

SUNRISE TOWER ASSOCIATION, INC.

**FINANCIAL STATEMENTS**

Year ended December 31, 2018  
and

INDEPENDENT AUDITORS' REPORT

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# Palmetto, Zeigler, Chamberlain & Perrella, PL

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## 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, 2018, 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, 2018, and the results of its operations and 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.

***Report on 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.

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

*February 2, 2019*  
*Fort Lauderdale, Florida*

Sunrise Tower Association, Inc.

**BALANCE SHEET**

December 31, 2018

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 189,121
Cash special assessment	43
Assessments receivable, operating net of	5,380
Assessments receivable, special assessment	411
Prepaid expense	<u>30,666</u>
	225,621

**OTHER ASSETS**

Deposits	<u>861</u>
	<u>861</u>
	<u><u>\$ 226,482</u></u>

**LIABILITIES AND MEMBERS' EQUITY**

**CURRENT LIABILITIES**

Accounts payable	\$ 24,027
Accrued expenses	6,451
Prepaid assessments	28,042
Deferred cable income	<u>12,856</u>
	71,376

**FUND BALANCE**

<u>155,106</u>
<u><u>\$ 226,482</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, 2018

**REVENUES**

Member assessments	\$ 569,835
Cable assessment (less refund \$22,823)	87,852
Late fee income	200
Screening income	2,250
Laundry	8,682
Miscellaneous income	2,510
	<u>671,329</u>

**EXPENSES**

Administrative	16,659
Professional	58,670
Insurance	75,259
Payroll	117,473
Utilities	119,989
Contract	153,207
Maintenance and services	90,804
Supplies	14,462
Amenities	1,434
Hurricane expenses	5,215
	<u>653,172</u>

Excess of operating revenues over expenses before pool renovation and paver project.	18,157
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<b>POOL RENOVATION AND PAVER PROJECT</b>	<u>75,280</u>
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Excess of expenses over revenues after pool renovation and paver project.	(57,123)
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<b>FUND BALANCE, beginning of year</b>	<u>212,229</u>
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<b>FUND BALANCE, end of year</b>	<u><u>\$ 155,106</u></u>
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See accompanying notes to the financial statements.

Sunrise Tower Association, Inc.

**STATEMENT OF CASH FLOWS**

For the year ended December 31, 2018

**CASH FLOWS FROM  
OPERATING ACTIVITIES**

Cash collected from member and special assessments	\$ 583,748
Cable assessment	87,852
Interest and late fee income	200
Other miscellaneous income	13,442
Cash from deferred cable	12,856
Cash paid to employees and suppliers of goods and services including suppliers of insurance	<u>(712,670)</u>
Net cash provided by operating activities	<u>(14,572)</u>

**CASH FLOWS FROM  
INVESTING ACTIVITIES**

Deposit refund	<u>124</u>
<b>NET DECREASE IN CASH</b>	(14,448)
<b>CASH, at beginning of year</b>	<u>203,612</u>
<b>CASH, at end of year</b>	<u><u>\$ 189,164</u></u>

Note: There was no income tax paid during 2018.  
No Interest paid during 2018.

See accompanying notes to the financial statements.

Sunrise Tower Association, Inc.

**STATEMENT OF CASH FLOWS - CONTINUED**

For the year ended December 31, 2018

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

Excess of expenses over revenues	\$ (57,123)
Adjustments to reconcile excess of expenses over revenues to net cash from operating activities:	

Decrease (increase) in:

Assessment receivable, operating (net)	(1,091)
Prepaid expenses	(2,124)

Increase (decrease) in:

Accounts payable	16,392
Accrued expenses	1,514
Prepaid assessments	15,004
Deferred cable income	<u>12,856</u>

<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ (14,572)</u></u>
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See accompanying notes to the financial statements.



Sunrise Tower Association, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### 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, 2018

**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, 2018.

Date of Management’s Review

Subsequent events have been evaluated through February 2, 2019 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 2018 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:

	Maintenance Assessments	Special Assessment
Accounts Receivables	\$ 5,380	\$ 411

There was no bad debt expense for 2018.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

December 31, 2018

**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 2018 and 2019.

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 – DEFERRED CABLE INCOME**

During December 2017; the Association entered into an agreement with AT&T to provide bulk services for all residential units in the building. These services began in 2018. The agreement term continues for seven years.

As an incentive for executing this contract the Association received \$20,000 from AT&T as a commission payment in consideration of the Association's performance. The Association in turn paid a commission of \$5,000 to the contract negotiator. The net amount received of \$15,000 is recorded as deferred cable income, being recognized as income over the life of the contract. Deferred income of \$2,144 was recognized against cable expense in 2018 leaving a balance of \$12,856 in deferred income at year end to be amortized over the remaining life of the contract.

**SUPPLEMENTARY INFORMATION**

Sunrise Tower Association, Inc.

**SCHEDULE OF OPERATING EXPENSES**

For the year ended December 31, 2018

**ADMINISTRATION**

Office expense	\$ 4,171
Postage	431
Telephone	8,288
Card and check verification	1,300
Permits and licenses	1,889
Bank charges	580
	<u>16,659</u>

**PROFESSIONAL SERVICES**

Management fees	29,606
Audit and accounting	11,276
Legal and general counsel	17,788
	<u>58,670</u>

**INSURANCE**

Flood insurance	10,416
Insurance	60,147
Workers comp insurance	4,696
	<u>75,259</u>

**PAYROLL**

Payroll taxes	8,581
Front desk	68,547
Maintenance	40,345
	<u>117,473</u>

**UTILITIES & SERVICES**

Electricity	56,366
Gas - hot water	8,433
Gas - pool	5,801
Water and sewer	49,389
	<u>119,989</u>

See independent auditors' report.

Sunrise Tower Association, Inc.

**SCHEDULE OF OPERATING EXPENSES - CONTINUED**

For the year ended December 31, 2018

**CONTRACTS**

Security services	\$ 132
Pool and spa maintenance	3,519
Pest control- interior	2,528
Sanitation and trash removal	7,575
Elevator contract	15,051
Janitorial	23,640
Grounds and lawn contract	10,599
Fire alarm maintenance	2,471
Cable television	82,526
Water treatment contract	2,138
Cooling tower contract	1,432
Trash chute and odor control	1,596
	<hr/>
	153,207

**MAINTENANCE & SERVICES**

Generator and repair	1,970
Pool and deck	10,078
Electrical repairs	6,427
Elevator repairs	4,000
Plumbing	8,626
Building repairs	40,136
Irrigation system repairs	1,430
Laundry equipment	1,084
General repairs	17,053
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	90,804

**SUPPLIES**

Janitorial supplies	2,184
Building supplies	12,278
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	14,462

**AMENITY EXPENSES**

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1,434

**HURRICANE EXPENSES**

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5,215

**TOTAL OPERATING EXPENSES**

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\$ 653,172

See independent auditors' report.

Sunrise Tower Association, Inc.

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

December 31, 2018

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, 2018 and the 2019 budgeted funding requirement. The owners have voted to waive reserves for 2018 and 2019.

<u>Reserve Description</u>	<u>Estimated Life</u>	<u>Remaining Life</u>	<u>Estimated Replacement Cost</u>	<u>Balance 12/31/2018</u>	<u>2019 Fully Funding Requirement</u>
Roofing	20	8	\$ 250,000	\$ -	\$ 31,250
Painting	7	3	175,000	-	58,333
Paving	20	8	15,000	-	1,875
Pool Heater	10	1	22,000	-	22,000
Elevators	25	12	500,000	-	41,667
Carpet	7	4	85,000	-	21,250
Hot water heater	18	10	40,000	-	4,000
			<u>\$ 1,087,000</u>	<u>\$ -</u>	<u>\$ 180,375</u>

See independent auditors' report.