

**SYMPHONY TERRACE CONDOMINIUM ASSOCIATION**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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# TIMOTHY M. FERRARA

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## INDEPENDENT ACCOUNTANT'S REPORT

### **Symphony Terrace Condominium Association**

Reviewed Financial Statements  
June 30, 2018

To the Board of Directors and Members:

I have reviewed the accompanying financial statements of Symphony Terrace Condominium Association, which comprise the balance sheet as of June 30, 2018, and the related statements of revenues and expenses, changes in fund balances and 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 the Association's management and board of directors. 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, I do not express such an opinion.

#### **Management's Responsibility for the Financial Statements**

Management and the board of directors are 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 the financial statements that are free from material misstatement whether due to fraud or error.

#### **Accountant's Responsibility**

My 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 AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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. I believe that the results of my procedures provide a reasonable basis for my conclusion.

#### **Accountant's Conclusion on the Financial Statements**

Based on my review, I am 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**

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 10 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, 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. I have not audited or reviewed the required supplemental information, and accordingly, I do not express an opinion or provide any assurance on it.



Timothy M. Ferrara, C.P.A.

August 2, 2018

Symphony Terrace Condominium Association  
Balance Sheet  
June 30, 2018

<u>Assets</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash	\$ 9,757	\$ 281,402	\$ 291,159
Assessments Receivable	1,594		1,594
Prepaid Loan Fees, Net of Accumulated Amortization of \$850	2,150		2,150
Due From Replacement Fund	<u>111,863</u>		<u>*</u>
<b>Total Assets</b>	<b><u>\$ 125,364</u></b>	<b><u>\$ 281,402</u></b>	<b><u>\$ 294,903</u></b>
<u>Liabilities</u>			
Accounts Payable	\$ 5,790	\$ -	\$ 5,790
Prepaid Assessments	3,925		3,925
Bank Loan	115,649		115,649
Due to Operating Fund		<u>111,863</u>	<u>*</u>
<b>Total Liabilities</b>	<b>125,364</b>	<b>111,863</b>	<b>125,364</b>
<u>Fund Balance</u>	<u>-</u>	<u>169,539</u>	<u>169,539</u>
<b>Total Liabilities &amp; Fund Balance</b>	<b><u>\$ 125,364</u></b>	<b><u>\$ 281,402</u></b>	<b><u>\$ 294,903</u></b>

\* Note: Interfund Accounts Eliminated From Totals

See Accompanying Notes and Independent Accountant's Report

Symphony Terrace Condominium Association  
Statement of Revenues and Expenses  
For the Year Ended June 30, 2018

	Operating Fund	Replacement Fund	Total
<b>Revenues:</b>			
Regular Assessments	\$ 229,034	\$ 84,706	\$ 313,740
Guest Room Rental	2,624		2,624
Interest		239	239
Other	518		518
<b>Total Revenues</b>	<b>232,176</b>	<b>84,945</b>	<b>317,121</b>
<b>Expenses:</b>			
<b>Administrative-</b>			
Insurance	8,119		8,119
Interest Expense	6,892		6,892
Legal & Professional	293		293
Licenses, Fees & Permits	894		894
Management Fees	19,680		19,680
Other Administrative	1,799		1,799
Reserve Study	900		900
Review & Tax Preparation	1,740		1,740
<b>Total Administrative</b>	<b>40,317</b>	-	<b>40,317</b>
<b>Maintenance-</b>			
Elevator	8,809		8,809
Fitness Equipment		8,551	8,551
HVAC	13,180		13,180
Janitorial	16,672		16,672
Landscape - Contract	5,000		5,000
Landscape - Other	2,937	2,800	5,737
Pest Control	699		699
Pool	7,164		7,164
Repairs & Maintenance	40,044		40,044
Security Surveillance		5,874	5,874
Supplies	353		353
<b>Total Maintenance</b>	<b>94,858</b>	<b>17,225</b>	<b>112,083</b>
<b>Utilities-</b>			
Gas & Electricity	51,120		51,120
Refuse Removal	15,820		15,820
Cable	1,104		1,104
Telephone	7,273		7,273
Water & Sewer	35,560		35,560
<b>Total Utilities</b>	<b>110,877</b>	-	<b>110,877</b>
<b>Total Expenses</b>	<b>246,052</b>	<b>17,225</b>	<b>263,277</b>
<b>Excess Revenues / (Expenses)</b>	<b>\$ (13,876)</b>	<b>\$ 67,720</b>	<b>\$ 53,844</b>

See Accompanying Notes and Independent Accountant's Report

Symphony Terrace Condominium Association  
Statement of Changes in Fund Balances  
For the Year Ended June 30, 2018

	Operating Fund	Replacement Fund	Total
Fund Balance - Beginning of Year	\$ -	\$ 115,695	\$ 115,695
Excess Revenues / (Expenses)	(13,876)	67,720	53,844
Fund Transfers	13,876	(13,876)	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 169,539</u>	<u>\$ 169,539</u>

See Accompanying Notes and Independent Accountant's Report

Symphony Terrace Condominium Association  
Statement of Cash Flows  
For the Year Ended June 30, 2018

See Accompanying Notes and Independent Accountant's Report

	Operating Fund	Replacement Fund	Total
<b>Cash Flows - Operating Activities:</b>			
Assessments	226,252	84,706	310,958
Guest Rental Receipts	2,624	-	2,624
Interest Received	518	239	757
Other Income Received	(6,592)	-	(6,592)
Interest Paid	(33,425)	-	(33,425)
Administrative Disbursements	(112,606)	-	(112,606)
Maintenance Disbursements	(110,040)	-	(110,040)
Utility Disbursements	448	(448)	-
Fund Transfer	(32,821)	84,497	51,676
<b>* Net Inc/(Dec) in Cash</b>	<b>(32,821)</b>	<b>84,497</b>	<b>51,676</b>
<b>From Operating Activities</b>			
<b>Cash Flows - Financing Activities:</b>			
Principal Payments on Bank Loan	(12,833)	-	(12,833)
Net Decrease in Cash	(12,833)	-	(12,833)
From Financing Activities	(12,833)	-	(12,833)
<b>Total Cash - Beginning of Year</b>	<b>55,411</b>	<b>196,905</b>	<b>252,316</b>
<b>Total Cash - End of Year</b>	<b>\$ 9,757</b>	<b>\$ 281,402</b>	<b>\$ 291,159</b>
<b>Reconciliation of Excess Revenues/(Expenses) to Net Inc/(Dec) in Cash from Operating Activities:</b>			
Excess Revenues / (Expenses)	\$ (13,876)	\$ 67,720	\$ 53,844
Adjustments to Reconcile Excess Revenues/(Expenses) to Net Inc/(Dec) in Cash from Operating Activities-			
Fund Transfer - Operating Surplus	13,876	(13,876)	-
Change in Interfund Balances	(30,653)	-	(30,653)
Loan Amortization	300	-	300
Decrease in Assessments Receivable	1,873	-	1,873
Increase in Accounts Payable	314	-	314
Decrease in Prepaid Assessments	(4,655)	-	(4,655)
<b>* Net Inc/(Dec) in Cash</b>	<b>(32,821)</b>	<b>84,497</b>	<b>51,676</b>
<b>From Operating Activities</b>			

Symphony Terrace Condominium Association  
(A Nonprofit Corporation)

Notes to Financial Statements  
June 30, 2018

**Note 1. Summary of Significant Accounting Policies**

Symphony Terrace Condominium Association is a statutory condominium type common interest realty association and was organized in California on January 14, 1981, as a nonprofit mutual benefit corporation. The purpose of the Association is primarily to maintain, preserve and control the common areas of the Association. The Association has 56 residential units located in San Diego, California.

The Association's financial statements are presented on the accrual basis of accounting. The accrual basis records assessments as revenues when due rather than when received and expenses when incurred rather than when paid.

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 for on-going repairs and maintenance. Disbursements from the replacement fund generally may be made only for designated purposes.

Real property and replacements & improvements to common area real property are not capitalized nor depreciated because the common areas are considered owned by the unit owners and not the Association for financial reporting purposes.

Per the provisions of Financial Accounting Standards Board of the American Institute of Certified Public Accountants, regarding "Statement of Cash Flows", cash equivalents consist primarily of certificates of deposits (CDs) and other securities with original maturities of 90 days or less. Certificates of deposit and other securities with original maturities over ninety days are considered investments. The Association's method of accounting is to consider all cash, cash equivalents and money market funds together as cash funds.

Certificates of deposits, US Bonds and other investments with original maturities over ninety days are considered "held to maturity" investments. Held to maturity investments are carried at cost.

The Board's policy is to allocate to the replacement fund interest earned on replacement fund cash and investment accounts. Taxes on all interest and other nonexempt income are paid from the operating fund. It is also the Association's policy to transfer the operating fund surplus/(deficit) to the replacement fund.

Subsequent events have been evaluated through the date the financial statements were issued on August 2, 2018.

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

Symphony Terrace Condominium Association  
(A Nonprofit Corporation)

Notes to Financial Statements  
June 30, 2018

**Note 2. Cash**

The Association's cash balances at June 30, 2018 are as follows:

<u>Depository</u>	<u>Acct. Type</u>	<u>Balance</u>
A. Operating Fund Cash- Popular Bank	Checking	\$ 9,757 =====
B. Replacement Fund Cash- Mission Federal C.U.	Savings	\$ 281,402 =====

**Note 3. Income Tax Status**

The Association is taxed as a regular corporation under Internal Revenue Service Code Section 277 (membership organization). Under this section, the Association is generally taxed only on nonmembership income, such as interest earnings. There are no tax expenses for the year ended June 30, 2018. At the year-end, there are no Federal or California income taxes due or prepaid. In evaluating the Association's tax position and accruals, the Association's Governance believes that estimates are appropriate based on current facts and circumstances. The Association's federal income tax returns are generally subject to examination by the Internal Revenue Service for three years after they were filed; and for California tax returns by the Franchise Tax Board generally for four years after they were filed.

