

WINSTON TOWERS 600 CONDOMINIUM
ASSOCIATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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LANE J. GENET, C.P.A.

A PROFESSIONAL ASSOCIATION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Unit Owners
Winston Towers 600 Condominium Association, Inc.
Sunny Isles Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Winston Towers 600 Condominium Association, Inc., which comprise the balance sheet as of December 31, 2018, and the related statements of revenues and expenses and changes in fund balances (deficit), 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 of material misstatements.

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

Auditor's Responsibility (Continued)

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 Winston Towers 600 Condominium Association, Inc. 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.

Other Matter

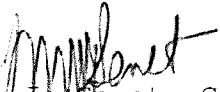
We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of budgeted and actual revenues and expenses - operating fund; budgeted and actual administrative and contract services expenses - operating fund; and budgeted and actual utilities and repairs and maintenance expenses - operating fund, all for the year ended December 31, 2018, on pages 15 through 17, are presented for purposes of additional analysis and are not required parts of the financial statements. Such information (except for the budget information, which was compiled without audit or review from information that is the representation of management (directors and officers)) 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 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 supplementary information on future major repairs and replacements, consisting of the estimated useful lives and the estimated replacement costs of the components of common property on page 18, 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 Statements 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. The information about the amount of annual funding required to fully fund each account of the replacement fund is supplementary information required by the Florida Administrative Code. 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 inquires of management (directors and officers) 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.



Lane J. Genet, C.P.A., P.A.
Miami, Florida
February 22, 2019

WINSTON TOWERS 600 CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total All Funds</u>
ASSETS			
Cash and cash equivalents	\$ 152,588	\$ 714,699	\$ 867,287
Assessments receivable, net	76,627	-	76,627
Prepaid insurance	147,147	-	147,147
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 376,362	\$ 714,699	\$ 1,091,061
LIABILITIES AND FUND BALANCE (DEFICIT)			
LIABILITIES			
Accounts payable and accrued expenses	\$ 31,240	\$ -	\$ 31,240
Assessments received in advance	71,172	-	71,172
Note payable - bank	139,215	-	139,215
Renters common area deposits	139,817	-	139,817
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	381,444	-	381,444
FUND BALANCE (DEFICIT)	<u>(5,082)</u>	<u>714,699</u>	<u>709,617</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 376,362</u>	<u>\$ 714,699</u>	<u>\$ 1,091,061</u>

Read accompanying notes to these financial statements.

WINSTON TOWERS 600 CONDOMINIUM ASSOCIATION, INC.
 STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES (DEFICIT)
 YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Replacement Fund	Total All Funds
REVENUES:			
Maintenance assessments	\$1,965,534	\$ 120,000	\$2,085,534
Parking	81,420	-	81,420
Other	42,559	-	42,559
Storage room fees	19,225	-	19,225
Screening fees	18,600	-	18,600
Laundry	3,135	-	3,135
Vending	1,014	-	1,014
Interest	-	1,775	1,775
	<u>2,131,487</u>	<u>121,775</u>	<u>2,253,262</u>
TOTAL REVENUES			
EXPENSES:			
Administrative	871,993	-	871,993
Contract services	768,997	-	768,997
Utilities	467,948	-	467,948
Repairs and maintenance	146,854	-	146,854
	<u>2,255,792</u>	<u>-</u>	<u>2,255,792</u>
TOTAL EXPENSES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(124,305)	121,775	(2,530)
FUND BALANCES - BEGINNING OF YEAR	<u>119,223</u>	<u>592,924</u>	<u>712,147</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (5,082)</u>	<u>\$ 714,699</u>	<u>\$ 709,617</u>

Read accompanying notes to these financial statements.

WINSTON TOWERS 600 CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>Total</u> <u>All Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Maintenance assessments collected	\$1,964,763	\$ 120,000	\$2,084,763
Other income	<u>218,959</u>	<u>1,775</u>	<u>220,734</u>
CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,183,722</u>	<u>121,775</u>	<u>2,305,497</u>
Administrative	908,871	-	908,871
Contract services	766,303	-	766,303
Utilities	466,306	-	466,306
Repairs and maintenance	<u>146,854</u>	<u>-</u>	<u>146,854</u>
CASH USED BY OPERATING ACTIVITIES	<u>2,288,334</u>	<u>-</u>	<u>2,288,334</u>
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(104,612)	121,775	17,163
CASH FLOW PROVIDED BY FINANCING ACTIVITIES			
Increase in note payable - bank, net	<u>27,815</u>	<u>-</u>	<u>27,815</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(76,797)	121,775	44,978
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>229,385</u>	<u>592,924</u>	<u>822,309</u>
END OF YEAR	<u>\$ 152,588</u>	<u>\$ 714,699</u>	<u>\$ 867,287</u>

Read accompanying notes to these financial statements.

