

Riverwalk Homeowners Association, Inc.

Financial Statements

December 31, 2017

Riverwalk Homeowners Association, Inc.

Financial Statements

December 31, 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Riverwalk Homeowners Association, Inc., which comprise the Balance Sheet as of December 31, 2017, 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.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverwalk Homeowners Association, Inc. as of December 31, 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.

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.

Davie, FL

February 6, 2018

Riverwalk Homeowners Association, Inc.

Balance Sheet

December 31, 2017

	Operating Fund	Replacement Fund	Total
Assets			
Cash and Cash Equivalents	\$ 516,989	\$ -	\$ 516,989
Assessments Receivable, net	38,627	-	38,627
Prepaid Insurance	9,700	-	9,700
Prepaid Expenses	53	-	53
Property and Equipment, net	29,471	-	29,471
Due to Replacement Fund	(146,362)	-	(146,362)
Due from Operating Fund	<u>-</u>	<u>146,362</u>	<u>146,362</u>
Total Assets	<u>\$ 448,478</u>	<u>\$ 146,362</u>	<u>\$ 594,840</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 41,983	\$ -	\$ 41,983
Prepaid Assessments	22,276	-	22,276
Security Deposits	13,840	-	13,840
Deferred Boatyard Income	<u>3,360</u>	<u>-</u>	<u>3,360</u>
Total Liabilities	81,459	-	81,459
Fund Balance	<u>367,019</u>	<u>146,362</u>	<u>513,381</u>
Total Liabilities and Fund Balance	<u>\$ 448,478</u>	<u>\$ 146,362</u>	<u>\$ 594,840</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, 2017

	Operating Fund	Replacement Fund	Total
Revenues			
Maintenance Assessments	\$ 730,273	\$ 112,927	\$ 843,200
Application Fees	18,600	-	18,600
Boat Storage Fees	6,400	-	6,400
Estoppels Fees	7,625	-	7,625
Interest Income	8,743	-	8,743
Late Fee Income	4,971	-	4,971
Other	<u>12,187</u>	<u>-</u>	<u>12,187</u>
Total Revenues	<u>788,799</u>	<u>112,927</u>	<u>901,726</u>
Expenses			
Administrative	309,069	-	309,069
Boat Storage	6,631	-	6,631
Depreciation	24,044	-	24,044
Grounds	504,719	-	504,719
Utilities	147,547	-	147,547
Reserve Expenditures	<u>-</u>	<u>10,972</u>	<u>10,972</u>
Total Expenses	<u>992,010</u>	<u>10,972</u>	<u>1,002,982</u>
Excess (Deficiency) of Revenues Over Expenses	(203,211)	101,955	(101,256)
Fund Balance - Beginning of Year	588,603	44,407	633,010
Prior Period Adjustment	<u>(18,373)</u>	<u>-</u>	<u>(18,373)</u>
Fund Balance - End of Year	<u>\$ 367,019</u>	<u>\$ 146,362</u>	<u>\$ 513,381</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, 2017

	Operating Fund	Replacement Fund	Total
Cash Flows from Operating Activities			
Excess (Deficiency) of Revenues Over Expenses	\$ (203,211)	\$ 101,955	\$ (101,256)
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided by (Used in) Operating Activities:			
Bad Debt	19,842	-	19,842
Depreciation	24,044	-	24,044
Decrease (Increase) in:			
Assessments Receivable, net	15,121	-	15,121
Prepaid Insurance	(451)	-	(451)
Prepaid Expenses	1,013	-	1,013
Increase (Decrease) in:			
Accounts Payable and Accrued Expenses	5,631	-	5,631
Prepaid Assessments	(13,743)	-	(13,743)
Security Deposits	<u>2,150</u>	<u>-</u>	<u>2,150</u>
Net Cash Provided by (Used in) Operating Activities	<u>(149,604)</u>	<u>101,955</u>	<u>(47,649)</u>
Cash Flows from Financing Activities			
Interfund Borrowings	<u>101,955</u>	<u>(101,955)</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities	<u>101,955</u>	<u>(101,955)</u>	<u>-</u>
Net (Decrease) in Cash and Cash Equivalents	(47,649)	-	(47,649)
Cash and Cash Equivalents - Beginning of Year	<u>564,638</u>	<u>-</u>	<u>564,638</u>
Cash and Cash Equivalents - End of Year	<u>\$ 516,989</u>	<u>\$ -</u>	<u>\$ 516,989</u>

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

Riverwalk Homeowners Association, Inc.

