

GREENWICH ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2016

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**GREENWICH ASSOCIATION, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Greenwich Association, Inc.
Miami, Florida

We have audited the accompanying balance sheet of Greenwich Association, Inc. as of December 31, 2016, and the related statements of revenues, expenses and changes in fund balance, deferred maintenance and replacement fund, and cash flows for the year ended December 31, 2016, 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 of material misstatements, 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. These 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 Greenwich Association, Inc., as of December 31, 2016, 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.

(Continued)

Board of Directors
Greenwich Association, Inc.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements on page 14 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is supplementary information 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 operation, economic and 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 any other form of assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Padron Montoro & Hartney, LLP

Miami, Florida
June 23, 2017

GREENWICH ASSOCIATION, INC.
BALANCE SHEET
December 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 259,676	\$ 233,896	\$ 493,572
Assessments receivable - net of allowance for uncollectible accounts of \$61,210	27,525	-	27,525
Prepaid expenses and other assets	39,003	-	39,003
Association owned units - net of allowance for anticipated loss of \$67,563	2,051	-	2,051
Due from replacement fund	-	14,661	14,661
	<u>-</u>	<u>14,661</u>	<u>14,661</u>
Total	<u>\$ 328,255</u>	<u>\$ 248,557</u>	<u>\$ 576,812</u>
LIABILITIES AND FUND BALANCE			
Accounts payable and accrued expenses	\$ 56,634	\$ -	\$ 56,634
Maintenance fees received in advance	51,413	-	51,413
Short term loan - insurance	13,361	-	13,361
Security deposits	80,500	-	80,500
Deferred revenue - cable agreement	33,196	-	33,196
Due to operating fund	14,661	-	14,661
	<u>14,661</u>	<u>-</u>	<u>14,661</u>
Total	249,765	-	249,765
FUND BALANCE			
Fund Balance	<u>78,490</u>	<u>248,557</u>	<u>327,047</u>
Total	<u>\$ 328,255</u>	<u>\$ 248,557</u>	<u>\$ 576,812</u>

GREENWICH ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
REVENUES			
Maintenance assessments	\$ 926,990	\$ 94,873	\$ 1,021,863
Laundry income	31,742	-	31,742
Late fees	4,625	-	4,625
Interest	138	104	242
Cable agreement fees	3,868	-	3,868
Other	2,338	-	2,338
Total	<u>969,701</u>	<u>94,977</u>	<u>1,064,678</u>
EXPENSES			
Audit	4,000	-	4,000
Bad debts	13,329	-	13,329
Bank fees	1,681	-	1,681
Electricity	72,395	-	72,395
Elevator service	13,350	-	13,350
Gas	11,131	-	11,131
Greenwich park monthly expenses - roadways and recreation areas	23,955	-	23,955
Income taxes	-	-	-
Insurance	160,186	-	160,186
Interest	4,667	-	4,667
Landscaping	21,600	-	21,600
Legal and professional fees	12,907	-	12,907
Licenses and permits	2,637	-	2,637
Management fees	30,233	-	30,233
Office supplies and postage	2,954	-	2,954
Other	3,205	-	3,205
Personnel costs	129,924	-	129,924
Pest control	5,906	-	5,906
Postage and printing	5,864	-	5,864
Repairs and maintenance	144,337	69,349	213,686
Security patrol	51,907	-	51,907
Telephone	9,827	-	9,827
Tree trimming	8,750	-	8,750
Waste removal	17,934	-	17,934
Water & sewer	210,359	-	210,359
Total	<u>963,038</u>	<u>69,349</u>	<u>1,032,387</u>
EXCESS OF REVENUES OVER EXPENSES	6,663	25,628	32,291
Fund Balance - beginning	<u>71,827</u>	<u>222,929</u>	<u>294,756</u>
Fund Balance - Ending	<u><u>\$ 78,490</u></u>	<u><u>\$ 248,557</u></u>	<u><u>\$ 327,047</u></u>

GREENWICH ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
EXCESS OF REVENUES OVER EXPENSES	\$ 6,663	\$ 25,628	\$ 32,291
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	20,889	-	20,889
Prepaid expenses	(13,926)	-	(13,926)
			-
Increase (decrease) in:			
Accounts payable and accrued expenses	(53,591)	-	(53,591)
Maintenance fees received in advance	7,746	-	7,746
Deferred revenue - cable agreement	(3,868)	-	(3,868)
Net cash provided by (used) operating activities	<u>(38,138)</u>	<u>25,628</u>	<u>(12,510)</u>
Cash flows from investing activities:	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities:			
Security deposits	25,300	-	25,300
Short term loan - insurance - borrowing	142,333	-	142,333
Short term loan - insurance - repayment	(128,972)	-	(128,972)
Net Cash provided (used) by financing activities	<u>43,433</u>	<u>(4,772)</u>	<u>38,661</u>
Net increase in cash and cash equivalents	5,295	20,856	26,151
Cash and cash equivalents at beginning of year	<u>254,381</u>	<u>213,040</u>	<u>467,421</u>
Cash and cash equivalents at end of year	<u>\$ 259,676</u>	<u>\$ 233,896</u>	<u>\$ 493,572</u>
Supplemental Disclosure			
Interest paid	<u>\$ 4,667</u>	<u>\$ -</u>	<u>\$ 4,667</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GREENWICH ASSOCIATION, INC.
STATEMENT OF DEFERRED MAINTENANCE AND REPLACEMENT FUND
YEAR ENDED DECEMBER 31, 2016

