



# Gerstle, Rosen & Goldenberg, P.A.

Certified Public Accountants

www.grgcpa.com

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April 23, 2019

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

Dear Members:

Enclosed please find a representation letter of Harbour Isle at Hutchinson Island East Condominium Association, Inc. We request that you read this letter carefully. Please have it copied onto your Association's letterhead, signed by the President and the Treasurer and forwarded to us in the attached, self-addressed envelope.

Your cooperation in expediting the above is very much appreciated.

Sincerely,

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

GERSTLE, ROSEN & GOLDENBERG, P.A.  
Certified Public Accountants

Enclosure

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**BOCA RATON**  
3835 N.W. Boca Raton Blvd.  
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**ORLANDO**  
111 North Orange Avenue  
Suite 800  
Orlando, Florida 32801  
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**(DATE OF FINAL REPORT)**

Gerstle, Rosen & Goldenberg, P.A.  
3835 N.W. Boca Raton Blvd., Suite 100  
Boca Raton, Florida 33431

We are providing this letter in connection with your review of the financial statements of Harbour Isle at Hutchinson Island East Condominium Association, Inc., which comprise the balance sheet as of December 31, 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, for the purpose of obtaining limited assurance as a basis for reporting whether you are aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person using the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of **(DATE OF FINAL REPORT)**, the following representations made to you during your review.

1. We have fulfilled our responsibility for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, as set out in the terms of the engagement.
2. We have made available to you all-
  - a. Financial records and related data.
  - b. Minutes of the meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of board members, directors, and committees of directors.
  - c. Additional information you have requested from us for the purpose of the review.
  - d. Unrestricted access to Association personnel from whom you determined it necessary to obtain review evidence.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

4. All material transactions have been recorded and have been properly reflected in the financial statements.
5. There are no unrecorded immaterial misstatements.
6. We acknowledge and have fulfilled our responsibility for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
7. We acknowledge our responsibility for designing, implementing, and maintaining internal control to prevent and detect fraud.
8. The Board of Directors have no knowledge of any fraud. We have no knowledge of any fraud or suspected fraud affecting the Association involving management, employees who have significant roles in internal control, or others where the fraud could have a material effect on the financial statements, including any communications received from employees, former employees, or others.
9. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
10. The following have been properly recorded or disclosed in the financial statements:
  - a. Related-party transactions and related accounts receivable or payable, including member assessments, purchases, loans, transfers, leasing arrangements, and guarantees.
  - b. Guarantees, whether written or oral, under which the Association is contingently liable to a bank or other lending institutions.
  - c. Commitments to purchase or sell investments or agreements to repurchase assets previously sold.
  - d. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB ASC 275, Risks and Uncertainties.
11. There are no-
  - a. Known or suspected instances of noncompliance with laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Actual or possible claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB ASC 450, Contingencies.
  - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, Contingencies.

12. There are no transfers or designations of fund balance or inter-fund borrowings that were not properly authorized and approved or uncollectible inter-fund loans that have not been properly reflected in the financial statements or disclosed to you.
13. The Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged except as made known to you optional-and disclosed in the notes to the financial statements.
14. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
15. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
16. We are in agreement with the adjusting journal entries, if any, you have recommended, and they have been posted to the Association's accounts.
17. The Association's allocation of expenses against exempt and nonexempt function income conforms with IRS rules, which require that the allocation be made "on a reasonable basis. We have approved such allocation as advised by our Certified Public Accountant.
18. Although we have engaged you to assist the board of directors in assembling certain information about future repairs and replacements that will accompany the financial statements mentioned above, we acknowledge that we are responsible for that information. The board of directors has conducted a study to determine the estimated funding needed for future major repairs and replacements. It is funding major repairs and replacements through special assessments or borrowings as the need arises.
19. The board of directors has reviewed the Association's insurance coverage for the current year and believes it is adequate.
20. No events have occurred subsequent to the date of the Association's financial statements and through the date of this letter that would require adjustments to, or disclosure in, the aforementioned financial statements.
21. We have responded fully and truthfully to all inquiries made to us by you during your review.
22. In regards to the financial statement preparation services performed by you, we have:
  - Assumed all management responsibilities.
  - Overseen the services by designating an individual who possesses suitable skill, knowledge, and/or experience.
  - Evaluated the adequacy and results of the services performed.
  - Accepted responsibility for the results of the services.

