

2017

Financial Statements as
of December 31, 2017

**[CARMEL RETIREMENT CONDOMINIUM
ASSOCIATION, INC.]**

**To the Board of Directors and Members
Carmel Retirement Condominium Association, Inc.**

Management is responsible for the accompanying financial statements of Carmel Retirement Condominium Association, Inc. (the Association), which comprise the balance sheet as of December 31, 2017, and the related statements of revenues, expenses, and changes in fund balance 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 8 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. The information was subject to our compilation engagement; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.

Mapili CPAs LLC

Mapili CPAs LLC
Certified Public Accountants
Winter Park, Florida
February 1, 2018

CARMEL RETIREMENT CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2017

| ASSETS | <u>Operating Fund</u> | <u>Replacement Fund</u> | <u>Total</u> |
|---|---------------------------|-----------------------------|-------------------|
| Cash and cash equivalents | \$ 75,803 | \$ 203,890 | \$ 279,693 |
| Member assessments receivable | 18 | - | 18 |
| Prepaid expenses | 3,414 | - | 3,414 |
| Utility deposits | 746 | - | 746 |
| | <u>\$ 79,981</u> | <u>\$ 203,890</u> | <u>\$ 283,871</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Prepaid member assessments | <u>\$ 7,230</u> | <u>\$ -</u> | <u>\$ 7,230</u> |
| Total liabilities | 7,230 | - | 7,230 |
| Fund balance | <u>72,751</u> | <u>203,890</u> | <u>276,641</u> |
| | <u>\$ 79,981</u> | <u>\$ 203,890</u> | <u>\$ 283,871</u> |

See accompanying notes and accountant's compilation report.

CARMEL RETIREMENT CONDOMINIUM ASSOCIATION, INC.

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Operating</u> <u>Fund</u> | <u>Replacement</u> <u>Fund</u> | <u>Total</u> |
|--|---------------------------------|-----------------------------------|--------------------------|
| Revenues: | | | |
| Member assessments | \$ 199,617 | \$ 44,463 | \$ 244,080 |
| Insurance reimbursement | 1,611 | 56,057 | 57,668 |
| Late fees and finance charges | 75 | - | 75 |
| Interest income | 67 | 383 | 450 |
| | <u>201,370</u> | <u>100,903</u> | <u>302,273</u> |
| Expenses: | | | |
| Building repairs and maintenance | 48,734 | - | 48,734 |
| Cable service | 38,833 | - | 38,833 |
| Grounds and landscaping | 15,148 | - | 15,148 |
| Insurance expense | 29,528 | - | 29,528 |
| Major repairs and replacements | 1,611 | 18,000 | 19,611 |
| Management fees | 12,180 | - | 12,180 |
| Other general and administrative | 1,740 | - | 1,740 |
| Pool and clubhouse | 14,667 | - | 14,667 |
| Professional fees | 1,831 | - | 1,831 |
| Utilities expense | 31,837 | - | 31,837 |
| | <u>196,109</u> | <u>18,000</u> | <u>214,109</u> |
| Deficiency of revenues over expenses | 5,261 | 82,903 | 88,164 |
| Fund balance at December 31, 2016 | 70,790 | 117,687 | 188,477 |
| Interfund Transfers | (3,300) | 3,300 | - |
| Fund balance at December 31, 2017 | <u>\$ 72,751</u> | <u>\$ 203,890</u> | <u>\$ 276,641</u> |

See accompanying notes and accountant's compilation report.

CARMEL RETIREMENT CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Operating Fund</u> | <u>Replacement Fund</u> | <u>Total</u> |
|--|---------------------------|-----------------------------|--------------------------|
| Deficiency of revenues over expenses | \$ 5,261 | \$ 82,903 | \$ 88,164 |
| Adjustments to reconcile deficiency of revenues over expenses to net cash provided by (used in) operating activities: | | | |
| Change in interfund balances | (3,300) | 3,300 | - |
| Decrease in member assessments receivable | 539 | - | 539 |
| Decrease in prepaid expenses | 12,024 | - | 12,024 |
| Decrease in accounts payable and accruals | (1,885) | - | (1,885) |
| Decrease in insurance payable | (5,012) | - | (5,012) |
| Increase in prepaid member assessments | 6,295 | - | 6,295 |
| Total adjustments | <u>8,661</u> | <u>3,300</u> | <u>11,961</u> |
| Net increase (decrease) in cash | 13,922 | 86,203 | 100,125 |
| Cash at beginning of year | <u>61,881</u> | <u>117,687</u> | <u>179,568</u> |
| Cash at end of year | <u><u>\$ 75,803</u></u> | <u><u>\$ 203,890</u></u> | <u><u>\$ 279,693</u></u> |

See accompanying notes and accountant's compilation report.

