

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

For the Year Ended February 29, 2020

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

For the Year Ended February 29, 2020

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

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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 29, 2020, and the related statements of revenues, expenses, and changes in fund balances 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 29, 2020, 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 13 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  
August 11, 2020

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
BALANCE SHEET  
February 29, 2020

	Operating Fund	Replacement Fund	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 136,646	\$ 178,925	\$ 315,571
Restricted Cash - Security Deposits	34,638	-	34,638
Assessments Receivable	7,660	-	7,660
Prepaid Insurance	10,382	-	10,382
Furniture and Fixtures, at cost (Net of Accumulated Depreciation \$79,496)	11,678	-	11,678
Land	398,976	-	398,976
Utility Deposits	1,877	-	1,877
Contract Assets (Expenses Paid in Advance - Replacement Fund)	-	337,155	337,155
Total Assets	\$ 601,857	\$ 516,080	\$ 1,117,937
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 13,154	\$ -	\$ 13,154
Prepaid Assessments	25,735	-	25,735
Note Payable	-	482,812	482,812
Deferred Cable Television	15,000	-	15,000
Security Deposits	34,638	-	34,638
Contract Liabilities (Special Assessments Paid in Advance - Replacement Fund)	-	32,327	32,327
Total Liabilities	88,527	515,139	603,666
<b>FUND BALANCES</b>	513,330	941	514,271
Total Liabilities and Fund Balances	\$ 601,857	\$ 516,080	\$ 1,117,937

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 29, 2020

	Operating Fund	Replacement Fund	Total
<b>REVENUES</b>			
Members Assessments	\$ 802,459	\$ 148,984	\$ 951,443
Insurance Assessment	134,500	-	134,500
Special Assessments	-	267,673	267,673
Late Fees	275	-	275
Interest	980	61	1,041
Other Income	<u>6,420</u>	<u>-</u>	<u>6,420</u>
Total Revenues	<u>944,634</u>	<u>416,718</u>	<u>1,361,352</u>
<b>EXPENSES</b>			
Air Conditioning Repairs and Maintenance	17,789	-	17,789
Appliance Repairs and Maintenance	3,708	-	3,708
Building	33,634	-	33,634
Cable Television	91,137	-	91,137
Cleaning Supplies	3,003	-	3,003
Contingency	17,308	-	17,308
Depreciation	3,893	-	3,893
Electrical Repairs and Maintenance	3,966	-	3,966
Electricity	43,190	-	43,190
Elevator	13,358	-	13,358
Fire System, Sprinklers and Safety	9,357	-	9,357
Gas	559	-	559
Generator	2,549	-	2,549
HVAC	3,980	-	3,980
Insurance	123,046	-	123,046
Interest Expense	-	22,707	22,707
Licenses, Dues and Subscriptions	611	-	611
Office Supplies	452	-	452
Pest Control	2,834	-	2,834
Plumbing Repairs and Maintenance	14,239	-	14,239
Professional Fees	41,015	-	41,015
Property Association Fees	450,443	-	450,443
Special Assessment Expenditures	-	177,623	177,623
Special Assessment Expenditures - POA	-	90,050	90,050
Telephone	460	-	460
Water Treatment	2,570	-	2,570
Water, Sewer and Trash	76,626	-	76,626
Replacement Fund Expenditures	<u>-</u>	<u>126,277</u>	<u>126,277</u>
Total Expenses	<u>959,727</u>	<u>416,657</u>	<u>1,376,384</u>
Excess (Deficiency) of Revenues over Expenses	(15,093)	61	(15,032)
Fund Balances - Beginning of Year	<u>528,423</u>	<u>880</u>	<u>529,303</u>
Fund Balances - End of Year	<u>\$ 513,330</u>	<u>\$ 941</u>	<u>\$ 514,271</u>

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 29, 2020

	Operating Fund	Replacement Fund	Total
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided by Operating Activities:			
Excess (Deficiency) of Revenues over Expenses	\$ (15,093)	\$ 61	\$ (15,032)
Adjustments to Reconcile Excess (Deficiency) of Revenues over Expenses to Net Cash Provided by Operating Activities:			
Depreciation	3,893	-	3,893
Allowance for Depreciation	(1,285)	-	(1,285)
(Increase) Decrease in Assets:			
Assessments Receivable	(5,335)	-	(5,335)
Special Assessment Receivable	-	32,290	32,290
Cable Television Receivable	17,500	-	17,500
Prepaid Insurance	107,307	-	107,307
Contract Assets (Expenses Paid in Advance - Replacement Fund)	-	77,816	77,816
Increase (Decrease) in Liabilities:			
Accounts Payable and Accrued Expenses	686	(7,554)	(6,868)
Prepaid Assessments	(47,873)	-	(47,873)
Security Deposits	1,988	-	1,988
Deferred Cable Income	(2,500)	-	(2,500)
Contract Liabilities (Special Assessments Received in Advance - Replaement Fund)	-	(67,673)	(67,673)
Net Cash Provided by Operating Activities	<u>59,288</u>	<u>34,940</u>	<u>94,228</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments on Note	-	(81,693)	(81,693)
Interfund Borrowings	(36,725)	36,725	-
Net Cash (Used in) Financing Activities	<u>(36,725)</u>	<u>(44,968)</u>	<u>(81,693)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	22,563	(10,028)	12,535
Cash and Cash Equivalents - Beginning of Year	<u>148,721</u>	<u>188,953</u>	<u>337,674</u>
Cash and Cash Equivalents - End of Year	<u>\$ 171,284</u>	<u>\$ 178,925</u>	<u>\$ 350,209</u>
Supplemental Disclosure of Cash Flow Information:			
Interest Paid	<u>\$ -</u>	<u>\$ 22,707</u>	<u>\$ 22,707</u>

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

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
February 29, 2020

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's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund -This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund -This fund is used to accumulate financial resources designated for future major repairs and replacements.

3. Member Assessments - Association members are subject to monthly 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 and special 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 homeowners whose assessments are thirty days or more delinquent. As of February 29, 2020, an allowance for doubtful accounts has not been established. The Association provides for doubtful accounts based on experience and analysis of individual accounts. Any excess assessments at year end are retained by the Association for use in the succeeding year.

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 \$34,615 and \$7,660, respectively.

4. Cash and Cash Equivalents - For purposes of the February 29, 2020 balance sheet and statement of cash flows for the year ended February 29, 2020, the Association considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

5. Interest Earned - The Association's policy is to allocate operating interest to the operating fund. The special assessment and replacement fund interest is retained in the replacement fund.

6. 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.



WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
February 29, 2020

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

7. 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.
8. 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.
9. Income Taxes - The Association's policy is to record interest expense or penalties related to income tax in operating expenses. For the year ended February 29, 2020, no interest or penalties were paid or accrued.
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 29, 2020, 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. Prepaid Assessments - Assessments received in advance for the subsequent year are reported as prepaid assessments on the balance sheet.
13. Contract Liabilities (Assessments received in advance - replacement fund) - The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balance of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year are \$880 and \$941, respectively.
14. Contract Assets (Expenses paid in advance-replacement fund) - A contract asset is the Association's right to payment for goods and resources already transferred. A contract asset is recognized when it has fulfilled a contract obligation before being entitled to payment. The balances of contract assets (expenses paid in advance-replacement fund) as of the beginning and end of the year are \$414,971 and \$337,155, respectively.

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
February 29, 2020

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

15. Contract Liabilities (Special Assessments received in advance - replacement fund) - The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (special assessments received in advance-special assessment fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to special assessments. The balance of contract liabilities (special assessments received in advance-special assessment fund) as of the beginning and end of the year are \$100,000 and \$32,327, respectively.

NOTE B - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and Florida statutes require that funds be accumulated for future major repairs and replacements. Accumulated funds, which aggregate to (\$303,887), are presented on the accompanying February 29, 2020 balance sheet as contract assets, contract liabilities and replacement fund total balance. These "Expenses and Special Assessments Paid in Advance - Replacement Fund" and Replacement Fund Balance are held in separate accounts and are generally not available for operating purposes

The Association has not conducted a reserve study to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on management's estimates of current replacement costs, including amounts previously accumulated in the replacement fund. For the year ending, February 28, 2021, the unit owners voted to partially fund the replacement fund.

Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available. The activity was as follows:

<u>Component</u>	<u>Balance 3/1/2019</u>	<u>Assessments</u>	<u>Special Assessment</u>	<u>Interest</u>	<u>Expenditures</u>	<u>Balance 2/29/2020</u>
Pooled	\$ (314,971)	\$ 226,800	\$ 200,000	\$ -	\$ (416,657)	\$ (304,828)
Interest	<u>880</u>	<u>-</u>	<u>-</u>	<u>61</u>	<u>-</u>	<u>941</u>
Total	<u>\$ (314,091)</u>	<u>\$ 226,800</u>	<u>\$ 200,000</u>	<u>\$ 61</u>	<u>\$ (416,657)</u>	<u>\$ (303,887)</u>

Pooled expenditures are comprised of the following:

Special Assessments	\$ 267,673
HVAC System Upgrade	14,490
Elevator	12,419
Capital Improvements and Betterments	97,368
Hallway Projects	2,000
Interest Expense	<u>22,707</u>
	<u>\$ 416,657</u>

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
February 29, 2020

NOTE B - FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

On January 18, 2019, the Board of Directors approved a special assessment in the amount of \$200,000 for the purpose of funding the building maintenance projects. The amount was due by April 30, 2019. As of February 29, 2020, total related expenses were \$267,673 and the remaining \$32,327 is recognized as contract liabilities (special assessments received in advance-replacement fund). The prior year left over balance of \$100,000 was used towards some of the related special assessment expenses.

NOTE C - FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 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 a CIRA expects to be entitled in exchange for those goods or services.

Fund balance, as previously reported, at March 1, 2019	\$ 114,332
Adjustment for effects of ASU 2014 - 09	<u>414,971</u>
Fund balance, as adjusted, at March 1, 2019	<u>\$ 529,303</u>

The effect of the adoption had a decrease of \$78,057 in 2019 assessments and a recording of contract assets (expenses paid in advance-replacement fund) at February 29, 2020, of \$337,155. 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 February 29, 2020, 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:

	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidelines</u>	<u>As Reported</u>
<u>Assets</u>			
Contract Assets (Expenses Paid in Advance - Replacement Fund)	\$ -	\$ 337,155	\$ 337,155
<u>Liabilities</u>			
Contract Liabilities (Special Assessments Received in Advance-Replacement Fund)	\$ -	\$ 32,327	\$ 32,327
Total Liabilities	571,339	32,327	603,666
<u>Fund Balance</u>			
Ending Fund Balance	\$ 514,271	\$ -	\$ 514,271

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
February 29, 2020

NOTE C - FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION (Continued)

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 February 29, 2020, 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:

<u>Revenue</u>	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidelines</u>	<u>As Reported</u>
Members Assessments	\$ 1,164,000	(78,057)	\$ 1,085,943
Excess (Deficiency) of Revenues over Expenses	432,266	(447,298)	(15,032)
<u>Cash Flows</u>			
Excess (Deficiency) of Revenues over Expenses	432,266	(447,298)	(15,032)
Decrease in Contract Assets (Expenses Paid in Advance-Replacement Fund)	-	77,816	77,816
Decrease in Liabilities (Special Assessments Paid in Advance-Replacement Fund)	\$ -	\$ 67,674	\$ 67,674

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 29, 2020, the Association's uninsured cash balance totals \$105,084. The Association has never incurred losses related to these investments. The Association paid its annual insurance premium of \$142,246 on March 21, 2020.

NOTE E- 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.

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 \$450,443 is used for expenses such as salaries, pool maintenance, security, landscaping, and all other common area expenses.

