

**NORTH FORK
PROPERTY OWNERS' ASSOCIATION, INC.**

**FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.
TABLE OF CONTENTS

| | <u>Pages</u> |
|--|--------------|
| INDEPENDENT ACCOUNTANT'S REVIEW REPORT | 2 - 3 |
| FINANCIAL STATEMENTS | |
| Balance Sheet | 4 |
| Statement of Revenues, Expenses and Changes in Fund Balances | 5 |
| Statement of Cash Flows | 6 - 7 |
| Notes to Financial Statements | 8 - 11 |
| ADDITIONAL INFORMATION | |
| Schedule of Operating Fund Revenues and Expenses - Budget and Actual | 13 - 14 |
| SUPPLEMENTARY INFORMATION | |
| Supplementary Information on Future Major Repairs and Replacements | 16 |

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members of
North Fork Property Owners' Association, Inc.

We have reviewed the accompanying balance sheet of North Fork Property Owners' Association, Inc. as of December 31, 2017, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association 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 the 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 (AICPA). 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 on the Financial Statements

Based on our review, we are not aware of any material modification 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.

Our review was made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The additional information contained in the schedule of operating fund revenues and expenses – budget and actual on pages 13 - 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information (except for the budget information, which was compiled without audit or review, from information that is the representation of management, on which we do not express an opinion or any other form of assurance) has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made to it.

Prior Year Financial Statements

The financial statements for the year ended December 31, 2016, were reviewed by us and our report thereon, dated June 12, 2017, stated we were not aware of any material modification that should be made to those financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 16 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 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. The information is the representation of management. We have compiled the supplementary information 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 (AICPA); however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.

FREDERICK DULAS, CPA, LLC
June 17, 2018

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.

Balance Sheet

as of December 31, 2017

(With Comparative Totals as of December 31, 2016)

| | 2017 | | | 2016 |
|--|-------------------|---------------------|-------------------|-------------------|
| | Operating Fund | Replacement Fund | Totals | Totals |
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 85,590 | \$ 400,916 | \$ 486,506 | \$ 344,067 |
| Investments | - | - | - | 167,864 |
| Assessments receivable | 2,093 | - | 2,093 | 2,205 |
| Prepaid insurance | 6,574 | - | 6,574 | 6,074 |
| Prepaid expenses | - | - | - | 1,106 |
| Prepaid income tax | 286 | - | 286 | 319 |
| Due (to)/from other fund | 5,225 | (5,225) | - | - |
| Total assets | \$ 99,768 | \$ 395,691 | \$ 495,459 | \$ 521,635 |
| LIABILITIES AND FUND BALANCES: | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 2,543 | \$ - | \$ 2,543 | \$ 5,958 |
| Prepaid assessments | 23,448 | - | 23,448 | 17,413 |
| Deferred revenue - cable TV rebate | 3,960 | - | 3,960 | 5,940 |
| Total liabilities | 29,951 | - | 29,951 | 29,311 |
| Fund balances: | | | | |
| Fund balances | 69,817 | 395,691 | 465,508 | 492,324 |
| Total fund balances | 69,817 | 395,691 | 465,508 | 492,324 |
| Total liabilities and fund balances | \$ 99,768 | \$ 395,691 | \$ 495,459 | \$ 521,635 |

See accompanying notes and independent accountant's review report.

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.

Statement of Revenues, Expenses and Changes in Fund Balances

for the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

| | 2017 | | | 2016 |
|--|------------------|-------------------|-------------------|-------------------|
| | Operating Fund | Replacement Fund | Totals | Totals |
| Revenues: | | | | |
| Member assessments | \$ 259,580 | \$ 63,900 | \$ 323,480 | \$ 317,524 |
| Interest income | 169 | 1,364 | 1,533 | 4,811 |
| Security assessments | 12,212 | - | 12,212 | 12,667 |
| Late fees | 37 | - | 37 | 506 |
| Owner late charge interest | 409 | - | 409 | 929 |
| Application fees | 150 | - | 150 | - |
| Miscellaneous income | 784 | - | 784 | 974 |
| Total revenues | 273,341 | 65,264 | 338,605 | 337,411 |
| Expenses: | | | | |
| Administrative | 41,121 | - | 41,121 | 42,918 |
| Maintenance services | 123,894 | - | 123,894 | 97,146 |
| Utilities | 107,949 | - | 107,949 | 104,962 |
| Income tax | - | - | - | 612 |
| Bad debt | - | - | - | 110 |
| Replacement Fund expenditures | - | 92,457 | 92,457 | 62,646 |
| Total expenses | 272,964 | 92,457 | 365,421 | 308,394 |
| Excess of revenues over (under) expenses | 377 | (27,193) | (26,816) | 29,017 |
| Fund balances, beginning of year | 69,440 | 422,884 | 492,324 | 463,307 |
| Fund balances, end of year | \$ 69,817 | \$ 395,691 | \$ 465,508 | \$ 492,324 |

See accompanying notes and independent accountant's review report.

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.

Statement of Cash Flows

for the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

| | 2017 | | | 2016 |
|---|------------------|-------------------|-------------------|-------------------|
| | Operating Fund | Replacement Fund | Totals | Totals |
| Cash flows provided by (used in) operating activities: | | | | |
| Member assessments collected | \$ 265,727 | \$ 63,900 | \$ 329,627 | \$ 319,448 |
| Interest received | 169 | 1,364 | 1,533 | 4,811 |
| Other income | 13,592 | - | 13,592 | 15,076 |
| Cash paid to suppliers for goods, services and major repairs and replacements | (277,720) | (92,457) | (370,177) | (305,628) |
| Interfund borrowing | (5,225) | 5,225 | - | - |
| Net cash provided by (used in) operating activities | (3,457) | (21,968) | (25,425) | 33,707 |
| Cash flows provided by (used in) investing activities: | | | | |
| Reinvestment of interest earnings | - | - | - | (3,916) |
| Redeem certificate of deposit | - | 167,864 | 167,864 | - |
| Net cash provided by (used in) investing activities | - | 167,864 | 167,864 | (3,916) |
| Net increase (decrease) in cash and cash equivalents | (3,457) | 145,896 | 142,439 | 29,791 |
| Cash and cash equivalents, beginning of year | 89,047 | 255,020 | 344,067 | 314,276 |
| Cash and cash equivalents, end of year | \$ 85,590 | \$ 400,916 | \$ 486,506 | \$ 344,067 |

(continued)

See accompanying notes and independent accountant's review report.

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.

Statement of Cash Flows (Continued)

for the Year Ended December 31, 2017

(With Comparative Totals for the Year Ended December 31, 2016)

| | 2017 | | | 2016 |
|---|-------------------|---------------------|--------------------|------------------|
| | Operating Fund | Replacement Fund | Totals | Totals |
| Reconciliation of excess of revenues over (under) expenses to net cash provided by (used in) operating activities: | | | | |
| Excess of revenues over (under) expenses | \$ 377 | \$ (27,193) | \$ (26,816) | \$ 29,017 |
| Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by (used in) operating activities: | | | | |
| Interfund borrowing | (5,225) | 5,225 | - | - |
| Changes in assets and liabilities: | | | | |
| Assessments receivable | 112 | - | 112 | 2,004 |
| Prepaid insurance | (500) | - | (500) | 652 |
| Prepaid expenses | 1,106 | - | 1,106 | (1,106) |
| Prepaid income tax | 33 | - | 33 | 112 |
| Accounts payable | (3,415) | - | (3,415) | 5,758 |
| Prepaid assessments | 6,035 | - | 6,035 | (80) |
| Deferred revenue - cable TV rebate | (1,980) | - | (1,980) | (1,980) |
| Social fund | - | - | - | (670) |
| Net cash provided by (used-in) operating activities | \$ (3,457) | \$ (21,968) | \$ (25,425) | \$ 33,707 |

See accompanying notes and independent accountant's review report.

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.

Notes to Financial Statements

December 31, 2017

NOTE 1: NATURE OF THE ORGANIZATION

North Fork Property Owners' Association, Inc. (the Association) was incorporated on January 5, 1990, under the laws of the State of Florida as a not-for-profit corporation for the purpose of administering and operating the common property located in Jupiter, Florida, in accordance with the terms of Florida Statute Chapter 720 and the provisions of the Declaration of Covenants and Restrictions. The Association consists of 95 residential lots on the East side and 37 residential lots on the West side, a total of 132 residential lots along with common property.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association prepares its financial statements on the accrual basis of accounting and presents them as separate funds in order to properly account for restrictions on expenses resulting from actions of the Board of Directors or the Association voting membership.

The Association utilizes the following fund types:

Operating Fund – reflects the operating assessments paid by lot owners to meet the regular, recurring costs of operation. Expenses in this fund are limited to those connected with the day-to-day operations.

Replacement Fund – records all capital assessments paid by lot owners to fund future replacements, major repairs, and purchases of additional commonly owned assets. Interest earned on the replacement fund is retained in the fund. Expenses from this fund are restricted to those items for which assessments are levied.

Cash and Cash Equivalents

For purposes of the balance sheet and statement of cash flows, the Association considers demand deposits with banks, certificates of deposit, money market funds and all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

The Association capitalizes all property and equipment to which it holds title or has other evidence of ownership. Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual lot owners in common and not by the Association. Property and equipment are depreciated over the estimated useful lives of the assets using the straight-line method.

Inter-fund Receivables and Payables

During the course of normal operations, the Association had transactions between funds. To the extent that certain transactions between funds have not been paid or received at December 31, 2017, balances of inter-fund amounts receivable or payable have been recorded.

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.

Notes to Financial Statements

December 31, 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Members Assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments are based upon the approved annual operating budget of expenses. Assessments are billed quarterly in advance and recognized as revenue when earned. The 2017 quarterly assessment was determined based upon the approved budget. Assessments receivable at the balance sheet date represent fees due from lot owners. The Association's policy is to retain legal counsel and place liens on the property of lot owners whose assessments are thirty days or more delinquent. The assessments receivable balance is \$2,093 at December 31, 2017.

Prepaid Assessments

Assessments paid by members in advance of the period to which they apply are included as prepaid assessments in the accompanying balance sheet.

Fair Value Measurement

Under FASB ASC 820, Fair Value Measurements and Disclosures (SFAS No. 157), fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Association has determined that there were no material differences between the carrying value and the fair value of its financial assets and liabilities at December 31, 2017, and therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2017.

NOTE 3: INCOME TAXES

Associations may elect to be taxed as regular corporations or as homeowners' associations. The Association elected to be taxed as a homeowners' association under Section 528 of the Internal Revenue Code for the year ended December 31, 2017. Under the election, the Association is taxed only on non-membership income, such as bank interest earnings, net of related expenses, at a federal corporate tax rate of thirty percent. Membership income is exempt from taxation. At December 31, 2017, the Association had no income tax expense.

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.

Notes to Financial Statements

December 31, 2017

NOTE 4: REPLACEMENT FUND

The Association has not established statutory Replacement Fund components, either from the developer at time of turn-over or by an affirmative vote of the membership. The Association accumulates funds for future major repairs and replacements based on a formal reserve study completed in 2012 under the Pooled method. These funds are held in separate interest bearing accounts and are generally not available for expenses for normal operations.

At December 31, 2017, \$400,916 was on deposit in accounts designated for future major repairs and replacements. The Board of Directors reviews the major components of common property on an annual basis, during the budgetary process, based on the study. If amounts accumulated in the Replacement Fund are not adequate, the Association has the right to increase regular assessments or pass special assessments. Amounts previously accumulated are considered in determining the annual funding requirement. The annual funding level for the components is \$79,464 according to the study. The Board of Directors included funding of \$63,900 in the 2018 budget.

