

VILLAGE OF FOUNTAINVIEW CONDOMINIUMS

FINANCIAL STATEMENTS

December 31, 2018

## CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
BALANCE SHEET	3
STATEMENT OF REVENUES AND EXPENSES	4
STATEMENT OF CHANGES IN FUND BALANCES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7-10



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### INDEPENDENT AUDITOR'S REPORT

To the Council of  
Village of Fountainview Condominiums  
Wilmington, Delaware

We have audited the accompanying financial statements of Village of Fountainview Condominiums, which comprise the balance sheet as of December 31, 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.

#### *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 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 judgement, 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 Village of Fountainview Condominiums as of December 31, 2018, 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.

### *Omission of Required Supplementary Information about Future Major Repairs and Replacements*

Management has omitted supplementary information about future major repairs and replacements that accounting principles generally accepted in the United State 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, which 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 this missing information.

A handwritten signature in cursive script, reading "Sparano, Vincelotto & Joiner".

February 12, 2019

VILLAGE OF FOUNTAINVIEW CONDOMINIUMS  
Balance Sheet  
December 31, 2018

ASSETS

	<u>General Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
CURRENT ASSETS			
Cash and Equivalents	\$ 38,516	\$ 214,532	\$ 253,048
Assessments Receivable	<u>38,343</u>	<u>3,997</u>	<u>42,340</u>
TOTAL CURRENT ASSETS	<u>76,859</u>	<u>218,529</u>	<u>295,388</u>
TOTAL ASSETS	\$ <u>76,859</u>	\$ <u>218,529</u>	\$ <u>295,388</u>

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES			
Prepaid Condo Fees	\$ 36,917	\$ -0-	\$ 36,917
Accounts Payable	<u>6,447</u>	<u>-0-</u>	<u>6,447</u>
TOTAL CURRENT LIABILITIES	43,364	-0-	43,364
FUND BALANCE	<u>33,495</u>	<u>218,529</u>	<u>252,024</u>
<u>TOTAL LIABILITIES</u> <u>AND FUND BALANCE</u>	\$ <u>76,859</u>	\$ <u>218,529</u>	\$ <u>295,388</u>

See accompanying notes to financial statements.

VILLAGE OF FOUNTAINVIEW CONDOMINIUMS  
Statement of Revenues and Expenses  
For the Year Ended December 31, 2018

	<u>General Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
REVENUES:			
Condominium Fees	\$353,949	\$ 50,886	\$404,835
Assessment Income	-0-	111,026	111,026
Miscellaneous Income	735	-0-	735
Initial Contribution	2,530	-0-	2,530
Legal Fee Income	829	-0-	829
Sewer	23,276	-0-	23,276
Water	<u>23,302</u>	<u>-0-</u>	<u>23,302</u>
 TOTAL REVENUES	 <u>404,621</u>	 <u>161,912</u>	 <u>566,533</u>
OPERATING EXPENSES			
Alarm System	3,246	-0-	3,246
Electric	56,826	-0-	56,826
Elevator Inspection	4,140	-0-	4,140
Grounds Maintenance	26,128	-0-	26,128
Insurance	33,435	-0-	33,435
Janitorial	15,055	-0-	15,055
Management Fees	43,200	-0-	43,200
Office Supplies and Miscellaneous	4,367	24	4,391
Pool Maintenance	9,700	-0-	9,700
Professional Fees	2,342	-0-	2,342
Reimbursement	7,952	25,413	33,365
Repairs and Maintenance	113,091	98,368	211,459
Snow Removal	19,670	-0-	19,670
Social	1,449	-0-	1,449
Telephone	11,216	-0-	11,216
Water and Sewer	<u>50,832</u>	<u>-0-</u>	<u>50,832</u>
 TOTAL OPERATING EXPENSES	 <u>402,649</u>	 <u>123,805</u>	 <u>526,454</u>
 <u>EXCESS REVENUES OVER EXPENSES</u>	 <u>\$ 1,972</u>	 <u>\$ 38,107</u>	 <u>\$ 40,079</u>

See accompanying notes to financial statements.



VILLAGE OF FOUNTAINVIEW CONDOMINIUMS  
Statement of Changes in Fund Balances  
For the Year Ended December 31, 2018

	<u>General Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<u>FUND BALANCE: January 1, 2018</u>	\$ 47,322	\$164,623	\$211,945
Excess Revenues Over Expenditures for the Year Ended December 31, 2018	1,972	38,107	40,079
TRANSFER OF FUNDS	<u>(15,799)</u>	<u>15,799</u>	<u>-0-</u>
<u>FUND BALANCE December 31, 2018</u>	\$ <u>33,495</u>	\$ <u>218,529</u>	\$ <u>252,024</u>

See accompanying notes to financial statements.

