

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

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### ACCOUNTANT'S COMPILATION REPORT

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

We have compiled the accompanying balance sheet of Fox Chase III 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 III 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 III Condominium Association, Inc. due to the bookkeeping services which are provided by our firm

*Padron, Montoro, & Hartney, LLP*

Miami, FL  
February 26, 2019

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

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 114,220	\$ 133,917	\$ 248,137
Investment	-	5,933	5,933
Assessments receivable - net of allowance for uncollectible accounts of \$12,790	8,807	-	8,807
Prepaid expenses	7,702	-	7,702
Utility deposits	570	-	570
Due from operating fund	-	14,376	14,376
Total	<u>\$ 131,299</u>	<u>\$ 154,226</u>	<u>\$ 285,525</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Maintenance fees received in advance	\$ 23,021	\$ -	\$ 23,021
Short term borrowing - insurance	4,677	-	4,677
Deferred special assessment revenue	3,031	-	3,031
Due to replacement fund	14,376	-	14,376
Total Liabilities	45,105	-	45,105
Fund Balance	<u>86,194</u>	<u>154,226</u>	<u>240,420</u>
Total	<u>\$ 131,299</u>	<u>\$ 154,226</u>	<u>\$ 285,525</u>

See accountant's compilation report.

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

**FOX CHASE III 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>
<b>REVENUES</b>			
Maintenance assessments	\$ 212,690	\$ 22,228	\$ 234,918
Late charges	670	-	670
Bad debt recovery	2,088	-	2,088
Interest	46	364	410
Laundry income	17,888	-	17,888
Other	9,098	-	9,098
Total revenues	<u>242,480</u>	<u>22,592</u>	<u>265,072</u>
<b>EXPENSES</b>			
Accounting	2,592	-	2,592
Contingencies	1,340	-	1,340
Electricity	10,463	-	10,463
Elevator Service	282	-	282
Insurance	25,846	-	25,846
Lawn maintenance	325	2,000	2,325
Legal Fees	1,162	-	1,162
Licenses and permits	860	-	860
Pest control	660	-	660
Postage and delivery	2,702	-	2,702
Property owners association	94,520	-	94,520
Repairs - electrical	280	-	280
Repairs - elevator	-	1,400	1,400
Repairs - fire equipment	575	-	575
Repairs - general	17,552	-	17,552
Repairs - plumbing	4,050	-	4,050
Repairs - roof	275	9,000	9,275
Telephone	504	-	504
Waste removal	8,262	-	8,262
Water and sewer	59,658	-	59,658
Total	<u>231,908</u>	<u>12,400</u>	<u>244,308</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	10,572	10,192	20,764
Fund Balance - Beginning	<u>75,622</u>	<u>144,034</u>	<u>219,656</u>
<b>Fund Balance - Ending</b>	<u>\$ 86,194</u>	<u>\$ 154,226</u>	<u>\$ 240,420</u>

See accountant's compilation report.

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

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

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	\$ 10,572	\$ 10,192	\$ 20,764
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	19,127	-	19,127
Prepaid expenses	(155)	-	(155)
Increase (decrease) in:			
Accounts payable and accrued expenses	(3,424)	-	(3,424)
Maintenance fees received in advance	6,709	-	6,709
Net cash provided by operating activities	<u>32,829</u>	<u>10,192</u>	<u>43,021</u>
Cash flows from investing activities:			
Change in investment	<u>-</u>	<u>(22)</u>	<u>(22)</u>
Cash flows from financing activities:			
Short term borrowing - insurance	26,001	-	26,001
Short term borrowing - repayments	(25,837)	-	(25,837)
Interfund transfers	<u>(10,158)</u>	<u>10,158</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>(9,994)</u>	<u>10,158</u>	<u>164</u>
Net increase in cash and cash equivalents	22,835	20,328	43,163
Cash and cash equivalents at beginning of year	<u>91,385</u>	<u>113,589</u>	<u>204,974</u>
Cash and cash equivalents at end of year	<u>\$ 114,220</u>	<u>\$ 133,917</u>	<u>\$ 248,137</u>
<b>Supplemental Disclosure</b>			
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 III 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	\$ 114,226	\$ 11,021	\$ 9,000	\$ -	\$ 116,247
Painting	15,856	4,766	-	-	20,622
Elevators	11,167	4,117	1,400	-	13,884
Landscape	567	2,324	2,000	-	891
Interest	2,218	-	-	364	2,582
Total	\$ 144,034	\$ 22,228	\$ 12,400	\$ 364	\$ 154,226

See accountant's compilation report.  
The notes to financial statements are an integral part of this statement

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

**NOTE A ORGANIZATION**

**Fox Chase III 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, they 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 III 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>
<b>Bank Accounts</b>			
Executive National Bank	\$ 114,220	\$ -	\$ 114,220
Executive National Bank - Money Market	-	133,917	133,917
Total	<u>\$ 114,220</u>	<u>\$ 133,917</u>	<u>\$ 248,137</u>

**NOTE D INVESTMENTS**

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

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>Total</u>
Executive National Bank - CD - 0.15% interest; matures December 27, 2019	\$ -	\$ 5,933	\$ 5,933
Total	<u>\$ -</u>	<u>\$ 5,933</u>	<u>\$ 5,933</u>

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

**NOTE E 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 F 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 G 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 3 has an outstanding payable amount of \$4,677.

**NOTE H 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 26, 2019, which is the date financial statements were available to be issued.

**NOTE I 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 III CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE I 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 \$14,376.

**NOTE J 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 \$3,031.

**NOTE K 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 III 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 \$14,376.

<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	9	\$ 215,000	\$ 116,247	\$ 11,219	\$ 10,973
Painting	7	50,000	20,622	4,896	4,197
Elevator	3	25,000	13,884	5,558	3,705
Landscaping	1	4,900	891	1,005	4,009
Interest	-	-	2,582	-	-
Total		\$ 294,900	\$ 154,226	\$ 22,678	\$ 22,884