

# 2016

Financial Statements as  
of December 31, 2016

**[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, 2016, 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 13, 2017

**CARMEL RETIREMENT CONDOMINIUM ASSOCIATION, INC.**

**BALANCE SHEET**

**DECEMBER 31, 2016**

<b>ASSETS</b>	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 61,881	\$ 117,687	\$ 179,568
Member assessments receivable	557	-	557
Prepaid expenses	15,438	-	15,438
Utility deposits	746	-	746
	<u>\$ 78,622</u>	<u>\$ 117,687</u>	<u>\$ 196,309</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
Accounts payable and accrued expenses	\$ 1,885	\$ -	\$ 1,885
Insurance payable	5,012	-	5,012
Prepaid member assessments	935	-	935
Total liabilities	7,832	-	7,832
Fund balance	70,790	117,687	188,477
	<u>\$ 78,622</u>	<u>\$ 117,687</u>	<u>\$ 196,309</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, 2016**

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>Total</u>
Revenues:			
Member assessments	\$ 178,617	\$ 33,783	\$ 212,400
Late fees and finance charges	378	-	378
Interest income	148	155	303
	<u>179,143</u>	<u>33,938</u>	<u>213,081</u>
Expenses:			
Bad debt expense	4,641	-	4,641
Building repairs and maintenance	30,912	-	30,912
Cable service	36,782	-	36,782
Grounds and landscaping	12,834	-	12,834
Insurance expense	19,110	-	19,110
Major repairs and replacements	-	8,580	8,580
Management fees	9,600	-	9,600
Other general and administrative	4,840	-	4,840
Pool and clubhouse	5,147	-	5,147
Professional fees	600	-	600
Utilities expense	40,357	-	40,357
	<u>164,823</u>	<u>8,580</u>	<u>173,403</u>
Deficiency of revenues over expenses	14,320	25,358	39,678
Fund balance at December 31, 2015	<u>56,470</u>	<u>92,329</u>	<u>148,799</u>
<b>Fund balance at December 31, 2016</b>	<b><u>\$ 70,790</u></b>	<b><u>\$ 117,687</u></b>	<b><u>\$ 188,477</u></b>

See accompanying notes and accountant's compilation report.

**CARMEL RETIREMENT CONDOMINIUM ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Deficiency of revenues over expenses	\$ 14,320	\$ 25,358	\$ 39,678
 <b>Adjustments to reconcile deficiency of revenues over expenses to net cash provided by (used in) operating activities:</b>			
Decrease in member assessments receivable	7,664	-	7,664
Increase in prepaid expenses	(12,018)	-	(12,018)
Decrease in accounts payable and accruals	(1,549)	-	(1,549)
Increase in insurance payable	5,012	-	5,012
Decrease in prepaid member assessments	(2,628)	-	(2,628)
Total adjustments	(3,519)	-	(3,519)
Net increase (decrease) in cash	10,801	25,358	36,159
Cash at beginning of year	51,080	92,329	143,409
Cash at end of year	<u>\$ 61,881</u>	<u>\$ 117,687</u>	<u>\$ 179,568</u>

See accompanying notes and accountant's compilation report.

**CARMEL RETIREMENT CONDOMINIUM ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**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, 2016, 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, 2016, the tax years that remain subject

**CARMEL RETIREMENT CONDOMINIUM ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**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.

The Association is not currently accumulating funds in order to finance estimated future repairs and replacements. The Association has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. When funds are required to meet future needs for major repairs and replacements, the Association plans to borrow, increase maintenance assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

**CARMEL RETIREMENT CONDOMINIUM ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**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 1/1/16</u>	<u>Fund Additions</u>	<u>Major Repairs/ Replacements</u>	<u>Balance 12/31/16</u>
Painting	\$ (2,954)	\$ 1,977	\$ -	\$ (977)
Roofing	18,456	2,290	1,150	19,596
Paving	5,188	1,024	5,290	922
Pool	1,924	2,692	-	4,616
Deferred maintenance	267	978	-	1,245
Garage roof	894	-	-	894
Garage paint	2,531	-	-	2,531
Elevator	53,643	15,450	-	69,093
Fire protection	11,816	1,997	2,140	11,673
Insurance	449	7,375	-	7,824
Interest	115	155	-	270
Total	<u>\$ 92,329</u>	<u>\$ 33,938</u>	<u>\$ 8,580</u>	<u>\$ 117,687</u>



**SUPPLEMENTARY INFORMATION**

**CARMEL RETIREMENT CONDOMINIUM ASSOCIATION, INC.**

**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR**

**REPAIRS AND REPLACEMENTS**

**DECEMBER 31, 2016**

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 12/31/16</u>	<u>2017 Approved Budget Funding</u>
Painting	9 years	\$ 16,900	\$ (977)	\$ 1,728
Roofing	7 years	55,100	19,596	4,992
Paving	11 years	14,400	922	1,092
Pool	11 years	20,000	4,616	1,404
Deferred maintenance	3 years	5,000	1,245	996
Garage roof	-	-	894	-
Garage paint	-	-	2,531	-
Elevator	1 year	102,000	69,093	31,656
Fire protection	17 years	40,000	11,673	1,548
Insurance	9 years	30,000	7,824	2,496
Interest	-	-	270	-
Total		<u>\$ 283,400</u>	<u>\$ 117,687</u>	<u>\$ 45,912</u>