
**CASABLANCA CONDOMINIUM
ASSOCIATION OF
MIAMI BEACH, INC.**
FINANCIAL STATEMENTS
MAY 31, 2017

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, 2017, 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, 2017, 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.

Aquino Calerese Macio & Co., LLP

Miami Lakes, FL
December 15, 2017

CASABLANCA CONDOMINIUM ASSOCIATION OF MIAMI BEACH, INC.

**BALANCE SHEET
MAY 31, 2017**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Special Assessment Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents, including interest-bearing deposits	\$ 162,568	\$ 1,199	\$ 111,651	\$ 275,418
Assessments receivable, net of an allowance for uncollectible accounts of \$72,500	23,945	-0-	-0-	23,945
Prepaid Expenses	13,912	-0-	-0-	13,912
Due from (to) related funds	133,999	(6,523)	(127,476)	-0-
Other assets	<u>11,000</u>	<u>-0-</u>	<u>-0-</u>	<u>11,000</u>
TOTAL ASSETS	<u>\$ 345,424</u>	<u>\$ (5,324)</u>	<u>\$ (15,825)</u>	<u>\$ 324,275</u>
LIABILITIES AND FUND BALANCES				
Accounts payable and accrued expenses	\$ 228,180	\$ -0-	\$ -0-	\$ 228,180
Assessments received in advance	55,872	-0-	-0-	55,872
Note payable	532,180	-0-	-0-	532,180
Income taxes payable	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL LIABILITIES	\$ 816,232	\$ -0-	\$ -0-	\$ 816,232
FUND BALANCES	<u>(470,808)</u>	<u>(5,324)</u>	<u>(15,825)</u>	<u>(491,957)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 345,424</u>	<u>\$ (5,324)</u>	<u>\$ (15,825)</u>	<u>\$ 324,275</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, 2017

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Special Assessment Fund</u>	<u>Total</u>
REVENUES				
Regular assessments	\$ 2,322,576	\$ -0-	\$ -0-	\$ 2,322,576
Registration fee income	24,200	-0-	-0-	24,200
Interest income	5,539	-0-	30	5,569
Other income	<u>46,110</u>	<u>-0-</u>	<u>-0-</u>	<u>46,110</u>
Total revenues	2,398,425	-0-	30	2,398,455
EXPENSES				
Air conditioning	17,700	-0-	-0-	17,700
Auditing fees	5,165	-0-	-0-	5,165
Bad debt expense	-0-	-0-	-0-	-0-
Cable	129,750	-0-	-0-	129,750
Electricity	226,680	-0-	-0-	226,680
Elevator	15,622	-0-	-0-	15,622
Fire Alarm	6,428	-0-	-0-	6,428
Insurance	219,425	-0-	-0-	219,425
Interest	26,461	-0-	-0-	26,461
Janitorial	122,640	-0-	-0-	122,640
Landscape maintenance	12,504	-0-	-0-	12,504
Legal fees	2,263	-0-	-0-	2,263
Licenses and permits	35,885	-0-	-0-	35,885
Management fees	76,569	-0-	-0-	76,569
Miscellaneous	3,108	-0-	-0-	3,108
Natural gas	20,827	-0-	-0-	20,827
Outside labor	139,162	-0-	-0-	139,162
Parking	418,464	-0-	-0-	418,464
Pool service	21,600	-0-	-0-	21,600
Postage and office	6,136	-0-	-0-	6,136
Repairs and replacements	411,569	-0-	-0-	411,569
Security	156,145	-0-	-0-	156,145
Telephone	4,877	-0-	-0-	4,877
Trash and recycling	36,294	-0-	-0-	36,294
Water and sewer	315,504	-0-	-0-	315,504
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>2,430,778</u>	<u>-0-</u>	<u>-0-</u>	<u>2,430,778</u>
EXPENSES (OVER) UNDER REVENUES	(32,353)	-0-	30	(32,323)
BEGINNING FUND BALANCES	(487,809)	(5,324)	(15,855)	(508,988)
<i>Prior period adjustment</i>	<u>49,354</u>	<u>-0-</u>	<u>-0-</u>	<u>49,354</u>
ENDING FUND BALANCES	<u>\$ (470,808)</u>	<u>\$ (5,324)</u>	<u>\$ (15,825)</u>	<u>\$ (491,957)</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, 2017

