

REPORT OF:

Spencer's Crest Condominium Association

December 31, 2015 and 2014

Howe & Associates, PC
Columbia, Missouri

Spencer's Crest Condominium Association
Audited Financial Statements
For the Years Ended December 31, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

To the Members of
Spencer's Crest Condominium Association

We have audited the accompanying financial statements of Spencer's Crest Condominium Association, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in fund balances and cash flows for the years 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 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 Spencer's Crest Condominium Association as of December 31, 2015 and 2014, and the changes in fund balances and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Howe & Associates PC.

Howe & Associates, PC
Columbia, Missouri
July 29, 2016

Spencer's Crest Condominium Association
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	12/31/2015			12/31/2014
	Operating Fund	Replacement Fund	Total	Total
ASSETS				
Cash-Operating	\$ 86,227	\$ 184,820	\$ 271,047	\$ 225,294
Assessment & Late Fees Receivables	9,388	-	9,388	9,468
TOTAL ASSETS	<u>\$ 95,615</u>	<u>\$ 184,820</u>	<u>\$ 280,435</u>	<u>\$ 234,762</u>
LIABILITIES				
Accounts Payable	\$ 7,690	\$ -	\$ 7,690	\$ 1,865
Deferred Assessment Revenue	8,227	-	8,227	11,113
Satellite Dish Deposits	700	-	700	650
TOTAL LIABILITIES	<u>16,617</u>	<u>-</u>	<u>16,617</u>	<u>13,628</u>
FUND BALANCES				
Fund Balances	23,871	197,263	221,134	184,603
Revenue over Expenses and Transfers	55,127	(12,443)	42,684	36,531
TOTAL FUND BALANCES	<u>78,998</u>	<u>184,820</u>	<u>263,818</u>	<u>221,134</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 95,615</u>	<u>\$ 184,820</u>	<u>\$ 280,435</u>	<u>\$ 234,762</u>

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

Spencer's Crest Condominium Association
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
For the Years Ended December 31, 2015 and 2014

	2015			2014
	Operating Fund	Replacement Fund	Total	Total
REVENUE				
Monthly Assessment	\$ 225,824	\$ 70,000	\$ 295,824	\$ 265,348
Fines & Late Fees	2,754	-	2,754	3,414
Interest Income	69	707	776	774
Miscellaneous	4,275	-	4,275	2,649
TOTAL REVENUE	\$ 232,922	\$ 70,707	\$ 303,629	\$ 272,185
EXPENSES				
ADMINISTRATIVE EXPENSES				
Audit & Tax Preparation	\$ 195	\$ -	\$ 195	\$ 1,293
Insurance	60,514	-	60,514	44,988
Legal	4,571	-	4,571	2,820
Management	26,000	-	26,000	25,500
Office Expense	3,135	-	3,135	2,397
TOTAL ADMINISTRATIVE EXPENSES	94,415	-	94,415	77,637
OPERATING EXPENSES				
Building Maintenance & Repair	36,614	-	36,614	28,511
Grounds	60,505	-	60,505	59,041
Utilities	36,261	-	36,261	29,055
TOTAL OPERATING EXPENSES	133,380	-	133,380	116,607
RESERVE EXPENSES				
Reserve-Maintenance	-	33,150	33,150	41,410
TOTAL RESERVE EXPENSES	-	33,150	33,150	41,410
TOTAL EXPENSES	\$ 227,795	\$ 33,150	\$ 260,945	\$ 235,654
REVENUE OVER EXPENSES	\$ 5,127	\$ 37,557	\$ 42,684	\$ 36,531
BEGINNING FUND BALANCE	23,871	197,263	221,134	184,603
Transfers from/to Reserve Funds	50,000	(50,000)	-	-
ENDING FUND BALANCE	\$ 78,998	\$ 184,820	\$ 263,818	\$ 221,134

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

Spencer's Crest Condominium Association
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014

