

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015



SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of Sunrise Lakes
Phase 4 Recreation Association, Inc.
Sunrise, FL

I have audited the accompanying financial statements of Sunrise Lakes Phase 4 Recreation Association, Inc., which comprise the balance sheet as of December 31, 2015, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunrise Lakes Phase 4 Recreation Association, Inc. as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Matter

Management has omitted information on future major repairs and replacements 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 a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Guy Strum, P.A.

Guy Strum, P.A.
Plantation, FL
February 26, 2016

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2015

	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS			
Cash, including \$25,731 held for deposits	\$ 319,275	\$ -	\$ 319,275
Assessments receivable, net of allowance for doubtful accounts of \$102,736	25,495	-	25,495
Special assessment receivable	13,125	-	13,125
Prepaid expenses	187,064	-	187,064
Land	400,000	-	400,000
Utility deposits	1,090	-	1,090
	\$ 946,049	\$ -	\$ 946,049
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued expenses	\$ 15,397	\$ -	\$ 15,397
Maintenance assessments received in advance	106,237	-	106,237
Special assessment received in advance	775	-	775
Deferred special assessment	14,800	-	14,800
Escrow deposits	25,731	-	25,731
	162,940	-	162,940
Fund balances	783,109	-	783,109
	\$ 946,049	\$ -	\$ 946,049

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES:			
Assessments	\$ 426,048	\$ -	\$ 426,048
Special Assessment	112,000	-	112,000
Interest income	80	-	80
Other income	13,645	-	13,645
	551,773	-	551,773
EXPENSES:			
Administrative	15,913	-	15,913
Bad debt	71,600	-	71,600
Collection fees	34,236	-	34,236
Flow meters	49,729	-	49,729
Golf course maintenance	164,048	-	164,048
High holiday expenses	4,700	-	4,700
Insurance	30,661	-	30,661
Lake maintenance	20,616	-	20,616
Payroll and related costs	38,512	-	38,512
Professional fees	69,125	-	69,125
Special assessment - golf course irrigation system	112,000	-	112,000
	611,140	-	611,140
DEFICIT OF REVENUES OVER EXPENSES	(59,367)	-	(59,367)
FUND BALANCES - JANUARY 1, 2015	842,476	-	842,476
FUND BALANCES - DECEMBER 31, 2015	\$ 783,109	\$ -	\$ 783,109

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

	OPERATING FUND	REPLACEMENT FUND	TOTAL
Cash Flows from Operating Activities:			
Assessments collected	\$ 467,380	\$ -	\$ 467,380
Special assessment collected	114,450	-	114,450
Interest income received	80	-	80
Other receipts	13,645	-	13,645
Cash paid for operating expenses	(505,603)	-	(505,603)
Cash paid for employees and related costs	(38,512)	-	(38,512)
Net Cash Provided by Operating Activities	<u>51,440</u>	<u>-</u>	<u>51,440</u>
Cash Flows from Investing Activities:			
Escrow deposits	<u>14,683</u>	<u>-</u>	<u>14,683</u>
Net Cash Provided by Investing Activities	<u>14,683</u>	<u>-</u>	<u>14,683</u>
Net Increase in Cash	66,123	-	66,123
Cash - January 1, 2015	<u>253,152</u>	<u>-</u>	<u>253,152</u>
Cash - December 31, 2015	<u>\$ 319,275</u>	<u>\$ -</u>	<u>\$ 319,275</u>
Reconciliation of Deficit of Revenues over Expenses to Net Cash Used by Operating Activities			
Deficit of Revenues over Expenses	<u>\$ (59,367)</u>	<u>\$ -</u>	<u>\$ (59,367)</u>
Adjustments to Reconcile Deficit of Revenues over Expenses to Net Cash Used by Operating Activities:			
Bad debt	71,600	-	71,600
(Increase) Decrease in Assets:			
Assessments receivable	32,395	-	32,395
Special assessment receivable	(13,125)	-	(13,125)
Prepaid expenses	(15,314)	-	(15,314)
Increase (Decrease) in Liabilities:			
Accounts payable and accrued expenses	10,739	-	10,739
Maintenance assessments received in advance	8,937	-	8,937
Special assessment received in advance	775	-	775
Deferred special assessment	<u>14,800</u>	<u>-</u>	<u>14,800</u>
Total Adjustments	<u>110,807</u>	<u>-</u>	<u>110,807</u>
Net Cash Provided by Operating Activities	<u>\$ 51,440</u>	<u>\$ -</u>	<u>\$ 51,440</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE A - ORGANIZATION

Sunrise Lakes Phase 4 Recreation Association, Inc. (the Association) is a statutory condominium association incorporated in the State of Florida on December 20, 1979. The Association, located in Sunrise, Florida, consists of 2,536 unit owners who are also members of one of the three Associations forming Sunrise Lakes Phase 4. The Association is responsible for the operation and maintenance of the golf course.

Effective March 31, 1995, the members of Sunrise Lakes Phase 4 voted to form the Sunrise Lakes Phase 4 Recreation District (the District) to continue all of the functions of the Association except for the golf course and its facilities (See Note F). The golf course continues to function as part of the Association.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association uses fund accounting, which requires that funds, such as operating 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.

Interest Earned

The Board's policy is to allocate to the applicable fund interest earned on cash accounts. Interest is allocated to the components of the replacement fund based on their respective ending balances.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and fees payable to the District.