VILLAGE OF FOUNTAINVIEW CONDOMINIUMS  
Statement of Cash Flows  
For the Year Ended December 31, 2018

	<u>General Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM</u>			
<u>OPERATING ACTIVITIES</u>			
Excess Revenue over Expenses	\$ 1,972	\$ 38,107	\$ 40,079
Adjustments to Reconcile			
Excess Revenue over Expenditures			
to Net Cash Used by			
Operating Activities:			
Changes in:			
Assessments Receivable	16,318	(3,044)	13,274
Accounts Payable	(4,791)	-0-	(4,791)
Prepaid Condo Fees	<u>(14,698)</u>	<u>-0-</u>	<u>(14,698)</u>
<u>NET CASH (USED) PROVIDED</u>			
<u>    BY OPERATING ACTIVITIES</u>	<u>(1,199)</u>	<u>35,063</u>	<u>33,864</u>
<u>CASH FLOWS FROM</u>			
<u>INVESTING ACTIVITIES</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>CASH FLOWS FROM</u>			
<u>FINANCING ACTIVITIES</u>			
Interfund Transfers	<u>(15,799)</u>	<u>15,799</u>	<u>-0-</u>
<u>NET CASH (USED) PROVIDED</u>			
<u>    BY FINANCING ACTIVITIES</u>	<u>(15,799)</u>	<u>15,799</u>	<u>-0-</u>
<u>NET (DECREASE) INCREASE IN CASH</u>	(16,998)	50,862	33,864
<u>CASH AT BEGINNING OF YEAR</u>	<u>55,514</u>	<u>163,670</u>	<u>219,184</u>
<u>CASH AT END OF YEAR</u>	<u>\$ 38,516</u>	<u>\$ 214,532</u>	<u>\$ 253,048</u>

SUPPLEMENTAL DISCLOSURE

Cash paid for income taxes during the year	\$ <u>-0-</u>
Interest income received during the year	\$ <u>-0-</u>
Interest paid during the year	\$ <u>-0-</u>

See accompanying notes to financial statements.



VILLAGE OF FOUNTAINVIEW CONDOMINIUMS  
Notes to Financial Statements  
For the Year Ended December 31, 2018

NOTE 1      GENERAL

Village of Fountainview Condominiums was formed on September 24, 2007. The Association is responsible for the maintenance, regulation, and administration of certain private facilities for the use, benefit, and enjoyment of the unit owners of the community. Village of Fountainview consists of 217 residential units in Wilmington, Delaware. However, as of December 31, 2018, there are still 36 units to be sold. The community is a 55+ community. With few exceptions, no one under age 55 may reside in a unit for more than 30 days per year.

NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - Village of Fountainview Condominiums maintains its records on the accrual method of accounting. Under this method of accounting, revenue is recognized when earned and expenditures are recorded when incurred.

Property and Equipment - Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statement because those properties are owned by the individual unit owners in common and not by the Association. It is the Association's responsibility to preserve and maintain the common property.

Member Assessments - Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments become delinquent. The allowance for doubtful accounts is \$-0- at December 31, 2018. Any excess of assessments over expenses at year end are either transferred to the reserve fund or retained by the Association for use in future years.

NOTE 3      INCOME TAX

Village of Fountainview Condominiums has the option to be taxed as a regular corporation or as a homeowners' association where it is not taxed on tax exempt functions, only on interest and unrelated business income. The election is made annually with the intent to create the lowest tax liability. The Association is exempt from state income taxes.

For the year ended December 31, 2018, the Association has elected to file Form 1120-H to be taxed as a Homeowners' Association.

VILLAGE OF FOUNTAINVIEW CONDOMINIUMS  
Notes to Financial Statements (Cont'd)  
For the Year Ended December 31, 2018

NOTE 3      INCOME TAX (Cont'd)

The Association's income tax filings are subject to audit by various taxing authorities, generally for three years after they are filed. It is the Association's policy to include interest and penalties assessed by income taxing authorities as a component of tax expense. No such penalties and interest were incurred during the year ended December 31, 2018. The Association has considered their tax provision, accruals and interpretations and believes their estimates are appropriate based on current facts and circumstances. Accordingly, there are no provisions for income taxes, penalties, or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

NOTE 4      FUND ACCOUNTING

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Reserve Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

NOTE 5      CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Citizen's Bank - Operations	\$ 38,516
Citizen's Bank - Reserve	<u>214,532</u>
 TOTAL CASH AND EQUIVALENTS	 <u>\$253,048</u>

VILLAGE OF FOUNTAINVIEW CONDOMINIUMS  
Notes to Financial Statements (Cont'd)  
For the Year Ended December 31, 2018

NOTE 6      CONCENTRATION OF CREDIT RISK

The Association maintains its cash balances in one financial institution located in Wilmington, Delaware. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. At December 31, 2018, the Association's uninsured cash balances totaled \$8,839.

NOTE 7      FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require the accumulation of a reasonable reserve fund to finance estimated future major repairs and replacements. The Association has not engaged an independent engineer to conduct a study to estimate the remaining useful lives and the replacement costs of the common property components. The Association currently is funding for major repairs and replacements through regular assessments and transfers to the reserve fund bank account based upon their own estimates. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs.

If additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE 8      SPECIAL ASSESSMENTS

Special assessments of \$111,026 were billed during the year for the purpose of performing required repairs on the condominium buildings and securing dangerous building conditions.



VILLAGE OF FOUNTAINVIEW CONDOMINIUMS  
Notes to Financial Statements (Cont'd)  
For the Year Ended December 31, 2018

NOTE 9      USE OF ESTIMATES IN FINANCIAL STATEMENTS

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.

NOTE 10     COMMITMENTS & CONTINGENCIES

In the ordinary course of conducting business, the Association becomes involved in various disputes resulting in claims or assessments made against the Association. There are no pending disputes that management believes will have a material effect on the Association's financial position or results of operations.

NOTE 11     SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 12, 2019, the date on which the financial statements were available to be issued.