

**PARKSIDE PLACE
HOMEOWNERS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Parkside Place Homeowners Association, Inc.

We have audited the accompanying financial statements of Parkside Place Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2017, and the related statements of revenue, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parkside Place Homeowners Association, Inc. as of December 31, 2017, 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.

INDEPENDENT AUDITOR'S REPORT
December 31, 2017
Parkside Place Homeowners Association, Inc.

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 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.

Joseph R. Michalak, LLC

Joseph R. Michalak, LLC
Certified Public Accountant

Maitland, Florida
May 10, 2018

PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEET

December 31, 2017

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS:			
Cash, including interest-bearing deposits	\$ 79,810	\$ 191,480	\$ 271,290
Assessments receivable	2,470	-	2,470
Prepaid expenses	21,270	-	21,270
TOTAL ASSETS	<u>\$ 103,550</u>	<u>\$ 191,480</u>	<u>\$ 295,030</u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 13,690	\$ -	\$ 13,690
Assessments received in advance	22,330	-	22,330
TOTAL LIABILITIES	<u>36,020</u>	<u>-</u>	<u>36,020</u>
FUND BALANCE:	<u>67,530</u>	<u>191,480</u>	<u>259,010</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 103,550</u>	<u>\$ 191,480</u>	<u>\$ 295,030</u>

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

PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE

Year Ended December 31, 2017

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
REVENUE:			
Assessments	\$ 463,960	\$ 42,800	\$ 506,760
Interest	70	410	480
Other	2,020	-	2,020
	<u>466,050</u>	<u>43,210</u>	<u>509,260</u>
TOTAL REVENUE			
EXPENSES:			
Cable service	79,360	-	79,360
Repair and maintenance	15,810	-	15,810
Exterior painting	27,920	-	27,920
Termite bond	5,320	-	5,320
Utilities	15,280	-	15,280
Lakes and waterways	920	-	920
Fertilizer / Pest treatment	18,570	-	18,570
Contract grounds maintenance	37,520	-	37,520
Irrigation repair	17,100	-	17,100
Other grounds maintenance	15,550	-	15,550
Pool and clubhouse costs	12,320	-	12,320
Contract management fee	16,200	-	16,200
Maintenance personnel	25,760	-	25,760
Office and other	4,680	-	4,680
Legal and accounting	4,530	-	4,530
Insurance	129,440	-	129,440
Bad debt	320	-	320
Replacement expenses	-	56,930	56,930
	<u>426,600</u>	<u>56,930</u>	<u>483,530</u>
TOTAL EXPENSES			
REVENUE IN EXCESS OF EXPENSES	39,450	< 13,720 >	25,730
FUND BALANCE – Beginning of year	40,080	193,200	233,280
EQUITY TRANSFER BETWEEN FUNDS	< 12,000 >	12,000	-
FUND BALANCE – End of year	<u>\$ 67,530</u>	<u>\$ 191,480</u>	<u>\$ 259,010</u>

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

PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Revenue in excess of expenses	\$ 39,450	\$ < 13,720 >
Adjustment to reconcile excess of revenue over expenses to net cash provided by operating activities:		
(Increase) decrease in:		
Assessments receivable	< 1,460 >	-
Prepaid expenses	12,840	-
Increase (decrease) in:		
Accounts payable and accrued expenses	13,040	-
Assessments received in advance	650	-
NET CASH PROVIDED (USED) BY OPERATIONS	<u>64,520</u>	<u>< 13,720 ></u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Equity transfer between funds	<u>< 12,000 ></u>	<u>12,000</u>
NET CASH PROVIDED (USED)	<u>52,520</u>	<u>< 1,720 ></u>
CASH AT BEGINNING OF YEAR	<u>27,290</u>	<u>193,200</u>
CASH AT END OF YEAR	<u><u>\$ 79,810</u></u>	<u><u>\$ 191,480</u></u>

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

PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Parkside Place Homeowners Association, Inc. is incorporated in the State of Florida as a not-for-profit corporation. The Association is responsible for the administration, operation and maintenance of the common property within the development. The development consists of 128 residential units located in Brevard County, Florida.