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23. We have read the management letter sent to the Association, if applicable, and understand the contents of the letter.

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President

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Treasurer or Representative of Management  
Harbour Isle at Hutchinson Island East Condominium Association, Inc.

**DRAFT**

DATE OF FINAL REPORT

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, 2018, we are bringing the following matters to your attention:

1. The Balance in the other receivables foreclosures needs to be researched and possibly considered to be written off.
2. The A/R Clearing account is carrying balances from July 2017. Please research to determine if the amount should be written off.
3. The fully funded amount using the pooling method as indicated in the reserve study must be included as part of the annual budget. Currently, the Association only shows the approved pooling amount, which may differ from what is required for fully funding.
4. Management is required to have bank statements and reconciliations for EVERY cash and Certificate of Deposit account listed on the Balance Sheet at year end in order to demonstrate a maintenance of Internal Controls for cash.

We welcome the opportunity to discuss the above.

Very truly yours,

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

GERSTLE, ROSEN & GOLDENBERG, P.A.  
Certified Public Accountants

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## **DATE OF FINAL REPORT**

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 12/31/2018, and have issued our report thereon dated **DATE OF FINAL REPORT**. 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 January 25, 2019. 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 3 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. 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.

#### *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.

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*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 **DATE OF FINAL REPORT**.

*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.



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*Required Supplementary Information on Future Major Repairs and Replacements*

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.*

GERSTLE, ROSEN & GOLDENBERG, P.A.  
Certified Public Accountants

**HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
 CONDOMINIUM ASSOCIATION, INC.  
 PROPOSED ADJUSTING JOURNAL ENTRIES  
 December 31, 2018**

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	CLIENT ACCOUNT NUMBER	DEBIT	CREDIT
1			
Prepaid Insurance	10500	\$485.56	
Insurance Payable	20030	2,042.66	
Insurance Expense	52030		\$2,528.22
adjust prepaid and payable			
2			
Depreciation Expense	new	2,000.00	
Accumulated Depreciation	16090		2,000.00
record 2018 depreciation			
3			
CAsh - RSV - CD - Professional Bank	12030 546	228.80	
CAsh - RSV - CD - Oculina	12030 519	1,703.14	
CAsh - RSV - CD - Bank United	12030 13	1,279.94	
Reserve Interest	30080		3,211.88
unrecorded interest income			
4			
Trash Removal	61055	121.50	
Cash - Op. - Centerstate	10010 80		121.50
unrecorded 2018 activity			
		\$7,861.60	\$7,861.60

HARBOUR ISLE AT HUTCHINSON ISLAND EAST CONDOMINIUM ASSOCIATION, INC.  
 POST CLOSING WORKING TRIAL BALANCE  
 December 31, 2018

