

VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2015

FELDMAN, FELDMAN & ASSOCIATES, CPA, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
20283 STATE ROAD 7
SUITE 400
BOCA RATON, FL 33498
(561) 994-3733 • FAX (561) 994-3262

MICHAEL J. FELDMAN, C.P.A.

MINDY A. FELDMAN, C.P.A.

MATTHEW G. BARATZ, C.P.A.

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

Management is responsible for the accompanying financial statements of Victoria Square Condominium Association, Inc., which comprise the balance sheet as of December 31, 2015, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about 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, which 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 express an opinion, a conclusion, nor provide any form of assurance on it.

Feldman, Feldman & Associates, CPA, P.A.

Boca Raton, FL

May 13, 2016

VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2015

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 35,789	\$ 34,423	\$ 70,212
Maintenance Assessments Receivable	6,633	-	6,633
Prepaid Insurance	12,658	-	12,658
Utility Deposits	80	-	80
TOTAL ASSETS	<u><u>\$ 55,160</u></u>	<u><u>\$ 34,423</u></u>	<u><u>\$ 89,583</u></u>

LIABILITIES AND FUND BALANCES

Accounts Payable	\$ 550	-	\$ 550
Insurance Payable	5,479	-	5,479
Prepaid Maintenance Assessments	8,210	-	8,210
Loan Payable - Popular Community Bank	60,745	-	60,745
TOTAL LIABILITIES	<u>74,984</u>	<u>-</u>	<u>74,984</u>
Fund Balances / (Deficit)	<u>(19,824)</u>	<u>34,423</u>	<u>14,599</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 55,160</u></u>	<u><u>\$ 34,423</u></u>	<u><u>\$ 89,583</u></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, 2015

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
REVENUES			
Maintenance Assessments	\$ 136,734	\$ 26,418	\$ 163,152
Interest Income	12	208	220
Other Income	1,823	-	1,823
TOTAL REVENUES	<u>138,569</u>	<u>26,626</u>	<u>165,195</u>
EXPENSES			
Administrative	1,100	-	1,100
Electricity	1,377	-	1,377
Exterminating	1,040	-	1,040
Insurance	31,583	-	31,583
Janitorial	3,940	-	3,940
Lawn Maintenance	12,080	-	12,080
Loan Interest and Fees	4,223	-	4,223
Management Fees	6,438	-	6,438
Professional Fees	2,450	-	2,450
Repairs and Maintenance	9,218	-	9,218
Refuse	15,728	-	15,728
Roof Repairs	87,597	75,285	162,882
Security	9,027	-	9,027
Water and Sewer	32,431	-	32,431
TOTAL EXPENSES	<u>218,232</u>	<u>75,285</u>	<u>293,517</u>
DEFICIENCY OF REVENUES OVER EXPENSES	(79,663)	(48,659)	(128,322)
BEGINNING FUND BALANCES	59,839	83,082	142,921
ENDING FUND BALANCES / (DEFICIT)	<u>\$ (19,824)</u>	<u>\$ 34,423</u>	<u>\$ 14,599</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT.

VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Maintenance Assessments Collected	\$ 134,062	\$ 26,418	\$ 160,480
Interest Income Received	12	208	220
Other Income Received	1,823	-	1,823
Cash Paid for Operating Expenditures	(216,451)	-	(216,451)
Cash Paid for Replacement Expenditures	-	(75,285)	(75,285)
Net Cash Used by Operating Activities	<u>(80,554)</u>	<u>(48,659)</u>	<u>(129,213)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan Proceeds - Popular Community Bank	\$ 60,745	\$ -	\$ 60,745
Net Cash Provided by Financing Activities	<u>60,745</u>	<u>-</u>	<u>60,745</u>
Net Decrease in Cash	(19,809)	(48,659)	(68,468)
CASH AT BEGINNING OF YEAR	55,598	83,082	138,680
CASH AT END OF YEAR	<u>\$ 35,789</u>	<u>\$ 34,423</u>	<u>\$ 70,212</u>
Reconciliation of deficiency of revenues over expenses to net cash used by operating activities:			
Deficiency of revenues over expenses	\$ (79,663)	\$ (48,659)	\$ (128,322)
Adjustments to reconcile deficiency of revenues over expenses to net cash used by operating activities:			
<u>Changes in assets and liabilities</u>			
Maintenance Assessments Receivable	(4,449)	-	(4,449)
Prepaid Insurance	(3,748)	-	(3,748)
Accounts Payable	50	-	50
Insurance Payable	5,479	-	5,479
Prepaid Maintenance Assessments	1,777	-	1,777
Net Cash Used by Operating Activities	<u>\$ (80,554)</u>	<u>\$ (48,659)</u>	<u>\$ (129,213)</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANTS' COMPILATION REPORT.

VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

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.

VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 a homeowners' association 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 2013 - 2015 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.

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 balances at a single financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2015, the Association did not have any uninsured deposits.

VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTE 6 - 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.

VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 \$34,423 at December 31, 2015, are held in separate accounts and are generally not available for operating purposes.

During 2015, the Association's board of directors estimated the remaining useful lives and the replacement costs of the common property components based on historical costs. 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 1/1/2015	MAINTENANCE ASSESSMENTS	INTEREST INCOME	EXPENDITURES FOR MAJOR REPAIRS/ REPLACEMENTS	BALANCE 12/31/2015
ROOF	\$ 60,938	\$ 15,652	\$ -	\$ (75,285)	\$ 1,305
PAINTING	6,167	2,983	-	-	9,150
PAVING	15,033	7,783	-	-	22,816
INTEREST	944	-	208	-	1,152
	<u>\$ 83,082</u>	<u>\$ 26,418</u>	<u>\$ 208</u>	<u>\$ (75,285)</u>	<u>\$ 34,423</u>

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.

Financial instruments which potentially subject the Association to concentrations of credit risk are primarily cash and cash equivalents. The Association invests its excess cash in deposits with major financial institutions. The Association has not experienced losses related to these investments.

VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 9 - LOAN PAYABLE - POPULAR COMMUNITY BANK

On April 13, 2015, the Association agreed to borrow up to \$100,000 from Popular Community Bank to fund the roof replacement project. Interest will accrue at a rate of 1 month Libor plus 5.58% per annum with a floor of 5.75%. Beginning June 1, 2015, the Association will pay interest only payments for the first twenty-four months. Effective June 1, 2017, monthly installment payments, including principal and interest, will be payable over twenty-four months. The interest rate during this period will be at 6.10% above the US SWAP index with a floor of 7.00%.

SUPPLEMENTARY INFORMATION

VICTORIA SQUARE CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS (UNAUDITED)
DECEMBER 31, 2015

During 2015, the Association's board of directors estimated the remaining useful lives and the replacement costs of the common property components based on historical costs. 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 2016 Funding</u>	<u>Replacement Fund Balances 12/31/15</u>
ROOF	25	\$ 155,000	\$ -	\$ 1,305
PAINTING	9	30,000	2,085	9,150
PAVING	2	40,000	5,728	22,816
INTEREST				1,152
		<u>\$ 225,000</u>	<u>\$ 7,813</u>	<u>\$ 34,423</u>

SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT.