



# Gerstle, Rosen & Goldenberg, P.A.

Certified Public Accountants

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May 2, 2018

Board of Directors  
Harbour Isle at Hutchinson Island East Condominium Association, Inc.

Dear Board Members:

As a result of our audit of the financial statements of Harbour Isle at Hutchinson Island East Condominium Association, Inc., for the year ended December 31, 2017, we are bringing the following matters to your attention:

1. As of December 31, 2017, the Association maintained cash and cash equivalent balances which exceed the Federal Deposit Insurance (F.D.I.C.) limit of \$250,000. The Association has not experienced any losses related to these cash balances and believes it is not exposed to any significant risk on these accounts.
2. The balance in the other receivables foreclosures needs to be researched and possibly considered to be written off.
3. The A/R Clearing account is carrying balances from July 2017. Please research these balances. Clearing items should not stay in this account for longer than two months before being researched for removal.
4. There has been no activity in the Deferred Rent liability for two years. Please research to determine if this amount should be written off.
5. The Association should consider combining the storage replacement component with the pooled replacement component.

We welcome the opportunity to discuss the above.

Very truly yours,

*Gerstle, Rosen & Goldenberg, P.A.*

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Certified Public Accountants

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May 2, 2018

To the Board of Directors  
Harbour Isle at Hutchinson Island East Condominium Association, Inc.

We have audited the financial statements of Harbour Isle at Hutchinson Island East Condominium Association, Inc., ("the Association") for the year ended December 31, 2017, and have issued our report thereon dated **May 2, 2018**. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated **March 31, 2018**. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Harbour Isle at Hutchinson Island East Condominium Association, Inc., are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during **2017**. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allowance for doubtful accounts is based on an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management and completing our audit.

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*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. As applicable, management has corrected all such misstatements. Enclosed you will find the proposed adjusting journal entries approved by management.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated **May 2, 2018**.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Supplementary Information Accompanying the Audited Financial Statements*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

*Required Supplementary Information*

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

This information is intended solely for the use of the Board of Directors and management of Harbour Isle at Hutchinson Island East Condominium Association, Inc., and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Gerstle, Rosen & Goldenberg, P.A.*

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## INSTRUCTIONS

### ACCOUNTING ENTRIES AND OTHER SUPPORTING DOCUMENTS

DATE: June 1, 2018

RE: Harbour Isle at Hutchinson Island East Condominium Association, Inc.

#### 1. ADJUSTING JOURNAL ENTRIES

- a. If you have closed for the year, all adjustments to revenue, expenses and prior period adjustments should be put to the respective fund balance.
- b. Ensure that prior period adjustments are closed to fund balance at year end.
- c. Under normal circumstances accruals should be reversed against current expenses.

#### 2. WORKING TRIAL BALANCE

- a. The working trial balance reflects a summary of the year end adjustments to post after closing (i.e. balance sheet accounts only).

Please call the office if you have any questions.

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**HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.  
PROPOSED ADJUSTING JOURNAL ENTRIES  
December 31, 2017**

[illegible]

HARBOUR ISLE AT HUTCHINSON ISLAND EAST CONDOMINIUM ASSOCIATION, INC.  
POST CLOSING WORKING TRIAL BALANCE  
December 31, 2017

ACCOUNT TITLE	CLIENT ACCOUNT NUMBER	CLIENT T/B		ADJUSTMENTS		CPA F/S	
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
<b>BALANCE SHEET</b>							
ASSETS				-	-		
CENTERSTATE OPERATING	10010 80	4,990.00		-	-	4,990.00	
UNION BANK CHECKING- OPERATING	10010 84	165,195.00		-	-	165,195.00	
CASH- MONEY MARKET	10014 00	153,681.00		-	-	153,681.00	
DUE (TO)/ FROM RESERVES	10200		43,590.00	-	-		43,590.00
ACCOUNTS RECEIVABLE	10300	2,470.00		-	-	2,470.00	
OTHER RECEIVABLES FORECLOSURE	10330 32	2,928.00		-	-	2,928.00	
OTHER RECEIVABLES VENDORS	10330 85	16,684.00		-	-	16,684.00	
ALLOWANCE FOR BAD DEBT	10390		5,398.00	5,398.00	-		0.00
PREPAID INSURANCE	10500	40,027.00		-	-	40,027.00	
PREPAID EXPENSES	10505	0.00		-	-	0.00	
A/R CLEARING	10550	4,398.00		-	-	4,398.00	
PETTY CASH	10005	200.00		-	-	200.00	
BOFI FEDERAL BANK-CASH RESERVES	12010 218	216,664.00		-	-	216,664.00	
VALLEY NATIONAL BANK- CASH RESERVES	120110 241	137,153.00		-	-	137,153.00	
VALLEY NATIONAL BANK- CASH RESERVES	12010 241a	132,139.00		-	-	132,139.00	
GREEN BANK- CASH RESERVES-	12010 43A	148,450.00		-	-	148,450.00	
MULTAL OF OMAHA BANK- CASH RESERVES	12010 660	147.00		-	-	147.00	
ALLIANCE BANK- CASH RESERVES	12010 665	25,837.00		-	-	25,837.00	
BANK UNITED - CASH RESERVES C.D	12030 13	100,000.00		-	-	100,000.00	
OCULINA BANK - CASH RESERVES C.D	12030 519	100,000.00		-	-	100,000.00	
PROFESSIONAL BANK - CASH RESERVES C.D	12030 546	101,193.00		-	-	101,193.00	
STERLING NATIONAL BANK - CASH RESERVES C.D	12030 742	246,983.00		-	-	246,983.00	
CASH IN TRANSIT RESERVES	12031	0.00		-	-	0.00	
DUE (TO) FROM OPERATING	12045	43,590.00		-	-	43,590.00	
OTHER FIXED ASSETS STORAGE SHED	16022 60	55,000.00		-	-	55,000.00	
ACCUMULATED DEPRECIATION	16090		3,667.00	-	2,000.00		5,667.00
LIABILITIES AND FUND BALANCE				-	-		
ACCOUNTS PAYABLE	20000		0.00	-	-		0.00
ACCRUED EXPENSES	20010		40,980.00	-	2,095.00		43,075.00
INSURANCE PAYABLE	20040		14,720.00	-	-		14,720.00
37- PH02 SECURITY & MISC DEF.	20083		1,700.00	-	-		1,700.00
PREPAID ASSESSMENTS	20100		153,234.00	-	-		153,234.00
DEFERRED ASSESSMENTS	20150		0.00	-	-		0.00
37- PH02 DEFERRED RENT	20153		10,488.00	-	-		10,488.00
DEFERRED STORAGE	20154		0.00	-	-		0.00
37- PH02 RENTAL EXPENSES	20160	2,393.00		-	-	2,393.00	
RESERVES			1,150,662.00	-	-		1,150,662.00
RESERVES STORAGE			75,438.00	-	-		75,438.00
RESERVE INTEREST			26,056.00	-	-		26,056.00
Rounding			1.00	-	-		1.00
FUND BALANCE			224,670.00	-	-		224,670.00
CURRENT YEAR INCOME / LOSS			(50,482.00)	-	1,303.00		(49,179.00)
		\$1,700,122.00	\$1,700,122.00	\$5,398.00	\$5,398.00	\$1,700,122.00	\$1,700,122.00
		\$0.00		\$0.00		\$0.00	
ENDING FUND BALANCE PER CPA F/S SHOULD EQUAL:						\$175,491.00	

**HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**





**Gerstle, Rosen & Goldenberg, P.A.**

Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

Board of Directors and Unit Owners  
Harbour Isle at Hutchinson Island East Condominium Association, Inc.

