

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

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## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of Casablanca Condominium Association of Miami Beach, Inc., which comprise the balance sheet as of May 31, 2016, and the related statements of revenues, 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 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 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 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, 2016, 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

***Omission of Required Supplementary Information about Future Major Repairs and Replacements***

Management 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.

Miami Lakes, FL

October 24, 2016

# CASABLANCA CONDOMINIUM ASSOCIATION OF MIAMI BEACH, INC.

## BALANCE SHEET MAY 31, 2016

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	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Special Assesments Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents, including interest-bearing deposits	\$ 39,186	\$ 1,199	\$ 5,616	\$ 46,001
Assessments receivable, net of an allowance for uncollectible accounts of \$164,662	75,561	-0-	1,722	77,283
Prepaid Expenses	11,719	-0-	-0-	11,719
Due from (to) related funds	29,429	(6,523)	(22,906)	-0-
Other assets	<u>11,000</u>	<u>-0-</u>	<u>-0-</u>	<u>11,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 166,895</u>	<u>\$ (5,324)</u>	<u>\$ (15,568)</u>	<u>\$ 146,003</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable and accrued expenses	\$ 176,732	\$ -0-	\$ -0-	\$ 176,732
Assessments received in advance	17,140	-0-	287	17,427
Line of credit	460,832	-0-	-0-	460,832
Income taxes payable	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>TOTAL LIABILITIES</b>	\$ 654,704	\$ -0-	\$ 287	\$ 654,991
<b>FUND BALANCES</b>	<u>(487,809)</u>	<u>(5,324)</u>	<u>(15,855)</u>	<u>(508,988)</u>
<b>TOTAL LIABILITES AND FUND BALANCES</b>	<u>\$ 166,895</u>	<u>\$ (5,324)</u>	<u>\$ (15,568)</u>	<u>\$ 146,003</u>

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*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, 2016

	Operating Fund	Replacement Fund	Special Assesmtnts Fund	Total
<b>REVENUES</b>				
Regular assessments	\$ 2,196,051	\$ -0-	\$ -0-	\$ 2,196,051
Interest income	12,597	-0-	-0-	12,597
Other income	4,860	-0-	-0-	4,860
Total revenues	2,213,508	-0-	-0-	2,213,508
<b>EXPENSES</b>				
Air conditioning	15,260	-0-	-0-	15,260
Auditing fees	5,180	-0-	-0-	5,180
Bad debt expense	-0-	-0-	-0-	-0-
Cable	109,556	-0-	-0-	109,556
Electricity	246,408	-0-	-0-	246,408
Elevator	15,113	-0-	-0-	15,113
Fire Alarm	24,241	-0-	-0-	24,241
Insurance	236,130	-0-	-0-	236,130
Interest	20,916	-0-	-0-	20,916
Janitorial	120,584	-0-	-0-	120,584
Landscape maintenance	12,852	-0-	-0-	12,852
Legal fees	70	-0-	-0-	70
Licenses and permits	7,331	-0-	-0-	7,331
Management fees	73,106	-0-	-0-	73,106
Miscellaneous	3,105	50	-0-	3,155
Natural gas	24,883	-0-	-0-	24,883
Outside labor	129,088	-0-	-0-	129,088
Parking	268,137	-0-	-0-	268,137
Pool service	21,600	-0-	-0-	21,600
Postage and office	3,032	-0-	-0-	3,032
Repairs and replacements	539,035	-0-	-0-	539,035
Security	196,251	-0-	-0-	196,251
Telephone	4,356	-0-	-0-	4,356
Trash and recycling	29,701	-0-	-0-	29,701
Water and sewer	294,824	-0-	-0-	294,824
State income taxes	-0-	-0-	-0-	-0-
Federal income taxes	-0-	-0-	-0-	-0-
<b>Total expenses</b>	<b>2,400,759</b>	<b>50</b>	<b>-0-</b>	<b>2,400,809</b>
<b>EXPENSES (OVER) REVENUES</b>	(187,251)	(50)	-0-	(187,301)
<b>BEGINNING FUND BALANCES</b>	<b>(300,558)</b>	<b>(5,274)</b>	<b>(15,855)</b>	<b>(321,687)</b>
<b>ENDING FUND BALANCES</b>	<b>\$ (487,809)</b>	<b>\$ (5,324)</b>	<b>\$ (15,855)</b>	<b>\$ (508,988)</b>