THE BUDGET OF THE ASSOCIATION PROVIDES FOR LIMITED VOLUNTARY DEFERRED EXPENDITURE ACCOUNTS, INCLUDING CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE SUBJECT TO LIMITS ON FUNDING CONTAINED IN OUR DOCUMENTS. BECAUSE THE OWNERS HAVE NOT ELECTED TO PROVIDE FOR RESERVE ACCOUNTS PURSUANT TO SECTION 720.303(6), FLORIDA STATUTES, THESE FUNDS ARE NOT SUBJECT TO THE RESTRICTIONS ON USE OF SUCH FUNDS SET FORTH IN THAT STATUTE, NOR ARE RESERVES CALCULATED IN ACCORDANCE WITH THAT STATUTE.

The following table presents the activity of the significant components of common property:

| Component | Balance at January 1, 2017 | Additions | Deletions | Balance at December 31, 2017 |
|--------------------|---|------------------|------------------|---|
| Pooled Items: | | | | |
| General | | | \$ 88,732 | |
| Total pooled items | \$ 401,806 | \$ 61,260 | 88,732 | \$ 374,334 |
| West recreational | 21,078 | 4,004 | 3,725 | 21,357 |
| Total | \$ 422,884 | \$ 65,264 | \$ 92,457 | \$ 395,691 |

It is the Association's policy to accumulate interest earnings in the Pooled reserves and apportion the interest based on year end balances.

NOTE 5: CONCENTRATION OF CREDIT RISK

The Association maintains cash balances in three financial institutions located in Palm Beach County, Florida. Accounts are insured at each institution by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2017, the Association had no uninsured cash balances.

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.

Notes to Financial Statements

December 31, 2017

NOTE 6: OTHER COMMITMENTS

On January 1, 2015, the Association executed a five year Services Agreement (the Agreement) with Comcast of Florida/Georgia/Pennsylvania, L.P. to provide broadband services to the Association's premises, including, but not limited to, multi-channel video, high speed data, information and voice services (the Services). The Agreement was negotiated through a Consultant for a fixed fee plus a monthly payment based on the monthly cost for the Services for the duration of the Agreement. As an inducement to purchase the Services, the Association received an incentive rebate (the Rebate) in the amount of \$9,900. The Rebate will be recognized (netted against expense) annually in the amount of \$1,980 over the duration of the Agreement with the unamortized portion recorded as deferred revenue.

The expected payments under the terms of the Agreement are \$51 per unit/per month, or approximately \$80,784 per annum for the first year, plus applicable taxes and fees. Future annual increases shall not exceed 5% for the delivery of the Services. The Association paid \$99,405, net of the Consultant's fee and the Rebate, for the Services for the year ending December 31, 2017. The projected future annual costs for the delivery of the Services for the remaining term of the Agreement are as follows: 2018 - \$105,000; 2019 - \$110,000.

NOTE 7: DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 17, 2018, the date that the financial statements were available to be issued.

ADDITIONAL INFORMATION

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.
*Schedule of Operating Fund Revenues and Expenses - Budget and Actual
for the Year Ended December 31, 2017*

| | Budget (Compiled) | Actual | Variance Favorable (Unfavorable) |
|---|------------------------------|----------------|---|
| Revenues: | | | |
| Member assessments | \$ 259,714 | \$ 259,580 | \$ (134) |
| Other income | 12,400 | 13,761 | 1,361 |
| Total revenues | 272,114 | 273,341 | 1,227 |
| Expenses: | | | |
| Administrative: | | | |
| Legal/CPA fees | 5,000 | 7,391 | (2,391) |
| Management fees | 21,600 | 21,391 | 209 |
| Office supplies | 3,200 | 3,073 | 127 |
| Newsletter | 1,200 | 264 | 936 |
| Social | 1,200 | - | 1,200 |
| Insurance - D & O | 1,200 | 1,247 | (47) |
| Insurance - liability | 6,300 | 6,121 | 179 |
| Insurance - West Side amenities liability | 900 | 897 | 3 |
| Meeting facility | 900 | 737 | 163 |
| Total administrative | 41,500 | 41,121 | 379 |
| Maintenance services: | | | |
| Lawn maintenance | 47,544 | 47,544 | - |
| Landscape extras | 10,000 | 10,456 | (456) |
| Irrigation contract | 5,000 | 4,740 | 260 |
| Pressure washing | 4,700 | 4,450 | 250 |
| Holiday lighting | 6,000 | 5,742 | 258 |
| Repairs and maintenance | 2,000 | 1,025 | 975 |
| Tree trimming | 38,000 | 23,873 | 14,127 |
| Pool fountain maintenance | 1,200 | 1,000 | 200 |
| Pool fountain repairs | 750 | 735 | 15 |
| Irrigation repairs | 2,000 | 3,792 | (1,792) |
| Lighting repairs | 3,000 | 3,363 | (363) |
| Gate maintenance | 3,000 | 1,641 | 1,359 |
| Drain cleaning | 1,000 | - | 1,000 |

(continued)

See independent accountant's review report.

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.

*Schedule of Operating Fund Revenues and Expenses - Budget and Actual (Continued)
for the Year Ended December 31, 2017*

| | Budget (Compiled) | Actual | Variance Favorable (Unfavorable) |
|---|------------------------------|----------------|---|
| Maintenance services (continued): | | | |
| Lake fountain repairs | 1,000 | 905 | 95 |
| Lake fountain service | 1,020 | 1,020 | - |
| Security | 12,000 | 13,490 | (1,490) |
| West Side | 700 | 118 | 582 |
| Total maintenance services | 138,914 | 123,894 | 15,020 |
| Utilities: | | | |
| Electric | 8,500 | 6,344 | 2,156 |
| Moorings electric/water | 400 | 460 | (60) |
| Water | 400 | 299 | 101 |
| Telephone | 1,400 | 1,441 | (41) |
| Cable TV | 100,000 | 99,405 | 595 |
| Total utilities | 110,700 | 107,949 | 2,751 |
| Income tax | 500 | - | 500 |
| Bad debt | 500 | - | 500 |
| Total expenses | 292,114 | 272,964 | 19,150 |
| Excess of revenues over (under) expenses | \$ (20,000) | \$ 377 | \$ 20,377 |

See independent accountant's review report.

SUPPLEMENTARY INFORMATION

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.

Supplementary Information on Future Major Repairs and Replacements

(Compiled)

December 31, 2017

The Association has not established statutory Replacement fund components, either from the developer at time of turn-over or by an affirmative vote of the membership. The Association adopted the Pooled method for funding the components of common property in 2010 and transferred existing balances in the straight-line reserves into the Pool in September 2011. In 2012, the Association contracted for a formal reserve study by a professional engineering firm. The study recommended annual funding of \$79,464, apportioned as follows: East reserves at \$45,600, West reserves at \$21,864 and West recreational reserves at \$12,000.

The supplemental information in the table below for the estimated remaining useful lives and estimated future replacement cost of the components of common property is based on the reserve study.

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

| Component | Estimated Remaining Useful Life | Estimated Replacement Cost | Balance at December 31, 2017 | 2018 Budgeted Funding |
|--------------------------|--|-----------------------------------|-------------------------------------|------------------------------|
| Pooled items: | | | | |
| Drainage/water retention | 0 - 21 Years | \$ 161,328 | | |
| East/West common areas | 0 - 17 Years | 67,569 | | |
| Entrance area/security | 0 - 5 Years | 170,551 | | |
| Roadway/walkway areas | 0 - 5 Years | 717,345 | | |
| | | <u>1,116,793</u> | <u>\$ 374,334</u> | <u>\$ 60,000</u> |
| West recreational | 0 - 1 Year | <u>117,197</u> | <u>21,357</u> | <u>3,900</u> |
| Total | | <u>\$ 1,233,990</u> | <u>\$ 395,691</u> | <u>\$ 63,900</u> |

See independent accountant's review report.