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

In 2015, the Association elected to file as a homeowners' association in accordance with Internal Revenue Service Code section 528. Under that section, the Association excludes from taxation exempt function income, which generally consists of revenue from assessments to owners. The Association's investment income and other nonexempt income are subject to tax, net of any applicable expenses. There was no resulting tax liability.

Property, Land and Equipment

The Association capitalizes all property, land and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. Property and equipment, if any, acquired by the Association are recorded at cost and property contributed to the Association by the developer, if any, is recorded at estimated fair value at the date of contribution.

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.

Cash and Cash Equivalents

For purposes of these financial statements, the Association considers demand deposit accounts, savings accounts and certificate of deposits to be cash equivalents.

Comprehensive Income

ASC 220 (formerly SFAS No. 130) requires "a full set of general-purpose financial statements to be expanded to include the reporting of comprehensive income." Comprehensive income is comprised of two components, net income and other comprehensive income. For the year ended December 31, 2015, there were no items that qualify as comprehensive income.

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The carrying amounts of the Association's financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and long-term debt, approximate their fair values due to their short-term maturities.

Accounting for Uncertainty in Income Taxes

A loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

Under federal and state income tax laws, an entity's income tax returns are subject to examination by the applicable taxing authorities. The time period during which a return may be selected by a taxing authority for examination generally ends at the later of three years after the initial due date of the return or three years after the return is filed. At December 31, 2015, the Association's tax years that remain subject to examination are 2012 through 2014.

NOTE C – FUTURE MAJOR REPAIRS AND REPLACEMENTS

Generally, Florida Statutes require that funds be accumulated for future major repairs and replacements of the common elements. Accumulated funds are to be held in separate accounts and are generally not available for expenditures for normal operations.

However, since the Association neither owns nor maintains any common property except for land, there is no need to provide for these reserves. Accordingly, the Association is not currently funding for future major repairs and replacements over the estimated remaining useful lives of the components based on the Board of Directors' estimates of current replacement costs after considering amounts previously accumulated in the replacement fund.

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE D – RECREATION CENTER ASSESSMENTS

The Board of Directors determines the annual budget and assessments charged to the unit owners. The Association's policy is to retain any excess operating funds at the end of the year for use in future operating periods.

The responsibility for payment of the assessments is apportioned evenly among the individual unit owners of the three Sunrise Lakes Phase 4 Associations.

Previously, the portion of the maintenance payments collected by the Association and attributed to the Recreation Association was paid to the Recreation Association in a lump sum payment on a monthly basis. Effective January 1, 2011, the Recreation Association began invoicing each unit owner individually for the Recreation Association portion of the maintenance. The Association now only invoices for the Association portion of the maintenance payment.

NOTE E – PURCHASE OF GOLF COURSE

On March 30, 1995, an agreement was reached to purchase the golf course facilities by the Association with a mortgage held by the developer. The amount of the mortgage was \$400,000 which represents the cost of the land. The mortgage has been satisfied and the golf course facilities now belong to the Association.

NOTE F – FORMATION OF SPECIAL RECREATION DISTRICT

The unit owners of the three member associations of Sunrise Lakes Phase 4 are members of the Sunrise Lakes Phase 4 Recreation Association, Inc. which leased and maintained all of the recreation facilities in the Phase 4 complex. These facilities were leased from Leisure Colony, Inc., a subsidiary of the builder, W.B. Homes, Inc. under a long term lease. The unit owners of Sunrise Lakes Phase 4 voted to form a Special Recreation District to purchase the recreation facilities which was approved by the City of Sunrise in 1994. The transaction was completed and the tax exempt bonds were issued by the District in March of 1995. This allowed the lease to be terminated and the unit owners' payment to be fixed at \$58.75 per unit per month for the first ten years and then \$60.50 per unit per month for the remaining twenty year term of the bond amortization. The District is governed by a Board of Supervisors elected by the unit owners and consisting of two members from each of the three Sunrise Lakes Phase 4 associations (voting districts). As of March 30, 1995, all assets and liabilities of the Association were transferred to the Special Recreation District with the exception of the golf course and the related liabilities (see Note E).

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE G - LANDSCAPE CONTRACT

On November 1, 2014, the Association entered into a contract with a vendor to provide landscaping services to the Association. The contract runs through October 31, 2018. Either party may cancel the contract with 60 days written notice. The annual cost of the contract is \$136,608.

NOTE H - SPECIAL ASSESSMENT

On September 24, 2015, the Board of Directors approved a special assessment of \$50 per unit for a total of \$126,800. The purpose of the special assessment was to pay for the installation of a new irrigation system for the golf courses. As of December 31, 2015, the Association had spent \$112,000 on this project. The remaining balance of \$14,800 is recorded as deferred special assessment and will be recognized as income as the related expenses are incurred.

NOTE I - UNINSURED CASH BALANCES

The Association maintains its cash in bank deposits, which, at times, may exceed federally insured limits. As of December 31, 2015, the Association had approximately \$111,000 in excess of this limit. The Association has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk related to cash.

NOTE J - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date of this report. That date is the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULE

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
 SCHEDULE OF CHANGES IN REPLACEMENT FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>ROOFING</u>	<u>PAINTING</u>	<u>PAVING</u>	<u>TOTAL</u>
REVENUES:				
Assessments	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENSES	-	-	-	-
FUND BALANCES - JANUARY 1, 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - DECEMBER 31, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS