

**WASHINGTON HOUSE
CONDOMINIUM ASSOCIATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**Year Ended
December 31, 2016**

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ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Council
Washington House Condominium Association

We have audited the accompanying financial statements of Washington House Condominium Association, which comprise the balance sheet as of December 31, 2016, and the related statements of revenues, expenses, and changes in fund balance 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 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 Washington House Condominium Association as of December 31, 2016, 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.

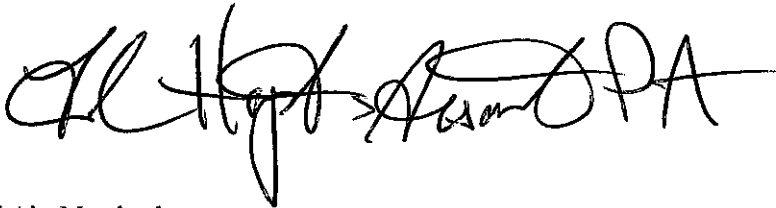
INDEPENDENT AUDITOR'S REPORT

Report on Supplementary Information

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 14 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information concerning future major repairs and replacements shown on pages 10 and 11 are 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 response 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.

A handwritten signature in black ink, appearing to read "R. H. [unclear] CPA". The signature is written in a cursive style with a long horizontal line extending to the right.

Bel Air, Maryland
May 18, 2017

**WASHINGTON HOUSE CONDOMINIUM ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2016**

| | OPERATING FUND | REPLACEMENT FUND | CONTINGENCY FUND | TOTAL |
|---|-------------------|---------------------|---------------------|-------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash-including interest bearing accounts | \$ 66,912 | \$ 442,720 | \$ 170,329 | \$ 679,961 |
| Assessments receivable (less allowance for doubtful accounts of \$20,897 and \$36,000) | 4,463 | - | 4,000 | 8,463 |
| Total current assets | 71,375 | 442,720 | 174,329 | 688,424 |
| Fixed assets | | | | |
| Equipment | 27,546 | - | - | 27,546 |
| Less accumulated depreciation | (27,546) | - | - | (27,546) |
| Net fixed assets | - | - | - | - |
| TOTAL ASSETS | \$ 71,375 | \$ 442,720 | \$ 174,329 | \$ 688,424 |
| LIABILITIES AND FUND BALANCES | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 22,219 | \$ - | \$ 125,600 | \$ 147,819 |
| Current portion of debt | - | - | 134,264 | 134,264 |
| Assessments received in advance | 61,393 | - | 1,632,100 | 1,693,493 |
| Total current liabilities | 83,612 | - | 1,757,700 | 1,841,312 |
| Long term liabilities: | | | | |
| Loan payable | - | - | 1,691,512 | 1,691,512 |
| Less current portion of debt | - | - | (134,264) | (134,264) |
| Total long term liabilities | - | - | 1,691,512 | 1,691,512 |
| Other liabilities | | | | |
| Security deposits | 15,000 | - | - | 15,000 |
| Total other liabilities | 15,000 | - | - | 15,000 |
| TOTAL LIABILITIES | 98,612 | - | 3,449,212 | 3,547,824 |
| Fund Balances (Deficit) | (27,237) | 442,720 | (3,274,883) | (2,859,400) |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 71,375 | \$ 442,720 | \$ 174,329 | \$ 688,424 |

The accompanying notes are an integral part of these financial statements.

WASHINGTON HOUSE CONDOMINIUM ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2016

| | <u>OPERATING FUND</u> | <u>REPLACEMENT FUND</u> | <u>CONTINGENCY FUND</u> | <u>TOTAL</u> |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------|
| REVENUES | | | | |
| Assessments | \$ 396,000 | \$ - | \$ - | \$ 396,000 |
| Special assessments | - | - | 990,000 | 990,000 |
| Utility assessments | 45,552 | - | - | 45,552 |
| Other income | 13,059 | - | - | 13,059 |
| Interest income | 12 | 790 | - | 802 |
| TOTAL REVENUES | <u>454,623</u> | <u>790</u> | <u>990,000</u> | <u>1,445,413</u> |
| EXPENSES | | | | |
| Operating | 380,156 | - | - | 380,156 |
| Capital expenditures | - | 12,895 | - | 12,895 |
| Interest expense | - | - | 27,830 | 27,830 |
| Legal and engineering fees | - | - | 385,290 | 385,290 |
| Building repairs | - | - | 2,922,720 | 2,922,720 |
| TOTAL EXPENSES | <u>380,156</u> | <u>12,895</u> | <u>3,335,840</u> | <u>3,728,891</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES | 74,467 | (12,105) | (2,345,840) | (2,283,478) |
| BEGINNING FUND BALANCES (DEFICIT) | 94,583 | 258,538 | (929,043) | (575,922) |
| Interfund transfers | <u>(196,287)</u> | <u>196,287</u> | <u>-</u> | <u>-</u> |
| ENDING FUND BALANCES (DEFICIT) | <u>\$ (27,237)</u> | <u>\$ 442,720</u> | <u>\$ (3,274,883)</u> | <u>\$ (2,859,400)</u> |

The accompanying notes are an integral part of these financial statements.

**WASHINGTON HOUSE CONDOMINIUM ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016**

| | OPERATING FUND | REPLACEMENT FUND | CONTINGENCY FUND | TOTAL |
|--|-------------------|---------------------|---------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Excess (deficiency) of revenues over (under) expenses | \$ 74,467 | \$ (12,105) | \$ (2,345,840) | \$ (2,283,478) |
| Depreciation expense | - | - | - | - |
| Adjustments to reconcile excess (deficiency) of revenues over (under) expenses to net cash provided (utilized) by operating activities (Increase) decrease in: | | | | |
| Assessments receivable | 20,938 | - | (1,500) | 19,438 |
| Increase (decrease) in: | | | | |
| Accounts payable | (8,403) | - | (58,573) | (66,976) |
| Assessments received in advance | (4,948) | - | 522,200 | 517,252 |
| Security deposits | 6,000 | - | - | 6,000 |
| NET CASH PROVIDED (UTILIZED) BY OPERATING ACTIVITIES | 88,054 | (12,105) | (1,883,713) | (1,807,764) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds received from loan | - | - | 1,691,512 | 1,691,512 |
| NET CASH PROVIDED (UTILIZED) BY FINANCING ACTIVITIES | - | - | 1,691,512 | 1,691,512 |
| CASH AT BEGINNING OF YEAR | 175,145 | 258,538 | 362,530 | 796,213 |
| Interfund transfers | (196,287) | 196,287 | - | - |
| CASH AT END OF YEAR | \$ 66,912 | \$ 442,720 | \$ 170,329 | \$ 679,961 |
| Supplemental Cash Flows Disclosure | | | | |
| Cash paid during the year for: | | | | |
| Interest | \$ - | \$ - | \$ 27,830 | \$ 27,830 |
| Income taxes | \$ - | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of these financial statements.

**WASHINGTON HOUSE CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

NATURE OF ORGANIZATION

Washington House Condominium Association is an unincorporated entity located in the State of Delaware. The Association is responsible for the operation and maintenance of the common property within the development. The development is located in Newark, Delaware and consists of 54 residential units and 4 commercial condominium units. The property manager for the year ended December 31, 2016 was Aspen Property Management, Inc.

DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 18, 2017, as acknowledged in the management representation letter and the date the financial statements were available to be issued.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

Contingency Fund - This fund is used to accumulate financial resources designated for costs associated with the structural deficiency litigation and building repairs.

Member Assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. In addition, the Association members are subject to yearly special assessments to provide for the structural deficiency expenses. Assessments receivable at the balance sheet date represent fees due from members. The Association's policy is to retain legal counsel and place liens on the properties of members whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years.

**WASHINGTON HOUSE CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest Income

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

Utility Assessments

The Association collects utility assessments to offset the portion of the monthly water and sewer bills. For the year ended December 31, 2016, the Association reflected as income \$45,552 from the members and disbursed \$45,552 to the City of Newark for their water and sewer usage.

Fixed Assets

Real property and common areas transferred from the developer are not recorded in the Association's financial statements because those properties are owned by the individual members in common and not by the Association. Although the building and grounds are owned by the individual members in common, the Association has acquired personal property. Expenditures for physical properties are stated at cost. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the respective assets. The cost of maintenance and repairs is charged to expense as incurred and personal property that exceeds \$5,000 is capitalized.

Use of Estimates

The preparation of the 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 contingencies 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.

Income Taxes

Homeowner associations may be taxed either as homeowner associations or as regular corporations. For the year ended December 31, 2016, the Association elected to be taxed as a homeowner association. Under that election, the Association is taxed on its nonexempt function income, such as interest income and investment earnings, less expenses allocated to non-exempt income at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable. Income tax expense for the year ended December 31, 2016 was \$0.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the year ended December 31, 2016, the Association incurred no penalties and interest related to income taxes. Tax returns are subject to examination by the Internal Revenue Service for three years after they are filed.

