

# Draft Checklist

## The Dana Point Condominium Association For the year ended December 31, 2013

The following items are needed from management and/or the Board before the enclosed report can be finalized.

1. Board member questionnaires: We received a questionnaire from the treasurer, but not from any of the other board members. As we discussed with the treasurer, we will assume that there are no issues in the questionnaire to be brought to our attention from other members of the Board. Please inform us otherwise. We have included a copy of this questionnaire if any of the Board members wish to complete the form and return it to us. If that would be the case, we would need it as soon as possible.	OK
2. Attached representation letter signed by the Board and management.	OK
3. I have enclosed Section 6.7(a) of the Association's Declaration regarding capital expenditures over \$5,000. If the Association has not complied with this declaratory requirement for the year 2013 and prior years, please let us know.	OK
4. The enclosed financial statements include an "Interfund Transfer" of \$100,471 on page 3, which primarily consists of the excess operating funds that were transferred to the reserve fund in the prior years. It is our understanding that the Association intends this to be a permanent adjustment of money from operating to reserves, and that the reserve fund does not intend to repay the operating fund for this \$100,471. If our understanding is not correct, please let us know.	OK
5. Have a Board member sign and return the first page of our draft report signifying acceptance of the report, and that there are no other significant subsequent events not already disclosed.	OK
6. We have attached a copy of the tax provision used to prepare the Associations tax return, please provide us documentation that the Board has approved of the percentages. If there are any changes let us know as soon as possible, so we can amend the return.	OK

Karen Skoric is the engagement manager and is responsible for supervising the engagement and signing the final report or authorizing another to sign it.

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*Certified Public Accountants*



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**THE DANA POINT CONDOMINIUM ASSOCIATION  
ARLINGTON HEIGHTS, ILLINOIS**

Cantey Associates  
Certified Public Accountants  
1737 South Naperville Road, Suite 103  
Wheaton, IL 60189

We are providing this letter in connection with your audit of the financial statements of The Dana Point Condominium Association, which comprise the balance sheet as of December 31, 2013, and the related statement of revenues, expenses, and changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). We confirm that we are responsible for the preparation and fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, through the date of this response, the following representations made to you during your audit.

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 2, 2013.
2. The financial statements referred to the above are fairly presented in conformity with U.S. generally accepted accounting principles.
3. We acknowledge our responsibilities for presenting the required supplementary information (RSI) about future major repairs and replacements in accordance with U.S. GAAP. The RSI is measured and presented within the prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
4. We are responsible for presenting the supplementary information accompanying the basic financial statements in accordance with U.S. generally accepted accounting principles. We believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. generally accepted accounting principles. The methods of measurement and presentation used to prepare the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
5. We are responsible for the fair presentation of the supplementary information accompanying the financial statements about future major repairs and replacements, and we understand that the scope of your audit does not include expressing an opinion or any form of assurance on the information or on the adequacy/reasonableness of the future major repairs and replacement assessments/reserves.

6. We have made available to you all-
  - A. Information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - B. Minutes of meetings of Board of Directors and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - C. Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence.
7. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
8. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
9. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates, including those measured at fair value, are reasonable in the circumstances.
10. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
11. We acknowledge our responsibility for the design, implementation, and maintenance of programs and internal controls to prevent and detect fraud.
12. There have been no:
  - A. Fraud, suspected fraud, or irregularities involving management, board members or employees who have significant roles in internal control.
  - B. Fraud, suspected fraud, or irregularities involving management, board members, employees and others that could have a material effect on the financial statements.
13. We have no knowledge of any allegations of fraud or suspected fraud affecting the Association received in communications from management, board members, employees, former employees, regulators, or others.
14. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations (including any loan compliance issues) whose effects should be considered when preparing financial statements.
15. The Association has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities and equity balances.
16. The following have been appropriately accounted for and disclosed in the financial statements in accordance with U.S. GAAP:
  - A. Related party relationships, transactions and related accounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees.