	Balance 12/31/2015	Transfers and Additions	Transfers and Payments	Interest	Balance 12/31/2016
Roofing	\$ 72,162	\$ 14,204	\$ -	\$ -	\$ 86,366
Plumbing	61,289	17,634	20,836	-	58,087
Painting	70,290	1,364	-	-	71,654
Major equipment	14,732	6,961	13,513	-	8,180
Paving	3,650	19,710	-	-	23,360
Painting interior	-	35,000	35,000	-	-
Interest	806	-	-	104	910
Total	<u>\$ 222,929</u>	<u>\$ 94,873</u>	<u>\$ 69,349</u>	<u>\$ 104</u>	<u>\$ 248,557</u>

GREENWICH ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE A ORGANIZATION

GREENWICH ASSOCIATION, INC. (the Association), a Florida not-for-profit corporation, was organized to operate and maintain the common elements of a 221 unit condominium association located in Miami, Florida. The common elements include the, roads inside the community, green belt areas, and the building and its mechanical components. Each owner is a member of the Association. The Association was organized May 1981.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association maintains its accounts using fund balance accounting. Financial resources are classified for accounting and reporting purposes in the following funds established for their specific purpose:

Operating Fund

The operating fund is used to account for the financial activity used for the general operations of the Association. Disbursements from the operating fund are generally at the discretion of the Board of Directors.

Replacement Fund

The replacement fund is used to account for the assessments made for major repair and replacement of common property and related expenses. Disbursements from the replacement fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association membership.

Special Assessment

The special assessment fund is used to account for assessments adopted to for a specified expenses. The special assessment is accounted for as deferred revenue during the course of the special assessment projects. Any surplus remaining at the conclusion of the project may be applied to the operating fund or refunded to the members at the discretion of the Board of Directors.

Maintenance Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Members are assessed their pro rata share of the annual budget and any special assessments according to percentages set forth in the governing documents. Transfers to the replacement fund are to be made each month from the operating fund. Assessments receivable at the balance sheet date represent fees due from unit owners. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the units of members whose assessments are severely delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year.

GREENWICH ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capitalization and Depreciation Policy

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 to which it has title at cost. Personal property purchased subsequent to the turnover from the developer, and not made a part of the common elements, is capitalized and depreciated over their estimated useful lives using the straight line method.

Uncollectible Maintenance Fees

An allowance for uncollectible accounts is maintained. The allowance is established through a review of accounts in legal status as of the balance sheet date. Assessments of maintenance fees are written off as against the allowance in the period that foreclosures have concluded, when the loss is determined.

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 disclosures 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. Significant estimates by management include the determination of the adequacy of the allowance for anticipated uncollectability of maintenance assessments.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Interest Income

Interest income is allocated to the operating and replacement funds based on the interest earned by the bank accounts designated for use by each fund.

GREENWICH ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE C CASH

The following is a schedule of cash as of December 31, 2016:

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Bank Accounts			
Executive National Bank	\$ 126,384	\$ -	\$ 126,384
Executive National Bank	27,228	-	27,228
First Citizens	10,047	-	10,047
First Citizens	-	155,912	155,912
First Citizens	181	-	181
Executive National Bank	95,836	-	95,836
Executive National Bank	-	77,984	77,984
Total	<u>\$ 259,676</u>	<u>\$ 233,896</u>	<u>\$ 493,572</u>

NOTE D INCOME TAX

The Association has elected to file its federal income tax return using section 528 of the Internal Revenue Code (IRC) which is designed for associations. Under this section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Income from other sources, including interest, net of related expenses, is taxed at normal corporate income tax rates. The Association had no income tax expense for the year 2016.

The Association did not incur penalties or interest on its income taxes during the year 2016. It is the Association's belief that they do not have any uncertain tax positions.

The IRC provides for the ability to examine income tax returns which had been filed during the most recent three (3) year period (2013, 2014, 2015). As of the date of the independent auditor's report, the Association has not been advised of any pending or upcoming examinations.

NOTE E CONTINGENCIES

The Association's insurance policies contain a windstorm deductible of \$1,200,000 (5%) of the insured value per calendar year. In the event of an occurrence of windstorm damage, the Association may not be able to pay for the deductible portion of a claim from its existing funds. In such an event, the Association may adopt a special assessment to pay for the deductible portion of the claim.

