

Riverside Terrace Condominium, Inc.

Financial Statements

December 31, 2019

Riverside Terrace Condominium, Inc.

Financial Statements

December 31, 2019

Table of Contents

REPORT

Independent Auditors' Report	1
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FINANCIAL STATEMENTS

Balance Sheet	3
Statement of Revenues, Expenses and Changes in Fund Balance	4
Statement of Cash Flows	5
Notes to the Financial Statements	6

SUPPLEMENTARY INFORMATION

Schedule of Operating Expenses	10
Supplementary Information on Future Major Repairs and Replacements	12



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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, 2019, 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, 2019, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information contained in Schedule of Operating Expenses, 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 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.

Hollywood, FL

March 1, 2020

Riverside Terrace Condominium, Inc.

Balance Sheet

December 31, 2019

	Operating Fund	Replacement Fund	Total
Assets			
Cash and Cash Equivalents	\$ 73,856	\$ 200,234	\$ 274,090
Assessments Receivable	25	-	25
Prepaid Insurance	51,968	-	51,968
Utility Deposits	390	-	390
Prepaid Expenses	<u>390</u>	<u>-</u>	<u>390</u>
Total Assets	<u>\$ 126,629</u>	<u>\$ 200,234</u>	<u>\$ 326,863</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 5,839	\$ -	\$ 5,839
Insurance Loan Payable	35,318	-	35,318
Prepaid Assessments	21,227	-	21,227
Deferred Maintenance Assessments Income	<u>-</u>	<u>197,214</u>	<u>197,214</u>
Total Liabilities	62,384	197,214	259,598
Fund Balance	<u>64,245</u>	<u>3,020</u>	<u>67,265</u>
Total Liabilities and Fund Balance	<u>\$ 126,629</u>	<u>\$ 200,234</u>	<u>\$ 326,863</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, 2019

	Operating Fund	Replacement Fund	Total
Revenues			
Maintenance Assessments	\$ 224,932	\$ -	\$ 224,932
Special Assessments - 2016	49,943	-	49,943
Interest	17	988	1,005
Work Order	3,995	-	3,995
Other	<u>5,821</u>	<u>-</u>	<u>5,821</u>
Total Revenues	<u>284,708</u>	<u>988</u>	<u>285,696</u>
Expenses			
General and Administrative	18,151	-	18,151
Insurance	55,259	-	55,259
Repairs and Maintenance	99,882	-	99,882
Utilities	<u>54,646</u>	<u>-</u>	<u>54,646</u>
Total Expenses	<u>227,938</u>	<u>-</u>	<u>227,938</u>
Excess of Revenues Over Expenses	56,770	988	57,758
Fund Balance - Beginning of Year	7,475	163,746	171,221
Prior Period Adjustment	<u>-</u>	<u>(161,714)</u>	<u>(161,714)</u>
Fund Balance - End of Year	<u>\$ 64,245</u>	<u>\$ 3,020</u>	<u>\$ 67,265</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, 2019

	Operating Fund	Replacement Fund	Total
Cash Flows from Operating Activities			
Excess of Revenues Over Expenses	\$ 56,770	\$ 988	\$ 57,758
Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:			
Decrease (Increase) in:			
Assessments Receivable	41	-	41
Prepaid Insurance	(6,058)	-	(6,058)
Prepaid Expenses	(226)	-	(226)
Increase (Decrease) in:			
Accounts Payable and Accrued Expenses	(718)	-	(718)
Insurance Loan Payable	5,205	-	5,205
Prepaid Assessments	21,157	-	21,157
Deferred 2016 Special Assessment Income	(49,943)	-	(49,943)
Deferred Maintenance Assessments Income	<u>-</u>	<u>35,500</u>	<u>35,500</u>
Net Cash Provided by Operating Activities	<u>26,228</u>	<u>36,488</u>	<u>62,716</u>
Net Increase in Cash and Cash Equivalents	26,228	36,488	62,716
Cash and Cash Equivalents - Beginning of Year	<u>47,628</u>	<u>163,746</u>	<u>211,374</u>
Cash and Cash Equivalents - End of Year	<u>\$ 73,856</u>	<u>\$ 200,234</u>	<u>\$ 274,090</u>

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

Riverside Terrace Condominium, Inc.

