

**Riverside Terrace Condominium, Inc.**

**Financial Statements**

December 31, 2017

# Riverside Terrace Condominium, Inc.

## Financial Statements

December 31, 2017

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Riverside Terrace Condominium, Inc., which comprise the Balance Sheet as of December 31, 2017, 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.

### Auditors' 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 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, 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 Riverside Terrace Condominium, Inc. as of December 31, 2017, 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.

## Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements 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, 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 responses 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.

*Master And Company, P.A.*

Davie, FL

August 14, 2018

# Riverside Terrace Condominium, Inc.

## Balance Sheet

December 31, 2017

	Operating Fund	Replacement Fund	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 79,214	\$ 139,534	\$ 218,748
Assessments Receivable, net	9,313	-	9,313
Prepaid Insurance	44,945	-	44,945
Utility Deposits	390	-	390
Due to Replacement Fund	(3,983)	-	(3,983)
Due from Operating Fund	<u>-</u>	<u>3,983</u>	<u>3,983</u>
Total Assets	<u>\$ 129,879</u>	<u>\$ 143,517</u>	<u>\$ 273,396</u>
<b>Liabilities and Fund Balance</b>			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 9,801	\$ -	\$ 9,801
Insurance Loan Payable	29,716	-	29,716
Prepaid Assessments	1,950	-	1,950
Deferred 2016 Special Assessment Income	<u>49,943</u>	<u>-</u>	<u>49,943</u>
Total Liabilities	91,410	-	91,410
Fund Balance	<u>38,469</u>	<u>143,517</u>	<u>181,986</u>
Total Liabilities and Fund Balance	<u>\$ 129,879</u>	<u>\$ 143,517</u>	<u>\$ 273,396</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**  
For the Year Ended December 31, 2017

	Operating Fund	Replacement Fund	Total
<b>Revenues</b>			
Maintenance Assessments	\$ 208,723	\$ 47,307	\$ 256,030
Special Assessments - 2016	23,562	-	23,562
Bad Debt Recovery	7,817	-	7,817
Interest	-	540	540
Other	<u>1,798</u>	<u>-</u>	<u>1,798</u>
Total Revenues	<u>241,900</u>	<u>47,847</u>	<u>289,747</u>
<b>Expenses</b>			
Fire Safety Equipment	5,317	-	5,317
Insurance	68,850	-	68,850
Janitorial Service	12,480	-	12,480
Lawn, Irrigation and Landscaping	19,635	-	19,635
Licenses, Permits and Fees	699	-	699
Maintenance and Repairs	66,042	-	66,042
Management Fees	17,232	-	17,232
Office	1,166	-	1,166
Other	1,222	-	1,222
Pool Maintenance	5,045	-	5,045
Professional Fees	3,016	-	3,016
Special Assessments - 2016	23,562	-	23,562
Utilities	<u>36,756</u>	<u>-</u>	<u>36,756</u>
Total Expenses	<u>261,022</u>	<u>-</u>	<u>261,022</u>
Excess (Deficiency) of Revenues Over Expenses	(19,122)	47,847	28,725
Fund Balance - Beginning of Year	13,722	95,670	109,392
Prior Period Adjustment	<u>43,869</u>	<u>-</u>	<u>43,869</u>
Fund Balance - End of Year	<u>\$ 38,469</u>	<u>\$ 143,517</u>	<u>\$ 181,986</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, 2017

	Operating Fund	Replacement Fund	Total
<b>Cash Flows from Operating Activities</b>			
Excess (Deficiency) of Revenues Over Expenses	\$ (19,122)	\$ 47,847	\$ 28,725
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided by (Used in) Operating Activities:			
Bad Debt Recovery	(7,817)	-	(7,817)
Decrease (Increase) in:			
Assessments Receivable, net	(1,286)	-	(1,286)
Prepaid Insurance	4,575	-	4,575
Prepaid Expenses	1,097	-	1,097
(Decrease) in:			
Accounts Payable and Accrued Expenses	(25,813)	-	(25,813)
Insurance Loan Payable	(2,784)	-	(2,784)
Prepaid Assessments	(10,183)	-	(10,183)
Deferred 2016 Special Assessment Income	<u>(23,562)</u>	<u>-</u>	<u>(23,562)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(84,895)</u>	<u>47,847</u>	<u>(37,048)</u>
<b>Cash Flows from Financing Activities</b>			
Interfund Borrowings	<u>4,284</u>	<u>(4,284)</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities	<u>4,284</u>	<u>(4,284)</u>	<u>-</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(80,611)	43,563	(37,048)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>159,825</u>	<u>95,971</u>	<u>255,796</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 79,214</u>	<u>\$ 139,534</u>	<u>\$ 218,748</u>

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

# Riverside Terrace Condominium, Inc.

## Notes to the Financial Statements

December 31, 2017

### NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization – Riverside Terrace Condominium, Inc. is a statutory condominium association incorporated as a not-for-profit corporation in the State of Florida. The Association is responsible for the operation and maintenance of the common property within the development. The Association consists of 41 residential units located in Pompano Beach, Florida.
2. Fund Accounting - The Association uses fund accounting which requires that funds such as the operating fund and the fund 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 and property manager. Disbursements from the replacement fund may be made only for their designated purposes.
3. Use of Estimates in the Preparation of Financial Statement – 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.
4. Member Assessments – Member assessments are billed quarterly based upon their proportionate share of ownership and recognized as revenue on a pro rata basis over the period covered by the billing. Member assessments are based upon estimates of amounts necessary to provide funds for the Association's operating expenses and future major repairs and replacements. Assessments receivable from members are reported at the outstanding balance due from the members. It is the Association's policy to retain legal counsel and place liens on the units of members whose assessments are delinquent. As of December 31, 2017, an allowance for doubtful accounts has been established totaling \$6,780. Any excess assessments at year end are retained by the Association for reduction of member assessments in future years.
5. Interest Income – The Board of Directors' policy is to allocate to the operating and replacement funds all interest earned on their respective cash accounts.
6. Income Taxes – In 2017, the Association plans to elect to file as a homeowners' association in accordance with Internal Revenue Service Code section 528. Under this 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 at a rate of 30%, net of any applicable expenses.
7. Concentration of Credit Risk - The Association maintains its cash balances at several financial institutions. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017, the Association did not have uninsured cash balances.
8. Recognition of Assets - 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.
9. Cash and Cash Equivalents - For purposes of the December 31, 2017 balance sheet and statement of cash flows for the year then ended, the Association considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.
10. Fair Value of Financial Instruments - The carrying amounts of cash, receivables, and payables approximate their fair values due to their short-term maturities.

# Riverside Terrace Condominium, Inc.

## Notes to the Financial Statements

December 31, 2017

### NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Comprehensive Income - ASC 220 (formerly SFAS No. 130) 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, 2017, there were no items that qualify as comprehensive income.

12. Revenue Recognition – Regular assessments to members are recognized as revenue during the period for which they are assessed. Assessments received in advance of this period are reported as prepaid assessments on the balance sheet.

### NOTE B - REPLACEMENT FUND

The Association's governing documents and Florida statutes require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations.

In 2017, when preparing the 2018 budget, the Board of Directors estimated the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on these estimates.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of \$19,557 has been included in the 2018 budget.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund 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, pass special assessments, or delay major repairs and replacements until funds are available.

The activity in the replacement fund was as follows:

Components	Balance 1/1/2017	Additions	Expenditures	Transfers	Balance 12/31/2017
Generator	\$ 60,000	\$ 22,500	\$ -	\$ -	\$ 82,500
Interest	820	540	-	-	1,360
Painting	20,100	9,557	-	-	29,657
Paving	14,750	5,250	-	-	20,000
Roof	-	10,000	-	-	10,000
<b>Total</b>	<u>\$ 95,670</u>	<u>\$ 47,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,517</u>

### NOTE C – PRIOR PERIOD ADJUSTMENT

There was a prior period adjustment to the 2013 deferred revenue account to recognize additional special assessment activity. The net adjustment increased the opening fund balance by \$43,869.

**Riverside Terrace Condominium, Inc.**  
**Notes to the Financial Statements**  
December 31, 2017

**NOTE D – 2016 SPECIAL ASSESSMENT**

On June 30, 2016, a special assessment in the amount of \$360,801 was approved for the concrete restoration shortfall, replenishment of operating account, pool resurfacing, NW lawn, elevator door replacement, elevator pit waterproofing, and replacement of storage and social room A/C units. Cumulative expenditures of \$310,858 totaled through December 31, 2017, with the remaining balance of \$49,943 to be recognized when the related expenses are incurred.

**NOTE E – WINDSTORM INSURANCE**

The insurance policy for windstorm coverage renewed August 28, 2017. The deductible amount for named hurricane storms is estimated at \$249,470 which represents 3% of the insured value of the residential buildings, which is estimated to be \$8,315,681.

**NOTE F – DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 14, 2018, the date that the financial statements were available to be issued.

**NOTE G – UNCERTAINTIES FOR INCOME TAXES**

Under federal and state income tax laws, an entity's income tax returns are subject to examination by the applicable taxing authorities. The Association has no income tax returns under examination by the Internal Revenue Service. However, the Association's Federal Income tax returns for 2015, 2016 and 2017 are subject to examination, generally for three years after they are filed.

## Supplementary Information

**Riverside Terrace Condominium, Inc.**  
**Supplementary Information on Future Major Repairs and Replacements**  
December 31, 2017  
(Unaudited)

In 2017, when preparing the 2018 budget, the Board of Directors estimated the remaining useful lives and the replacement cost of the components of common property. The following table is based on those estimates and presents significant information about the components of common property:

Component	Estimated Remaining Useful Life	Estimated Replacement Cost	Replacement Fund Balance 12/31/2017
Generator	1	\$ 105,000	\$ 82,500
Interest		-	1,360
Painting	6	87,000	29,657
Paving	0	20,000	20,000
Roof	24	<u>250,000</u>	<u>10,000</u>
<b>Total</b>		<u>\$ 462,000</u>	<u>\$ 143,517</u>