

**VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.**

**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2014**

**FELDMAN, FELDMAN & ASSOCIATES, P.A.**  
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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors and Members  
VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.

We have compiled the accompanying balance sheet of Victoria Square Condominium Association, Inc. as of December 31, 2014, and the related statements of revenues, expenses, and changes in fund balances 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 and supplementary schedule 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.

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements of common property on Page 9 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 have not audited, reviewed, or compiled the required supplementary information, and, accordingly, we do not assume any responsibility for it.

*Feldman, Feldman & Associates, P.A.*

Feldman, Feldman & Associates, P.A.

August 25, 2015

**VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2014**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash	\$ 55,598	\$ 83,082	\$ 138,680
Maintenance Assessments Receivable	2,184	-	2,184
Prepaid Expenses	8,910	-	8,910
Utility Deposits	80	-	80
<b>TOTAL ASSETS</b>	<u>\$ 66,772</u>	<u>\$ 83,082</u>	<u>\$ 149,854</u>

**LIABILITIES AND FUND BALANCES**

Accounts Payable	\$ 500	-	\$ 500
Prepaid Maintenance Assessments	6,433	-	6,433
<b>TOTAL LIABILITIES</b>	<u>6,933</u>	<u>-</u>	<u>6,933</u>
<b>Fund Balances</b>	59,839	83,082	142,921
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 66,772</u>	<u>\$ 83,082</u>	<u>\$ 149,854</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT.

**VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2014**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
REVENUES			
Maintenance Assessments	\$ 143,069	\$ 26,419	\$ 169,488
Interest Income	9	286	295
Recovery of Bad Debt	8,007	-	8,007
Other Income	2,202	-	2,202
TOTAL REVENUES	<u>153,287</u>	<u>26,705</u>	<u>179,992</u>
EXPENSES			
Administrative	2,050	-	2,050
Bad Debts	1,927	-	1,927
Electricity	1,539	-	1,539
Exterminating	1,105	-	1,105
Insurance	32,169	-	32,169
Janitorial	3,600	-	3,600
Lawn Maintenance	6,577	-	6,577
Management Fees	6,251	-	6,251
Paving repairs	3,550	-	3,550
Professional Fees	2,200	-	2,200
Repairs and Maintenance	10,672	23,500	34,172
Refuse	13,304	-	13,304
Roof Repairs	5,500	-	5,500
Water and Sewer	37,470	-	37,470
TOTAL EXPENSES	<u>127,914</u>	<u>23,500</u>	<u>151,414</u>
EXCESS OF REVENUES OVER EXPENSES	25,373	3,205	28,578
BEGINNING FUND BALANCES	34,466	79,877	114,343
ENDING FUND BALANCES	<u>\$ 59,839</u>	<u>\$ 83,082</u>	<u>\$ 142,921</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT.

**VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2014**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Maintenance Assessments Collected	\$ 152,621	\$ 26,419	\$ 179,040
Interest Received	9	286	295
Other Income Received	2,202	-	2,202
Cash Paid for Operating Expenditures	(128,768)	-	(128,768)
Replacement Expenditures Paid	-	(23,500)	(23,500)
Net Cash Provided by Operating Activities and Net Increase in Cash	<u>26,064</u>	<u>3,205</u>	<u>29,269</u>
CASH AT BEGINNING OF YEAR	29,534	79,877	109,411
CASH AT END OF YEAR	<u>\$ 55,598</u>	<u>\$ 83,082</u>	<u>\$ 138,680</u>

Reconciliation of excess of revenues  
over expenses to net cash provided  
(used) by operating activities:

Excess of revenues over expenses	\$ 25,373	\$ 3,205	\$ 28,578
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Adjustments to reconcile excess of  
revenues over expenses to net cash  
provided (used) by operating activities:

Bad Debts	1,927	-	1,927
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Changes in assets and liabilities

Maintenance Assessments Receivable	(187)	-	(187)
Prepaid Expenses	(354)	-	(354)
Security Deposits	(500)	-	(500)
Prepaid Maintenance Assessments	(195)	-	(195)

Net Cash Provided by Operating Activities	<u>\$ 26,064</u>	<u>\$ 3,205</u>	<u>\$ 29,269</u>
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SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT.

VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

NOTE 1 - NATURE OF ORGANIZATION

Victoria Square Condominium Association, Inc. ("the Association") is a statutory condominium association incorporated in the State of Florida on September 15, 1980. The Association is responsible for the operation and maintenance of the common property of Victoria Square Condominium Association, Inc. The condominium consists of 44 residential units.

NOTE 2 - 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 the report date, which is the date the financial statements were available to be issued.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying financial statements include the assets, liabilities, fund balances, revenue, and expenses as determined using the accrual basis of accounting.

FUNDS

The Association is a not-for-profit organization which employs the fund method of accounting in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors, the Association voting membership, or applicable Florida Statutes. The financial statements segregate the accounting for such funds as either operating or replacement funds. At the end of the year, excess funds are retained by the fund generating such excess during the year.

