

FOX CHASE II CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2018

**Padron, Montoro & Hartney, LLP
Certified Public Accountants
13358 Southwest 128 Street
Miami, Florida 33186
(305) 253 - 2000**

FOX CHASE II CONDOMINIUM ASSOCIATION, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

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Certified Public Accountants
13358 Southwest 128th Street
Miami, Florida 33186

Joseph R. Padron, CPA
Joseph Montoro, CPA
John C. Hartney, CPA

Tel: (305) 253 - 2000

Fax: (305) - 253 - 0832

ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Fox Chase II Condominium Association, Inc.
Miami, Florida

We have compiled the accompanying balance sheet of Fox Chase II Condominium Association, Inc., as of December 31, 2018, and the related statements of revenues and expenses and changes in fund balance, deferred maintenance and replacement fund, and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The supplementary information about future repairs and replacements on page 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have compiled the supplementary information from information that is the representation of management of Fox Chase II Condominium Association, Inc., without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

We are not independent with respect to Fox Chase II Condominium Association, Inc. due to the bookkeeping services which are provided by our firm.

Padron, Montoro, & Hartney, LLP

Miami, FL
February 20, 2019

FOX CHASE II CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
December 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 12,326	\$ 112,565	\$ 124,891
Assessments receivable - net of allowance for uncollectible accounts of \$4,893	13,668	-	13,668
Prepaid expenses	7,702	-	7,702
Due from operating fund	-	26,114	26,114
Total	<u>\$ 33,696</u>	<u>\$ 138,679</u>	<u>\$ 172,375</u>
LIABILITIES AND FUND BALANCE			
Maintenance fees received in advance	\$ 10,786	\$ -	\$ 10,786
Short term borrowing - insurance	4,677	-	4,677
Deferred special assessment revenue	6,898	-	6,898
Due to replacement fund	26,114	-	26,114
Total Liabilities	48,475	-	48,475
FUND BALANCE			
Contributed capital	6,982	-	6,982
Fund balance	(21,761)	138,679	116,918
Total Fund Balance	<u>(14,779)</u>	<u>138,679</u>	<u>123,900</u>
Total	<u>\$ 33,696</u>	<u>\$ 138,679</u>	<u>\$ 172,375</u>

See accountant's compilation report.

The notes to financial statements are an integral part of this statement

FOX CHASE II CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
REVENUES			
Maintenance assessments	\$ 203,609	\$ 22,496	\$ 226,105
Late charges	640	-	640
Interest	12	51	63
Laundry income	17,795	-	17,795
Total revenues	<u>222,056</u>	<u>22,547</u>	<u>244,603</u>
EXPENSES			
Accounting	3,992	-	3,992
Contingencies	800	-	800
Electricity	8,814	-	8,814
Elevator Service	1,811	-	1,811
Insurance	25,789	-	25,789
Landscaping	-	1,157	1,157
Legal Fees	359	-	359
Licenses and permits	825	-	825
Pest control	660	-	660
Postage and delivery	1,520	-	1,520
Property owners association	94,521	-	94,521
Repairs - electrical	390	-	390
Repairs - elevators	-	1,400	1,400
Repairs - fire equipment	575	-	575
Repairs - general	16,483	-	16,483
Repairs - plumbing	3,600	-	3,600
Repairs - roof	275	6,000	6,275
Telephone	762	-	762
Waste removal	8,262	-	8,262
Water and sewer	59,305	-	59,305
Total	<u>228,743</u>	<u>8,557</u>	<u>237,300</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(6,687)	13,990	7,303
Fund Balance - Beginning	<u>(15,074)</u>	<u>124,689</u>	<u>109,615</u>
Fund Balance - Ending	<u>\$ (21,761)</u>	<u>\$ 138,679</u>	<u>\$ 116,918</u>

See accountant's compilation report.

The notes to financial statements are an integral part of this statement

FOX CHASE II CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ (6,687)	\$ 13,990	\$ 7,303
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided (used) by operating activities:			
(Increase) decrease in:			
Assessments receivable	1,948	-	1,948
Prepaid expenses	(155)	-	(155)
Increase (decrease) in:			
Accounts payable and accrued expenses	(3,583)	-	(3,583)
Maintenance fees received in advance	(2,393)	-	(2,393)
Deferred special assessment revenue	(497)	-	(497)
Net cash provided (used) by operating activities	<u>(11,367)</u>	<u>13,990</u>	<u>2,623</u>
Cash flows from investing activities:	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities:			
Short term borrowing - insurance	25,943	-	25,943
Short term borrowing - repayments	(25,837)	-	(25,837)
Interfund transfers	(7,244)	7,244	-
Net cash provided (used) by financing activities	<u>(7,138)</u>	<u>7,244</u>	<u>106</u>
Net increase (decrease) in cash and cash equivalents	(18,505)	21,234	2,729
Cash and cash equivalents at beginning of year	<u>30,831</u>	<u>91,331</u>	<u>122,162</u>
Cash and cash equivalents at end of year	<u>\$ 12,326</u>	<u>\$ 112,565</u>	<u>\$ 124,891</u>
Supplemental Disclosure			
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accountant's compilation report.