**WASHINGTON HOUSE CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

For purposes of reporting cash flow, cash and cash equivalents include money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less.

CASH

The Association's cash at December 31, 2016 consists of the following:

| | <u>2016</u> |
|---|-------------|
| Designated by homeowners for future repairs and replacements: | |
| Union Bank – money market | \$ 442,720 |
| Sub-Total | 442,720 |
| Designated by homeowners for structural deficiency litigation and building repairs: | |
| Union Bank – checking (allocation from undesignated account) | 170,329 |
| Sub-Total | 170,329 |
| Undesignated: | |
| Union Bank – checking | 223,221 |
| Union Bank - checking (allocated to contingency fund) | (170,329) |
| Union Bank - money market | 14,020 |
| Sub-Total | 66,912 |
| Total Cash | \$ 679,961 |

The Association maintains cash balances, which exceeded federally insured limits during the year. The Association does not believe that this results in any significant credit risk.

ASSESSMENTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Assessments receivables represent the amounts owed to the Association by various homeowners and as of December 31, 2016, the amount owed is \$65,360. This amount represents homeowner regular assessments of \$25,360 and special assessments for the contingency fund of \$40,000. The reserve for doubtful accounts is \$56,897, of which \$20,897 is for regular assessments and \$36,000 for the special assessments as of December 31, 2016 and is based on a specific uncollectability rate of all account balances over 90 days past due.

**WASHINGTON HOUSE CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

FIXED ASSETS

Fixed assets consist of the following:

| | |
|--------------------------|-----------|
| Fitness equipment | \$ 22,130 |
| Furniture | 5,416 |
| Total fixed assets | 27,546 |
| Accumulated depreciation | (27,546) |
| Net fixed assets | \$ 0 |

Depreciation expense for the year ended December 31, 2016 was \$0.

ASSESSMENTS RECEIVED IN ADVANCE

At December 31, 2016, assessments received in advance were \$1,693,493. This amount represents future homeowner regular assessments of \$61,393 and future special assessments for the contingency fund of \$1,632,100 paid prior to December 31, 2016. Several of the members chose to pay the 2017 to 2020 special assessments in full.

ACCOUNTS PAYABLE

At December 31, 2016, the Association reflected an accounts payable balance of \$147,819. The accounts payable consists of the following:

| | |
|------------------------------|------------|
| Designated: | |
| Building deficiency expenses | \$ 125,600 |
| Sub-total | 125,600 |
| Undesignated: | |
| Repairs and maintenance | 9,800 |
| Gas and electric | 5,665 |
| Water and sewer | 2,967 |
| Trash removal | 2,297 |
| Other costs | 1,490 |
| Sub-total | 22,219 |
| Total accounts payable | \$ 147,819 |

As of report date May 18, 2017, the accounts payable balance as of December 31, 2016 has been fully paid.

**WASHINGTON HOUSE CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

LOAN PAYABLE

During February 2016, the Association entered into a loan agreement with Mutual of Omaha Bank in the amount of \$3,000,000 for the purpose to fund the structural deficiency litigation and remediation repairs. At December 31, 2016, Mutual of Omaha Bank's loan payable balance was \$1,691,512 and has remaining available draws on the loan of \$1,308,488. The interest rate of the loan is fixed for the entire term on the loan at 4.50%. Interest only payments were due through February 2017. Beginning March 2017, principal and interest payments of approximately \$17,531 shall be payable by 120 successive monthly payments. The expected maturity date of the loan is February 2027. The estimated principal maturities of the loan payable during the next five years are as follows:

| Year ended December 31 | |
|------------------------|---------------------|
| 2017 | \$ 134,264 |
| 2018 | 140,432 |
| 2019 | 146,884 |
| 2020 | 153,632 |
| 2021 | 160,689 |
| Thereafter | <u>955,611</u> |
| Total notes payable | <u>\$ 1,691,512</u> |

Interest expense was \$27,830 for the year ended December 31, 2016.

FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which include \$442,720 of cash equivalents at December 31, 2016, are held in separate accounts and are generally not available for operating purposes. Expenditures for major replacements for the year ended December 31, 2016 were \$12,895, which represents an awning replacement. Contributions and transfers to the replacement fund were \$196,287 for the year ended December 31, 2016.

