

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

For the Year Ended February 28, 2019

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1900 NW Corporate Blvd, Suite 110 W Boca Raton, FL 33431 Phone (561) 998-7770 Fax (561) 998-7771

To the Board of Directors
Water Glades 300 Condominium Association, Inc.
Singer Island, Florida

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Water Glades 300 Condominium Association, Inc., which comprise the balance sheet as of February 28, 2019, 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.

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 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 Water Glades 300 Condominium Association, Inc. as of February 28, 2019, 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.

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 on page 11 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, 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 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.

Lanter, Leonardo & DiCrescenzo, LLC

Lanter, Leonardo & DiCrescenzo, LLC
Certified Public Accountants
Boca Raton, Florida
May 28, 2019

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
February 28, 2019

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 116,071	\$ 188,953	\$ 305,024
Restricted Cash - Security Deposits	32,650	-	32,650
Assessments Receivable (Net of allowance for doubtful accounts of \$1,285)	1,040	-	1,040
Special Assessment Receivable	-	32,290	32,290
Cable Television Receivable	17,500	-	17,500
Prepaid Insurance	117,689	-	117,689
Furniture and Fixtures, at cost (Net of Accumulated Depreciation \$75,603)	15,571	-	15,571
Land	398,976	-	398,976
Interfund Borrowings	(36,725)	36,725	-
Utility Deposits	<u>1,877</u>	<u>-</u>	<u>1,877</u>
Total Assets	<u>\$ 664,649</u>	<u>\$ 257,968</u>	<u>\$ 922,617</u>
LIABILITIES AND FUND BALANCE (DEFICIT)			
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 12,468	\$ 7,554	\$ 20,022
Prepaid Assessments	73,608	-	73,608
Note Payable	-	564,505	564,505
Deferred Special Assessment	-	100,000	100,000
Deferred Cable Television	17,500	-	17,500
Security Deposits	<u>32,650</u>	<u>-</u>	<u>32,650</u>
Total Liabilities	136,226	672,059	808,285
FUND BALANCE (DEFICIT)	<u>528,423</u>	<u>(414,091)</u>	<u>114,332</u>
Total Liabilities and Fund Balance (Deficit)	<u>\$ 664,649</u>	<u>\$ 257,968</u>	<u>\$ 922,617</u>

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

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES AND
CHANGES IN FUND BALANCES
For the Year Ended February 28, 2019

	Operating Fund	Replacement Fund	Total
REVENUES			
Members Assessments	\$ 739,200	\$ 139,800	\$ 879,000
Insurance Assessment	150,000	-	150,000
Loan Payback	-	87,000	87,000
Special Assessments	-	350,000	350,000
Insurance Proceeds	-	12,033	12,033
Late Fees	175	-	175
Interest	467	880	1,347
Other Income	4,221	-	4,221
Total Revenues	894,063	589,713	1,483,776
EXPENSES			
Air Conditioning Repairs and Maintenance	9,333	-	9,333
Appliance Repairs and Maintenance	1,842	-	1,842
Building	28,212	-	28,212
Cable Television	61,525	-	61,525
Cleaning Supplies	258	-	258
Contingency	2,876	-	2,876
Depreciation	3,893	-	3,893
Electrical repairs and Maintenance	2,676	-	2,676
Electricity	53,380	-	53,380
Elevator	13,234	-	13,234
Engineering Fees	5,125	-	5,125
Equipment Repairs and Maintenance	5,084	-	5,084
Fire System	23,511	-	23,511
Gas	517	-	517
Insurance	123,345	-	123,345
Interest Expense	-	19,574	19,574
Licenses, Dues and Subscriptions	611	-	611
Office Supplies	1,306	-	1,306
Pest Control	2,516	-	2,516
Plumbing Repairs and Maintenance	17,504	-	17,504
Professional Fees	11,990	-	11,990
Property Association Fees	437,160	-	437,160
Special Assessment Expenditures - POA	-	179,024	179,024
Supplies and Hardware	2,097	-	2,097
Telephone	2,850	-	2,850
Water, Sewer and Trash	78,217	-	78,217
Replacement Fund Expenditures	-	861,287	861,287
Total Expenses	889,062	1,059,885	1,948,947
Excess (Deficiency) of Revenues over Expenses	5,001	(470,172)	(465,171)
Fund Balances - Beginning of Year	523,422	56,081	579,503
Fund Balance (Deficit) - End of Year	\$ 528,423	\$ (414,091)	\$ 114,332