Dear Members:

### Report on the Financial Statements

We have audited the accompanying financial statements of Harbour Isle at Hutchinson Island East Condominium Association, Inc., which comprise the balance sheet as of December 31, 2017, 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.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harbour Isle at Hutchinson Island East Condominium Association, Inc., as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Disclaimer of Opinion on Required Supplementary Information on Future Major Repairs and Replacements

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Report on Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Detailed Statement of Operating Revenues and Expenses Budget Comparison is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Gerstle, Rosen & Goldenberg, P.A.*

GERSTLE, ROSEN & GOLDENBERG, P.A.  
Certified Public Accountants  
Boca Raton, Florida

May 2, 2018

**HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.**

**BALANCE SHEET**

**December 31, 2017**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 324,066	\$ 660,390	\$ 984,456
Certificates of Deposit		548,176	548,176
Unit Owner Receivable	2,470		2,470
Other Receivable	24,010		24,010
Prepaid Insurance	40,027		40,027
Due To/From Funds	(43,590)	43,590	0
Fixed Assets - Net	49,333		49,333
<b>TOTAL ASSETS</b>	<u><u>\$ 396,316</u></u>	<u><u>\$ 1,252,156</u></u>	<u><u>\$ 1,648,472</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts Payable	\$ 43,075	\$	\$ 43,075
Insurance Payable	14,720		14,720
Prepaid Maintenance Fees	153,234		153,234
Deferred Rental Income	9,795		9,795
<b>TOTAL LIABILITIES</b>	<u>220,824</u>		<u>220,824</u>
Fund Balances	<u>175,492</u>	<u>1,252,156</u>	<u>1,427,648</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 396,316</u></u>	<u><u>\$ 1,252,156</u></u>	<u><u>\$ 1,648,472</u></u>

The Accompanying Notes Are An Integral Part Of This Financial Statement.

**HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCES**

**Year Ended December 31, 2017**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>REVENUES</b>			
Maintenance Fees	\$ 1,199,120	\$ 194,800	\$ 1,393,920
Front Entry & Keys Revenues	1,217		1,217
Storage Income	26,190		26,190
Clubhouse Rental	1,050		1,050
Interest Income	959	8,168	9,127
Late Fees	187		187
Application Fees	3,850		3,850
Returned Check Fees	30		30
Bad Debt Recovery	14,105		14,105
<b>TOTAL REVENUES</b>	<u>1,246,708</u>	<u>202,968</u>	<u>1,449,676</u>
<b>EXPENSES</b>			
Depreciation	2,000		2,000
Administrative	63,116		63,116
Insurance	148,374		148,374
Utilities	304,406		304,406
Contracts	636,300		636,300
Repairs/Maintenance	115,174		115,174
Replacement Fund Expenses		100,972	100,972
<b>TOTAL EXPENSES</b>	<u>1,269,370</u>	<u>100,972</u>	<u>1,370,342</u>
<b>EXCESS REVENUES (EXPENSES)</b>	(22,662)	101,996	79,334
<b>FUND BALANCES - BEGINNING</b>	224,670	1,150,160	1,374,830
<b>PRIOR PERIOD ADJUSTMENT</b>	(26,516)		(26,516)
<b>FUND BALANCES - ENDING</b>	<u>\$ 175,492</u>	<u>\$ 1,252,156</u>	<u>\$ 1,427,648</u>

The Accompanying Notes Are An Integral Part Of This Financial Statement.

**HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2017

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
EXCESS REVENUES (EXPENSES)	\$ (22,662)	\$ 101,996	\$ 79,334
<b>ADJUSTMENTS TO RECONCILE EXCESS REVENUES (EXPENSES) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Depreciation	2,000		2,000
Prior Period Adjustment	(26,516)		(26,516)
<b>DECREASE (INCREASE) IN ASSETS:</b>			
Unit Owner Receivable - Net of Allowance	(12,767)		(12,767)
Prepaid Expenses	5,031		5,031
Prepaid Insurance	(13,982)		(13,982)
Due To/From Funds	43,590	(43,590)	0
<b>INCREASE (DECREASE) IN LIABILITIES:</b>			
Accounts Payable	(1,038)	(16,136)	(17,174)
Insurance Payable	14,720		14,720
Security Deposits	(1,700)		(1,700)
Deferred Rental Income	(8,095)		(8,095)
Prepaid Maintenance Fees	2,826		2,826
Deferred Rental Income	9,795		9,795
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>(8,798)</u>	<u>42,270</u>	<u>33,472</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Certificates of Deposit		(203,176)	(203,176)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>0</u>	<u>(203,176)</u>	<u>(203,176)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(8,798)	(160,906)	(169,704)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>332,864</u>	<u>821,296</u>	<u>1,154,160</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u><u>\$ 324,066</u></u>	<u><u>\$ 660,390</u></u>	<u><u>\$ 984,456</u></u>

The Accompanying Notes Are An Integral Part Of This Financial Statement.

**HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**1. ORGANIZATION**

Harbour Isle at Hutchinson Island East Condominium Association, Inc. is a not-for-profit; non Stock Corporation organized pursuant to Chapter 718 of the Florida Statutes. The Association was formed to maintain and protect the common areas owned by the individual unit owners in common, and consists of 288 units located in Hutchinson Island, Florida.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The Association uses the accrual method of accounting, i.e., revenues are recognized as earned and expenses are recorded in the period in which they are incurred.

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.

Use of Estimates

The Association uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

For presentation purposes, the Association consolidates checking accounts and money market accounts.

Certificates of Deposit

The Association holds certificates of deposit totaling \$548,176., bearing interest ranging from 0.95% to 1.11%. These certificates have original maturities of greater than 90 days, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued:

Capitalization and Depreciation Policy

Real property and common area property acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the owners in common and not by the Association. Capital Expenditures are charged to the designated funds.

Subsequent Events

The subsequent events have been evaluated through **May 2, 2018**, the date the financial statements were available to be issued. As of that date, there are no subsequent events to be reported.

Fair Value Measurement

Under FASB ASC 820, *Fair Value Measurements and Disclosures*, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Association has determined that there was no material difference between the carrying value and fair value of its financial assets and liabilities at December 31, 2017; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2017.

3. MAINTENANCE ASSESSMENTS / ACCOUNTS RECEIVABLE

The Association Declaration provides that each owner is chargeable for their proportionate share of common expenses based upon the budget adopted. The Association has lien rights in the event of delinquent assessments, which can be exercised through foreclosure proceedings.

Accounts receivable are recorded at the original billing amount plus late fees, if applicable. Management determines the allowance for doubtful accounts by identifying troubled accounts through periodic review of accounts receivable aging schedules. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

4. REPLACEMENT FUND

Florida Statutes provide that each proposed budget includes provisions for reserves for capital improvements and deferred maintenance. These accounts, if adopted, are restricted to their intended purpose unless modified by a qualified unit owner vote. In addition, any special assessments adopted are also restricted to their specific purpose.

**HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**4. REPLACEMENT FUND, Continued:**

The approved budget includes provisions for reserves for capital improvements and deferred maintenance. At a duly constituted meeting, the Association elected to partially waive reserve funding for the current fiscal year. The funds are being accumulated based on estimates of future needs for repairs and replacements of common property components as disclosed in the supplementary information. On October 26, 2009, the membership of the Association voted to fund the reserves using the pooling method. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The balance at December 31, 2017, consists of the following:

COMPONENTS	BALANCE 12/31/2016	INTEREST/ ASSESSMENTS	TRANSFERS	EXPENDITURES	BALANCE 12/31/2017
Pooled	\$1,100,080	\$187,000	(\$35,446)	(\$100,972)	\$1,150,662
Storage Area	35,168	7,800	32,470		75,438
Interest	14,912	8,168	2,976		26,056
<b>TOTAL</b>	<b>\$1,150,160</b>	<b>\$202,968</b>	<b>\$0.</b>	<b>(\$100,972)</b>	<b>\$1,252,156</b>

The Association does not allocate interest earned on the replacements fund to specific replacement components as earned, but does so periodically depending on projected requirements.