The Association's Council engaged an independent engineering firm to conduct a study which was finalized in December 2010 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the end of their useful lives.

**WASHINGTON HOUSE CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

The following information is based on the study's cash flow method and presents significant information about the components of common property.

| <u>Components</u> | <u>Estimated Remaining Useful Life (Years)</u> | <u>Replacement Cost Present Dollars</u> |
|---------------------------|--|---|
| Site improvements | 1 to 20 | \$ 93,600 |
| Building exteriors | 1 to 30 | 1,336,750 |
| Building interiors | 1 to 30 | 117,690 |
| Mechanical and electrical | 1 to 30 | <u>405,750</u> |
| TOTALS | | <u>\$ 1,953,790</u> |

The study completed during December 2010 reflects an ending balance at December 31, 2016 of \$587,878. The Association's balance at December 31, 2016 is \$442,720. The Association's reserve fund balance at December 31, 2016 is \$145,158 below the recommended levels.

CONTINGENCY FUND

This fund is used to accumulate financial resources designated for costs associated with the structural deficiency litigation and remediation repairs. Accumulated funds, which include \$170,329 of cash equivalents, net assessment receivable of \$4,000, less accounts payable of \$125,600, special assessments received in advance of \$1,632,100, and a loan payable of \$1,691,512, which aggregates to a fund deficit balance of \$3,274,883 at December 31, 2016. Expenditures for the year ended December 31, 2016 were \$3,335,840, which represents interest expense of \$27,830, legal and engineering fees of \$385,290, and building repairs of \$2,922,720.

SPECIAL ASSESSMENTS

The Association, represented by its Council, ratified in 2014 a special assessment of \$6,573,600 that was approved by the members of the Association. The special assessment will be assessed to all members during the years of 2015 through 2020. The 2015 special assessment was \$1,650,000 and the 2016 special assessment was \$990,000. Future assessments for the 2017 special assessment will be \$963,600, the 2018 special assessment will be \$990,000, the 2019 special assessment will be \$990,000 and the 2020 special assessment will be \$990,000. Total future assessments will be \$3,933,600. These special assessments will be used for the structural deficiency litigation, building repairs and for debt repayments. For the year ending December 31, 2016, the special assessment reflected in the financial statements as income was \$990,000.

**WASHINGTON HOUSE CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

LITIGATION

The Association, in conjunction with their legal council, has filed action on its behalf against the developer to recover damages arising from or related to defects and deficiencies in the design, development and construction of the condominium buildings. The defendants have not asserted a counterclaim against the Association, therefore the litigation remains one in which only the Association is seeking recovery. The outcome of the litigation cannot be determined at this time.

The building deficiency expenses for the year ended December 31, 2016 were \$3,335,840, which represents interest expense of \$27,830, legal and engineering fees of \$385,290, and building repairs of \$2,922,720. The cumulative building deficiency expenses as of December 31, 2016 were \$5,914,883, which represents interest expense of \$27,830, legal and engineering fees of \$949,762, and building repairs of \$4,937,291. As of report date, the Association has disbursed an additional \$538,793 to pursue legal action against the developer and repair structural deficiencies, of which \$153,639 was for professional legal and engineering fees, \$29,335 for interest expense and \$355,819 for building repairs. In addition, the Association estimates it will cost approximately an additional \$146,324 to cure the structural deficiencies and pursue legal action against the developer. The Association will be funding the future cost of the structural deficiency litigation and building repairs from special assessments issued during the years 2017 through 2020.

COMMITMENTS

As of December 31, 2016, the Association has committed to a structural deficiency litigation pursuit against the developer and a building repair project which began during 2014. For the year ending December 31, 2016, the Association has incurred \$3,335,840 of these related expenses, for a cumulative total of \$5,914,883. The total estimated costs of the structural deficiency litigation and building repairs is approximately \$6.6 million. Funding will be provided from special assessments.

SECURITY DEPOSIT LIABILITY

At December 31, 2016, security deposit liability reflected in the current financial statements was \$15,000. Homeowners which lease out their condominium units, or take in boarders or roommates are assessed a security deposit of \$1,000. At December 31, 2016, fifteen homeowners are leasing condominium units and or taking in boarders or roommates.

OPERATING FUND BALANCE DEFICIT

At December 31, 2016, the operating fund balance deficit was \$27,237. During the year ended December 31, 2016, the operating fund reflected expenditures in excess of revenues of \$121,820 after replacement fund contributions and transfers, which resulted in an operating fund deficit balance of \$27,237.

