

RIVERWALK HOMEOWNERS ASSOCIATION, INC.

(A Not-for-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2014

**FRIEDMAN, FELDMESSER & KARPELES, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANTS**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS:	
Balance Sheet	3
Statement of Revenues, Expenses and Changes in Fund Balance (Deficit)	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9
SUPPLEMENTAL SCHEDULE	
Schedule of Comparative Expenses	10



INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members
Riverwalk Homeowners Association, Inc.
Jupiter, Florida

We have audited the accompanying balance sheet of Riverwalk Homeowners Association, Inc. as of December 31, 2014, and the related statements of revenue, expenses and 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.

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 Riverwalk Homeowners Association, Inc. as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The Association has not formally estimated the remaining lives and replacement costs of the common property as of December 31, 2014 and, therefore, has not presented this information as supplementary information to the financial statements that accounting principles in the United States of America has determined is required to supplement, although not required to be a part of the basic financial statements.

Friedman, Feldmesser + Karpeles, CPA, LLC

Friedman, Feldmesser & Karpeles, CPA, LLC
July 27, 2015

RIVERWALK HOMEOWNERS ASSOCIATION, INC.
(A Not-for-Profit Corporation)
BALANCE SHEET
DECEMBER 31, 2014

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	\$ 100,362	\$ 192,524	\$ 292,886
Assessments receivable, net of allowance for doubtful accounts of \$31,000	61,345	-	61,345
Other receivables	250	-	250
Prepaid insurance	8,832	-	8,832
Property and equipment, net of accumulated depreciation	76,922	-	76,922
Utility deposits	2,999	-	2,999
Due from Operating Fund	-	515,715	515,715
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 250,710</u>	<u>\$ 708,239</u>	<u>\$ 958,949</u>
 LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Accounts payable and accrued expenses	\$ 21,728	\$ -	\$ 21,728
Deferred boatyard revenue	2,400	-	2,400
Payroll liability	2,769	-	2,769
Prepaid maintenance assessments	23,046	-	23,046
Deposits - keys	10,990	-	10,990
Due to Replacement Fund	515,715	-	515,715
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>576,648</u>	<u>-</u>	<u>576,648</u>
 MEMBERS' EQUITY			
Fund balance (deficit)	(325,938)	708,239	382,301
	<u> </u>	<u> </u>	<u> </u>
MEMBERS' EQUITY	<u>(325,938)</u>	<u>708,239</u>	<u>382,301</u>
 TOTAL LIABILITIES AND MEMBERS' EQUITY			
	<u>\$ 250,710</u>	<u>\$ 708,239</u>	<u>\$ 958,949</u>

See independent auditor's report and accompanying notes to the financial statements.

RIVERWALK HOMEOWNERS ASSOCIATION, INC.
(A Not-for-Profit Corporation)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2014

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES			
Maintenance assessments	\$ 684,441	\$ 104,359	\$ 788,800
Interest income	58	158	216
Boat storage	4,960	-	4,960
Application fee income	15,225	-	15,225
Other income	14,761	-	14,761
	<u>719,445</u>	<u>104,517</u>	<u>823,962</u>
EXPENSES			
Accounting	8,580	-	8,580
Audit and tax return fees	4,950	-	4,950
Bad debt	9,521	-	9,521
Beautification landscape and plan	5,028	-	5,028
Cable	131,637	-	131,637
Concrete repairs	52,675	-	52,675
Depreciation	20,371	-	20,371
Electric	31,335	-	31,335
Gas	3,314	-	3,314
General repairs and maintenance	21,677	-	21,677
Insurance	29,651	-	29,651
Interest	100	-	100
Irrigation system pumps and supplies	3,024	-	3,024
Key/ door repairs	727	-	727
Lake maintenance	10,447	-	10,447
Landscape/ irrigation contract	71,751	-	71,751
Legal Fees	12,990	-	12,990
Maintenance and janitorial supplies	5,850	-	5,850
Management Fees	155,730	-	155,730
Office	16,920	-	16,920
Permits, fees and taxes	854	-	854
Plumbing	2,920	-	2,920
Pool parts and supplies	36,778	-	36,778
Postage	2,491	-	2,491
Printing	2,168	-	2,168
Rain gutter cleaning	3,710	-	3,710
Security	46,148	-	46,148
Telephone	29,514	-	29,514
Trash removal	3,137	-	3,137
Tree trimming	2,840	-	2,840
Water and sewer	6,094	-	6,094
	<u>732,932</u>	<u>-</u>	<u>732,932</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(13,487)	104,517	91,030
BEGINNING FUND BALANCE (DEFICIT)	(312,451)	603,722	291,271
ENDING FUND BALANCE (DEFICIT)	\$ (325,938)	\$ 708,239	\$ 382,301

See independent auditor's report and accompanying notes to the financial statements.

