

SUMMER LAKE CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

SUMMER LAKE CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
December 31, 2015

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 33,193	\$ -	\$ 33,193
Assessments Receivable, Net of \$394,777 Allowance for Doubtful Accounts	123,955	-	123,955
Prepaid Insurance	47,576	-	47,576
Prepaid Expenses	<u>4,016</u>	<u>-</u>	<u>4,016</u>
 Total Assets	 <u>\$ 208,740</u>	 <u>\$ -</u>	 <u>\$ 208,740</u>
 LIABILITIES AND FUND BALANCE (DEFICIT)			
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 114,370	\$ -	\$ 114,370
Insurance Payable	32,799	-	32,799
Prepaid Maintenance Assessments	32,641	-	32,641
Due to AFS	<u>330,261</u>	<u>-</u>	<u>330,261</u>
 Total Liabilities	 510,071	 -	 510,071
 FUND BALANCE (DEFICIT)	 <u>(301,331)</u>	 <u>-</u>	 <u>(301,331)</u>
 Total Liabilities and Fund Balance (Deficit)	 <u>\$ 208,740</u>	 <u>\$ -</u>	 <u>\$ 208,740</u>

The accompanying notes are an integral part of the financial statements.

SUMMER LAKE CONDOMINIUM ASSOCIATION, INC.
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE (DEFICIT)
 For the Year Ended December 31, 2015

	Operating Fund	Replacement Fund	Total
REVENUES			
Maintenance Assessments	\$ 948,168	\$ -	\$ 948,168
Insurance Claim Income	180,080	-	180,080
Late Fee Interest Income	40,825	-	40,825
Late Fee Income	12,425	-	12,425
Screening Income	8,105	-	8,105
Other Income	54,278	-	54,278
Total Revenues	1,243,881	-	1,243,881
EXPENSES			
Administrative Staff Salaries	66,788	-	66,788
Bank Charges	1,149	-	1,149
Bad Debts	128,127	-	128,127
Electricity	34,460	-	34,460
Insurance	195,101	-	195,101
Insurance Claim Repairs	177,288	-	177,288
Lawn Maintenance and Groundskeeping	60,825	-	60,825
Licenses, Taxes and Permits	1,890	-	1,890
Management Fees	42,604	-	42,604
Office Expense	8,183	-	8,183
Other Expenses	8,687	-	8,687
Pest Control	13,749	-	13,749
Pool Maintenance and Repairs	11,845	-	11,845
Professional Fees	39,583	-	39,583
Repairs and Maintenance	167,405	-	167,405
Roof Maintenance and Repairs	48,816	-	48,816
Security	7,529	-	7,529
Telephone	3,516	-	3,516
Trash Removal	38,119	-	38,119
Water and Sewer	195,215	-	195,215
Total Expenses	1,250,879	-	1,250,879
(Deficiency) of Revenues over Expenses	(6,998)	-	(6,998)
Fund Balance (Deficit) - Beginning of Year	(294,333)	-	(294,333)
Fund Balance (Deficit) - End of Year	\$ (301,331)	\$ -	\$ (301,331)

The accompanying notes are an integral part of the financial statements.

SUMMER LAKE CONDOMINIUM ASSOCIATION, INC.
 STATEMENT OF CASH FLOWS
 For the Year Ended December 31, 2015

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Maintenance Assessments Received	\$ 1,117,667	\$ -	\$ 1,117,667
Insurance Claim Income Received	180,080	-	180,080
Late Fee Interest Income Received	40,825	-	40,825
Late Fee Income Received	12,425	-	12,425
Screening Income Received	8,105	-	8,105
Other Income Received	54,278	-	54,278
Cash Paid for Operating Expenditures	<u>(1,406,688)</u>	<u>-</u>	<u>(1,406,688)</u>
Net Cash Provided by Operating Activities	<u>6,692</u>	<u>-</u>	<u>6,692</u>
Net Increase in Cash and Cash Equivalents	6,692	-	6,692
Cash and Cash Equivalents - Beginning of Year	<u>26,501</u>	<u>-</u>	<u>26,501</u>
Cash and Cash Equivalents - End of Year	<u>\$ 33,193</u>	<u>\$ -</u>	<u>\$ 33,193</u>

The accompanying notes are an integral part of the financial statements.

