

RIVERSIDE TERRACE CONDOMINIUM, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023



RIVERSIDE TERRACE CONDOMINIUM, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of Riverside Terrace Condominium, Inc.
Pompano Beach, Florida

Opinion

We have audited the accompanying financial statements of Riverside Terrace Condominium, Inc., which comprise the balance sheet as of December 31, 2023, and the related statements of revenues, expenses, and changes in fund balance (deficit) and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association, Inc. as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the 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 certain information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statement, 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 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 responses to our inquiries, the basic financial statements, and other knowledge we obtained during my 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.

Gladstone Strum & Company, PLLC

Gladstone Strum & Company, PLLC

Certified Public Accountants

Sunrise, FL

April 8, 2024

RIVERSIDE TERRACE CONDOMINIUM, INC.
BALANCE SHEET
DECEMBER 31, 2023

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 69,283	\$ 224,775	\$ 294,058
Maintenance assessments receivable, net	50	-	50
Prepaid expenses	146,376	-	146,376
Utility deposits	390	-	390
Interfund balances	90	(90)	-
	<u>\$ 216,190</u>	<u>\$ 224,685</u>	<u>\$ 440,874</u>
<u>LIABILITIES AND FUND BALANCE (DEFICIT)</u>			
Accounts payable	\$ 9,088	\$ -	\$ 9,088
Insurance financing payable	114,019	-	114,019
Prepaid maintenance assessments	6,164	-	6,164
Prepaid special assessment	1,289	-	1,289
Contract liabilities (assessments received in advance)	-	221,376	221,376
Line of credit	157,105	-	157,105
	287,665	221,376	509,041
Fund balance (deficit)	(71,475)	3,309	(68,166)
	<u>\$ 216,190</u>	<u>\$ 224,685</u>	<u>\$ 440,875</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RIVERSIDE TERRACE CONDOMINIUM, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>OPERATING</u> <u>FUND</u>	<u>REPLACEMENT</u> <u>FUND</u>	<u>TOTAL</u>
REVENUES:			
Maintenance assessments	\$ 203,265	\$ 22,795	\$ 226,059
Special assessment	188,067	-	188,067
Interest income	179	3,586	3,765
Other income	<u>1,042</u>	<u>-</u>	<u>1,042</u>
	<u>392,553</u>	<u>26,381</u>	<u>418,933</u>
EXPENSES:			
Administrative	38,694	-	38,694
Building repairs and maintenance	45,579	-	45,579
Grounds repairs and maintenance	60,222	-	60,222
Insurance	192,342	-	192,342
Plumbing	125,656	-	125,656
Replacement fund	-	23,482	23,482
Utilities	<u>46,826</u>	<u>-</u>	<u>46,826</u>
	<u>509,319</u>	<u>23,482</u>	<u>532,801</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(116,766)	2,899	(113,867)
FUND BALANCE - BEGINNING OF YEAR	<u>45,291</u>	<u>410</u>	<u>45,701</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (71,475)</u>	<u>\$ 3,309</u>	<u>\$ (68,166)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RIVERSIDE TERRACE CONDOMINIUM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
Cash Flows from Operating Activities:			
Excess (Deficit) of Revenues over Expenses	\$ (116,766)	\$ 2,899	\$ (113,867)
Adjustments to Reconcile Excess (Deficit) of Revenues over Expenses to Net Cash Provided (Used) by Operating Activities:			
(Increase) Decrease in Assets:			
Maintenance assessments receivable	1,897	-	1,897
Prepaid expenses	(19,344)	-	(19,344)
Increase (Decrease) in Liabilities:			
Accounts payable	3,758	-	3,758
Insurance financing payable	16,503	-	16,503
Prepaid maintenance assessments	1,504	-	1,504
Prepaid special assessment	1,289	-	1,289
Contract liabilities (assessments received in advance)	-	38,799	38,799
Total Adjustments	<u>5,607</u>	<u>38,799</u>	<u>44,406</u>
Net Cash Provided (Used) by Operating Activities	<u>(111,159)</u>	<u>41,698</u>	<u>(69,461)</u>
Cash Flows from Financing Activities			
Line of credit advances	157,105	-	157,105
Interfund balances	(90)	90	-
Net Cash Provided (Used) by Financing Activities	<u>157,015</u>	<u>90</u>	<u>157,105</u>
Net Increase (Decrease) in Cash and Cash Equivalents	45,856	41,788	87,644
Cash and Cash Equivalents - Beginning of Year	<u>23,427</u>	<u>182,987</u>	<u>206,414</u>
Cash and Cash Equivalents - End of Year	<u>\$ 69,283</u>	<u>\$ 224,775</u>	<u>\$ 294,058</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RIVERSIDE TERRACE CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE A - ORGANIZATION

Riverside Terrace Condominium, Inc. is a statutory condominium association incorporated in the State of Florida in December 1968. The Association is responsible for the operation and maintenance of the common property of the condominium comprising Riverside Terrace Condominium consisting of 41 residential units located in Pompano Beach, Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors. Disbursements from the replacement fund generally may be made only for designated purposes.

Interest Earned

The Board's policy is to allocate to the applicable fund interest earned on cash accounts.

Income Taxes

In 2023, the Association elected to file as a homeowners' association in accordance with Internal Revenue Service Code section 528. Under that section, the Association excludes from taxation exempt function income, which generally consists of revenue from assessments to owners. The Association's investment income and other nonexempt income are subject to tax, net of any applicable expenses.

Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. Property and equipment, if any, acquired by the Association are recorded at cost and property contributed to the Association by the developer, if any, is recorded at estimated fair value at the date of contribution.

RIVERSIDE TERRACE CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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.

Cash and Cash Equivalents

For purposes of these financial statements, the Association considers demand deposit accounts, savings accounts and certificate of deposits to be cash equivalents.

Comprehensive Income

ASC 220 requires “a full set of general-purpose financial statements to be expanded to include the reporting of comprehensive income.” Comprehensive income is comprised of two components, net income and other comprehensive income. For the year ended December 31, 2023, there were no items that qualify as comprehensive income.

Fair Value of Financial Instruments

The carrying amounts of the Association’s financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and long-term debt, approximate their fair values due to their short-term maturities.

Accounting for Uncertainty in Income Taxes

A loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

Under federal and state income tax laws, an entity’s income tax returns are subject to examination by the applicable taxing authorities. The time period during which a return may be selected by a taxing authority for examination generally ends at the later of three years after the initial due date of the return or three years after the return is filed.

RIVERSIDE TERRACE CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Member Assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected.

The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of unit owners 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. It is the opinion of the Board of Directors that the Association will ultimately prevail against all homeowners with delinquent assessments and, accordingly, allowance for uncollectible accounts is deemed unnecessary.

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year are approximately \$2,000 and \$50, respectively.

Contract Liabilities (Assessments received in advance)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to reserve and special assessments. The balances of contract liabilities (reserve assessments received in advance) as of the beginning and end of the year are \$182,576 and \$221,376, respectively.

RIVERSIDE TERRACE CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE C - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and Florida Statutes require that funds be accumulated for future major repairs and replacements of the common elements. Accumulated funds are to be held in separate accounts and are generally not available for expenditures for normal operations. The Association is funding for future major repairs and replacements over the estimated remaining useful lives of the components based on the Board of Directors' estimates of current replacement costs after considering amounts previously accumulated in the replacement fund.

An independent study to determine the adequacy of the current funding program for the replacement of Association common elements has not been conducted. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, approve special assessments, or delay major repairs and replacements until funds are available.

NOTE D - COMMITMENTS

The Association has various contract services to maintain the common property including lawn maintenance, pool services and janitorial services. These contracts have different expiration dates and renewal terms.

NOTE E - INSURANCE DEDUCTIBLE

The property insurance policy covering the Association is subject to a deductible of a percentage of the insured value for claims arising from wind and hailstorms. The Association is responsible for losses up to this amount.

NOTE F – LINE OF CREDIT

In December 2022, the Association entered into a non-revolving line of credit converting to a term loan in an amount up to \$250,000. The purpose of this loan is to fund various building repairs, including exterior restoration repairs, pipe lining, the elevator cab replacement, fencing/landscaping, fund the depository requirement, fund the debt service requirement, other miscellaneous repairs, including related soft costs and contingencies. Collateral is first position assignment and pledge of future income including special and regular assessments. The first 12 months is the line of credit period. Interest is fixed at 6.00% and interest only payments are due. Upon conversion to a term loan, the rate is fixed at 6.55% for 7 years. Payments of principal and interest will be due.

RIVERSIDE TERRACE CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE G - SPECIAL ASSESSMENTS

On October 10, 2022, the Board of Directors approved a special assessment in the amount of \$188,067 to cover the cost of the increase in the insurance premium.

On December 27, 2023, the Board of Directors approved a special assessment in the amount of \$211,314 to cover the cost of the increase in the insurance premium. Twelve monthly payments began January 2024.

NOTE H – NEW LEGISLATION

On May 26, 2022, the Governor signed into law Senate Bill 4D. On June 9, 2023, Senate Bill 154 was signed into law updating SB4D. The law creates a statewide building milestone inspection requirement for condominiums and cooperatives of three stories or higher 30 years after initial occupancy. Additionally, it requires inspections after a building’s initial milestone inspection. It also requires condominiums and cooperatives to conduct structural integrity reserve studies for buildings that are three stories or higher.

The provision with the largest potential impact on the Association is the prohibition of waiving the funding for certain structural reserves as defined in the law. Associations need to immediately re-evaluate the way they are funding reserves, regardless of the current funding level.

NOTE I - DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date of this report. That date is the date the financial statements were available to be issued.

**SUPPLEMENTAL SCHEDULE AND
SUPPLEMENTARY INFORMATION
ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS**

RIVERSIDE TERRACE CONDOMINIUM, INC.
 SCHEDULE OF CHANGES IN REPLACEMENT FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2023

	PAVING	ROOFS	PAINTING	GENERATOR	SAFETY REPAIRS	ELEVATOR	DEFERRED MAINTENANCE	INTEREST	TOTAL
ADDITIONS									
Unit Owners' Assessments	\$ 3,000	\$ 10,000	\$ 9,595	\$ 2,000	\$ 13,000	\$ 12,000	\$ 12,000	\$ -	\$ 61,595
Interest	-	-	-	-	-	-	-	3,586	3,586
	<u>3,000</u>	<u>10,000</u>	<u>9,595</u>	<u>2,000</u>	<u>13,000</u>	<u>12,000</u>	<u>12,000</u>	<u>3,586</u>	<u>65,181</u>
EXPENSES:	4,217	-	-	-	7,283	5,885	5,409	688	23,482
EXCESS (DEFICIT) OF ADDITIONS OVER EXPENSES	(1,217)	10,000	9,595	2,000	5,717	6,115	6,591	2,899	41,699
RESERVE ACCOUNTS - BEGINNING OF YEAR	3,000	56,150	77,404	37,599	-	-	8,423	410	182,986
RESERVE ACCOUNTS - END OF YEAR	\$ 1,783	\$ 66,150	\$ 86,999	\$ 39,599	\$ 5,717	\$ 6,115	\$ 15,013	\$ 3,309	\$ 224,685

As presented on the balance sheet:

Contract liabilities:	\$ 221,376
Fund balance:	<u>3,309</u>
	<u>\$ 224,685</u>

RIVERSIDE TERRACE CONDOMINIUM, INC.
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

Administrative

Professional fees	\$ 10,800
DBPR annual condo fees	164
Inspection	1,189
Legal	4,995
Licenses, taxes, permits and fees	1,260
Management fees	8,915
Office and postage	1,555
Banking fees	2,400
Loan	7,415
Total Administrative Expenses	<u>\$ 38,694</u>

Building Repairs and Maintenance

Building supplies	707
Electrical	4,652
Elevator	11,682
Fire alarm	3,046
General	15,454
Generator	1,315
Plumbing	5,548
Security	3,175
Total Building Repairs and Maintenance	<u>\$ 45,579</u>

Grounds Repairs and Maintenance

Common area improvements	\$ 978
Glass cleaning	3,409
Handyman	432
Irrigation	104
Janitorial	19,463
Landscaping	1,691
Lawn care	10,800
Pest control	5,200
Pool	13,843
Roof	4,302
Total Grounds Repairs and Maintenance	<u>\$ 60,222</u>

Insurance

Flood	\$ 15,685
Insurance	176,657
Total Insurance	<u>\$ 192,342</u>

Utilities

Electricity	\$ 7,318
Gas	5,008
Telephone	5,487
Waste removal	5,456
Water and sewer	23,557
Total Utilities	<u>\$ 46,826</u>

RIVERSIDE TERRACE CONDOMINIUM, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
UNAUDITED
December 31, 2023

The Board of Directors and management have estimated the remaining useful lives and the replacement costs of the components of common property. The following table is based on these estimates and presents significant information about the components of common

<u>Components</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Replacement Costs</u>	<u>12/31/2023 Reserve Balance</u>	<u>2024 Funding per Budget</u>
Paving	13	\$ 45,000	\$ 1,783	\$ 3,000
Roof	17	250,000	66,150	10,000
Painting	8	150,000	86,999	18,750
Generator	19	40,000	39,599	2,000
Safety Repair	N/A	-	5,717	13,000
Elevator	9	120,000	6,115	12,000
Deferred Maintenance	N/A	-	15,013	12,000
Interest	N/A	-	<u>3,309</u>	<u>-</u>
Total		<u>\$ 605,000</u>	<u>\$ 224,685</u>	<u>\$ 70,750</u>