Notes to Financial Statements

December 31, 2017

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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.
2. Fund Accounting - The Association uses fund accounting which requires that funds such as the operating fund and the fund designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors and property manager. Disbursements from the replacement fund may be made only for their designated purposes.
3. 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.
4. Member Assessments – Member assessments are billed quarterly based upon their proportionate share of ownership and recognized as revenue on a pro rata basis over the period covered by the billing. Member assessments are based upon estimates of amounts necessary to provide funds for the Association's operating expenses and future major repairs and replacements. Assessments receivable from members are reported at the outstanding balance due from the members. It is the Association's policy to retain legal counsel and place liens on the units of members whose assessments are delinquent. Any excess assessments at year end are retained by the Association for reduction of member assessments in future years. As of December 31, 2017, an allowance for doubtful accounts has been established in the amount of \$27,195.
5. Interest Income – The Board of Directors' policy is to allocate to the operating and replacement funds all interest earned on their respective cash accounts.
6. Income Taxes – In 2017, 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.
7. 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 the carrying value approximates market value. As of December 31, 2017, the Association had \$277,333 in excess cash over the \$250,000 FDIC coverage limit. 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.
8. Recognition of Assets - The Association capitalizes all property and equipment to which it holds title or has other evidence of ownership. 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. Property and equipment are depreciated over the estimated useful lives of the assets using the straight-line method.
9. Cash and Cash Equivalents - For purposes of the December 31, 2017 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.

Riverwalk Homeowners Association, Inc.

Notes to Financial Statements

December 31, 2017

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

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

11. 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, 2017, there were no items that qualify as comprehensive income.

12. Revenue Recognition - Regular assessments to members are recognized as revenue during the period for which they are assessed. Assessments received in advance of this period are reported as prepaid assessments on the balance sheet.

NOTE B - REPLACEMENT FUND

The Association's governing documents and Florida statues do not require that funds be accumulated for major repairs and replacements, except for the boat dock, and the Association has not established statutory reserves from the developer or through a vote of the membership pursuant to section 720.303(6), Florida Statutes, these funds are not subject to the restrictions on use of such funds set forth in that statue, nor are reserves calculated in accordance with that statue.

The Association is assessing contributions to capital for future major repairs and replacements in the amount of \$153,815 for 2018. The Board of Directors has not estimated or conducted a study to determine the remaining useful lives and the estimates of replacement costs for the components of common property, except as required for the boat dock. For that reason and because actual expenditures may vary from the estimated amounts and the variations may be material, 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 effect on future assessments has not been determined at this time.

The activity in the replacement fund was as follows:

Components	Balance 1/1/2017	Additions	Expenditures	Transfers	Balance 12/31/2017
Boat Storage - Fence	\$ -	\$ 1,429	\$ -	\$ -	\$ 1,429
Boat Storage - Parking	-	2,000	-	-	2,000
Boat Yard, Ramp, Dock	44,407	-	-	-	44,407
Carport	-	-	(7,908)	-	(7,908)
Golf Cart	-	1,000	-	-	1,000
Painting	-	43,300	-	-	43,300
Playground	-	667	-	-	667
Pool Deck	-	2,000	-	-	2,000
Pool Surface	-	2,500	-	-	2,500
Roof	-	50,531	(3,064)	-	47,467
Street	-	8,000	-	-	8,000
Tennis Court	-	500	-	-	500
Truck	-	1,000	-	-	1,000
Total	<u>\$ 44,407</u>	<u>\$ 112,927</u>	<u>\$ (10,972)</u>	<u>\$ -</u>	<u>\$ 146,362</u>

Riverwalk Homeowners Association, Inc.

Notes to Financial Statements

December 31, 2017

NOTE C - WINDSTORM INSURANCE

The insurance policy for windstorm coverage renewed May 9, 2017. The deductible amount for named hurricane storms is estimated at \$8,241 which represents 5% of the insured value of the common area building, which is estimated to be \$164,825.

NOTE D - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 6, 2018, the date that the financial statements were available to be issued.

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 2015, 2016 and 2017 are subject to examination, generally for three years after they are filed.

