

WINSTON TOWERS 100 ASSOCIATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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LANE J. GENET, C.P.A.
A PROFESSIONAL ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Unit Owners
Winston Towers 100 Association, Inc.
Sunny Isles Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Winston Towers 100 Association, Inc., which comprise the balance sheet as of December 31, 2015 and the related statements of revenues and expenses and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

Auditor's Responsibility (Continued)

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Winston Towers 100 Association, Inc. as of December 31, 2015 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matter

We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of budgeted and actual revenues and expenses - operating fund; budgeted and actual repairs and maintenance and building maintenance expenses - operating fund; and budgeted and actual utilities, personnel and general and administrative expenses - operating fund, all for the year ended December 31, 2015, on pages 14 through 16, are presented for purposes of additional analysis and are not required parts of the financial statements. Such information (except for the budget information, which was compiled without audit or review from information that is the representation of management (directors and officers)) is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional

Report on Supplementary Information (Continued)

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements, consisting of the estimated useful lives and the estimated replacement costs of the components of common property on page 17, 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. The information about the amount of annual funding required to fully fund each account of the replacement fund on page 17 is supplementary information required by the Florida Administrative Code. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management (directors and officers) about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Lane J. Genet, C.P.A., P.A.

Miami, Florida

February 14, 2017

WINSTON TOWERS 100 ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2015

	<u>Operating Fund</u>	<u>Special Assessment Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 221,456	\$ 551,158	\$ 772,614
Assessments receivable, net of allowance for doubtful accounts of \$40,000	15,967	142,082	158,049
Prepaid expenses	<u>46,799</u>	<u>-</u>	<u>46,799</u>
TOTAL ASSETS	<u>\$ 284,222</u>	<u>\$ 693,240</u>	<u>\$ 977,462</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 82,942	\$ 132,366	\$ 215,308
Assessments received in advance	51,626	54,493	106,119
Deferred revenue	-	506,381	506,381
Security deposits	<u>56,911</u>	<u>-</u>	<u>56,911</u>
TOTAL LIABILITIES	191,479	693,240	884,719
FUND BALANCES	<u>92,743</u>	<u>-</u>	<u>92,743</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 284,222</u>	<u>\$ 693,240</u>	<u>\$ 977,462</u>

Read accompanying notes to these financial statements.

WINSTON TOWERS 100 ASSOCIATION, INC.
 STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
 YEAR ENDED DECEMBER 31, 2015

	Operating Fund	Special Assessment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Member assessments	\$1,581,050	\$ 491,119	\$2,072,169
Parking	122,748	-	122,748
Total appliance contract	63,334	-	63,334
Internet	58,708	-	58,708
Laundry	32,777	-	32,777
Other	29,927	-	29,927
Screening fees	9,100	-	9,100
Remotes, entry cards and garage	7,168	-	7,168
Moving fees	5,900	-	5,900
Estoppel	5,100	-	5,100
Interest	1,712	-	1,712
	<u>1,917,524</u>	<u>491,119</u>	<u>2,408,643</u>
TOTAL REVENUES			
EXPENSES:			
Repairs and maintenance	317,219	491,119	808,338
Building maintenance	570,541	-	570,541
Utilities	537,691	-	537,691
Insurance	517,390	-	517,390
Personnel	220,174	-	220,174
General and administrative	45,053	-	45,053
	<u>2,208,068</u>	<u>491,119</u>	<u>2,699,187</u>
TOTAL EXPENSES			
EXCESS OF EXPENSES OVER REVENUES	(290,544)	-	(290,544)
FUND BALANCES - BEGINNING OF YEAR	<u>383,287</u>	<u>-</u>	<u>383,287</u>
FUND BALANCES - END OF YEAR	<u>\$ 92,743</u>	<u>\$ -</u>	<u>\$ 92,743</u>

Read accompanying notes to these financial statements.

