

**RIVERSIDE CONDOMINIUM ASSOCIATION, INC.**

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**AUDITED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
AND SUPPLEMENTARY INFORMATION**

For the year ended December 31, 2021

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# WESTON & GREGORY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members  
Riverside Condominium Association, Inc.  
Daytona Beach, Florida

### **Opinion**

We have audited the accompanying financial statements of Riverside Condominium Association, Inc. which comprise the balance sheet as of December 31, 2021, and the related statements 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 Riverside Condominium Association, Inc. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in conformity 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 Riverside Condominium 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 Riverside Condominium Association, Inc.'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.

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 Riverside Condominium Association, Inc.'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 Riverside Condominium Association, Inc.'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.

***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements of common property on page 10 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.

*Keston & Grogan, LLC*

Daytona Beach, Florida  
May 2, 2022

**RIVERSIDE CONDOMINIUM ASSOCIATION, INC.**

Balance Sheet  
December 31, 2021

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 32,011	\$ 1,159,686	\$ 1,191,697
Assessments receivable, net	16,596	-	16,596
Prepaid expenses	33,477	-	33,477
Property and equipment, net	16,396	-	16,396
Refundable deposits	2,520	-	2,520
Due from other fund	69,149	-	69,149
	<u>\$ 170,149</u>	<u>\$ 1,159,686</u>	<u>\$ 1,329,835</u>

LIABILITIES AND FUND BALANCE

Accounts payable and accrued expenses	\$ 106,805	\$ -	\$ 106,805
Assessments paid in advance	44,265	-	44,265
Due to other fund	-	69,149	69,149
Contract liabilities	-	1,090,537	1,090,537
	<u>151,070</u>	<u>1,159,686</u>	<u>1,310,756</u>
Fund balance	<u>19,079</u>	<u>-</u>	<u>19,079</u>
	<u>\$ 170,149</u>	<u>\$ 1,159,686</u>	<u>\$ 1,329,835</u>

See accompanying notes to financial statements  
and independent auditors' report

**RIVERSIDE CONDOMINIUM ASSOCIATION, INC.**

## Statement of Revenues, Expenses, and

## Changes in Fund Balance

For the year ended December 31, 2021

	Operating Fund	Replacement Fund	Total
Revenues:			
Members' assessments	\$ 936,295	\$ 27,087	\$ 963,382
Laundry income	26,988	-	26,988
Interest and other income	30,835	5,999	36,834
Insurance proceeds	104,081	-	104,081
	<u>1,098,199</u>	<u>33,086</u>	<u>1,131,285</u>
Expenses:			
Utilities	429,057	-	429,057
Wages and benefits	218,940	-	218,940
Insurance	185,034	-	185,034
Building maintenance and repairs	64,643	30,056	94,699
Management fees	48,600	-	48,600
Grounds maintenance and repairs	24,232	-	24,232
Professional fees	14,284	-	14,284
Pool maintenance and supplies	13,857	-	13,857
Administrative	11,243	-	11,243
Elevator maintenance and repairs	9,972	-	9,972
Depreciation	7,521	-	7,521
Taxes, fees, and licenses	2,209	-	2,209
	<u>1,029,592</u>	<u>30,056</u>	<u>1,059,648</u>
Excess of revenues over expenses	68,607	3,030	71,637
Fund balance, beginning of year	58,139	-	58,139
Transfer to contract liabilities	(110,697)	-	(110,697)
Transfer equipment between funds	<u>3,030</u>	<u>(3,030)</u>	<u>-</u>
Fund balance, end of year	<u>\$ 19,079</u>	<u>\$ -</u>	<u>\$ 19,079</u>

See accompanying notes to financial statements  
and independent auditors' report