Notes to the Financial Statements

December 31, 2019

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 based upon estimates of amounts necessary to provide funds for the Association's operating expenses and future major repairs and replacements. Maintenance assessment income 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 maintenance fees are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement reserve fund assessments are satisfied when these funds are expended for their designated purpose. Any excess assessments at year end are retained by the Association for reduction of member assessments in future years. Assessments received in advance of the period for which they are assessed are reported as prepaid assessments on the balance sheet. Assessments receivable represents the outstanding balance due from the unit owners and are stated at the amounts expected to be collected. 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, 2019, no allowance for doubtful accounts has been established.
5. Deferred Maintenance Assessments Liability – The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (deferred maintenance assessments income - replacement reserve fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve maintenance fees.
6. Income Taxes – In 2019, 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, 2019, 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.

Riverside Terrace Condominium, Inc.

Notes to the Financial Statements

December 31, 2019

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

9. Cash and Cash Equivalents - For purposes of the December 31, 2019 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.
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, 2019, there were no items that qualify as comprehensive income.
12. Interest Income – The Board of Directors' policy is to allocate to the operating and replacement funds all interest earned on their respective cash accounts.

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 2019, when preparing the 2020 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 \$38,500 has been included in the 2020 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 1/1/2019	Additions	Expenditures	Transfers	Balance 12/31/2019
Deferred Maintenance	\$ -	\$ 12,000	\$ -	\$ -	\$ 12,000
Generator	82,500	-	-	-	82,500
Interest	2,032	988	-	-	3,020
Painting	39,214	9,500	-	-	48,714
Paving	20,000	4,000	-	-	24,000
Roof	<u>20,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Total	<u>\$ 163,746</u>	<u>\$ 36,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,234</u>

Riverside Terrace Condominium, Inc.
Notes to the Financial Statements
December 31, 2019

NOTE C – 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, 2019, with the remaining balance of \$49,943 recognized as income.

NOTE D – CONTINGENCIES

Legal

The Association is periodically subject to complaints and claims, including litigation, arising in the ordinary course of business. Management believes that none of the claims and complaints of which it is currently aware will materially affect its business, financial position, or future operating results.

Insurance

The insurance policy for windstorm coverage renewed August 28, 2020. 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 E – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 1, 2020, the date that the financial statements were available to be issued.

NOTE F – 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 2017, 2018 and 2019 are subject to examination, generally for three years after they are filed.

NOTE G – CHANGES IN ACCOUNTING POLICIES

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Account Standards Codifications (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ADC 972-605, Real Estate – Common Interest Realty Associations, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Association expects to be entitled in exchange for those goods and services.

The Association adopted the new requirements of ASC Topic 606 with a date of initial application of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balances. The new guidance has been applied using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to the Association's accounting policies for member assessments and deferred maintenance assessment liability related to the replacement fund, as previously described.

Riverside Terrace Condominium, Inc.

Notes to the Financial Statements

December 31, 2019

NOTE G – CHANGES IN ACCOUNTING POLICIES (Continued)

The adoption of the new revenue recognition guidance resulted in a \$161,714 prior period adjustment to decrease the opening replacement fund balance and increase the opening balance of deferred maintenance assessments income liability at January 1, 2019.

