

KENDALL BREEZE HOMEOWNERS' ASSOCIATION, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2015

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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, 2015, 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, 2015, 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, 2016

KENDALL BREEZE HOMEOWNERS' ASSOCIATION, INC.
BALANCE SHEET
AS OF DECEMBER 31, 2015

	Operating Fund	Replacement Fund	Total All Funds
ASSETS			
Cash, including interest bearing deposits	\$ 359,557	\$ 4,904,638	\$ 5,264,195
Assessments receivable, net	4,011	-	4,011
Prepaid expenses	15,961	-	15,961
Property and equipment, net	1,300	-	1,300
Security deposits	20,566	-	20,566
TOTAL ASSETS	\$ 401,395	\$ 4,904,638	\$ 5,306,033
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued expenses	\$ 36,582	\$ -	\$ 36,582
Unearned revenue	161,384	-	161,384
Deposit	138,000	-	138,000
TOTAL LIABILITIES	335,966	-	335,966
Fund balances	65,429	4,904,638	4,970,067
TOTAL LIABILITIES AND FUND BALANCES	\$ 401,395	\$ 4,904,638	\$ 5,306,033

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, 2015

	Operating Fund	Replacement Fund	Total All Funds
REVENUES			
Assessment fees	\$ 1,210,788	\$ 423,540	\$ 1,634,328
Late fees and interest charges	31,803	-	31,803
Facility, keys, printing, and other	48,934	-	48,934
Interest income	250	12,888	13,138
	1,291,775	436,428	1,728,203
EXPENSES			
Alarm monitoring	160,296	-	160,296
Bank service charges	197	-	197
Depreciation	152	-	152
Insurance	59,717	-	59,717
Janitorial	17,685	-	17,685
Landscaping and lawn maintenance	259,773	-	259,773
Legal and professional	29,087	-	29,087
Licenses and permits	833	-	833
Management fees	44,289	-	44,289
Miscellaneous	34,236	-	34,236
Office	29,688	-	29,688
Payroll burden	115,645	-	115,645
Postage and printing	9,620	-	9,620
Recreation facilities costs	15,425	-	15,425
Repairs and maintenance	77,379	9,776	87,155
Screening	3,525	-	3,525
Security	224,241	-	224,241
Telephone	11,143	-	11,143
Utilities	75,168	-	75,168
	1,168,099	9,776	1,177,875
EXCESS OF REVENUES OVER EXPENSES	123,676	426,652	550,328
FUND BALANCES - BEGINNING OF YEAR			
Transfer of funds	(378,272)	378,272	-
Capital contributed - prior period	136,933	-	136,933
Fund balance	183,092	4,099,714	4,282,806
	(58,247)	4,477,986	4,419,739
FUND BALANCES - END OF YEAR	\$ 65,429	\$ 4,904,638	\$ 4,970,067

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, 2015

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total All Funds</u>
CASH FLOWS (USED) PROVIDED BY OPERATING ACTIVITIES			
Excess revenues over expenses	\$ 123,676	\$ 426,652	\$ 550,328
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation	152	-	152
(Increase) decrease in:			
Assessments receivable	17,667	-	17,667
Prepaid expenses	9,780	-	9,780
Employee advance	3,400	-	3,400
Due (to) from other funds	4,640	(4,640)	-
Increase (decrease) in:			
Accounts payable and accrued expenses	(22,137)	-	(22,137)
Unearned assessments	120,724	-	120,724
Deposit	59,000	-	59,000
	<u>316,902</u>	<u>422,012</u>	<u>738,914</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES			
CASH FLOWS (USED FOR) INVESTING ACTIVITIES			
Purchase of equipment	<u>(1,452)</u>	<u>-</u>	<u>(1,452)</u>
NET CASH (USED FOR) INVESTING ACTIVITIES			
	<u>(1,452)</u>	<u>-</u>	<u>(1,452)</u>
NET INCREASE IN CASH	315,450	422,012	737,462
CASH AT BEGINNING OF YEAR	<u>422,379</u>	<u>4,104,354</u>	<u>4,526,733</u>
Transfer of funds	(378,272)	378,272	-
CASH AT END OF YEAR	<u>\$ 359,557</u>	<u>\$ 4,904,638</u>	<u>\$ 5,264,195</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, 2015

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 - USE OF 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.

NOTE 3 - 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. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors and management. Disbursements from the Replacement Fund generally may be made only for designated purposes by the Board of Directors. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose under the accrual basis of accounting:

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.

The Association prepares its financial statements on the accrual basis of accounting and in accordance with "CIRA - Common Interest Realty Association's Topic of the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC).

Cash and Cash Equivalents

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

KENDALL BREEZE HOMEOWNER'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Expenses

Prepaid expenses consist of unexpired insurance.

Property and Equipment

The Association follows industry practice, as contained in the "Real Estate – Common Interest Realty Association Topics of the FASB ASC" in accounting for the common property of the Association. 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. The Association 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. The Association capitalizes personal property at cost and depreciates it using the straight-lined method.

Interest Earned

The Board's policy is to allocate interest income to the Operating and Replacement Funds based upon the original source of the funds. Interest income derives from cash accounts, certificate of deposits and money market accounts maintained at Florida financial institutions.

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, 2015. 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, 2015. The Association's investment income and other non-exempt income net of certain expenses should result in no taxable income.

The Association's tax filings are subject to audit by taxing authorities. The FASB has issued guidance on accounting for uncertainty in income taxes and the Association adopted this guidance. The Association has evaluated its tax positions and any estimates utilized in its tax returns, and concluded that the Association has taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. Interest and penalties associated with uncertain tax positions will be recognized in income tax expense, if required.

Concentration of Credit Risk

Concentration of credit risk with respect to the assessments receivable relate to billings to unit owners who pay monthly assessments and live within the complex. The Association does not anticipate any credit losses for the year then ended. In addition the association has cash in financial institutions which exceed federally insured limits of \$250,000.

Revenue Recognition and Unearned Revenue

Assessment revenue is recorded monthly in the amount of the assessment allocation specified for the current period operations, based on the annual budget adopted by the Board of Directors. Each unit owner is an Association member and an equal portion of the assessment assessed for each unit. The Association records all member assessments paid in advance as unearned revenue. When this unearned revenue is realizable, the association reclassifies these fees as revenue on the year earned.

KENDALL BREEZE HOMEOWNER'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 4 - ASSESSMENTS RECEIVABLE

Association members are subject to monthly assessments to provide funds for the Association's operating expenses. Assessments receivable at the balance sheet date represent fees due from unit owners less an estimate made for allowances for doubtful accounts, if any. The Board of Directors reviews the assessments receivable aging as of year end and determines if any of the balances are uncollectable and must be recorded as bad debt for the year then ended. The Board of Directors also determined if an adjustment to allowances for doubtful accounts is needed.

The Board of Directors has agreed to decrease allowances for doubtful by approximately \$15,000 compared to last year. The balance as of December 31, 2015 is \$99,742.

NOTE 5 - PROPERTY AND EQUIPMENT

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

Awnings	\$	4,740
Blinds		1,108
Computer equipment		5,566
Electronic equipment		6,700
Furniture and equipment		8,963
Garbage containers		5,602
Golf cart		3,345
Pool gate access equipment		<u>8,980</u>
		45,004
Less: accumulated depreciation		<u>43,704</u>
		<u>\$ 1,300</u>

NOTE 6 - TRANSFER OF FUNDS

On December 4, 2015, the board of directors made a motion and approved the transfer of \$250,000 from operating fund to reserve fund.

During 2015, Comcast cable issued \$ 116,550 to the Association. The Board of Directors decided to transfer these funds to the reserve fund and set up unearned revenue in the operating fund to amortize this revenue over the period of the contract.

The Association also transferred \$11,722 from the operating fund to the reserve fund as part of a CDD (Community Development District) reimbursement from previous years.