	Operating Fund	Replacement Fund	Special Assessment Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Expenses (over)under revenues	\$ (32,353)	\$ -0-	\$ 30	\$ (32,323)
<i>Adjustments to reconcile expenses over revenues to net cash provided by operating activities</i>				
Prior period adjustments	49,354	-0-	-0-	49,354
Changes in operating assets and liabilities				
Assessments receivable	51,616	-0-	1,722	53,338
Prepaid expenses	(2,193)	-0-	-0-	(2,193)
Accounts payable & accrued expenses	51,448	-0-	-0-	51,448
Assessments received in advance	38,732	-0-	(287)	38,445
 <i>Net cash provided by operating activities</i>	 156,604	 -0-	 1,465	 158,069
 CASH FLOWS FROM FINANCING ACTIVITIES:				
Due to/from related funds	(104,570)	-0-	104,570	-0-
Net receipts from note payable	71,348	-0-	-0-	71,348
 <i>Net cash (used in)provided by financing activities</i>	 (33,222)	 -0-	 104,570	 71,348
 CASH FLOWS FROM INVESTING ACTIVITIES:				
	-0-	-0-	-0-	-0-
 NET INCREASE IN CASH AND CASH EQUIVALENTS:	 123,382	 -0-	 106,035	 229,417
 CASH AND CASH EQUIVALENTS BEGINNING OF PERIOD:	 39,186	 1,199	 5,616	 46,001
 CASH AND CASH EQUIVALENTS END OF PERIOD:	 <u>\$ 162,568</u>	 <u>\$ 1,199</u>	 <u>\$ 111,651</u>	 <u>\$ 275,418</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Interest paid	\$ 26,461	\$ -0-	\$ -0-	\$ 26,461
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, 2017, the Association had delinquent assessments of \$96,445. An allowance for uncollectible accounts is deemed necessary and has been established at \$72,500. 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.

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, 2017. 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 2014, 2015, and 2016 remain open to examination by the Internal Revenue Service; state income returns for 2015 and 2016 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 December 15, 2017 the date that the financial statements were available to be issued.

NOTE 3 – LINE OF CREDIT AND NOTE PAYABLE

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:

May 2018	\$ 75,722
May 2019	79,450
May 2020	83,321
May 2021	87,465
Thereafter	<u>206,222</u>
Total	<u>\$ 532,180</u>

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, 2017 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, 2017. 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 2017 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 prior fiscal year.

NOTE 6 – 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, 2017, 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 7 – CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Association to concentration of credit risk are primarily cash. At May 31, 2017, the balances were insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000, at which date, the balances with one bank exceeded those limits by approximately \$22,000. The Association believes it is not exposed to any significant credit risk on cash.

NOTE 8 – RELATED PARTY TRANSACTION

During October 2016, a foreclosed unit of Casablanca condominium was sold to the president of the Association. As part of this purchase the board of directors of the Association agreed to forgive interest and late fees accrued by the prior owner of the unit and treat that amount as prepaid assessment for the new owner. The balance for prepaid assessments for this unit as of May 31, 2017 was approximately \$36,000.

CASABLANCA CONDOMINIUM ASSOCIATION OF MIAMI BEACH, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – INTERFUND TRANSACTIONS

During the current fiscal year and in prior years the Operating Fund, Replacement Fund and Special Assessment Fund borrow funds from each other as deemed necessary by the board of directors. The majority of the interfund transactions in the current year resulted from receipts from the line of credit being deposited into the Special Assessment account. These funds will be transferred into the Operating account in the next fiscal year.