The effect of the adoption is a decrease in the 2019 replacement reserve fund maintenance fees by \$35,500 and recording of a contract liability (deferred maintenance assessment income – replacement reserve fund) at December 31, 2019, of \$197,214. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our 2019 financial statements. Following are the line items from our balance sheet as of December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	Amounts That Would Have Been	Effects of Applying Guidance	As Reported in the Financial Statements	Amounts That Would Have Been	Effects of Applying Guidance	As Reported in the Financial Statements
Liabilities:						
Deferred Maintenance Assessments Income	\$ -	\$ 197,214	\$ 197,214	\$ -	\$ 197,214	\$ 197,214
Total Liabilities	<u>\$ -</u>	<u>\$ 197,214</u>	<u>\$ 197,214</u>	<u>\$ 62,384</u>	<u>\$ 197,214</u>	<u>\$ 259,598</u>
Fund Balance, at December 31, 2019:	\$200,234	\$ (197,214)	\$ 3,020	\$264,479	\$ (197,214)	\$ 67,265

The following are the line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

	Replacement Fund			Total		
	Amounts That Would Have Been Reported	Effects of Applying Guidance	As Reported in the Financial Statements	Amounts That Would Have Been Reported	Effects of Applying Guidance	As Reported in the Financial Statements
Revenues:						
Maintenance Assessments	\$ 35,500	\$ (35,500)	\$ -	\$ 260,432	\$ (35,500)	\$ 224,932
Total Revenues	<u>\$ 36,488</u>	<u>\$ (35,500)</u>	<u>\$ 988</u>	<u>\$ 321,196</u>	<u>\$ (35,500)</u>	<u>\$ 285,696</u>
Excess (Deficiency) of Revenues over Expenses	\$ 36,488	\$ (35,500)	\$ 988	\$ 93,258	\$ (35,500)	\$ 57,758
Cash Flows from Operating Activities:						
Excess (Deficiency) of Revenues over Expenses	\$ 36,488	\$ (35,500)	\$ 988	\$ 93,258	\$ (35,500)	\$ 57,758
Increase (Decrease) in:						
Deferred Maintenance Assessments Income	\$ -	\$ 35,500	\$ 35,500	\$ -	\$ 35,500	\$ 35,500

Except for the changes above, the Association has consistently applied the accounting policies to the period presented in these financial statements.

Supplementary Information

Riverside Terrace Condominium, Inc.

Schedule of Operating Expenses

For the Year Ended December 31, 2019

General and Administrative

Audit	\$ 3,400
Legal	413
Management Fees	12,454
Office	<u>1,884</u>
Total General and Administrative	<u>18,151</u>

Repairs and Maintenance

Air Conditioning	1,845
Building Supplies	628
Common Area Improvements	3,649
Electrical	8,321
Elevator	8,229
Fire Alarm	5,291
General	11,881
Generator	859
Glass Cleaning	464
Irrigation	425
Janitorial	14,180
Landscaping	1,770
Lawn Care	9,600
Lawn, Irrigation and Landscaping	3,274
Pest Control	1,677
Plumbing	7,765
Plumbing	3,995
Pool	11,248
Roof	<u>4,781</u>
Total Repairs and Maintenance	<u>99,882</u>

Riverside Terrace Condominium, Inc.

Schedule of Operating Expenses

For the Year Ended December 31, 2019

Utilities

Electricity	5,245
Gas	5,486
Telephone	4,923
Utilities	13,809
Waste Removal	5,505
Water and Sewer	<u>19,678</u>
Total Utilities	<u>54,646</u>

Insurance

	<u>55,259</u>
Total Operating Expenses	<u>\$ 227,938</u>

Riverside Terrace Condominium, Inc.
Supplementary Information on Future Major Repairs and Replacements
December 31, 2019
(Unaudited)

In 2019, when preparing the 2020 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	Funds Set Aside as of 12/31/2019
Deferred Maintenance		\$ -	\$ 12,000
Generator	0	105,000	82,500
Interest		-	3,020
Painting	4	87,000	48,714
Paving	0	20,000	24,000
Roof	22	<u>250,000</u>	<u>30,000</u>
Total		<u>\$ 462,000</u>	<u>\$ 200,234</u>