WINSTON TOWERS 600 CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Replacement Fund	Total All Funds
RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Excess (deficiency) of revenues over expenses	\$ (124,305)	\$ 121,775	\$ (2,530)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:			
Increase in:			
Assessments receivable	(5,341)	-	(5,341)
Prepaid insurance	(26,706)	-	(26,706)
Increase (decrease) in:			
Accounts payable and accrued expenses	(5,836)	-	(5,836)
Assessments received in advance	4,570	-	4,570
Renters common area deposits	53,006	-	53,006
Net adjustments	19,693	-	19,693
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (104,612)	\$ 121,775	\$ 17,163

Read accompanying notes to these financial statements.

WINSTON TOWERS 600 CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Winston Towers 600 Condominium Association, Inc. (the "Association") was organized as a Florida not-for-profit corporation in 1981, pursuant to the Florida Condominium Act, for the purpose of maintaining and preserving the common property of Winston Towers 600, a condominium building containing 391 residential units, located in Sunny Isles Beach, Florida.

FUND ACCOUNTING

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 the general operations of the Association. Disbursements from the operating fund are generally at the discretion of the Board of Directors.

Replacement Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements. Disbursements from the replacement fund may be made only for their designated purposes.

Revenues and expenses are reported on the accrual basis, on which basis revenues are recognized as earned and expenses are recognized as incurred.

CASH AND CASH EQUIVALENTS

Cash and equivalents consist of checking and money market funds. The Association consolidates checking and money market funds.

The Association's policy is to invest its cash with conservative financial institutions.

WINSTON TOWERS 600 CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEMBER ASSESSMENTS

Based upon a budget established annually by the Board of Directors, maintenance assessments are levied against the unit owners for their proportionate share of the common expenses and, unless waived by the membership, for future major repairs and replacements. The assessments are payable monthly, in advance, at which time revenue is recognized. Upon approval by the Board of Directors, other assessments may be levied for special purposes. Any excess assessments at year-end are retained by the Association for use in the succeeding year.

PROPERTY AND EQUIPMENT

Common areas and related improvements are not recorded in these financial statements since title to these properties is vested with individual unit owners in common (on a pro-rata basis) and not with the Association. The Association will capitalize, at cost, personal property which it acquires with Association funds.

INCOME TAXES

The Association is subject to Federal and state taxation and has essentially two methods to determine the amount of tax, if any, it must pay. Under one method, the excess of revenues from members over related expenditures is subject to taxation unless such excess is returned to the unit owners or applied to the following year's assessments. The other method enables the Association to elect to exclude from taxation exempt function income, which generally consists of revenue from unit owner assessments. Under either method, the Association may be subject to tax on investment income and other non-exempt income, but at different tax rates.

The Association may elect, on a year-to-year basis, to file its Federal income tax return on Form 1120-H or on Form 1120. The Association filed its 2018 Federal income tax return on Form 1120-H. There was no income tax liability for the year ended December 31, 2018.

WINSTON TOWERS 600 CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES - (CONTINUED)

The Association does not believe it has any uncertain tax positions.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent 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 those differences may be material.

RECLASSIFICATIONS

For the purpose of the Statement of Cash Flows, certain 2017 amounts have been reclassified to conform to the presentation of similar items in the 2018 financial statements.

NOTE 2 - ASSESSMENTS RECEIVABLE

The Association considers assessments delinquent if they are more than ten days in arrears. The Association will retain legal counsel and place a lien on property of any unit owner whose assessments are thirty days or more past due. In determining collectability of specific unit owner balances, management considers the age of the balance (measured in number of days delinquent), the owner's payment history and current economic trends. Accordingly, based on management's judgment, the Association provides for estimated uncollectible amounts through a charge to expense and a credit to a valuation allowance. Balances that remain outstanding after the Association has made reasonable collection efforts are written off via a charge to the valuation allowance and a credit to assessments receivable. As of December 31, 2018,

WINSTON TOWERS 600 CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 2 - ASSESSMENTS RECEIVABLE - Continued

assessments receivable balances past due at least ninety days were approximately \$67,000. Assessments receivable are stated net of an allowance for doubtful accounts of \$15,000.

NOTE 3 - NOTE PAYABLE - BANK

In April 2018, the Association obtained a \$504,077 bank note which provided financing for its insurance coverage. The agreement calls for monthly installments of approximately \$47,000, including interest at 3.7% per annum, through March 2019. The bank has a security interest in the unearned premiums of the related insurance policies.

NOTE 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

Florida Statutes and the Association's governing documents require the Association to accumulate funds for future major repairs and replacements, unless waived by an annual vote of the unit owners.

Funding for major repairs and replacements over the estimated remaining useful lives of the components is based on an internally-prepared study. The Board's estimates of the replacement costs and remaining useful lives were based on historical trends. Replacement funds totaling \$120,000 were included in the 2018 budget

Actual expenditures may vary from the estimated future expenditures and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to the Board's approval, to increase regular assessments, levy special assessments, or delay major repairs or replacements until funds are available. The effect on future assessments has not been determined.

It is the Association's policy to allocate interest earned in the replacement fund to various components of the replacement fund based on management's discretion. In 2018, the interest income of \$1,775 was applied exclusively to the painting component.

WINSTON TOWERS 600 CONDOMINIUM ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2018

NOTE 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS - Continued

A schedule of the activity in the replacement fund for the year ended December 31, 2018 is presented below:

	Beginning Balances	Additions Including Interest	Expenses	Ending Balances
Roof	\$ 134,279	\$ 30,000	\$ -	\$ 164,279
Painting	222,245	29,775	-	252,020
Paving	68,400	12,000	-	80,400
Elevator	27,000	12,000	-	39,000
40-Year Recerti- fication	<u>141,000</u>	<u>38,000</u>	<u>-</u>	<u>179,000</u>
	<u>\$ 592,924</u>	<u>\$ 121,775</u>	<u>\$ -</u>	<u>\$ 714,699</u>

NOTE 5 - CONTRACTS

The Association has various contracts for the maintenance of the common property and for other services. These contracts have different expiration dates and renewal terms.

NOTE 6 - CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Association to concentration of credit risk, consist substantially of cash and cash equivalents. The Association invests its excess cash in money market accounts with major financial institutions. At December 31, 2017, the market value of the money market accounts approximated their cost. The Association has not experienced losses related to these investments. The Association believes it is not exposed to any significant credit risk with respect to cash and equivalents.

WINSTON TOWERS 600 CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 7 - OTHER MATTER

The Association is a party to a housing discrimination lawsuit filed by a tenant residing in a unit located in the condominium building. Legal counsel has advised that they are unable to reliably predict the outcome of the lawsuit at this time. Association management has indicated that its insurance coverage is sufficient to cover any loss that could reasonably be expected to arise as a result of the lawsuit.

NOTE 8 - SUBSEQUENT EVENTS

The Board of Directors has evaluated events and transactions for potential recognition or disclosure through February 22, 2019, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

WINSTON TOWERS 600 CONDOMINIUM ASSOCIATION, INC.
 SCHEDULE OF BUDGETED AND ACTUAL REVENUES AND EXPENSES - OPERATING FUND
 YEAR ENDED DECEMBER 31, 2018

	Budget (Unaudited)	Actual	Variance (Unaudited)
REVENUES:			
Maintenance assessments	\$1,965,534	\$1,965,534	\$ -
Parking	106,340	81,420	(24,920)
Other	45,000	42,559	(2,441)
Storage room fees	29,040	19,225	(9,815)
Screening fees	15,000	18,600	3,600
Laundry	5,800	3,135	(2,665)
Vending	1,600	1,014	(586)
Interest	300	-	(300)
	<u>2,168,614</u>	<u>2,131,487</u>	<u>(37,127)</u>
EXPENSES:			
Administrative	859,600	871,993	(12,393)
Contract services	775,600	768,997	6,603
Utilities	427,000	467,948	(40,948)
Repairs and maintenance	106,414	146,854	(40,440)
	<u>2,168,614</u>	<u>2,255,792</u>	<u>(87,178)</u>
DEFICIENCY OF REVENUES OVER EXPENSES	<u>\$ -</u>	<u>\$ (124,305)</u>	<u>\$ (124,305)</u>

Read independent auditor's report.

WINSTON TOWERS 600 CONDOMINIUM ASSOCIATION, INC.
 SCHEDULE OF BUDGETED AND ACTUAL ADMINISTRATIVE AND CONTRACT SERVICES
 EXPENSES - OPERATING FUND
 YEAR ENDED DECEMBER 31, 2018

	<u>Budget</u> <u>(Unaudited)</u>	<u>Actual</u>	<u>Variance</u> <u>(Unaudited)</u>
ADMINISTRATIVE:			
Insurance	\$530,400	\$529,743	\$ 657
Payroll and associated costs	261,500	280,822	(19,322)
Legal	22,000	13,485	8,515
Miscellaneous	10,500	11,853	(1,353)
Office supplies	9,400	8,217	1,183
Licenses and taxes	9,200	7,804	1,396
Accounting	8,200	7,375	825
Dues	3,600	6,750	(3,150)
Printing and postage	2,400	3,544	(1,144)
Provision for doubtful accounts	<u>2,400</u>	<u>2,400</u>	<u>-</u>
	<u>\$859,600</u>	<u>\$871,993</u>	<u>\$ (12,393)</u>
CONTRACT SERVICES:			
Security	\$350,000	\$351,351	\$ (1,351)
Cable TV	208,000	212,104	(4,104)
Total appliance services	78,000	77,418	582
Waste	28,000	31,787	(3,787)
Pool	19,000	21,763	(2,763)
Lawn	20,000	19,012	988
Elevator	25,000	18,061	6,939
Pest control	10,000	10,985	(985)
Uniforms	6,800	7,500	(700)
HVAC	7,000	6,040	960
Copy machine	4,000	4,589	(589)
Cooling tower	4,800	4,536	264
Janitorial	-	1,521	(1,521)
Pitney Bowes	-	1,202	(1,202)
Emergency generator	<u>5,000</u>	<u>1,128</u>	<u>3,872</u>
	<u>\$775,600</u>	<u>\$768,997</u>	<u>\$ 6,603</u>

Read independent auditor's report.

WINSTON TOWERS 600 CONDOMINIUM ASSOCIATION, INC.
 SCHEDULE OF BUDGETED AND ACTUAL UTILITIES AND
 REPAIRS AND MAINTENANCE EXPENSES - OPERATING FUND
 YEAR ENDED DECEMBER 31, 2018

	<u>Budget</u> (Unaudited)	<u>Actual</u>	<u>Variance</u> (Unaudited)
UTILITIES:			
Water and sewer	\$246,000	\$330,264	\$ (84,264)
Electricity	175,000	132,083	42,917
Telephone	<u>6,000</u>	<u>5,601</u>	<u>399</u>
	<u>\$427,000</u>	<u>\$ 467,948</u>	<u>\$ (40,948)</u>
REPAIRS AND MAINTENANCE:			
Building - miscellaneous	\$ 22,814	\$ 48,106	\$ (25,292)
HVAC	12,000	20,534	(8,534)
Alarm, security and gate system	19,000	18,355	645
Hardware and lumber	12,000	13,285	(1,285)
Building improvements	14,000	12,900	1,100
Lights and fixtures	2,000	10,631	(8,631)
Janitorial supplies	10,000	7,205	2,795
Sprinkler	10,000	5,793	4,207
Plumbing	4,000	4,324	(324)
Paint supplies	3,000	2,144	856
Recreational equipment	4,500	1,288	3,212
Electrical	1,200	1,196	4
Fire equipment	<u>1,900</u>	<u>1,093</u>	<u>807</u>
	<u>\$ 106,414</u>	<u>\$ 146,854</u>	<u>\$ (40,440)</u>

Read independent auditor's report.

WINSTON TOWERS 600 CONDOMINIUM ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2018

An independent study to estimate the remaining useful lives and the current replacement costs of the components of common property has not been conducted. The Board's estimates of the remaining useful lives and the replacement costs of the common property components were based on historical trends.

The following table presents significant information about the components of common property.

<u>Component</u>	Estimated Remaining Useful Lives (Years) (Unaudited)	Estimated Current Replacement Costs (Unaudited)	Component Balances at December 31, 2018	2019 Full Funding (Unaudited)
Roof	23	\$ 900,000	\$164,279	\$ 32,000
Painting	1	280,000	252,020	28,000
Paving	4	130,000	80,400	12,000
Elevator 40-year Recertification	1 - -	40,000 - -	39,000 179,000	- 38,000
		<u>\$1,350,000</u>	<u>\$714,699</u>	<u>\$110,000</u>

Read independent auditor's report.