Fund Accounting

The Association presents its financial statements on the accrual basis using fund accounting. The financial statements are therefore segregated into funds based upon different funding policies established for operating and capital expenses.

The operating fund reflects the maintenance assessments paid by unit owners to meet the regular, recurring costs of operations. Expenses from this fund are limited to those connected with daily operations.

The replacement fund is composed of capital assessments paid by unit owners to fund future replacements and major repairs. Expenses from this fund are restricted to those items for which assessments were specifically collected. Interest earned on replacement funds remains in the replacement fund and is allocated to the pooled component.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Real and Common Area Property

Real and common area property owned by the Association is not recorded in the Association's financial statements as it was acquired in a nonmonetary transaction from the Developer and the fair value of the assets cannot be reasonably determined. As a result, improvements made to the real property and common areas are not capitalized.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2: RESERVE FOR MAJOR REPAIRS AND REPLACEMENTS

The Association is using the pooling method to accumulate funds for future replacements. Funding for major repairs and replacements is based on estimated current replacement costs adjusted for inflation and a stated investment rate of return. Actual expenditures, inflation rates and investment returns 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, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

The following table presents significant information about the components of common property:

COMPONENT	BALANCE 1/1/2017	FUNDING DURING YEAR	INTEREST INCOME	EQUITY TRANSFER BETWEEN FUNDS	EXPENSES DURING YEAR	BALANCE 12/31/2017
Pooled	<u>\$ 193,200</u>	<u>\$ 42,800</u>	<u>\$ 410</u>	<u>\$ 12,000</u>	<u>\$ 56,930</u>	<u>\$ 191,480</u>

NOTE 3: MEMBER ASSESSMENTS

Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. Members' assessments prepaid are classified as assessments received in advance. It is the Association's policy to retain legal counsel and place liens on the property of delinquent homeowners. Assessments which have been deemed to be uncollectable as of the report date have been charged to bad debts. Any excess assessments at year end are retained by the Association for use in future operation periods.

NOTE 4: INCOME TAXES

Common interest realty associations may elect to be taxed as regular corporations or as homeowners associations, under Section 528 of the Internal Revenue Code. With either election the Association is generally taxed only on its non-membership income, such as bank interest, investment earning and other non-exempt function income.

PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 5: COMMITMENTS AND CONTINGENCIES

The Association has entered into various short-term contractual agreements with outside vendors and service providers to maintain its common property and to administer the Association. These contracts have different expiration dates and renewal terms.

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 16, 2018, the date that the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

NOTE 6: CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Association to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, consist primarily of bank accounts with balances in excess of amounts insured by the Federal Deposit Insurance Corporation and assessments receivable. Management of the Association evaluates the financial stability of its depositories and considers the risk of loss to be remote. The Association's assessments receivable are related to billed assessments. The Association monitors the collectibility of these assessments receivable and pursues collection. Management routinely assesses the uncollectibility of the Association's assessments receivable and provides for allowances for doubtful accounts based on this assessment.

PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.

**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)**

December 31, 2017

The Association's Board has estimated the remaining useful lives and the replacement costs of components of common property. The Association is using the pooling method to accumulate funds for future replacements. Funding estimates were based on estimated current replacement costs, adjusted for inflation and a stated investment rate of return, and projected annual reserve expenditures over a 30 year period utilizing a pooling method of all the reserve funds.

The following is based on the estimate and presents significant information about the components of common property:

<u>COMPONENT</u>	<u>ESTIMATED REMAINING USEFUL LIFE (YEARS)</u>	<u>ESTIMATED CURRENT REPLACEMENT COST</u>	<u>REPAIRS/REPLACEMENTS DECEMBER 31, 2017</u>
Roads / Sidewalks	0	\$ 125,000	\$ -
Roofing	17-27	34,700	-
Pool / Spa	0-24	58,100	-
Clubhouse	3-17	36,300	-
Tennis courts	0-3	45,300	-
Fence	3	30,100	-
Lighting	3	65,200	-
Pond / Drainage	0	30,000	-
Capital improvements	0-8	41,100	-
Pooled	-	-	191,480
		<u>\$ 465,800</u>	<u>\$ 191,480</u>

See auditor's report.