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

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended February 28, 2019

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash (Used in) Operating Activities:			
Excess (Deficiency) of Revenues over Expenses	\$ 5,001	\$ (470,172)	\$ (465,171)
Adjustments to Reconcile Excess (Deficiency) of Revenues over Expenses to Net Cash (Used in) Operating Activities:			
Depreciation	3,892	-	3,892
(Increase) Decrease in Assets:			
Assessments Receivable	3,331	-	3,331
Special Assessment Receivable	-	(32,290)	(32,290)
Cable Television Receivable	(17,500)	-	(17,500)
Prepaid Insurance	(107,490)	-	(107,490)
Increase (Decrease) in Liabilities:			
Accounts Payable and Accrued Expenses	3,804	(11,838)	(8,034)
Prepaid Assessments	52,819	-	52,819
Security Deposits	10,000	-	10,000
Deferred Special Assessment	-	100,000	100,000
Deferred Cable Income	<u>17,500</u>	<u>-</u>	<u>17,500</u>
Net Cash (Used in) Operating Activities	<u>(28,643)</u>	<u>(414,300)</u>	<u>(442,943)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments on Note	-	482,253	482,253
Interfund Borrowings	<u>14,937</u>	<u>(14,937)</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>14,937</u>	<u>467,316</u>	<u>482,253</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(13,706)	53,016	39,310
Cash and Cash Equivalents - Beginning of Year	<u>162,427</u>	<u>135,937</u>	<u>298,364</u>
Cash and Cash Equivalents - End of Year	<u>\$ 148,721</u>	<u>\$ 188,953</u>	<u>\$ 337,674</u>
Supplemental Disclosure of Cash Flow Information:			
Interest Paid	<u>\$ -</u>	<u>\$ 19,574</u>	<u>\$ 19,574</u>

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

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
February 28, 2019

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization - Water Glades 300 Condominium Association, Inc. (Association) is a statutory condominium association incorporated as a not-for-profit corporation in the State of Florida on December 30, 1975 for the purposes of maintaining and preserving the common property of the Water Glades 300 Condominium. Water Glades 300 Condominium consists of 100 residential units located in Singer Island, 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. Disbursements from the replacement fund may be made only for replacement fund components.
3. Cash and Cash Equivalents - For purposes of the February 28, 2019 balance sheet and statement of cash flows for the year ended February 28, 2019, the Association considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.
4. Recognition of Assets and Depreciation Policy - Real property acquired by the Association is capitalized when it (a) is used to generate significant cash flows from members on the basis of usage or from nonmembers or (b) can be disposed of for cash with the Association retaining the proceeds. Real property acquired by the Association that does not meet these guidelines is not capitalized, and accordingly, replacements, major repairs, and improvements to this property are not capitalized; instead, they are reported as expenses in the fund making the expenditure. The Association capitalizes personal property to which it has title at cost and depreciates it using the straight-line method over the estimated useful lives of the assets of seven years.
5. Concentration of Credit Risk - Financial instruments which potentially subject the Association to concentrations of credit risk are primarily cash and cash equivalents and assessments receivable. The Association invests its excess cash and cash equivalents in both deposits and high quality short-term liquid money market instruments with major financial institutions and the carrying value approximates market value. The Association has not experienced losses related to these investments. The Association believes it is not exposed to any significant credit risk on cash and cash equivalents and assessments receivable.
6. Member Assessments - Member assessments are billed monthly based upon their proportionate share of ownership and are 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. The Association provides for doubtful accounts based on experience and analysis of individual accounts. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific accounts are determined to be uncollectible, they are written off by charging the allowance and crediting the receivable. As of February 28, 2019, an allowance for doubtful accounts of \$1,285 was deemed necessary. Any excess assessments at year end are retained by the Association for reduction of member assessments in future years.
7. Interest Earned - The Association's policy is to allocate operating interest to the operating fund. The replacement fund interest is retained in the replacement fund.

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
February 28, 2019

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Income Taxes - In 2018 the Association elected to file as a homeowners' association in accordance with Internal Revenue Service Code section 529. 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.

