

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

For the Year Ended February 28, 2018

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

## INDEPENDENT AUDITORS' 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, 2018, 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 28, 2018, 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  
Deerfield Beach, Florida  
July 26, 2018

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
BALANCE SHEET  
February 28, 2018

	Operating Fund	Replacement Fund	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 139,777	\$ 135,937	\$ 275,714
Restricted Cash - Security Deposits	22,650	-	22,650
Assessments Receivable (Net of allowance for doubtful accounts of \$1,285)	4,371	-	4,371
Prepaid Insurance	10,199	-	10,199
Furniture and Fixtures, at cost (Net of Accumulated Depreciation \$71,711)	19,464	-	19,464
Land	398,976	-	398,976
Interfund Borrowings	(21,788)	21,788	-
Utility Deposits	1,877	-	1,877
Total Assets	\$ 575,526	\$ 157,725	\$ 733,251
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 8,665	\$ 19,392	\$ 28,057
Prepaid Assessments	20,789	-	20,789
Note Payable	-	82,252	82,252
Security Deposits	22,650	-	22,650
Total Liabilities	52,104	101,644	153,748
<b>FUND BALANCES</b>	523,422	56,081	579,503
Total Liabilities and Fund Balances	\$ 575,526	\$ 157,725	\$ 733,251

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, 2018

	Operating Fund	Replacement Fund	Total
<b>REVENUES</b>			
Members Assessments	\$ 687,024	\$ 122,400	\$ 809,424
Insurance Assessment	160,176	-	160,176
Special Assessments	-	117,037	117,037
Loan Repayment	-	104,400	104,400
Late Fees	225	-	225
Cable Television Refund	2,284	-	2,284
Interest	88	152	240
Other Income	<u>4,630</u>	<u>-</u>	<u>4,630</u>
Total Revenues	<u>854,427</u>	<u>343,989</u>	<u>1,198,416</u>
<b>EXPENSES</b>			
Air Conditioning Repairs and Maintenance	20,058	-	20,058
Appliance Repairs and Maintenance	1,398	-	1,398
Building	23,682	-	23,682
Cable Television	55,927	-	55,927
Cleaning Supplies	433	-	433
Contingency	2,934	-	2,934
Depreciation	3,893	-	3,893
Electrical repairs and Maintenance	10,704	-	10,704
Electricity	52,403	-	52,403
Elevator	13,576	-	13,576
Equipment Repairs and Maintenance	2,030	-	2,030
Fire System	11,307	-	11,307
Gas	2,506	-	2,506
Insurance	121,202	-	121,202
Interest Expense	-	7,866	7,866
Licenses, Dues and Subscriptions	629	-	629
Office Supplies	1,260	-	1,260
Pest Control	2,704	-	2,704
Plumbing Repairs and Maintenance	9,098	-	9,098
Professional Fees	14,325	-	14,325
Property Association Fees	421,524	-	421,524
Supplies and Hardware	3,858	-	3,858
Telephone	5,415	-	5,415
Water, Sewer and Trash	70,475	-	70,475
Replacement Fund Expenditures	<u>-</u>	<u>316,271</u>	<u>316,271</u>
Total Expenses	<u>851,341</u>	<u>324,137</u>	<u>1,175,478</u>
Excess of Revenues over Expenses	3,086	19,852	22,938
Fund Balance (Deficit) - Beginning of Year	565,336	(8,771)	556,565
Interfund Transfer	<u>(45,000)</u>	<u>45,000</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 523,422</u>	<u>\$ 56,081</u>	<u>\$ 579,503</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 28, 2018

