



MASTER MANAGEMENT
Century Village East Community Services

2015 Audited Financial Statements

CVE MASTER MANAGEMENT COMPANY, INC.

FINANCIAL STATEMENTS

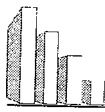
December 31, 2015 and 2014

CVE MASTER MANAGEMENT COMPANY, INC.

INDEX TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

	<u>PAGE</u>
AUDITOR'S REPORT	1
BALANCE SHEETS	3
STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN MEMBERS' EQUITY	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6-9
SUPPLEMENTARY INFORMATION	10



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CVE Master Management Company, Inc.
3501 West Drive
Deerfield Beach, FL 33442-2085

We have audited the accompanying financial statements of CVE Master Management Company, Inc., which comprise the balance sheets as of December 31, 2015 and 2014 and the related statements of revenues, expenses, and changes in members' equity and cash flows for the years 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CVE Master Management Company, Inc. as of December 31, 2015 and 2014, and the results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Reports on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenses for the Years Ended December 31, 2015 and 2014 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of 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.

The Company is subject to Chapter 617 of the Florida Statutes and is therefore not required to maintain reserves for future major repairs and replacements.

Reynolds & Picciano, LLC

Reynolds & Picciano, LLC
Deerfield Beach, Florida
August 26, 2016

CVE MASTER MANAGEMENT COMPANY, INC.
BALANCE SHEETS
December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash, including interest bearing deposits	\$ 2,060,499	\$ 2,113,700
Investment CDs	727,592	3,191,621
Investment CD - Restricted	360,137	355,166
Assessments Receivable - Unit Owners	681,250	814,626
Accounts Receivable - Others	49,820	95,347
Prepaid Expenses/Other Assets	19,767	30,023
Property and Equipment		
Building	488,696	488,696
Furniture, Fixtures, and Equipment	124,961	124,961
Less: Accumulated Depreciation	(357,832)	(344,492)
	255,825	269,166
 TOTAL ASSETS	 \$ 4,154,890	 \$ 6,869,649
 LIABILITIES & MEMBERS' EQUITY		
Accounts Payable	\$ 1,517,601	\$ 1,204,622
Accrued Expenses	155,473	1,985,000
Prepaid Assessments	292,352	311,624
Deferred Income	1,896,620	2,109,325
Loan Payable	1,164,114	2,423,867
Total Liabilities	5,026,160	8,034,438
 Members' Equity	(871,270)	(1,164,789)
 TOTAL LIABILITIES AND MEMBERS' EQUITY	 \$ 4,154,890	 \$ 6,869,649

See accompanying notes to financial statements.

CVE MASTER MANAGEMENT COMPANY, INC.
STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	2015	2014
REVENUES		
Maintenance Assessments	\$ 12,251,520	\$ 11,843,136
Cable TV Income	212,705	17,725
Legal Settlement Proceeds	260,000	-
Management Fees	54,000	62,000
Rental Income	88,991	93,486
Late fees	95,042	130,060
Miscellaneous Income	37,494	18,439
Total Revenues	12,999,752	12,164,846
EXPENSES		
General and Administrative	1,744,935	3,661,886
Utilities and Maintenance	4,353,932	4,300,290
Special Projects	1,627,759	2,147,295
Community Services	4,979,607	4,676,534
Total Expenses	12,706,233	14,786,006
REVENUES IN EXCESS (DEFICIT) OF EXPENSES	293,519	(2,621,160)
BEGINNING MEMBERS' EQUITY	(1,164,789)	1,456,371
ENDING MEMBERS' EQUITY	\$ (871,270)	\$ (1,164,789)

See accompanying notes to financial statements.

CVE MASTER MANAGEMENT COMPANY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficit) of revenues over expenses	\$ 293,519	\$ (2,621,160)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	13,340	13,954
(Increase) decrease in:		
Assessments receivable	133,376	140,004
Accounts receivable	45,527	141,337
Prepaid expenses	10,257	46,949
Increase (decrease) in:		
Accounts payable	312,979	(40,609)
Accrued expenses	(1,829,527)	1,985,000
Prepaid assessments	(19,272)	(38,735)
Deferred income	(212,705)	2,109,325
NET CASH PROVIDED BY OPERATING ACTIVITIES	(1,252,506)	1,736,063
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale/(Purchase) of CDs	2,459,058	(1,706,155)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Payable	(1,259,753)	44,204
NET INCREASE (DECREASE) IN CASH	(53,201)	74,112
CASH AT BEGINNING OF YEAR	2,113,700	2,039,588
CASH AT END OF YEAR	\$ 2,060,499	\$ 2,113,700
SUPPLEMENTAL DISCLOSURE		
Income taxes paid	\$ 40,259	\$ 40,000
Interest paid	\$ 96,247	\$ 101,621

See accompanying notes to financial statements.