WINSTON TOWERS 100 ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

	Operating Fund	Special Assessment Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Member assessments collected	\$1,643,024	\$ 909,911	\$2,552,935
Parking	122,748	-	122,748
Total appliance contract	63,334	-	63,334
Internet	58,708	-	58,708
Laundry	32,777	-	32,777
Other	10,591	-	10,591
Interest	1,712	-	1,712
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>1,932,894</u>	<u>909,911</u>	<u>2,842,805</u>
Repairs and maintenance	318,329	386,677	705,006
Building maintenance	556,330	-	556,330
Utilities	532,497	-	532,497
Insurance	518,566	-	518,566
Personnel	217,466	-	217,466
General and administrative	43,307	-	43,307
CASH FLOWS USED BY OPERATING ACTIVITIES	<u>2,186,495</u>	<u>386,677</u>	<u>2,573,172</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(253,601)	523,234	269,633
CASH AND CASH EQUIVALENTS:			
- BEGINNING OF YEAR	<u>475,057</u>	<u>27,924</u>	<u>502,981</u>
 - END OF YEAR	<u>\$ 221,456</u>	<u>\$ 551,158</u>	<u>\$ 772,614</u>

Read accompanying notes to these financial statements.

WINSTON TOWERS 100 ASSOCIATION, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

	<u>Operating Fund</u>	<u>Special Assessment Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of expenses over revenues	\$ (290,544)	\$ -	\$ (290,544)
Adjustments to reconcile excess of expenses over revenue to net cash provided (used) by operating activities:			
(Increase) decrease in:			
Assessments receivable	14,583	(142,082)	14,583
Thirteenth month member assessments receivable	37,716	-	37,716
Prepaid expenses	42,580	-	42,580
Increase (decrease) in:			
Accounts payable and accrued expenses	(21,007)	104,442	83,435
Assessments received in advance	9,675	54,493	64,168
Deferred revenue	-	506,381	506,381
Security deposits	(46,604)	-	(46,604)
Net adjustments	<u>36,943</u>	<u>523,234</u>	<u>560,177</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (253,601)</u>	<u>\$ 523,234</u>	<u>\$ 269,633</u>

Read accompanying notes to these financial statements.

WINSTON TOWERS 100 ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

ORGANIZATION

Winston Towers 100 Association, Inc. (the "Association") was organized as a Florida not-for-profit corporation in 1970, pursuant to the Florida Condominium Act, for the purpose of maintaining and preserving the common property of Winston Towers 100, a 416-unit residential condominium building, located in Sunny Isles Beach, Florida.

FUND ACCOUNTING

The Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association. Disbursements from the operating fund are generally at the discretion of the Board of Directors.

Special Assessment Fund - This fund is used to accumulate financial resources from special assessments for improvements to the Association property. Disbursements from the special assessment fund may be made only for their designated purposes.

Revenues and expenses are reported on the accrual basis, on which basis revenues are recognized as earned and expenses are recognized as incurred.

CASH EQUIVALENTS

Cash equivalents consist of money market funds. The Association's policy is to invest its cash in conservative financial institutions.

Financial instruments, which potentially subject the Association to concentration of credit risk, consist primarily of cash and equivalents. The Association invests its excess cash in money market accounts with major financial institutions. At December 31,

WINSTON TOWERS 100 ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

NOTE 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS
(CONTINUED)

CASH EQUIVALENTS - (CONTINUED)

2015, the market values of the money market funds approximated their cost. The Association has not experienced any losses related to these investments. The Association believes it is not exposed to any significant credit risk on cash and equivalents.

MEMBER ASSESSMENTS

Based upon a budget established by the Board of Directors, assessments are levied against the unit owners for their proportionate share of the common expenses. The assessments are due on the first day of each month, at which time revenue is recognized. Upon approval of the Board of Directors, assessments may be levied for special purposes.

Any excess assessments at year-end are retained by the Association for use in the succeeding year.

PROPERTY AND EQUIPMENT

Common areas and related improvements are not reflected in the financial statements since title to these properties is vested with individual unit owners in common (on a pro-rata basis) and not with the Association. The Association will capitalize, at cost, personal property which it acquires with Association funds.

INCOME TAXES

The Association is subject to Federal and State taxation and has essentially two methods to determine the amount of tax, if any, it must pay. Under one method, the excess of revenues from members over related expenditures is subject to taxation unless such excess is returned to the unit owners or applied to the following year's assessments. The other method enables the Association to elect to exclude from taxation exempt function income which generally consists of revenue from unit owner assessments. Under either method, the Association may be subject to tax on investment income and other non-exempt income, but at different tax rates.