9. Use of Estimates in the Preparation of Financial Statements - 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.

10. 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 February 28, 2019, there were no items that qualify as comprehensive income.

11. Fair Value of Financial Instruments - The carrying amounts of cash, receivables and payables approximate their fair values due to their short-term maturities.

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 bank accounts and are generally not available for expenditures for normal operations.

In 2018, when preparing the 2019 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 partial funding for the fiscal year 2019-2020 has been established at \$122,400.

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
February 28, 2019

NOTE B - REPLACEMENT FUND (Continued)

The activity in the replacement fund was as follows:

Component	Balance 3/1/2018	Assessments	Special Assessment	Insurance Proceeds	Interest	Expenditures	Balance 2/28/2019
Pooled	\$ 56,081	\$ 226,800	\$ 350,000	\$ 12,033	\$ 880	\$ (1,059,885)	\$ (414,091)
Total	<u>\$ 56,081</u>	<u>\$ 226,800</u>	<u>\$ 350,000</u>	<u>\$ 12,033</u>	<u>\$ 880</u>	<u>\$ (1,059,885)</u>	<u>\$ (414,091)</u>

On October 19, 2018, the Board of Directors approved a special assessment in the amount of \$250,000 due by February 1, 2019 to fund their share of the special assessment for the Property Owners Association for various projects and Tower 300's maintenance projects which include column overrun, HVAC system, elevator modifications and upgrades and spalling and painting projects. Additionally, in 2018, the Association received insurance proceeds in the amount of \$12,033 relating to the special assessment projects. As of February 28, 2019, related expenses have been incurred and are recognized in the replacement fund.

On January 18, 2019 the Board of Directors approved a special assessment in the amount of \$200,000 due by April 20, 2019 for the purpose of funding building maintenance projects. As of February 28, 2019, majority of the related expenses have been incurred except for \$100,000 allocated for the remaining painting project cost. This amount has been recognized as deferred special assessment income to be used for future purposes.

Pooled expenditures are comprised of the following:

A Stack Repairs	\$ 13,915
SPA - Upgrade HVAC System	13,231
SPA Leak Repair	24,111
SPA - 2019 -2020	19,542
SPA - POA	179,024
Elevators	48,810
Capital Improvements and Betterments	31,529
Hallway Projects	511,108
Loan # 1 Interest Expense	6,340
Loan # 2 Interest Expense	13,234
Column Repairs	<u>199,041</u>
	<u>\$ 1,059,885</u>

NOTE C- WINDSTORM INSURANCE

The Association maintains insurance coverage for damage sustained by the common elements. The insurance coverage in force includes substantial deductible amounts, which the Association would be required to fund. In addition, in as much as certain other expenses may be incurred by the Association in the event of a hurricane, the ultimate extent of any such loss in excess of the aforementioned maximum deductible cannot be determined.

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS (Continued)
 February 28, 2019

NOTE D - UNINSURED CASH BALANCES

The Association maintains its cash balances at one financial institution. Accounts at this institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. At February 28, 2019, the Association's uninsured cash balance totals \$233,140. The Association has never incurred losses related to these investments. The Association paid its annual insurance premium of \$107,309 on February 22, 2019.

NOTE E - PROPERTY AND EQUIPMENT

Furniture, fixtures and equipment consist of the following at February 28, 2019:

Furniture, Equipment and Improvements	\$	91,174
Land		398,976
		490,150
Accumulated depreciation		(75,603)
		\$ 414,547

Depreciation expense was \$3,893 for the year ended February 28, 2019.

NOTE F - WATER GLADES POA

The Association is a member of the Water Glades Property Owners Association, Inc., ("POA"). The Property Owners Association assessments are allocated among the member associations based on the percentage of total number of units in each respective association to the total number of units in all member associations. The amount paid to the POA of \$437,160 is used for expenses such as salaries, pool maintenance, security, landscaping, and all other common area expenses.

NOTE G - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 28, 2019.

