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Independent Accountant's Review Report

To The Board of Directors and Members of
Two Bratenahl Place Condominium Association, Inc.

We have reviewed the accompanying financial statements of Two Bratenahl Place Condominium Association, which comprise the balance sheet as of December 31, 2015, and the related statements of revenues, expenses, changes in fund balance 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 Association management. 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, we do not express such an opinion.

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.

Accountant's Responsibility

Our 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 us to perform procedures to obtain limited assurance as a basis for reporting whether we are 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. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion on the Financial Statements

Based on our review, we are 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 13 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, 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. We have not audited, reviewed, or compiled the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

Schwarz & Associates

Schwarz & Associates, Inc.

Cleveland, Ohio
May 16, 2016

**TWO BRATENAHL PLACE
CONDOMINIUM ASSOCIATION, INC.
WITH
ACCOUNTANTS' REVIEW REPORT
DECEMBER 31, 2015**

CONTENTS

Independent Accountant’s Review Report3

Financial Statements:

Balance sheet 4

Statement of revenues and expenses..... 5

Statement of changes in fund balance 6

Statement of cash flows.....7

Notes to financial statement 8-12

Supplemental Information.....13

Two Bratenahl Place Condominium Association
Balance Sheet
December 31, 2015

Assets

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Current Assets:			
Cash - Key Bank Checking	\$340,295	\$0	\$340,295
Cash Reserve Accounts	0	596,439	596,439
Petty Cash	64	0	64
Total Cash	<u>340,359</u>	<u>596,439</u>	<u>936,798</u>
Accounts Receivable	9,610	0	9,610
Allowance For Bad Debt	(2,323)	0	(2,323)
Land	0	200,000	200,000
Total Current Assets	<u><u>\$347,646</u></u>	<u><u>\$796,439</u></u>	<u><u>\$1,144,085</u></u>

Liabilities and Fund Balance

Current Liabilities:			
Pre-paid Maintenance Fees	\$0	\$0	\$0
Deferred Revenues - Utilities	29,643	0	29,643
Accounts Payable	66,310	0	66,310
Payroll Liabilities	2,373	0	2,373
Provision For Income Taxes	0	0	0
Total Current Liabilities	<u>98,326</u>	<u>0</u>	<u>98,326</u>
Fund Balance:			
Replacement Fund	0	807,957	807,957
Fund Balance	248,923	0	248,923
Current Year Gain/Loss	397	(11,518)	(11,121)
Total Fund Balance	<u>249,320</u>	<u>796,439</u>	<u>1,045,759</u>
Total Liabilities and Fund Balance	<u><u>\$347,646</u></u>	<u><u>\$796,439</u></u>	<u><u>\$1,144,085</u></u>

See Accountants' Review Report

See Accompanying Notes to the Financial Statements

Two Bratenahl Place Condominium Association
Statement of Revenues and Expenses
For The Twelve Months Ended December 31, 2015

	Operating Fund	Replacement Fund	Total
Revenues:			
Maintenance Fees	\$907,636	285,730	\$1,193,366
Garage	1,936	0	1,936
Pool	23,203	0	23,203
Interest Income	336	566	902
Late Fees & Misc.	3,148	0	3,148
Laundry Income	5,851	0	5,851
Rented Space	2,780	0	2,780
Picnic Grounds	3,660	0	3,660
Total Revenues	<u>\$948,550</u>	<u>\$286,296</u>	<u>\$1,234,846</u>
Expenses:			
Extraordinary Operating/Administrative	7,883	0	7,883
Bratenahl Place One Charges	99,426	0	99,426
Capital Maintenance Expenses	0	297,814	297,814
Contracted Services	72,352	0	72,352
Gross Wages	355,138	0	355,138
Grounds	45,790	0	45,790
Insurance - Hazard & Liability	48,171	0	48,171
Maintenance	98,443	0	98,443
Decorating	36,234	0	36,234
Other/Entertainment	12,795	0	12,795
Payroll Expenses & Payroll Taxes	115,459	0	115,459
Pool	32,415	0	32,415
Professional	24,047	0	24,047
Total Expenses	<u>948,153</u>	<u>297,814</u>	<u>1,245,967</u>
Excess (Deficiency) of Revenues Over Expenses Before Income Taxes	\$397	(\$11,518)	(\$11,121)
Provision For Income Taxes	0	0	0
Excess (Deficiency) of Revenues Over Expenses	<u>\$397</u>	<u>(\$11,518)</u>	<u>(\$11,121)</u>

See Accountants' Review Report

See Accompanying Notes to the Financial Statements

Two Bratenahl Place Condominium Association
Statement of Changes in Fund Balances
For the Year Ended December 31, 2015

	Operating Fund	Replacement Fund	Total
Beginning Balance - January 1, 2015	\$248,923	\$807,507	\$1,056,430
Add:			
Excess (Deficiency) of Revenues Over Expenses For The Year	397	(11,518)	(11,121)
Net Fund Transfers/Prior Period Adjustments	0	450	450
Ending Balance - December 31, 2015	\$249,320	\$796,439	\$1,045,759

See Accountants' Review Report

See Accompanying Notes to the Financial Statements

Two Bratenahl Place Condominium Association
Statement of Cash Flows
For The Year Ended December 31, 2015

	Operating Fund	Replacement Fund	Total
Cash Flows From Operating Activities:			
Excess (Deficiency) of revenues over expenses	\$397	(\$11,518)	(\$11,121)
Adjustments to reconcile net income to net cash provided from operating activities:			
Fund Transfers/Prior Period Adjustments	0	450	450
Interfund Account	0	0	0
(Increase) decrease in:			
Maintenance fees receivable, Net	(3,502)	0	(3,502)
Increase (decrease) in:			
Accounts Payable	38,709	0	38,709
Payroll Liabilities	1,489	0	1,489
Taxes Payable	0	0	0
Prepaid Maintenance Fees	(5,342)	0	(5,342)
Deferred Revenues	1,393	0	1,393
	33,144	(11,068)	22,076
Net Cash Provided (Used) By Operating Activities	33,144	(11,068)	22,076
Cash At January 1, 2015	307,215	607,507	914,722
Cash At December 31, 2015	\$340,359	\$596,439	\$936,798
Supplemental Disclosures:			
Income taxes paid			\$0
Interest paid			\$0

See Accountants' Review Report

See Accompanying Notes to the Financial Statements

TWO BRATEN AHL PLACE CONDOMINIUM ASSOCIATION, INC
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A: ORGANIZATION

The Two Bratenahl Place Condominium Association, Inc. is a statutory condominium association organized as a not-for-profit corporation in the State of Ohio for the purposes of maintaining and preserving common property of The Two Bratenahl Place Condominium Association. The Association is located in Bratenahl, Ohio and consists of 71 residential units.

The Two Bratenahl Place Condominium Association is responsible for the management and maintenance of the common areas and property. The Association assesses the owners for revenues to perform its responsibilities. Other revenues are earned from administrative charges, interest income and special assessments.

Each unit owner, upon acquisition of title to a related real estate unit, automatically becomes a member of the association. Membership terminates upon sale or disposition of the related unit by such member. The declaration of ownership and the by-laws of the association are the official governing documents of the corporation.

NOTE B: DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 16, 2016, the date that the financial statements were available to be issued.

NOTE C: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Two Bratenahl Place Condominium Association, Inc. is presented to assist in understanding the financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

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 purposes:

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

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

TWO BRATEN AHL PLACE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE C: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (continued)

The financial statements for the year ended December 31, 2015 were prepared on the accrual basis method of fund accounting which recognizes income when earned and expenses when incurred rather than when cash is received or disbursed. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

For the year ended December 31, 2015 the Association is following the accounting principles issued by the American Institute of Certified Public Accountants. The guide requires the use of fund accounting which requires that funds, such as operating funds and funds designated for future major replacements and repairs, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board and property manager. Disbursements from the replacement fund generally may be made only for designated purposes.

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 owner's whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. At December 31, 2015, the Association had delinquent assessments of \$9,610. It is the opinion of the board of directors that the Association will most likely not collect 100% of the delinquent assessments and, accordingly, an allowance for uncollectable accounts in the amount of \$2,323 was deemed necessary.

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

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 statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property at cost and depreciates it using the straight-line method.

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.

TWO BRATENAHL PLACE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE C: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The association considers all short-term investments with an original maturity of one year or less to be cash equivalents. For tax purposes, the following three categories of cash accounts are recommended:

- 1) Operating bank account(s),
- 2) Noncapital replacement fund bank account(s) for items such as painting,
- 3) Capital replacement fund bank account(s) for items that are clearly capital in nature.

There are significant concentrations of credit risk and cash deposits in excess of the federally insured (FDIC) limit of \$250,000 with accounts held at Key Bank. The Association should consider obtaining additional FDIC Insurance or transferring funds to another financial institution.

The annual budget and the monthly maintenance fee assessments of owners are determined by the board of directors. The association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

Deferred Revenue – Maintenance Fees

Deferred Revenues represent owners who have prepaid subsequent period maintenance fees of January 2016.

Reserve and Replacement Funds

The association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$796,439 at December 31, 2015 (Refer to schedule on page 6 showing the changes in the Fund Balance), are held in separate accounts and generally not available for operating purposes. These funds can be created out of the excess revenues over expenses from operations, or be funded through the annual budget.

The association is aware of the need for a replacement fund or reserve to accumulate funds for the repair and replacement of major capital items. When replacement funds are needed to meet future major repairs and replacements, the association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Reserve and replacement funds being accumulated are based on estimated future (or current) costs. Actual expenditures may vary from those estimates and the variations may be material. Reserve and replacement assessments in 2015 were \$285,730.

TWO BRATEN AHL PLACE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE C: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reserve and Replacement Funds (continued)

Ohio law requires a budget that adequately funds a reserve to repair and replace major capital items in the normal course of operations without the necessity of special assessments, unless the requirement is waived annually by a majority of unit owners.

Operating Statement

Significant types of revenues consist of regular operating assessments, monthly reserve and replacement assessments, recovered legal fees and interest income. Major repair and replacement expenditures are presented separately from operating expenses.

NOTE D: CONTINGENT LIABILITIES

The association is obligated for many contracts entered into with suppliers for goods and services. Most contracts are for specific goods and services and some may be cancelable while others may remain in force for a specific period of time. Examples of contracts are landscaping, building and seasonal maintenance, professional services, and capital repair and replacement costs.

NOTE E: SUBSEQUENT EVENTS

No subsequent events have occurred from the December 31, 2015 balance sheet date through the date recorded on the accountants' report issued.

NOTE F: CORPORATE INCOME TAXES

The Association is classified as a non-exempt membership organization for both federal and state income tax purposes for the year then ended December 31, 2015. It does not qualify as an exempt organization. The Association is subject to specific rulings and regulations applicable to non-exempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, non-membership transactions, and capital transactions.

For federal tax purposes, the Association is taxed on all net income from non-membership activities reduced only by losses from non-membership activities for which a profit motive exists. Non-membership income may not be offset by membership losses, and any excess membership deductions may only be carried forward to offset membership income of future tax periods. Any net membership income not applied to the subsequent tax year is subject to taxation.

TWO BRATEN AHL PLACE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

The Association files Form 1120-H, which has a tax rate of 30% that is applied to net taxable income. No state or city income tax return is required. Non-membership income which includes earned interest and revenues received from non-members may not be offset by membership losses. Any net membership income is not subject to taxation.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for 2012, 2013, and 2014 remain open to examination by the Internal Revenue Service. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

NOTE G: COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Association may be the subject of, or party to, pending or threatened litigation, assessments, and claims. The Association is not currently a party to any material pending legal proceedings. While it is not possible to predict with certainty future outcomes of such possible matters individually or in the aggregate, the Association believes that the ultimate result will not have a material adverse effect on the financial position and results of operations of the Association.

**TWO BRATENAHL PLACE CONDOMINIUM ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND
 REPLACEMENTS
DECEMBER 31, 2015**

In March 2015, Criterium-Ackerman Engineers prepared a study to estimate the remaining useful lives and the replacement costs of the components of common property for the next twenty years. Funding requirements considered an annual inflation rate of 2.5% and, interest rate of 0.3%, net of taxes. The estimates were based on future estimated replacement costs.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of future replacement costs and considering amounts previously borrowed by the replacement fund. Accordingly, major repair and replacement assessments were \$285,730 for the year ended December 31, 2015.

Actual expenditures and investments income 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 all future needs for the major repairs and replacement. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments or delay major repairs and replacement until funds are available.

<u>Year Ended</u>	<u>Total Projected Replacement Costs</u>
2016	\$239,089
2017	\$463,177
2018	\$244,927
2019	\$479,889
2020	\$288,895
2021	\$328,759
2022	\$ 71,762
2023	\$102,376
2024	\$116,510
2025	\$ 73,839
2026	\$145,386
2027	\$613,807
2028	\$259,732
2029	\$603,271
2030	\$268,076
2031	\$366,027
2032	\$ 84,439
2033	\$170,611
2034	\$680,986
2035	\$543,741
Total	\$6,145,299