does not qualify for exemption under either of the 501 provisions, it may seek a limited taxation under IRC §528.

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**HOA Corporate Tune-Up**  
**What Type of Non-Profit Corporation is the HOA?**

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- IRC § 501(c)(4) governs organizations formed and operated for the benefit of the general public or community.
- IRC § 501(c)(7) provides exemption to HOAs that exist to own and maintain recreational areas and facilities. Exemption under this provision is appropriate for associations that restrict use of its facilities to members only, or to those that offer incidental benefits to the “community.”

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**HOA Corporate Tune-Up**  
**What Type of Non-Profit Corporation is the HOA?**

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- If the HOA does not qualify for the tax exempt status under §501(c)(4) or (7), it might seek limited taxation under IRC § 528, which only imposes a tax on thirty percent (30%) of the association’s taxable income.

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**HOA Corporate Tune-Up**  
**Reporting Requirements**

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- Update Statutory Agent Information on ACC Website.
- Update Business Address of HOA on ACC Website.
- Update/remove Notice of Community Association with County Recorder.

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**HOA Corporate Tune-Up  
Reporting Requirements**

- File the HOA's Annual Report.
- File the new ACC Required Form (**A.R.S. § 10-11622**) with the Annual Report containing the name, address, telephone number, website (if applicable), fax number and e-mail address of the HOA and the designated agent, manager or management company of the HOA.

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**HOA Corporate Tune-Up  
Documents and Records**

- Make sure the HOA has all of the Governing Documents and other records of the HOA "readily available."
- When was the last time the Governing Documents and policies and procedures were reviewed for legal appropriateness?

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**HOA Corporate Tune-Up  
Documents and Records**

- Contract Review – The Association should review all vendor contracts, i.e. Insurance Policies and coverages, Attorney Fee Schedules, Landscaper Contract, etc.

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**HOA Corporate Tune-Up Documents and Records**

- Review financial information;
- Are the signature cards valid;
- Has the Board reviewed the actual bank statements and not just a summary;
- Has the Association's Banker/Investment Advisor visited the Board.

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**Board of Directors Retreat**

**The Board of Directors should seek to have an annual retreat where the following topics are discussed:**

**Review of the Governing Documents and Applicable Arizona Law;**

**Review of Association Policies and Procedures;**

**Review or implementation of a Code of Conduct.**

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**Questions?**

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