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ACCOUNT TITLE	CLIENT ACCOUNT NUMBER	CLIENT T/B		ADJUSTMENTS		CPA F/S	
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
<b>BALANCE SHEET</b>							
<b>ASSETS</b>							
CENTERSTATE OPERATING	10010 80	4,502.00	-	-	121.50	4,380.50	
UNION BANK CHECKING- OPERATING	10010 84	98,712.00	-	-	-	98,712.00	
CASH- MONEY MARKET	10014 00	79,930.00	-	-	-	79,930.00	
DUE (TO)/ FROM RESERVES	10200	4,322.00	-	-	-	4,322.00	
ACCOUNTS RECEIVABLE	10300	3,334.00	-	-	-	3,334.00	
OTHER RECEIVABLES FORECLOSURE	10330 32	2,928.00	-	-	-	2,928.00	
OTHER RECEIVABLES VENDORS	10330 85	-	-	-	-	-	
ALLOWANCE FOR BAD DEBT	10390	(145.00)	-	-	-	(145.00)	
PREPAID INSURANCE	10500	43,455.00	-	485.56	-	43,940.56	
PREPAID EXPENSES	10505	0.00	-	-	-	0.00	
A/R CLEARING	10550	4,398.00	-	-	-	4,398.00	
PETTY CASH	10005	200.00	-	-	-	200.00	
AXOS BANK-CASH RESERVES	12010 218	82,809.00	-	-	-	82,809.00	
VALLEY NATIONAL BANK- CASH RESERVES	120110 241	2,115.00	-	-	-	2,115.00	
VALLEY NATIONAL BANK- CASH RESERVES	12010 241a	133,213.00	-	-	-	133,213.00	
CASH-RESERVES MORGAN STANLEY	1201030	345,314.00	-	-	-	345,314.00	
GREEN BANK- CASH RESERVES-	12010 43A	160,266.00	-	-	-	160,266.00	
MULTA OF OMAHA BANK- CASH RESERVES	12010 860	148.00	-	-	-	148.00	
ALLIANCE BANK- CASH RESERVES	12010 665	25,979.00	-	-	-	25,979.00	
BANK UNITED - CASH RESERVES C.D	12030 13	100,566.00	-	1,279.94	-	101,845.94	
OCULINA BANK - CASH RESERVES C.D	12030 519	100,000.00	-	1,703.14	-	101,703.14	
PROFESSIONAL BANK - CASH RESERVES C.D	12030 546	101,892.00	-	228.80	-	102,120.80	
STERLING NATIONAL BANK - CASH RESERVES C.D	12030 742	-	-	-	-	-	
CASH IN TRANSIT RESERVES	12031	245,000.00	-	-	-	245,000.00	
DUE (TO) FROM OPERATING	12045	(4,322.00)	-	-	-	(4,322.00)	
OTHER FIXED ASSETS STORAGE SHED	16022 60	55,000.00	-	-	-	55,000.00	
ACCUMULATED DEPRECIATION	16090	-	5,667.00	-	2,000.00	-	7,667.00
<b>LIABILITIES AND FUND BALANCE</b>							
ACCOUNTS PAYABLE	20000	-	-	-	-	-	
ACCRUED EXPENSES	20010	-	44,978.00	-	-	-	44,978.00
INSURANCE PAYABLE	20040	-	32,026.00	2,042.66	-	-	29,983.34
37- PH02 SECURITY & MISC DEP.	20083	-	-	-	-	-	
PREPAID ASSESSMENTS	20100	-	138,883.00	-	-	-	138,883.00
DEFERRED ASSESSMENTS	20160	-	0.00	-	-	-	0.00
37- PH02 DEFERRED RENT	20163	-	-	-	-	-	
DEFERRED STORAGE	20164	-	0.00	-	-	-	0.00
37- PH02 RENTAL EXPENSES	20160	-	-	-	-	-	
RESERVES		-	1,169,982.00	-	-	-	1,169,982.00
RESERVES STORAGE		-	73,864.00	-	-	-	73,864.00
RESERVE INTEREST		-	39,033.00	-	3,211.88	-	42,244.88
Rounding		-	1.00	-	-	-	1.00
<b>FUND BALANCE</b>			175,492.00	-	-		175,492.00
<b>CURRENT YEAR INCOME / LOSS</b>			(100,310.00)	-	406.72		(99,903.28)
		\$1,579,616.00	\$1,579,616.00	\$5,740.10	\$5,740.10	\$1,583,191.94	\$1,583,191.94
		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>ENDING FUND BALANCE PER CPA F/S SHOULD EQUAL:</b>						<b>\$75,588.72</b>	

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2018**

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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, 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.

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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, 2018, 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.  
Certified Public Accountants  
Boca Raton, Florida

**Date out in final**

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

**BALANCE SHEET**

**DRAFT**

**December 31, 2018**

	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 183,222	\$ 984,844	\$ 1,168,066
Certificates of Deposit		305,670	305,670
Accounts Receivable, Net of Allowance For Uncollectible Accounts of \$ 145	3,189		3,189
AR Clearing	4,398		4,398
Prepaid Insurance	13,958		13,958
Fixed Assets - Net	47,333		47,333
Due To/From Funds	4,423	(4,423)	0
<b>TOTAL ASSETS</b>	<b>\$ 256,523</b>	<b>\$ 1,286,091</b>	<b>\$ 1,542,614</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Accrued Expenses	\$ 44,978	\$	\$ 44,978
Prepaid Maintenance Fees	138,883		138,883
<b>TOTAL LIABILITIES</b>	<b>183,861</b>		<b>183,861</b>
Fund Balances	72,662	1,286,091	1,358,753
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 256,523</b>	<b>\$ 1,286,091</b>	<b>\$ 1,542,614</b>