The notes to financial statements are an integral part of this statement

FOX CHASE II CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF DEFERRED MAINTENANCE AND REPLACEMENT FUND
YEAR ENDED DECEMBER 31, 2018

	Balance 12/31/2017	Transfers and Additions	Transfers and Payments	Interest	Balance 12/31/2018
Roofs	\$ 90,478	\$ 13,836	\$ 6,000	\$ -	\$ 98,314
Painting	15,521	4,925	-	-	20,446
Elevators	17,267	2,578	1,400	-	18,445
Landscape	-	1,157	1,157	-	-
Interest	1,423	-	-	51	1,474
Total	\$ 124,689	\$ 22,496	\$ 8,557	\$ 51	\$ 138,679

See accountant's compilation report.

The notes to financial statements are an integral part of this statement

FOX CHASE II CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE A ORGANIZATION

Fox Chase II Condominium Association, Inc. (the Association), a Florida not-for-profit corporation, was organized to operate and maintain the common elements of a 96 unit condominium association located in Miami, Florida. The common elements include the green belt areas, fences/walls around the community, and roads inside association property. Each owner is a member of the association. The Association commenced operations in August 1980.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association maintains its accounts using fund balance accounting. Financial resources are classified for accounting and reporting purposes in the following funds established for their specific purpose:

Operating Fund

The operating fund is used to account for the financial activity used for the general operations of the Association. Disbursements from the operating fund are generally at the discretion of the Board of Directors.

Replacement Fund

The replacement fund is used to account for the assessments made for major repair and replacement of common property and related expenses. Disbursements from the replacement fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association membership.

Maintenance Assessments

The Association members are subject to annual assessments payable monthly to provide funds for the Association's operating expenses, future capital expenditures, and major repairs and replacements. Member assessments are allocated to each individual unit on a proportional basis as provided in the Association's governing documents. Assessments are recognized as revenue when they become due, the are deferred when collected in advance, and become receivable if not collected when due. Assessments receivable at the balance sheet date represent maintenance assessments due from unit owners. The Association's policy is to retain legal counsel and to place liens on the unit owners whose assessments become severely delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year(s).

Capitalization and Depreciation Policy

Real and common area property acquired by the original residential owners from the developer are not capitalized on the Association's financial statements since they are not saleable by the Association's Board of Directors. Replacement and improvements to the real and common area property are not capitalized for the above reason. Personal property purchased subsequent to the turnover from the developer is capitalized and depreciated over their estimated useful lives using accelerated methods.

FOX CHASE II CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Uncollectible Maintenance Fees

An allowance for anticipated uncollectible accounts is maintained. The allowance is determined through a review of accounts in legal status as of the balance sheet date. Assessments of maintenance fees, and related costs, are written off as uncollectible accounts in the period that bank foreclosures have concluded and the complete loss is determined.

Estimates

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 disclosures 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. Significant estimates by management include the determination of the adequacy of the allowance for anticipated uncollectability of maintenance assessments.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Interest Income

Interest income is allocated to the operating and replacement funds based on the interest earned by the bank accounts designated for use by each fund.

NOTE C CASH

The following is a schedule of cash as of December 31, 2018:

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>Total</u>
Bank Accounts			
Executive National Bank	\$ 12,326	\$ -	\$ 12,326
Executive National Bank	-	112,565	112,565
Total	<u>\$ 12,326</u>	<u>\$ 112,565</u>	<u>\$ 124,891</u>

FOX CHASE II CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE D INCOME TAX

The Association has elected to file its federal income tax return using section 528 of the Internal Revenue Code (IRC) which is designed for homeowner associations. Under this section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Income from other sources, including interest, net of related expenses, is taxed at a 30% income tax rate. The Association had no income tax expense for the year 2018. By electing to file its federal income tax return under the homeowner association section of the IRC, the association is exempt from filing a State of Florida tax return.

