

Financial Statements

**The Association of Owners of
The Gardens Plaza, A Condominium**

For the year ended December 31, 2015

**The Association of Owners of
The Gardens Plaza, A Condominium**

For the year ended December 31, 2015

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Report of Independent Auditors

Board of Directors
The Association of Owners of
The Gardens Plaza, A Condominium
Ocean City, NJ

We have audited the accompanying financial statements of **The Association of Owners of The Gardens Plaza, A Condominium** (the “Association”), which comprise the balance sheet as of December 31, 2015, and the related statements of revenues, expenses, and accumulated excess of revenues over expenses and other changes in fund balances, comprehensive income, 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 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 **The Association of Owners of The Gardens Plaza, A Condominium** 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the schedules on pages 17 to 22 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information, except for the portion marked "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That 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 taken as a whole. The information marked "unaudited" 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.



Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 23 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.

Fitzpatrick, Bongiovanni & Kelly, P.C.
Fitzpatrick, Bongiovanni & Kelly, P.C.
Certified Public Accountants

Marmora, New Jersey

February 24, 2016

**The Association of Owners of
The Gardens Plaza, A Condominium
Balance Sheet**

December 31, 2015

Assets

	Operating Fund	Reserve for Replacement Fund	Betterment Fund	Deferred Maintenance Fund	Total
Current Assets					
Cash	\$ 237,823	\$ -	\$ 477,789	\$ 57,444	\$ 773,056
Investments	-	437,711	-	-	437,711
Maintenance fees receivable, net of allowance for doubtful accounts	7,676	-	151,034	-	158,710
Deferred tax asset	600	-	-	-	600
Prepaid expenses	29,165	-	-	-	29,165
Interfund balance	(23,299)	11,158	31,243	(19,102)	-
Total current assets	<u>251,965</u>	<u>448,869</u>	<u>660,066</u>	<u>38,342</u>	<u>1,399,242</u>
Maintenance fees receivable, noncurrent portion	3,908	-	244,124	-	248,032
Deferred tax asset, net of current portion	9,600	-	-	-	9,600
Property and equipment, net of accumulated depreciation	493,968	-	-	-	493,968
Total Assets	<u>\$ 759,441</u>	<u>\$ 448,869</u>	<u>\$ 904,190</u>	<u>\$ 38,342</u>	<u>\$ 2,150,842</u>

Liabilities and Fund Balance

Current Liabilities					
Current portion of long-term debt	\$ -	\$ -	\$ 128,103	\$ -	\$ 128,103
Accounts payable	16,094	-	1,000	-	17,094
Maintenance fees received in advance	37,810	-	-	-	37,810
Deferred special assessment	-	-	335,717	-	335,717
Accrued expenses and other liabilities	14,447	-	-	-	14,447
Total current liabilities	<u>68,351</u>	<u>-</u>	<u>464,820</u>	<u>-</u>	<u>533,171</u>
Long-term debt, net of current portion	-	-	464,651	-	464,651
Total liabilities	<u>68,351</u>	<u>-</u>	<u>929,471</u>	<u>-</u>	<u>997,822</u>
Fund Balance					
Accumulated excess of revenues over expenses	691,090	448,869	(25,281)	38,342	1,153,020
Accumulated other comprehensive income	-	-	-	-	-
Net unrealized gains on securities	-	-	-	-	-
Total Liabilities and Fund Balance	<u>\$ 759,441</u>	<u>\$ 448,869</u>	<u>\$ 904,190</u>	<u>\$ 38,342</u>	<u>\$ 2,150,842</u>

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

**The Association of Owners of
The Gardens Plaza, A Condominium
Statement of Revenues, Expenses, and Accumulated
Excess of Revenues over Expenses and Other Changes in Fund Balances
For the year ended December 31, 2015**

	Operating Fund	Reserve for Replacement Fund	Betterment Fund	Deferred Maintenance Fund	Total
Revenues					
Maintenance fees from unit owners	\$ 949,067	\$ 120,000	\$ -	\$ -	\$ 1,069,067
Special assessments from unit owners	-	-	596,903	-	596,903
Commercial unit rental	22,743	-	-	-	22,743
Other revenues					
Investment income	1,454	401	169	31	2,055
Maintenance services	2,391	-	-	-	2,391
Keys	475	-	-	-	475
Rental and resale fees	40,914	-	-	-	40,914
Miscellaneous	3,015	9,000	-	-	12,015
Total revenues	1,020,059	129,401	597,072	31	1,746,563
Expenses (see supplemental schedules)					
Operating expenses	966,739	-	-	-	966,739
Reserve expenses	-	64,811	-	-	64,811
Betterment expenses	-	-	631,070	-	631,070
Deferred maintenance expenses	-	-	-	5,017	5,017
Commercial units	14,050	-	-	-	14,050
Total expenses	980,789	64,811	631,070	5,017	1,681,687
Excess of revenues over expenses (expenses over revenues) before tax	39,270	64,590	(33,998)	(4,986)	64,876
Provision for (benefit from) income taxes	(1,914)	-	-	-	(1,914)
Excess of revenues over expenses (expenses over revenues)	41,184	64,590	(33,998)	(4,986)	66,790
Beginning accumulated excess of revenues over expenses	649,906	384,279	8,717	43,328	1,086,230
Transfers	-	-	-	-	-
Ending accumulated excess of revenues over expenses	\$ 691,090	\$ 448,869	\$ (25,281)	\$ 38,342	\$ 1,153,020

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

**The Association of Owners of
The Gardens Plaza, A Condominium
Statement of Comprehensive Income
For the year ended December 31, 2015**

	Operating Fund	Reserve for Replacement Fund	Betterment Fund	Deferred Maintenance Fund	Total
Excess of revenues over expenses (expenses over revenues)	\$ 41,184	\$ 64,590	\$ (33,998)	\$ (4,986)	\$ 66,790
Adjustments, net of tax					
Unrealized loss on investments during the year	-	-	-	-	-
Reclassification adjustments for items sold	-	-	-	-	-
Net loss realized in other comprehensive income	-	-	-	-	-
Transfers	-	-	-	-	-
Comprehensive income (loss)	\$ 41,184	\$ 64,590	\$ (33,998)	\$ (4,986)	\$ 66,790

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

**The Association of Owners of
The Gardens Plaza, A Condominium
Statement of Cash Flows**

For the year ended December 31, 2015

	Operating Fund	Reserve for Replacement Fund	Betterment Fund	Deferred Maintenance Fund	Total
Cash flows from operating activities					
Excess (deficiency) of revenues over expenses	\$ 41,184	\$ 64,590	\$ (33,998)	\$ (4,986)	\$ 66,790
Noncash adjustments to reconcile excess of revenues over expenses to net cash flows provided by (used in) operating activities:					
Depreciation	30,746	-	-	-	30,746
Provision for bad debt expense	3,000	-	-	-	3,000
Interfund transfers by resolution	-	-	-	-	-
Provision for deferred income taxes (increase)\(decrease) in:	(1,914)	-	-	-	(1,914)
Maintenance fees and assessments receivable	2,140	-	(349,934)	-	(347,794)
Prepaid expenses	584	-	-	-	584
Increase\(\(decrease) in:					
Accounts payable	1,554	-	1,000	-	2,554
Maintenance fees received in advance	(174,761)	-	-	-	(174,761)
Deferred special assessment fees	-	-	178,097	-	178,097
Accrued expenses and other liabilities	1,849	-	-	-	1,849
Net cash provided by (used in) operating activities	(95,618)	64,590	(204,835)	(4,986)	(240,849)

