

SUNRISE TOWER ASSOCIATION, INC.

FINANCIAL STATEMENTS

Year ended December 31, 2017

and

INDEPENDENT AUDITORS' REPORT

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Kantor, Palmetto, Zeigler, Chamberlain & Perrella, PL

a division of
Palmetto, Mollo, Molinaro & Passarello, LLP
Certified Public Accountants
1000 NW 65 Street, Suite 201
Fort Lauderdale, FL 33309
(954) 432-3100 (954) 436-6898 Fax

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sunrise Tower Association, Inc.
Fort Lauderdale, Florida 33316

We have audited the accompanying financial statements Sunrise Tower Association, Inc., which comprise the balance sheet as of December 31, 2017, and the related statements of revenues, expenses, and changes in fund balance 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 Sunrise Tower Association, Inc. as of December 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.

To the Board of Directors
Sunrise Tower Association, Inc.

Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating expenses on pages 11 and 12 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 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 information on future major repairs and replacements on page 13 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, 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.

Kantor, Palmetto, Zeigler, Chamberlain & Perrella, P.L.L.C.

February 5, 2018
Fort Lauderdale, Florida

Sunrise Tower Association, Inc.

BALANCE SHEET

December 31, 2017

ASSETS

CURRENT ASSETS

Cash	\$ 203,554
Cash special assessment	58
Assessments receivable, operating net of	4,288
Assessments receivable, special assessment	412
Prepaid expense	<u>28,542</u>
	236,854

OTHER ASSETS

Deposits	<u>985</u>
	<u>985</u>
	<u><u>\$ 237,839</u></u>

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 7,635
Accrued expenses	4,937
Prepaid assessments	<u>13,038</u>
	25,610

FUND BALANCE

	<u>212,229</u>
	<u><u>\$ 237,839</u></u>

See accompanying notes to the financial statements.

Sunrise Tower Association, Inc.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

For the year ended December 31, 2017

REVENUES

Member assessments	\$ 578,153
Cable	51,001
Late fee income	875
Screening income	1,800
Laundry	9,102
Miscellaneous income	815
	<u>641,746</u>

EXPENSES

Administrative	14,088
Professional	55,805
Insurance	71,999
Payroll	104,328
Utilities	112,706
Contract	126,198
Maintenance and services	80,970
Supplies	12,472
Amenities	835
Hurricane expenses	10,230
	<u>589,631</u>

Excess of operating revenues over expenses before assessment for prior year deficit	52,115
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ASSESSMENT FOR PRIOR YEAR DEFICIT	<u>55,000</u>
	<u>55,000</u>

Excess of revenues over expenses	107,115
FUND BALANCE, beginning of year	<u>105,114</u>
FUND BALANCE, end of year	<u><u>\$ 212,229</u></u>

See accompanying notes to the financial statements.

Sunrise Tower Association, Inc.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

**CASH FLOWS FROM
OPERATING ACTIVITIES**

Cash collected from member and special assessments	\$ 618,139
Cable assessment	51,001
Interest and late fee income	875
Other miscellaneous income	11,717
Cash paid to employees and suppliers of goods and services including suppliers of insurance	<u>(589,340)</u>
Net cash provided by operating activities	<u>92,392</u>
NET INCREASE IN CASH	92,392
CASH , at beginning of year	<u>111,220</u>
CASH , at end of year	<u><u>\$ 203,612</u></u>

Note: There was no income tax paid during 2017.
No Interest paid during 2017.

See accompanying notes to the financial statements.

Sunrise Tower Association, Inc.

STATEMENT OF CASH FLOWS - CONTINUED

For the year ended December 31, 2017

**RECONCILIATION OF EXCESS
OF REVENUES OVER EXPENSES
TO NET CASH FROM
OPERATING ACTIVITIES**

Excess of revenues over expenses	\$ 107,115
Adjustments to reconcile excess of revenues over expenses to net cash from operating activities:	

Decrease (increase) in:

Assessment receivable, operating (net)	(1,559)
Prepaid expenses	(203)

Increase (decrease) in:

Accounts payable	(1)
Accrued expenses	495
Prepaid assessments	<u>(13,455)</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

\$ 92,392

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE A - ORGANIZATION

Sunrise Tower Association, Inc. is a not-for-profit corporation, incorporated in the State of Florida on June 15, 1973. The Association is responsible for operating and maintaining the condominium, which consists of 101 residential units in Fort Lauderdale, Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounting records of the Association are maintained on the accrual basis of accounting in accordance with generally accepted accounting principles. The accrual basis of accounting recognizes revenue when earned and expenses when incurred.

Funds

The Association utilizes fund accounting, which requires revenues and expenditures for the operating and reserve funds to be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors. The Reserve Fund disbursements may be made only for their designated purposes. The owners have consistently waived reserves.

Revenue Recognition

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 represents the fees due from unit owners. Management assesses bad debt based on what they expect to recover based on current Florida law.

Income Taxes

The Association may elect on an annual basis to be taxed as a non-profit "homeowners" association. The effect of the election is to tax the Association only on its "non-exempt function" income, reduced by a specific \$100 deduction at a flat 30% rate. If such election is not made, the Association's net income is subject to tax at statutory corporate rates.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property and Equipment

Real property and common area 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.

Fair Value Measurement

The Association has determined that there was no material difference between the carrying value of its financial assets and liabilities at December 31, 2017.

