

WINSTON TOWERS 100 ASSOCIATION, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

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LANE J. GENET, C.P.A.

A PROFESSIONAL ASSOCIATION

SUITE 600 • 9300 SOUTH DADELAND BLVD. • MIAMI, FL 33156 • DADE (305) 670-2005 • FAX (305) 670-7892 • BROWARD (954) 763-4229 • E-MAIL: genetcpa@bellsouth.net

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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, 2013 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 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.

Auditor's Responsibility (Continued)

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 Condominium Association, Inc. as of December 31, 2013 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.

Report on Supplementary Information

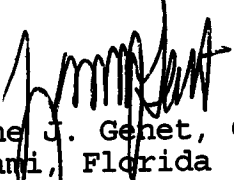
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of budgeted and actual revenues and expenses - operating fund, budgeted and actual building maintenance, utilities and personnel expenses - operating fund, and budgeted and actual repairs and maintenance and general and administrative expenses - operating fund for the year ended December 31, 2013, 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 related 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 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 Statements Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an

Disclaimer of Opinion on Required Supplementary Information (Continued)

appropriate operational, economic, or historical context. The information about the amount of annual funding required to fully fund each reserve account of the future major repairs and replacements fund 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
March 17, 2014

WINSTON TOWERS 100 ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2013

	Operating Fund	Special Assessment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 443,715	\$ 48,181	\$ 491,896
Maintenance assessments receivable, net of allowance for doubtful accounts of \$40,000	26,381	-	26,381
Special assessment receivable, net of allowance for doubtful accounts of \$15,000	-	3,594	3,594
Prepaid expenses	<u>87,817</u>	<u>-</u>	<u>87,817</u>
TOTAL ASSETS	<u><u>\$ 557,913</u></u>	<u><u>\$ 51,775</u></u>	<u><u>\$ 609,688</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 94,396	\$ 49,778	\$ 144,174
Assessments received in advance	24,857	-	24,857
Deferred revenue	-	1,997	1,997
Security deposits	<u>100,396</u>	<u>-</u>	<u>100,396</u>
TOTAL LIABILITIES	219,649	51,775	271,424
FUND BALANCES	<u>338,264</u>	<u>-</u>	<u>338,264</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 557,913</u></u>	<u><u>\$ 51,775</u></u>	<u><u>\$ 609,688</u></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, 2013

	Operating Fund	Special Assessment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES:			
Member assessments	\$1,581,050	\$ 104,410	\$1,685,460
Parking	125,240	-	125,240
Total appliance contract	63,170	-	63,170
Internet	58,237	-	58,237
Other	31,908	-	31,908
Laundry	29,365	-	29,365
Rental	14,900	-	14,900
Remotes, entry cards and garage	7,310	-	7,310
Screening fees	5,750	-	5,750
Moving fees	4,750	-	4,750
Estoppel	4,285	-	4,285
Interest	2,667	-	2,667
	<u>1,928,632</u>	<u>104,410</u>	<u>2,033,042</u>
TOTAL REVENUES			
EXPENSES:			
Building maintenance	557,902	-	557,902
Utilities	543,638	-	543,638
Insurance	472,399	-	472,399
Personnel	194,839	-	194,839
Repairs and maintenance	129,854	98,558	228,412
General and administrative	49,917	-	49,917
Bad debts	9,325	5,852	15,177
	<u>1,957,874</u>	<u>104,410</u>	<u>2,062,284</u>
TOTAL EXPENSES			
DEFICIENCY OF REVENUES OVER EXPENSES	(29,242)	-	(29,242)
FUND BALANCES - BEGINNING OF YEAR	<u>367,506</u>	<u>-</u>	<u>367,506</u>
FUND BALANCES - END OF YEAR	<u>\$ 338,264</u>	<u>\$ -</u>	<u>\$ 338,264</u>

Read accompanying notes to these financial statements.

WINSTON TOWERS 100 ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

	Operating Fund	Special Assessment Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Member assessments collected	\$1,566,325	\$ 21,419	\$1,587,744
Parking	125,240	-	125,240
Total appliance contract	63,170	-	63,170
Internet	58,237	-	58,237
Other	44,852	-	44,852
Laundry	29,365	-	29,365
Rental	14,900	-	14,900
Remotes, entry cards and garage	7,310	-	7,310
Screening fees	5,750	-	5,750
Moving fees	4,750	-	4,750
Estoppel	4,285	-	4,285
Interest	2,667	-	2,667
	<u>1,926,851</u>	<u>21,419</u>	<u>1,948,270</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES			
Building maintenance	553,264	-	553,264
Utilities	541,583	-	541,583
Insurance	471,929	-	471,929
Personnel	188,622	-	188,622
Repairs and maintenance	132,868	117,525	250,393
General and administrative	57,458	-	57,458
Bad debts	9,325	5,852	15,177
	<u>1,955,049</u>	<u>123,377</u>	<u>2,078,426</u>
CASH FLOWS USED BY OPERATING ACTIVITIES			
NET CASH USED BY OPERATING ACTIVITIES AND NET DECREASE IN CASH AND CASH EQUIVALENTS			
	(28,198)	(101,958)	(130,156)
CASH AND CASH EQUIVALENTS:			
- BEGINNING OF YEAR	<u>471,913</u>	<u>150,139</u>	<u>622,052</u>
- END OF YEAR	<u>\$ 443,715</u>	<u>\$ 48,181</u>	<u>\$ 491,896</u>

Read accompanying notes to these financial statements.

WINSTON TOWERS 100 ASSOCIATION, INC.
 STATEMENT OF CASH FLOWS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2013

	<u>Operating Fund</u>	<u>Special Assessment Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Deficiency of revenues over expenses	\$ (29,242)	\$ -	\$ (29,242)
Adjustments to reconcile deficiency of revenues over expenses to net cash used by operating activities:			
(Increase) decrease in:			
Maintenance assessments receivable	27,103	-	27,103
Special assessment receivable	-	21,419	21,419
Prepaid expenses	(1,120)	-	(1,120)
Increase (decrease) in:			
Accounts payable and accrued liabilities	3,945	(18,967)	(15,022)
Assessments received in advance	(41,828)	-	(41,828)
Deferred revenue	-	(104,410)	(104,410)
Security deposits	12,944	-	12,944
Net adjustments	<u>1,044</u>	<u>(101,958)</u>	<u>(100,914)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (28,198)</u>	<u>\$ (101,958)</u>	<u>\$ (130,156)</u>

Read accompanying notes to these financial statements.

WINSTON TOWERS 100 ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2013

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 organization 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 are primarily cash and equivalents. The Association invests its excess cash in money market accounts with major financial institutions. At December 31, 2013, 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.

WINSTON TOWERS 100 ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2013

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

MEMBER ASSESSMENTS

Based upon a budget established by the Board of Directors, and approved by the members, assessments are levied against the unit owners for their proportionate share of the common expenses. The assessments are payable monthly, in advance, at which time revenue is recognized. Upon approval of the Board of Directors, other assessments may be levied for special purposes.

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

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 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, 2013, assessments receivable balances past due at least ninety days aggregated approximately \$37,000. Assessments receivable, as reflected in the accompanying financial statements, are stated net of an allowance for doubtful accounts of \$40,000.

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.

WINSTON TOWERS 100 ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2013

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

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.

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 2013 federal income tax return on Form 1120-H.

There was no income tax liability for the year ended December 31, 2013.

The Association does not believe it has any uncertain tax positions. The Association could be subject to federal and state income tax examinations for its open tax years (2011, 2012 and 2013).

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 March 17 2014, the date the financial statements were available to be issued.

WINSTON TOWERS 100 ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2013

NOTE 2 - SPECIAL ASSESSMENT

In March 2011, the Board of Directors passed a \$600,000 special assessment for the purpose of replacing the cooling tower, air handlers, domestic water system and other improvement projects. The special assessment was payable by unit owners in six monthly installments commencing April 2011, based on each unit owner's proportionate share of the common elements.

The budget prepared by the Board of Directors for the construction projects listed above was approximately \$920,000. Funding for the projects was provided by the \$600,000 special assessment and \$320,000, from excess funds from 2010 and 2009 special assessments. Through December 31, 2013, the Association had expended \$918,003 toward the completion of the special assessment projects. The unspent portion of the special assessment is reflected as deferred revenue in the accompanying financial statements.

NOTE 3 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

Chapter 718 of the Florida Statutes and the Association's governing documents require that the Association's budget include provisions for future major repairs and replacements. 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. These accounts, if adopted, are restricted to their intended purpose unless modified by a qualified unit owner vote.

The unit owners voted to waive the funding for future major repairs and replacements for 2013, 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.

WINSTON TOWERS 100 ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2013

NOTE 4 - ASSOCIATION-OWNED UNITS

As of December 31, 2013, the Association had foreclosed on two condominium units in connection with the unit owner's past due maintenance fees. 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 units. Therefore, the units have not been recorded as assets in the accompanying financial statements.

During the year ended December 31, 2013, the Association received \$14,900 from rental of the foreclosed units.

NOTE 5 - COMMITMENTS

The Association has various agreements for the maintenance of the common property and other services. Generally, the agreements may be cancelled with written notice by either party.

NOTE 6 - WINDSTORM INSURANCE

The insurance policy for windstorm coverage was renewed on June 15, 2013. The deductible amount for named hurricane storms is approximately \$2,000,000, which represents 5% of the insured value of the condominium building.

SUPPLEMENTARY INFORMATION

WINSTON TOWERS 100 ASSOCIATION, INC.
 SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENSES - OPERATING FUND
 YEAR ENDED DECEMBER 31, 2013

	Adopted Budget (Unaudited)	<u>Actual</u>
REVENUES:		
Member assessments	\$1,581,050	\$1,581,050
Parking	118,000	125,240
Total appliance contract	64,000	63,170
Internet	58,000	58,237
Other operating income	5,000	31,908
Laundry	36,000	29,365
Rental income	-	14,900
Remotes, entry cards and garage	10,000	7,310
Screening	7,500	5,750
Moving fees	4,000	4,750
Estoppel	3,000	4,285
Interest	500	2,667
13 th Month Assessment	<u>130,000</u>	<u>-</u>
	<u>2,017,050</u>	<u>1,928,632</u>
EXPENSES:		
Building maintenance	533,100	557,902
Utilities	577,000	543,638
Insurance	495,000	472,399
Personnel	209,000	194,839
Repairs and maintenance	124,000	129,854
General and administrative	48,950	49,917
Bad debts	<u>30,000</u>	<u>9,325</u>
	<u>2,017,050</u>	<u>1,957,874</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ (29,242)</u>

WINSTON TOWERS 100 ASSOCIATION, INC.
 BUDGETED AND ACTUAL
 SCHEDULE OF BUILDING MAINTENANCE, UTILITIES
 AND PERSONNEL EXPENSES - OPERATING FUND
 YEAR ENDED DECEMBER 31, 2013

	<u>Adopted Budget (Unaudited)</u>	<u>Actual</u>
BUILDING MAINTENANCE:		
Security service	\$ 170,000	\$ 170,237
Janitorial	96,000	97,309
Total HVAC	63,000	68,149
Cable TV	56,500	62,772
Internet services	55,000	62,770
Trash removal	40,000	38,904
Elevator	22,000	23,975
Pool supplies/chemicals	8,000	11,459
Pest control	6,000	10,809
Landscaping	10,000	7,629
A/C water treatment	4,000	3,889
Trash odor control	2,600	-
	<u>\$ 533,100</u>	<u>\$ 557,902</u>
UTILITIES:		
Water and sewer	\$ 320,000	\$ 300,768
Electricity	195,000	184,642
Natural gas	50,000	49,700
Telephones	12,000	8,528
	<u>\$ 577,000</u>	<u>\$ 543,638</u>
PERSONNEL:		
Payroll	\$ 185,000	\$ 175,284
Payroll taxes	17,000	16,055
Casual labor	7,000	3,500
	<u>\$ 209,000</u>	<u>\$ 194,839</u>

WINSTON TOWERS 100 ASSOCIATION, INC.
 BUDGETED AND ACTUAL REPAIRS AND MAINTENANCE AND
 GENERAL AND ADMINISTRATIVE EXPENSES - OPERATING FUND
 YEAR ENDED DECEMBER 31, 2013

	Adopted Budget (Unaudited)	<u>Actual</u>
REPAIRS AND MAINTENANCE:		
Repairs, supplies and maintenance	65,000	\$ 44,535
Building repairs	20,000	26,076
Fire equipment/alarm system	4,000	15,411
Electrical	-	15,313
Garage	-	11,775
Plumbing	-	5,357
Elevator	5,000	4,963
Roofing	15,000	3,457
Pumps A/C and generator maintenance	5,000	2,801
Pool repair and equipment	5,000	166
Unforeseen repairs	5,000	-
	<u>\$ 124,000</u>	<u>\$ 129,854</u>
 GENERAL AND ADMINISTRATIVE:		
Legal fees	\$ 17,850	\$ 13,940
Office supplies	5,000	9,045
Administrative - other	4,300	6,638
Audit	5,000	4,900
WT complex dues and fees	3,600	3,600
Printing	3,000	3,558
Licenses and permits	3,500	3,055
Bank charges	2,600	2,841
Computer service	1,500	1,345
Taxes on Association property	500	617
Postage	1,500	378
Appraisal	600	-
	<u>\$ 48,950</u>	<u>\$ 49,917</u>

WINSTON TOWERS 100 ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
 AND REPLACEMENTS
 DECEMBER 31, 2013

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 replacement costs of the common property components were based on historical trends.

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

<u>Component</u>	Estimated Remaining Useful Lives (Years) (Unaudited)	Estimated Current Replacement Costs (Unaudited)	2013 Fund Balance	2014 Full Funding (Unaudited)
Roofing	1	\$ 550,000	\$ -	\$550,000
Painting	7	200,000	-	28,500
Paving	1	<u>100,000</u>	<u>-</u>	<u>100,000</u>
		<u>\$ 850,000</u>	<u>\$ -</u>	<u>\$678,500</u>

Through December 31, 2013, no funds had been accumulated for future major repairs and improvements.