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

**The Association of Owners of
The Gardens Plaza, A Condominium
Statement of Cash Flows**

For the year ended December 31, 2015

	Operating Fund	Reserve for Replacement Fund	Betterment Fund	Deferred Maintenance Fund	Total
Cash flows from operating activities (forward)					
Net cash provided by (used in) operating activities	\$ (95,618)	\$ 64,590	\$ (204,835)	\$ (4,986)	\$ (240,849)
Cash flows from investing activities					
Purchases of investments	-	(521,991)	-	-	(521,991)
Proceeds from investments	-	450,000	-	-	450,000
Net cash provided by (used in) investing activities	-	(71,991)	-	-	(71,991)
Cash flows from financing activities					
Proceeds from long-term debt	-	-	675,000	-	675,000
Repayment of long-term debt	-	-	(82,246)	-	(82,246)
Interfund	(19,048)	7,401	(5,785)	17,432	-
Net cash provided by (used in) financing activities	(19,048)	7,401	586,969	17,432	592,754
Net increase (decrease) in cash and cash equivalent	(114,666)	-	382,134	12,446	279,914
Cash at beginning of the year	352,489	-	95,655	44,998	493,142
Cash at end of the year	<u>\$ 237,823</u>	<u>\$ -</u>	<u>\$ 477,789</u>	<u>\$ 57,444</u>	<u>\$ 773,056</u>
Supplementary disclosure of cash flow information					
Interest paid	\$ -	\$ -	\$ 17,409	\$ -	\$ -

The Association of Owners of The Gardens Plaza, A Condominium

Notes to Financial Statements For the year ended December 31, 2015

1. Summary of Significant Accounting Policies

Organization

The Association of Owners of The Gardens Plaza, A Condominium (hereafter, the “Association”) is a statutory condominium association incorporated in the State of New Jersey and formed in April, 1973. The Association is responsible for the operation and maintenance of the common property of the Association consisting of 184 residential units and 5 units reserved for business and commercial use located at Park Place and the Beach, Ocean City, New Jersey.

Revenue Recognition

The Association maintains its books on the accrual basis of accounting whereby income is recognized when earned and expenses are recorded as incurred. Special assessment revenue on specific projects whereas specific costs have not been incurred by the end of the year are recorded as a deferred liability.

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 general operations of the Association generally within a one year period.

Reserve for Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements over a long period of time.

Betterment Fund – This fund is generally used for specific repair and replacement (i.e. reserve) expenditures generally funded over a shorter period of time than the Reserve for Replacement Fund if the need arises.

Deferred Maintenance Fund – This fund is used for operating maintenance items that occur less frequently than annually.

The Association of Owners of The Gardens Plaza, A Condominium

Notes to Financial Statements For the year ended December 31, 2015

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles in the United States of America 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 and such differences could be significant.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, deferred maintenance and major repairs and replacements. Any excess assessments at year-end are retained by the Association for use in the succeeding year or to fund reserves. Assessments receivable at the balance sheet date represent management's expectation of fees due from unit owners. A member is assessed a late fee of 1.5% per annum on any late collection in excess of ten days. If the past due assessment continues after sixty days and interest charge of 1.5% per month or at the maximum rate of interest permitted by State law is charged. A lien maybe filed with the owner charged attorney costs if no payment is remitted within three months. Payments shall be applied in an order prescribed by a collection policy dated July 17th, 2010 with regards to interest, fees, etc. It is the opinion of the board of directors that the Association will ultimately prevail against unit owners with delinquent assessments. However, an allowance of \$4,455 was established as an allowance for uncollectible accounts for consideration of potential write-off consisting of a number of small balances from deceased former owners, etc. Bad debt expense for the year ended December 31, 2015 amounted to \$3,000, accordingly. The allowance for doubtful accounts on operating maintenance fees is \$3,000 at December 31, 2015. Any liens placed on receivables from operating maintenance fees are deemed noncurrent assets. All receivables are subject to collateralize the debt as stated in Note 6.

Special Assessment

On July 1, 2015, the Association assessed a \$775,000 special assessment in the betterment fund to repair\replace the roof and boiler payable over thirty-six months. Under generally accepted accounting principles in the United States of America, revenue will be recorded on special assessments on specific projects up to the amount expended in the year or in full upon completion. Accordingly, revenue of \$439,283 was recorded for the year ended December 31, 2015 representing the amount expended to date with the balance recorded as a deferred liability amounting to \$335,717 at December 31, 2015. Also, revenue from a 2014 assessment of \$157,620 recorded as a deferred liability at the beginning of the year was recorded as income for the year ended December 31, 2015 as such project was completed.

**The Association of Owners of
The Gardens Plaza, A Condominium**

**Notes to Financial Statements
For the year ended December 31, 2015**

1. Summary of Significant Accounting Policies (continued)

Cash

For the purpose of presentation in the statement of cash flows, cash is defined as those amounts which include cash on hand, checking accounts whose funds maybe withdrawn without restriction or penalty.