Date of Management’s Review

Subsequent events have been evaluated through February 5, 2018 which is the date the financial statements were available to be issued.

NOTE C - INCOME TAXES

The Association has elected to be taxed as a non-profit “homeowner’s association” in 2017 resulting in no federal income tax.

The Association has no income tax returns under examination by the Internal Revenue Service. However, the Association’s federal income tax returns for 2015 through 2017 are subject to examination, generally for the three years after they are filed.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable are the amounts due for maintenance and special assessments at year end. Management has determined no allowance was necessary. A recap of the accounts receivable follows:

	<u>Maintenance Assessments</u>	<u>Special Assessment</u>
<u>Accounts Receivables</u>	<u>\$ 4,288</u>	<u>\$ 412</u>

There was no bad debt expense for 2017.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2017

NOTE E - FUTURE MAJOR REPAIRS AND REPLACEMENTS

Florida Statutes require the Association to accumulate funds for future major capital improvements and replacements. These accounts are restricted for their intended purpose. The two methods of funding reserves are by using individual reserve categories or the pooled method in which all reserves are grouped together. The owners' voted to waive reserves for 2017 and 2018.

The Association has not conducted an independent study to estimate the remaining useful lives and the replacement costs of the components of common property. If funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE F - INSURANCE COVERAGE

The Association's insurance coverage for damages caused by windstorm is subject to a 5% or \$734,985 deductible, which would be approximately \$7,277 per unit. The Association would, therefore, be responsible for losses up to the deductible amount and would be required to levy a special assessment or to delay repairs if such an event should occur.

NOTE G – CONTINGENCY

Subsequent to year end a unit owner filed a claim in small claims court against the Association. The outcome of the claim cannot be determined at this time. Based upon the current status; the Board does not believe this claim will adversely affect the Association.

SUPPLEMENTARY INFORMATION

Sunrise Tower Association, Inc.

SCHEDULE OF OPERATING EXPENSES

For the year ended December 31, 2017

ADMINISTRATION

Office expense	\$	2,627
Postage		381
Telephone		6,579
Card and check verification		1,750
Permits and licenses		2,451
Bank charges		300
		<u>14,088</u>

PROFESSIONAL SERVICES

Management fees		33,081
Audit and accounting		11,164
Legal and general counsel		11,560
		<u>55,805</u>

INSURANCE

Flood insurance		9,565
Insurance		58,902
Workers comp insurance		3,532
		<u>71,999</u>

PAYROLL

Payroll taxes		7,740
Front desk		60,001
Maintenance		36,587
		<u>104,328</u>

UTILITIES & SERVICES

Electricity		63,617
Gas - hot water		5,377
Gas - pool		6,362
Water and sewer		37,350
		<u>112,706</u>

See independent auditors' report.

Sunrise Tower Association, Inc.

SCHEDULE OF OPERATING EXPENSES - CONTINUED

For the year ended December 31, 2017

CONTRACTS

Security services	\$ -
Pool and spa maintenance	3,808
Pest control- interior	2,408
Sanitation and trash removal	6,665
Elevator contract	14,573
Janitorial	22,454
Grounds and lawn contract	15,629
Fire alarm maintenance	2,388
Cable television	52,781
Water treatment contract	2,239
Cooling tower contract	1,657
Trash chute and odor control	1,596
	<u>126,198</u>

MAINTENANCE & SERVICES

Generator and repair	2,128
Pool and deck	2,521
Electrical repairs	2,539
Elevator repairs	1,886
Plumbing	33,695
Building repairs	20,841
Irrigation system repairs	2,320
Laundry equipment	826
General repairs	14,214
	<u>80,970</u>

SUPPLIES

Janitorial supplies	1,003
Building supplies	11,469
	<u>12,472</u>

AMENITY EXPENSES

835

HURRICANE EXPENSES

10,230

TOTAL OPERATING EXPENSES

\$ 589,631

See independent auditors' report.

Sunrise Tower Association, Inc.

**SUPPLEMENTARY INFORMATION OF FUTURE
MAJOR REPAIRS AND REPLACEMENTS**

December 31, 2017

The Board of Directors has not conducted an outside study to estimate the replacement costs of the component of the common property. Replacement cost has been estimated by recent actual replacement costs and discussions with vendors. These estimates were determined during the budget process. No inflation or return on investment has been utilized in these calculations. The following are estimates of the component which should be funded, the estimated life remaining, the balance of funds accumulated at December 31, 2017 and the 2018 budgeted funding requirement. The owners have voted to waive reserves for 2017 and 2018.

<u>Reserve Description</u>	<u>Estimated Life</u>	<u>Remaining Life</u>	<u>Estimated Replacement Cost</u>	<u>Balance 12/31/2017</u>	<u>2018 Fully Funding Requirement</u>
Roofing	20	13	\$ 250,000	\$ -	\$ 19,231
Painting	7	2	175,000	-	87,500
Paving	20	17	15,000	-	882
Pool Heater	10	7	22,000	-	3,143
Elevators	25	12	500,000	-	41,667
Carpet	7	5	85,000	-	17,000
Hot water heater	18	13	40,000	-	3,077
			<u>\$ 1,087,000</u>	<u>\$ -</u>	<u>\$ 172,500</u>

See independent auditors' report.