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
February 29, 2020

NOTE G - PROPERTY AND EQUIPMENT

Furniture, fixtures and equipment consist of the following at February 29, 2020:

Furniture, Equipment and Improvements		\$	91,174
Land			398,976
			<u>490,150</u>
Accumulated depreciation			(79,496)
			<u>\$ 410,654</u>

Depreciation expense was \$3,893 for the year ended February 29, 2020.

NOTE H - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 11, 2020, the date that the financial statements were available to be issued.

NOTE I - 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 was 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 29, 2020, the balance payable is \$482,812. Interest expense totaled \$22,707 for the year ended February 29, 2020. Maturities of the debt for the next five years are as follows:

2020		\$	84,738
2021			88,410
2022			92,242
2023			96,239
2024			100,409
Thereafter			<u>20,774</u>
			<u>\$ 482,812</u>

NOTE J - 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 29, 2020, the \$15,000 is recorded as deferred cable television income for future recognition purposes.

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
February 29, 2020

NOTE K - 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 L - 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 29, 2020, security deposits liability totaled \$34,638. 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.

NOTE M - INCOME TAXES

In 2019, the Association elected 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.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of February 29, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Association's management believes it is no longer subject to income tax examinations for years prior to 2017.

NOTE N - SUBSEQUENT EVENTS

The spread of a novel strain of Coronavirus (COVID-19) in the first months of 2020 has caused a substantial impact on the U.S. economy. There is significant uncertainty around the effects and duration of business interruption related to COVID-19. The extent of the impact on the Association's operations, management, employees, vendors, and owners, will depend on certain developments, which cannot be determined at this time.

On October 9, 2020, the Board of Directors approved to levy a special assessment to repay the loan for Water Glades 300 Condominium Association, Inc.'s share of the cost of the sea wall, repayment of the existing loan balance and all of the related professional fees limited to the use of the funds for this purpose. For the 2020 year, the operating, replacement and special assessment fund will be presented separately.

SUPPLEMENTARY INFORMATION

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
 February 29, 2020  
 (Unaudited)

The Board of Directors conducted an informal study to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. These estimates are reviewed annually and adjusted accordingly. Actual expenditures may vary from these estimated amounts and the variations may be material. The following table is based on that study as updated by management and presents significant information about the components of common property.

Components	Remaining Estimated Useful Lives	Estimated Current Replacement Costs	Contract Assets and Liabilities and Replacement Fund Balances February 29, 2020	2020-2021 Required Funding	2020-2021 Partial Funding*
Roof Replacement	13	\$ 300,000	\$ -	\$ 23,077	\$ -
Elevator Overhaul & Modernization	4	750,000	-	187,500	-
Exterior Painting of Building	6	128,000	-	21,333	-
Interior Painting of Building	13	60,000	-	4,615	-
Air Conditioning Equipment	8	65,000	-	8,125	-
Electrical Service Panel	4	350,000	-	87,500	-
Generator	9	300,000	-	33,333	-
Mechanical Room	9	75,000	-	8,333	-
Concrete Restoration	3	400,000	-	133,333	-
Lobby Restoration	17	150,000	-	8,824	-
Lobby Doors	8	28,000	-	3,500	-
Cooling Tower	8	150,000	-	18,750	-
Trash Compactor	8	15,000	-	1,875	-
Hallway renovation	18	500,000	-	27,778	-
Exercise Room	16	50,000	-	3,125	-
Boilers	10	15,000	-	1,500	-
Painting Stairwells	6	15,000	-	2,500	-
Auto Fire Sprinkler System	26	100,000	-	3,846	-
POA Expenses (pool, clubhouse paring decks, guardhouse)	4	482,000	-	120,500	-
Interest	-	-	941	-	-
Pooled	-	-	(304,828)	-	122,400
		<u>\$ 3,933,000</u>	<u>\$ (303,887)</u>	<u>\$ 699,348</u>	<u>\$ 122,400</u>

\*For the year ending February 28, 2021, the Association is partially funding the replacement fund.