NOTE H - NOTE PAYABLE

On April 16, 2018, the Board of Directors entered into a loan agreement for \$626,500 with BB&T bank. The purpose of the loan is to fund the hallway and support column repair projects. Commencing on May 16, 2018 interest payments only at the rate of 4.25% are due until December 16, 2018. Subsequently, on January 16, 2019, principal and interest in the amount of \$9,436 is due monthly with the final payment due on April 16, 2025. The interest shall bear at a fixed rate of 4.25% per annum. The note is collateralized by an assignment of general and special assessments. As of February 28, 2019, the balance payable is \$564,505. Interest expense totaled \$19,574 for the year ended February 28, 2019. Maturities of the debt for next five years are as follows:

2019	\$	81,217
2020		84,738
2021		88,410
2022		92,242
Thereafter		217,898
		\$ 564,505

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
February 28, 2019

NOTE I - CABLE TELEVISION

On November 1, 2018, the Association renegotiated their cable contract for seven years. This Agreement shall automatically renew for a maximum of 3 successive periods of 30 days unless either party shall provide the other with a minimum 30 days' notice of its intention not to renew at the end of the then current term. The cost per unit that is included in the monthly maintenance fee assessment will be \$40.50 per unit(s) plus a broadcast TV fee equal to \$5.00 per unit and all applicable taxes and fees. The Association shall pay the Company a monthly per unit service fee for Internet Bulk Service equal to \$28.00 per unit plus all applicable taxes and fees. On or after every anniversary of this Bulk Addendum, the total of the monthly per unit(s) service fee and broadcast TV fee may be increased by the Company upon 30 days written notice and such increase shall not exceed 4% once per year. In addition, the Association received cable compensation in the amount of \$17,500 which was paid within ninety days after the execution of the agreement. Therefore, the Association will recognize cable television revenue in the amount of \$2,500 annually for seven years beginning in March 2019. As of February 28, 2019, the \$17,500 is recorded as deferred cable television income for future recognition purposes.

NOTE J - CONTINGENCY

During the course of normal operations of the Association, lawsuits, claims, and other contingent liabilities may arise. Based upon information currently available with respect to the aforementioned contingencies, management believes that any resulting liability will not materially affect the financial position or operations of the Association.

NOTE K - LEASE SECURITY DEPOSITS AND RESTRICTED CASH

A security deposit is required to be paid to the Association when a unit is leased, and is returned at the end of the lease term. As of February 28, 2019, security deposits liability totaled \$32,650. The Association holds all security deposits in a non-interest bearing account and is restricted. These funds will be reimbursed at lease end if all conditions are met.

SUPPLEMENTARY INFORMATION

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
 February 28, 2019
 (Unaudited)

In 2018, when preparing the 2019-2020 budget, the Board of Directors estimated the remaining useful lives and the replacement costs of the components of common property. The following table is based on the estimates and presents significant information about the components of common property.

Components	Remaining Estimated Useful Lives	Estimated Current Replacement Costs	Balance February 28, 2019	2019-2020 Required Funding	2019-2020 Partial Funding*
Roof Replacement	14	\$ 300,000	\$ -	\$ 21,429	\$ -
Elevator Overhaul & Modernization	6	750,000	-	125,000	-
Exterior Painting of Building	6	128,000	-	21,333	-
Interior Painting of Building	14	60,000	-	4,286	-
Air Conditioning Equipment	9	65,000	-	7,222	-
Electrical Service Panel	4	350,000	-	87,500	-
Generator	9	300,000	-	33,333	-
Mechanical Room	9	75,000	-	8,333	-
Concrete Restoration	4	400,000	-	100,000	-
Lobby Restoration	18	150,000	-	8,333	-
Lobby Doors	9	28,000	-	3,111	-
Cooling Tower	9	150,000	-	16,667	-
Trash Compactor	9	15,000	-	1,667	-
Hallway renovation	19	500,000	-	26,316	-
Exercise Room	17	50,000	-	2,941	-
Boilers	11	15,000	-	1,364	-
Painting Stairwells	7	15,000	-	2,143	-
Auto Fire Spinkler System	27	100,000	-	3,704	-
POA Expenses (pool, clubhouse paring decks, guardhouse)	4	482,000	-	120,500	-
Pooled	-	-	(414,091)	-	122,400
		<u>\$ 3,933,000</u>	<u>\$ (414,091)</u>	<u>\$ 595,181</u>	<u>\$ 122,400</u>

*As of February 28, 2019, the Association is partially funding the replacement fund.