

**Riverwalk Homeowners Association, Inc.**

**Financial Statements**

December 31, 2021

# Riverwalk Homeowners Association, Inc.

## Financial Statements

December 31, 2021

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## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the accompanying financial statements of Riverwalk Homeowners Association, Inc., which comprise the Balance Sheet as of December 31, 2021, and the related Statement of Revenues, Expenses and Changes in Fund Balance, and Cash Flows for the year then ended, and the related Notes to the Financial Statements.

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, 2021, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Riverwalk Homeowners Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

## Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- \* Exercise professional judgment and maintain professional skepticism throughout the audit.
- \* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- \* Obtain an understanding of internal control relevant to the audit 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 's internal control. Accordingly, no such opinion is expressed.
- \* Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- \* Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information contained in Schedule of Operating Expenses, is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of the 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.

### Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements 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.

*Master And Company, P.A.*

Sunny Isles Beach, FL

August 10, 2022

# Riverwalk Homeowners Association, Inc.

## Balance Sheet

December 31, 2021

	Operating Fund	Replacement Fund	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 1,079,532	\$ -	\$ 1,079,532
Assessments Receivable, net	34,728	-	34,728
Legal Fee Recovery Receivable	78,506	-	78,506
Prepaid Expenses	660	-	660
Prepaid Insurance	6,720	-	6,720
Due from Operating Fund	-	1,079,532	1,079,532
Due to Replacement Fund	<u>(1,079,532)</u>	<u>-</u>	<u>(1,079,532)</u>
Total Assets	<u>\$ 120,614</u>	<u>\$ 1,079,532</u>	<u>\$ 1,200,146</u>
<b>Liabilities and Fund Balance</b>			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 14,984	\$ -	\$ 14,984
Prepaid Assessments	22,127	-	22,127
Security Deposits	14,865	-	14,865
Deferred Maintenance Assessments Income	<u>-</u>	<u>407,562</u>	<u>407,562</u>
Total Liabilities	51,976	407,562	459,538
Fund Balance	<u>68,638</u>	<u>671,970</u>	<u>740,608</u>
Total Liabilities and Fund Balance	<u>\$ 120,614</u>	<u>\$ 1,079,532</u>	<u>\$ 1,200,146</u>

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

**Riverwalk Homeowners Association, Inc.**  
**Statement of Revenues, Expenses and Changes in Fund Balance**  
For the Year Ended December 31, 2021

	Operating Fund	Replacement Fund	Total
<b>Revenues</b>			
Maintenance Assessments	\$ 626,960	\$ 412,619	\$ 1,039,579
Application Fees	16,000	-	16,000
Estoppel Fees	12,160	-	12,160
Interest	9,558	-	9,558
Late Fees	4,512	-	4,512
Violation Fines	17,500	-	17,500
Other	<u>18,044</u>	<u>-</u>	<u>18,044</u>
Total Revenues	<u>704,734</u>	<u>412,619</u>	<u>1,117,353</u>
<b>Expenses</b>			
Administrative	260,571	-	260,571
Operations	249,528	-	249,528
Utilities	46,124	-	46,124
Reserve Expenditures	<u>-</u>	<u>412,619</u>	<u>412,619</u>
Total Expenses	<u>556,223</u>	<u>412,619</u>	<u>968,842</u>
Excess of Revenues Over Expenses	148,511	-	148,511
Fund Balance - Beginning of Year	231,645	360,452	592,097
Transfers	<u>(311,518)</u>	<u>311,518</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 68,638</u>	<u>\$ 671,970</u>	<u>\$ 740,608</u>

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

# Riverwalk Homeowners Association, Inc.

## Statement of Cash Flows

For the Year Ended December 31, 2021

	Operating Fund	Replacement Fund	Total
<b>Cash Flows from Operating Activities</b>			
Excess of Revenues Over Expenses	\$ 148,511	\$ -	\$ 148,511
Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by (Used in) Operating Activities:			
Decrease (Increase) in:			
Assessments Receivable, net	(2,819)	-	(2,819)
Prepaid Expenses	(586)	-	(586)
Prepaid Insurance	2,806	-	2,806
Refundable Deposits	100	-	100
Increase (Decrease) in:			
Accounts Payable and Accrued Expenses	12,480	-	12,480
Prepaid Assessments	4,743	-	4,743
Security Deposits	(1,275)	-	(1,275)
Deferred Boatyard Income	(3,360)	-	(3,360)
Deferred Maintenance Assessments Income	<u>-</u>	<u>(162,194)</u>	<u>(162,194)</u>
Net Cash Provided by (Used in) Operating Activities	<u>160,600</u>	<u>(162,194)</u>	<u>(1,594)</u>
<b>Cash Flows from Investing Activities</b>			
Property and Equipment, net	<u>6,890</u>	<u>-</u>	<u>6,890</u>
Net Cash Provided by Investing Activities	<u>6,890</u>	<u>-</u>	<u>6,890</u>
<b>Cash Flows from Financing Activities</b>			
Interfund Borrowings	149,324	(149,324)	-
Interfund Transfers	<u>(311,518)</u>	<u>311,518</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities	<u>(162,194)</u>	<u>162,194</u>	<u>-</u>
<b>Net Increase in Cash and Cash Equivalents</b>	5,296	-	5,296
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>1,074,236</u>	<u>-</u>	<u>1,074,236</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 1,079,532</u>	<u>\$ -</u>	<u>\$ 1,079,532</u>

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

# Riverwalk Homeowners Association, Inc.

## Notes to Financial Statements

December 31, 2021

### NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- Organization – Riverwalk Homeowners Association, Inc. (Association) is a statutory homeowners association incorporated as a not-for-profit corporation in the State of Florida on October 1984. The Association is responsible for the operation and maintenance of the common areas of the community located in Jupiter, Florida and consists of 340 owners.
- Fund Accounting – The Association uses fund accounting which requires that funds such as the operating fund and the fund designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors and property manager. Disbursements from the replacement fund may be made only for their designated purposes.
- Use of Estimates in the Preparation of Financial Statement – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- Member Assessments – Member assessments are billed quarterly based upon their proportionate share of ownership and based upon estimates of amounts necessary to provide funds for the Association's operating expenses and future major repairs and replacements. Maintenance assessment income is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating maintenance fees are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement reserve fund assessments are satisfied when these funds are expended for their designated purpose. Any excess assessments at year end are retained by the Association for reduction of member assessments in future years. Assessments received in advance of the period for which they are assessed are reported as prepaid assessments on the balance sheet. Assessments receivable represents the outstanding balance due from the unit owners and are stated at the amounts expected to be collected. It is the Association's policy to retain legal counsel and place liens on the units of members whose assessments are delinquent. As of December 31, 2021, the allowance for doubtful accounts totals \$49,225.
- Deferred Maintenance Assessments Liability – The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (deferred maintenance assessments income - replacement reserve fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve maintenance fees.
- Interest Income – The Board of Directors' policy is to allocate to the operating and replacement funds all interest earned on their respective cash accounts.
- Income Taxes – In 2021, the Association plans to elect to file as a homeowners' association in accordance with Internal Revenue Service Code section 528. Under this section, the Association excludes from taxation exempt function income, which generally consists of revenue from assessments to owners. The Association's investment income and other nonexempt income are subject to tax at a rate of 30%, net of any applicable expenses.
- Concentration of Credit Risk – Financial instruments which potentially subject the Association to concentrations of credit risk are primarily cash and cash equivalents and assessments receivable. The Association deposits its excess cash and cash equivalents with one major financial institution and utilizes sweep accounts to prevent having any uninsured balances that exceed the FDIC limitation of \$250,000. The carrying value approximates market value. The Association has not experienced losses related to these deposits. The Association believes it is not exposed to any significant credit risk on cash and cash equivalents and member assessments receivable.



# Riverwalk Homeowners Association, Inc.

## Notes to Financial Statements

December 31, 2021

### NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Recognition of Assets – Real property and common areas 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 individual unit owners in common and not by the Association.

10. Cash and Cash Equivalents – For purposes of the December 31, 2021 balance sheet and statement of cash flows for the year then ended, the Association considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

11. Fair Value of Financial Instruments – The carrying amounts of cash, receivables, and payables approximate their fair values due to their short-term maturities.

12. Comprehensive Income – ASC 220 (formerly SFAS No. 130) requires “a full set of general-purpose financial statements to be expanded to include the reporting of comprehensive income.” Comprehensive income is comprised of two components, net income and other comprehensive income. For the year ended December 31, 2021, there were no items that qualify as comprehensive income.

### NOTE B – REPLACEMENT FUND

The Association's governing documents and Florida statutes do not require that funds be accumulated for major repairs and replacements, except for the boat storage area. The Association membership has not adopted statutory reserves as defined under Florida Statute 720.303(6) of the Homeowners Association Act. As a result, any calculation or funding of reserves by the Association is recommended, but optional.

The Board of Directors estimated the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on these estimates.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of \$218,000 has been included in the 2022 budget.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may or 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, 2021

### NOTE B – REPLACEMENT FUND (continued)

The activity in the replacement fund was as follows:

Components	Balance 1/1/2021	Additions	Expenditures	Transfers	Balance 12/31/2021
Boat Storage - Fence	\$ 4,763	\$ -	\$ -	\$ (4,763)	\$ -
Boat Storage - Parking	6,296	-	-	(6,296)	-
Boat, Yard, Ramp, Dock	45,679	7,156	(4,180)	-	48,655
Carport	(7,908)	-	-	7,908	-
Golf Cart	4,750	-	-	(4,750)	-
Painting	160,452	-	-	(160,452)	-
Playground	2,151	-	-	(2,151)	-
Pool Deck	7,696	-	-	(7,696)	-
Pool Surface	5,862	-	-	(5,862)	-
Roof	461,234	-	-	(461,234)	-
Street	16,334	-	-	(16,334)	-
Tennis Court	1,573	-	-	(1,573)	-
Truck	3,326	-	-	(3,326)	-
General Capital Expenditures	218,000	243,269	(408,439)	978,047	1,030,877
<b>Total</b>	<u>\$ 930,208</u>	<u>\$ 250,425</u>	<u>\$ (412,619)</u>	<u>\$ 311,518</u>	<u>\$ 1,079,532</u>

### NOTE C – CONTINGENCIES

#### Insurance

Common property of the Association is located in South Florida, an area proven geographically prone to hurricanes. The Association's insurance policies define deductibles and exclusions which will yield uncovered costs if common property damage claims occur. If additional funds are needed to replace or repair association property, the Association has the right, subject to governing documents, to increase regular assessments, pass special assessments, borrow funds or delay repairs and replacements until funds are available.

#### Legal

The Association is periodically subject to complaints and claims, including litigation, arising in the ordinary course of business. Management believes that none of the claims and complaints of which it is currently aware will materially affect its business, financial position, or future operating results.

### NOTE D – COMMITMENTS

The Association has entered into several contracts with various services providers to maintain the common property. These contracts include, but are not limited to, pool cleaning, landscape and maintenance of common area grounds, and water service. Each contract differs in expiration, renewal and terms.

### NOTE E – UNCERTAINTIES FOR INCOME TAXES

Under federal and state income tax laws, an entity's income tax returns are subject to examination by the applicable taxing authorities. The Association has no income tax returns under examination by the Internal Revenue Service. However, the Association's Federal Income tax returns for 2019, 2020 and 2021 are subject to examination, generally for three years after they are filed.

# Riverwalk Homeowners Association, Inc.

## Notes to Financial Statements

December 31, 2021

### NOTE F – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 10, 2022, the date that the financial statements were available to be issued.

