

**Financial Statements**

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

**For the year ended December 31, 2016  
*with Independent Auditor's Report***

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

**For the year ended December 31, 2016**

**Contents**

<b>Independent Auditor's Report</b>	1-3
<b>Audited Financial Statements:</b>	
Balance Sheet	4
Statement of Revenues, Expenses, and Accumulated Excess of Revenues over Expenses and Other Changes in Fund Balances	5
Statement of Comprehensive Income	6
Statement of Cash Flows	7
Notes to Financial Statements	8-16
<b>Other Supplementary Information and Required Supplementary Information</b>	
Schedule of Operating Fund Revenue	17
Schedule of Operating Fund Expenses	18
Schedule of Reserve Fund Revenue and Expenses	19
Schedule of Betterment Fund Revenue and Expenses	20
Schedule of Deferred Maintenance Fund Revenue and Expenses	21
Schedule of Commercial Units – Revenues and Expenses	22
Supplementary Information on Future Major Repairs and Replacements (Unaudited)	23

## **Independent Auditor's Report**

To the Board of Directors of  
The Association of Owners of  
The Gardens Plaza, A Condominium  
Ocean City, New Jersey

### **Report on the Financial Statements**

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, 2016, 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, 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.

### **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, Byrne & Co. P.C.*  
**Marmora, New Jersey**

February 11, 2017

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

**December 31, 2016**

Assets

	Operating Fund	Reserve for Replacement Fund	Betterment Fund	Deferred Maintenance Fund	Total
<b>Current Assets</b>					
Cash	\$ 424,243	\$ -	\$ 95,167	\$ 9,893	\$ 529,303
Investments	-	370,636	-	-	370,636
Maintenance fees receivable, net of allowance for doubtful accounts	5,797	-	140,895	-	146,692
Deferred tax asset	2,980	-	-	-	2,980
Prepaid expenses	26,684	-	-	-	26,684
Interfund balance	(29,935)	11,158	37,879	(19,102)	-
<b>Total current assets</b>	<b>429,769</b>	<b>381,794</b>	<b>273,941</b>	<b>(9,209)</b>	<b>1,076,295</b>
Maintenance fees receivable, noncurrent portion	-	-	68,545	-	68,545
Deferred tax asset, net of current portion	39,737	-	-	-	39,737
Property and equipment, net of accumulated depreciation	463,222	-	-	-	463,222
<b>Total Assets</b>	<b>\$ 932,728</b>	<b>\$ 381,794</b>	<b>\$ 342,486</b>	<b>\$ (9,209)</b>	<b>\$ 1,647,799</b>

Liabilities and Fund Balance

<b>Current Liabilities</b>					
Current portion of long-term debt	\$ -	\$ -	\$ 52,871	\$ -	\$ 52,871
Accounts payable	15,260	-	-	-	15,260
Maintenance fees received in advance	170,751	-	-	-	170,751
Deferred special assessment	-	-	14,900	-	14,900
Accrued expenses and other liabilities	11,098	-	-	-	11,098
<b>Total current liabilities</b>	<b>197,109</b>	<b>-</b>	<b>67,771</b>	<b>-</b>	<b>264,880</b>
Long-term debt, net of current portion	-	-	131,894	-	131,894
<b>Total liabilities</b>	<b>197,109</b>	<b>-</b>	<b>199,665</b>	<b>-</b>	<b>396,774</b>
<b>Fund Balance</b>					
Accumulated excess of revenues over expenses	735,619	381,794	142,821	(9,209)	1,251,025
Accumulated other comprehensive income	-	-	-	-	-
Net unrealized gains on securities	-	-	-	-	-
<b>Total Liabilities and Fund Balance</b>	<b>\$ 932,728</b>	<b>\$ 381,794</b>	<b>\$ 342,486</b>	<b>\$ (9,209)</b>	<b>\$ 1,647,799</b>

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, 2016**

	Operating Fund	Reserve for Replacement Fund	Betterment Fund	Deferred Maintenance Fund	Total
<b>Revenues</b>					
Maintenance fees from unit owners	\$ 945,917	\$ 120,000	\$ -	\$ 3,150	\$ 1,069,067
Special assessments from unit owners	-	-	320,817	-	320,817
Commercial unit rental	35,060	-	-	-	35,060
Other revenues					
Investment income	1,473	1,049	59	13	2,594
Maintenance services	3,094	-	-	-	3,094
Keys	725	-	-	-	725
Rental and resale fees	11,238	-	-	-	11,238
Miscellaneous	4,109	-	-	-	4,109
<b>Total revenues</b>	<b>1,001,616</b>	<b>121,049</b>	<b>320,876</b>	<b>3,163</b>	<b>1,446,704</b>
<b>Expenses</b>					
(see supplemental schedules)					
Operating expenses	979,298	-	-	-	979,298
Reserve expenses	-	188,124	-	-	188,124
Betterment expenses	-	-	152,774	-	152,774
Deferred maintenance expenses	-	-	-	50,714	50,714
Commercial units	10,306	-	-	-	10,306
<b>Total expenses</b>	<b>989,604</b>	<b>188,124</b>	<b>152,774</b>	<b>50,714</b>	<b>1,381,216</b>
<b>Excess of revenues over expenses (expenses over revenues) before tax</b>	<b>12,012</b>	<b>(67,075)</b>	<b>168,102</b>	<b>(47,551)</b>	<b>65,488</b>
Provision for (benefit from) income taxes	(32,517)	-	-	-	(32,517)
<b>Excess of revenues over expenses (expenses over revenues)</b>	<b>44,529</b>	<b>(67,075)</b>	<b>168,102</b>	<b>(47,551)</b>	<b>98,005</b>
<b>Beginning accumulated excess of revenues over expenses</b>	<b>691,090</b>	<b>448,869</b>	<b>(25,281)</b>	<b>38,342</b>	<b>1,153,020</b>
Permanent transfers	-	-	-	-	-
<b>Ending accumulated excess of revenues over expenses</b>	<b>\$ 735,619</b>	<b>\$ 381,794</b>	<b>\$ 142,821</b>	<b>\$ (9,209)</b>	<b>\$ 1,251,025</b>

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, 2016**

	Operating Fund	Reserve for Replacement Fund	Betterment Fund	Deferred Maintenance Fund	Total
<b>Excess of revenues over expenses (expenses over revenues)</b>	\$ 44,529	\$ (67,075)	\$ 168,102	\$ (47,551)	\$ 98,005
<b>Adjustments, net of tax</b>					
Unrealized loss on investments during the year	-	-	-	-	-
Reclassification adjustments for items sold	-	-	-	-	-
Net loss realized in other comprehensive income	-	-	-	-	-
Permanent transfers	-	-	-	-	-
<b>Comprehensive income (loss)</b>	<b>\$ 44,529</b>	<b>\$ (67,075)</b>	<b>\$ 168,102</b>	<b>\$ (47,551)</b>	<b>\$ 98,005</b>



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

**For the year ended December 31, 2016**

	Operating Fund	Reserve for Replacement Fund	Betterment Fund	Deferred Maintenance Fund	Total
<b>Cash flows from operating activities</b>					
Excess (deficiency) of revenues over expenses	\$ 44,529	\$ (67,075)	\$ 168,102	\$ (47,551)	\$ 98,005
Noncash adjustments to reconcile excess (deficiency) of revenues over expenses to net cash flows provided by (used in) operating activities:					
Depreciation	30,746	-	-	-	30,746
Provision for bad debt expense	9,530	-	4,604	-	14,134
Deferred tax benefit	(32,517)	-	-	-	(32,517)
(Increase)decrease in:					
Maintenance fees receivable	(3,743)	-	181,114	-	177,371
Prepaid expenses	2,481	-	-	-	2,481
Increase(decrease) in:					
Accounts payable	(834)	-	(1,000)	-	(1,834)
Maintenance fees received in advance	132,941	-	-	-	132,941
Deferred special assessment	-	-	(320,817)	-	(320,817)
Accrued expenses and other liabilities	(3,349)	-	-	-	(3,349)
Net cash provided by (used in) operating activities	<u>179,784</u>	<u>(67,075)</u>	<u>32,003</u>	<u>(47,551)</u>	<u>97,161</u>
<b>Cash flows from investing activities</b>					
Purchases of investments	-	(682,925)	-	-	(682,925)
Proceeds from investments	-	750,000	-	-	750,000
Net cash provided by (used in) investing activities	<u>-</u>	<u>67,075</u>	<u>-</u>	<u>-</u>	<u>67,075</u>
<b>Cash flows from financing activities</b>					
Repayment of long-term debt	-	-	(407,989)	-	(407,989)
Interfund	6,636	-	(6,636)	-	-
Net cash provided by (used in) financing activities	<u>6,636</u>	<u>-</u>	<u>(414,625)</u>	<u>-</u>	<u>(407,989)</u>
Net increase (decrease) in cash	<u>186,420</u>	<u>-</u>	<u>(382,622)</u>	<u>(47,551)</u>	<u>(243,753)</u>
Cash at beginning of the year	<u>237,823</u>	<u>-</u>	<u>477,789</u>	<u>57,444</u>	<u>773,056</u>
Cash at end of the year	<u>\$ 424,243</u>	<u>\$ -</u>	<u>\$ 95,167</u>	<u>\$ 9,893</u>	<u>\$ 529,303</u>
<b>Supplementary disclosure of cash flow information</b>					
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,946</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

## **Notes to Financial Statements For the year ended December 31, 2016**

### **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 is 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, 2016**

**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 17<sup>th</sup>, 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, such board may establish an allowance for any liens that are unlikely to be collected such as in the case of a delinquent owners' mortgagor settlement with the Association on outstanding balances due which may not be always be fully collectible. All receivables are subject to collateralize the debt as stated in Note 7.

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

**Notes to Financial Statements  
For the year ended December 31, 2016**

**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, 2016, 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, 2016**

**1. Summary of Significant Accounting Policies (continued)**

**Income taxes (continued)**

The Association has adopted uncertain tax positions in accordance with FASB *Accounting Standards Codification*, 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.

**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.

**Compensated Absences**

The Association accrues unused paid time off each year for qualifying full-time employees (see Note 10).

**Subsequent Events**

Management has evaluated all subsequent events and transactions through February 11, 2017, the date the financial statements were available to be issued. No subsequent events require recognition in the financial statements or disclosure by the Association.

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

**Notes to Financial Statements  
For the year ended December 31, 2016**

**2. Allowance for Doubtful Accounts**

The Association has recorded allowance for doubtful accounts as follows:

Allowance, beginning of year	\$	3,000
Add: bad debt reserve or expense		<u>14,134</u>
Subtotal		17,134
Less: charge-off		<u>2,573</u>
Allowance, end of year	\$	<u>14,561</u>

**3. Investments**

The investment available for sales consists of (1) \$195,636 invested in General Governmental Securities Money Market Income Fund Inc. Class B held in Janney Montgomery Scott, LLC, and (2) \$175,000 in a certificate of deposit with Metabank, Storm Lake, Iowa .6% per annum due February 28, 2017. The cost and fair value at December 31, 2016 for both investments are the same and there is no unrealized gain or loss. Income earned on investments for the year ended December 31, 2016 amounted to \$1,049. Proceeds from maturities of certificates of deposit amounted to \$875,000 for the year ended December 31, 2016.

**4. 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		1,313,481
Less: Accumulated depreciation		<u>850,259</u>
Net property and equipment	\$	<u>463,222</u>

There were no additions and dispositions related to property and equipment for the year ended December 31, 2016. Depreciation related to property and equipment amounted to \$30,746 for the year ended December 31, 2016. Fully depreciated assets amounted to \$167,959 at December 31, 2016.

**5. 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, 2016 were \$7,944.

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

**Notes to Financial Statements  
For the year ended December 31, 2016**

**6. 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 \$524,615 at December 31, 2016, 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.

**7. 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. In 2016, management repaid a portion of the debt which reduced the monthly payment to \$4,942 per month with expected repayment by April 2020 unless the Board opts to repay the debt sooner. 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, 2016 amounted to \$184,765 with the current maturities due in one year amounting to \$52,871.

Current maturities of long term debt are as follows:

For the year ended December 31,

	<b>2017</b>	\$	<b>52,871</b>
	<b>2018</b>		<b>55,025</b>
	<b>2019</b>		<b>57,267</b>
	<b>2020</b>		<b>19,602</b>
<b>Total</b>		\$	<u><b>184,765</b></u>

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

**Notes to Financial Statements  
For the year ended December 31, 2016**

**8. Commercial Rentals**

The Association leased two commercial units in 2016. One lease is non-cancelable for a three year period with annual lease payments amounting to \$30,760 due in 2017 and 2018, respectively, and the other commercial lease is month-to-month.

**9. 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.

**10. Compensated Absences**

The liability for compensated absences at December 31, 2016 amounted to \$7,765.

**11. Commitments, Contingencies and Concentrations**

The Association has cash funds of \$281,229 in excess of FDIC Insured limits at December 31, 2016.

**12. 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 \$320,817 was recorded for the year ended December 31, 2016 with a remaining deferred liability amounting to \$14,900 at December 31, 2016 representing the remaining amount to be expended on the assessment including an estimate of debt interest expense.



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

**Notes to Financial Statements  
For the year ended December 31, 2016**

**13. Income taxes**

The net deferred tax asset (liability) consisted of the following components as of December 31, 2016:

Deferred tax assets relating to:	
Net operating loss carryover	\$ 4,917
General business credit	<u>37,800</u>
Net deferred tax asset	<u>\$ 42,717</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, 2016 as follows:

Current assets	\$ 2,980
Non-current assets	<u>39,737</u>
Net deferred tax asset	<u>\$ 42,717</u>

The Association files its tax returns in accordance with Internal Revenue Code Section 277 and has approximately \$34,037 of net operating loss carry forwards at of December 31, 2016. 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, 2016 and will expire in 2030 to 2032. A valuation allowance recorded for the deferred tax assets at December 31, 2016 amounted to \$2,520 as net operating loss and credit benefits expect to expire prior to utilization. The change in valuation allowance was as decrease \$35,496 for the year ended December 31, 2016 as the credits are expected to be utilized with the increased rent.

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>(32,517)</u>
Total provision for income taxes (benefit)	<u>\$ (32,517)</u>

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

**Notes to Financial Statements  
For the year ended December 31, 2016**

**14. Fair Value Measurement**

In accordance the FASB *Accounting Standards Codification*, Fair Value Measurement and Disclosures, the following is disclosure of financial instruments at December 31, 2016 for assets measured at fair value on a recurring basis:

Fair Value Measurements at Reporting Date using

Description	12/31/16	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments:</b>				
Class B money market	\$ 195,636	\$ 195,636	\$ 0	\$ 0
Certificate of Deposits	\$ 175,000	\$ 175,000	\$ 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. For debt issues that are not quoted on an exchange, interest rates that are currently available to the Association with similar terms and remaining maturities are used to estimate fair value.

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**Other Supplementary and Required Supplementary Information**

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

	For the year ended December 31,		
	2016		
	Budget	Actual	Over\ (Under) Budget
Maintenance fees	\$ 945,917	\$ 945,917	\$ -
Interest income	1,500	1,473	(27)
Other revenues	52,099	54,226	2,127
Total operating fund revenue	\$ 999,516	\$ 1,001,616	\$ 2,100

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,			
	2016			2015
	Budget	Actual	Over/(Under) Budget	Actual
Power and light	\$ 120,000	\$ 89,488	\$ (30,512)	\$ 99,440
Sewer, water, and fire service	115,500	116,486	986	107,720
Telephone\communications	3,600	4,856	1,256	4,130
Elevator service	17,500	14,368	(3,132)	13,921
Water treatment	2,400	2,234	(166)	2,131
Pest control	1,100	971	(129)	1,519
Maintenance - pool	6,100	3,786	(2,314)	5,383
Maintenance - grounds	5,000	4,821	(179)	4,897
Maintenance - building	27,400	26,148	(1,252)	23,182
Maintenance - waste removal	-	1,563	1,563	(491)
Pool tags	-	510	510	509
Building supplies	7,000	7,358	358	8,891
House and community	5,500	5,687	187	5,260
Cleaning supplies	3,800	3,555	(245)	2,846
Light bulbs	300	588	288	316
Office supplies\admin. exp.	12,500	10,773	(1,727)	11,519
Professional fees	17,900	19,308	1,408	17,603
Insurance	108,583	109,149	566	114,853
Salaries:				
Manager	75,600	74,106	(1,494)	75,036
Office	49,672	49,515	(157)	48,459
Maintenance	86,670	88,343	1,673	87,587
Porters	15,492	15,440	(52)	13,777
Housekeeping	32,860	32,550	(310)	32,736
Residential services	33,390	33,623	233	32,587
Security	91,500	93,045	1,545	95,864
Seasonal security\lifeguards	18,300	16,470	(1,830)	14,615
Bike attendants	6,000	3,915	(2,085)	2,457
Payroll taxes	38,900	34,183	(4,717)	32,426
Employee health plan	66,100	54,340	(11,760)	59,044
Employee pension plan	8,900	7,944	(956)	8,710
Uniforms	1,300	1,362	62	1,101
Bank charges	-	73	73	106
Bad debt expense	-	14,134	14,134	3,000
Donations\Flowers	1,000	321	(679)	801
Contingencies	11,000	10,186	(814)	6,705
Total operating expenses before depreciation	<u>990,867</u>	<u>951,199</u>	<u>\$ (39,668)</u>	<u>938,640</u>
Depreciation expense (non cash)	-	28,099	-	28,099
Total operating fund expenses	<u>\$ 990,867</u>	<u>\$ 979,298</u>	<u>\$ (39,668)</u>	<u>\$ 966,739</u>

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

\$ -	\$ -
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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,			
2016			
<b>Revenue</b>	<b>Budget</b>	<b>Actual</b>	<b>Over\ (Under) Budget</b>
Maintenance fees	\$ 120,000	\$ 120,000	\$ -
Other revenues	-	1,049	1,049
Total reserve fund revenues	\$ 120,000	\$ 121,049	\$ 1,049
<b>Expenses</b>			
<b>Expenses</b>	<b>Budget</b>	<b>Actual</b>	<b>Over\ (Under) Budget</b>
Various projects	\$ -	\$ 188,124	\$ 188,124
Total reserve fund expenses	\$ -	\$ 188,124	\$ 188,124

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, 2016		
<b>Revenue</b>	<b>Budget</b>	<b>Actual</b>	<b>Over\ (Under) Budget</b>
Maintenance fees	\$ -	\$ -	\$ -
Special assessment - roof\boiler	-	320,817	320,817
Other revenues	-	59	59
Total betterment revenues	\$ -	\$ 320,876	\$ 320,876
<b>Expenses</b>			
<b>Expenses</b>	<b>Budget</b>	<b>Actual</b>	<b>Over\ (Under) Budget</b>
Roof\Boiler project	\$ -	\$ 133,698	\$ 133,698
Interest expense	-	18,946	18,946
Bank service charges	-	130	130
Total betterment expenses	\$ -	\$ 152,774	\$ 152,774

Note: Budget amounts are "unaudited"

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, 2016, \$14,900 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,			
2016			
Revenue	Budget	Actual	Over\(\Under) Budget
Special assessment fees	\$ 3,150	\$ 3,150	\$ -
Other revenues	-	13	13
Total def. maint. revenues	\$ 3,150	\$ 3,163	\$ 13
Expenses	Budget	Actual	Over\(\Under) Budget
Capital improvements	\$ -	\$ 50,690	\$ 50,690
Bank charges	-	24	24
Total def. maint expenses	\$ -	\$ 50,714	\$ 50,714

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, 2016**

**Revenues**

Commercial unit rentals	
Berkshire Hathaway\Prudential Fox & Roach Rental	\$ 30,260
Cruise Control	4,800
Total revenues	<u>35,060</u>

**Expenses**

Depreciation - units	2,647
Real estate taxes	2,453
Commercial unit maintenance	5,206
Total expenses	<u>10,306</u>

Excess of revenues over expenses	<u><u>\$ 24,754</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, 2016**

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.

<b><u>Components:</u></b>	<b>Estimated Remaining Useful Lives (Years)</b>	<b>Estimated Current Replacement Costs</b>	<b>2016 Funding Requirement</b>	<b>Components of Fund Balance at 12/31/16</b>
<b>Sitework</b>	<b>5 to 17</b>	<b>\$ 160,959</b>	<b>\$ 8,040</b>	<b>\$ 31,304</b>
<b>Interior\Exterior Finishes</b>	<b>3 to 14</b>	<b>373,980</b>	<b>21,477</b>	<b>72,734</b>
<b>Electrical</b>	<b>3 to 18</b>	<b>212,210</b>	<b>7,391</b>	<b>41,272</b>
<b>Waterproofing</b>	<b>4</b>	<b>234,572</b>	<b>18,496</b>	<b>45,621</b>
<b>Mechanical</b>	<b>1 to 29</b>	<b>1,206,438</b>	<b>51,147</b>	<b>234,637</b>
<b>Special Construction</b>	<b>2 to 20</b>	<b>509,265</b>	<b>13,448</b>	<b>99,046</b>
		<b><u>\$ 2,697,424</u></b>	<b><u>\$ 120,000</u></b>	<b><u>\$ 524,615</u></b>