

Riverwalk Homeowners Association, Inc.

Financial Statements

December 31, 2020

Riverwalk Homeowners Association, Inc.

Financial Statements

December 31, 2020

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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, 2020, 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, 2020, 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.

Sunny Isles Beach, FL

September 1, 2021

Riverwalk Homeowners Association, Inc.

Balance Sheet

December 31, 2020

	Operating Fund	Replacement Fund	Total
Assets			
Cash and Cash Equivalents	\$ 1,074,236	\$ -	\$ 1,074,236
Assessments Receivable, net	31,911	-	31,911
Property and Equipment, net	6,889	-	6,889
Legal Fee Recovery Receivable	78,506	-	78,506
Prepaid Expenses	74	-	74
Prepaid Insurance	9,526	-	9,526
Due from Operating Fund	-	930,208	930,208
Due to Replacement Fund	<u>(930,208)</u>	<u>-</u>	<u>(930,208)</u>
Total Assets	<u>\$ 270,934</u>	<u>\$ 930,208</u>	<u>\$ 1,201,142</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 2,506	\$ -	\$ 2,506
Prepaid Assessments	17,383	-	17,383
Security Deposits	16,040	-	16,040
Deferred Boatyard Income	3,360	-	3,360
Deferred Maintenance Assessments Income	<u>-</u>	<u>569,756</u>	<u>569,756</u>
Total Liabilities	39,289	569,756	609,045
Fund Balance	<u>231,645</u>	<u>360,452</u>	<u>592,097</u>
Total Liabilities and Fund Balance	<u>\$ 270,934</u>	<u>\$ 930,208</u>	<u>\$ 1,201,142</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, 2020

	Operating Fund	Replacement Fund	Total
Revenues			
Maintenance Assessments	\$ 677,779	\$ 19,692	\$ 697,471
Application Fees	12,775	-	12,775
Boat Storage Fees	6,527	-	6,527
Estoppel Fees	10,400	-	10,400
Interest Income	9,355	-	9,355
Late Fee Income	5,100	-	5,100
Other	20,412	-	20,412
Violation Fines	<u>2,590</u>	<u>-</u>	<u>2,590</u>
Total Revenues	<u>744,938</u>	<u>19,692</u>	<u>764,630</u>
Expenses			
Boat Storage	2,652	-	2,652
Administrative	258,181	-	258,181
Depreciation	5,689	-	5,689
Grounds	223,165	-	223,165
Utilities	70,843	-	70,843
Reserve Expenditures	<u>-</u>	<u>189,901</u>	<u>189,901</u>
Total Expenses	<u>560,530</u>	<u>189,901</u>	<u>750,431</u>
Excess (Deficiency) of Revenues Over Expenses	184,408	(170,209)	14,199
Fund Balance - Beginning of Year	<u>47,237</u>	<u>530,661</u>	<u>577,898</u>
Fund Balance - End of Year	<u>\$ 231,645</u>	<u>\$ 360,452</u>	<u>\$ 592,097</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, 2020

	Operating Fund	Replacement Fund	Total
Cash Flows from Operating Activities			
Excess (Deficiency) of Revenues Over Expenses	\$ 184,408	\$ (170,209)	\$ 14,199
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided by Operating Activities:			
Depreciation	5,689	-	5,689
(Increase) in:			
Assessments Receivable, net	(725)	-	(725)
Prepaid Expenses	(21)	-	(21)
Prepaid Insurance	(1,440)	-	(1,440)
Increase (Decrease) in:			
Accounts Payable and Accrued Expenses	2,484	-	2,484
Prepaid Assessments	(9,303)	-	(9,303)
Security Deposits	1,200	-	1,200
Deferred Maintenance Assessments Income	<u>-</u>	<u>199,580</u>	<u>199,580</u>
Net Cash Provided by Operating Activities	<u>182,292</u>	<u>29,371</u>	<u>211,663</u>
Cash Flows from Financing Activities			
Interfund Borrowings	<u>29,371</u>	<u>(29,371)</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities	<u>29,371</u>	<u>(29,371)</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	211,663	-	211,663
Cash and Cash Equivalents - Beginning of Year	<u>862,573</u>	<u>-</u>	<u>862,573</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,074,236</u>	<u>\$ -</u>	<u>\$ 1,074,236</u>

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

Riverwalk Homeowners Association, Inc.

Notes to Financial Statements

December 31, 2020

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 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, 2020, the allowance for doubtful accounts totals \$50,654.
5. 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.
6. Interest Income – The Board of Directors' policy is to allocate to the operating and replacement funds all interest earned on their respective cash accounts.
7. Income Taxes – In 2020, 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.
8. 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. 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, 2020

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

9. 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.

10. Cash and Cash Equivalents - For purposes of the December 31, 2020 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, 2020, 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. Although not required, the Association has established reserves savings the Association believes are sufficient to cover major capital repairs or replacements.

In 2020, when preparing the 2021 budget, 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 2021 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 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, 2020

NOTE B – REPLACEMENT FUND (continued)

The activity in the replacement fund was as follows:

Components	Balance 1/1/2020	Additions	Expenditures	Transfers	Balance 12/31/2020
Boat Storage - Fence	\$ 4,763	\$ -	\$ -	\$ -	\$ 4,763
Boat Storage - Parking	6,296	-	-	-	6,296
Boat, Yard, Ramp, Dock	44,407	1,272	-	-	45,679
Carport	(7,908)	-	-	-	(7,908)
Golf Cart	4,750	-	-	-	4,750
Painting	339,867	-	(179,415)	-	160,452
Playground	2,151	-	-	-	2,151
Pool Deck	7,696	-	-	-	7,696
Pool Surface	7,362	-	(1,500)	-	5,862
Roof	469,070	-	(7,836)	-	461,234
Street	16,334	-	-	-	16,334
Tennis Court	2,723	-	(1,150)	-	1,573
Truck	3,326	-	-	-	3,326
General Capital Expenditures	-	218,000	-	-	218,000
Total	\$ 900,837	\$ 219,272	\$ (189,901)	\$ -	\$ 930,208

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

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.

Riverwalk Homeowners Association, Inc.

Notes to Financial Statements

December 31, 2020

NOTE E – 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, 2020 consisted of:

<u>Provider</u>	<u>Credit Limit</u>	<u>12/31/2020 Balance</u>
Capital One	\$ 19,000	\$ -
Bank of America	4,000	-
Home Depot	10,500	-
Total	<u>\$ 33,500</u>	<u>\$ -</u>

NOTE F – 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, 2020, no collections have been made and litigation related to the collection of this Judgement is ongoing.

NOTE G – 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 2018, 2019 and 2020 are subject to examination, generally for three years after they are filed.

NOTE H – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2020:

		<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>(50,736)</u>	
Total, net	<u>\$ 6,889</u>	

Depreciation expense for the year ended December 31, 2020 totaled \$5,689.

NOTE I – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 1, 2021, the date that the financial statements were available to be issued.

Supplementary Information

Riverwalk Homeowners Association, Inc.

Schedule of Operating Expenses For the Year Ended December 31, 2020

Administrative

Bank Service Charges	\$ 1,816
Insurance	29,272
Management Fees	156,899
Office Expense	14,738
Permits, Fees, Taxes	1,033
Postage and Mailing Handling	671
Payroll Wages and Taxes	38,330
Professional Fees	<u>15,422</u>
Total Administrative	<u>258,181</u>

Boat Storage

Electricity	1,891
Other	161
Water	<u>600</u>
Total Boat Storage	<u>2,652</u>

Grounds

Code or Parking Enforcement	39,519
Concrete Repair	95
General Repair and Maintenance	18,143
Irrigation Maintenance and Repair	4,956
Internet and Camera Parts	2,763
Lake Maintenance	1,904
Landscape Revitalization	7,297
Landscape and Irrigation	75,132
Maintenance and Janitorial Supplies	3,044
Mangrove Trimming	2,800
Pool Repairs, Parts and Supplies	35,767
Tree Trimming	23,320
Tennis Court Revision	<u>7,818</u>
Total Grounds	<u>222,558</u>

Riverwalk Homeowners Association, Inc.

Schedule of Operating Expenses

For the Year Ended December 31, 2020

Utilities

Electricity	32,149
Telephone and Internet Service	19,289
Trash Removal	3,799
Tech Support and Repairs	9,794
Water and Sewer	<u>5,812</u>
Total Utilities	<u>70,843</u>

Depreciation

5,689

Total Operating Expenses

\$ 559,923

Riverwalk Homeowners Association, Inc.
Supplementary Information on Future Major Repairs and Replacements
December 31, 2020
(Unaudited)

The Association's governing documents and Florida statues do not require that funds be accumulated for major repairs and replacements, except for the boat storage area. Although not required, the Association has established reserves savings the Association believes are sufficient to cover major capital repairs or replacements. In 2020, when preparing the 2021 budget, 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 12/31/2020
Boat Storage - Fence		\$ -	\$ 4,763
Boat Storage - Parking		-	6,296
Boat Storage Area	35	50,000	-
Boat Yard, Ramp, Dock		-	45,679
Carport		-	(7,908)
General Capital Expenditure Reserve		-	218,000
Golf Cart	2	5,000	4,750
Painting	8	724,910	160,452
Playground	15	10,000	2,151
Pool Deck	25	50,000	7,696
Pool Surface	20	50,000	5,862
Roof	20	1,612,982	461,234
Street	25	200,000	16,334
Tennis Court	20	8,000	1,573
Truck	4	<u>5,000</u>	<u>3,326</u>
Total		<u>\$ 2,715,892</u>	<u>\$ 930,208</u>