

**MADISON GREEN
MASTER ASSOCIATION, INC.**

Financial Statements

***For the year ended
December 31, 2014***

Hafer & Company

Certified Public Accountants and Consultants

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Madison Green Master Association, Inc.

We have audited the accompanying financial statements of Madison Green Master Association, Inc. ("the Association"), which comprise the balance sheet as of December 31, 2014, and the related statement of revenues and 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

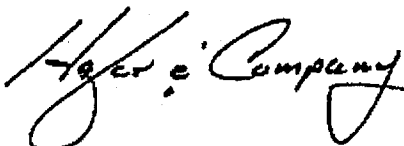
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, 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 Madison Green Master Association, Inc. as of December 31, 2014, 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.



Palm Beach, Florida
June 9, 2015

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MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS - FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

MADISON GREEN MASTER ASSOCIATION, INC.
BALANCE SHEET
December 31, 2014

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
Assets			
Cash and cash equivalents	\$ 489,036	\$ 516,496	\$ 1,005,532
Certificates of deposits (Note 2)	-	239,719	239,719
Assessments receivable, net (Note 4)	187,288	-	187,288
Prepaid expenses	123,130	-	123,130
Property and equipment, net (Note 2)	38,832	-	38,832
Utility deposits	1,660	-	1,660
Total assets	<u>\$ 839,946</u>	<u>\$ 756,215</u>	<u>\$ 1,596,161</u>
Liabilities and fund balances			
Accounts payable	\$ 48,180	\$ -	\$ 48,180
Accrued expenses	6,000	-	6,000
Prepaid maintenance fees	77,824	-	77,824
Deferred cable income (Note 9)	48,305	-	48,305
Refundable deposits	11,566	-	11,566
Total liabilities	191,875	-	191,875
Fund balances	<u>648,071</u>	<u>756,215</u>	<u>1,404,286</u>
Total liabilities and fund balances	<u>\$ 839,946</u>	<u>\$ 756,215</u>	<u>\$ 1,596,161</u>

See notes to financial statements.

MADISON GREEN MASTER ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
For the year ended December 31, 2014

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
Revenues			
Maintenance assessments	\$ 1,418,400	\$ 93,000	\$ 1,511,400
Interest, legal and late fees	34,870	-	34,870
Cable rebate revenue (Note 9)	21,469	-	21,469
Interest income	447	2,737	3,184
Other income	35,245	4,314	39,559
Total revenues	<u>1,510,431</u>	<u>100,051</u>	<u>1,610,482</u>
Expenses			
Administration	253,932	-	253,932
Common area expenses	565,675	-	565,675
Grounds maintenance	255,002	-	255,002
Recreation expenses	321,441	-	321,441
Major repairs and replacements	-	24,023	24,023
Total expenses	<u>1,396,050</u>	<u>24,023</u>	<u>1,420,073</u>
Excess of revenues over expenses	114,381	76,028	190,409
Fund balances, beginning of year	515,344	698,533	1,213,877
Transfers (Note 12)	18,346	(18,346)	-
Fund balances, end of year	<u>\$ 648,071</u>	<u>\$ 756,215</u>	<u>\$ 1,404,286</u>

See notes to financial statements.

MADISON GREEN MASTER ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2014

	Operating Fund	Replacement Fund	Total Funds
Cash flows from operating activities			
Excess of revenues over expenses	\$ 114,381	\$ 76,028	\$ 190,409
<u>Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:</u>			
Provision for bad debts	(113,949)	-	(113,949)
Depreciation expense	2,044	-	2,044
<u>Changes in assets and liabilities:</u>			
Assessments receivable	57,599	-	57,599
Prepaid expenses	(61,381)	-	(61,381)
Accounts payable	35,125	-	35,125
Accrued expenses	(2,636)	-	(2,636)
Prepaid maintenance fees	27,161	-	27,161
Deferred cable income	(21,469)	-	(21,469)
Refundable deposits	(14,990)	-	(14,990)
Total changes in account balances	19,409	-	19,409
Net cash provided by operating activities	21,885	76,028	97,913
Cash flows from investing activities			
Purchases of property and equipment	(40,876)	-	(40,876)
Purchases of certificates of deposits	-	(2,087)	(2,087)
Net cash (used) by investing activities	(40,876)	(2,087)	(42,963)
Cash flows from (to) financing activities			
Interfund transfers	18,346	(18,346)	-
Net (decrease) increase in cash and cash equivalents	(645)	55,595	54,950
Cash and cash equivalents, beginning of year	489,681	460,901	950,582
Cash and cash equivalents, end of year	\$ 489,036	\$ 516,496	\$ 1,005,532

Supplemental disclosures of cash flow information (Note 10)

See notes to financial statements.

MADISON GREEN MASTER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1: Organization

Madison Green Master Association, Inc. ("the Association") was incorporated under the law of the State of Florida as a not-for-profit corporation on December 30, 1999. The Association is responsible for maintaining and preserving the common property of the Association in accordance with the terms of Florida Statutes §720 and the provisions of the Association's governing documents. The Association consists of 1,145 units located in Royal Palm Beach, Florida.

NOTE 2: Summary of significant accounting policies

Fund accounting

The Association prepares its financial statements on the accrual basis of accounting and presents them using fund accounting, using separate funds for operations and future major repairs and replacements. Disbursements from the operating fund are generally for the day-to-day operations and non-recurring unanticipated expenditures of the Association and are made at the discretion of the Board of Directors. Disbursements from the replacement fund generally are made only for designated purposes.

Interest earned

Interest earned by each fund is allocated to the appropriate fund. Income taxes on the interest earned are paid from the operating fund.

Property and depreciation

The Association capitalizes all personal and real property which it purchases. Common areas owned by the Association are reserved for the use of the owners and/or are required to be maintained as common areas under the Declaration and/or governmental restrictions; therefore, the sale of such common areas for revenue is remote. Accordingly, such common areas are not recorded in the financial records of the Association. Capitalized property and equipment are depreciated over the estimated useful lives of the assets using the straight-line and accelerated methods of depreciation. At December 31, 2014, depreciation expense was \$2,044. A schedule of property, equipment, and accumulated depreciation at December 31, 2014 is as follows:

Gym equipment	\$ 40,876
Less: accumulated depreciation	(2,044)
	<u>\$ 38,832</u>

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. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all monies in banks including certificates of deposits and money market funds. Cash equivalents include highly liquid securities with a maturity of 90 days or less.

Short-term financial instruments

The carrying amount of the Association's financial instruments, which include cash and cash equivalents, assessments receivable, accounts payable, accrued expenses and other assets and liabilities, approximate their fair values due to their short-term maturities.

MADISON GREEN MASTER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2014

NOTE 2: Summary of significant accounting policies (continued)

Compensated absences

Employees of the Association are entitled to paid vacations, sick days, and other time off depending on job classification, length of service, and other factors. The Association policy is that employees must use vacation annually or it is no longer available; accordingly, no liability has been recorded in the accompanying financial statements. The Association's policy is to recognize the costs of compensated absences when paid to employees.

Certificates of deposit

Certificates of deposit consist of those certificates with original maturities of more than 90 days. The certificates are carried at cost plus any interest earned and reinvested. The Association, at least annually, assesses for any other-than-temporary impairment, and as of the date of these financial statements, the Association does not believe any impairment exists. The certificates have varying maturity dates and varying interest rates. At December 31, 2014, certificates of deposit totaled \$239,719.

Utility pass-through

In accordance with FASB ASC 605-45, the Association recognizes utility pass-through assessments using principal agent considerations. The Association is primarily involved in the determination of a specific service, it has the discretion in selecting the suppliers of such services, and it bears the credit risk for the amounts billed for the service; accordingly the management has determined that the Association is the principal, and, accordingly, recognizes all utility pass-through activities using gross reporting.

Subsequent events

Subsequent events have been evaluated through June 9, 2015, the date the financial statements were available to be issued in accordance with FASB ASC 855.

NOTE 3: Concentration of credit risk

The Association maintains its cash in bank at various financial institutions whereby are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At December 31, 2014, the Association has uninsured deposits in the amount of \$209,922.

NOTE 4: Owners' assessments

Monthly assessments to unit owners are based upon a share of the budgeted operating expenses and future major repairs and replacements. The Association retains excess operating funds at the end of the year for use in future operating periods. Assessments receivable at the balance sheet date represent fees due from unit owners. Assessments paid in advance are included on the balance sheet as prepaid assessments. Assessments receivable at December 31, 2014 were as follows:

Assessments receivable	\$ 557,041
Less: allowance for doubtful accounts	(369,753)
	<u>\$ 187,288</u>

NOTE 5: Litigation

The Association is a party to various legal actions normally associated with homeowners' associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

MADISON GREEN MASTER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2014

NOTE 6: Insurance contingencies

In the event of a loss due to a hurricane the Association would be responsible for a deductible of approximately 5% of the total insured value of the property under the provisions of the hurricane loss insurance contract.

NOTE 7: Income taxes

The Association may elect to be taxed as a regular corporation or as a homeowners' association under Internal Revenue Code Section 528. The Association elected to be taxed as a homeowners' association under the tax rules for all tax years since inception. Under that election, the Association is generally taxed only on non-membership income, such as interest earnings, at the appropriate rates. Additionally, from time to time, certain temporary differences may arise between financial and taxable income, the overall effects of which are not material to the financial statements taken as whole. As such, the Association has not recorded deferred income taxes at December 31, 2014.

The Association has adopted FASB ASC 740 which clarifies the accounting for uncertainty in income taxes by defining the attributes a tax position must meet for any part of the benefit of the tax position to be recognized in financial statements prepared in conformity with generally accepted accounting principles. In accordance with the disclosure requirements, the Association's policy on income statement classification of interest and penalties related to income tax obligations is to include such items as part of income tax expense. At December 31, 2014, the Association did not have any uncertain tax positions. The Association's federal income tax returns for 2012 – 2014 remain subject to possible examination by the Internal Revenue Service.

NOTE 8: Other commitments and contingencies

The Association has contracted with various vendors for various services to maintain the common property related to certain administration and building operations and maintenance expenses. These contracts are approved, as necessary, by the Board of Directors and have varying expiration dates and renewal terms.

NOTE 9: Deferred cable revenue

On March 29, 2010, the Association entered into a bulk cable contract with Comcast. The Association engaged Converged Services, Inc. ("Converged") as a consultant to assist in the negotiations with Comcast. As consideration for entering into a seven (7) year contract, Comcast agreed to pay the Association \$175 per unit, or \$200,375 ("the compensation amount"). As compensation for their services, Converged was paid 25% of the total compensation amount, or \$50,094, resulting in a net amount to the Association totaling \$150,281. The Association, in accordance with accounting policies generally accepted in the United States of America, is amortizing the revenue over the life of the contract. Accordingly, for the year ended December 31, 2014, the Association has recognized \$21,469 as cable rebate revenue. At December 31, 2014, the remaining balance of \$48,305 is recorded as deferred cable revenue, and will be recognized over the remaining life of the contract.

NOTE 10: Supplemental disclosures of cash flow information:

Non-cash investing activities during 2014 were as follows:

Purchases of property and equipment	\$ 40,876
Cash paid to vendors	<u>(18,346)</u>
Liabilities assumed (accounts payable)	<u>\$ 22,530</u>

MADISON GREEN MASTER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2014

NOTE 11: Related party transactions

During 2014, the Association paid an employee, who is the wife of a member of the Board of Directors, for services rendered. For the year ended December 31, 2014, the Association disbursed \$13,196 to this individual. At December 31, 2014, the Association is not indebted to this related party for any amount. The transactions appear to have been conducted in the ordinary course of business and on commercially reasonable terms.

NOTE 12: Future major repairs and replacements

The Association is accumulating funds for future major repairs and replacements. Accumulated funds are held in separate interest bearing accounts and are generally not available for operating purposes. During 2013, the Board of Directors contracted with an independent contractor to conduct an independent study to estimate the remaining useful lives and replacement costs of the common property components. The schedule included in the supplementary information on future repairs and replacements is based upon this study. The Association is funding \$93,000 for 2015.

Actual expenditures may vary from the estimated amounts and the variation 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 may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Components of the replacement fund are as follows:

	Balance 01/01/14	Additions ¹	Interest Income	Expenses	Transfers ²	Balance 12/31/14
General	\$ 666,449	\$ 97,314	\$ -	\$ 24,023	\$ (18,346)	\$ 721,394
Interest	32,084	-	2,737	-	-	34,821
	<u>\$ 698,533</u>	<u>\$ 97,314</u>	<u>\$ 2,737</u>	<u>\$ 24,023</u>	<u>\$ (18,346)</u>	<u>\$ 756,215</u>

¹ Approved budgeted funding in the amount of \$93,000 and insurance proceeds in the amount of \$4,314.

² Transfer of \$18,346 to fund future depreciation expense, which will be recorded in the operating fund, related to capitalized fitness equipment which was purchased from the replacement fund.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To The Board of Directors
Madison Green Master Association, Inc.

