

FOX CHASE PROPERTY OWNERS 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 PROPERTY OWNERS ASSOCIATION, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

	PAGE
Accountant's Compilation Report	3
Financial Statements	
Balance Sheet	4
Statement of Revenues and Expenses and Changes in Fund Balance	5
Statement of Cash Flows	6
Statement of Deferred Maintenance and Replacement Fund	7
Notes to Financial Statements	8 - 10
Supplementary Information:	
Supplementary Information on Future Major Repairs and Replacements	11

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ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors
Fox Chase Property Owners Association, Inc.
Miami, Florida

We have compiled the accompanying balance sheet of Fox Chase Property Owners 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 11 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 Property Owners 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 Property Owners Association, Inc. due to the bookkeeping services which are provided by our firm.

Padron, Montoro, & Hartney, LLP

Miami, FL
February 19, 2019

FOX CHASE PROPERTY OWNERS ASSOCIATION, INC.
BALANCE SHEET
December 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 29,722	\$ 51,744	\$ 81,466
Prepaid expenses	4,946	-	4,946
Utility deposits	1,305	-	1,305
Due from operating fund	-	11,708	11,708
Total	<u>\$ 35,973</u>	<u>\$ 63,452</u>	<u>\$ 99,425</u>
LIABILITIES AND FUND BALANCE			
Accounts payable and accrued expenses	\$ 4,576	\$ -	\$ 4,576
Short term borrowing - insurance	1,559	-	1,559
Security deposits payable	29,560	-	29,560
Due to replacement fund	<u>11,708</u>	<u>-</u>	<u>11,708</u>
Total Liabilities	47,403	-	47,403
Fund Balance	<u>(11,430)</u>	<u>63,452</u>	<u>52,022</u>
Total	<u>\$ 35,973</u>	<u>\$ 63,452</u>	<u>\$ 99,425</u>

See accountant's compilation report.

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

FOX CHASE PROPERTY OWNERS 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	\$ 277,973	\$ 5,590	\$ 283,563
Screening fees	3,960	-	3,960
Gate cards	200	-	200
Interest	14	156	170
Other	1,051	-	1,051
Total revenues	<u>283,198</u>	<u>5,746</u>	<u>288,944</u>
EXPENSES			
Accounting	2,400	-	2,400
Auto allowance	1,020	-	1,020
Bank charges	529	-	529
Contingencies	463	-	463
Electricity	6,526	-	6,526
Insurance	23,378	-	23,378
Lawn maintenance	11,002	-	11,002
Landscaping	-	2,058	2,058
Legal fees	264	-	264
Licenses and permits	311	-	311
Office expenses	2,334	-	2,334
Payroll	222,498	-	222,498
Pool service	7,200	-	7,200
Postage and delivery	913	-	913
Repairs - electrical	270	-	270
Repairs - general	2,643	-	2,643
Repairs - plumbing	178	-	178
Repairs - pool	4,570	-	4,570
Screening service	4,145	-	4,145
Telephone	2,500	-	2,500
Tree trimming	-	2,058	2,058
Water and sewer	1,617	-	1,617
Total	<u>294,761</u>	<u>4,116</u>	<u>298,877</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(11,563)	1,630	(9,933)
Fund Balance - Beginning	<u>133</u>	<u>61,822</u>	<u>61,955</u>
Fund Balance - Ending	<u><u>\$ (11,430)</u></u>	<u><u>\$ 63,452</u></u>	<u><u>\$ 52,022</u></u>

See accountant's compilation report.

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

FOX CHASE PROPERTY OWNERS 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	\$ (11,563)	\$ 1,630	\$ (9,933)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided (used) by operating activities:			
(Increase) decrease in:			
Prepaid expenses	(197)	-	(197)
Increase (decrease) in:			
Accounts payable and accrued expenses	(1,379)	-	(1,379)
Security deposits payable	1,800	-	1,800
Net cash provided (used) by operating activities	<u>(11,339)</u>	<u>1,630</u>	<u>(9,709)</u>
Cash flows from investing activities:	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities:			
Short term borrowing	8,648	-	8,648
Short term borrowing repayments	(8,613)	-	(8,613)
Interfund transfers	6,767	(6,767)	-
Net cash provided (used) by financing activities	<u>6,802</u>	<u>(6,767)</u>	<u>35</u>
Net decrease in cash and cash equivalents	(4,537)	(5,137)	(9,674)
Cash and cash equivalents at beginning of year	<u>34,259</u>	<u>56,881</u>	<u>91,140</u>
Cash and cash equivalents at end of year	<u><u>\$ 29,722</u></u>	<u><u>\$ 51,744</u></u>	<u><u>\$ 81,466</u></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 PROPERTY OWNERS 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
Street sealing	\$ 141	\$ 5,281	\$ -	\$ -	\$ 5,422
Roof	17,069	131	-	-	17,200
Painting	13,788	135	-	-	13,923
Tennis court	9,515	35	-	-	9,550
Pool	7,575	-	-	-	7,575
Air conditioning	7,592	8	-	-	7,600
Landscaping	2,058	-	2,058	-	-
Tree trimming	2,058	-	2,058	-	-
Interest - net of bank charges	2,026	-	-	156	2,182
Total	\$ 61,822	\$ 5,590	\$ 4,116	\$ 156	\$ 63,452

See accountant's compilation report.

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

FOX CHASE PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE A ORGANIZATION

Fox Chase Property Owners Association, Inc. (the Association), a Florida not-for-profit corporation, was organized to operate and maintain the common elements of three 96 unit condominium associations located in Miami, Florida. The common elements include the green belt areas, pool, recreation facility, fences and 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. The maintenance fees from every owner in each condominium is remitted on a monthly basis as a single payment from the condominium to the Association. Assessments are recognized as revenue when they become due, the are deferred when collected in advance, and become receivable if not collected when due.

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 PROPERTY OWNERS 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 not maintained as the Association's portion of the maintenance fees due to the Association are paid monthly by each condominium.

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			
Citibank - Operating	\$ 105	\$ -	\$ 105
Executive National Bank - Security Deposit	29,417	-	29,417
Petty Cash	200	-	200
Executive National Bank - Money Market	-	51,744	51,744
Total	<u>\$ 29,722</u>	<u>\$ 51,744</u>	<u>\$ 81,466</u>

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.

FOX CHASE PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE E 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.

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 Property Owners has an outstanding payable amount of \$1,559.

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 through February 19, 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 to determine the funding levels.

The Association determines its annual replacement funding requirements using estimates prepared by management which are based on historical costs, professional experience and vendor estimates where necessary. The estimated funding level is approved by the Board of Directors as a part of the annual budget adoption process.

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 account for the interest earned by replacement fund bank accounts in a separate category which for use with any component in the fund.

As of December 31, 2018, the Association's replacement fund balance exceeded the replacement bank balance by \$11,708.

FOX CHASE PROPERTY OWNERS 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 balance by \$11,708.

<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>
Street sealing	5	\$ 26,550	\$ 5,422	\$ 3,315	\$ 4,226
Roof	1	17,200	17,200	-	-
Painting	9	15,000	13,923	120	120
Tennis court	1	9,550	9,550	-	-
Pool	1	7,573	7,575	-	-
Air conditioning	1	7,600	7,600	-	-
Landscaping	3	6,558	-	1,500	2,186
Tree trimming	3	6,559	-	1,500	2,186
Interest	0	-	2,182	-	-
Total		\$ 96,590	\$ 63,452	\$ 6,435	\$ 8,718