**WASHINGTON HOUSE CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016**

CONTINGENCY FUND BALANCE DEFICIT

At December 31, 2016, the contingency fund balance deficit was \$3,274,883. During the year ended December 31, 2016, the contingency fund reflected expenditures in excess of revenues of \$2,345,840, which resulted in an contingency fund deficit balance of \$3,274,883. Future special assessments issued during the years 2017 through 2020 of \$3,933,600 should eliminate the current deficit by the year ended December 31, 2020.

SUBSEQUENT EVENTS

Subsequent events were evaluated through May 18, 2017, which is the date the financial statements were available to be issued. As of May 18, 2017, the Association, represented by its Council, assessed a special assessment to all the members of \$963,600. These funds will be used for the structural deficiency litigation and building repairs which is estimated to cost approximately \$6.6 million. As of report date, the Association has disbursed an additional \$538,793 to pursue legal action against the developer and repair structural deficiencies, of which \$153,639 was for professional legal and engineering fees, \$29,335 for interest expense and \$355,819 for building repairs. In addition, the Association has received draws on the loan of approximately \$325,000, which is used to offset structural deficiency costs.

As of report date May 18, 2017, the accounts payable balance as of December 31, 2016 has been fully paid.

SUPPLEMENTARY INFORMATION

WASHINGTON HOUSE CONDOMINIUM ASSOCIATION
SCHEDULE OF OPERATING, REPLACEMENT AND CONTINGENCY FUND REVENUES AND EXPENSES-
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2016

| | (compiled) Budget | Actual | (compiled) Variance |
|--|----------------------|---------------------|------------------------|
| Revenues: | | | |
| Assessments | \$ 396,000 | \$ 396,000 | \$ - |
| Utility assessments | 36,000 | 45,552 | 9,552 |
| Other income | 12,000 | 13,059 | 1,059 |
| Interest income | - | 12 | 12 |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 444,000 | 454,623 | 10,623 |
| Expenses: | | | |
| Accounting fees | 3,000 | 2,670 | 330 |
| Bad debt expense | - | 25,696 | (25,696) |
| Depreciation | 5,000 | - | 5,000 |
| Gas and electricity | 69,832 | 46,572 | 23,260 |
| Ground and lawn maintenance | 3,706 | 6,727 | (3,021) |
| Insurance | 28,500 | 37,896 | (9,396) |
| Janitorial and cleaning | 19,720 | 17,280 | 2,440 |
| Legal fees | 5,000 | 13,742 | (8,742) |
| Management fees | 19,488 | 19,488 | - |
| Office expense | 2,800 | 2,305 | 495 |
| Repairs and maintenance | 114,799 | 126,267 | (11,468) |
| Snow removal | 7,000 | 3,848 | 3,152 |
| Telephone and internet | 2,980 | 4,550 | (1,570) |
| Trash removal | 29,055 | 27,563 | 1,492 |
| Water and sewer | 36,000 | 45,552 | (9,552) |
| | <hr/> | <hr/> | <hr/> |
| Total expenses | 346,880 | 380,156 | (33,276) |
| Excess (deficiency) of operating fund revenues over (under) operating fund expenses | | | |
| | 97,120 | 74,467 | (22,653) |
| Interfund transfers: | | | |
| Replacement fund | 87,120 | 196,287 | (109,167) |
| Contingency fund | 10,000 | - | 10,000 |
| | <hr/> | <hr/> | <hr/> |
| Excess (deficiency) of operating fund revenues over (under) operating fund expenses after interfund transfers | | | |
| | <u>\$ -</u> | <u>\$ (121,820)</u> | <u>\$ (121,820)</u> |
| Additional Disclosures: | | | |
| Replacement fund activity | | | |
| Interest income | <u>\$ -</u> | <u>\$ 790</u> | <u>\$ 790</u> |
| Capital expenditures | <u>\$ -</u> | <u>\$ 12,895</u> | <u>\$ (12,895)</u> |
| Contingency fund activity | | | |
| Special assessments | <u>\$ 990,000</u> | <u>\$ 990,000</u> | <u>\$ -</u> |
| Structural deficiency expenses | <u>\$ -</u> | <u>\$ 3,308,010</u> | <u>\$ (3,308,010)</u> |
| Interest expense | <u>\$ -</u> | <u>\$ 27,830</u> | <u>\$ (27,830)</u> |

The accompanying notes are an integral part of these financial statements.