

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.

(A Not-for-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2018

**FRIEDMAN, FELDMESSER & KARPELES, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANTS**

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FRIEDMAN, FELDMESSER & KARPELES CPA LLC

CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Directors
North Fork Property Owners' Association Inc.
Jupiter, Florida

We have reviewed the accompanying balance sheet of North Fork Property Owners' Association, Inc. as of December 31, 2018, and the related statements of revenues, expenses, and changes in fund balance 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 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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 conformity with accounting principles generally accepted in the United States of America.

The supplementary information about future repairs and replacements on page 10 is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have compiled the supplementary information from information that is the representation of management of North Fork Property Owners' Association, Inc., without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Friedman, Feldmesser & Karpeles, CPA, LLC
April 2, 2019

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.
(A Not-for-Profit Corporation)
BALANCE SHEET
DECEMBER 31, 2018

	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS			
Cash and cash equivalents	\$ 98,053	\$ 155,423	\$ 253,476
Assessments receivable	648	-	648
Accounts receivable - other	36	-	36
Prepaid insurance	6,439	-	6,439
Prepaid expense	9,284	-	9,284
	<u>114,461</u>	<u>155,423</u>	<u>269,884</u>
TOTAL ASSETS	<u>\$ 114,461</u>	<u>\$ 155,423</u>	<u>\$ 269,884</u>
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Accounts payable and accrued expenses	\$ 1,750	\$ 5,792	\$ 7,542
Deferred revenue - cable incentive	1,980	-	1,980
Prepaid maintenance assessments	19,836	-	19,836
	<u>23,566</u>	<u>5,792</u>	<u>29,358</u>
TOTAL LIABILITIES	<u>23,566</u>	<u>5,792</u>	<u>29,358</u>
MEMBERS' EQUITY			
Fund balances	<u>90,895</u>	<u>149,631</u>	<u>240,526</u>
MEMBERS' EQUITY	<u>90,895</u>	<u>149,631</u>	<u>240,526</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 114,461</u>	<u>\$ 155,423</u>	<u>\$ 269,884</u>

The accompanying notes are an integral part of these statements.

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.
(A Not-for-Profit Corporation)
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES			
Maintenance assessments	\$ 159,184	\$ 63,900	\$ 223,084
Cable income	105,000	-	105,000
Security income	11,108	-	11,108
Application fees	1,050	-	1,050
Owner interest	372	-	372
Interest income	353	1,340	1,693
Other income	3,102	-	3,102
	<u>280,169</u>	<u>65,240</u>	<u>345,409</u>
Total Revenues			
EXPENSES			
Application fees	250	-	250
Cable	104,476	-	104,476
Electricity	6,994	-	6,994
Fees to state	61	-	61
Gate maintenance	891	-	891
Gate opener expense	1,379	-	1,379
General repairs and maintenance	1,030	-	1,030
Holiday lights	3,440	-	3,440
Insurance - D&O	1,458	-	1,458
Insurance - Liab - West Amenities	817	-	817
Insurance - Liability	6,638	-	6,638
Irrigation contract	3,725	-	3,725
Irrigation repairs	3,593	-	3,593
Lake fountain repairs	75	-	75
Lake fountain service (quarterly)	1,020	-	1,020
Landscape extras	11,879	-	11,879
Lawn maintenance	47,544	-	47,544
Lighting repairs	3,214	-	3,214
Management fee	20,592	-	20,592
Meeting facility	286	-	286
Moorings Electric/ Water	477	-	477
Newsletter/ communications	918	-	918
Office supplies	2,605	-	2,605
Pool fountain maintenance	1,108	-	1,108
Pool fountain repairs	495	-	495
Pressure cleaning	2,936	-	2,936
Professional fees	6,546	-	6,546
Property loss	690	-	690
Security expense	10,851	-	10,851
Social expenses	3,496	-	3,496
Telephone	1,703	-	1,703
Tree trimming	6,371	-	6,371
Water	312	-	312
West side - Repairs and maintenance	1,224	-	1,224
Replacement fund expenses	-	311,300	311,300
	<u>259,091</u>	<u>311,300</u>	<u>570,391</u>
Total Expenses			
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	21,078	(246,060)	(224,982)
BEGINNING FUND BALANCES	<u>69,817</u>	<u>395,691</u>	<u>465,508</u>
ENDING FUND BALANCES	<u>\$ 90,895</u>	<u>\$ 149,631</u>	<u>\$ 240,526</u>

The accompanying notes are an integral part of these statements.

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.
(A Not-for-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	OPERATING FUND	REPLACEMENT FUND	TOTAL
OPERATING ACTIVITIES:			
Maintenance assessments collected	\$ 157,017	\$ 63,900	\$ 220,917
Cable income	105,000	-	105,000
Security income	11,108	-	11,108
Application fees	1,050	-	1,050
Owner interest	372	-	372
Interest income	353	1,340	1,693
Other income	3,102	-	3,102
Cash paid to suppliers of goods and services	(270,764)	(305,508)	(576,272)
NET CASH (USED) BY OPERATING ACTIVITIES	7,238	(240,268)	(233,030)
FINANCING ACTIVITIES			
Interfund transfer	5,225	(5,225)	-
NET CASH PROVIDED BY (USED) FINANCING ACTIVITIES	5,225	(5,225)	-
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	12,463	(245,493)	(233,030)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	85,590	400,916	486,506
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 98,053	\$ 155,423	\$ 253,476
RECONCILIATION OF EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Excess of revenues over expenditures	\$ 21,078	\$ (246,060)	\$ (224,982)
(INCREASE) DECREASE IN:			
Assessments receivable	1,445	-	1,445
Accounts receivable - other	(36)	-	(36)
Prepaid insurance	135	-	135
Prepaid expense	(9,284)	-	(9,284)
Prepaid income tax	286	-	286
INCREASE (DECREASE) IN:			
Accounts payable and accrued expenses	(794)	5,792	4,998
Deferred revenue - cable incentive	(1,980)	-	(1,980)
Prepaid maintenance assessments	(3,612)	-	(3,612)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 7,238	\$ (240,268)	\$ (233,030)

The accompanying notes are an integral part of these statements.

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – ORGANIZATION

North Fork Property Owners' Association, Inc. ("The Association") a Florida not-for-profit corporation, was incorporated in January 5, 1990, for the purpose of operating as a Homeowners' Association in Jupiter, Florida. 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 in controlling, regulating, managing, maintaining and conserving the common areas of the community as described in the Declaration of Covenants, Conditions and Restrictions and as recorded in the Articles of Incorporation and By-Laws. All policy decisions are formulated by the Board of Directors.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of North Fork Property Owners' Association, Inc. is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied to the preparation of the financial statements.

Basis of Accounting

The accompanying financial statements include the assets, liabilities, fund balances, revenues, and expenses as determined using the accrual basis of accounting.

Funds

The Association is a not-for-profit organization which employs the fund method of accounting in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors, the Association voting membership, or applicable Florida Statute. The financial statements segregate the accounting for such funds as either Operating or Replacement Funds. At the end of the year, excess funds are retained by the fund generating such excess during the year.

The Operating Fund is used to account for financial resources available for the general operating of the Association. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors and the Association's manager.

The Replacement Fund is generally used to account for assessments made for major repairs and replacements of common property, and related expenses. Disbursements from the Replacement Fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association membership. Interest income allocated to the Replacement Fund is maintained as a separate component of reserves.

Cash and Cash Equivalents

The Association considers all highly liquid financial instruments with maturity of 90 days or less at the time of issuance, to be cash equivalents. For presentation purposes, cash and cash equivalents is comprised of a checking account and interest bearing checking accounts.

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Prepaid Insurance

Insurance premiums are expensed, prorata, over the coverage periods. Premiums representing coverage subsequent to the end of the year are recorded as prepaid expense.

Capitalization Policy and Depreciation

Ownership of the commonly owned assets is vested directly or indirectly in the unit owners and these assets are not deemed to be severable. Disposition of real and personal common property by the Association's Board of Directors is restricted. As a result, commonly owned assets are not capitalized in the Association's financial statements.

Revenue Recognition

Regular assessments to members are recognized as revenue during the period for which they are assessed. Assessments received in advance of this period are reported as prepaid assessments on the balance sheet.

Maintenance Assessments

Each homeowner is assessed a quarterly maintenance fee as determined by the Board of Directors based on an annual budget. The maintenance assessments shall be used for payment of the operation, maintenance, and management of the Association and the common property. A portion of the monthly maintenance assessments are collected on behalf of and remitted to the Master Property Owner Association. Additionally, the Association has the authority and power to levy and collect special assessments as determined by the Board of Directors and unit owners. The Association's policy is to retain legal counsel and place liens on units of members whose assessments are delinquent, which can be exercised through foreclosure proceedings. A reserve for doubtful accounts is established for delinquent accounts that still appear to be uncollectible after exhausting the aforementioned measures. Any excess assessments at year-end are retained by the Association for use in the following year.

Interest earned

The Association's policy is to allocate interest earned to the fund that holds the bank account.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Taxes

The Association may elect, on an annual basis to file its Federal income tax return as a homeowners' association, or as a corporation. Homeowners' associations pay tax only on non-exempt income, such as interest and other non pro-rata revenues less any related expenses. The Association has elected to file its 2018 federal income tax return on federal form 1120H under Section 528.

The Association follows the reporting and disclosure guidance for uncertainty in income taxes as defined in FASB ASC 740. The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statement when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. As of December 31, 2018, the Association had no uncertain tax positions that qualify for recognition or disclosure in the financial statements. Generally, the Internal Revenue Service may review the returns for the past three years.

Subsequent Events

The subsequent events have been evaluated through April 2, 2019, the date the financial statements were available to be issued.

NOTE 3 – 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, 2018, the Association had no uninsured cash balances.

NOTE 4 – DEFERRED CABLE REVENUE

On January 1, 2015, the Association executed a five year service agreement with a cable provider for broadband services to the Association. As an incentive to purchase the services, the Association received an incentive rebate in the amount of \$9,900. The rebate is being recognized annually in the amount of \$1,980 over the duration of the cable agreement with the unamortized portion recorded as deferred revenue. The amount recognized as revenue each year will be netted against the expense.

**NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 – FUTURE MAJOR REPAIR AND REPLACEMENT FUNDS

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 capital improvements and major repairs and replacements. The funds are being accumulated in separate interest-bearing accounts based on estimates of future needs for repairs and replacements of common property components as determined by the Board of Directors and are generally not available for normal operations. In 2012, the Association conducted an independent reserve study to estimate the remaining useful lives and replacement costs of the components and received a comprehensive report thereon to be effective from January 1, 2013 forward, based on the cash flow (pooling) method. An update to this study was done in 2018. 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.

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 GOVERNING 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.

Replacement Fund balances at December 31, 2018, consist of the following:

	BEGINNING BALANCE 1/1/2018	INTEREST / ASSESSMENTS	EXPENSES	ENDING BALANCE 12/31/2018
General - Pooled	\$ 374,334	\$ 61,304	\$ (298,928)	\$ 136,710
West recreational	21,357	3,936	(12,372)	12,921
	<u>\$ 395,691</u>	<u>\$ 65,240</u>	<u>\$ (311,300)</u>	<u>\$ 149,631</u>

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

The 2019 approved budget provides for funding of the Replacement Fund in the amount of \$63,600 for the Pooled component and \$3,900 for the West Recreation component.

NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 – COMMITMENTS AND CONTINGENCIES

The Association contracts annually with a property management company (the Manager) to provide management, administrative and accounting services. In 2018, the Association paid approximately \$20,592, for management fees. The agreement expires each year on December 1 and is automatically renewed from year to year, unless terminated or cancelled within 30 days written notice by either the Manager or the Association at any time with or without cause.

On January 1, 2015, the Association executed a five (5) year service agreement with a cable provider for broadband services to the Association, including, but not limited to; multi-channel video, high speed data, information and voice services. The agreement was negotiated through a consultant for a fixed fee plus a monthly payment based on the monthly cost for services, for the duration of the agreement. The initial payment under the terms of the agreement was \$51 per unit/per month, plus applicable taxes and fees. Future annual increases shall not exceed 5%. The Association paid \$104,476, net of the consultant's fee and the rebate, for the services for the year ending December 31, 2018.

In addition, the Association has various other contract services to maintain the common property, including lawn maintenance, pool maintenance and irrigation maintenance. These contracts have different expiration dates and renewal terms.

SUPPLEMENTARY INFORMATION

**NORTH FORK PROPERTY OWNERS' ASSOCIATION, INC.
SCHEDULE OF FUTURE REPAIRS AND REPLACEMENTS
DECEMBER 31, 2018**

The Association has not established statutory replacement fund components, either from the developer at the 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. An update to this study was done in 2018. The reserve study update recommended annual funding of \$63,600 for the Pooled component (\$39,600 for the East common area and \$24,000 for the West common area) and \$6,000 for the West Recreational component.

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 2018 reserve study update.

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

	Estimated Remaining Useful Lives at <u>12/31/2018</u>	Estimated Future Replacement Costs	Replacement Fund Balance <u>12/31/2018</u>	Funding per Approved 2019 Budget
Pooled Items:				
Drainage/ water retention	1 - 20	\$ 138,602		
East/ West common areas	1 - 16	53,087		
Entrance area/ security	3 - 26	439,861		
Roadway/ walkway areas	3 - 19	582,798		
		<u>\$ 1,214,348</u>	<u>\$ 136,710</u>	<u>\$ 63,600</u>
West recreational	1 - 30	111,082	12,921	3,900
Total		<u>\$ 1,325,430</u>	<u>\$ 149,631</u>	<u>\$ 67,500</u>

Per the 2018 reserve study, reserve contributions are recommended for a one percent (1%) annual increase each year following 2019 in order to offset reserve item cost increases relating to inflation.

See accountants' review report and accompanying footnotes