

KENDALL BREEZE HOMEOWNERS' ASSOCIATION, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Kendall Breeze Homeowner's Association, Inc.

We have audited the accompanying financial statements of Kendall Breeze Homeowner's Association, Inc., which comprise the balance sheet as of December 31, 2014, 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 Kendall Breeze Homeowner's Association, Inc. as of December 31, 2014, 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.



Miami, Florida
March 29, 2015

KENDALL BREEZE HOMEOWNERS' ASSOCIATION, INC.
BALANCE SHEET
AS OF DECEMBER 31, 2014

	Operating Fund	Replacement Fund	Total All Funds
ASSETS			
Cash, including interest bearing deposits	\$ 422,379	\$ 4,104,354	\$ 4,526,733
Assessments receivable, net	21,678	-	21,678
Prepaid expenses	25,741	-	25,741
Property and equipment, net	-	-	-
Security deposits	20,566	-	20,566
Employee advance	3,400	-	3,400
Due (to) from other funds	4,640	(4,640)	-
	TOTAL ASSETS	\$ 4,099,714	\$ 4,598,118
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued expenses	\$ 58,719	\$ -	\$ 58,719
Unearned assessments	40,660	-	40,660
Deposit	79,000	-	79,000
	TOTAL LIABILITIES	-	178,379
Fund balances	320,025	4,099,714	4,419,739
	TOTAL LIABILITIES AND FUND BALANCES	\$ 4,099,714	\$ 4,598,118

The accompanying notes are an integral part of the financial statements.

KENDALL BREEZE HOMEOWNERS' ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Operating Fund	Replacement Fund	Total All Funds
REVENUES			
Assessment fees	\$ 1,185,216	\$ 423,540	\$ 1,608,756
Late fees and interest charges	39,884	-	39,884
Facility, keys, printing, and other	20,032	-	20,032
Interest income	159	21,516	21,675
	1,245,291	445,056	1,690,347
EXPENSES			
Alarm monitoring	160,269	-	160,269
Bank service charges	290	-	290
Insurance	52,899	-	52,899
Janitorial	30,200	-	30,200
Landscaping and lawn maintenance	146,542	-	146,542
Legal and professional	18,442	-	18,442
Licenses and permits	2,521	-	2,521
Management fees	44,289	-	44,289
Miscellaneous	2,577	-	2,577
Office	26,576	-	26,576
Payroll burden	94,118	-	94,118
Postage and printing	8,876	-	8,876
Recreation facilities costs	20,670	-	20,670
Repairs and maintenance	97,347	10,286	107,633
Security	225,986	-	225,986
Telephone	15,958	-	15,958
Utilities	72,412	-	72,412
	1,019,972	10,286	1,030,258
EXCESS OF REVENUES OVER EXPENSES	225,319	434,770	660,089
FUND BALANCES - BEGINNING OF YEAR			
Capital contributed - prior period	136,933	-	136,933
Fund balance	211,560	3,411,157	3,622,717
	348,493	3,411,157	3,759,650
Transfer of funds	(253,787)	253,787	-
FUND BALANCES - END OF YEAR	\$ 320,025	\$ 4,099,714	\$ 4,419,739

The accompanying notes are an integral part of the financial statements.

KENDALL BREEZE HOMEOWNERS' ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total All Funds</u>
CASH FLOWS (USED) PROVIDED BY OPERATING ACTIVITIES			
Excess revenues over expenses	\$ 225,319	\$ 434,770	\$ 660,089
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation	-	-	-
(Increase) decrease in:			
Assessments receivable	(15,775)	-	(15,775)
Prepaid expenses	(14,888)	-	(14,888)
Employee advance	(3,400)	-	(3,400)
Due (to) from other funds	(253,787)	253,787	-
Increase (decrease) in:			
Accounts payable and accrued expenses	(25,086)	-	(25,086)
Unearned assessments	7,482	-	7,482
Deposit	49,000	-	49,000
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(31,135)</u>	<u>688,557</u>	<u>657,422</u>
NET (DECREASE) INCREASE IN CASH	(31,135)	688,557	657,422
CASH AT BEGINNING OF YEAR	<u>453,514</u>	<u>3,415,797</u>	<u>3,869,311</u>
CASH AT END OF YEAR	<u>\$ 422,379</u>	<u>\$ 4,104,354</u>	<u>\$ 4,526,733</u>

The accompanying notes are an integral part of the financial statements.

KENDALL BREEZE HOMEOWNER'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

NOTE 1 ORGANIZATION

The Association was incorporated on April 20, 2001, in the State of Florida as a not-for-profit corporation for the purpose of administering and operating common property pursuant to Chapter 720 of the Florida Statutes and the provisions of the Declaration of Covenants and Restrictions. The Association property consists of land, two clubhouses, one cabana, and three pools. The Association contains 4 types of living units: single family homes and town homes with lot widths of 35, 30, and 22 feet.

The Declaration of Covenants and Restrictions was recorded on August 21, 2002. The first unit was conveyed to a unit owner other than the developer on August 28, 2002.

Article V - Assessments, section 10, and Article VI - Use of Property, section 2 and section 8 were amended on April 28, 2005. Article V, section 10 of the Declaration of Covenants and Restrictions is deleted in its entirety and restated to include provisions for late fees. Article VI, section 2 of the Declaration of Covenants and Restrictions is deleted in its entirety and is restated to require approvals of leases of a Lot by the Board of Directors. Article VI, section 8 of the Declaration of Covenants and Restrictions is restated to require approval by the Association for the sale of a lot and/or living unit.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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 repairs and replacements.

Disbursements from the Operating Fund are generally at the discretion of the Board of Directors. Disbursements from the Replacement Fund generally may be made only for designated purposes by the Board of Directors.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Association considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses. Each living unit that has been certified for occupancy and has been conveyed to an owner other than the developer shall be assessed at a rate that is uniform with other similar types of living units. The annual budget and assessments of owners are determined and approved by the Board of Directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

KENDALL BREEZE HOMEOWNER'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Expenses

Prepaid expenses consist of unexpired insurance and other operating expenses.

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. Those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property at cost and depreciates it using the straight-lined method. The Association also recognizes real property not directly associated with the units as assets when the Association has title and can dispose of the property, at the discretion of its Board of Directors, for cash, with the Association retaining the proceeds.

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 these estimates.

Income Taxes

The Association is classified as a non-exempt organization for both federal and state income tax purposes for the year ended December 31, 2014. The Association is subject to specific rulings and regulations applicable to non-exempt membership organizations. The Association will file its income tax return as a regular corporation under Section 528 of the Internal Revenue Code and does not project to incur a federal or state income tax liability for the year ended December 31, 2014. The Association's investment income and other non-exempt income net of certain expenses should result in no taxable income.

Interest Earned

The Board's policy is to allocate investment income to their corresponding accounts; Operating and Replacement Funds.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and consist of the following:

Awnings	\$	4,740
Blinds		1,108
Computer equipment		4,114
Electronic equipment		6,700
Furniture and equipment		8,963
Garbage containers		5,602
Golf cart		3,345
Pool gate access equipment		8,980
		43,552
Less: accumulated depreciation		43,552
		\$ -

KENDALL BREEZE HOMEOWNER'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

NOTE 4 FUTURE MAJOR REPAIRS AND REPLACEMENTS

An independent study to determine the estimated remaining useful lives and the replacement costs of the components of common property was performed on February 15, 2006. The Association's Board of Directors has not made any adjustments since the prior reserve study.

The Association's governing documents allow for funds to be accumulated for future repairs and replacements. The Association's Board of Directors voted to fund for certain major repairs and replacements for the period January 1, 2014 through December 31, 2014.

	<u>Beginning of Period</u>	<u>Additions to Fund</u>	<u>Transfers</u>	<u>Charges to Fund</u>	<u>End of Period</u>
Cabana	\$ 37,484	\$ -	\$ 25,117	\$ -	\$ 62,601
Clubhouse phase I	181,982	-	113,577	(4,375)	291,184
Clubhouse phase II	124,149	-	78,824	-	202,973
Common area	500,000	-	(500,000)	-	-
Exterior features	454,449	-	294,689	-	749,138
Fountain phase I	93,874	-	58,546	-	152,420
Fountain phase II	37,215	-	23,382	-	60,597
Insurance deductible	94,661	-	58,747	-	153,408
Irrigation system	28,421	-	11,927	-	40,348
Mailboxes cabana	20,773	-	12,902	-	33,675
Mailboxes phase I	18,379	-	11,407	-	29,786
Mailboxes phase II	20,811	-	12,915	-	33,726
Painting – entrance	(8,899)	-	15,186	(3,610)	2,677
Painting - exterior (22 ft town home)	740,327	202,542	(3,883)	-	938,986
Painting - exterior (22 ft town home) '10	-	-	16,946	-	16,946
Painting - exterior (30 ft town home)	109,987	24,000	(1,041)	-	132,946
Painting - exterior (30 ft town home) '10	-	-	2,897	-	2,897
Painting - exterior (35 ft town home)	116,174	52,000	(1,050)	-	167,124
Painting - exterior (35 ft town home) '10	-	-	3,380	-	3,380
Painting - recreational room	7,625	-	4,732	-	12,357
Pool - deck resurfacing	9,212	-	5,717	-	14,929
Pool – equipment	9,758	-	6,792	-	16,550
Pool – furniture	20,417	-	12,545	(767)	32,195
Pool – resurfacing	6,586	-	4,230	-	10,816
Recreational room – furniture	4,821	-	2,740	(1,534)	6,027
Roof - 22 foot town home	566,535	114,616	9,432	-	690,583
Roof - 30 foot town home	148,025	30,382	2,470	-	180,877
Roof - recreational room	37,373	-	23,195	-	60,568
Interest	31,018	21,516	(52,534)	-	-
Total	\$ 3,411,157	\$ 445,056	\$ 253,787	\$ (10,286)	\$ 4,099,714

The repairs and replacements funds accumulated in the reserves for roof, are related to the 30 and 22 foot townhomes.

As of December 31, 2014, the interest account has been allocated on a pro rata basis to all reserve accounts.

KENDALL BREEZE HOMEOWNER'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

NOTE 5 COMMITMENTS, CONTRACTS AND OTHER MATTERS

The Association is committed with contracts for services as follows:

	Monthly Expense	Contract Expires
Michael K. Fish, C.P.A., P.A.	\$ 3,691	2015
Reflection Pools Services Supply, Inc.	1,722	2015
Monarch Security Services, Inc.	18,650	2015
Mesis Landscape Services, Inc.	7,700	2015
EM Floor Experts, Inc.	2,500	2015
United Communication and Protection, Inc.	13,302	2015

The Association is located within a Community Development District, hereinafter referred to as "CDD." The CDD shall be responsible to finance, construct and maintain some or all of the public infrastructure including but not limited to water system, sewer system, drainage system and roadway system will be owned, operated and maintained by the CDD.

The Association entered into a contract with Michael K. Fish, CPA, P.A. and work commenced on January 1, 2007. Michael K. Fish, CPA, P.A. provides accounting services, annual budgeting, financial statements, year end statements, and tax preparation. A director of the Association's Board of Directors is an employee of the firm that was contracted to perform the accounting services for the Association. This director was not involved in the selection of the accounting firm or negotiations of the contract. The director will not be compensated directly or indirectly and has no role in signing checks on any of the bank accounts.

NOTE 6 EMPLOYEE ADVANCE

On September 26, 2014, the Association advanced an employee \$4,600. The advance is non-interest bearing and must be paid in biweekly installments of \$200 with the first payment due January, 2015. The employee is entitled, per employment agreement, to a \$50 monthly cellular telephone stipend. The employee requested that amount to be applied to the advance until it is paid in full. As of December 31, 2014, the balance of the employee advance is \$3,400.

NOTE 7 TRANSFER OF FUNDS

In 2014, the board of directors transferred \$250,000 excess cash from operating fund to reserve fund (\$100,000 cash and \$150,000 in form of a CD). On January 29, 2015, this transfer was motioned and approved by the board of directors to be recorded as of 2014.

NOTE 8 UNINSURED CASH BALANCES

The Association maintains its cash balance at a financial institution located in South Florida. The account is insured up to \$250,000 for the year ended December 31, 2014. The Association did not have any uninsured cash balances at December 31, 2014.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of
Kendall Breeze Homeowners' Association, Inc.

We have audited the financial statements of Kendall Breeze Homeowners' Association, Inc. as of and for the year ended December 31, 2014, and our report thereon dated March 29, 2015, which expressed an unqualified opinion on those financial statements, appears on page 1. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Information on Future Repairs and Replacements, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.



Miami, Florida
March 29, 2015

**KENDALL BREEZE HOMEOWNERS' ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON
FUTURE REPAIRS AND REPLACEMENTS (COMPILED)
DECEMBER 31, 2014**

An independent engineer conducted a study in February 15, 2006 to estimate useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property.

COMPONENTS	ESTIMATED REMAINING USEFUL LIFE (YEARS)	ESTIMATED CURRENT REPLACEMENT COST	REPLACEMENT FUND BALANCE AT DECEMBER 31, 2014
Common area exterior	2-12	\$ 113,366	\$ 755,165
Mailboxes	17	78,400	97,187
Painting & waterproofing	2	43,550	1,277,313
Pools	7-13	139,543	74,490
Roof replacement	1-23	69,684	932,028
Site improvement	8-17	397,508	769,775
Insurance and Irrigation system	-	-	193,756
TOTALS		\$ 842,051	\$ 4,099,714