During 2017, the Association converted from their prior accounting software to the software system provided by management. During this process, transfers of component balances were initiated to better meet the needs of the community.

Florida Statute requires that replacement funds be accounted for separately and be fully funded. The Due To/From reflects an amount of \$41,590., by which the reserves are under-funded. The Association should make the necessary cash transfer in order to correct this situation.



**HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**5. INCOME TAXES**

The Association is subject to federal and state taxation and has essentially two methods to determine the amount of tax, if any, it must pay. Under one method, the excess of revenues from members over related expenditures is subject to taxation unless such excess is returned to the unit owners or applied to the following year's assessments (Section 277 of the Internal Revenue Code). The other method enables the Association to elect to exclude from taxation "exempt function income," (Section 528 of the Internal Revenue Code), which generally consists of revenue from unit owner assessments. Under either method, the Association may be subject to tax on investment income and other non-exempt income, but at different rates.

The Association will file its 2017 federal income tax return on Form 1120H under Section 528 of the Internal Revenue Code.

There is no current year provision for income taxes.

The Association has evaluated its tax positions and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Income Taxes Topic of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC").

The Association has no income tax returns under examination by the Internal Revenue Service. The Association believes it is no longer subject to income tax examinations for years prior to 2014.

**6. CONCENTRATION OF CREDIT RISK**

As of December 31, 2017, the Association maintained cash and cash equivalent balances which exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. The Association has not experienced any losses related to these cash balances and believes it is not exposed to any significant risk on these accounts.

**7. COMMITMENTS**

The Association has various contract services to maintain the common property including management services, cable television service, common area landscaping, pool service, trash service, elevator maintenance and pest control. These contracts have different expiration dates and renewal terms.

**8. FORECLOSED UNIT(S)**

The association has taken title to one of its units subject to the first mortgage. The Association is not liable for the mortgage and does not reflect the unit as an asset based on its estimate of net realizable value. Deferred rental income in the amount of \$9,795 is reflected on the balance sheet at December 31, 2017.

**HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2017**

**9. FIXED ASSET**

On March 3, 2015, the Association purchased a storage garage in the amount of \$55,000. The unamortized balance will be depreciated using the straight-line method over the estimated useful life of the asset, 27.5 years. During 2017, depreciation expense amounted to \$2,000.

**10. CONTINGENCIES**

Insurance Deductible

The current property insurance policy contains a deductible for hurricane damage. Should the Association incur an uninsured loss, the Association has the right to increase maintenance fees, pass a special assessment or delay repairs until funds are available.

Legal

The Association is from time-to-time subject to complaints and claims, including litigation, arising in the ordinary course of business. As of the date of this report, management believes that there are no claims or complaints of which it is currently aware that will materially affect its business, financial position, or future operating results.

**11. OTHER RECEIVABLES**

The Association is carrying on its Balance Sheet \$24,010 described as other receivables. This balance is made up of overpayments and or duplicate payments to vendors that are subsequently returned to the Association in 2018.

**12. PRIOR PERIOD ADJUSTMENT**

Prior period adjustments are transactions and corrections relating to prior accounting periods, and are made in order to reflect the current year without distortion. This prior period adjustment is to show expenses paid during 2017 that belong in prior periods.

**13. LINE OF CREDIT**

During 2017, the Association renewed their emergency line of credit with Valley National Bank. The Line of Credit is in the amount of \$250,000. As of the date this report was issued, the Association had not drawn down any of these funds.

## **SUPPLEMENTARY INFORMATION**

**HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.**

**SUPPLEMENTARY INFORMATION ON  
FUTURE MAJOR REPAIRS AND REPLACEMENTS**

**December 31, 2017  
(Unaudited)**

The Association has conducted an independent study to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on estimates from historical experience. Actual expenditures may vary from these estimated amounts and the variance may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The following presents significant information about the components of common property:

<u>COMPONENTS</u>	<u>ESTIMATED REMAINING USEFUL LIVES</u>	<u>ESTIMATED CURRENT REPLACEMENT COSTS</u>	<u>2018 FUNDING REQUIREMENT</u>
Pooled Reserve	0 Years	\$0	\$298,700
Roof	12 Years	1,655,900	0
Painting	1 - 9 Years	361,790	0
Tennis Courts	16 Years	45,820	0
Seawall	11 - 33 Years	885,000	0
Paving	11 - 31 Years	1,754,321	0
Pool	10 - 15 Years	76,830	0
Elevators	2 - 18 Years	352,800	0
Interiors	1 - 15 Years	92,100	0
Restoration	1 - 31 Years	1,193,520	0
Gate House	1 - 2 Years	26,288	0
Storage	1 - 33 Years	201,269	0
TOTAL		<u>\$6,645,638</u>	<u>\$298,700</u>

During 2009, the Association elected to fund future and past components using the pooling method. The Association elected to partially fund the replacement fund for 2018, in the amount of \$194,800.

See independent auditors' report.

**HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.**

**SUPPLEMENTARY INFORMATION**

**DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES  
BUDGET COMPARISON**

**Year Ended December 31, 2017**

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
<b><u>REVENUES:</u></b>			
Owner Assessments	\$1,199,120	\$1,199,120	0
Front Key Entry Revenue	1,217	1,000	217
Storage Income	26,190	27,160	(970)
Clubhouse Rental Income	1,050	600	450
Interest Income	959	1,000	(41)
Late Fees	187	7,000	(6,813)
Application Fees	3,850	4,000	(150)
Returned Check Fees	30	1,000	(970)
Bad Debt Recovery	14,105	0	14,105
Total Revenues	<u>1,246,708</u>	<u>1,240,880</u>	<u>5,828</u>
<b><u>EXPENSES:</u></b>			
<b><u>DEPRECIATION</u></b>			
Depreciation	2,000	0	(2,000)
TOTAL DEPRECIATION	<u>2,000</u>	<u>0</u>	<u>(2,000)</u>
<b><u>ADMINISTRATIVE</u></b>			
Annual Audit	3,200	3,000	(200)
Property Maintenance	34,560	26,000	(8,560)
Bad Debt	0	1,000	1,000
Bank Charges	5	0	(5)
Legal Fees	10,816	5,000	(5,816)
Annual Condo Fees	1,213	1,300	87
License, Taxes, Permit Elevator Cert	900	900	0
Social Events	0	1,000	1,000
Office Supplies	9,879	8,000	(1,879)
Screening Fees	2,543	2,000	(543)
TOTAL ADMINISTRATIVE	<u>63,116</u>	<u>48,200</u>	<u>(14,916)</u>

HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION

DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES  
BUDGET COMPARISON

Year Ended December 31, 2017

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
<b>EXPENSES, Continued</b>			
<u>PROPERTY INSURANCE</u>			
Multitiperil Insurance	148,374	156,000	7,626
Insurance, Taxes- Storage	0	4,000	4,000
	<u>148,374</u>	<u>160,000</u>	<u>11,626</u>
<b>TOTAL PROPERTY INSURANCE</b>			
<u>UTILITIES</u>			
Electricity	68,310	70,000	1,690
Water/Sewer	212,621	172,000	(40,621)
Utility Fees- Storage	3,038	3,000	(38)
Gas/ Fuel Oil	742	1,000	258
Telephone	19,695	20,000	305
	<u>304,406</u>	<u>266,000</u>	<u>(38,406)</u>
<b>TOTAL UTILITIES</b>			
<u>CONTRACTS</u>			
Cable Television	177,808	172,000	(5,808)
Elevator Inspection	1,200	1,200	0
Elevator Contract	24,513	22,000	(2,513)
Fire Alarm System	29,397	26,000	(3,397)
Contract Service	61,325	76,000	14,675
Tree & Mangrove Trimming	7,782	8,000	218
Lawn & Irrigation	74,450	73,000	(1,450)
Management Services	92,935	91,700	(1,235)
Pest Control	3,665	4,000	335
Pool/Spa Contract	9,584	10,000	416
Security Services	120,738	127,000	6,262
Trash Removal	32,903	32,000	(903)
	<u>636,300</u>	<u>642,900</u>	<u>6,600</u>
<b>TOTAL CONTRACTS</b>			

HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION

DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES  
BUDGET COMPARISON

Year Ended December 31, 2017

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
<b>EXPENSES, Continued</b>			
<u>REPAIRS/MAINTANCE</u>			
R&M- Air Conditioning	170	2,000	1,830
Irrigation Maintenance	2,835	4,000	1,165
R&M- Building	19,138	49,300	30,162
Clubhouse	1,984	1,000	(984)
Elevator	2,564	1,000	(1,564)
Maintenance Hurricane	2,960	0	(2,960)
Maintenance Pool	12,324	5,000	(7,324)
Maintenance Signs	134	500	366
Equipment Exercise	1,875	5,680	3,805
Gate	8,728	2,000	(6,728)
Golf Cart	1,122	1,000	(122)
Lighting	7,337	4,000	(3,337)
Furn/Equip	408	2,500	2,092
Landscaping Plant Replacement	22,799	20,800	(1,999)
Mulch/Soil	17,881	12,000	(5,881)
Miscellaneous Exp.	300	3,000	2,700
Janitorial Service & Supplies	11,721	10,000	(1,721)
Janitorial Service	684	0	(684)
Contingency	210	0	(210)
<b>TOTAL REPAIRS/MAINTANCE</b>	<u>115,174</u>	<u>123,780</u>	<u>8,606</u>
 Total Operating Expenses	 <u>1,269,370</u>	 <u>1,240,880</u>	 <u>(28,490)</u>
Excess Operating Revenues (Expenses)	<u>(\$22,662)</u>	<u>\$0</u>	<u>(\$22,662)</u>

Form **1120-H**Department of the Treasury  
Internal Revenue Service**U.S. Income Tax Return  
for Homeowners Associations**▶ Go to [www.irs.gov/Form1120H](http://www.irs.gov/Form1120H) for instructions and the latest information.

OMB No. 1545-0123

**2017**

For calendar year 2017 or tax year beginning

, and ending

<b>TYPE OR PRINT</b>	Name <b>HARBOUR ISLE AT HUTCHINSON ISLAND C/O FIRST SERVICE RESIDENTIAL</b>	Employer identification number <b>20-2070095</b>
	Number, street, and room or suite no. If a P.O. box, see instructions. <b>11621 KEW GARDENS AVE SUITE 200</b>	Date association formed <b>12/16/2004</b>
	City or town, state or province, country, and ZIP or foreign postal code <b>PALM BEACH GARDENS FL 33408</b>	

Check if: (1)	Final return	(2)	Name change	(3)	Address change	(4)	Amended return
A Check type of homeowners association: <input checked="" type="checkbox"/> Condominium management association <input type="checkbox"/> Residential real estate association <input type="checkbox"/> Timeshare association							
B Total exempt function income. Must meet 60% gross income test. See instructions							B <b>1,434,402</b>
C Total expenditures made for purposes described in 90% expenditure test. See instructions							C <b>1,354,767</b>
D Association's total expenditures for the tax year. See instructions							D <b>1,370,342</b>
E Tax-exempt interest received or accrued during the tax year							E

