

# Kingspointe of Naperville Condominium Association

## Financial Statements

For the Year Ended  
December 31, 2018

# KINGSCOINTE OF NAPERVILLE CONDOMINIUM ASSOCIATION

## Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Balance Sheet, December 31, 2018	3
Statements of Revenue, Expenses and Changes in Fund Balances For the Year Ended December 31, 2018	4
Statements of Cash Flows For the Year Ended December 31, 2018	5
Notes to Financial Statements	6-9
Independent Auditor's Report on Supplementary Information	10
Schedules of Operating Revenue and Expenses – Budget and Actual For the Year Ended December 31, 2018	11-12



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Kingspointe of Naperville Condominium Association  
Naperville, Illinois

We have audited the accompanying financial statements of Kingspointe of Naperville Condominium Association, which comprise the balance sheet as of December 31, 2018, and the related statements of revenue, expenses and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

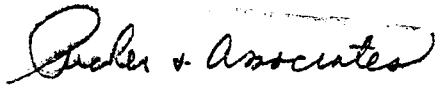
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kingspointe of Naperville Condominium Association as of December 31, 2018, 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.

A handwritten signature in cursive script that reads "Baker & Associates".

Buffalo Grove, Illinois  
June 25, 2019

# KINGSPONTE OF NAPERVILLE CONDOMINIUM ASSOCIATION

## Balance Sheet December 31, 2018

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<u>Assets</u>			
Current assets			
Cash	\$ 48,115	\$ -	\$ 48,115
Certificates of deposit		250,655	250,655
Assessments receivable, net of allowance of \$3,000 in 2018	13,593		13,593
Prepaid insurance	4,190		4,190
Interfund receivable	175,553		175,553
	<u>241,451</u>	<u>250,655</u>	<u>492,106</u>
Total current assets			
	<u>\$ 241,451</u>	<u>\$ 250,655</u>	<u>\$ 492,106</u>
<u>Liabilities and Fund Balances</u>			
Current liabilities			
Accounts payable	\$ 91,840	\$ 28,592	\$ 120,432
Interfund payable		175,553	175,553
Due to management company	50,000		50,000
Prepaid assessments	34,205		34,205
Security deposits	400		400
	<u>176,445</u>	<u>204,145</u>	<u>380,590</u>
Total current liabilities			
	<u>65,006</u>	<u>46,510</u>	<u>111,516</u>
Fund balances			
	<u>\$ 241,451</u>	<u>\$ 250,655</u>	<u>\$ 492,106</u>
Total liabilities and fund balances			

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

# KINGSPORTE OF NAPERVILLE CONDOMINIUM ASSOCIATION

## Statements of Revenue, Expenses and Changes in Fund Balances For the Year Ended December 31, 2018

	Operating Fund	Reserve Fund	Total
Revenue			
Assessments	\$ 534,200	\$ -	\$ 534,200
Interest income	111	625	736
Other revenue	185,423		185,423
Total revenue	719,734	625	720,359
Expenses			
Administrative	100,807		100,807
Outside services	186,780		186,780
Utilities	129,687		129,687
Repairs and maintenance	60,674		60,674
Major repairs		238,991	238,991
Total expenses	477,948	238,991	716,939
Excess (deficit) of revenue over expenses	241,786	(238,366)	3,420
Fund balances (deficit), beginning of year	(176,780)	284,876	108,096
Fund balances, end of year	\$ 65,006	\$ 46,510	\$ 111,516

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

# KINGSCOPE OF NAPERVILLE CONDOMINIUM ASSOCIATION

## Statements of Cash Flows For the Year Ended December 31, 2018

	Operating Fund	Reserve Fund	Total
Cash flows from operating activities			
Excess (deficit) of revenue over expenses	\$ 241,786	\$(238,366)	\$ 3,420
Adjustments to reconcile excess (deficit) of revenue over expenses to net cash provided by (used in) operating activities			
Investment income		(625)	
Bad debt expense (recovery)	(2,000)		(2,000)
(Increase) decrease in assets:			
Assessments receivable	24,302		24,302
Prepaid insurance	6,186		6,186
Increase (decrease) in liabilities:			
Accounts payable	(41,930)	28,592	(13,338)
Prepaid assessments	10,756		10,756
Security deposits	200		200
Net cash provided by (used in) operating activities	<u>239,300</u>	<u>(210,399)</u>	<u>29,526</u>
Cash flows from financing activities			
Net interfund transfers/activity	<u>(210,399)</u>	<u>210,399</u>	
Net increase in cash	28,901	-	28,901
Cash, beginning of year	<u>19,214</u>		<u>19,214</u>
Cash, end of year	<u><u>\$ 48,115</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 48,115</u></u>

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

# KINGSPORTE OF NAPERVILLE CONDOMINIUM ASSOCIATION

## Notes to Financial Statements

### Note 1 - Nature of activities

Kingspointe of Naperville Condominium Association is a not-for-profit corporation, organized under the laws of the State of Illinois as provided in the Condominium Property Act, and is subject to the terms and conditions of the Declaration of Condominium Ownership. The Association was incorporated on December 12, 1996. The Association serves as a means through which the owners of 244 units collectively administer, manage, operate and control the condominium property located in Naperville, Illinois.

### Note 2 - Summary of significant accounting policies

#### Basis of accounting

The financial statements reflect the assets, liabilities, revenue and expenses of the Association on the accrual basis of accounting. These financial statements segregate funds as either operating or reserve. The operating fund is used to account for financial resources available for the general operations of the Association. The reserve fund is used to accumulate financial resources designated for future major repairs and replacements.

#### Cash and cash equivalents

For the purpose of the statements of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

#### Member 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. 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 properties of homeowners whose assessments are significantly delinquent. The allowance for doubtful accounts of \$3,000 at December 31, 2018, is based on management's evaluation of outstanding assessments receivable at the end of the year. Any excess assessments at year end are retained by the Association for use in future years.



# KINGSPORTE OF NAPERVILLE CONDOMINIUM ASSOCIATION

## Notes to Financial Statements

### Note 2 - Summary of significant accounting policies, cont'd

#### Property and equipment

Real property, common areas and related improvements to such property are not reflected on the Association's financial statements. Those properties are owned by the individual unit owners in common and not by the Association. However, the Association has the responsibility to maintain and preserve the common property. The Association capitalizes significant real and personal property to which it has title or other evidence of ownership at cost. At December 31, 2018, the Association has not capitalized any real or personal property.

#### Maintenance, repairs and improvements

Consistent with the nature of the organization, normal operating expenses incurred for repairs and improvements to the common elements are included in operating fund expenses in the year such costs are incurred. Major repairs and replacements resulting from actions of the Board of Directors are included in expenses of the reserve fund.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Date of management's review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 25, 2019, the date that the financial statements were available to be issued.

### Note 3 - Income taxes

Condominium associations may elect to be taxed as regular corporations or as homeowners' associations. The Association elected to be taxed as a homeowners' association, under Internal Revenue Code Section 528, for the year ended December 31, 2018. Under that election, exempt function income is not subject to income tax and the Association is generally taxed only on nonexempt function income, to the extent it exceeds nonexempt expenses. An analysis of net nonexempt function income indicates there was no income tax due for the year ended December 31, 2018. The Association has state net operating loss carryforwards amounting to approximately \$11,000, expiring in various years through 2030, to offset against future state taxable income. No deferred tax assets, relating to the net operating losses, are recorded in the

# KINGSPONTE OF NAPERVILLE CONDOMINIUM ASSOCIATION

## Notes to Financial Statements

### Note 3 - Income taxes, cont'd

financial statements as the Association believes that it is not probable that all state net operating losses carried forward will be utilized.

The Association adopted the accounting for uncertainty in income tax guidance, which clarifies the accounting and recognition for tax positions taken on its income tax returns. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate and the Association has no material unrecognized income tax positions. The Association's tax filings are subject to audit by various taxing authorities. At December 31, 2018, the Association is no longer subject to examination by federal and state taxing authorities for the periods ending before 2014.

### Note 4 - Future major repairs and replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. These funds are held in separate accounts and such funds are to be used for the replacement of common areas only. Accordingly, these funds are not to be used in the course of normal operations. It is the Association's policy to allocate interest earned on such funds to the reserve fund. The reserve fund balance was \$46,510 at December 31, 2018.

The Association has not conducted a study to determine the remaining useful lives and estimated future major repair and replacement costs of the common property components. The Association is accumulating reserve funds in anticipation of such future major repair and replacements. Actual expenses, however, may vary from the funds accumulated and variation may be material. Therefore, amounts accumulated in the reserve fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, to levy special assessments, to borrow funds, or it may delay major repairs and replacements until funds are available. The effect on future assessments has not been determined.

# KINGSPORTE OF NAPERVILLE CONDOMINIUM ASSOCIATION

## Notes to Financial Statements

### Note 5 – Major repairs and replacements

Major repairs and replacements for the year ended December 31, 2018 were as follows:

Exterior staining and painting	\$ 107,286
Driveway	62,550
Mulch	21,945
Sidewalk	18,725
Roof	17,641
Various other projects	<u>10,844</u>
Total	<u>\$ 238,991</u>

### Note 6 – Due to management

In 2017, the Association received a \$50,000 loan from the management company. The outstanding balance at December 31, 2018 was \$50,000.

### Note 7 – Related party transaction

The Association entered into an agreement with a contractor for maintenance and repairs. The contractor is an entity owned by a member of the management company. This contract has been properly approved by the Board of Directors, and the homeowners have been appropriately notified.

### Note 8 – Concentrations

The Association has cash in various financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. There was approximately \$1,000 in uninsured funds in one such financial institution at December 31, 2018.

### Note 9 – Commitments

In 2019, the Association entered into a contract for landscaping maintenance for a three year period through 2021. The contract totals approximately \$177,000.



*CPA's and Consultants*

*Ralph Picker, Managing Principal*

*750 W. Lake Cook Rd, Suite 375 • Buffalo Grove, IL 60089*

*Phone: (847) 541-4000 Fax: (847) 541-4085*

*email: rp@pickercpa.com*

INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION

To the Board of Directors of  
Kingspointe of Naperville Condominium Association  
Naperville, Illinois

We have audited the financial statements of Kingspointe of Naperville Condominium Association as of and for the year ended December 31, 2018, and our report thereon dated June 25, 2019, which expressed an unmodified opinion on those financial statements, appears on pages one and two. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating revenue and expenses - budget and actual, on pages 11 through 12, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United State of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. Our opinion on the basic financial statements is not affected by this missing information.

*Picker & Associates*

Buffalo Grove, Illinois  
June 25, 2019

# KINGSPOINTE OF NAPERVILLE CONDOMINIUM ASSOCIATION

## Schedules of Operating Revenue and Expenses – Budget and Actual For the Year Ended December 31, 2018 (Unaudited)

	<u>Budget</u>	<u>Actual</u>
Revenue		
Assessments	\$ 534,511	\$ 534,200
Interest income	4,325	111
Other revenue		
Water		130,838
Misc revenue	11,000	52,292
Late fees	<u>3,000</u>	<u>2,293</u>
Total other revenue	<u>14,000</u>	<u>185,423</u>
Total operating revenue	<u><u>\$ 552,836</u></u>	<u><u>\$ 719,734</u></u>
Expenses		
Administrative		
Insurance	\$ 51,888	\$ 45,116
Insurance loss		19,602
Management fee	26,796	26,824
Misc administrative	7,263	6,611
Professional	4,500	4,654
Bad debts expense (recovery)		<u>(2,000)</u>
Total administrative	<u>90,447</u>	<u>100,807</u>
Utilities		
Water and sewer	6,900	119,862
Electricity	<u>12,663</u>	<u>9,825</u>
Total utilities	<u>19,563</u>	<u>129,687</u>

# KINGSPORTE OF NAPERVILLE CONDOMINIUM ASSOCIATION

## Schedules of Operating Revenue and Expenses – Budget and Actual, cont'd For the Year Ended December 31, 2018 (Unaudited)

	<u>Budget</u>	<u>Actual</u>
Outside services		
Landscape improvements	57,587	52,509
Snow removal	43,500	43,500
Gardening and lawn maintenance	58,905	60,740
Fire alarm monitoring	17,784	13,803
Fire alarm repairs and maintenance	16,300	16,228
Site signage	2,000	
	<u>196,076</u>	<u>186,780</u>
Total outside services		
Repairs and maintenance		
Building	45,000	56,207
Concrete	2,000	1,166
Exterior lighting	1,000	1,907
Roof	1,000	1,394
Asphalt	2,000	
	<u>51,000</u>	<u>60,674</u>
Total repairs and maintenance		
Total operating expenses	<u>\$ 357,086</u>	<u>\$ 477,948</u>