	2015			2014
	Operational Fund	Reserve Fund	Total	Total
Increase/Decrease in Cash and Cash Equivalents				
Cash flows from Operating Activities:				
Excess Revenue Over Expenses (Loss)	\$ 5,127	\$ 37,557	\$ 42,684	\$ 36,531
Adjustments to reconcile net income to net cash provided by operating activities:				
(Increase)/Decrease in Receivables	80	-	80	3,100
Increase/(Decrease) in Payables	5,825	-	5,825	(3,160)
Increase/(Decrease) in Deferred Assessments	(2,886)	-	(2,886)	(1,152)
Increase/(Decrease) in Satellite Deposits	50	-	50	200
Transfers to/from Reserve Fund	50,000	(50,000)	-	200
Total Adjustments	<u>53,069</u>	<u>(50,000)</u>	<u>3,019</u>	<u>(1,212)</u>
Net Cash (Used)/Provided by Operating Activities	58,196	(12,443)	45,753	35,519
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>58,196</u>	<u>(12,443)</u>	<u>45,753</u>	<u>35,519</u>
Operating Cash at the Beginning of the Year	28,031	197,263	225,294	189,775
Operating Cash at the End of the Year	<u><u>\$ 86,227</u></u>	<u><u>\$ 184,820</u></u>	<u><u>\$ 271,047</u></u>	<u><u>\$ 225,294</u></u>

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

Spencer's Crest Condominium Association
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

1. Organization

The Spencer's Crest Condominium Association is a statutory condominium association organized under the laws of the State of Missouri in January 1997 as a not-for-profit association. The property owners pay a monthly assessment for the purposes of maintaining and preserving the common property of the Spencer's Crest condominium. The Spencer's Crest condominium consists of 216 residential units located in the county of Boone, Missouri.

2. Summary of Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Pervasiveness of 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 as of 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.

Basis of Accounting

The Association uses fund accounting, which requires that funds, such as operating funds, deferred maintenance funds and funds designated for future major repairs and replacements be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the replacement fund generally may be made only for designated purposes.

The Association's financial statements are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Recognition of Assets and Depreciation Policy

The Association currently owns no fixed assets. The land is leased from the developer with no cost borne by the Association; as a result, the value of the land is not recorded in the financial statements. If fixed assets were obtained, they would be recorded at cost if purchased or fair market value if acquired by gift. Depreciation would be computed over its estimated useful life using the straight-line method of depreciation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking account. Management believes the Association is not exposed to any significant credit risk on cash and cash equivalents.

Restricted Cash

The Association maintains a separate business money market account for restricted purposes. A portion of monthly assessments, which is based on the yearly approved budget, are transferred to the restricted money market account. The reserve account is only used for long-term maintenance repairs versus minor general repairs. The Board of Directors approves all expenses from the restricted account on an as needed basis throughout the year.

Spencer's Crest Condominium Association
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

Interest Income

The Association maintains all interest earned in the reserve fund.

Management Fees

In accordance with the board's authorization, the association employed Community Association Management, LLC effective August 1, 2009. Community Association Management handles all the day-to-day affairs of the property which includes all maintenance and bookkeeping duties. Community Association Management is not a related party to the association.

Subsequent Events

Subsequent events have been evaluated through July 29, 2016, which is the date the financial statements were available to be issued.

3. Owner's Assessments

Monthly assessments to owners were \$99 for two bedroom units and \$118 for three bedroom units in 2015 and \$89 and \$106 in 2014. The amount of assessments collected that were designated to the reserve fund was determined in the budget. In 2015 and 2014, \$5,833 was transferred monthly from the general assessments to the reserve fund.

The annual budget and assessments of owners are determined by the board of directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

4. Future Major Repairs and Replacements

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for expenditures for normal operations.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. 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 to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available.

5. Federal and State Taxes

The Association elects to file as a homeowners' association in accordance with the Internal Revenue Service (IRS) Code Section 528, using form 1120-H. Under that section, the Association excludes from taxation exempt function income, which generally consists of revenue from uniform assessments to owners. In 2015 and 2014, the Association's investment income was subject to tax.

Spencer's Crest Condominium Association
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

6. Delinquent Assessments

The Association's policy is to initiate a \$15 late fee on homeowners who do not pay by the tenth of the month. In addition to late fess, delinquent assessments accrue interest at 12% after ninety days. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent.