Country Club Tower of Coral Springs Association, Inc.

Financial Statements

December 31, 2019

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MICHAEL B. MOSKOWITZ C.P.A.

▪ **Accounting & Tax Services** ▪

Independent Auditor's Report

Board of Directors
Country Club Tower of Coral Springs Association, Inc.
10777 W. Sample Road
Coral Springs, FL 33065

Dear Board of Directors:

Report on the Financial Statements

I have audited the accompanying financial statements of Country Club Tower of Coral Springs Association, Inc. which comprise the Balance Sheet as of December 31, 2019, the related Statement of Revenues, Expenses, and Changes in Fund Balance (Deficit), and Statement of 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 (US-GAAP); 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with US-GAAP. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

2881 E. Oakland Park Blvd., Ste. 409 ▪ Fort Lauderdale, FL 33306 ▪
Tel: 954-465-3172 ▪ Fax: 954-364-8593
Email: info@mikemoskowitzcpa.com

Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Country Club Tower of Coral Springs Association, Inc. as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with US-GAAP.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the Financial Statements as a whole. The accompanying Supplementary Information contained in Schedule of Operating Expenses, is presented for purposes of additional analysis, and is not a required part of the Financial Statements. Such information 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 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 US-GAAP. In my 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

US-GAAP requires that the Supplementary Information on Future Major Repairs and Replacements 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 (FASB), 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. 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 inquiries of management 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.

Michael Moskowitz CPA

Michael B. Moskowitz, CPA
FL License: AC34608

Fort Lauderdale, FL
July 1, 2020

Country Club Tower of Coral Springs Association, Inc.
Balance Sheet
December 31, 2019

	Operating Fund	Replacement Fund	Total
ASSETS			
Assets:			
Cash	$ 79,636	$ 101,194	$ 180,830
Cash - Lease Deposits	67,648	-	67,648
Cash - Certificates of Deposit (CDs)	-	396,984	396,984
Accounts Receivable (Member Assessments)	242,742	-	242,742
Due to Replacement Fund	(6,936)		(6,936)
Due from Operating Fund		6,936	6,936
Total Assets	$ 383,090	$ 505,114	$ 888,204
LIABILITIES AND FUND BALANCE (DEFICIT)			
Liabilities:			
Accounts Payable	$ 11,287	$ -	$ 11,287
Lease Deposits	67,192	-	67,192
SBA Hurricane Loan Payable	356,859	-	356,859
Deferred Income - Cable Contract	5,000	-	5,000
Total Liabilities	$ 440,338	$ -	$ 440,338
Fund Balance (Deficit):	$ (57,248)	$ 505,114	$ 447,866
Total Liabilities and Fund Balance (Deficit)	$ 383,090	$ 505,114	$ 888,204

Country Club Tower of Coral Springs Association, Inc.
Statement of Revenues, Expenses, and Changes in Fund Balance (Deficit)
January 1, 2019 - December 31, 2019

	Operating Fund	Replacement Fund	Total
Revenues:			
Maintenance Assessments	$ 797,312	$ 19,800	$ 817,112
Bulk Cable TV Income	97,589	-	97,589
Antenna Rental Income	21,894	-	21,894
Laundry Income	11,875	-	11,875
Sales & Lease Fees	8,060	-	8,060
Work Orders	5,018	-	5,018
Late Fees	866	-	866
Interest Income	871	7,742	8,613
Total Revenues	943,485	27,542	971,027
Expenses:			
Bank Charges	$ 225	$ -	$ 225
Bulk Cable TV Expense	96,100	-	96,100
Insurance Expenses	152,647	-	152,647
Interest Expense	21,286	-	21,286
Lawncare Expenses	18,349	-	18,349
Miscellaneous Expenses	15,115	-	15,115
Office Expenses	15,229	-	15,229
Payroll Expenses	346,353	-	346,353
Pest Control Expenses	3,435	-	3,435
Professional Fees	9,616	-	9,616
Refuse Collection	8,675	-	8,675
Repairs & Maintenance Expenses	69,924	-	69,924
Security Expenses	6,391	-	6,391
Supplies Expenses	47,503	-	47,503
Taxes Expense	4,875	-	4,875
Utilities Expense	210,138	-	210,138
Water Tower Services	5,279	-	5,279
Reserve Expenditures	-	104,010	104,010
Total Expenses	1,031,140	104,010	1,135,150
Net Income or (Net Loss)	$ (87,655)	$ (76,468)	$ (164,123)
Fund Balance (Deficit) - Beginning of Year	(246,804)	483,860	237,056
Write-offs & Transfers	277,211	97,722	374,933
Fund Balance (Deficit) - End of Year	$ (57,248)	$ 505,114	$ 447,866