Investments

Investments includes a class B money market fund and certificates of deposit whose original maturity is more than three months and are accounted for in accordance with generally accepted accounting principles. The Association classifies its investment as “available-for-sale” as it does not have the positive intent to hold the securities to maturity. Investment in “available-for-sale” securities with readily available balances are stated at fair value with unrealized gain or loss included in comprehensive income.

Property and Equipment and Depreciation

Real property and common elements as acquired from the developer and related improvements to such property (i.e. replacement reserve expenditures) 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. Common property not recorded as assets generally cannot be sold and held as common ownership among the Association owners whom preserves such property. However, the Association capitalizes certain personal property or acquired real estate it can separately identify ownership, sell or dispose and are stated at cost less accumulated depreciation. The provision for depreciation is computed principally by accelerated methods over the estimated lives of the assets ranging from three to forty years. Expenditures for routine maintenance and repairs are expensed as incurred. The Association capitalizes property and equipment for amounts in excess of \$1,000 and with a useful life of more than one year.

Income Taxes

The Association has the option each year of being taxed under Internal Revenue Code Section 528 or be taxed as a regular corporation in which Internal Revenue Code Section 277 would apply. For the year ended December 31, 2015, the Association elected to be taxed as a regular corporation. As a regular corporation, excess net membership income, if any, are deferred from taxation if certain elections are made and excess non-membership income is taxed at regular corporate rates. The Association is exempt from filing New Jersey State Corporate Business Income taxes by statute.

The Association of Owners of The Gardens Plaza, A Condominium

Notes to Financial Statements For the year ended December 31, 2015

1. Summary of Significant Accounting Policies (continued)

Income taxes (continued)

The Association has adopted uncertain tax positions in accordance with FASB *Accounting Standards Codification* 740, Income Taxes, in accordance with generally accepted accounting standards. Management has evaluated its tax positions and considers each position material to the financial statement as being highly certain that, upon examination by taxing authorities, such positions will be sustained. Thus, there is no additional liability accrued or information to disclose in this regard for all opens years from 2012 to 2015.

Comprehensive Income and Other Comprehensive Income

The term *comprehensive income* refers to all components of comprehensive income including the excess of revenues and expenses. The term *other comprehensive income* refers to revenues, expenses, gains and losses that are included in comprehensive income under generally accepted accounting principles but excluded from the excess of revenues over expenses (i.e. unrealized holding gains and losses required to be reported as a separate component of equity under generally accepted accounting principles). Reclassification adjustments to other comprehensive income are necessary to avoid double counting items that are included in the excess of revenues over expenses in the current period but were included in comprehensive income in prior periods.

2. Investments

The investment available for sales consists of (1) \$137,711 invested in General Governmental Securities Money Market Income Fund Inc. Class B held in Janney Montgomery Scott, LLC, (2) \$50,000 in a certificate of deposit with Bank of India, New York, NY .4% per annum due February 24, 201 and (3) \$250,000 in a certificate of deposit with Bank of Baroda, New York, NY, .35% per annum due January 13, 2016. The cost and fair value at December 31, 2015 for both investments are the same and there is no unrealized gain or loss. Income earned on investments for the year ended December 31, 2015 amounted to \$401. Proceeds from maturities of certificates of deposit amounted to \$450,000 for the year ended December 31, 2015.

**The Association of Owners of
The Gardens Plaza, A Condominium**

**Notes to Financial Statements
For the year ended December 31, 2015**

3. Property and Equipment

Components of property and equipment included in the balance sheets at cost are as follows:

Land	\$ 4,353
Equipment	23,843
Commercial units	119,106
Improvements	<u>1,166,179</u>
Subtotal	<u>1,313,481</u>
Less: Accumulated depreciation	<u>819,513</u>
Net property and equipment	<u>\$ 493,968</u>

There were no additions and dispositions related to property and equipment for the year ended December 31, 2015. Depreciation related to property and equipment amounted to \$30,746 for the year ended December 31, 2015. Fully depreciated assets amounted to \$149,348 at December 31, 2015.