	Operating Fund	Replacement Fund	Total
Reconciliation of Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:			
Excess of Revenues over Expenses	\$ 3,086	\$ 19,852	\$ 22,938
Adjustments to Reconcile Excess of Revenues over Expenses to Net Cash Provided by Operating Activities:			
Depreciation	3,893	-	3,893
Decrease in Assets:			
Assessments Receivable	3,774	-	3,774
Special Assessment Receivable - T300	-	630	630
Special Assessment POA Receivable - Due from Owners	-	53,243	53,243
Prepaid Insurance	103,684	-	103,684
Prepaid Expenses	4,089	-	4,089
Increase (Decrease) in Liabilities:			
Accounts Payable and Accrued Expenses	(6,596)	16,322	9,726
Insurance Payable	(103,878)	-	(103,878)
Prepaid Assessments	4,319	-	4,319
Security Deposits	22,650	-	22,650
Due to POA	-	(63,603)	(63,603)
Deferred Special Assessment	-	(17,037)	(17,037)
Deferred Cable Income	(2,284)	-	(2,284)
Net Cash Provided by Operating Activities	<u>32,737</u>	<u>9,407</u>	<u>42,144</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments on Note	-	(96,552)	(96,552)
Interfund Transfer	(45,000)	45,000	-
Interfund Borrowings	11,360	(11,360)	-
Net Cash (Used in) Financing Activities	<u>(33,640)</u>	<u>(62,912)</u>	<u>(96,552)</u>
Net (Decrease) in Cash and Cash Equivalents	(903)	(53,505)	(54,408)
Cash and Cash Equivalents - Beginning of Year	<u>163,330</u>	<u>189,442</u>	<u>352,772</u>
Cash and Cash Equivalents - End of Year	<u>\$ 162,427</u>	<u>\$ 135,937</u>	<u>\$ 298,364</u>
Supplemental Disclosure of Cash Flow Information:			
Interest Paid	<u>\$ -</u>	<u>\$ 7,866</u>	<u>\$ 7,866</u>

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

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
February 28, 2018

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, 2018 balance sheet and statement of cash flows for the year ended February 28, 2018, 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, 2018, 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 Board of Director'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, 2018

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

8. Income Taxes - In 2017 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, 2018, 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 2017, when preparing the 2018-2019 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 2018-2019 has been established at \$139,800. As of February 28, 2018, the operating fund transferred \$45,000 to the replacement fund.

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
February 28, 2018

NOTE B - REPLACEMENT FUND (Continued)

The activity in the replacement fund was as follows:

Component	Balance 3/1/2017	Assessments	Special Assessment	Interest	Expenditures	Transfers	Balance 2/28/2018
Pooled	\$ (8,771)	\$ 226,800	\$ 117,037	\$ 152	\$ (324,137)	\$ 45,000	\$ 56,081
Total	<u>\$ (8,771)</u>	<u>\$ 226,800</u>	<u>\$ 117,037</u>	<u>\$ 152</u>	<u>\$ (324,137)</u>	<u>\$ 45,000</u>	<u>\$ 56,081</u>

Pooled Expenditures are comprised of the following:

Concrete Restoration	\$ 97,135
A Stack Repairs	85,214
Air Conditioning Equipment	785
Roof	4,885
Fire Alarm System Upgrade	28,924
Capital Improvements and Betterments	46,593
Hurricane Clean Up	41,016
Interest Expense	7,866
POA Projects	<u>11,719</u>
	<u>\$ 324,137</u>

NOTE C- WINDSTORM INSURANCE

The insurance policy for windstorm coverage renewed March 1, 2018. The deductible amount for named hurricane storms is estimated at \$617,084, which represents 3% of the insured value of the residential building, which is estimated to be \$20,569,465.

NOTE D - UNINSURED CASH BALANCES

The Association maintains its cash balances a financial institutions. Accounts at this institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. At February 28, 2018, the Association's uninsured cash balance total \$59,778. The Association has never incurred losses related to these investments. The Association paid its annual insurance premium of \$107,957 on March 12, 2018.

NOTE E - PROPERTY AND EQUIPMENT

Furniture, fixtures and equipment consist of the following at February 28, 2018:

Furniture, Equipment and Improvements	\$ 91,175
Land	<u>398,976</u>
	490,151
Accumulated depreciation	<u>(71,711)</u>
	<u>\$ 418,440</u>

Depreciation expense was \$3,893 for the year ended February 28, 2018.

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
February 28, 2018

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 \$421,524 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 July 26, 2018.