SUMMER LAKE CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended December 31, 2015

	Operating Fund	Replacement Fund	Total
Reconciliation of (Deficiency) of Revenues over Expenses to Net Cash Provided by Operating Activities:			
(Deficiency) of Revenues over Expenses	\$ (6,998)	\$ -	\$ (6,998)
Adjustments to Reconcile (Deficiency) of Revenues over Expenses to Net Cash Provided by Operating Activities:			
Bad Debt	(135,776)	-	(135,776)
(Increase) Decrease in Assets:			
Assessment Receivable	144,408	-	144,408
Prepaid Insurance	2,155	-	2,155
Prepaid Expenses	(4,016)	-	(4,016)
(Decrease) Increase in Liabilities:			
Accounts Payable and Accrued Expenses	16,483	-	16,483
Prepaid Maintenance Assessments	25,091	-	25,091
Due to AFS	(34,394)	-	(34,394)
Insurance Payable	(261)	-	(261)
Net Cash Provided by Operating Activities	<u>\$ 6,692</u>	<u>\$ -</u>	<u>\$ 6,692</u>

The accompanying notes are an integral part of the financial statements.

SUMMER LAKE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **Organization** – Summer Lake Condominium Association, Inc. (Association) is a statutory condominium association incorporated as a not-for-profit corporation in the State of Florida in March 2005. The Association is responsible for the operation and maintenance of the common property within the development. The Association consists of 272 residential units, is located in Fort Lauderdale, Florida.
2. **Fund Accounting** - The Association uses fund accounting which requires that funds such as the operating fund and the fund designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors and property manager. Disbursements from the replacement fund may be made only for their designated purposes.
3. **Use of Estimates in the Preparation of Financial Statement** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
4. **Member Assessments** – Member assessments are billed monthly based upon their proportionate share of ownership and recognized as revenue on a pro rata basis over the period covered by the billing. Member assessments are based upon estimates of amounts necessary to provide funds for the Association's operating expenses and future major repairs and replacements. Assessments receivable from members are reported at the outstanding balance due from the members. It is the Association's policy to retain legal counsel and place liens on the units of members whose assessments are delinquent. Any excess assessments at year end are retained by the Association for reduction of member assessments in future years.
5. **Interest Income** – The Board of Directors' policy is to allocate to the operating and replacement funds all interest earned on their respective cash accounts.
6. **Income Taxes** – In 2015, the Association plans to elect to file as a homeowners' association in accordance with Internal Revenue Service Code section 528. Under this section, the Association excludes from taxation exempt function income, which generally consists of revenue from assessments to owners. The Association's investment income and other nonexempt income are subject to tax at a rate of 30%, net of any applicable expenses.
7. **Concentration of Credit Risk** - Financial instruments which potentially subject the Association to concentrations of credit risk are primarily cash and cash equivalents and assessments receivable. The Association invests its excess cash and cash equivalents in both deposits and high quality short-term liquid money market instruments with major financial institutions and the carrying value approximates market value. The Association has not experienced losses related to these investments. The Association believes it is not exposed to any significant credit risk on cash and cash equivalents and member assessments receivable.
8. **Recognition of Assets** - Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.
9. **Cash and Cash Equivalents** - For purposes of the December 31, 2015 balance sheet and statement of cash flows for the year then ended, the Association considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.
10. **Fair Value of Financial Instruments** - The carrying amounts of cash, receivables, and payables approximate their fair values due to their short-term maturities.

SUMMER LAKE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. **Comprehensive Income** - ASC 220 (formerly SFAS No. 130) requires “a full set of general-purpose financial statements to be expanded to include the reporting of comprehensive income.” Comprehensive income is comprised of two components, net income and other comprehensive income. For the year ended December 31, 2015, there were no items that qualify as comprehensive income.