4. Employee Benefit Plans

The Association maintains a SIMPLE IRA account, which is available to substantially all eligible employees. The Association matches up to 3% of the eligible employee's gross salary for the year. Employer contributions for the year ended December 31, 2015 were \$8,710.

5. Future Major Repair and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$423,588 at December 31, 2015, are held in separate accounts and generally not available for operating purposes.

The Association engaged an independent engineer who conducted a study in April 2011 to estimate the remaining useful lives and the replacement costs of the common property components. The Association is partially funding for such major repairs and replacements over the estimated useful lives of the components based on a portion of the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. The recommended funding requirement is currently \$147,705 per annum. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association had the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

**The Association of Owners of
The Gardens Plaza, A Condominium**

**Notes to Financial Statements
For the year ended December 31, 2015**

6. Long-term debt

Long-term debt consists of a loan in the betterment fund with Mutual of Omaha Bank in an agreement entered into on April 11, 2015 with an original principal amount of \$675,000. The funds were borrowed to help fund the roof and boiler projects to the common areas. The loan has sixty monthly interest and principal payments of \$12,457 payable at a rate of 4.00% per annum. However, the loan may be paid in advance without penalty and management expects to repay, possibly in increments periodically, as funds are collected from the special assessment. The debt is secured with an assignment of money, accounts and deposit accounts, etc. (i.e. cash and receivables), as noted in the security agreement to perfect as valid first lien. The amount outstanding on such debt at December 31, 2015 amounted to \$592,754 with the current maturities due in one year amounting to \$128,103.

Current maturities of long term debt are as follows:

For the year ended December 31,

2016	\$	128,103
2017		133,322
2018		138,753
2019		144,407
2020		48,169
Thereafter		0
Total	\$	<u>592,754</u>

7. Commercial Rentals

The Association leased two commercial units in 2015. One lease is non-cancelable for a one year period and the other is month-to-month.

8. Interfunds

The Association records interfunds on the balance sheet to reflect amounts borrowed from other funds to meet operating or replacement needs and, generally, are expected to be liquidated within one year. Permanent or nonrefundable transfers are noted in the financial statements as a direct transfer from equity, accordingly.

**The Association of Owners of
The Gardens Plaza, A Condominium**

**Notes to Financial Statements
For the year ended December 31, 2015**

9. Income taxes

The net deferred tax asset (liability) consisted of the following components as of December 31, 2015:

Deferred tax assets relating to:	
Net operating loss carryover	\$ 2,400
General business credit	<u>7,800</u>
Net deferred tax asset	<u>\$ 10,200</u>

The components giving rise to the net deferred tax asset described above have been included in the accompanying balance sheet as of December 31, 2015 as follows:

Current assets	\$ 600
Non-current assets	<u>9,600</u>
Net deferred tax asset	<u>\$ 10,200</u>

The Association files its tax returns in accordance with Internal Revenue Code Section 277 and has approximately \$52,642 of net operating loss carry forwards at of December 31, 2015. The federal net operating loss carry forwards will expire at various times with the most current due to expire in 2017 to 2019. The Association has a general business credits (health credit) amounting to \$40,320 at December 31, 2015 and will expire in 2030 to 2032. A valuation allowance recorded for the deferred tax assets at December 31, 2015 amounted to \$38,016 as net operating loss and credit benefits expect to expire prior to utilization. The change in valuation allowance was as decrease \$2,304 for the year ended December 31, 2015 as the credit expect to be utilized.

Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences are expected to be available to reduce taxable income.

Current income tax liability – federal	\$ 0
Deferred income taxes expense (benefit)	<u>(1,914)</u>
Total provision for income taxes (benefit)	<u>\$ (1,914)</u>

**The Association of Owners of
The Gardens Plaza, A Condominium**

**Notes to Financial Statements
For the year ended December 31, 2015**

10. Fair Value Measurement

In accordance the FASB *Accounting Standards Codification* 820, Fair Value Measurement and Disclosures, the following is disclosure of financial instruments at December 31, 2015 for assets measured at fair value on a recurring basis:

Fair Value Measurements at Reporting Date using

Description	12/31/15	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Class B money market	\$ 137,711	\$ 137,711	\$ 0	\$ 0
Certificate of Deposits	\$ 300,000	\$ 300,000	\$ 0	\$ 0

The Association's Level 1 securities are trading on open markets.