### NOTE G – CREDIT CARDS

The Association maintains several credit cards accounts active for repair and maintenance projects. The credit card active at December 31, 2021 consisted of:

<u>Provider</u>	<u>Credit Limit</u>	<u>12/31/2021 Balance</u>
Capital One	\$ 19,000	\$ 3,834

The Capital One card earns 2% cash back. All cash back earned is deposited into the operating bank account or used for Association purchases.

### NOTE H – LEGAL FEE RECOVERY

As stipulated in an agreement reached November 26, 2019, the Association shall recover \$78,506 of attorney’s fees and costs from the plaintiff for related settled litigation. As of December 31, 2021, no collections have been made and litigation related to the collection of this Judgement is ongoing.

### NOTE I – FUND BALANCE TRANSFERS

The Association transferred \$148,511 to the replacement fund from the operating fund to apply the year end operating surplus to the replacement fund. Additionally, the Association transferred \$163,007 to the replacement fund from the operating fund to the prior year’s accumulated fund balance to the replacement fund for the purposes valuing the replacement fund to cash and cash equivalents as of December 31, 2021. The board does not intend to repay the balance transfers and has, therefore, reflected \$311,518 as a permanent transfer to the replacement fund from the operating fund.

## Supplementary Information

# Riverwalk Homeowners Association, Inc.

## Schedule of Operating Expenses For the Year Ended December 31, 2021

### Administrative

Insurance Expense	\$ 21,904
Management Fees	192,566
Miscellaneous Administrative	1,079
Office Expense	12,292
Permits, Fees, Taxes	921
Professional Fees	<u>31,809</u>
Total Administrative	<u>260,571</u>

### Operations

Concrete Repair	687
Code and Parking Enforcement	26,311
Fuel	866
Golf Cart and Truck Expense	2,426
Gutter Cleaning	5,995
General Repairs and Maintenance	54,813
Irrigation Maintenance and Repair	2,756
Internet and Camera Parts	3,986
Kayak Storage Area	790
Lake Maintenance	2,037
Landscape Revitalization	830
Landscape and Irrigation	76,331
Maintenance and Janitorial Supplies	7,313
Mangrove Trimming	2,870
Pool Repairs, Parts and Supplies	12,643
Social Events	450
The Weir	3,900
Tree Trimming	26,155
Tech Support and Repairs	15,449
Tennis Court Revision	<u>2,920</u>
Total Operations	<u>249,528</u>

**Riverwalk Homeowners Association, Inc.**

**Schedule of Operating Expenses**

For the Year Ended December 31, 2021

**Utilities**

Electricity	35,905
Telephone and Internet Service	1,736
Trash Removal	3,335
Water and Sewer	<u>5,148</u>
Total Utilities	<u>46,124</u>
<b>Total Operating Expenses</b>	<u>\$ 556,223</u>

**Riverwalk Homeowners Association, Inc.**  
**Supplementary Information on Future Major Repairs and Replacements**  
December 31, 2021  
(Unaudited)

The Association's governing documents and Florida statutes do not require that funds be accumulated for major repairs and replacements. Although not required, the Association has established reserves and these funds are subject to the restrictions on use of such funds set forth in section 720.303(6) Florida Statutes. The Board of Directors estimated the remaining useful lives and the replacement cost of the components of common property. The following table is based on those estimates and presents significant information about the components of common property:

Component	Estimated Remaining Useful Life	Estimated Replacement Cost	Funds Set Aside as of 12/31/2021
Boat Storage Area	35	\$ 50,000	\$ -
Boat Yard, Ramp, Dock		-	48,655
General Capital Expenditure Reserve		-	1,030,877
Golf Cart	2	5,000	-
Painting	8	724,910	-
Playground	15	70,000	-
Pool Deck	25	50,000	-
Pool Surface	20	50,000	-
Roof	20	2,562,012	-
Storm Water Drains	35	75,000	-
Street	25	200,000	-
Tennis Court	20	8,000	-
Truck	4	<u>5,000</u>	<u>-</u>
<b>Total</b>		<b><u>\$ 3,799,922</u></b>	<b><u>\$ 1,079,532</u></b>