

**MADISON GREEN
MASTER ASSOCIATION, INC.**

Financial Statements

***For the year ended
December 31, 2015***

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, 2015, 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

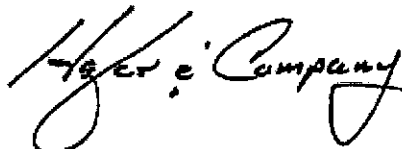
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 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.



Palm Beach, Florida
June 14, 2016

MADISON GREEN MASTER ASSOCIATION, INC.
BALANCE SHEET
December 31, 2015

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
Assets			
Cash and cash equivalents	\$ 670,263	\$ 580,014	\$ 1,250,277
Certificates of deposits (Note 2)	-	241,686	241,686
Assessments receivable, net (Note 4)	127,665	-	127,665
Prepaid expenses	66,167	-	66,167
Property and equipment, net (Note 2)	23,299	-	23,299
Utility deposits	1,660	-	1,660
Total assets	<u>\$ 889,054</u>	<u>\$ 821,700</u>	<u>\$ 1,710,754</u>
Liabilities and fund balances			
Accounts payable and accrued expenses	\$ 19,951	\$ -	\$ 19,951
Prepaid maintenance fees	93,045	-	93,045
Deferred cable income (Note 9)	26,836	-	26,836
Refundable deposits	15,336	-	15,336
Total liabilities	155,168	-	155,168
Fund balances	<u>733,886</u>	<u>821,700</u>	<u>1,555,586</u>
Total liabilities and fund balances	<u>\$ 889,054</u>	<u>\$ 821,700</u>	<u>\$ 1,710,754</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, 2015

	<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	32,980	-	32,980
Cable rebate revenue (Note 9)	21,469	-	21,469
Interest income	485	2,541	3,026
Other income	68,046	6,750	74,796
Total revenues	<u>1,541,380</u>	<u>102,291</u>	<u>1,643,671</u>
Expenses			
Administration	286,177	-	286,177
Common area expenses	600,182	-	600,182
Grounds maintenance	310,928	-	310,928
Recreation expenses	258,278	-	258,278
Major repairs and replacements	-	36,806	36,806
Total expenses	<u>1,455,565</u>	<u>36,806</u>	<u>1,492,371</u>
Excess of revenues over expenses	85,815	65,485	151,300
Fund balances, beginning of year	<u>648,071</u>	<u>756,215</u>	<u>1,404,286</u>
Fund balances, end of year	<u>\$ 733,886</u>	<u>\$ 821,700</u>	<u>\$ 1,555,586</u>

See notes to financial statements.

MADISON GREEN MASTER ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2015

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
Cash flows from operating activities			
Excess of revenues over expenses	\$ 85,815	\$ 65,485	\$ 151,300
<u>Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:</u>			
Provision for bad debts	(142,642)	-	(142,642)
Depreciation expense	15,533	-	15,533
<u>Changes in assets and liabilities:</u>			
Assessments receivable	202,265	-	202,265
Prepaid expenses	56,963	-	56,963
Accounts payable and accrued expenses	(34,229)	-	(34,229)
Prepaid maintenance fees	15,221	-	15,221
Deferred cable income	(21,469)	-	(21,469)
Refundable deposits	3,770	-	3,770
Total changes in account balances	<u>222,521</u>	<u>-</u>	<u>222,521</u>
Net cash provided by operating activities	181,227	65,485	246,712
Cash flows (to) investing activities			
Purchases of certificates of deposits	<u>-</u>	<u>(1,967)</u>	<u>(1,967)</u>
Net increase in cash and cash equivalents	181,227	63,518	244,745
Cash and cash equivalents, beginning of year	<u>489,036</u>	<u>516,496</u>	<u>1,005,532</u>
Cash and cash equivalents, end of year	<u>\$ 670,263</u>	<u>\$ 580,014</u>	<u>\$ 1,250,277</u>

See notes to financial statements.

MADISON GREEN MASTER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, 2015, depreciation expense was \$15,533. A schedule of property, equipment, and accumulated depreciation at December 31, 2015 is as follows:

Gym equipment	\$ 40,876
Less: accumulated depreciation	<u>(17,577)</u>
	<u>\$ 23,299</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, 2015

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, 2015, certificates of deposit totaled \$241,686.

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 14, 2016, 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, 2015, the Association has uninsured deposits in the amount of \$398,883.

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, 2015 were as follows:

Assessments receivable	\$ 354,776
Less: allowance for doubtful accounts	<u>(227,111)</u>
	<u>\$ 127,665</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, 2015

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, 2015.

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, 2015, the Association did not have any uncertain tax positions. The Association's federal income tax returns for 2013 – 2015 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, 2015, the Association has recognized \$21,469 as cable rebate revenue. At December 31, 2015, the remaining balance of \$26,836 is recorded as deferred cable revenue, and will be recognized over the remaining life of the contract.

NOTE 10: Related party transactions

During 2015, the Association reimbursed the property manager for various out-of-pocket expenses. For the year ended December 31, 2015, the Association disbursed \$17,161 to this individual. At December 31, 2015, the Association is indebted to this related party in the amount of \$405.