The Association's other financial instruments no measured at fair value on a recurring basis include cash, members receivables, accounts payable, advances and accrued liabilities and are reflected in the financial statements at cost. Cost approximates fair value due to their short-term nature.

10. Commitments, Contingencies and Concentrations

The Association has cash funds of \$533,361 in excess of FDIC Insured limits at December 31, 2015.

11. Subsequent Events

Management has evaluated subsequent events for the period January 1, 2016 to February 24, 2016 (date available to be issued) and have determined that there are no events to disclose.

Other Supplementary Information

**The Association of Owners of
The Gardens Plaza, A Condominium
Schedule of Operating Fund Revenue**

	For the year ended December 31,		
	2015		
	Budget	Actual	Over\ (Under) Budget
Maintenance fees	\$ 949,065	\$ 949,067	\$ 2
Interest income	1,214	1,454	240
Other revenues	37,890	69,538	31,648
Total operating fund revenue	\$ 988,169	\$ 1,020,059	\$ 31,890

Note: Budget amounts are "unaudited"

**The Association of Owners of
The Gardens Plaza, A Condominium
Schedule of Operating Fund Expenses**

	For the year ended December 31,			
	2015		2014	
	Budget	Actual	Over/(Under) Budget	Actual
Power and light	\$ 121,500	\$ 99,440	\$ (22,060)	\$ 114,259
Sewer, water, and fire service	107,000	107,720	720	106,786
Telephone\communications	3,600	4,130	530	3,795
Elevator service	17,212	13,921	(3,291)	15,907
Water treatment	2,400	2,131	(269)	2,131
Pest control	1,461	1,519	58	1,461
Maintenance - pool	5,625	5,383	(242)	4,838
Maintenance - grounds	4,000	4,897	897	4,567
Maintenance - building	26,940	23,182	(3,758)	30,940
Maintenance - waste removal	1,000	(491)	(1,491)	(2,057)
Pool tags	500	509	9	314
Building supplies	5,700	8,891	3,191	6,169
House and community	5,900	5,260	(640)	5,806
Cleaning supplies	3,800	2,846	(954)	3,451
Light bulbs	1,000	316	(684)	1,243
Office supplies\admin. exp.	11,600	11,519	(81)	18,340
Professional fees	17,400	17,603	203	19,735
Insurance	118,500	114,853	(3,647)	112,283
Salaries:				
Manager	73,480	75,036	1,556	67,655
Office	48,612	48,459	(153)	48,577
Maintenance	84,016	87,587	3,571	89,428
Porters	10,200	13,777	3,577	12,605
Housekeeping	31,800	32,736	936	31,026
Residential services	31,800	32,587	787	30,930
Security	95,818	95,864	46	80,784
Seasonal security\lifeguards	17,800	14,615	(3,185)	15,974
Bike attendants	6,075	2,457	(3,618)	2,206
Payroll taxes	38,000	32,426	(5,574)	31,944
Employee health plan	65,908	59,044	(6,864)	48,837
Employee pension plan	8,750	8,710	(40)	7,464
Uniforms	1,300	1,101	(199)	1,207
Bank charges	48	106	58	126
Bad debt expense	2,855	3,000	145	2,855
Donations\Flowers	1,000	801	(199)	400
Contingencies	11,000	6,705	(4,295)	8,240
Total operating expenses before depreciation	983,600	938,640	\$ (44,960)	930,226
Depreciation expense (non cash)	-	28,099	-	28,099
Total operating fund expenses	\$ 983,600	\$ 966,739	\$ (44,960)	\$ 958,325

Note: actual salaries include accrued vacation and overtime and holiday bonus.

Note: Budget amounts are "unaudited"

Cost of items recorded directly as fixed assets
and not reflected in above

\$ -

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

**The Association of Owners of
The Gardens Plaza, A Condominium
Schedule of Reserve Fund Revenue and Expenses**

	For the year ended December 31,		
	2015		
Revenue	Budget	Actual	Over(Under) Budget
Maintenance fees	\$ 120,000	\$ 120,000	\$ -
Other revenues	1,400	9,401	8,001
Total reserve fund revenues	\$ 121,400	\$ 129,401	\$ 8,001
Expenses	Budget	Actual	Over(Under) Budget
Various projects	\$ -	\$ 64,811	\$ 64,811
	-	-	-
Total reserve fund expenses	\$ -	\$ 64,811	\$ 64,811

Note: Budget amounts are "unaudited"

**The Association of Owners of
The Gardens Plaza, A Condominium
Schedule of Betterment Fund Revenue and Expenses**

For the year ended December 31,			
2015			
Revenue	Budget	Actual	Over\ (Under) Budget
Maintenance fees	\$ -	\$ -	\$ -
Special assessment - roof\boiler	-	439,283	439,283
Special assessment - cooling tower	-	157,620	157,620
Other revenues	-	169	169
Total betterment revenues	\$ -	\$ 597,072	\$ 597,072
Expenses	Budget	Actual	Over\ (Under) Budget
Cooling towers	\$ -	\$ 174,144	\$ 174,144
Roof\Boiler project	-	439,283	439,283
Interest expense	-	17,409	17,409
Bank service charges	-	234	234
Total betterment expenses	\$ -	\$ 631,070	\$ 631,070

Note: Budget amounts are "unaudited"

Note: Original assessment on the cooling tower project was \$440,000. However, under generally accepted accounting principles in the United States of America, amounts assessed for specific projects are recorded as revenue up to the amount expended to date or upon completion. The balance of \$157,620 recorded as a deferred liability at December 31, 2014 has been recorded as income for the year ended December 31, 2015 as the project has been completed.

Note: Original assessment on the Roof\boiler project was \$775,000. However, under generally accepted accounting principles in the United States of America, amounts assessed for specific projects are recorded as revenue up to the amount expended to date or upon completion. The balance is recorded as a deferred liability. Thus, at December 31, 2015, \$335,717 of the \$775,000 assessment is recorded as a deferred liability until expended or the project is completed.

**The Association of Owners of
The Gardens Plaza, A Condominium
Schedule of Deferred Maint. Fund Revenue and Expenses**

For the year ended December 31,			
2015			
Revenue	Budget	Actual	Over\ (Under) Budget
Special assessment fees	\$ -	\$ -	\$ -
Other revenues	-	31	31
Total def. maint. revenues	\$ -	\$ 31	\$ 31
Expenses			
Expenses	Budget	Actual	Over\ (Under) Budget
Capital improvements	\$ -	\$ 5,015	\$ 5,015
Bank charges	-	2	2
Total def. maint expenses	\$ -	\$ 5,017	\$ 5,017

Note: Budget amounts are "unaudited"

**The Association of Owners of
The Gardens Plaza, A Condominium
Schedule of Commercial Units - Revenues and Expenses
For the year ended December 31, 2015**

Revenues

Commercial unit rentals	
Berkshire Hathaway\Prudential Fox & Roach Rental	\$ 18,243
Cruise Control	4,500
Total revenues	<u>22,743</u>

Expenses

Depreciation - units	2,647
Real estate taxes	2,420
Commercial unit maintenance	8,983
Total expenses	<u>14,050</u>

Excess of revenues over expenses	<u><u>\$ 8,693</u></u>
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**The Association of Owners of
The Gardens Plaza, A Condominium
Supplementary Information on Future Major Repairs and Replacements (Unaudited)**

December 31, 2015

An independent engineer has conducted a study in April 2011 to estimate the remaining 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 can be revised periodically to adjust some components but do not take into account the effects of inflation between the date of the study and the date the components will require repair and replacement or interest earned on deposit or other investment gains or losses which counter such effects.

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

Components:	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	2015 Funding Requirement	Components of Fund Balance at 12/31/15
Sitework	5 to 17	\$ 160,959	\$ 8,040	\$ 25,276
Interior\Exterior Finishes	3 to 14	373,980	21,477	58,728
Electrical	3 to 18	212,210	7,391	33,324
Waterproofing	4	234,572	18,496	36,836
Mechanical	1 to 29	1,206,438	51,147	189,452
Special Construction	2 to 20	509,265	13,448	79,972
		<u>\$ 2,697,424</u>	<u>\$ 120,000</u>	<u>\$ 423,588</u>