**Note 4. Assessments**

The annual budget and owners' assessments are determined by the Board of Directors and under certain conditions, may be approved by the owners. The Association retains excess funds, if any, for expenses in future years. Regular assessments to unit owners ranged from \$408 to \$507 per unit per month (based on size of unit) for the first three months of the fiscal year and ranged from \$428 to \$532 (based on size of unit) for the remaining nine months of the fiscal year ended June 30, 2018. From these amounts, a total of \$84,706 for the year was designated by the budget to the replacement fund.



Symphony Terrace Condominium Association  
(A Nonprofit Corporation)

Notes to Financial Statements  
June 30, 2018

**Note 5. Assessments Receivable**

The Association's policy is to place liens on the properties of owners whose assessments are in arrears, and retain legal counsel, if necessary, to collect delinquent assessments. As of June 30, 2018, there are \$1,594 of assessments and charges receivable, and \$3,925 of assessments paid in advance.

**Note 6. Replacement Fund**

The Association has established a policy of assessing members monthly and accumulating funds for major repairs and replacements based on current estimated replacement costs. Accumulated funds are held in separate savings accounts and generally are not available for expenditures for normal operations.

The Board of Directors retained a company, which specializes in conducting reserve studies, to determine the adequacy of the Association's funding program as of the year ended June 30, 2018. The estimates were obtained from specialists who inspected the property on May 7, 2018. The table included in the supplementary information on page 10 regarding major repairs and replacements is based on the reserve study.

Funds are being accumulated in the replacement fund, when available, based on budgets and 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 or 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.

**Note 7. Commitments**

The Association enters into contracts for management and/or maintenance services in the normal course of its business operations. These contracts are generally cancelable on thirty to ninety days' notice.

Symphony Terrace Condominium Association  
(A Nonprofit Corporation)

Notes to Financial Statements  
June 30, 2018

**Note 8. Bank Loan**

During the prior fiscal year ended June 30, 2016, the Association received a loan from Popular Bank for \$150,000, with an interest rate of 5.3%, to pay for an elevator modernization project. The terms of the loan are 10 years with the first monthly installment of \$1,618.78 beginning on October 1, 2016. The balance of the loan as of June 30, 2018 is \$115,649. The anticipated principal payments on the loan for the next five years is as follows:

FYE June 30, 2019 -	\$ 13,624
FYE June 30, 2020 -	14,364
FYE June 30, 2021 -	15,144
FYE June 30, 2022 -	15,966
FYE June 30, 2023 -	16,833
Thereafter -	<u>39,718</u>
Total	\$ 115,649 =====

**Note 9. Concentration of Credit Risk**

During the fiscal year ended June 30, 2018, the association had deposits at one financial institution in excess of the \$250,000 FDIC insurance limits. Should this institution fail, amounts above the insured level may be unrecoverable to the Association.

**SUPPLEMENTAL**  
**(Not Audited, Not Reviewed)**

Symphony Terrace Condominium Association

Supplementary Information on Future  
Repairs and Replacements

June 30, 2018

(Not Audited, Not Reviewed)

The Board of Directors retained a company, which specializes in conducting reserve studies, to determine the adequacy of the Association's funding program as of the year ended June 30, 2018. The estimates were obtained from specialists who inspected the property on May 7, 2018.

The following table is based on the reserve study and presents significant information about the components of common area property.

<u>Components</u>	<u>Estimated Remaining Lives/Years</u>	<u>Estimated Current Replacement Cost</u>	<u>Current Annual Reserve Requirement</u>	<u>Actual Replacement Fund Balance at 6/30/2018</u>
Building Exteriors	0 - 25	\$ 417,990	\$ 19,712	\$ -
Building Interiors	2 - 35	395,380	24,023	-
Systems	0 - 27	711,900	30,733	-
Pool/Spa	0 - 10	81,105	6,674	-
Not Allocated	-	-	-	169,539
		<u>\$ 1,606,375</u>	<u>\$ 81,142</u>	<u>\$ 169,539</u>

The reserve study was prepared with the "straight line in years" method of funding assumption. It assumed an inflation rate of 3.0% for future replacement costs of component items.

According to the reserve study, the fully funded balance as of the year ended June 30, 2018 is \$991,360 and the actual replacement fund balance at June 30, 2018 is \$169,539. The Association's budgeted allocations to the replacement fund for the fiscal year end June 30, 2019 are \$74,544.

See Independent Accountant's Review Report