
**CASABLANCA CONDOMINIUM
ASSOCIATION OF
MIAMI BEACH, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
MAY 31, 2015**

CASABLANCA CONDOMINIUM ASSOCIATION OF MIAMI BEACH, INC.

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors and Members of
CASABLANCA CONDOMINIUM ASSOCIATION OF MIAMI BEACH, INC.:**

Report on the Financial Statements

We have audited the accompanying combined financial statements of Casablanca Condominium Association of Miami Beach, Inc., which comprise the combined balance sheet as of May 31, 2015, and the related combined statements of revenues, expenses, and changes in fund balances and combined 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 the combined 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 combined 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 combined financial statements are free from material misstatement.

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 combined 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.

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 combined financial statements referred to above present fairly, in all material respects, the financial position of Casablanca Condominium Association of Miami Beach, Inc. as of May 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

Casablanca Condominium Association of Miami Beach, Inc. has omitted the supplementary information about future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion of the basic financial statements is not affected by the missing information.

Aguiar Cabrera Maceo & Co., LLP

Miami Lakes, FL

August 14, 2015

CASABLANCA CONDOMINIUM ASSOCIATION OF MIAMI BEACH, INC.**BALANCE SHEET
MAY 31, 2015**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Special Assesstments Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents, including interest-bearing deposits	\$ 42,609	\$ 1,249	\$ 7,108	\$ 50,966
Assessments receivable, net of an allowance for uncollectible accounts of \$174,285	76,405	-0-	8,285	84,690
Prepaid Expenses	7,079	-0-	-0-	7,079
Due from (to) related funds	16,797	(6,523)	(10,274)	-0-
Other assets	<u>11,000</u>	<u>-0-</u>	<u>-0-</u>	<u>11,000</u>
TOTAL ASSETS	<u>\$ 153,890</u>	<u>\$ (5,274)</u>	<u>\$ 5,119</u>	<u>\$ 153,735</u>
LIABILITIES AND FUND BALANCES				
Accounts payable and accrued expenses	\$ 231,914	\$ -0-	\$ 20,687	\$ 252,601
Assessments received in advance	25,707	-0-	287	25,994
Income taxes payable	-0-	-0-	-0-	-0-
Note payable	<u>196,827</u>	<u>-0-</u>	<u>-0-</u>	<u>196,827</u>
TOTAL LIABILITIES	<u>\$ 454,448</u>	<u>\$ -0-</u>	<u>\$ 20,974</u>	<u>\$ 475,422</u>
FUND BALANCES	<u>(300,558)</u>	<u>(5,274)</u>	<u>(15,855)</u>	<u>(321,687)</u>
TOTAL LIABILITES AND FUND BALANCES	<u>\$ 153,890</u>	<u>\$ (5,274)</u>	<u>\$ 5,119</u>	<u>\$ 153,735</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CASABLANCA CONDOMINIUM ASSOCIATION OF MIAMI BEACH, INC.**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
THE YEAR ENDED MAY 31, 2015**

	Operating Fund	Replacement Fund	Special Assesments Fund	Total
REVENUES				
Regular assessments	\$ 1,960,755	\$ -0-	\$ 351,309	\$ 2,312,064
Interest income	32,058	-0-	1,642	33,700
Other income	<u>3,435</u>	<u>-0-</u>	<u>1,595</u>	<u>5,030</u>
Total revenues	1,996,248	-0-	354,546	2,350,794
EXPENSES				
Air conditioning	10,380	-0-	-0-	10,380
Auditing fees	5,175	-0-	-0-	5,175
Bad debt expense	-0-	-0-	-0-	-0-
Cable	102,462	-0-	-0-	102,462
Electricity	254,139	-0-	-0-	254,139
Elevator	14,636	-0-	-0-	14,636
Fire Alarm	4,721	-0-	-0-	4,721
Insurance	259,791	-0-	-0-	259,791
Interest	15,120	-0-	-0-	15,120
Internet	4,409	-0-	-0-	4,409
Janitorial	87,647	-0-	-0-	87,647
Landscape maintenance	12,504	-0-	-0-	12,504
Legal fees	7,180	-0-	-0-	7,180
Licenses and permits	5,938	-0-	-0-	5,938
Management fees	70,080	-0-	-0-	70,080
Miscellaneous	1,280	206	5,185	6,671
Natural gas	28,009	-0-	-0-	28,009
Outside labor	138,417	-0-	-0-	138,417
Parking	184,941	-0-	-0-	184,941
Pool service	21,650	-0-	-0-	21,650
Postage and office	5,545	-0-	-0-	5,545
Repairs and replacements	217,644	4,000	434,476	656,120
Security	222,712	-0-	-0-	222,712
Telephone	4,007	-0-	-0-	4,007
Trash and recycling	21,896	-0-	-0-	21,896
Water and sewer	287,097	-0-	-0-	287,097
State income taxes	-0-	-0-	-0-	-0-
Federal income taxes	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total expenses	<u>1,987,380</u>	<u>4,206</u>	<u>439,661</u>	<u>2,431,247</u>
EXPENSES UNDER(OVER) REVENUES	8,868	(4,206)	(85,115)	(80,453)
BEGINNING FUND BALANCES	<u>(309,426)</u>	<u>(1,068)</u>	<u>69,260</u>	<u>(241,234)</u>
ENDING FUND BALANCES	<u>\$ (300,558)</u>	<u>\$ (5,274)</u>	<u>\$ (15,855)</u>	<u>\$ (321,687)</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CASABLANCA CONDOMINIUM ASSOCIATION OF MIAMI BEACH, INC.

STATEMENT OF CASH FLOWS THE YEAR ENDED MAY 31, 2015

	Operating Fund	Replacement Fund	Special Assesstments Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Expenses under(over) revenues	\$ 53,372	\$ (4,206)	\$ (64,428)	\$ (15,062)
<i>Adjustments to reconcile expenses over revenues to net cash provided by operating activities</i>				
Bad debt expense	-0-	-0-	-0-	-0-
Changes in operating assets and liabilities				
Assessments receivable	(12,853)	-0-	2,930	(9,923)
Prepaid expenses	(3,701)	-0-	-0-	(3,701)
Other assets	(2,000)	-0-	-0-	(2,000)
Accounts payable & accrued expenses	38,752	-0-	-0-	38,752
Assessments received in advance	8,292	-0-	(12,893)	(4,601)
<i>Net cash provided (used) by operating Activities</i>	81,862	(4,006)	(74,391)	3,465
CASH FLOWS FROM FINANCING ACTIVITIES:				
Due to/from related funds	(4,000)	4,000	-0-	-0-
Net payments on line of credit	(74,239)	-0-	-0-	(74,239)
<i>Net cash provided (used) by financing Activities</i>	(78,239)	4,000	-0-	(74,239)
CASH FLOWS FROM INVESTING ACTIVITIES:	-0-	-0-	-0-	-0-
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS:	3,623	(6)	(74,391)	(70,774)
CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD:	38,986	1,455	81,499	121,940
CASH AND CASH EQUIVALENTS END OF PERIOD:	\$ 42,609	\$ 1,449	\$ 7,108	\$ 51,166
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Interest paid	\$ 15,120	\$ -0-	\$ -0-	\$ 15,120
Income taxes paid	\$ -0-	\$ -0-	\$ -0-	\$ -0-

The accompanying Notes to Financial Statements are an integral part of these statements.

CASABLANCA CONDOMINIUM ASSOCIATION OF MIAMI BEACH, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ORGANIZATION- Casablanca Condominium Association of Miami Beach, Inc., (the "Association") is a statutory condominium association incorporated in the State of Florida as a Florida Non Profit Corporation on August 31, 1994. The Association is responsible for the operation and maintenance of the common property of the Casablanca condominium. The Casablanca condominium consists of 288 residential units and 69 commercial units located in Miami Beach, Florida.

BASIS OF PRESENTATION – These financial statements are prepared in accordance with generally accepted accounting principles in the United States of America. The Association's governing 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 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.

REPLACEMENT FUND— This fund is used to accumulate financial resources designated for future major repairs and replacements.

SPECIAL ASSESSMENT FUND— This fund is used to accumulate financial resources designated for special assessments levied upon individual unit owners. Special assessments are recorded as revenue in the period they are levied for specific costs that have not yet been incurred.

MEMBER ASSESSMENTS - Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners who are delinquent on a case by case basis. Delinquent assessments are charged an 18% annual interest rate as determined by the board of directors on a case by case basis. The interest charged is recognized as interest income in the period charged. Any excess assessments at year end are retained by the Association for use in the succeeding year. At May 31, 2015, the Association had delinquent assessments of \$258,975. An allowance for uncollectible accounts is deemed necessary and has been established at \$174,285. At the time that assessments are deemed uncollectible they are written off against the established allowance account. If no allowance has been established they are written off directly to expense.

PROPERTY AND EQUIPMENT – Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

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 disclosures 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.

The accompanying Notes to Financial Statements are an integral part of these statements.

CASABLANCA CONDOMINIUM ASSOCIATION OF MIAMI BEACH, INC.