Report on the Financial Statements

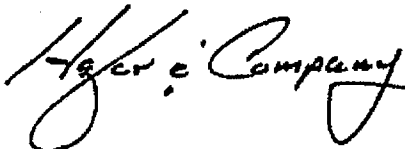
We have audited the financial statements of Madison Green Master Association, Inc. ("the Association") as of and for the year ended December 31, 2014, and our report thereon dated June 9, 2015, which expressed an unmodified opinion on those financial statements, appears on Page 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedule of operating expenses compared to budget on Pages 10 and 11, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited," was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the basic 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 our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide assurance on it.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary Schedule of Future Major Repairs and Replacements on Page 12 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Palm Beach, Florida
June 9, 2015

MADISON GREEN MASTER ASSOCIATION, INC.
SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET
For the year ended December 31, 2014

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance Favorable (Unfavorable)</u>
Administration			
Accounting service	\$ 29,758	\$ 29,000	\$ (758)
Bad debt expense	-	66,000	66,000
Bank charges	670	700	30
Depreciation expense	2,044	-	(2,044)
Insurance expenses	62,927	53,000	(9,927)
Legal fees	2,681	12,000	9,319
Legal fees - collections	1,919	34,000	32,081
Licenses and permit fees	4,471	1,500	(2,971)
Office equipment	1,334	3,000	1,666
Office supplies and printing	9,647	9,000	(647)
Postage	2,726	4,500	1,774
Professional fees	6,731	6,400	(331)
Salaries	124,739	117,000	(7,739)
Telephone	4,285	4,400	115
	<u>253,932</u>	<u>340,500</u>	<u>86,568</u>
Common area maintenance			
Cable TV	563,885	580,400	16,515
Channel 63 and website	490	500	10
Repairs and maintenance	1,300	2,500	1,200
	<u>565,675</u>	<u>583,400</u>	<u>17,725</u>
Grounds maintenance			
Contingency - grounds	-	169	169
Fertilizer and pest control	20,400	23,000	2,600
Irrigation repairs and maintenance	16,782	20,000	3,218
Lakes and preserves	46,800	48,000	1,200
Lakes and preserves - extras	-	2,000	2,000
Landscape extras	10,280	10,000	(280)
Lawn and landscape maintenance	132,194	133,000	806
Mulch	8,250	21,000	12,750
Palm tree replacement	-	4,000	4,000
Seasonal flowers	6,306	6,000	(306)
Trees and palms trimming	13,990	13,000	(990)
	<u>\$ 255,002</u>	<u>\$ 280,169</u>	<u>\$ 25,167</u>

See auditors' report on supplementary information.

MADISON GREEN MASTER ASSOCIATION, INC.
SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET (CONT'D)
For the year ended December 31, 2014

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance Favorable (Unfavorable)</u>
Recreation expenses			
Air conditioners	\$ 894	\$ 1,500	\$ 606
Alarm system	6,264	2,600	(3,664)
Clubhouse functions	3,044	4,500	1,456
Electricity	55,964	56,800	836
Golf cart and minor equipment	1,129	500	(629)
Gym maintenance	2,569	4,000	1,431
ID system and doors	1,407	1,900	493
Janitorial supplies	3,458	5,500	2,042
Monitoring cameras	64	500	436
Pest control	1,378	1,900	522
Pool maintenance	16,925	17,500	575
Pool repairs and upgrade	4,096	5,000	904
Receivership MG275 saratoga	838	1,000	162
Repairs and maintenance	13,785	10,000	(3,785)
Special projects	82,071	60,500	(21,571)
Tennis and basketball courts	2,149	3,000	851
Trash removal	3,222	3,100	(122)
Uniforms	559	1,000	441
Wages	114,670	124,000	9,330
Water and sewer	6,955	6,000	(955)
	<u>321,441</u>	<u>310,800</u>	<u>(10,641)</u>
Total budgeted expenses	<u>\$ 1,396,050</u>	<u>\$ 1,514,869</u>	<u>\$ 118,819</u>

See auditors' report on supplementary information.

MADISON GREEN MASTER ASSOCIATION, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)
December 31, 2014

The following schedule is based upon a study conducted by an independent consultant in 2013 to estimate the remaining useful lives and replacement costs of the components of common property. The schedule provides information about components of common property.

<u>Component</u>	<u>Estimated Useful Life (years)</u>	<u>Estimated Remaining Life (years)</u>	<u>Estimated Replacement Cost</u>	<u>Fund Balance 12/31/14</u>	<u>Approved Budgeted Funding 12/31/15</u>
Roofing	12-25	4-10	\$ 163,476	\$ -	\$ -
Painting	8-16	0-6	26,219	-	-
Paving	20-50	6-36	247,948	-	-
Interiors	6-30	0-18	362,410	-	-
Restoration	10-36	0-22	108,246	-	-
Pool area	5-32	1-28	250,437	-	-
Sports courts	8-28	1-14	145,940	-	-
General reserves	-	-	-	721,394	93,000
Interest	-	-	-	34,821	-
			<u>\$ 1,304,676</u>	<u>\$ 756,215</u>	<u>\$ 93,000</u>

See auditors' report on supplementary information.