Country Club Tower of Coral Springs Association, Inc.
Statement of Cash Flows
January 1, 2019 - December 31, 2019

	Operating Fund	Replacement Fund	Total
Cash Flows from Operating Activities:			
Net Income or (Net Loss)	$ (87,655)	$ (76,468)	$ (164,123)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
(Increase) / Decrease in Maintenance Receivable	(30,052)	-	(30,052)
(Increase) / Decrease in Special Assessments Receivable	65,025	-	65,025
(Increase) / Decrease in Prepaid Income Taxes	1,295	-	1,295
(Increase) / Decrease in Prepaid Insurance	121,080	-	121,080
(Increase) / Decrease in Due to	6,936	-	6,936
Increase / (Decrease) in Accounts Payable	7,215	-	7,215
Increase / (Decrease) in Credit Cards	(2,751)	-	(2,751)
Increase / (Decrease) in Deferred Cable Contract Income	(1,000)	-	(1,000)
Increase / (Decrease) in Payroll Taxes	626	-	626
Increase / (Decrease) in Insurance Payable	(110,408)	-	(110,408)
Net Cash (Used In) / Provided By Operating Activities	$ (29,689)	$ (76,468)	$ (106,157)
Cash Flows from Investing Activities			
Maturity of Certificates of Deposit		396,984	396,984
Net Cash (Used In) / Provided By Operating Activities	$ -	$ 396,984	$ 396,984
Cash Flows from Financing Activities:			
Increase / (Decrease) in SBA Hurricane Loan	(7,706)	-	(7,706)
Increase / (Decrease) in Tenant Security Deposits Held	4,116	-	4,116
Increase / (Decrease) in Write-offs & Transfers	(125,650)	89,874	(35,776)
Net Cash (Used In) / Provided By Financing Activities	$ (129,240)	$ 89,874	$ (39,366)
Net Increase / (Decrease) in Cash	(158,929)	410,390	251,461
Cash - Beginning of Year	306,213	87,788	394,001
Cash - End of Year	$ 147,284	$ 498,178	$ 645,462
Supplemental disclosure of cash flow information :			
Interest paid	$ 21,286	$ -	
Income taxes paid	$ 4,875	$ -	

Note A – Nature of Organization and Summary of Significant Accounting Policies

Note 1 – Organization

Country Club Tower of Coral Springs Association, Inc. ("Association") is a statutory condominium association incorporated as a not-for-profit corporation in the State of Florida on July 24, 1975. The Association is responsible for the operation and maintenance of the common areas of the community located in Coral Springs, Florida, and consists of 209 residential units.

Note 2 – Fund Accounting

The Association uses fund accounting which requires that funds such as the Operating Fund and the Fund designated for Future Major Repairs and Replacements ("Replacement Fund"), be classified separately for accounting and reporting purposes. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors and property manager. Disbursements from the Replacement Fund may be made only for their designated purposes.

Note 3 – Accounts Receivable (Member Assessments)

Accounts Receivable (Member Assessments) are billed quarterly based upon each Member's proportionate share of ownership.

Members are currently invoiced as follows:
In December (for January-March maintenance & cable)
In March (for April-June maintenance & cable)
In June (for July-September maintenance & cable)
In September (for October-December maintenance & cable)

These Assessments are based upon estimates of amounts necessary to provide funds for the Association's operating expenses and future major repairs and replacements. Any excess Assessments at year-end are retained by the Association for reduction of Member Assessments in future years.

Accounts Receivables from Members are reported at the outstanding balance due from the Members (unit owners). It is the Association's policy to retain legal counsel and/or place liens on the units of Members whose Assessments are delinquent.

Note 4 – Income Taxes

The Association files its tax obligations as a Homeowners' Association (Form 1120-H: U.S. Income Tax Return for Homeowners Associations) in accordance with Internal Revenue Service Code section 528.

Under this section, the Association excludes from taxation Exempt Function Income, which consists of the Revenue generated from quarterly Member Assessments (see Note 3).

However, while Exempt Function Income is not subject to income taxation, the Association's Gross Income is subject to income taxation, at the Federal income tax rate of 30%.

Gross Income includes but is not limited to such items as Revenue deriving from Dividends, Taxable Interest, Gross Rents, Gross Royalties, Capital Gains, and Sales of Business Property.

Note 5 – Concentration of Credit Risk

Credit risk refers to the potential for defaults to be made by parties who owe monies to the Association.

The particular financial instruments which subject the Association to credit risk are Cash and Accounts Receivable (Member Assessments).

The Association invests its excess Cash in deposits with 5 major financial institutions (City National Bank, New York Community Bank, Northern Trust, Synchrony Bank, and TD Bank) and the carrying value approximates market value. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to $250,000.

The Association believes it is not exposed to material credit risk on its Accounts Receivable (Member Assessments).

Note 6 – Nonrecognition of Fixed Assets

Real property and common areas acquired from the developer as well as 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.

Note B – Replacement Fund

The Association's governing documents and Florida statutes require that funds be accumulated for Future Major Repairs and Replacements (Replacement Fund).

In 2019 when preparing the 2020 budget, the Board of Directors estimated the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on these estimates.

The Association is funding for major repairs and replacements over the useful lives of the components based on the estimates of current replacement costs and considering amounts previously accumulated in the Replacement Fund.
Accordingly, the funding requirement of **$52,000** has been included in the 2020 budget.

Amounts accumulated in the Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular Member Assessments, pass Special Member Assessments, or delay major repairs and replacements until funds are available.

The activity in the Replacement Fund was as follows:

Components	**Balance 1/1/19**	**Additions**	**Expenditures**	**Transfers**	**Balance 12/31/19**
Painting	$17,903	-	$943	-	$16,960
Paving	$5,922	-	$371	-	$5,551
Plumbing	$321	$19,800	$22,330	-	($2,209)
Roof	$2,419	-	$199	-	$2,220
Windstorm	$159,678	-	$2,910	-	$156,768
Contingency	$285,000	-	$77,257	$97,722	$305,465
Interest	$12,617	$7,742	-	-	$20,359
Total	$483,860	$27,542	$104,010	$97,722	$505,114

Florida Statute requires that replacement funds be accounted for separately and be fully funded. Starting in 2020, the various components noted above have been condensed into a Pooled Reserves account to account for all reserve contingencies.

Note C – Deferred Income - Cable Contract

During 2013, the Association received $12,000 for having entered into a 12-year Services Agreement with Blue Stream cable company.

This $12,000 represents "Bulk Cable TV Income" Revenue to be recognized over the life of the 12-year Services Agreement. Hence, this $12,000 was initially recorded as a Liability and $1,000 will be recognized as Revenue every year for 12 years - until the expiration of the Services Agreement.

As of December 31, 2019, 7 years has expired and hence there is $5,000 remaining as the Liability "Deferred Income - Cable Contract."

Note D – Certificates of Deposit

At December 31, 2019, the Association had **$396,983.64** in Certificates of Deposit (CDs) with varying interest rates and maturity dates.

<u>The Association owns the following CDs as of December 31, 2019</u>:

			Balance:
1.	**Northern Bank – Business CD**		$261,373.62
	Issue Date:	7/25/2019	
	Maturity Date:	7/25/2021	
	Interest Rate:	1.894% for 2019	
	2019 Interest Received:	$4,858.28	
2.	**Synchrony Bank – 15-Month Commercial CD**		$84,242.37
	Issue Date:	6/16/2019	
	Maturity Date:	9/16/2020	
	Interest Rate:	2.275% for 2019	
	2019 Interest Received:	$1,874.13	
3.	**New York Community Bank – 7-Month CD**		$25,750.21
	Issue Date:	9/27/2019	
	Maturity Date:	4/27/2020	
	Interest Rate:	2.069% for 2019	
	2019 Interest Received:	$521.94	
	This has been renewed as of 4/27/2020 and the new Maturity Date is 11/27/2020.		
4.	**TD Bank – CD**		$25,617.44
	Issue Date:	6/10/2019	
	Maturity Date:	6/10/2020	
	Interest Rate:	1.44% for 2019	
	2019 Interest Received:	$364.24	

It is the intent of the Association to hold all certificates until maturity. If a CD was to be liquidated prior to maturity, there would be an early withdrawal penalty.

Note E – SBA Hurricane Loan Payable

On March 6, 2006, the Association borrowed $480,000 from the U.S. Small Business Administration ("SBA") for repairs to property damaged or destroyed by Hurricane Wilma.

The Loan is paid in equal monthly installments of $2,416, which includes both interest and principal repayments, beginning on March 2, 2007, and ending on March 2, 2036.

As of December 31, 2019, the principal balance on the Loan was **$356,859**.

The Association's Interest Expense due to this Loan amounted to **$21,286** for 2019.