WINSTON TOWERS 100 ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS
(CONTINUED)

INCOME TAXES - (Continued)

The Association may elect, on a year-to-year basis, to file its federal income tax return on Form 1120-H or on Form 1120. The Association filed its 2015 federal income tax return on Form 1120-H. There was no income tax liability for the year ended December 31, 2015.

The Association could be subject to Federal and State Income Tax examinations for its open tax years, which generally are for three years after the tax returns are filed.

The Association does not believe it has any uncertain tax positions.

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 the disclosure of contingent liabilities, if any, 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.

SUBSEQUENT EVENTS

The Board of Directors has evaluated subsequent events through February 14, 2017, the date the financial statements were available to be issued.

WINSTON TOWERS 100 ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

NOTE 2 - ASSESSMENTS RECEIVABLE

The Association considers assessments delinquent if they are more than ten days in arrears. The Association will retain legal counsel and place a lien on the property of any unit owner whose assessments are sixty days or more past due. In determining the collectability of specific unit owner balances, management considers the age of the balance (measured in number of days delinquent), the owner's payment history and current economic trends. Accordingly, based on management's judgment, the Association provides for estimated uncollectible amounts through a charge to expense and a credit to a valuation allowance. Balances that remain outstanding after the Association has made reasonable collection efforts are written off via a charge to the valuation allowance and a credit to assessments receivable. As of December 31, 2015, assessments receivable balances past due at least ninety days were approximately \$37,000. Assessments receivable are stated net of an allowance for doubtful accounts of \$40,000.

NOTE 3 - THIRTEENTH MONTH MEMBER ASSESSMENT AND SPECIAL ASSESSMENT

In May 2015, the Board of Directors passed a \$1,140,000 special assessment for the purpose of carpeting and tile replacement in the hallways and other common areas, updating the electronics and mechanical systems in the elevators and a number of other improvement projects.

The special assessment was payable in eight consecutive and equal monthly installments commencing June 2015, based on each member's proportionate share of ownership.

As of December 2015, the Association had expended \$491,119, comprising \$203,609 for carpeting replacement, \$182,890 for tile replacement, \$94,000 for pool improvements and \$10,620 for garage lighting improvements. The unfunded portion of the special assessment is reflected as deferred revenue in the accompanying financial statement.

Included in the special assessment were the amounts that were budgeted to be provided by the thirteenth month assessment in the 2015 budget. Accordingly, the Board voted to not assess the unit owners for the thirteenth month assessment in 2015.

WINSTON TOWERS 100 ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

NOTE 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

Chapter 718 of the Florida Statutes and the Association's governing documents require that the Associations budget include assessments for future major repairs and replacements, unless waived by an annual vote of the unit owners. Such assessments shall be for items including, but not limited to, roof replacement, building painting, pavement resurfacing and for any other item for which the deferred maintenance expense or replacement cost exceeds \$10,000.

The unit owners voted to waive funding for future major repairs and replacements for 2015, as they have in prior years. When funds are needed for major repairs and replacements, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 5 - ASSOCIATION-OWNED UNITS AND SUBSEQUENT EVENT

As of December 31, 2015, the Association had foreclosed on one condominium unit. Legal counsel for the Association advised that foreclosure proceedings are in process by the mortgage lenders and, upon their completion, the Association will no longer have title to the unit. Therefore, the unit has not been recorded as an asset in the accompanying financial statements.

The unit was subsequently sold in March 2016.

NOTE 6 - COMMITMENTS

The Association has various agreements for the maintenance of the common property and for other services. Generally, the agreements may be cancelled with advance written notice by either party. These contracts have different expiration dates and renewal terms.

NOTE 7 - WINDSTORM CONTINGENCY

The Association's insurance policy contains a windstorm deductible of 5% of the total insured value of the condominium building and its contents.

