

**Moss Creek Condominiums Council of Co-Owners, Inc.**

**Financial Statements**

**Year Ended December 31, 2016**

Draft

## **Contents**

	<b><u>Page</u></b>
<b>Independent Accountant's Review Report</b>	<b>1-2</b>
<b>Financial Statements</b>	
Balance Sheet	3
Statement of Revenues, Expenses, and Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to Financial Statements	6-9

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**Independent Accountant's Review Report**

To the Board of Directors  
Moss Creek Condominiums Council of Co-Owners, Inc.  
Louisville, Kentucky

We have reviewed the accompanying financial statements of Moss Creek Condominiums Council of Co-Owners, Inc. (the Council), which comprise the balance sheet as of December 31, 2016 and the related statement of revenues, expenses, and changes in fund balances and statement of cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements. Accordingly, we do not express such an opinion.

**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.

**Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

## **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

## **Required Supplementary Information**

Management has omitted supplementary information about future 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 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.

## **Summarized Comparative Information**

We previously compiled the Council's 2015 financial statements and in our report dated May 23, 2017 stated that we did not audit or review the 2015 financial statements and, accordingly, did not express an opinion, a conclusion, or provide any assurance about whether the financial statements were in accordance with accounting principles generally accepted in the United States of America. The summarized comparative information presented herein as of and for the year ended December 31, 2015 was derived from those compiled financial statements.

*Smith Financial Services, PLLC*

Louisville, Kentucky  
July 24, 2018

**Moss Creek Condominiums Council of Co-Owners, Inc.**  
**Balance Sheet**  
**December 31, 2016**  
**(with summarized comparative totals at December 31, 2015)**

<b>Assets</b>	<b>2016</b>			<b>2015</b>
	Operating Fund	Replacement Fund	Total	Total
Cash	\$ 68,327	\$ 53,300	\$ 121,627	\$ 85,754
Member assessments receivable	43,735	-	43,735	42,356
Member fees receivable:				
Late fees	7,376	-	7,376	4,039
Legal fees	15,226	-	15,226	9,176
Miscellaneous fees	440	-	440	440
<b>Total assets</b>	<b>\$ 135,104</b>	<b>\$ 53,300</b>	<b>\$ 188,404</b>	<b>\$ 141,765</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 360	\$ -	\$ 360	\$ 4,317
Member assessments received in advance	4,441	-	4,441	2,281
<b>Total liabilities</b>	<b>4,801</b>	<b>-</b>	<b>4,801</b>	<b>6,598</b>
<b>Fund Balances</b>	<b>130,303</b>	<b>53,300</b>	<b>183,603</b>	<b>135,167</b>
<b>Total liabilities and fund balances</b>	<b>\$ 135,104</b>	<b>\$ 53,300</b>	<b>\$ 188,404</b>	<b>\$ 141,765</b>

**See Independent Accountant's Review Report and Notes to Financial Statements**

**Moss Creek Condominiums Council of Co-Owners, Inc.**  
**Statement of Revenues, Expenses, and Changes in Fund Balances**  
**Year Ended December 31, 2016**  
**(with summarized comparative totals for year ended December 31, 2015)**

	<b>2016</b>			<b>2015</b>
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Total</u>
<b>Revenues:</b>				
Member assessments and fees:				
Assessments	\$ 159,264	\$ -	\$ 159,264	\$ 159,214
Legal fees	9,342	-	9,342	3,992
Late fees	3,275	-	3,275	2,900
Miscellaneous fees	100	-	100	275
Interest income	-	51	51	116
	<u>171,981</u>	<u>51</u>	<u>172,032</u>	<u>166,497</u>
Total revenues				
	171,981	51	172,032	166,497
<b>Expenses:</b>				
Repairs and maintenance:				
Water and irrigation	23,485	-	23,485	29,675
Lawn care and landscaping	19,850	-	19,850	19,850
Repairs and maintenance	11,222	-	11,222	49,332
Trash collection	6,528	-	6,528	6,106
Electricity	6,183	-	6,183	6,207
Snow removal	2,155	-	2,155	5,020
	<u>69,423</u>	<u>-</u>	<u>69,423</u>	<u>116,190</u>
Management and general				
General insurance	21,367	-	21,367	18,395
Bad debts	12,410	-	12,410	-
Property management fees	10,090	-	10,090	10,025
Legal fees	9,702	-	9,702	5,114
Copies and postage	489	-	489	830
Bank fees	100	-	100	200
Taxes and fees	15	-	15	15
Accounting fees	-	-	-	800
	<u>54,173</u>	<u>-</u>	<u>54,173</u>	<u>35,379</u>
Total expenses				
	123,596	-	123,596	151,569
<b>Excess of revenues over expenses</b>	48,385	51	48,436	14,928
<b>Interfund transfers</b>	(22,365)	22,365	-	-
<b>Fund balances at beginning of year</b>	104,283	30,884	135,167	120,239
<b>Fund balances at end of year</b>	<u>\$ 130,303</u>	<u>\$ 53,300</u>	<u>\$ 183,603</u>	<u>\$ 135,167</u>

See Independent Accountant's Review Report and Notes to Financial Statements

**Moss Creek Condominiums Council of Co-Owners, Inc.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2016**  
(with summarized comparative totals for year ended December 31, 2015)

	<b>2016</b>			<b>2015</b>
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Cash received from members	\$ 163,375	\$ -	\$ 163,375	\$ 139,043
Interest received	-	51	51	116
Cash paid to suppliers, vendors, and others	(127,553)	-	(127,553)	(149,539)
<b>Net cash provided by (used in) operating activities</b>	<u>35,822</u>	<u>51</u>	<u>35,873</u>	<u>(10,380)</u>
<b>Cash flows from financing activities:</b>				
Interfund transfers	(22,365)	22,365	-	-
<b>Net cash provided by (used in) financing activities</b>	<u>(22,365)</u>	<u>22,365</u>	<u>-</u>	<u>-</u>
<b>Net increase (decrease) in cash</b>	<u>13,457</u>	<u>22,416</u>	<u>35,873</u>	<u>(10,380)</u>
Cash at beginning of year	<u>54,870</u>	<u>30,884</u>	<u>85,754</u>	<u>96,134</u>
<b>Cash at end of year</b>	<u>\$ 68,327</u>	<u>\$ 53,300</u>	<u>\$ 121,627</u>	<u>\$ 85,754</u>
<b>Reconciliation of excess of revenues over expenses to net cash provided by (used in) operating activities:</b>				
Excess of revenues over expenses	\$ 48,385	\$ 51	\$ 48,436	\$ 14,928
Adjustments to reconcile excess of revenues over expenses to net cash provided by (used in) operating activities:				
Changes in assets and liabilities:				
(Increase) decrease in:				
Member assessments receivable	(1,379)	-	(1,379)	(23,116)
Member fees receivable:				
Late fees	(3,337)	-	(3,337)	200
Legal fees	(6,050)	-	(6,050)	(4,286)
Miscellaneous fees	-	-	-	154
Increase (decrease) in:				
Accounts payable	(3,957)	-	(3,957)	2,030
Member assessments received in advance	2,160	-	2,160	(290)
<b>Total adjustments</b>	<u>(12,563)</u>	<u>-</u>	<u>(12,563)</u>	<u>(25,308)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 35,822</u>	<u>\$ 51</u>	<u>\$ 35,873</u>	<u>\$ (10,380)</u>

**See Independent Accountant's Review Report and Notes to Financial Statements**

**Moss Creek Condominiums Council of Co-Owners, Inc.**  
**Notes to Financial Statements**  
**December 31, 2016**  
**(See Independent Accountant's Review Report)**

**Note A      Nature of Operations and Significant Accounting Policies**

**Nature of operations:**

Moss Creek Condominiums Council of Co-Owners, Inc., (the Council) is a statutory condominium association incorporated in the state of Kentucky in June 2007. The Council, through its officers and board of directors, is responsible for the operation and maintenance of the common property of the condominium complex and to provide for the harmonious use and occupation of the complex by the condominium owners/members. The complex consists of 64 residential units on approximately five acres in Louisville, Kentucky.

The Council uses a property management company to manage the daily operations of the complex and to provide accounting services.

**Significant Accounting Policies:**

**Fund Accounting**

The Council'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 Council maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds:

Operating fund: This fund is used to accumulate financial resources for the general operations of the Council. Disbursements from the fund are generally at the discretion of the board of directors and the property manager.

Replacement fund: This fund is used to accumulate financial resources designated for future major repairs and replacements.



**Moss Creek Condominiums Council of Co-Owners, Inc.**  
**Notes to Financial Statements**  
**December 31, 2016**  
**(See Independent Accountant's Review Report)**

**Member assessments**

Member assessments are determined by the board of directors and approved by the Council members. Assessments are paid monthly and provide funds for operating expenses and future capital acquisitions, major repairs, and replacements. Any excess assessments at the end of the year are retained by the Council for use in the succeeding year. The Council's policy is to retain legal counsel and place liens on the properties of the members whose assessments become 30 days past due. It is the opinion of the board of directors that the Council will ultimately prevail against members with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary. Should any past due assessments become uncollectible, the amounts are charged to bad debts expense.

The Council also has authority to assess late fees and other miscellaneous fees associated with the collection of member assessments.

**Property and equipment**

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Council's financial statements because those properties are owned by the individual unit owners in common and not by the Council. Any personal property is recorded at cost and depreciated using the straight-line method over the estimated useful life of the personal property.

**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 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.

**Cash and cash equivalents**

For purposes of the statements of cash flows, the Council considers certificates of deposit and all highly liquid financial instruments with an initial maturity of three months or less to be cash equivalents.

**Moss Creek Condominiums Council of Co-Owners, Inc.**  
**Notes to Financial Statements**  
**December 31, 2016**  
**(See Independent Accountant's Review Report)**

**Exemption from income taxes**

The Council qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528. Under Section 528, the Council is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of the Council's property.

Any net nonexempt function income, which includes earned interest and revenues received from nonmembers, is subject to taxation at a federal tax rate of 30%.

The Council believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Therefore, no provision for income taxes has been made in the financial statements.

The statute of limitations for the examination of tax returns is generally three years from the due date of the return, including extensions. At December 31, 2016, the Council's federal tax returns for 2016, 2015, 2014, and 2013 remained open to examination by the Internal Revenue Service.

**Note B      Concentrations**

The Council maintains checking accounts at a financial institution with headquarters in Miami Lakes, Florida. Deposits at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. During the normal course of business, deposits could exceed the insured amounts. There were no uninsured deposits at December 31, 2016.

**Moss Creek Condominiums Council of Co-Owners, Inc.**  
**Notes to Financial Statements**  
**December 31, 2016**  
**(See Independent Accountant's Review Report)**

**Note C      Future Major Repairs and Replacements**

The Council conducted a study in 2013 to determine the estimated remaining useful lives and estimated future replacement costs of the common property components. The Council has been accumulating funds for such future major repairs and replacement costs by allocating a portion of the monthly member assessments to the replacement fund. Actual future 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 Council has the right, subject to member approval, to increase regular assessments or levy special assessments.

**Note D      Prior-Year Summarized Comparative Information**

The financial statements include prior-year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Council's financial statements for the year ended December 31 of the prior year, from which the summarized comparative information was derived.

**Note E      Subsequent Events**

Management has evaluated subsequent events through July 24, 2018, which is the date the financial statements were available to be issued.