NOTES TO THE FINANCIAL STATEMENTS

INCOME TAXES – The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended May 31, 2015. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government and at 5.5% by the State of Florida.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for 2012, 2013, and 2014 remain open to examination by the Internal Revenue Service; state income returns for 2013 and 2014 are open to examination. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

CASH AND CASH EQUIVALENTS – For purposes of the statement of cash flows, the Association considers, cash, bank demand deposits maturing in the operating cycle or within one year, money market funds, and highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

NOTE 2 – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 14, 2015 the date that the financial statements were available to be issued.

NOTE 3 – NOTE PAYABLE

The Association had a \$650,000 line of credit agreement with a local bank which matured on December 14, 2010 and bore interest at 1% above the prime rate. The line of credit was collateralized by all of the Association's assets and was paid in monthly installments of \$6,773, including interest.

The line of credit was converted into a term loan on October 4, 2011. The term loan is for three years with an option to extend for another three years. The monthly payments are based on a six year amortization schedule and are \$7,449.67, including fixed interest at 6.25% per annum beginning November 10, 2011. The terms of the loan were extended until October 10, 2017. The loan is secured by passage of a special assessment or a resolution by the Board of Directors that sufficient funds to amortize the loan be included in each annual budget until the loan is paid in full. The Association provides a line item in its annual budget for debt service. In addition, the note is secured by an assignment of the proceeds of all funds realized from any and all assessments regular and special, levied by the association in order to raise the funds necessary to satisfy the note.

Aggregate maturities of the term loan are as follows:

2016	\$ 78,415
2017	96,870
2018	<u>21,542</u>
Total	<u>\$ 196,827</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

CASABLANCA CONDOMINIUM ASSOCIATION OF MIAMI BEACH, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

Unless the members of the association, by majority vote of a duly called meeting of the association, adopt a budget which require no reserves, or reduced reserves, Florida Statute 718 require funds to be accumulated for roof replacement, building painting, and pavement resurfacing, as well as for any future deferred maintenance or replacements that exceed \$10,000. At May 31, 2015 the Association did not hold any funds for deferred maintenance and replacements.

The Association's governing documents and Florida Statute require that funds be accumulated for future major repairs and replacements unless properly waived. In accordance with Florida Statute 718.112(2)(b)(3)(f)(2), the members of the Association, by a vote of the majority of the members present at a duly called meeting of the Association, voted not to fund its reserves for capital expenditures and deferred maintenance for the fiscal year ended May 31, 2015. Future major repairs and replacements will be funded with special assessments. If funds cannot be obtained major repairs and replacements will be delayed.

The Association has not conducted an independent study to estimate the remaining useful lives and the replacement costs of the components of common property. However, during the 2015 budget process, the board of directors estimated repairs and replacements costs based on historical experience and included such estimates in the repairs and replacements expenses of the operating fund.

NOTE 5 – SPECIAL ASSESSMENTS

The Special Assessment Fund was created to account for the repairs needed to comply with the 40 years recertification of the building and other major repairs recommended in the report of the licensed engineer engaged by the Association. The special assessment charge to the unit owners began in August 2011. There were some emergency expenses incurred by the Special Assessment Fund prior to the collection of the special assessments year which were approved by the Board of Directors and funded by the Operating Fund. The 40 years recertification was completed during the current fiscal year.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

LITIGATION - During the normal course of business, the Association is exposed to routine litigation. While the resolution of these matters cannot be predicted with certainty, management believes that their final outcome will not have a materially adverse effect on the financial position, results of operations or cash flows of the Association.

NOTE 7 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments consist of cash and cash equivalents, accounts receivable-net, accounts payable, the current portion of long-term debt, borrowings under the line of credit and debt instruments included in other long-term debt. At May 31, 2015, the fair values of cash and cash equivalents, accounts receivable-net, accounts payable and the current portion of long-term debt approximated their carrying values due to the short-term nature of these instruments.

NOTE 8 – SUBSEQUENT EVENT

On June 16, 2015 the Association entered into a term loan with Executive National Bank for \$575,000 which matures on July 23, 2023 and bears interest at a fixed rate of 4.75%. The term loan is collateralized by a 1st security interest in general assessments and special assessments and the right to lien and foreclose on individual unit owners. The repayment terms are 12 months of interest only during the draw period and then fully amortized over the remaining 84 months.

On July 24, 2015 the Association paid the term loan with Intercredit Bank, mentioned in Note 3, with the proceeds of the term loan entered into on June 16, 2015 mentioned above.

The accompanying Notes to Financial Statements are an integral part of these statements.