NOTE H - NOTE PAYABLE

On December 11, 2012 the Tower 300 Board of Directors entered into a line of credit /loan agreement for \$600,000 with BB&T bank. These monies when drawn down will be used for the following projects: the exterior painting of the building, the installation of a new roof, the redecorating of the lobby, the updating of the fire alarm system, the legal and engineering costs related to the stack window mediation process and the mandated installation of high impact windows in two owners units. Commencing on January 11, 2013 interest only payments began until December 11, 2014. Subsequently, on January 11, 2015, principal and interest in the amount of \$8,700 was due monthly with the final payment due on December 11, 2019. These monthly principal and interest payments will be adjusted subject to the principal payments that have already been made or will be made prior to January 11, 2015. The interest shall bear at a fixed rate of 5.75% per annum. The note is collateralized by an assignment of general and special assessments. As of February 28, 2018, the balance payable on the amount drawn down was \$82,252. Interest expense totaled \$7,866 for the year ended February 28, 2018. Maturities of the debt for next year is as follows:

2019	\$ <u>82,252</u>
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NOTE I - SPECIAL ASSESSMENTS

As of February 28, 2018, the Association recognized deferred special assessment income in the amount of \$17,037 for replacement fund replenishment.

On November 6, 2017, the Board of Directors approved a special assessment in the amount of \$100,000 to replenish the replacement fund due from the A stack spalling project, Hurricane Irma damage and the Property Owners Association lighting project shortfall.

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

February 28, 2018

NOTE J - CABLE TELEVISION

On March 8, 2011, the Association renegotiated their cable contract for seven years commencing April 1, 2011. The agreement shall automatically renew for one year unless either party provides minimum of sixty days written notice of its intention not to renew at the end of the then current term. The initial cost per unit that is included in the monthly maintenance fee assessment will be \$32.50 plus all applicable taxes and fees for two years then up to 5% annual increases thereafter. In addition, the Association received cable compensation in the amount of \$16,000 and that an equal portion of that deferred cable revenue of \$2,284 will be recognized annually for seven years beginning in April 1, 2011. As of February 28, 2018, the remaining \$2,284 is recognized as cable television income.

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 28, 2018, security deposits liability totaled \$22,650. The Association holds all security deposits in a non-interest bearing account. This account totaling \$22,650 is restricted and is included in cash and cash equivalents. These funds will be reimbursed at lease end if all conditions are met.

NOTE M - SUBSEQUENT EVENT

On April 16, 2018, the Association obtained a loan from a bank in the amount of \$626,560 at an interest rate of 4.25% and a maturity date of April 16, 2025. The purpose of the loan is to fund the hallway and support column repair projects. The note is collateralized by an assignment of general and special assessments.

**SUPPLEMENTARY INFORMATION**

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
 February 28, 2018  
 (Unaudited)

In 2017, when preparing the 2018-2019 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, 2018	2018-2019 Required Funding	2018-2019 Partial Funding*
Roof Replacement	24	\$ 350,000	\$ -	\$ 14,583	\$ -
Elevator Overhaul & Modernization	5	700,000	-	140,000	-
Exterior Painting of Building	1	100,000	-	100,000	-
Interior Painting of Building	15	36,000	-	2,400	-
Air Conditioning Equipment	10	65,000	-	6,500	-
Electrical Service Panel	4	500,000	-	125,000	-
Generator	10	100,000	-	10,000	-
Concrete Restoration	4	520,000	-	130,000	-
Lobby Restoration	19	150,000	-	7,895	-
Cooling tower	15	150,000	-	10,000	-
Trash Compactor	10	15,000	-	1,500	-
Clean Risers	1	30,000	-	30,000	-
Hallway renovation	20	500,000	-	25,000	-
Exercise Room	8	50,000	-	6,250	-
Boilers	4	25,000	-	6,250	-
Painting Stairwells	8	15,000	-	1,875	-
Fire Alarm System	28	115,000	-	4,107	-
POA Expenses (pool, clubhouse paring decks, guardhouse)	5	482,000	-	96,400	-
Pooled	-	<u>-</u>	<u>56,081</u>	<u>-</u>	<u>139,800</u>
		<u>\$ 3,903,000</u>	<u>\$ 56,081</u>	<u>\$ 717,760</u>	<u>\$ 139,800</u>

\*As of February 28, 2018, the Association is partially funding the replacement fund.