The operating fund is used to account for financial resources available for the general operation of the Association. Disbursements from the operating fund are generally at the discretion of the Board of Directors and the Association's manager.

The replacement fund is generally used to account for 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. Interest income earned in the replacement fund is allocated to a separate line item.

VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

Regular assessments to members are recognized as revenue during the period for which they are assessed. Assessments received in advance of this period are reported as prepaid maintenance assessments on the balance sheet.

MAINTENANCE ASSESSMENTS

Association members are subject to maintenance assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Maintenance assessments are billed based upon their proportionate share of ownership and are recognized as revenue on a pro rata basis over the period covered by the billing. Any excess assessments at year end are retained by the Association for use in the succeeding year.

INCOME TAXES

The Association filed its income tax return as homeowners' associations in accordance with Internal Revenue Code Section 528 for the current year. Under that Section, the Association is not taxed on uniform assessments to members and other income received from association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income, which includes interest income and revenue received from nonmembers.

Management does not believe that the Association has any significant uncertain tax positions that would be material to the financial statements. The Association's tax returns for tax years 2012 - 2014 are subject to examination by the Internal Revenue Service, generally for a period of three years after they were filed.

MAINTENANCE ASSESSMENTS RECEIVABLE

Maintenance assessments receivable from owners are reported at the outstanding balance due from owners. The outstanding balance primarily consists of assessment fees but may also include other owner billed charges such as late fees and interest. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established.

VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

The Association considers all highly liquid investments, purchased with a maturity of three months or less, to be cash equivalents. The Association maintains its cash in bank at various financial institutions whereby deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

CAPITALIZATION AND DEPRECIATION

Real property acquired by the Association is capitalized and depreciated when it is used to generate significant cash flows from members on the basis of usage or from nonmembers or can be disposed of for cash with the Association retaining the proceeds. Real property acquired by the Association that does not meet these guidelines is not capitalized, and accordingly, replacements, major repairs, and improvements to this property are not capitalized; instead they are reported as expenses in the fund making the expenditure.

NOTE 4 - COMMITMENTS

The Association has contracted with several vendors for various services to maintain the common property related to certain administration and building operations and maintenance expenses. These contracts are approved, as necessary, by the Board of Directors and have varying expiration dates and renewal terms.

NOTE 5 - LITIGATION

The Association is a party to various legal actions normally associated with condominium associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.



VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

NOTE 6 - RECOVERY OF BAD DEBT

During 2014, the Association collected \$8,007 in maintenance fees that had been previously recorded as uncollectible.

NOTE 7 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds of \$83,082 at December 31, 2014, are held in separate accounts and are generally not available for operating purposes.

During 2014, the Association's board of directors estimated the remaining useful lives and the replacement costs of the common property components based on information provided by vendors. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

The replacement fund designated for future major repairs and replacements has been allocated by the board of directors to the components of common property as follows:

	BALANCE 1/1/2014	MAINTENANCE ASSESSMENTS	INTEREST INCOME	EXPENDITURES FOR MAJOR REPAIRS/ REPLACEMENTS	BALANCE 12/31/2014
ROOF	\$ 45,469	\$ 15,469	\$ -	\$ -	\$ 60,938
PAINTING	17,500	6,167	-	(17,500)	6,167
PAVING	16,250	4,783	-	(6,000)	15,033
INTEREST	658	-	286	-	944
	<u>\$ 79,877</u>	<u>\$ 26,419</u>	<u>\$ 286</u>	<u>\$ (23,500)</u>	<u>\$ 83,082</u>

VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Association assesses regular and special assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual unit owners. Should the collection of any such liens be enforced by the sale of the unit, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens that have priority. Market value may be influenced by the real estate market in the Association's geographic area.

NOTE 9 - INSURANCE CONTINGENCIES

In the event of a loss due to a hurricane, the Association would be responsible for a deductible under the provisions of the hurricane loss insurance contract.

## **SUPPLEMENTARY INFORMATION**

VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.  
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS  
 AND REPLACEMENTS (UNAUDITED)  
 DECEMBER 31, 2014

During 2014, the Association's board of directors estimated the remaining useful lives and the replacement costs of the common property components based on information provided by vendors. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the estimate. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the estimate and the date that the components will require repair or replacement.

The following information is based on the estimates and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Life</u>	<u>Estimated Current Replacement Cost</u>	<u>Required 2015 Funding</u>	<u>Replacement Fund Balances 12/31/14</u>
ROOF	6	\$ 155,000	\$ 15,677	\$ 60,938
PAINTING	10	36,000	2,983	6,167
PAVING	2	30,600	7,783	15,033
INTEREST				944
		<u>\$ 221,600</u>	<u>\$ 26,443</u>	<u>\$ 83,082</u>

SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT.