

Moss Creek Condominiums Council of Co-Owners, Inc.

Financial Statements

Year Ended December 31, 2017

Smith Financial Services, PLLC
Certified Public Accountant

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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, 2017 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 as a whole. 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 reviewed the Council's 2016 financial statements and, in our conclusion dated July 24, 2018 stated that based on our review, we were not aware of any material modifications that should be made to the 2016 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2016 for it to be consistent with the reviewed financial statements from which it has been derived.

Smith Financial Services, PLLC

Louisville, Kentucky
September 6, 2018

Moss Creek Condominiums Council of Co-Owners, Inc.
Balance Sheet
December 31, 2017
(with summarized comparative totals at December 31, 2016)

Assets	2017			2016
	Operating Fund	Replacement Fund	Total	Total
Cash	\$ 91,394	\$ 50,541	\$ 141,935	\$ 121,627
Member assessments receivable	26,631	-	26,631	43,735
Member fees receivable:				
Late fees	3,367	-	3,367	7,376
Legal fees	9,371	-	9,371	15,226
Miscellaneous fees	462	-	462	440
Total assets	<u>\$ 131,225</u>	<u>\$ 50,541</u>	<u>\$ 181,766</u>	<u>\$ 188,404</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 2,150	\$ -	\$ 2,150	\$ 360
Member assessments received in advance	2,309	-	2,309	4,441
Total liabilities	<u>4,459</u>	<u>-</u>	<u>4,459</u>	<u>4,801</u>
Fund Balances	<u>126,766</u>	<u>50,541</u>	<u>177,307</u>	<u>183,603</u>
Total liabilities and fund balances	<u>\$ 131,225</u>	<u>\$ 50,541</u>	<u>\$ 181,766</u>	<u>\$ 188,404</u>

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, 2017
(with summarized comparative totals for year ended December 31, 2016)

	2017			2016
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Total</u>
Revenues:				
Member assessments and fees:				
Assessments	\$ 159,264	\$ -	\$ 159,264	\$ 159,264
Legal fees	4,665	-	4,665	9,342
Late fees	2,625	-	2,625	3,275
Miscellaneous fees	612	-	612	100
Interest income	-	116	116	51
	<u>167,166</u>	<u>116</u>	<u>167,282</u>	<u>172,032</u>
Total revenues				
Expenses:				
Repairs and maintenance:				
Repairs and maintenance	9,826	32,762	42,588	11,222
Water and irrigation	29,292	-	29,292	23,485
Lawn care and landscaping	19,930	-	19,930	19,850
Trash collection	6,528	-	6,528	6,528
Electricity	4,773	-	4,773	6,183
Snow removal	-	-	-	2,155
	<u>70,349</u>	<u>32,762</u>	<u>103,111</u>	<u>69,423</u>
Management and general				
Uncollectible assessments	35,006	-	35,006	12,410
General insurance	18,930	-	18,930	21,367
Property management fees	10,332	-	10,332	10,090
Legal fees	4,308	-	4,308	9,702
Accounting fees	1,000	-	1,000	-
Office	801	-	801	489
Bank fees	75	-	75	100
Taxes and fees	15	-	15	15
	<u>70,467</u>	<u>-</u>	<u>70,467</u>	<u>54,173</u>
Total expenses	<u>140,816</u>	<u>32,762</u>	<u>173,578</u>	<u>123,596</u>
Excess (deficit) of revenues over expenses	26,350	(32,646)	(6,296)	48,436
Interfund transfers	(29,887)	29,887	-	-
Fund balances at beginning of year	130,303	53,300	183,603	135,167
Fund balances at end of year	\$ 126,766	\$ 50,541	\$ 177,307	\$ 183,603

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, 2017
(with summarized comparative totals for year ended December 31, 2016)

	2017			2016
	Operating Fund	Replacement Fund	Total	Total
Cash flows from operating activities:				
Cash received from members	\$ 191,980	\$ -	\$ 191,980	\$ 163,375
Interest received	-	116	116	51
Cash paid to suppliers, vendors, and others	(139,026)	(32,762)	(171,788)	(127,553)
Net cash provided by (used in) operating activities	52,954	(32,646)	20,308	35,873
Cash flows from financing activities:				
Interfund transfers	(29,887)	29,887	-	-
Net cash provided by (used in) financing activities	(29,887)	29,887	-	-
Net increase (decrease) in cash	23,067	(2,759)	20,308	35,873
Cash at beginning of year	68,327	53,300	121,627	85,754
Cash at end of year	\$ 91,394	\$ 50,541	\$ 141,935	\$ 121,627
Reconciliation of excess (deficit) of revenues over expenses to net cash provided by (used in) operating activities:				
Excess (deficit) of revenues over expenses	\$ 26,350	\$ (32,646)	\$ (6,296)	\$ 48,436
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided by (used in) operating activities:				
Changes in assets and liabilities:				
(Increase) decrease in:				
Member assessments receivable	17,104	-	17,104	(1,379)
Member fees receivable:				
Late fees	4,009	-	4,009	(3,337)
Legal fees	5,855	-	5,855	(6,050)
Miscellaneous fees	(22)	-	(22)	-
Increase (decrease) in:				
Accounts payable	1,790	-	1,790	(3,957)
Member assessments received in advance	(2,132)	-	(2,132)	2,160
Total adjustments	26,604	-	26,604	(12,563)
Net cash provided by (used in) operating activities	\$ 52,954	\$ (32,646)	\$ 20,308	\$ 35,873

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, 2017
(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
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(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 uncollectible assessments 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, 2017
(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 that section, 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%.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Council and recognize a tax liability if the Council has taken an uncertain position that, more likely than not, would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Council and has concluded that as of December 31, 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

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, 2017.

Approximately 96% of the member assessments receivable balance at December 31, 2017 is over 30 days past due. Five members comprise approximately 93% of the receivable balance at December 31, 2017.

Moss Creek Condominiums Council of Co-Owners, Inc.
Notes to Financial Statements
December 31, 2017
(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 September 6, 2018, which is the date the financial statements were available to be issued.