Note F – Insurance

The Association has two types of insurance: a "Package" insurance policy and a Workers' Compensation insurance policy.

<u>The "Package" insurance policy covers a constellation of coverages such as the following</u>:

- Property Coverage – covering the residential building, its contents, the maintenance building, pool, and equipment breakdown.
- General Liability – covering property damage and bodily injury to individuals on a per-occurrence basis.
- Crime – covering employee theft, forgeries, alterations, comptuer fraud, funds transfer fraud, etc.
- Directors & Officers Liability – covering defense costs for Board of Directors members.
- Umbrella – providing a higher limit of coverage in excess over underlying policies.

The amount paid for "Package" insurance in 2019 was **$136,969**.

The Workers' Compensation policy contains Workers Compensation Insurance and Employers Liability Insurance and is in effect should employees suffer bodily injury by accident during employment.

The amount paid for Workers' Compensation insurance in 2019 was **$15,678**.

Note G – Commitments

The Association has entered into several contracts with various service providers to maintain the common property.

The following vendors performed the following services for the Association in 2019:

Category of Expense:	Vendor:
Lawncare Maintenance	Santos's Lawn Service, Inc.
Background Checks	Global Background Analysis, Inc.
Pest Control	Bug Off Exterminator
Legal Services	Becker & Poliakoff
Refuse Collection	Waste Pro
Elevator Repair	Oracle Elevator Company
Fire Testing & Monitoring	Bass United Fire & Security Systems
Security & CCTV Services	Bass United Fire & Security Systems
Air Conditioning Repair	Southeastern Chiller Services
Electricity	Florida Power & Light
Telephone & Internet	AT&T
Water and Sewer Services	City of Coral Springs
Water Tower Services	AGI International, Inc.

Note H – Contingencies

Insurance
As part of the "Package" insurance policy (see Note F), the policy has a 5% calendar year deductible which applies to loss resulting from a Hurricane only. The deductible amount for named hurricane storms is estimated at **$1,334,134** which represents 5% of the insured value of the residential building, which is estimated to be $26,682,685. The Association can obtain a 3% deductible which would amount to $800,481 however there would be an annual increase in premium of $28,591.

Legal
The Association is periodically subject to complaints and claims, including litigation, arising in the ordinary course of Association business. Management believes that none of the claims and complaints of which it is currently aware will materially affect its Association business, financial position, or future operating results.

Note I – Date of Management's Review

In preparing the Financial Statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 1, 2020, the date that the Financial Statements were available to be issued.

Note J – Uncertainties for Income Taxes

Under Federal and State income tax laws, an entity's income tax returns are subject to examination by the applicable taxing authorities. The Association has no income tax returns under examination by the Internal Revenue Service. However, the Association's Federal income tax returns for 2017, 2018, and 2019 may be subject to examination, generally for 3 years after they are filed.

Country Club Tower of Coral Springs Association, Inc.
Supplementary Information on Future Major Repairs and Replacements
December 31, 2019
(Unaudited)

In 2019, when preparing the 2020 budget, the Board of Directors estimated the remaining useful lives and the replacement cost of the components of common property.
The following table is based on those estimates:

	Estimated Remaining Useful Life (Years)	Estimated Replacement Cost	Replacement Fund Balance 12/31/19
Administration Offices	12	$18,000	
Air Conditioner - 12 Floors	2	$120,000	
Air Conditioner - Lounge & Lobby	2	$25,000	
Boiler	1	$12,000	
Carpeting	1	$250,000	
Cooling Tower	16	$125,000	
Door - Bipart / automatic sliding	2	$22,000	
Elevators (3)	26	$605,000	
Fire Equipment & Monitoring	7	$150,000	
Fire Pump	7	$28,000	
Generator	27	$93,000	
Hot Water Heaters (12)	1	$13,000	
Laundry Equipment (36 pairs)	5	$58,000	
Lounge & Lobby	3	$45,000	
Painting - Exterior	9	$120,000	$16,960
Painting - Interior	1	$80,000	
Paving	22	$182,000	$5,551
Plumbing - Water Piping & Drains	3	$145,000	($2,209)
Pool	1	$50,000	
Pumps - 3 Main	1	$12,000	
Roof Exhaust Fans	12	$24,000	
Roofing	9	$150,000	$2,220
Security Equipment & Monitoring	3	$12,000	
Tennis Courts	1	$18,000	
Tools / Equipment	2	$30,000	
Trash Compactor	1	$23,000	
Windstorm		-	$156,768
Contingency		-	$305,465
Interest		-	$20,359
		$2,410,000	$505,114