



The Dana Point Condominium Association

(An Illinois Not-For-Profit Corporation)

Financial Statements and Supplementary Information

Year Ended

December 31, 2013

Industry Leader and Trusted Partner



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Dana Point Condominium Association
Arlington Heights, Illinois

July 18, 2014

We have audited the accompanying financial statements of The Dana Point Condominium Association (an Illinois not-for-profit corporation), which comprise the balance sheet as of December 31, 2013, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

Management and Board of Directors' Responsibility for the Financial Statements

Management and the board of directors are responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management and the board of directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Dana Point Condominium Association, as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 4 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion on the financial statements is not modified with respect to this matter. However, as discussed in Note 4, there is an unknown contingency and uncertainty that the Association will have funds available to meet future replacements.

Cantey Associates

THE DANA POINT CONDOMINIUM ASSOCIATION

(An Illinois Not-For-Profit Corporation)

BALANCE SHEET

DECEMBER 31, 2013

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 149,500	\$ 515,938	\$ 665,438
Assessments receivable (net of allowance for doubtful accounts of \$25,100 and \$2,094)	8,823	-	8,823
Prepaid expenses	15,410	-	15,410
Prepaid insurance	44,521	-	44,521
Prepaid income taxes	220	-	220
Equipment, net of accumulated depreciation of \$2,453 and \$4,314 respectively)	2,624	2,876	5,500
TOTAL ASSETS	<u>\$ 221,098</u>	<u>\$ 518,814</u>	<u>\$ 739,912</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 110,233	\$ -	\$ 110,233
Accrued expenses	7,575	-	7,575
Prepaid assessments	60,188	-	60,188
Deferred laundry revenue	7,000	-	7,000
Security deposits	16,649	-	16,649
TOTAL LIABILITIES	201,645	-	201,645
FUND BALANCES	<u>19,453</u>	<u>518,814</u>	<u>538,267</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 221,098</u>	<u>\$ 518,814</u>	<u>\$ 739,912</u>

The accompanying notes are an integral part of this statement.

THE DANA POINT CONDOMINIUM ASSOCIATION

(An Illinois Not-For-Profit Corporation)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2013

	Operating Fund	Replacement Fund	Total
REVENUES			
Homeowner assessments	\$ 1,258,300	\$ 485,172	\$ 1,743,472
Bank loan assessment	-	140,652	140,652
Interest	-	133	133
Fines	5,040	-	5,040
Late fees	5,570	-	5,570
Laundry	56,769	-	56,769
Miscellaneous	1,590	-	1,590
Key fees	2,305	-	2,305
Move fees	7,450	-	7,450
Rent	66,785	-	66,785
Locker rental	13,695	-	13,695
TOTAL REVENUES	1,417,504	625,957	2,043,461
EXPENSES			
Administrative	240,976	9,343	250,319
Payroll	267,069	-	267,069
Utilities	295,138	-	295,138
Maintenance and repairs	442,292	109,338	551,630
Operating	131,600	-	131,600
TOTAL EXPENSES	1,377,075	118,681	1,495,756
EXCESS OF			
REVENUES OVER EXPENSES	40,429	507,276	547,705
Fund balances (deficit) at			
December 31, 2012	79,495	(88,933)	(9,438)
Transfer between funds	(100,471)	100,471	-
Fund balances at			
December 31, 2013	\$ 19,453	\$ 518,814	\$ 538,267

The accompanying notes are an integral part of this statement.