CVE MASTER MANAGEMENT COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 1 NATURE OF ORGANIZATION

The CVE Master Management Company, Inc. (the "Company") is a Florida not-for-profit corporation incorporated on March 14, 1983. It is governed under Florida Statute, Chapter 617 (Corporations Not For Profit). The Company is primarily responsible for managing and maintaining the common property of CVE Deerfield, an over-55, gated community comprising 8,508 units located on approximately 560 acres in Deerfield Beach, Florida. For this purpose, it has the authority to levy and collect assessments on a pro rata per unit basis.

Note 2 DATE OF MANAGEMENT REVIEW

In preparing the financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through August 26, 2016, the date that the financial statements were available to be issued.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) ASSESSMENTS RECEIVABLE - OWNERS

Owners are subject to monthly assessments to provide funds for the Company's operations. Assessments receivable at the balance sheet date represent fees due from the unit owners. The Company holds contractual lien rights on all units. Past due accounts are pursued initially through the Company's collections department; when routine procedures fail, the accounts are referred to legal counsel. At December 31, 2015 and 2014 the total assessments receivable were \$1,226,569 and \$1,328,091 and the related allowance for uncollectible accounts was \$545,319 and \$513,465.

B) OTHER RECEIVABLES

Other receivables includes reimbursable legal fees related to collection services. Prior to 2013, legal fees for collection services were not billed to the Company until the account under collection was settled. At that time, the Company was billed for any balance due that was not covered by the actual amounts collected. As a result of a renegotiation in 2013 of the contract for collection services, the Company is now billed for collection activity as it occurs and it has been billed for all unresolved collection activity for the years 2009 through 2015. Reimbursable legal fees as of December 31, 2015 and 2014 respectively were \$178,718 and \$217,299. At December 31, 2015 and 2014 the related allowance for uncollectible accounts was \$128,898 and \$136,958.

Other receivables as of December 31, 2014 include incidental receivables for rents, interest, and reimbursable maintenance expenses of \$15,006.

CVE MASTER MANAGEMENT COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C) PROPERTY

The Company owns and has recorded in these financial statements fixed assets which consist of a building addition, building improvements, furniture, and office equipment. These assets are stated at cost and depreciated using the straight-line method with an estimated useful life of five to thirty-nine years.

The Company also owns Le Club, an office building, and various other property turned over to them by the original developer which is not reflected in the financial statements.

D) ESTIMATES

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.

E) FAIR VALUE MEASUREMENT

Under FASB ASC 820, Fair Value Measurement and Disclosures, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Company has determined that there was no material difference between the carrying value and the fair value of its financial assets and liabilities as of December 31, 2015 and 2014 and therefore, no adjustment for the effect of FASB ASC 820 was made to the Company's financial statements.

Note 4 INCOME TAXES

For federal income tax purposes, the Company qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the years ended December 31, 2015 and 2014. Under that Section, the Company is not taxed on income and expenses related to its exempt purpose, which is the management, maintenance, and care of common property located within Century Village East. Net non-exempt function income (taxable income), which includes interest earned and revenues received from non-members, is taxed at 30% by the federal government. There is no income tax liability to the State of Florida. The Company has no income tax returns under examination by the IRS. However, the Company's federal income tax returns for the years 2013, 2014, and 2015 are subject to examination, generally for three years. Income tax expense for 2015 and 2014 respectively was \$35,382 and \$35,259.

CVE MASTER MANAGEMENT COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 5 RENTAL INCOME

The Company leases office space to a tenant in the medical industry. The lease has been renewed through 2016 and the tenant holds an option to renew for three years. It requires the tenant to pay for all additional costs (electric, sales tax, etc.) on a monthly basis. These rents were \$78,000 per year for 2015 and 2014, respectively. The Company also received incidental rents from the use of the Activity Center in the Le Club building which totaled \$10,991 and \$15,486 in 2015 and 2014, respectively.

Note 6 MANAGEMENT FEES

The Company shared administrative offices with the Condominium Owners Organization of Century Village East, Inc. through February 2014. It continues to share offices with the CVE Reporter, Inc. Management fees were charged in the amounts of \$54,000 and \$62,000 in 2015 and 2014 as agreed upon by each Company's Board of Directors. These fees include payments for staff services and occupancy costs.

Note 7 UNINSURED CASH BALANCES

The Company maintains its cash balances in various commercial banks. At December 31, 2015 and 2014 the Company's deposits exceeded federal depository insurance coverage by \$1,920,395 and \$2,007,503 respectively. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant risk of loss.

Note 8 CABLE TV CONTRACT SIGNING BONUS

In 2014 management negotiated a renewal of the cable television contract with Comcast of the South, Inc. The contract remains in effect through 2024. A signing bonus was received, net of commission of \$425,350, for \$2,126,650. Beginning in December 2014, the income will be recognized on a monthly basis over the life of the contract.

Note 9 COMMITMENTS

The Company has various contract services to maintain the common property and provide resident services. These contracts include management, security, transportation, cable television, and irrigation improvement services as well as various maintenance and repair contracts. These contracts have different expiration and renewal terms.

CVE MASTER MANAGEMENT COMPANY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 10 CONSTRUCTION LOAN

In September 2011 the Company arranged funding with Wells Fargo Bank, N.A. for the construction/installation of a new automatic irrigation system. Wells Fargo agreed to provide a Construction And Term Loan with a maximum credit amount of \$4,880,000. During the draw period, the interest rate was variable at Prime + 1% with a floor of 4.25%. At the completion of the draw period (36 months), the balance of the loan was amortized over a four year period and the interest rate was fixed at 5.125%. During the draw period the Company made monthly payments of \$113,000 (principal and interest). After the draw period the Company makes monthly payments no less than \$113,000 (principal and interest) such that the outstanding balance will be fully amortized over a 48 month period or less. The loan is collateralized by a first priority lien on assessments and assignment of the Company's right to lien and foreclose on unit owners for non-payment. In addition, the Company maintains a primary depository account with the lender and a debt service reserve (\$339,000 minimum amount) in a restricted account with the lender.

The initial advance to the Company took place in February 2012. To date, all payments have been made. Principal repaid during 2015 and 2014 was \$1,259,753 and \$1,254,379, respectively. The remaining balance of \$1,164,114 will be paid off in 2016.

Note 11 LEGAL PROCEEDINGS

The Company is currently involved in two legal proceedings which it has brought as plaintiff. The first is an action for injunctive relief seeking a court order compelling one of the 253 associations to permit the Company to complete installation of a master landscape irrigation project on the subject association's property. The remaining 252 associations have permitted this already. The second is an action for declaratory relief seeking judicial determination of the Company's rights and obligations to replace the community's original guardhouses with new, modern structures, which one member has objected to. Other than attorney fees and costs, there should be no liability exposure for these two actions.

The Company also has a pending claim against its prior insurer for failing to defend and indemnify the Company for the class action matter settled in 2015 arising from installation of cable-TV services resulting in a fire to the Ventnor B association's building. The Company incurred approximately \$2,000,000 settling and defending that underlying action, and plans to file suit against Philadelphia Insurance Company for bad faith denial of coverage. If successful, this action will represent a significant financial benefit. If unsuccessful, the result of this proceeding will not materially harm the Company's financial position, results of operations, or cash flows, particularly as the matter is being handled on a contingent-fee basis by the Company's insurance counsel.

The Company's current legal counsel has indicated that the chances of any unfavorable outcome on any of these matters cannot be estimated at this time.

CVE MASTER MANAGEMENT COMPANY, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	2015	2014
GENERAL & ADMINISTRATIVE		
Payroll and tax expense	\$ 556,091	\$ 463,934
Office supplies and expenses	41,498	29,249
Office utilities	49,772	54,129
Professional services, non-legal	88,838	62,852
Professional services, legal	507,540	395,062
Insurance	151,224	117,581
Depreciation	13,340	13,954
Facilities maintenance and repair	59,621	40,125
Uncollectible accounts	277,011	500,000
Legal expense -settlement	-	1,985,000
	1,744,935	3,661,886
UTILITIES & MAINTENANCE		
Water	1,396,266	1,423,086
Sewer	1,145,460	1,170,395
Garbage	625,197	629,205
Electric	79,613	129,506
Village maintenance - general	106,004	106,177
Gate and guardhouse maintenance	23,696	41,110
Landscaping and irrigation	263,823	254,332
Roads and sidewalks	156,269	76,702
Activity center and Tilford expense	49,391	68,305
Property damage settlements	288,250	-
Property management	219,963	401,473
	4,353,932	4,300,290
SPECIAL PROJECTS		
Irrigation project (includes interest of \$96,247 in 2015; \$101,621 in 2014.)	567,425	1,771,488
Capital projects	1,060,334	235,481
Property acquisition costs	-	140,326
	1,627,759	2,147,295
COMMUNITY SERVICES		
Transportation service	1,156,623	1,171,380
Cable TV	2,311,217	1,972,609
Security	1,511,767	1,532,545
	4,979,607	4,676,534
TOTAL EXPENSES	\$ 12,706,233	\$ 14,786,006