MADISON GREEN MASTER ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
December 31, 2015

NOTE 11: 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 2016.

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 01/01/15	Additions ¹	Interest Income	Expenses	Transfers	Balance 12/31/15
General	\$ 721,394	\$ 99,750	\$ -	\$ 36,806	\$ -	\$ 784,338
Interest	34,821	-	2,541	-	-	37,362
	<u>\$ 756,215</u>	<u>\$ 99,750</u>	<u>\$ 2,541</u>	<u>\$ 36,806</u>	<u>\$ -</u>	<u>\$ 821,700</u>

¹ Additions are comprised of current year budgeted funding in the amount of \$93,000 and other income in the amount of \$6,750 (refund from vendor).

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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

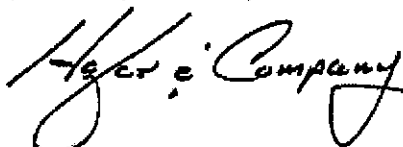
We have audited the financial statements of Madison Green Master Association, Inc. ("the Association") as of and for the year ended December 31, 2015, and our report thereon dated June 14, 2016, which expressed an unmodified opinion on those financial statements, appears on Page 1.

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 14, 2016

MADISON GREEN MASTER ASSOCIATION, INC.
SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET
For the year ended December 31, 2015

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance Favorable (Unfavorable)</u>
Administration			
Accounting service	\$ 30,250	\$ 30,000	\$ (250)
Bad debt expense	-	66,000	66,000
Bank charges	668	700	32
Depreciation expense	15,533	-	(15,533)
Insurance expenses	73,204	65,000	(8,204)
Legal fees	1,109	7,000	5,891
Legal fees - collections	16,268	30,000	13,732
Licenses and permit fees	4,038	5,100	1,062
Office equipment	4,190	2,000	(2,190)
Office supplies and printing	10,852	9,000	(1,852)
Postage	2,545	2,200	(345)
Professional fees	6,350	6,600	250
Salaries	116,168	122,000	5,832
Telephone	5,002	4,400	(602)
	<u>286,177</u>	<u>350,000</u>	<u>63,823</u>
Common area maintenance			
Cable TV	595,709	582,000	(13,709)
Channel 63 and website	645	500	(145)
Repairs and maintenance	3,828	1,500	(2,328)
	<u>600,182</u>	<u>584,000</u>	<u>(16,182)</u>
Grounds maintenance			
Contingency - grounds	-	169	169
Fertilizer and pest control	21,000	20,400	(600)
Irrigation repairs and maintenance	30,726	22,000	(8,726)
Lakes and preserves	46,800	46,800	-
Lakes and preserves - extras	85	4,000	3,915
Landscape extras	11,820	10,000	(1,820)
Lawn and landscape maintenance	133,298	131,600	(1,698)
Mulch	21,250	19,000	(2,250)
Palm tree replacement	5,039	7,500	2,461
Seasonal flowers	8,826	7,200	(1,626)
Trees and palms trimming	32,084	21,000	(11,084)
	<u>\$ 310,928</u>	<u>\$ 289,669</u>	<u>\$ (21,259)</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, 2015

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance Favorable (Unfavorable)</u>
Recreation expenses			
Air conditioners	\$ 678	\$ 1,500	\$ 822
Alarm system	4,482	4,500	18
Clubhouse functions	2,693	4,500	1,807
Electricity	53,757	57,000	3,243
Golf cart and minor equipment	731	500	(231)
Gym maintenance	4,098	2,500	(1,598)
ID system and doors	1,754	1,900	146
Janitorial supplies	3,510	4,500	990
Pest control	1,207	1,800	593
Pool maintenance	16,568	17,000	432
Pool repairs and upgrade	2,513	5,000	2,487
Receivership MG275 saratoga	500	1,500	1,000
Repairs and maintenance	20,235	13,000	(7,235)
Special projects	17,204	54,500	37,296
Tennis and basketball courts	5,801	3,000	(2,801)
Trash removal	3,238	3,200	(38)
Uniforms	304	1,000	696
Wages	112,589	124,000	11,411
Water and sewer	6,416	6,000	(416)
	<u>258,278</u>	<u>306,900</u>	<u>48,622</u>
Total budgeted expenses	<u>\$ 1,455,565</u>	<u>\$ 1,530,569</u>	<u>\$ 75,004</u>

See auditors' report on supplementary information.

MADISON GREEN MASTER ASSOCIATION, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)
December 31, 2015

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 12/31/15</u>	<u>Approved Budgeted Funding 12/31/16</u>
Roofing	12-25	3-9	\$ 163,476	\$ -	\$ -
Painting	8-16	0-5	26,219	-	-
Paving	20-50	5-35	247,948	-	-
Interiors	6-30	0-17	362,410	-	-
Restoration	10-36	0-22	108,246	-	-
Pool area	5-32	0-27	250,437	-	-
Sports courts	8-28	0-13	145,940	-	-
General reserves	-	-	-	784,338	93,000
Interest	-	-	-	37,362	-
			<u>\$ 1,304,676</u>	<u>\$ 821,700</u>	<u>\$ 93,000</u>

See auditors' report on supplementary information.