*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, 2016

	Operating Fund	Replacement Fund	Special Assesments Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Expenses (over) revenues	\$ (187,251)	\$ (50)	\$ -0-	\$ (187,301)
<i>Adjustments to reconcile expenses over revenues to net cash provided by operating activities</i>				
Bad debt expense	-0-	-0-	-0-	-0-
<b>Changes in operating assets and liabilities</b>				
Assessments receivable	844	-0-	6,563	7,407
Prepaid expenses	(4,640)	-0-	-0-	(4,640)
Accounts payable & accrued expenses	(55,182)	-0-	(20,687)	(75,869)
Assessments received in advance	(8,567)	-0-	-0-	(8,567)
 <i>Net cash (used) in operating Activities</i>	 <u>(254,796)</u>	 <u>(50)</u>	 <u>(14,124)</u>	 <u>(268,970)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Due to/from related funds	(12,632)	-0-	12,632	-0-
Net receipts on line of credit payable	460,832	-0-	-0-	460,832
Net payments on note payable	(196,827)	-0-	-0-	(196,827)
 <i>Net cash provided by financing Activities</i>	 <u>251,373</u>	 <u>-0-</u>	 <u>12,632</u>	 <u>264,005</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS:</b>				
	(3,423)	(50)	(1,492)	(4,965)
<b>CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD:</b>				
	<u>42,609</u>	<u>1,249</u>	<u>7,108</u>	<u>50,966</u>
<b>CASH AND CASH EQUIVALENTS END OF PERIOD:</b>				
	<u>\$ 39,186</u>	<u>\$ 1,199</u>	<u>\$ 5,616</u>	<u>\$ 46,001</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>				
Interest paid	\$ 20,916	\$ -0-	\$ -0-	\$ 20,916
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

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### 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, 2016, the Association had delinquent assessments of \$241,945. An allowance for uncollectible accounts is deemed necessary and has been established at \$164,662. 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.

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# CASABLANCA CONDOMINIUM ASSOCIATION OF MIAMI BEACH, INC.

## NOTES TO THE FINANCIAL STATEMENTS

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**INCOME TAXES** – The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended May 31, 2016. 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 2013, 2014, and 2015 remain open to examination by the Internal Revenue Service; state income returns for 2014 and 2015 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 October 24, 2016 the date that the financial statements were available to be issued.

### NOTE 3 – LINE OF CREDIT AND 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 was for three years with an option to extend for another three years. The monthly payments were based on a six year amortization schedule and were \$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 was 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 was paid in full. The Association provides a line item in its annual budget for debt service. In addition, the note was 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. The balance of the note was paid in full on July 24, 2015.

On July 23, 2015 the Association entered into a line of credit for \$575,000 with a fixed interest rate of 4.75% per annum. The first fifteen months of the line of credit are interest only during the draw period. The drawn balance at the end of the fifteen months is then converted to a term loan fully amortized over 84 months. The note is secured by a first position assignment of any and all assessments regular and special. The note is also secured by the right to lien and foreclose on individual unit owners.

Aggregate maturities of the term loan are as follows:

2017	\$ 44,477
2018	75,722
2019	79,450
Thereafter	<u>261,183</u>
Total	<u>\$ 460,832</u>

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*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

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### 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, 2016 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, 2016. 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 2016 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, 2016, 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.

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**CASABLANCA CONDOMINIUM  
ASSOCIATION OF  
MIAMI BEACH, INC.**  
FINANCIAL STATEMENTS  
MAY 31, 2016

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