

Kingspointe of Naperville Condominium Association

Financial Statements

For the Year Ended
December 31, 2020

KINGSPORTE OF NAPERVILLE CONDOMINIUM ASSOCIATION

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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, 2020, 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

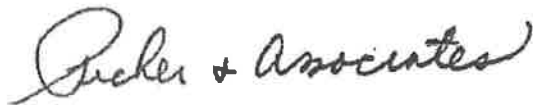
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kingspointe of Naperville Condominium Association as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of operating revenue and expenses – budget and actual, on pages 11-12, which is the responsibility of the Association's management, is presented for the purpose 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 audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States 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 historical context. Our opinion on the basic financial statements is not affected by this missing information.



Buffalo Grove, Illinois
September 16, 2021

KINGSCOINTE OF NAPERVILLE CONDOMINIUM ASSOCIATION

Balance Sheet December 31, 2020

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<u>Assets</u>			
Current assets			
Cash	\$ 273,620	\$ -	\$ 273,620
Assessments receivable, net of allowance of \$3,000 in 2020	34,754		34,754
Interfund receivable	<u>27,304</u>		<u>27,304</u>
Total current assets	<u>335,678</u>		<u>335,678</u>
Total assets	<u><u>\$ 335,678</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 335,678</u></u>
<u>Liabilities and Fund Balances</u>			
Current liabilities			
Accounts payable	\$ 3,518	\$ 35,000	\$ 38,518
Interfund payable		27,304	27,304
Prepaid assessments	34,489		34,489
Security deposits	<u>400</u>		<u>400</u>
Total current liabilities	<u>38,407</u>	<u>62,304</u>	<u>100,711</u>
Fund balances (deficit)	<u>297,271</u>	<u>(62,304)</u>	<u>234,967</u>
Total liabilities and fund balances	<u><u>\$ 335,678</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 335,678</u></u>

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

KINGSPORTE OF NAPERVILLE CONDOMINIUM ASSOCIATION

Statement of Revenue, Expenses and Changes in Fund Balances For the Year Ended December 31, 2020

	Operating Fund	Reserve Fund	Total
Revenue			
Assessments	\$ 534,200	\$ -	\$ 534,200
Interest income		3,461	3,461
Other revenue	7,103	1,333,595	1,340,698
	<u>541,303</u>	<u>1,337,056</u>	<u>1,878,359</u>
Total revenue			
Expenses			
Administrative	87,157		87,157
Outside services	162,795		162,795
Utilities	25,771		25,771
Repairs and maintenance	46,246		46,246
Major repairs		1,562,495	1,562,495
	<u>321,969</u>	<u>1,562,495</u>	<u>1,884,464</u>
Total expenses			
Excess (deficit) of revenue over expenses	219,334	(225,439)	(6,105)
Interfund transfers	(195,158)	195,158	
Fund balances (deficit), beginning of year	<u>273,095</u>	<u>(32,023)</u>	<u>241,072</u>
Fund balances (deficit), end of year	<u>\$ 297,271</u>	<u>\$ (62,304)</u>	<u>\$ 234,967</u>

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

KINGSCOINTE OF NAPERVILLE CONDOMINIUM ASSOCIATION

Statement of Cash Flows For the Year Ended December 31, 2020

	Operating Fund	Reserve Fund	Total
Cash flows from operating activities			
Excess (deficit) of revenue over expenses	\$ 219,334	\$ (225,439)	\$ (6,105)
Adjustments to reconcile excess (deficit) of revenue over expenses to net cash provided by (used in) operating activities			
Investment income		(3,461)	
(Increase) decrease in assets:			
Assessments receivable	684		684
Prepaid insurance	9,997		9,997
Increase (decrease) in liabilities:			
Accounts payable	(31,288)	35,000	3,712
Prepaid assessments	(16,842)		(16,842)
Net cash provided by (used in) operating activities	181,885	(193,900)	(8,554)
Cash flows from investing activities			
Proceeds from investment maturities		201,961	201,961
Cash flows from financing activities			
Net interfund transfers/activity	8,061	(8,061)	
Net increase in cash	189,946	-	189,946
Cash, beginning of year	83,674		83,674
Cash, end of year	\$ 273,620	\$ -	\$ 273,620

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, 2020, 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, 2020, the Association has not capitalized any real or personal property.

Revenue recognition

Accounting principles generally accepted in the United States of America prescribe new rules regarding the recognition, measurement, presentation, and disclosure of revenue and related contract acquisition and fulfillment costs. It is the position of the Association that amounts assessed from unit owners in accordance with the annual budget constitute transactions between the Association and the Association's members in their capacity as unit owners of the Association and not in the capacity of a customer of the Association. Under the terms of the Association's declaration of condominium ownership, the Association's membership is exclusive to and mandatory for all unit owners. The unit owners have unlimited responsibility to provide funds to the Association and collectively bear all the risks and are entitled to all the benefits of the Association.

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 September 16, 2021, the date that the financial statements were available to be issued.

KINGSPORTE OF NAPERVILLE CONDOMINIUM ASSOCIATION

Notes to Financial Statements

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, 2020. 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, 2020. The Association has state net operating loss carryforwards amounting to approximately \$21,000, expiring in various years through 2032, to offset against future state taxable income. No deferred tax assets, relating to the net operating losses, are recorded in the 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, 2020, the Association is no longer subject to examination by federal and state taxing authorities for the periods ending before 2017.

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 deficit was \$62,304 at December 31, 2020.

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, 2020 were as follows:

Roof	\$1,536,796
Driveway	23,650
Various other projects	<u>2,049</u>
Total	<u>\$1,562,495</u>

Note 6 – 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 7 – 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 \$23,000 in uninsured funds in one such financial institution at December 31, 2020.

Note 8 – COVID-19

Since March 31, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. The Association has had to continually search for ways to avoid disruption to the Association's operations and adapt to the continually changing environment. Outside of the Association's control, some contracted work may be delayed due to COVID-19 restrictions

Kingspointe of Naperville Condominium Association

Notes to Financial Statements

Note 8 – COVID-19, cont'd

(permits not being issued, inspections stopped, etc.). The Association is focused on a strong balance sheet to withstand a downturn.

The Association has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of governmental and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of operations for the Association for future periods.

Note 9 – Subsequent event

In 2021, the Association entered into a contract for driveway replacements. The contract totals approximately \$62,000. The contract is expected to be completed in 2021.

Supplementary Information

KINGSPONTE OF NAPERVILLE CONDOMINIUM ASSOCIATION

Schedules of Operating Revenue and Expenses – Budget and Actual For the Year Ended December 31, 2020 (Unaudited)

	<u>Budget</u>	<u>Actual</u>
Revenue		
Assessments	\$ 534,511	\$ 534,200
Other revenue		
Misc revenue	6,000	3,178
Late fees	<u>2,443</u>	<u>3,925</u>
Total other revenue	<u>8,443</u>	<u>7,103</u>
Total operating revenue	<u><u>\$ 542,954</u></u>	<u><u>\$ 541,303</u></u>
Expenses		
Administrative		
Insurance	\$ 46,000	\$ 53,305
Management fee	27,312	27,312
Misc administrative	6,844	4,135
Professional	<u>6,700</u>	<u>2,405</u>
Total administrative	<u>86,856</u>	<u>87,157</u>
Utilities		
Water and sewer	6,900	11,090
Electricity	<u>14,736</u>	<u>14,681</u>
Total utilities	<u>21,636</u>	<u>25,771</u>

KINGSPORTE OF NAPERVILLE CONDOMINIUM ASSOCIATION

Schedules of Operating Revenue and Expenses – Budget and Actual, cont'd For the Year Ended December 31, 2020 (Unaudited)

	Budget	Actual
Outside services		
Landscape improvements	50,630	23,395
Snow removal	43,500	43,500
Gardening and lawn maintenance	58,425	62,024
Fire alarm monitoring	18,052	18,404
Fire alarm repairs and maintenance	15,000	15,472
Site signage	1,000	
Total outside services	186,607	162,795
Repairs and maintenance		
Building	50,000	41,483
Concrete	6,000	566
Exterior lighting	4,600	3,763
Roof	250	434
Asphalt	1,000	
Total repairs and maintenance	61,850	46,246
Total operating expenses	\$ 356,949	\$ 321,969