THE DANA POINT CONDOMINIUM ASSOCIATION

(An Illinois Not-For-Profit Corporation)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 40,429	\$ 507,276	\$ 547,705
Depreciation	1,015	1,438	2,453
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Net (increase) decrease in assets			
Receivables	14,772	-	14,772
Prepaid expenses	(15,410)	-	(15,410)
Prepaid insurance	1,828	-	1,828
Net increase (decrease) in liabilities			
Accounts payables	48,576	-	48,576
Prepaid assessments	20,342	-	20,342
Accrued payroll and payroll taxes	6,464	-	6,464
Deferred laundry	(3,000)	-	(3,000)
Security deposits	307	-	307
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>115,323</u>	<u>508,714</u>	<u>624,037</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of loan principal	-	(350,000)	(350,000)
Interfund receivable/payable	82,576	(82,576)	-
Interfund transfer	<u>(100,471)</u>	<u>100,471</u>	<u>-</u>
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(17,895)</u>	<u>(332,105)</u>	<u>(350,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	97,428	176,609	274,037
CASH AND CASH EQUIVALENTS			
Beginning of year	<u>52,072</u>	<u>339,329</u>	<u>391,401</u>
End of year	<u><u>\$ 149,500</u></u>	<u><u>\$ 515,938</u></u>	<u><u>\$ 665,438</u></u>
SUPPLEMENTAL DISCLOSURES			
Cash paid during the year for:			
Interest	\$ -	\$ 7,847	\$ 7,847
Income taxes	-	-	-

The accompanying notes are an integral part of this statement.

THE DANA POINT CONDOMINIUM ASSOCIATION

(An Illinois Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION

The Association was incorporated on November 24, 1980 under the laws of the State of Illinois as a not-for-profit corporation, to administer and operate the property known as The Dana Point Condominium Association located in Arlington Heights, Illinois, pursuant to and in accordance with the Illinois Condominium Property Act and the terms of the Declaration of Condominium Ownership. The Association consists of 499 residential units, and 5 rented units considered part of the common elements, in five buildings.

2. DATE OF MANAGEMENT AND BOARD OF DIRECTORS' REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 18, 2014, the date the financial statements were available to be issued.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FUND ACCOUNTING

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Interfund transfers reflect activity between funds. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management and the board of directors to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

INCOME TAXES

The Association has the option to file income tax returns as a homeowners association under Section 528 of the Internal Revenue Code, or as a regular corporation.

For the year ended December 31, 2013, the Association has elected to file as a homeowners association. There was no tax liability in 2013 because the taxable non-exempt function income was offset by the expenses related thereto. The Association had \$220 of prepaid income taxes at December 31, 2013.

THE DANA POINT CONDOMINIUM ASSOCIATION

(An Illinois Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS – Continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

INCOME TAXES - Continued

The Association may be potentially subject to other types of taxes besides state and federal income taxes, such as use tax, sales tax or any other tax. These financial statements do not include an evaluation or any adjustment or contingency for potential additional taxes that may be potentially assessed by federal, state and local authorities.

Currently, the 2010, 2011, 2012 and 2013 tax years are open and subject to examination by the Internal Revenue Service and Illinois Department of Revenue. However, the Association is not currently under audit nor has the Association been contacted by any of these jurisdictions. Accordingly, no provision for the effects of possible examinations on open tax years has been recorded for the year ended December 31, 2013.

UNCOLLECTIBLE ACCOUNTS

At December 31, 2013, the Association had past-due delinquent accounts, and it is possible that the Association may not collect the full amount due. Therefore, an allowance for uncollectible accounts has been established for future possible defaults in the amount of \$25,100 for operating receivables and \$2,094 for special assessment receivables.

CASH AND CASH EQUIVALENTS

The Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

PROPERTY AND EQUIPMENT

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. The Association capitalizes personal property at cost and depreciates it over five years using the straight-line method. Fixed assets consist of maintenance and exercise equipment. At December 31, 2013, the Association had total fixed assets of \$12,267 and total accumulated depreciation of \$6,767, arriving at a total net fixed assets of \$5,500. For the year ended December 31, 2013, the Association recognized total depreciation expense of \$2,453.

MEMBER ASSESSMENTS

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments for the year ended December 31, 2013 were made on the basis of a budget adopted by the Board of Directors and allocated to unit owners in proportion to their relative ownership interests in the common elements of the condominium property. This budget has not been audited or reviewed, and is included in the financial statements for informational purposes. Assessments receivable at the balance sheet date represent fees due from unit owners. Prepaid assessments at the balance sheet date represent fees received in advance from unit owners.

THE DANA POINT CONDOMINIUM ASSOCIATION

(An Illinois Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS – Continued

4. REPLACEMENT FUND

The Association's governing documents require funds to be accumulated for future major repairs and replacements.

The Association had a reserve study conducted in July 2010, updated in 2014, by an outside firm to estimate the remaining useful lives and the replacement costs of the components of common property. This study, which has not been audited or reviewed, is more fully described on page fourteen and fifteen. For further information refer to the report in its entirety. The study begins recommendations in 2015. The Association budgeted for annual reserve funding contributions of \$485,172 in 2013 and \$668,601 in 2014.

Based on the 2014 reserve study the future replacement funds based on current assessment amounts may not be adequate to accomplish all needed future major repairs and replacements. A potential deficit in reserves might occur by 2017 based upon continuation of the most recent annual reserve contribution of \$668,601 and the identified Reserve Expenditures.

The Association budgeted \$668,601 for Reserve Contributions in 2014. The study recommends that the Association budget annual phased increases in Reserve Contributions of approximately \$165,000 from 2015 to 2019. By 2020, the Association will have fully funded balcony repairs. Therefore, the association may anticipate a decrease in the annual Reserve Contributions to \$910,000. Afterwards, the Association should budget gradual annual increases in reserve funding that in part consider the effects of inflation through 2044, the limit of this study's Cash Flow Analysis.

Actual replacement funding, expenditures and investment income vary from the estimated amounts and the variations may be material. Therefore, 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, borrow funds, or delay major repairs and replacements until funds are available. These financial statements do not include any adjustment or contingency for potential future variances between actual funding and expenditures and estimated amounts and potentially underfunded amounts. There is an unknown contingency and uncertainty that the Association will have funds available to meet future replacements.

5. RENTAL INCOME

The Association owns five units that it is leasing annually to unrelated parties. The rental income is between \$1,000 and \$1,205 per unit per month. Total rental income for the year ended December 31, 2013 was \$66,785.

6. UNINSURED CASH BALANCE

The Association maintains its cash balances at several financial institutions located in the United States. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000. Money market mutual funds are not insured at all by FDIC. During 2013, the Association held funds that exceeded the federal insured limit.

THE DANA POINT CONDOMINIUM ASSOCIATION

(An Illinois Not-For-Profit Corporation)

NOTES TO FINANCIAL STATEMENTS – Continued

7. SPECIAL ASSESSMENT

In November 2007, the Association passed a \$2,225,000 special assessment to fund various capital expenditures. Beginning January 1, 2008, unit owners began to pay in thirty-six equal consecutive monthly installments. As of December 31, 2013, the Association had a special assessment receivable balance of \$2,094, which has been included in the replacement fund allowance for doubtful of accounts.

8. LINE OF CREDIT

In November 2011, the Association obtained a line of credit loan in the amount not to exceed \$600,000 at an interest rate of prime plus .25% with Glenview Sate Bank. The line of credit was extended from November 2012 to November 2013 and again to November 2014 at which time it will convert to a 32 month loan requiring month principal and interest payments. The line of credit is secured by all Association assets including an assignment of homeowner assessments.

The Association paid off the line of credit during 2013 therefore, at December 31, 2013, the balance of the line of credit payable was \$0. The Association recognized total interest expense associated with this line of credit of approximately \$7,847 for the year ended December 31, 2013. The Association has plans to draw on the line of credit in 2014 for various capital expenditures.

9. COMMITMENTS

The Association has entered into various maintenance and service agreements for the upkeep and operations of the property.

10. DEFERRED LAUNDRY INCOME

In 2011 the Association entered into a contract with a laundry company, which stated that the Association would allow the laundry company to install laundry machines in the Association, and in return, the Association would receive monthly payments from the laundry company. The laundry company paid a one-time bonus of \$15,000 to the Association, which is being deferred and recognized over the term of the contract, or 60 months. At December 31, 2013, the Association recognized \$3,000 of this bonus as income and had total laundry income of \$56,769. The Association had deferred laundry income of \$7,000.

11. RELATED PARTY

The Association's management payroll cost consists of individuals who are employees of the Association's management company. The Association reimburses the management company for these employees' payroll costs.

12. SUBSEQUENT EVENTS

During 2014, the Association paid \$70,647 to a legal firm to obtain a real estate tax reduction for the homeowners. The Association then charged the \$70,647 back to the homeowners, according to each owner's respective percentage of ownership and portion of the real estate tax savings. The net effect of these transactions on the Association's financial statements is zero. In 2014, the Association budgeted for approximately \$495,000 of various capital expenditures to be completed.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
The Dana Point Condominium Association
Arlington Heights, Illinois

July 18, 2014

We have audited the financial statements of The Dana Point Condominium Association as of and for the year ended December 31, 2013, and our report thereon dated July 18, 2014, which expressed an unmodified opinion on those financial statements, appears on pages one and two. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenses – Detail, which is the responsibility of the Association's management and board of directors, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page fourteen and fifteen be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We did not apply certain limited procedures to the required supplementary replacement reserve information in accordance with auditing standard generally accepted in the United States of America because we are not qualified architect engineers. We do not express an opinion or provide any assurance on the information.

Cantey Associates

Certified Public Accountants

www.canteycpa.com

OFFICE 630.681.9400 FAX 630.681.0500

1737 S. Naperville Rd., Suite 103, Wheaton, IL 60189

THE DANA POINT CONDOMINIUM ASSOCIATION

(An Illinois Not-For-Profit Corporation)

SCHEDULE OF EXPENSES - DETAIL

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Budget (Unaudited)</u>
ADMINISTRATIVE				
Audit and tax preparation	\$ 8,000	\$ -	\$ 8,000	\$ 9,000
Bad debts	5,648	-	5,648	12,000
Bank charges	718	58	776	4,008
Coupon/lockbox fee	-	-	-	2,700
Depreciation	1,015	1,438	2,453	-
Dues, fees, licenses	4,977	-	4,977	3,954
Insurance	131,470	-	131,470	137,406
Internet - website	1,200	-	1,200	-
Legal	6,826	-	6,826	9,000
Loan interest	-	7,847	7,847	-
Management fee	40,800	-	40,800	154,000
Miscellaneous administrative	1,295	-	1,295	500
Newsletter	-	-	-	1,800
Office	9,601	-	9,601	13,300
Postage and printing	4,658	-	4,658	3,420
Promotions/social	19	-	19	1,200
Telephone	24,749	-	24,749	16,040
TOTAL	<u>\$ 240,976</u>	<u>\$ 9,343</u>	<u>\$ 250,319</u>	<u>\$ 368,328</u>
PAYROLL/PAYROLL REIMB				
Maintenance	\$ 141,343	\$ -	\$ 141,343	\$ 133,603
Health and welfare	8,421	-	8,421	7,600
Management	102,962	-	102,962	-
Payroll processing fees	1,973	-	1,973	864
Payroll taxes	12,370	-	12,370	11,800
TOTAL	<u>\$ 267,069</u>	<u>\$ -</u>	<u>\$ 267,069</u>	<u>\$ 153,867</u>
UTILITIES				
Electricity	\$ 83,292	\$ -	\$ 83,292	\$ 90,500
Gas	83,311	-	83,311	101,970
Water	128,535	-	128,535	115,000
TOTAL	<u>\$ 295,138</u>	<u>\$ -</u>	<u>\$ 295,138</u>	<u>\$ 307,470</u>

THE DANA POINT CONDOMINIUM ASSOCIATION

(An Illinois Not-For-Profit Corporation)