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**

DRAFT

**Year Ended December 31, 2018**

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<b>REVENUES</b>			
Maintenance Fees	\$ 1,199,120	\$ 194,800	\$ 1,393,920
Front Entry & Keys Revenues	1,694		1,694
Storage Income	27,160		27,160
Clubhouse Rental	750		750
Interest Income	1,249	16,189	17,438
Late Fees	2,033		2,033
Application Fees	4,240		4,240
Administrative Fees	420		420
Returned Check Fees	60		60
Security Deposit Forfeitures	1,700		1,700
Bad Debt Recovery	17,950		17,950
Insurance Proceeds		10,789	10,789
<b>TOTAL REVENUES</b>	<b>1,256,376</b>	<b>221,778</b>	<b>1,478,154</b>
<b>EXPENSES</b>			
Depreciation	2,000		2,000
Administrative	68,754		68,754
Insurance	173,365		173,365
Utilities	304,647		304,647
Contracts	678,652		678,652
Repairs/Maintenance	108,435		108,435
Recreation Center	20,453		20,453
Replacement Fund Expenses		187,843	187,843
<b>TOTAL EXPENSES</b>	<b>1,356,306</b>	<b>187,843</b>	<b>1,544,149</b>
<b>EXCESS REVENUES (EXPENSES)</b>	(99,930)	33,935	(65,995)
<b>FUND BALANCES - BEGINNING</b>	175,492	1,252,156	1,427,648
<b>PRIOR PERIOD ADJUSTMENT</b>	(2,900)		(2,900)
<b>FUND BALANCES - ENDING</b>	<b>\$ 72,662</b>	<b>\$ 1,286,091</b>	<b>\$ 1,358,753</b>

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, 2018**

<b>DRAFT</b>
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	OPERATING FUND	REPLACEMENT FUND	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>EXCESS REVENUES (EXPENSES)</b>	\$ (99,930)	\$ 33,935	\$ (65,995)
<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	(2,900)		(2,900)
<b>DECREASE (INCREASE) IN ASSETS:</b>			
Unit Owner Receivable - Net of Allowance	(719)		(719)
Other Receivable - Foreclosures	24,010		24,010
AR Clearing	(4,398)		(4,398)
Prepaid Insurance	11,349		11,349
Due To/From Funds	(48,013)	48,013	0
<b>INCREASE (DECREASE) IN LIABILITIES:</b>			
Accounts Payable	(43,075)		(43,075)
Accrued Expenses	44,978		44,978
Prepaid Maintenance Fees	(14,351)		(14,351)
Deferred Rental Income	(9,795)		(9,795)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(140,844)</b>	<b>81,948</b>	<b>(58,896)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Certificates of Deposit		242,506	242,506
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>0</b>	<b>242,506</b>	<b>242,506</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(140,844)</b>	<b>324,454</b>	<b>183,610</b>
<b>CASH AND CASH EQUIVALENTS</b>			
<b>AT BEGINNING OF PERIOD</b>	<b>324,066</b>	<b>660,390</b>	<b>984,456</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 183,222</b>	<b>\$ 984,844</b>	<b>\$ 1,168,066</b>

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

HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.

**DRAFT**

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

1. ORGANIZATION

Harbour Isle at Hutchinson Island East Condominium Association, Inc. is a statutory condominium association incorporated on December 16, 2004, in the State of Florida. The Association is responsible for the operation and maintenance of the common property of Harbour Isle at Hutchinson Island East Condominium Association, Inc. Harbour Isle at Hutchinson Island East Condominium Association, Inc. consists of 288 units located on approximately 10 acres in Hutchinson Island, FL.

2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through **DATE OF FINAL REPORT**, the date that the financial statements were available to be issued.

3. 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.

Member Assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. 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 owners whose assessments are delinquent according to its collection policy. Any assessments at year end are retained by the Association for use in the succeeding year.

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.

HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, cash and equivalents consists of checking accounts and money market accounts.

Certificates of Deposit

The Association holds certificates of deposit totaling \$302,458., bearing interest ranging from 1.25% to 1.70%. 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.

Property and Equipment

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.

Real property not directly associated with units are recognized as assets by the Association when the Association has title to the property and either the asset can be disposed of by the Board of Directors or generates significant cash flows from members on the basis of usage or from nonmembers. Common personal property purchased with Association funds, with a useful life of more than one year, is capitalized on the Association's financial statements. Capitalized assets are depreciated over their estimated useful lives using the straight-line method of depreciation. See Note 9.

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, 2018; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2018.

HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
 CONDOMINIUM ASSOCIATION, INC.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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.

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 based on an original engineer's study in September 2018 to estimate the remaining useful lives and the replacement costs of the common property components, as disclosed in the Supplementary information. 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, 2018, consists of the following:

COMPONENTS	BALANCE 12/31/2017	INTEREST/ ASSESSMENTS	INSURANCE PROCEEDS	EXPENDITURES	BALANCE 12/31/2018
Pooled	\$1,150,662	\$194,800	\$10,789	(\$186,269)	\$1,169,982
Storage Area	75,438			(1,574)	73,864
Interest	26,056	16,189			42,245
<b>TOTAL</b>	<b>\$1,252,156</b>	<b>\$210,989</b>	<b>\$10,789</b>	<b>(\$187,843)</b>	<b>\$1,286,091</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.

Florida Statute allows commingling of operating and replacement funds if the replacement funds are accounted for separately and fully funded.

HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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 2018 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 2015.

6. CONCENTRATION OF CREDIT RISK

As of December 31, 2018, 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.

HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
CONDOMINIUM ASSOCIATION, INC.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2018

8. FIXED ASSET AND DEPRECIATION

Major categories of property recognized as assets are:

	<u>Useful Lives</u>	<u>Cost</u>
Storage Shed	27.5 Years	\$55,000
Less: Accumulated Depreciation		<u>7,667</u>
Fixed Assets - Net		<u>\$47,333</u>

On March 3, 2015, the Association purchased a storage shed for \$55,000. The Asset will be depreciated using the straight-line method over the estimated useful life of 27.5 years. During 2018, depreciation expense amounted to \$2,000.

9. 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.

10. LINE OF CREDIT

During 2018, 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.

11. 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 the current year accounting fee at its properly accrued for amount.

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**SUPPLEMENTARY INFORMATION**

HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
 CONDOMINIUM ASSOCIATION, INC.

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SUPPLEMENTARY INFORMATION ON  
 FUTURE MAJOR REPAIRS AND REPLACEMENTS

December 31, 2018  
 (Unaudited)

The Association has conducted an independent study in 2018 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>2019 FUNDING REQUIREMENT</u>
Pooled Reserve	0 Years	\$0	\$298,700
Roof	11 Years	1,655,900	0
Painting	8 Years	361,790	0
Tennis Courts	15 Years	45,820	0
Seawall	32 Years	885,000	0
Paving	30 Years	1,754,321	0
Pool	14 Years	76,830	0
Elevators	17 Years	352,800	0
Interiors	14 Years	92,100	0
Restoration	30 Years	1,193,520	0
Gate House	1 Year	26,288	0
Storage	32 Years	201,269	0
<b>TOTAL</b>		<u><u>\$6,645,638</u></u>	<u><u>\$298,700</u></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 2019, in the amount of \$194,800.

See independent auditors' report.



HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
 CONDOMINIUM ASSOCIATION, INC.

**DRAFT**

SUPPLEMENTARY INFORMATION

DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES  
 BUDGET COMPARISON

Year Ended December 31, 2018

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
<b><u>REVENUES:</u></b>			
Maintenance Fees	\$1,199,120	\$1,199,120	0
Front Key Entry Revenue	1,694	1,000	694
Storage Income	27,160	27,160	0
Clubhouse rental	750	1,500	(750)
Interest Income	1,249	1,000	249
Late Fees	2,033	7,000	(4,967)
Application Fees	4,240	4,000	240
Administrative Fees	420	0	420
Returned Check Fees	60	1,000	(940)
Security Deposit Forfeitures	1,700	0	1,700
Bad Debt Recovery	17,950	0	17,950
	<u>1,256,376</u>	<u>1,241,780</u>	<u>14,596</u>
<b><u>EXPENSES:</u></b>			
<b><u>DEPRECIATION</u></b>			
Depreciation	2,000	0	(2,000)
	<u>2,000</u>	<u>0</u>	<u>(2,000)</u>
<b><u>ADMINISTRATIVE</u></b>			
Annual Audit	3,200	3,200	0
Property Maintenance	34,560	26,000	(8,560)
Bad Debt	0	1,000	1,000
Bank Charges	130	0	(130)
Legal Fees	14,404	8,000	(6,404)
Annual Condo Fees	1,222	2,000	778
License, Taxes, Permit Elevator Cert	1,275	900	(375)
Social Events	0	1,000	1,000
Office Supplies	10,883	7,800	(3,083)
Screening Fees	3,080	2,000	(1,080)
	<u>68,754</u>	<u>51,900</u>	<u>(16,854)</u>

HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
 CONDOMINIUM ASSOCIATION, INC.

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SUPPLEMENTARY INFORMATION

DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES  
 BUDGET COMPARISON

Year Ended December 31, 2018

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
<b>EXPENSES, Continued</b>			
<u>INSURANCE</u>			
Multiperil Insurance	173,365	155,740	(17,625)
<b>TOTAL INSURANCE</b>	<u>173,365</u>	<u>155,740</u>	<u>(17,625)</u>
<u>UTILITIES</u>			
Electricity	71,503	70,000	(1,503)
Water/Sewer	221,673	217,300	(4,373)
Gas/ Fuel Oil	1,237	1,000	(237)
Telephone	10,234	10,000	(234)
<b>TOTAL UTILITIES</b>	<u>304,647</u>	<u>298,300</u>	<u>(6,347)</u>
<u>CONTRACTS</u>			
Cable Television	183,263	179,000	(4,263)
Elevator Inspection	0	1,200	1,200
Elevator Contract	23,431	23,000	(431)
Fire Alarm System	29,472	25,300	(4,172)
Contract Service	100,739	72,000	(28,739)
Tree & Mangrove Trimming	8,060	8,000	(60)
Lawn & Irrigation	74,160	75,000	840
Management Services	79,681	92,000	12,319
Pest Control	3,333	3,880	547
Pool/Spa Contract	9,255	7,200	(2,055)
Security Services	131,208	131,000	(208)
Trash Removal	36,050	36,800	750
<b>TOTAL CONTRACTS</b>	<u>678,652</u>	<u>654,380</u>	<u>(24,272)</u>

HARBOUR ISLE AT HUTCHINSON ISLAND EAST  
 CONDOMINIUM ASSOCIATION, INC.

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SUPPLEMENTARY INFORMATION

DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES  
 BUDGET COMPARISON

Year Ended December 31, 2018

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
<b>EXPENSES, Continued</b>			
<u>REPAIRS/MAINTANCE</u>			
R&M- Air Conditioning	85	3,000	2,915
Irrigation Maintenance	3,878	4,000	122
R&M- Building	23,538	13,000	(10,538)
Clubhouse	2,817	2,000	(817)
Elevator	7,707	1,000	(6,707)
Maintenance Pool	12,935	5,000	(7,935)
Maintenace Signs	486	400	(86)
Equipment Exercise	2,231	3,000	769
Gate	1,163	2,000	837
Golf Cart	2,933	1,200	(1,733)
Lighting	5,123	2,000	(3,123)
Furn/Equip	3,075	1,500	(1,575)
Landscaping Plant Replacement	15,948	5,000	(10,948)
Mulch/Soil	13,200	6,000	(7,200)
Miscellaneous Exp.	3,670	3,000	(670)
Janitorial Service & Supplies	9,646	10,000	354
<b>TOTAL REPAIRS/MAINTANCE</b>	<u>108,435</u>	<u>62,100</u>	<u>(46,335)</u>
<u>RECREATION CENTER</u>			
Bldg Rpr/Maint	1,551	1,281	(270)
Electric	1,722	1,500	(222)
Insurance	15,329	12,259	(3,070)
Landscape Maint	182	1,200	1,018
Office	797	1,000	203
Pest Control	22	120	98
Accountant/Bookkeeper	664	1,000	336
Fire Control System	186	1,000	814
<b>TOTAL RECREATION CENTER</b>	<u>20,453</u>	<u>19,360</u>	<u>(1,093)</u>
<b>Total Operating Expenses</b>	<u>1,356,306</u>	<u>1,241,780</u>	<u>(114,526)</u>
<b>Excess Operating Revenues (Expenses)</b>	<u>(\$99,930)</u>	<u>\$0</u>	<u>(\$99,930)</u>