**Gross Income (excluding exempt function income)**

1 Dividends	1
2 Taxable interest	2 <b>9,127</b>
3 Gross rents	3
4 Gross royalties	4
5 Capital gain net income (attach Schedule D (Form 1120))	5
6 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	6
7 Other income (excluding exempt function income) (attach statement) <b>STMT 1</b>	7 <b>6,147</b>
8 <b>Gross income (excluding exempt function income). Add lines 1 through 7</b>	8 <b>15,274</b>

**Deductions (directly connected to the production of gross income, excluding exempt function income)**

9 Salaries and wages	9
10 Repairs and maintenance	10
11 Rents	11
12 Taxes and licenses	12
13 Interest	13
14 Depreciation (attach Form 4562)	14
15 Other deductions (attach statement) <b>STMT 2</b>	15 <b>15,576</b>
16 <b>Total deductions. Add lines 9 through 15</b>	16 <b>15,576</b>
17 Taxable income before specific deduction of \$100. Subtract line 16 from line 8	17 <b>-302</b>
18 <b>Specific deduction of \$100</b>	18 <b>100</b>

**Tax and Payments**

19 Taxable income. Subtract line 18 from line 17	19 <b>-402</b>				
20 Enter 30% (0.30) of line 19. (Timeshare associations, enter 32% (0.32) of line 19.)	20 <b>0</b>				
21 Tax credits (see instructions)	21				
22 <b>Total tax. Subtract line 21 from line 20. See instructions for recapture of certain credits</b>	22 <b>0</b>				
23 a 2016 overpayment credited to 2017 <b>23a</b>	<table border="1"> <tr><td>23c</td></tr> <tr><td>23d</td></tr> <tr><td>23e</td></tr> <tr><td>23f</td></tr> </table>	23c	23d	23e	23f
23c					
23d					
23e					
23f					
b 2017 estimated tax payments <b>23b</b>		c Total ▶			
d Tax deposited with Form 7004					
e Credit for tax paid on undistributed capital gains (attach Form 2439)					
f Credit for federal tax paid on fuels (attach Form 4136)					
g Add lines 23c through 23f	23g				
24 Amount owed. Subtract line 23g from line 22. See instructions	24 <b>0</b>				
25 Overpayment. Subtract line 22 from line 23g	25				
26 Enter amount of line 25 you want: <b>Credited to 2018 estimated tax</b> ▶	26 <b>Refunded</b> ▶				

**Sign  
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

May the IRS discuss this return with the preparer shown below? See Instr. ☐ Yes ☐ No

Signature of officer	Date	Title
Print/Type preparer's name <b>ROBERT N ROSEN CPA</b>	Preparer's signature	Check <input type="checkbox"/> if self-employed PTIN <b>P00930797</b>
Firm's name ▶ <b>GERSTLE, ROSEN &amp; GOLDENBERG, P.A.</b>	Date <b>04/17/18</b>	Firm's EIN ▶ <b>65-0675434</b>
Firm's address ▶ <b>3835 NW BOCA RATON BLVD STE 100 BOCA RATON, FL 33431</b>		Phone no. <b>561-447-4000</b>

For Paperwork Reduction Act Notice, see separate instructions.

Form **1120-H** (2017)



**Statement 1 - Form 1120-H, Line 7 - Other Income**

COPY

Description	Amount
GATE CARDS / KEYS	\$ 1,217
RENTAL	1,050
APPLICATION FEE	3,850
RETURN CHECK FEES	30
TOTAL	\$ 6,147

**Statement 2 - Form 1120-H, Line 15 - Other Deductions**

Description	Amount
ACCOUNTING	\$ 3,200
MANAGEMENT	6,375
ADMINISTRATIVE EXPENSE	3,458
SCREENING FEES EXPENSE	2,543
TOTAL	\$ 15,576