The Association did not incur penalties or interest on its income taxes during the year 2018. It is the Association's belief that they do not have any uncertain tax positions.

The IRC provides for the ability to examine income tax returns which had been filed during the most recent three (3) year period. The Association's income tax returns for the years, 2015, 2016, and 2017, have been filed during that period of time. As of the date of the accountant's compilation report, the Association has not been advised of any pending or upcoming examinations.

NOTE E FOX CHASE PROPERTY OWNERS ASSOCIATION, INC.

Fox Chase Property Owners Association, Inc. is the master association for the Fox Chase community (Fox Chase). The Fox Chase community is comprised of three (3) associations and a master association which contain 288 units. Each association is responsible for the upkeep of their common elements and recreational areas.

NOTE F SHORT-TERM BORROWING - INSURANCE PAYABLE

The Association obtained a short-term note payable from a financial institution to finance its annual insurance policy premiums. The note is payable in ten monthly installments of \$7,795, beginning April 13, 2018. The note bears an annual interest rate of 4.70%, and matures February 13, 2019. The note was secured by the unexpired portion of the related insurance policies. The note is split among the three associations and the master with each one paying 30% and 10% respectively. As of December 31, 2018 Fox Chase 2 has an outstanding payable amount of \$4,677.

NOTE G DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association's management has evaluated events and transactions for potential recognition or disclosure February 20, 2019, which is the date financial statements were available to be issued.

NOTE H MAJOR REPAIRS AND REPLACEMENTS FUND

The Association's governing documents, and Florida Statutes require the Association to accumulate funds for future major repairs and replacements of the common elements whose costs exceed \$10,000 that occur less frequently than annually. The owners may vote to adjust the funding at a meeting held for such a purpose. The Association has adopted a program to accumulate funds for estimated future major repairs and replacement through the annual budget and monthly assessments using the component method of funding.

The Association determines its replacement funding requirements using estimates proposed by management, based on historical costs, professional experience and vendor estimates where necessary, and are approved by the Board of Directors.

FOX CHASE II CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE H MAJOR REPAIRS AND REPLACEMENTS FUND (CONTINUED)

An independent study to determine the adequacy of the current funding program of future replacements of the Association's common elements has not been conducted. Accordingly, the current regular assessments and cash savings may not be sufficient to pay for the replacement costs. Therefore, when replacement funds are needed, the Association has the right to increase the maintenance assessments, pass special assessments or delay replacement until funds are available.

The Association's policy is to maintain interest earned in the replacement fund in a separate category which can be used by any component in the fund.

As of December 31, 2018, the Association's replacement fund balance exceeded the replacement bank deposits held in the account by \$26,114.

NOTE I SPECIAL ASSESSMENT 2014

In July 2014, the Board of Directors adopted a special assessment to pay for the cost of restoring and painting the buildings throughout the community. The total amount was \$31,380. It was payable in 12 equal monthly payments beginning September 1, 2014, or paid in full by August 5, 2014. As per industry standards, any portion of the special assessment which is unspent as of the balance sheet date is considered deferred revenue. As of December 31, 2018 the Association had a deferred revenue balance of \$6,898.

NOTE J CONTINGENCIES

The Association's insurance policies contain a windstorm deductible which is a percentage of the insured value, per occurrence, per year. In the event of an occurrence of windstorm damage, the Association may not be able to pay for the deductible portion of the claim from its existing funds. In such an event, the Association may adopt a special assessment to pay for the deductible portion of the claim.

FOX CHASE II CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND
REPLACEMENTS
YEAR ENDED DECEMBER 31, 2018

The estimated costs of replacement and their estimated remaining useful lives are determined by management and approved by the Board of Directors using the component method as a part of the annual budget process. Estimated current replacement costs do not take into account the effects of inflation between the date of the estimate and the date that the components will require repair.

As of December 31, 2018, the Association's replacement fund balance exceeded the replacement bank deposits held in the account by \$26,114.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Designated for Repairs and Replacements 12/31/18</u>	<u>Annual Funding Per Budget 2019</u>	<u>Annual Funding Necessary to Fully Fund Major Repairs and Replacements Over the Remaining Useful Lives 2019</u>
Roofs	8	\$ 215,000	\$ 98,314	\$ 13,836	\$ 14,586
Painting	6	50,000	20,446	4,926	4,926
Elevator	2	28,000	18,445	3,277	4,778
Landscaping	2	6,000	-	721	3,000
Interest	-	-	1,474	-	-
Total		\$ 299,000	\$ 138,679	\$ 22,760	\$ 27,289