GREENWICH ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE F PROPERTY ACCESS EASEMENT AGREEMENT

The Association's property is surrounded by real property which is not a part of the common elements. To provide access to the Association, an agreement was reached with the owners of the property, WRPV Watermarke Miami, LLC (Watermarke), and its successors, whereby an easement has been granted for purposes of access to the Association property. The agreement also grants the Association the right to use the roadways and recreational facilities which are located within the property owned by Watermarke. The agreement provides an easement for the use of the garage, which is located on Association property, by the occupants of the properties owned by Watermarke. Watermarke is responsible for the advancing the costs of the roadways and recreational areas. The Association is responsible for reimbursing Watermarke 36% of the costs incurred. The Association is responsible for the maintenance of the parking garage. Watermarke is responsible for reimbursing the Association of 50% of the costs to maintain the parking garage, including reserves.

NOTE G MAJOR REPAIRS AND REPLACEMENTS FUND

The Association's governing documents, and Florida Statutes require the Association to accumulate funds for future major repairs and replacements of the common elements whose costs exceed \$10,000. The owners may vote to adjust the funding at a meeting held for such a purpose.

The Association has a program to accumulate funds for estimated future major repairs and replacement of certain components of the replacement fund through the annual budget and monthly assessments. The remaining components of the replacement fund are replaced through the use of special assessments at the time of replacement. The annual vote to approve the partial replacement funding was taken by the Board of Directors.

The Association determines its replacement funding requirements using estimates prepared by management, based on historical costs and professional experience, and approved by the Board of Directors during the annual budget process.

The Association has not conducted an independent replacement fund study, to estimate the remaining useful lives and replacement costs of the components of the replacement fund. Accordingly, the current regular assessments and cash in savings may not be sufficient to pay for the replacement costs. Therefore, when replacement funds are needed, the Association has the right to increase the maintenance assessments, pass special assessments or delay replacement until funds are available.

The interest earned in the bank accounts designated for the replacement fund maintained in a separate category to be used by any one of the replacement fund components.

GREENWICH ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE H SHORT-TERM LOAN - INSURANCE PAYABLE

The Association obtained a short-term note payable from a financial institution to finance its annual insurance policy premiums. The note is payable in eleven (11) monthly installments of \$13,361, bearing interest at 5.50%, and matures January 5, 2017. As of December 31, 2016, the unpaid balance on the note was \$13,361.

NOTE I ASSOCIATION OWNED UNITS

As of December 31, 2016, the Association has title to two (2) units as a result of foreclosing on the units for non-payment of maintenance fees. Title is held subject to the existing first mortgage. There are ongoing foreclosure actions by the first mortgage holders. Under Florida law the first mortgage holder claim is superior to that of the Association. As a result, when the first mortgage foreclosure action is completed the Association will lose title to the units. The carrying cost of the units is determined at the balance sheet date by the amount of unpaid maintenance fees and other costs, such as late fees and legal costs, reduced by the anticipated loss of the costs to be incurred at the time of eventual completion of the first mortgage foreclosures. Where possible, the Association is attempting to recover the anticipated losses through the renting of the units.

NOTE J CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Association to concentrations of credit risk consist of principally cash in banks. The association maintains its cash balances at three financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of December 31, 2016 the Association cash exceeded its insured amount by \$87,479.

NOTE K CABLE AGREEMENT

The Association entered into a 10 year agreement with a cable company to provide exclusive cable services to the community. The Association received a one time fee of \$38,675 to enter into the agreement. The agreement provides for recovery of any unearned portion of the fee to be recovered in the event of early termination of the agreement. The unexpired portion of the agreement is reported on the balance sheet as deferred revenue.

NOTE L DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association's management has evaluated events and transactions for potential recognition or disclosure June 23, 2017, which is the date financial statements were available to be issued.

GREENWICH ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND
REPLACEMENTS
YEAR ENDED DECEMBER 31, 2016

The Association determines its replacement funding requirements using estimates prepared by management, based on historical costs and professional experience, and approved by the Board of Directors during the annual budget process.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Designated for Repairs and Replacements 12/31/16</u>	<u>Annual Funding Per Budget 2017</u>	<u>Annual Funding Necessary to Fully Fund Major Repairs and Replacements Over the Remaining Useful Lives 2017</u>
Roofing	9	\$ 200,000	\$ 86,366	\$ 18,939	\$ 12,626
Plumbing	9	123,940	58,087	13,841	7,317
Painting	2	160,000	71,654	35,000	44,173
Major equipment	2	50,000	8,180	25,170	20,910
Paving	3	7,742	23,360	1,363	-
Painting interior	*	*	-	-	-
Interest	*	*	910	-	-
Total		\$ 541,682	\$ 248,557	\$ 94,313	\$ 85,026