**RIVERSIDE CONDOMINIUM ASSOCIATION, INC.**

Statement of Cash Flows

For the year ended December 31, 2021

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities:			
Cash received from members' assessments	\$ 934,142	\$ 139,992	\$ 1,074,134
Cash received from interest and other income	57,823	5,999	63,822
Cash paid to vendors for services and goods	<u>(1,023,766)</u>	<u>(30,056)</u>	<u>(1,053,822)</u>
Net cash provided by (used in) operating activities	<u>(31,801)</u>	<u>115,935</u>	<u>84,134</u>
Cash flows from investing activities:			
Purchase of equipment	-	(3,030)	(3,030)
Maturities of certificates of deposit	-	715,397	715,397
Net cash provided by investing activities	<u>-</u>	<u>712,367</u>	<u>712,367</u>
Cash flows from financing activities:			
Transfers to contract liabilities	(110,697)	110,697	-
Interfund borrowings	700	(700)	-
Net cash provided by (used in) financing activities	<u>(109,997)</u>	<u>109,997</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(141,798)	938,299	796,501
Cash and cash equivalents, beginning of year	173,809	221,387	395,196
Cash and cash equivalents, end of year	<u>\$ 32,011</u>	<u>\$ 1,159,686</u>	<u>\$ 1,191,697</u>
Reconciliation of Excess of Revenues Over Expenses to Net Cash Provided by (Used in) Operating Activities:			
Excess of revenues over expenses	\$ 68,607	\$ 3,030	\$ 71,637
Adjustments to reconcile excess of revenues over expenses to net cash provided by (used in) operating activities:			
Depreciation	7,521	-	7,521
(Increase) decrease in:			
Accounts receivable	(5,825)	-	(5,825)
Prepaid expenses	(2,455)	-	(2,455)
Increase (decrease) in:			
Accounts payable and accrued expenses	760	-	760
Assessments paid in advance	3,672	-	3,672
Deferred insurance proceeds	(104,081)	-	(104,081)
Contract liabilities	-	112,905	112,905
Net cash provided by (used in) operating activities	<u>\$ (31,801)</u>	<u>\$ 115,935</u>	<u>\$ 84,134</u>

See accompanying notes to financial statements  
and independent auditors' report

## RIVERSIDE CONDOMINIUM ASSOCIATION, INC.

Notes to Financial Statements

December 31, 2021

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1. Nature of Organization:

Riverside Condominium Association, Inc. (the Association) was incorporated on February 11, 1981 as a not-for-profit corporation pursuant to Chapter 718 of the Florida Statutes. The primary purpose of the Association is to maintain and protect the property owned in common by members. The Association consists of 288 residential units located in Daytona Beach, Florida. Recreational facilities include pools, community room and boat docks.

Policy decisions in regard to normal everyday operations of the Association are formulated by the Board of Directors, who are elected by the general membership. Major policy decisions, as outlined in the documents of the Association, are referred to the general Association membership. Assessments and expenses are allocated based upon the size of each unit type.

2. Summary of Significant Accounting Policies:

Fund Accounting:

The Association's 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:

The Operating Fund reflects the operating assessments paid by unit owners to meet the regular, recurring costs of operation. Expenditures of this fund are limited to those connected with the day-to-day functions of the Association.

The Replacement Fund is composed of assessments paid by the unit owners to fund future replacements, major repairs and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which the assessments were levied.

Cash and Cash Equivalents:

Cash includes all funds invested in checking, money market accounts, and certificates of deposit which may be liquidated within ninety days. The Association has deposits at local banks that are federally insured up to \$250,000 under FDIC protection. At December 31, 2021, all of the Association's funds were fully insured.

Property and Equipment:

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. The Association capitalizes personal property at cost and depreciates it using the straight-line method over five years.



## RIVERSIDE CONDOMINIUM ASSOCIATION, INC.

Notes to Financial Statements

December 31, 2021

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### 2. Summary of Significant Accounting Policies: (Continued)

#### Assessments:

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements. Assessments and expenses are allocated based upon the size of each unit type. Assessment revenue 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 assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's Declaration provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgment on other assets of the unit owner. Assessments paid in advance at the balance sheet date represent fees paid in advance by unit owners. These fees are not recorded as income until they are earned. The Association is dependent upon the receipt of members' monthly assessments for operating and reserve expenses. Any excess assessments at year end are retained by the Association for use in the succeeding year.

#### Allowance for Doubtful Accounts:

The Association provides an allowance for accounts receivable it believes it may not collect in full. Management has made an assessment of uncollectible receivables and determined that an allowance for uncollectible accounts of \$15,000 is needed as of December 31, 2021.

#### Income Taxes:

Condominium associations may be taxed as either a homeowners' association or a regular corporation. The Association elected to be taxed as a homeowners' association in accordance with Internal Revenue Code, Section 528, for the current year. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, at a rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable, however non-membership income such as interest and laundry income is taxable. For the year ended December 31, 2021, the Association's deductions for tax purposes exceeded any taxable income, therefore no income tax expense was incurred.

The Association has a small employer health insurance premiums credit carryover in the amount of \$9,566. These credit carryovers will begin to expire at December 31, 2031. The Association files income tax returns in the US federal jurisdiction. With few exceptions, the Association is no longer subject to federal income tax examinations by tax authorities for years before 2018.

#### Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**RIVERSIDE CONDOMINIUM ASSOCIATION, INC.**

Notes to Financial Statements

December 31, 2021

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2. Summary of Significant Accounting Policies: (Continued)

Contract Liabilities (Assessments received in advance-replacement fund):

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments.

Subsequent Events:

The Association has evaluated events and transactions for potential recognition or disclosure in the financial statements through May 2, 2022, the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

3. Windstorm Insurance:

The Association's insurance policy for windstorm coverage was renewed on March 3, 2021. The deductible amount for named hurricane storms is estimated at \$257,116 which represents 1% of the insured value of the residential buildings and swimming pools, which is estimated to be \$25,711,592. Other deductibles apply to the basic insurance coverage as well.

4. Property and Equipment:

Property and equipment and their respective lives at December 31, 2021 are as follows:

		<u>Lives</u>
Machinery and equipment	\$ 47,604	5 years
Less accumulated depreciation	<u>(31,208)</u>	
	<u>\$ 16,396</u>	

5. Deferred Insurance Proceeds:

During 2016, the Association sustained extensive damages to the building and common property from Hurricane Matthew. In November 2016, the Association's insurance company advanced the Association \$750,000 to make the necessary repairs. During 2018, an additional \$11,650 was received. No additional insurance recoveries are expected. During 2020, 2019, 2018, 2017, and 2016, the Association earned interest on these funds of \$80, \$380, \$1,410, \$2,268, and \$529, respectively.

For the years ended December 31, 2020, 2019, 2018, 2017, and 2016, \$14,787, \$159,402, \$208,735, \$274,921, and \$4,391 was expended for repairs. The remaining balance of \$104,081 was taken into income in 2021 and transferred to the replacement fund.

## RIVERSIDE CONDOMINIUM ASSOCIATION, INC.

Notes to Financial Statements

December 31, 2021

### 6. Replacement Reserves:

Florida Statutes and the Association's documents require funds to be accumulated for future major repairs and replacements. The Association's current policy is to assess each unit owner a monthly assessment to meet all future replacement and major repair costs. These funds are held in separate accounts and are generally not available for operating purposes. Interest earned on these funds is allocated to the specific reserve components, based upon their average monthly assessment.

In 2012, the Association had an independent study conducted to estimate the remaining useful lives and the replacement costs of the common property components. The Budget Committee formulated the 2021 reserve policy based upon modifications of the estimates developed by the independent study. The Association's members voted for partially funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund.

Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

The activity within the replacement fund contract liabilities for the year ended December 31, 2021 is as follows:

	Beginning Balance	Funding and Transfers	Interest Income	Transfers and Expenditures	Ending Balance
Building and grounds	\$ 44,038	\$ 22,305	\$ 592	\$ (20,517)	\$ 46,418
Elevators	49,002	8,112	216	-	57,330
Furniture and finishings	74,182	50,416	1,339	(3,030)	122,907
Laundry equipment	25,990	533	14	-	26,537
Mechanical/Electrical/Plumbing	167,446	18,392	489	(2,094)	184,233
Exterior painting	131,778	13,417	356	-	145,551
Paving	104,238	34,878	927	-	140,043
Casualty loss/Emergency	35,439	-	-	-	35,439
Roofing	132,507	50,744	1,348	-	184,599
Seawall and dock	92,945	23,864	634	-	117,443
Pools	9,370	28,028	84	(7,445)	30,037
	<u>\$ 866,935</u>	<u>\$ 250,689</u>	<u>\$ 5,999</u>	<u>\$ (33,086)</u>	<u>\$ 1,090,537</u>

**SUPPLEMENTARY INFORMATION**

**RIVERSIDE CONDOMINIUM ASSOCIATION, INC.**

Supplementary Information  
on Future Repairs and Replacements  
December 31, 2021

In 2012, an independent study was conducted to estimate the useful lives, remaining useful lives and current replacement costs of the common property components. The Budget Committee formulated the 2022 replacement reserve policy based upon modifications of the estimates developed by the independent study.

The 2022 budget assessment allocation for the replacement reserve amounted to \$129,936. The following table presents significant information concerning the replacement fund:

Component	Estimated Useful Life (Years)	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost	Contract Liabilities December 31, 2021	Estimated 2022 Full Funding Requirement	2022 Budgeted Funding
Building and grounds	5-36	18	\$ 618,213	\$ 46,418	\$ 31,766	\$ 30,570
Elevators	15-30	18	213,838	57,330	8,695	8,675
Furniture and finishings	10-18	1	121,039	122,907	-	(3,559)
Laundry equipment	5	5	35,000	26,537	1,693	1,695
Mechanical/Electrical/Plumbing	1-40	10	383,536	184,233	19,930	19,639
Exterior painting	7	5	217,551	145,551	14,400	14,280
Paving	4-16	5	140,590	140,043	109	295
Casualty loss/Emergency	0	0	-	35,439	-	-
Roofing	15-18	13	620,000	184,599	33,492	32,130
Seawall and dock	24-50	13	577,873	117,443	35,418	35,335
Pools	2-20	16	85,734	30,037	3,481	5,985
Interest Income			-	-	-	(15,109)
			<u>\$ 3,013,374</u>	<u>\$ 1,090,537</u>	<u>\$ 148,984</u>	<u>\$ 129,936</u>

Funds are being accumulated, at less than full funding, in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Additionally, 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 authority to pass special assessments, or delay major repairs and replacements until sufficient funds are available.