RIVERWALK HOMEOWNERS ASSOCIATION, INC.
(A Not-for-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	OPERATING FUND	REPLACEMENT FUND	TOTAL
OPERATING ACTIVITIES:			
Maintenance assessments collected	\$ 707,765	\$ 104,359	\$ 812,124
Other income	35,196	-	35,196
Interest income	58	158	216
Cash paid to suppliers of goods and services	(707,166)	-	(707,166)
NET CASH PROVIDED BY OPERATING ACTIVITIES	35,853	104,517	140,370
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(13,659)	-	(13,659)
NET CASH USED BY INVESTING ACTIVITIES	(13,659)	-	(13,659)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund transfers	46,904	(46,904)	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	46,904	(46,904)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	69,098	57,613	126,711
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	31,264	134,911	166,175
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 100,362	\$ 192,524	\$ 292,886
RECONCILIATION OF EXCESS (DEFICIT) OF REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Excess (deficit) of revenues over expenses	\$ (13,487)	\$ 104,517	\$ 91,030
Adjustments to reconcile excess (deficit) of revenue over expenses to net cash provided (used) by operating activities:			
Bad debt	9,521	-	9,521
Depreciation	20,371	-	20,371
Changes in operating assets and liabilities:			
Assessments receivable	13,645	-	13,645
Other receivable	250	-	250
Prepaid insurance	(1,835)	-	(1,835)
Accounts payable and accrued expenses	7,819	-	7,819
Deferred boatyard revenue	(160)	-	(160)
Payroll liability	(703)	-	(703)
Prepaid maintenance assessments	157	-	157
Deposits - keys	275	-	275
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 35,853	\$ 104,517	\$ 140,370

See independent auditor's report and accompanying notes to the financial statements.

RIVERWALK HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 – NATURE OF ORGANIZATION

Riverwalk Homeowners Association, Inc. a Florida not-for-profit corporation, was incorporated in October 1984 for the purpose of operating as a homeowners association in Jupiter, Florida, and serving as an instrumentality of the various 340 owners in controlling, regulating, managing, maintaining and conserving the common elements and common areas of the community as described in the Declaration of Covenants, Conditions and Restrictions and as recorded in the Articles of Incorporation and By-Laws. All policy decisions are formulated by the Board of Directors.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING

This summary of significant accounting policies of Riverwalk Homeowners Association, Inc. (the Association) is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied to the preparation of the financial statements.

Basis of Presentation

The accompanying financial statements include the assets, liabilities, fund balances, revenues, and expenses as determined using the accrual basis of accounting.

Funds

The Association is a not-for-profit organization which employs the fund method of accounting in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors, the Association voting membership, or applicable Florida Statute. The financial statements segregate the accounting for such funds as either Operating or Replacement Funds. At the end of the year, excess funds are retained by the fund generating such excess during the year.

The Operating Fund is used to account for financial resources available for the general operating of the Association. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors and the Association's manager.

The Replacement Fund is generally used to account for assessments made for major repair and replacement of common property, and related expenses. Disbursements from the Replacement Fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association membership. Interest income earned in the Replacement Fund is maintained in a separate component.

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.

RIVERWALK HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Assessments Receivable from Owners and Allowance for Doubtful Accounts

Assessments receivable from owners are reported as the outstanding balance due from owners, net of any allowance for doubtful accounts. The Association provides for doubtful accounts based on experience and analysis of individual accounts. When the collectibility 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 December 31, 2014, the allowance for doubtful accounts totaled \$31,000.

Prepaid Insurance

Insurance premiums are expensed, prorata, over the coverage periods. Premiums representing coverage subsequent to the end of the year are recorded as prepaid expense.

Capitalization and Depreciation

Depreciation is computed on the estimated useful lives using the straight-line method for assets to which the Association holds title. Real and common area property owned in common by the unit owners is not capitalized on the Association's financial statements. Replacements and improvements to the real and common area property owned in common are similarly not capitalized. Maintenance and repair costs are charged to expense as incurred.

Interest earned

The Association's policy is to allocate interest earned to the fund that holds the bank account.

Income Taxes

The Association may elect, on an annual basis to file its Federal income tax return as a homeowners' association, or as a corporation. Homeowners' associations pay tax only on non-exempt income, such as interest and other non pro-rata revenues less any related expenses. The Association elected to file form 1120-H as a corporation in 2014.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The subsequent events have been evaluated through July 27, 2015, the date the financial statements were available to be issued.

RIVERWALK HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING (CONTINUED)

Maintenance Assessments

Each homeowner is assessed a quarterly maintenance fee as determined by the Board of Directors based on an annual budget. The maintenance assessments shall be used for payment of the operation, maintenance, and management of the Association and the common property. Assessments receivable at the balance sheet date represent fees due from members and prepaid maintenance assessments represent fees paid in advance. The Association has the authority and power to levy and collect special assessments as determined by the Board of Directors and unit owners. The Association's policy is to retain legal counsel and place liens on units of members whose assessments are delinquent.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2014:

	<u>Operating Fund</u>
Cable and internet equipment	\$ 180,630
Furniture and fixtures	26,413
Office equipment	15,530
Vehicles	7,170
Other	21,438
Less accumulated depreciation	<u>(174,259)</u>
Total	<u>\$ 76,922</u>

Depreciation expense for the year ended December 31, 2014 totaled \$20,371.

NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The current year approved budget includes provisions for reserves for capital improvements and deferred maintenance. The funds are being accumulated in a separate interest bearing account based on estimates of future needs for repairs and replacements of common property components as determined by the Board of Directors and are not generally available for normal operations. Information about the estimates of future costs of major repairs and replacements, as required by the American Institute of Certified Public Accountants, has not been presented. 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.

**RIVERWALK HOMEOWNERS ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2014**

NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

The balance at December 31, 2014, consists of the following:

COMPONENT	BALANCE 1/1/2014	ADDITIONS	EXPENSES	BALANCE 12/31/2014
Roofs	\$ 457,212	\$ 52,180	\$ -	\$ 509,391
Painting	18,813	52,180	-	70,992
Paving	15	-	-	15
Boat yard	44,160	-	-	44,160
Capital improvements and other	83,523	158	-	83,681
	<u>\$ 603,722</u>	<u>\$ 104,517</u>	<u>\$ -</u>	<u>\$ 708,239</u>

The 2015 approved budget includes a Replacement Fund provision aggregating \$148,239.

NOTE 5 – COMMITMENTS

The Association has various contract services to maintain the common property, including lawn maintenance, janitorial services, pool maintenance, and irrigation maintenance. These contracts have different expiration dates and renewal terms.

In June 2012, the Association entered into an agreement with a painting company for the preparation and repainting of 27 buildings for a total cost of \$303,106 plus extras. The work and payments are being completed over a four (4) year period (2012, 2013, 2015 and 2016). In 2012 the work completed and paid was \$75,650 plus \$10,770 in extras. In 2013 the amount paid was \$85,085 plus \$11,865. The remaining work will be completed and paid in 2015 & 2016.

NOTE 6 – SUBSEQUENT EVENT

In 2015, the Association entered into an agreement with a technology company to upgrade the existing internet system. The amount of the agreement is \$39,825. As of December 31, 2014 no payments had been disbursed. The Board of Directors anticipates a significant annual savings as a result of this upgrade.

SUPPLEMENTAL SCHEDULE

RIVERWALK HOMEOWNERS ASSOCIATION, INC.
(A Not-for-Profit Corporation)
SCHEDULE OF COMPARATIVE EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	OPERATING FUND 2014 ACTUAL	OPERATING FUND 2013 ACTUAL	VARIANCE
EXPENSES			
Accounting	\$ 8,580	\$ 7,800	\$ 780
Audit & Tax Return Fees	4,950	5,350	(400)
Bad debt	9,521	16,489	(6,968)
Beautification landscape and plan	5,028	17,323	(12,295)
Cable	131,637	119,083	12,554
Concrete repairs	52,675	-	52,675
Depreciation	20,371	18,150	2,221
Electric	31,335	35,121	(3,786)
Gas	3,314	3,644	(330)
General repairs and maintenance	21,677	25,620	(3,943)
Insurance	29,651	26,269	3,382
Interest	100	108	(8)
Irrigation system pumps and supplies	3,024	4,684	(1,660)
Key/ door repairs	727	1,596	(869)
Lake maintenance	10,447	1,110	9,337
Landscape/ irrigation contract	71,751	71,621	130
Legal Fees	12,990	22,395	(9,405)
Maintenance and janitorial supplies	5,850	6,500	(650)
Management Fees	155,730	150,873	4,857
Office	16,920	11,049	5,871
Permits/ fees/ taxes	854	1,572	(718)
Plumbing	2,920	143	2,777
Pool parts and supplies	36,778	12,957	23,821
Postage	2,491	2,325	166
Printing	2,168	2,476	(308)
Rain gutter cleaning	3,710	3,710	-
Security	46,148	46,863	(715)
Telephone	29,514	24,105	5,409
Trash removal	3,137	3,079	58
Tree trimming	2,840	-	2,840
Water and sewer	6,094	5,687	407
Total Expenses	\$ 732,932	\$ 647,702	\$ 85,230