NOTE 7 - 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, 2015. The Association has cash accounts that are over the federally insured limits at December 31, 2015.

NOTE 8 - 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.

KENDALL BREEZE HOMEOWNER'S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

NOTE 8 - FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

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, 2015 through December 31, 2015.

	<u>Beginning of Period</u>	<u>Additions to Fund</u>	<u>Transfers</u>	<u>Charges to Fund</u>	<u>End of Period</u>
Cabana	\$ 62,601	\$ -	\$ 12,045	\$ -	\$ 74,646
Clubhouse phase I	291,184	-	56,027	-	347,211
Clubhouse phase II	202,973	-	38,571	(3,776)	237,768
Exterior features	749,138	-	155,864	-	905,002
Fountain phase I	152,420	-	29,327	-	181,747
Fountain phase II	60,597	-	10,506	(6,000)	65,103
Insurance deductible	153,408	-	29,517	-	182,925
Irrigation system	40,348	-	7,763	-	48,111
Mailboxes cabana	33,675	-	6,480	-	40,155
Mailboxes phase I	29,786	-	5,732	-	35,518
Mailboxes phase II	33,726	-	6,489	-	40,215
Painting – entrance	2,677	-	342	-	3,019
Painting - exterior (22 ft. town home)	938,986	202,542	-	-	1,141,528
Painting - exterior (22 ft. town home) '10	16,946	-	-	-	16,946
Painting - exterior (30 ft. town home)	132,946	24,000	-	-	156,946
Painting - exterior (30 ft. town home) '10	2,897	-	-	-	2,897
Painting - exterior (35 ft. town home)	167,124	52,000	-	-	219,124
Painting - exterior (35 ft. town home) '10	3,380	-	-	-	3,380
Painting - recreational room	12,357	-	1,579	-	13,936
Pool - deck resurfacing	14,929	-	1,908	-	16,837
Pool – equipment	16,550	-	2,115	-	18,665
Pool – furniture	32,195	-	4,114	-	36,309
Pool – resurfacing	10,816	-	1,382	-	12,198
Recreational room – furniture	6,027	-	771	-	6,798
Roof - 22 foot town home	690,583	114,616	-	-	805,199
Roof - 30 foot town home	180,877	30,382	-	-	211,259
Roof - recreational room	60,568	-	7,740	-	68,308
Interest	-	12,888	-	-	12,888
Total	\$ <u>4,099,714</u>	\$ <u>436,428</u>	\$ <u>378,272</u>	\$ <u>(9,776)</u>	\$ <u>4,904,638</u>

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

As of December 31, 2015, the interest on the reserve fund has been recorded on an individual interest account within the fund.

**KENDALL BREEZE HOMEOWNER’S ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

NOTE 9 - 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	2016
Reflection Pools Services Supply, Inc.	1,300	2016
Monarch Security Services, Inc.	14,014	2016
Mesis Landscape Services, Inc.	9,194	2016
EM Floor Experts, Inc.	2,885	2016
United Communication and Protection, Inc.	13,302	2016

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 10 - SUBSEQUENT EVENTS

Management has assessed subsequent events through March 29, 2016, the date on which the financial statements were available to be issued.

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, 2015, and our report thereon dated March 29, 2016, which expressed an unmodified 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, 2016

**KENDALL BREEZE HOMEOWNERS' ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON
FUTURE REPAIRS AND REPLACEMENTS (COMPILED)
DECEMBER 31, 2015**

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, 2015
Common area exterior	2-11	\$ 113,366	\$ 911,800
HVAC equipment	7-12	20,900	-
Mailboxes	16	78,400	115,888
Painting & waterproofing	1	43,550	1,557,776
Pools	7-12	139,543	84,009
Roof replacement	1-22	69,684	1,084,766
Site improvement	8-16	397,508	906,475
Insurance and Irrigation system	-	-	231,036
TOTALS		\$ 862,951	\$ 4,891,750