WINSTON TOWERS 100 ASSOCIATION, INC.
 SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENSES - OPERATING FUND
 YEAR ENDED DECEMBER 31, 2015

	Adopted Budget (Unaudited)	Actual
REVENUES:		
Member assessments	\$1,581,050	\$1,581,050
Parking	120,700	122,748
Total appliance contract	64,000	63,334
Internet	65,000	58,708
Laundry	37,000	32,777
Other operating income	5,000	29,927
Screening	6,500	9,100
Remotes, entry cards and garage	5,500	7,168
Moving fees	5,000	5,900
Estoppel	4,000	5,100
Interest	300	1,712
Thirteenth month member assessment	<u>130,000</u>	<u>-</u>
	<u>2,024,050</u>	<u>1,917,524</u>
EXPENSES:		
Repairs and maintenance	111,500	317,219
Building maintenance	538,000	570,541
Utilities	550,000	537,691
Insurance	531,500	517,390
Personnel	226,000	220,174
General and administrative	37,050	45,053
Bad debts	<u>30,000</u>	<u>-</u>
	<u>2,024,050</u>	<u>2,208,068</u>
EXCESS OF EXPENSES OVER REVENUES	<u>\$ -</u>	<u>\$ (290,544)</u>

WINSTON TOWERS 100 ASSOCIATION, INC.
 BUDGETED AND ACTUAL
 SCHEDULE OF REPAIRS AND MAINTENANCE AND
 BUILDING MAINTENANCE EXPENSES - OPERATING FUND
 YEAR ENDED DECEMBER 31, 2015

	Adopted Budget <u>(Unaudited)</u>	<u>Actual</u>
REPAIRS AND MAINTENANCE:		
Roofing	\$ 6,000	\$ 130,400
Painting - hallways	-	89,335
Repair, supplies and maintenance	65,000	34,201
Building repairs	14,000	30,763
Fire equipment/alarm system	9,000	13,948
Pumps, A/C and generator maintenance	2,000	9,337
Pool repair and equipment	4,500	4,165
Elevator	5,000	2,890
Contingency	2,000	1,270
Fire pump system	4,000	910
	<u>\$ 111,500</u>	<u>\$ 317,219</u>
BUILDING MAINTENANCE:		
Security service	\$ 165,000	\$ 177,451
Janitorial	90,000	109,620
Internet services	59,500	62,696
Total HVAC	65,000	62,197
Cable TV	59,500	59,488
Trash removal	41,000	40,348
Elevator	26,000	26,684
Pest control	11,000	14,017
Pool supplies/chemicals	8,000	7,351
A/C water treatment	4,000	5,083
Trash odor control	4,000	3,524
Landscaping	5,000	2,082
	<u>\$ 538,000</u>	<u>\$ 570,541</u>

WINSTON TOWERS 100 ASSOCIATION, INC.
 BUDGETED AND ACTUAL UTILITIES, PERSONNEL AND
 GENERAL AND ADMINISTRATIVE EXPENSES - OPERATING FUND
 YEAR ENDED DECEMBER 31, 2015

	Adopted Budget (Unaudited)	Actual
UTILITIES:		
Water and sewer	\$ 305,000	\$ 327,967
Electricity	190,000	164,410
Natural gas	45,000	32,207
Telephones	<u>10,000</u>	<u>13,107</u>
	<u>\$ 550,000</u>	<u>\$ 537,691</u>
PERSONNEL:		
Payroll	\$ 200,000	\$ 199,331
Payroll taxes	19,000	17,643
Casual labor	<u>7,000</u>	<u>3,200</u>
	<u>\$ 226,000</u>	<u>\$ 220,174</u>
GENERAL AND ADMINISTRATIVE:		
Other administrative expenses	\$ 6,000	\$ 10,473
Legal fees	7,000	8,243
Office supplies	5,000	5,747
Audit	5,000	5,100
Printing	2,000	3,085
Bank charges	2,600	2,978
Licenses and permits	1,300	2,911
WT complex dues and fees	3,600	2,700
Computer service	1,800	1,856
Taxes on Association property	600	1,389
Postage	1,500	571
Appraisal	<u>650</u>	<u>-</u>
	<u>\$ 37,050</u>	<u>\$ 45,053</u>

WINSTON TOWERS 100 ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2015
 (UNAUDITED)

An independent study to estimate the remaining useful lives and replacement cost of Association common property components has not been conducted. The Board's estimates of the remaining useful lives and the replacement costs of the common property components are based on historical trends.

The following table presents significant information about the components of common property.

<u>Component</u>	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	2016 Full Funding
Roofing	1	\$ 550,000	\$550,000
Painting	5	200,000	40,000
Paving	1	<u>100,000</u>	<u>100,000</u>
		<u>\$ 850,000</u>	<u>\$690,000</u>

Through December 31, 2015, no funds had been accumulated for future major repairs and replacements.