- B. Guarantees, whether written or oral, under which the Association is contingently liable.
  - C. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB ASC 275, *Risks and Uncertainties*.
  - D. Any material concentrations that are required to be disclosed.
17. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Association vulnerable to the risk of near-term severe impact that have not been properly disclosed in the financial statements.
18. There are no-
- A. Violations or possible violations of laws or regulations whose effect should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - B. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in the financial statements in accordance with FASB Accounting Standards Codification 450, *Contingencies*.
  - C. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.
  - E. Transfers or designations of fund balance or interfund borrowings that were not properly authorized and approved, or uncollectible interfund loans that have not been properly reflected in the financial statements or disclosed to you.
19. The Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged, other than as disclosed in the financial statements, as applicable.
20. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
21. The board of directors is collecting funds for future repairs and replacements in conformity with The Dana Point Condominium's policy to fund for those needs based on a study conducted in April 2014. The Board of Directors and managers believes the funds will adequately provide for future major repairs and replacements. We understand that your audit does not include any evaluation, assurance or opinion on the adequacy or reasonableness of the current funds available or funds needed to meet future obligations.
22. The Association's allocation of expenses against membership and nonmembership income, or exempt and nonexempt income, conforms with IRS rules, which require that the allocation be made "on reasonable basis." We have adequately documented such allocation.
23. If the Association had excess membership income in the current year, for tax purposes it has elected to either (a) offset it against next year's assessments or (b) refund it to members. We have adequately documented such election in the current year.

24. We understand that management and the Board of Directors are responsible for the Association's choice of filing form 1120H and the consequences thereof.
25. In regards to the preparation of the Federal and State income taxes performed by you, we have-
1. Made all management decisions and performed all management functions.
  2. Designated an individual with suitable skill, knowledge, or experience to oversee the services.
  3. Evaluated the adequacy and results of the services performed.
  4. Accepted responsibility for the results of the services.
26. We have reviewed the tax returns and assert that there are no omissions or misstatements and that all income and expense allocations are reasonable.
27. We are in agreement with the adjusting journal entries you have recommended, and they will be posted to the Association's accounts.
28. We represent that the Association fully complies with all statutory and Declaration requirements and believe that insurance coverage is adequate.
29. There are no environmental issues including mold, landscape infestations, and other hazards that are known to us that would require disclosures or accrual in the financial statements.
30. The Association is in compliance with all applicable laws, regulations, ordinances, etc.
31. We have disclosed to you the identity of the Association's related parties and all the related party relationships and transactions of which we are aware.
32. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustments to, or disclosure in, the financial statements.

No transactions, major projects, special assessments, litigation or activities have occurred or are expected to occur within the next year, subsequent to December 31, 2013 that will require a significant change in assessments, require a special assessment or require bank loan borrowings that would require adjustments, or disclosures in the financial statements. In addition, if we become aware of any material misstatement in the financial statements issued by Cantey Associates, we agree to immediately advise you in writing of such misstatement and shall refrain from any further use of such financial statements or the distribution thereof to third parties, and shall cooperate with Cantey Associates in the preparation and issuance of a restatement on such financial statements.

We understand that your audit was made in accordance with auditing principles generally accepted in the United States of America for the purpose of formulating your opinion as to whether our financial statements present fairly the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. We

further understand that your audit did not include the use of tests and sampling procedures that would detect errors, irregularities, or illegal acts should any exist or have occurred.

We have responded fully and truthfully to all inquiries made to us by you during your audit.

**We have reviewed the draft of the financial statements and approved the report for final issuance, subject to the items needed, if applicable, in the draft letter.**

**THE DANA POINT CONDOMINIUM ASSOCIATION**

**Board of Directors:**

Signature: Raymond J. Joseph Title: Treasurer Date: 7-31-14

Signature: James M. Muro Title: Secretary Date: 7/31/14

Signature: Angel L. Title: President Date: 7/31/14

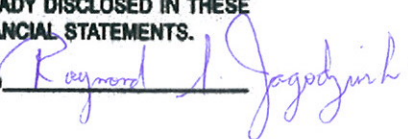
**Management:**

Signature: Jaime P. P. P. Title: Property Manager Date: 7/31/14

WE HAVE REVIEWED AND APPROVED  
THE DRAFT FINANCIAL STATEMENTS.

IN ADDITION, THERE ARE NO  
MATERIAL SUBSEQUENT EVENTS  
THAT HAVE OCCURRED THAT ARE  
NOT ALREADY DISCLOSED IN THESE  
FINANCIAL STATEMENTS.

APPROVED



## The Dana Point Condominium Association

(An Illinois Not-For-Profit Corporation)

Financial Statement and Supplementary Information

Year Ended  
December 31, 2013

REVISED DRAFT  
for discussion purposes only  
subject to change