SCHEDULE OF EXPENSES - DETAIL - Continued

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Budget</u>
MAINTENANCE AND REPAIRS				
Balcony repair-replacement	\$ -	\$ 65,695	\$ 65,695	\$ -
Carpet cleaning	22,988	-	22,988	25,582
Concrete	-	-	-	5,000
Electrical	6,939	-	6,939	4,800
Elevator repairs/service	18,420	-	18,420	33,912
Equipment repairs	1,813	-	1,813	5,990
Exterior painting	-	-	-	5,000
Fire prevention/security	31,818	-	31,818	34,710
Garage maintenance	20,076	-	20,076	24,000
Heating and air conditioning	15,808	43,643	59,451	10,000
Ice control	84,766	-	84,766	30,000
Interior painting/decorating	3,260	-	3,260	4,020
Landscape	76,402	-	76,402	118,910
Locks, doors and keys	7,624	-	7,624	5,000
Maintenance supplies	4,203	-	4,203	5,100
Masonry and tuckpointing	39,145	-	39,145	40,000
Plumbing repairs	40,264	-	40,264	15,120
Pool expense	28,564	-	28,564	33,304
Roof repairs	9,025	-	9,025	17,000
Streets and sidewalks	10,349	-	10,349	10,000
Trees and bushes	20,828	-	20,828	17,295
TOTAL	<u>\$ 442,292</u>	<u>\$ 109,338</u>	<u>\$ 551,630</u>	<u>\$ 444,743</u>
OPERATING				
Building services - other	\$ 1,874	\$ -	\$ 1,874	\$ 4,504
Cleaning contract	79,084	-	79,084	73,080
Cleaning supplies	1,897	-	1,897	2,000
Exterminating	3,806	-	3,806	9,220
Light bulbs	5,808	-	5,808	5,004
Scavenger	35,507	-	35,507	41,604
Garbage chute-compactor	2,438	-	2,438	4,000
Uniform	1,186	-	1,186	1,200
TOTAL	<u>\$ 131,600</u>	<u>\$ -</u>	<u>\$ 131,600</u>	<u>\$ 140,612</u>

THE DANA POINT CONDOMINIUM ASSOCIATION

(An Illinois Not-For-Profit Corporation)

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS - UNAUDITED OR REVIEWED

An outside firm conducted a study in July 2010, updated in April 2014, to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Estimated current replacement costs do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following table is based on the study and presents significant information about the components of common property. For further information refer to the report in its entirety.

Components	2014 Estimated Remaining Useful Lives in Years	2014 Estimated Current Replacement Costs
Exterior Building Elements	0-21 years	\$ 18,366,592
Interior Building Elements	4-24 years	3,409,736
Building Services Elements	0-28 years	7,666,941
Property Site Elements	0-20 years	4,342,480
Clubhouse Elements	1-17 years	470,719
Pool Elements	5-15 years	941,917
Garage Elements	0-14 years	1,997,746
Reserve Study Update with Site Visit	2 years	5,400
Total Estimated Current Repair and Replacement Costs		<u>\$ 37,201,531</u>

2015 is the first year of recommended contributions

2013 Actual Reserve Funding	<u>\$ 485,172</u>
2014 Budgeted Reserve Funding	<u>\$ 668,601</u>
2015 Recommended Reserve Funding	<u>\$ 833,600</u>

Actual expenditures, funding, and investment income vary from the estimated amounts and the variation may be material. Therefore, if additional funds are needed the Association has the right to increase regular assessments, levy special assessments, borrow funds, or delay major repairs and replacements until funds are available. These financial statements do not include any adjustments or contingencies for potential differences between actual funding and estimated amounts and potentially underfunded amounts.

Continued on next page

THE DANA POINT CONDOMINIUM ASSOCIATION

(An Illinois Not-For-Profit Corporation)

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS

AND REPLACEMENTS - UNAUDITED OR REVIEWED

Continued from previous page

2015 - 2020 Reserve Information

	Total Recommended Reserve Contribution	Total Anticipated Expenditures
2015	\$ 781,052	\$ 907,888
2016	\$ 714,947	\$ 792,091
2017	\$ 930,456	\$ 1,288,727
2018	\$ 814,876	\$ 1,718,983
2019	\$ 431,310	\$ 1,728,780
2020	\$ 199,581	\$ 1,004,537

A potential deficit in reserves might occur by 2017 based upon continuation of the most recent annual reserve contribution of \$668,601 and the identified Reserve Expenditures.

The Association budgeted \$668,601 for Reserve Contributions in 2014. The study recommends that the Association budget annual phased increases in Reserve Contributions of approximately \$165,000 from 2015 to 2019. By 2020, the Association will have fully funded balcony repairs. Therefore, the association may anticipate a decrease in the annual Reserve Contributions to \$910,000. Afterwards, the Association should budget gradual annual increases in reserve funding, that in part consider the effects of inflation through 2044, the limit of this study's Cash Flow Analysis.