

**CRECIENTE CONDOMINIUM ASSOCIATION, INC.**  
**FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT THEREON**  
**DECEMBER 31, 2015 AND 2014**

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# THE SPIRES GROUP, P.A.

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### INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Creciente Condominium Association, Inc.  
Fort Myers Beach, Florida

We have audited the accompanying financial statements of Creciente Condominium Association, Inc., which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years ended December 31, 2015 and 2014, 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 audits. We conducted our audits 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 of 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 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 Creciente Condominium Association, Inc. as of December 31, 2015 and 2014, and the results of their operation and cash flow for the years ended December 31, 2015 and 2014 in accordance with accounting principles generally accepted in the United States of America.

SERVICE PROFESSIONAL INTEGRITY RESPONSIVE EXPERIENCED SOLUTIONS

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial as a whole. The Schedules of Changes in Replacement Fund Balances on page 12 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 the 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 as a whole.

### ***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 13 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 the 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.

Very truly yours,



The Spires Group  
June 24, 2016  
Fort Myers, Florida



CRECIENTE CONDOMINIUM, ASSOCIATION, INC.

BALANCE SHEETS

DECEMBER 31, 2015 AND 2014

	2015		2014	
	Operating	Replacement	Operating	Replacement
<b>ASSETS</b>				
Cash	\$ 48,059	178,797	108,362	59,580
Certificates of deposit, at market value	150,060	246,099	-	495,617
Accounts receivable, net of allowance for doubtful accounts of \$14391 in 2015 \$7476 in 2014	4,492		35	-
Due from Replacement (due to Operating)	3,965	(3,965)	-	-
Prepaid insurance	316,367	-	354,275	-
Other prepaid expenses	2,935	-	1,105	-
	<u>525,878</u>	<u>420,931</u>	<u>463,777</u>	<u>555,177</u>
<b>Total assets</b>	<b>\$ 525,878</b>	<b>420,931</b>	<b>463,777</b>	<b>555,177</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	29,407	106,422	18,583	-
Prepaid maintenance fees	36,043	-	19,414	-
Due to social committees	1,859	-	1,499	-
	<u>67,309</u>	<u>106,422</u>	<u>39,496</u>	<u>-</u>
<b>Total liabilities</b>	<b>67,309</b>	<b>106,422</b>	<b>39,496</b>	<b>-</b>
<b>FUND BALANCES</b>				
Unrestricted - operating	458,569	-	424,281	-
Restricted - replacement funds	-	314,509	-	555,177
	<u>458,569</u>	<u>314,509</u>	<u>424,281</u>	<u>555,177</u>
<b>Total fund balances</b>	<b>458,569</b>	<b>314,509</b>	<b>424,281</b>	<b>555,177</b>
<b>Total liabilities and fund balances</b>	<b>\$ 525,878</b>	<b>420,931</b>	<b>463,777</b>	<b>555,177</b>

See accompanying notes to financial statements.

CRECIENTE CONDOMINIUM, ASSOCIATION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2015		2014	
	Operating	Replacement	Operating	Replacement
<b>REVENUES</b>				
Maintenance fees	\$ 995,185	174,455	976,908	151,692
Interest and investment income	578	1,165	664	2,311
Other revenues	<u>3,863</u>	<u>-</u>	<u>3,124</u>	<u>-</u>
Total revenues	<u>999,626</u>	<u>175,620</u>	<u>980,696</u>	<u>154,003</u>
<b>EXPENSES</b>				
Administration	17,992	-	14,836	3,949
Buildings	52,503	154,164	48,076	242,151
Elevators	26,320	232,404	44,543	-
Grounds	51,494	10,570	37,841	-
Insurance	413,784	-	391,995	-
Personnel	132,069	-	174,778	-
Pool	6,901	19,150	9,570	-
Professional	9,434	-	7,630	-
Security	29,496	-	15,807	-
Entertainment and Wi-Fi	1,007	-	2,348	-
Utilities	<u>224,338</u>	<u>-</u>	<u>224,668</u>	<u>-</u>
Total expenses	<u>965,338</u>	<u>416,288</u>	<u>972,092</u>	<u>246,100</u>
Excess revenues (expenses)	34,288	(240,668)	8,604	(92,097)
<b>FUND BALANCES</b>				
Beginning of year	<u>424,281</u>	<u>555,177</u>	<u>415,677</u>	<u>647,274</u>
End of year	<u>\$ 458,569</u>	<u>314,509</u>	<u>424,281</u>	<u>555,177</u>

See accompanying notes to financial statements.

CRECIENTE CONDOMINIUM ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

		2015	2014
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Revenues over (under) expenses:			
Operating	\$	34,288	8,604
Replacement		(240,668)	(92,097)
		(206,380)	(83,493)
Adjustments:			
(Increase) decrease in:			
Accounts receivable, net of		(11,372)	(7,471)
Prepaid insurance		37,908	(12,723)
Other prepaid expenses		(1,830)	(524)
Increase (decrease) in:			
Allowance for doubtful accounts		6,915	7,476
Accounts payable and accrued expenses		117,246	(6,897)
Prepaid maintenance fees		16,629	(18,665)
Due to social committees		360	(893)
Net cash provided by operations		(40,524)	(123,190)
<b>CASH PROVIDED (USED) BY INVESTMENT ACTIVITIES</b>			
Redemption of certificates of deposit		1,978,510	230,450
Purchase of certificates of deposit		(1,879,052)	(625,617)
Net cash provided (used) by investment activities		99,458	(395,167)
Net increase (decrease) in cash		58,934	(518,357)
<b>CASH</b>			
Beginning of year			
Operating	\$	108,362	
Replacement		59,560	167,922
		167,922	686,279
End of year			
Operating		48,059	
Replacement		178,797	167,922
	\$	226,856	167,922

See accompanying notes to financial statements.



**CRECIENTE CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 1 - THE ASSOCIATION**

Creciente Condominium Association, Inc. (the "Association"), is located on Fort Myers Beach, Florida and was incorporated on December 17, 1971, under Chapter 617 of the Florida Statutes as a not-for-profit organization. The Association is responsible for the preservation and maintenance of the common property in accordance with the terms of Florida Statutes, Chapter 718. The Association consists of 171 units.

**NOTE 2— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Funds Accounting**

The Association's governing documents provide guidelines concerning its financial activities. The accounting policies that affect the more significant elements of the Association's financial statements are summarized below. These policies have been applied on a consistent basis.

The Association uses the fund method of accounting on the accrual basis, which requires that resources, such as these for operating purposes and resources for future repairs and replacements, be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions or designations on their use. The unrestricted fund is used to account for financial resources available for the general operations of the Association. Disbursements from the unrestricted fund are at the discretion of the Board of Directors ("the Board") and general manager for recurring costs of operation. The replacement, restricted, fund is used to accumulate financial resources designated for future major repairs and replacements. Expenses from this fund are available only for the purposes for which assessments were levied.

Interest earned on the replacement fund is retained therein.

**Accounts Receivable**

The Association's policy is to assess each unit owner, on an equal basis, a fixed amount per month, based on the annual budget adopted by the Board. Accounts receivable at the balance sheet date include unpaid fees due from the unit owners. The Association's policy is to retain legal counsel and place liens on the properties that are delinquent. Fees for one unit, whose owner was deceased during 2014 are in arrears for many months plus expenses incurred by the Association related to protection of its claim on the unit. The deceased owner's will remains in probate, and the unit is subject to mortgages. Consequently, a provision for doubtful collection has been made for the outstanding balance.

**Cash and Cash equivalent**

For purposes of reporting cash flows, the Association considers all short-term highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Property and Equipment**

The Association follows prevalent industry practice, as contained in the "Real Estate — Common Interest Realty Association Topic of the FASB ASC" in accounting for the common property



**CRECIENTE CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 2— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

of the Association. Real property that is not directly associated with the units is capitalized only if the Association has title or other evidence of ownership of the property, and either the Association can dispose of the property at the discretion of the Board or the property is used by the Association to generate significant cash flows from members on the basis of usage or from nonmembers. As a result, commonly owned assets are not reflected in the Association's financial statements. The Association has no property and equipment that is other than common property, ownership of which resides in the members.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3— FUTURE MAJOR REPAIRS AND REPLACEMENTS**

Florida Statutes require the Association to accumulate resources for future major repairs and replacements and required resources be accumulated for any item for which the deferred maintenance expenses or replacement cost is greater than \$10,000 unless the requirements are waived or reduced by the unit owners. The resources are segregated and held in interest bearing accounts and are not available for expenses for normal operations. Owners have approved the waiver of the requirement to full-fund estimated replacement cost.

The Board reviewed the replacement fund components in 2015 and 2014 to estimate the remaining useful lives and the estimated replacement costs of each component of common property. In 2014, The Board engaged an independent consultant to review the estimated replacement costs, expected useful lives and remaining useful lives of each component of the replacement account. The report of the consultant, along with other information available to the Association, was used to review, in depth, the components of the replacement account in order to determine appropriate funding.

The unit owners approved the pooled method of accounting for the replacement fund. Under this method, the replacement costs and remaining lives for each item are determined and the required funding is based on the pooled or cumulative balance as of the end of the year and the pooled estimated time remaining. Under this method, additions are not allocated to a specific replacement fund component.

The calculations for future major repairs and replacements in the replacement fund are based on estimated current costs for repairs and replacements of common property components. Actual expenses may vary from the estimated future replacement costs and these variances could be significant. Consequently, the amounts accumulated in the replacement fund may not be adequate to fund the required repairs and replacements. When additional funds are needed, the Board may increase regular assessments, delay major repairs or replacements until funds are available or levy special assessments.

CRECIENTE CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

**NOTE 4— INCOME TAXES ,**

The Association is subject to federal and state income taxes. Annually, the Association may qualify and elect to be treated as a tax-exempt organization under Section 528 of the Internal Revenue Code. Under this election, revenue from maintenance fees, replacement and special assessments (exempt-function income) is not subject to state or federal income taxes. However, income that is not exempt-function is federally taxed at a 30% rate (after a \$100 exemption) and is exempt from Florida income tax. If the Association does not qualify and/or make this election, it is taxed as a regular corporation under the provisions of Internal Revenue Code Section 277. This section provides that the excess of income from members is used to offset next year expenses or returned to the member to avoid being taxed. The Association is taxed on all non-member income net of allocable expenses. The Association elected to file Form 1120H under Code Section 528 and had no federal income tax or state income tax liability for the years ended December 31, 2015 and 2014.

The Association uses the standard Accounting for Uncertainty in Income Taxes. It is the Association's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by "a-more-likely-than-not" threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified for 2015 and 2014. Currently, the statute of limitations remains open for tax returns filed subsequent to and including 2011; however, no IRS or Florida Department of Revenue examinations are in process or anticipated.

**NOTE 6 - INVESTMENTS**

The Association uses Statement of Financial Accounting Standard FASB ASC 820, "Fair Value Measurements". FASB ASC 820 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 — Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities the Association has the ability to access.

Level 2 — Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, *either* directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Level 3 — Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The table on the following page presents the assets (all certificates of deposit) by category measured at fair value as of December 31, 2015 and 2014:



**CRECIENTE CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 5— INVESTMENTS (continued)**

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Face Value</u>	<u>Fair Value</u>
<b>2015</b>				
Flagstar Bank, FSB	03/31/16	.07997	\$ 248,500	248,501
Sterling National Bank	03/31/16	.07997	<u>147,658</u>	<u>147,658</u>
Total			<u>\$ 396,158</u>	<u>396,159</u>
<b>2014</b>				
ProAmerican Bank	07/02/15	0.24969	\$ 18,000	18,019
The Provate Bank and Trust Company	07/02/15	0.24969	238,500	238,746
Western Alliance Bank	07/02/15	0.24969	<u>238,500</u>	<u>238,746</u>
Total			<u>\$ 495,000</u>	<u>495,512</u>

**NOTE 6 - ASSESSMENTS CHARGES TO UNIT OWNERS**

Pursuant to the Declaration of Condominium and Bylaws of the Association, regular and special assessments are allocated to each unit owner. During the years ended December 31, 2015 and 2014, the Association assessed members monthly \$485 and \$4765, respectively to fund operating activities and \$85 and \$74, respectively in each year to provide funding for future repairs and replacements.

**NOTE 7— SUBSEQUENT EVENTS**

Management has assessed subsequent events through March 27, 2015, the date of the independent auditor's report in the financial statements, and determined that there were no events that required disclosure in these financial statements



## SUPPLEMENTARY INFORMATION

CRECIENTE CONDOMINIUM ASSOCIATION, INC.

SCHEDULES OF CHANGES IN REPLACEMENT FUND BALANCES

YEARS ENDED DECEMBER 31, 2015 AND 2014

Component	Beginning balance	Transfers	Additions	Expenses	Ending Balance
Year ended December 31, 2015					
Buildings:					
Roofs	-	14,450	-	14,450	-
Painting and Concrete Restoration	-	137,171	-	137,171	-
Lonny furniture	-	2,543	-	2,543	-
Total buildings	-	154,164	-	154,164	-
Elevators	-	232,404	-	232,404	-
Grounds:					
Outdoor lighting	-	1,540	-	1,540	-
Tennis court	-	9,030	-	9,030	-
	-	10,570	-	10,570	-
Pool	-	19,150	-	19,150	-
Special assessment	124,734	(124,734)	-	-	-
Pooled funds	430,443	(291,554)	175,620 (a)	-	314,509
	<u>\$ 555,177</u>	<u>-</u>	<u>175,620</u>	<u>416,288</u>	<u>314,509</u>
Year ended December 31, 2014					
Administrative:					
Office	\$ -	394	-	394	-
Replacement study	-	3,555	-	3,555	-
Total administrative:	-	3,949	-	3,949	-
Buildings:	-				
Roofs	-	135,380	-	135,380	-
Air conditioning stands	-	86,534	-	86,534	-
Interiors	-	7,187	-	7,187	-
Elevators	-	6,431	-	6,431	-
Pool	-	3,180	-	3,180	-
Exteriors	-	3,439	-	3,439	-
Total buildings	-	242,151	-	242,151	-
Special assessment	124,734	-	-	-	124,734
Pooled funds	522,540	(246,100)	154,003 (a)	-	430,443
	<u>\$ 647,274</u>	<u>-</u>	<u>154,003</u>	<u>242,151</u>	<u>555,177</u>

Notes:

a) Additions include investment earnings of \$1,165

b) Additions include investment earnings of 2311

## SUPPLEMENTAL INFORMATION - REPLACEMENT FUNDS

DECEMBER 31, 2015

The following table is based on the Board of Directors' study in 2015 and provides significant information concerning the major components of the common property.

<u>Component</u>	<u>Life (years)</u>	<u>Estimated</u>		<u>Proposed 2016 Pooled funding</u>
		<u>Remaining Life (years)</u>	<u>Replacement cost</u>	
Roofs	5 - 30	1 - 29	\$ 740,689	
Exteriors	10 - 30	1 - 10	1,749,891	
Pool / tennis court	5 - 35	1 - 13	120,444	
Mechanical	7 - 44	1 - 30	1,138,487	
Painting / concrete restoration	7 - 25	1 - 17	859,324	
Interiors	7 - 25	1 - 10	214,000	
Paving	4 - 20	1 - 9	62,183	
Pooled funds				210,000
			<u>\$ 4,885,018</u>	<u>210,000</u>

Estimated replacement costs are reviewed on a regular basis and, do not necessarily include allowances for inflation. Actual cost at time of replacements may be greater than the estimates. Income earned from investing replacement funds is added to the available funds for use at the discretion of the Board of Directors. At December 31, 2015 the available replacement funds were \$314,509.

In accordance with Florida statutory requirements, in 2014 the Association engages a professional consultant to perform an in-depth review of the estimated replacement cost, life expectations and remaining life of the elements. The report of the consultant formed the basis for the review, evaluation and projection of estimated cost and replacement timing of the 2015 determination by the Board.