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2017:

		<u>Useful Life</u>
Cable and Internet System	\$ 39,825	7-10
Computer Software	12,001	3
Computers	799	3
Vehicles	5,000	3
	<u>57,625</u>	
Less: Accumulated Depreciation	<u>(28,154)</u>	
Total, net	<u><u>\$ 29,471</u></u>	

Depreciation expense for the year ended December 31, 2017 totaled \$24,044.

NOTE G - CREDIT CARDS

The Association maintains several credit cards accounts active for repair and maintenance projects. All cash back earned is deposited into the operating bank account or used for Association purchases. The credit cards active at December 31, 2017 consisted of:

		<u>12/31/2017</u>
<u>Provider</u>	<u>Credit Limit</u>	<u>Balance</u>
Capital One	\$ 19,000	\$ 2,369
Bank of America	4,000	-
Home Depot	10,500	-
Total	<u><u>\$ 33,500</u></u>	<u><u>\$ 2,369</u></u>

Riverwalk Homeowners Association, Inc.

Notes to Financial Statements

December 31, 2017

NOTE H - COMMITMENTS

On June 19, 2015, the Association entered into a copier lease for 60 months at \$110 plus tax per month. On March 29, 2017, the Association entered into a 3-year contract for internet service and equipment with Fibernet Direct at a monthly fixed fee of \$2,045.

In addition, 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 I – PRIOR PERIOD ADJUSTMENT

There was a \$18,373 adjustment to decrease the operating fund balance and increase the opening balances of accrued expenses and accumulated depreciation. This adjustment was to accrue unrecorded prior year liabilities and cumulatively correct depreciation from prior year transactions. There is no effect on current year income or loss.

Supplementary Information

Riverwalk Homeowners Association, Inc.
Supplementary Information on Future Major Repairs and Replacements
December 31, 2017
(Unaudited)

When preparing the 2018 budget, the Board of Directors did not estimate the remaining useful lives and the replacement cost of the components of common property, except as required for the boatyard. The following table is based presents significant information about the components of common property:

Component	Estimated Remaining Useful Life	Estimated Replacement Cost	Replacement Fund Balance 12/31/2017
Boat Storage - Fence	6	\$ 10,000	\$ 1,429
Boat Storage - Parking	14	30,000	2,000
Boat Yard, Ramp, Dock		-	44,407
Carport		-	(7,908)
Golf Cart		-	1,000
Painting		-	43,300
Playground		-	667
Pool Deck		-	2,000
Pool Surface		-	2,500
Roof		-	47,467
Street		-	8,000
Tennis Court		-	500
Truck		-	1,000
Total		<u>\$ 40,000</u>	<u>\$ 146,362</u>

Riverwalk Homeowners Association, Inc.

Schedule of Operating Expenses For the Year Ended December 31, 2017

Administrative

Audit Fees	\$ 3,800
Bad Debts	19,842
Bank Service Charges	3,588
Insurance	30,353
Legal Fees	28,707
Office	13,189
Other	3,868
Permits, Fees, and Taxes	2,016
Postage and Mailing Handling	931
Printing	202
Payroll Wages and Taxes	<u>202,573</u>
Total Administrative	<u>309,069</u>

Boat Storage

Electricity	5,578
Other	753
Water	<u>300</u>
Total Boat Storage	<u>6,631</u>

Riverwalk Homeowners Association, Inc.

Schedule of Operating Expenses For the Year Ended December 31, 2017

Grounds

Code and Parking Enforcement	39,487
Concrete Repair	125,049
Fuel Expense	1,198
General Repair and Maintenance	40,402
Irrigation Maintenance and Repair	17,968
Internet and Camera Parts	29,854
Lake Maintenance	2,132
Landscape Revitalization	1,235
Landscape and Irrigation Contract	76,767
Maintenance and Janitorial Supplies	4,201
Mangrove Trimming	2,100
Painting Buildings	51,980
Plumbing	670
Pool Maintenance Contract	12,139
Pool Repairs, Parts and Supplies	44,534
Rain Gutter Cleaning	7,200
Tree Trimming	42,053
Tennis Court Revision	<u>5,750</u>
Total Grounds	<u>504,719</u>

Utilities

Electricity	62,819
Internet Tech Contract	24,908
Telephone and Internet Service	40,363
Trash Removal	3,273
Water and Sewer	<u>16,184</u>
Total Utilities	<u>147,547</u>

Depreciation

	<u>24,044</u>
Total Operating Expenses	<u><u>\$ 992,010</u></u>