CARMEL RETIREMENT CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

A. ORGANIZATION

Carmel Retirement Condominium Association, Inc. is incorporated as a not-for-profit corporation in the State of Florida. The Association is responsible for the operation and maintenance of the common property within the development. The development is located in Brevard County, Florida and consists of 60 residential condominium units.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using the principles of fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - The operating fund is used to account for the day-to-day activities of the Association, including the general management and upkeep of the common property.

Replacement Fund - The replacement fund is used to account for monies accumulated to fund capital expenditures and maintenance, repair and replacement of property.

Member Assessments

Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Member assessments receivable at the balance sheet date represents fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years.

Income Taxes

The Association may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, 2017, the Association filed IRS Form 1120H and elected to be taxed as a homeowners' association. Under this election, the Association is generally exempt from taxation on membership income and is taxed only on nonmembership income items, such as interest earnings. The State of Florida does not require an association that files IRS Form 1120H to file a state income tax return. The Association's federal income tax returns are subject to examination by the IRS generally for three years after they are filed. At December 31, 2017, the tax years that remain subject to examination begin with 2014.

CARMEL RETIREMENT CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Real and Common Area Property

Real and common area property acquired by the original homeowners from the developer is not capitalized on the Association's financial statements, since it is owned by the individual owners in common and not by the Association. As a result, improvements to the real property and common areas are expensed as incurred.

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 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.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid instruments with original maturities of three months or less.

Allocation of Revenues and Expenses to Unit Owners

Revenue and expenses are allocated equally among all of the unit owners within the Association.

Subsequent Events - Date of Management's Review

In preparing these financial statements, the Association has evaluated subsequent events and transactions for potential recognition and disclosure through the date of the Independent Accountant's Compilation Report, which is the date the financial statements were available to be issued.

C. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, as well as Florida Statutes, require funds to be accumulated for future major repairs and replacements. The funds are segregated and held primarily in interest-bearing accounts. The Association's Board of Directors has estimated the remaining useful lives and replacement costs of common property components.

CARMEL RETIREMENT CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

C. FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on current estimates of replacements 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.

Member's equity designated for future major repairs and replacements has been allocated by the Board of Directors to the components of common property as follows:

| <u>Components</u> | <u>Balance 1/1/17</u> | <u>Fund Additions</u> | <u>Major Repairs/ Replacements</u> | <u>Balance 12/31/17</u> |
|----------------------|---------------------------|---------------------------|--|-----------------------------|
| Painting | \$ (977) | \$ 1,728 | \$ - | \$ 751 |
| Roofing | 19,596 | 61,048 | 18,000 | 62,644 |
| Paving | 922 | 1,092 | - | 2,014 |
| Pool | 4,616 | 1,404 | - | 6,020 |
| Deferred maintenance | 1,245 | 4,296 | - | 5,541 |
| Garage roof | 894 | - | - | 894 |
| Garage paint | 2,531 | - | - | 2,531 |
| Elevators | 69,093 | 31,656 | - | 100,749 |
| Fire protection | 11,673 | 1,548 | - | 13,221 |
| Insurance | 7,824 | 1,048 | - | 8,872 |
| Unallocated Interest | 270 | 383 | - | 653 |
| Total | <u>\$ 117,687</u> | <u>\$ 104,203</u> | <u>\$ 18,000</u> | <u>\$ 203,890</u> |

SUPPLEMENTARY INFORMATION

CARMEL RETIREMENT CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR

REPAIRS AND REPLACEMENTS

DECEMBER 31, 2017

The Association's Board of Directors has estimated the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. 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 study and the date that the components will require repair or replacement.

The following is based on the study 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>Component Balance 12/31/17</u> | <u>2018 Approved Budget Funding</u> |
|----------------------|--|---|---|---|
| Painting | 7 years | \$ 60,000 | \$ 751 | \$ 8,100 |
| Roofing | 4 years | 90,004 | 62,644 | 20,616 |
| Paving | 10 years | 14,400 | 2,014 | 1,236 |
| Pool | 10 years | 65,000 | 6,020 | 5,904 |
| Deferred maintenance | 15 years | 110,000 | 5,541 | 6,600 |
| Garage roof | n/a | - | 894 | - |
| Garage paint | n/a | - | 2,531 | - |
| Elevators | 4 years | 150,000 | 100,749 | 12,300 |
| Fire protection | 17 years | 80,000 | 13,221 | 3,960 |
| Insurance | n/a | 30,000 | 8,872 | - |
| Interest | n/a | - | 653 | - |
| Total | | <u>\$ 599,404</u> | <u>\$ 203,890</u> | <u>\$ 58,716</u> |