

TABLE OF CONTENTS

	Page
BALANCE SHEET	13
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE	2
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	60

**LAS CASCADAS HOMEOWNER'S ASSOCIATION
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
BALANCE SHEET	3
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6-7

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 controls 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 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, I 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.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Las Cascadas Homeowner's Association
Toa Alta, Puerto Rico

Report on the Financial Statements

I have audited the accompanying financial statements of Las Cascadas Homeowner's Association, which comprise the balance sheet as of December 31, 2018, and the related statement 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly in all material respects, the financial position of Las Cascadas Homeowner's Association as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Oscar Eleutice Rosa, CPA

Barceloneta, Puerto Rico
April 25, 2019

Stamp No.
has been affixed to the original
report

**LAS CASCADAS HOMEOWNER'S ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2018**

	Operating Fund	Replacement Fund	Totals 2018
ASSETS			
Cash	\$ 31,441	\$ 26,394	\$ 57,835
Assessments receivable	234,945	-	234,945
Prepaid expenses	2,820	-	2,820
Due from operating fund	-	9,606	9,606
TOTAL ASSETS	\$ 269,206	\$ 36,000	\$ 305,206
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 4,876	\$ -	\$ 4,876
Accrued expenses	4,179	-	4,179
Assessments received in advance	2,649	-	2,649
Association Reserve	26,163	-	26,163
Due to replacement fund	9,606	-	9,606
Reserve for major repairs and replacements	-	36,000	36,000
TOTAL LIABILITIES	47,473	36,000	83,473
FUND BALANCE	221,733	-	221,733
TOTAL LIABILITIES AND FUND BALANCE	\$ 269,206	\$ 36,000	\$ 305,206

See accompanying notes to financial statements.

LAS CASCADAS HOMEOWNER'S ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Totals 2018</u>
REVENUES			
	\$ 291,600	\$ -	\$ 291,600
Regular assessments	38	-	38
Interest income	89,583	-	89,583
Other income	<u>381,221</u>	<u>-</u>	<u>381,221</u>
EXPENSES			
	159,574	-	159,574
Security services	1,921	-	1,921
Security equipment	19,073	-	19,073
Repairs and maintenance	23,706	-	23,706
Utilities	32,584	-	32,584
Landscaping maintenance	9,887	-	9,887
Legal and accounting fees	7,200	-	7,200
Pool maintenance	15,203	-	15,203
Other maintenance	6,119	-	6,119
Insurance	2,124	-	2,124
Maintenance entrance	16,919	-	16,919
Professional services	445	-	445
Miscellaneous	790	-	790
Telephone	20,358	-	20,358
Repairs Hurricane	440	-	440
Exterminating	691	-	691
Bank charges	<u>317,034</u>	<u>-</u>	<u>317,034</u>
EXCESS OF REVENUES OVER EXPENSES	64,187	-	64,187
BEGINNING FUND BALANCES	<u>157,546</u>	<u>-</u>	<u>157,546</u>
ENDING FUND BALANCES	<u>\$ 221,733</u>	<u>\$ -</u>	<u>\$ 221,733</u>

See accompanying notes to financial statements.

**LAS CASCADAS HOMEOWNER'S ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

	Operating Fund	Replacement Fund	Totals 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 64,187	\$ -	\$ 64,187
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Decrease (increase) in:			
Assessments receivable	(28,675)	-	(28,675)
(Decrease) increase in:			
Accounts payable	(3,307)	-	(3,307)
Accrued expenses	(967)	-	(967)
Association reserve	5,271	-	5,271
Assessments received in advance	(870)	-	(870)
TOTAL ADJUSTMENTS	(28,548)	-	(28,548)
NET CASH PROVIDED BY OPERATING ACTIVITIES	35,639	-	35,639
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund transfers	(6,415)	6,415	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(6,415)	6,415	-
NET INCREASE IN CASH	29,224	6,415	35,639
CASH AT BEGINNING OF YEAR	2,217	19,979	22,196
CASH AT END OF YEAR	\$ 31,441	\$ 26,394	\$ 57,835

See accompanying notes to financial statements.

**LAS CASCADAS HOMEOWNER'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE A - NATURE OF ORGANIZATION

Las Cascadas Homeowner's Association (hereinafter referred to as the Association) is responsible for the operation and maintenance of the common property within the development. The development consists of 180 residential units located at Urb. Las Cascadas, Municipality of Toa Alta, Puerto Rico.

The Association is subject to regulations contained in a document known as "Condiciones Restrictivas" issued on December 20, 2002.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund accounting

The Association's operations manual 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 was created to provide for extraordinary expenses, expenses that exceed the budget and urgent or emergency expenditures, whether ordinary or extrarodinary and improvements, modifications or alterations that affect the common properties and facilities.

The Association has not conducted a study to determine the remaining useful lives of the components of the common property and current estimates of the costs of major repairs and replacements that may be required in the future. When replacements funds are needed to meet future needs for major repairs and replacements, the Association may have the right to borrow, utilize available cash, increase maintenance charges, pass special assessments, or delay repairs and replacements until all funds are available. The effect on future assessments has not been determined.

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 to members are based on an annual operating budget, which includes provisions for certain major periodic replacements, maintenance and repair services.

The annual budget and assessments of owners are determined by the Board of Directors and are approved by the owners. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

The Association contracted the services of Preferred Home Services for the billing collection of the monthly assessments. For these services, Preferred Home Services, charges the Association with a monthly fee of \$4 per residential unit for a total monthly fee of \$720. Among the benefits that Preferred Home Services provide to the members are the ability to pay by phone or internet, among others.

**LAS CASCADAS HOMEOWNER'S ASSOCIATION
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2018**

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

As established by the Association's policy is to retain legal counsel and place liens on the properties of homeowners, whose assessments are delinquent.

Interfund balances

Due from/to balances represent advances between the operating and replacement fund.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Although estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Income taxes

The Association qualifies as an organization exempt from Puerto Rico income taxes pursuant to the provisions of Section 1101(23) of the Puerto Rico Internal Revenue Code, Law No. 120 of 1994 and amended in 2008. The Association has not received such income tax exemption from the government of Puerto Rico to the date of these financial statements.

NOTE C - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association must maintain in its replacement fund a reserve for future possible major repairs and replacements. This reserve was established at the initial acquisition of the units at a rate of \$200 per unit.

NOTE D - CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Association maintains cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

NOTE E - DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated by management through April 25, 2019, which is the same date the financial statements were available to be issued.