12. **Revenue Recognition** – Regular assessments to members are recognized as revenue during the period for which they are assessed. Assessments received in advance of this period are reported as prepaid assessments on the balance sheet.

NOTE B - REPLACEMENT FUND

The Association's governing documents and Florida statutes require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations.

In 2015 when preparing the 2016 budget, the Board of Directors estimated the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on these estimates.

The funding program was included in the proposed budget for 2015, which was presented to unit owners at a general meeting. At that meeting, a majority of owners voted not to include funding for major repairs and replacements in the annual budget for 2016. For that reason, and because actual expenditures may vary from estimated future expenditures and the variations may be material, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

There were no activities in the Reserves for the year ended December 31, 2015.

NOTE C - WINDSTORM INSURANCE

The insurance policy for windstorm coverage renewed April 1, 2015. The deductible amount for named hurricane storms is estimated at \$940,875 which represents 5% of the insured value of the residential buildings, which is estimated to be \$18,817,500.

NOTE D – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through November 7, 2016, the date that the financial statements were available to be issued.

NOTE E – UNCERTAINTIES FOR INCOME TAXES

Under federal and state income tax laws, an entity’s income tax returns are subject to examination by the applicable taxing authorities. The Association has no income tax returns under examination by the Internal Revenue Service. However, the Association’s Federal Income tax returns for 2013, 2014 and 2015 are subject to examination, generally for three years after they are filed.

SUMMER LAKE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015

NOTE F – DUE TO AFS

As of December 31, 2015, the Association has a long term note payable with Association Financial Services (AFS) of \$330,261. AFS provided monthly billing and collections services for the Association from May 12, 2008 to August 2012.

In the case Association Financial Services v. Summer Lake Condominium Association, Inc., AFS sued the Association for breach of contract, unjust enrichment and foreclosure of a security interest. On May 11, 2015, the case was voluntarily dismissed pursuant to a confidential settlement agreement.

NOTE G – GOING CONCERN

As shown in the accompanying financial statements, the Association has an assessment receivable balance of \$518,732 and has provided an allowance for doubtful accounts of \$394,777 reflecting a net of \$123,955 as of December 31, 2015. The Association has been maintaining cumulative negative fund balances of \$301,331 and \$294,333 as of December 31, 2015 and 2014 respectively. These negative fund balances are due as a result of historical transactions that have accumulated in previous years, which as a result have been causing current year losses.

The Association has also made arrangements with vendors to reduce expenses, continues the legal process to collect these receivables and has increased the maintenance assessments for 2016. Management has taken these actions to be able to continue operations. These financial statements do not include any adjustments that might be necessary should the Association be unable to continue as a going concern.

NOTE H – INSURANCE PROCEEDS

During 2014, the Association had fire damages to the Association's Club house. During 2015, the Association received an insurance settlement of \$180,080. Furthermore, during 2015, the Association incurred expenses in the amount of \$177,288 to repair the fire damage.

SUPPLEMENTARY INFORMATION

SUMMER LAKE CONDOMINIUM ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
 December 31, 2015
 (Unaudited)

In 2015, when preparing the 2016 budget, the Board of Directors estimated the remaining useful lives and the replacement costs of the components of common property.

The following table is based on the estimates and presents significant information about the components of common property:

Components	Remaining Estimated Useful Lives	Estimated Current Replacement Cost	Balance December 31, 2014	Additions	Transfers/ Expenditures	Balance December 31, 2015	2016 Required Funding
Roof	9	\$ 452,400	\$ -	\$ -	\$ -	\$ -	\$ 50,267
Fire Protection	24	81,600	-	-	-	-	3,400
HVAC - Common	1	8,000	-	-	-	-	8,000
Plumbing Supply	12	272,000	-	-	-	-	22,667
Plumbing Waste	22	408,000	-	-	-	-	18,545
Electrical	32	489,600	-	-	-	-	15,300
Pool	1	3,500	-	-	-	-	3,500
Pavement	16	110,432	-	-	-	-	6,902
Site Drainage	37	<u>135,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,649</u>
Totals		<u>\$ 1,960,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,229</u>