

**PARKSIDE PLACE  
HOMEOWNERS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2021**

**Joseph R. Michalak, LLC**  
Certified Public Accountant

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Parkside Place Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2021, 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.

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, 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 Parkside Place 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.

**Future Major Repairs and Replacements**

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 6 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

**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 Parkside Place Homeowners 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 Responsibility 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.

**INDEPENDENT AUDITOR'S REPORT**  
**December 31, 2021**  
**Parkside Place Homeowners Association, Inc.**

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 Parkside Place Homeowners 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 Parkside Place Homeowners 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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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  
April 8, 2022

**PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.**

**BALANCE SHEET**

**December 31, 2021**

|   | OPERATING<br>FUND | REPLACEMENT<br>FUND | TOTAL             |
|---|-------------------|---------------------|-------------------|
| <b>ASSETS:</b>                            |                   |                     |                   |
| Cash, including interest-bearing deposits | \$ 64,320         | \$ 291,440          | \$ 355,760        |
| Assessments receivable                    | 9,500             | -                   | 9,500             |
| Prepaid expenses                          | 25,410            | -                   | 25,410            |
| Due from operating fund                   | -                 | 6,000               | 6,000             |
| <b>TOTAL ASSETS</b>                       | <b>\$ 99,230</b>  | <b>\$ 297,440</b>   | <b>\$ 396,670</b> |
| <br><b>LIABILITIES:</b>                   |                   |                     |                   |
| Accounts payable and accrued expenses     | \$ 22,800         | \$ -                | \$ 22,800         |
| Assessments received in advance           | 30,970            | -                   | 30,970            |
| Due to replacement fund                   | 6,000             | -                   | 6,000             |
| Contract liabilities ( Note 7 )           | -                 | 297,440             | 297,440           |
| <b>TOTAL LIABILITIES</b>                  | <b>59,770</b>     | <b>297,440</b>      | <b>357,210</b>    |
| <b>FUND BALANCE</b>                       | <b>39,460</b>     | <b>-</b>            | <b>39,460</b>     |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b> | <b>\$ 99,230</b>  | <b>\$ 297,440</b>   | <b>\$ 396,670</b> |

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, 2021**

|   | OPERATING<br>FUND       | REPLACEMENT<br>FUND | TOTAL                   |
|---|-------------------------|---------------------|-------------------------|
| <b>REVENUE:</b>   |                         |                     |                         |
| Assessments   | \$ 497,310              | \$ 34,790           | \$ 532,100              |
| Special assessments ( Note 8 )                          | -                       | 256,000             | 256,000                 |
| Interest  | 40                      | 470                 | 510                     |
| Other   | 3,080                   | -                   | 3,080                   |
| <b>TOTAL REVENUE</b>                                    | <b>500,430</b>          | <b>291,260</b>      | <b>791,690</b>          |
| <b>EXPENSES:</b>  |                         |                     |                         |
| Cable service   | 103,120                 | -                   | 103,120                 |
| Repair and maintenance                                  | 20,200                  | -                   | 20,200                  |
| Exterior painting                                       | 35,570                  | -                   | 35,570                  |
| Termite bond  | 890                     | -                   | 890                     |
| Utilities   | 12,930                  | -                   | 12,930                  |
| Lakes and waterways                                     | 880                     | -                   | 880                     |
| Fertilizer / Pest treatment                             | 19,390                  | -                   | 19,390                  |
| Contract grounds maintenance                            | 30,650                  | -                   | 30,650                  |
| Irrigation repair                                       | 17,290                  | -                   | 17,290                  |
| Other grounds maintenance                               | 39,520                  | -                   | 39,520                  |
| Hammock maintenance                                     | 5,980                   | -                   | 5,980                   |
| Pool and clubhouse costs                                | 20,300                  | -                   | 20,300                  |
| Contract management fee                                 | 17,040                  | -                   | 17,040                  |
| Maintenance personnel                                   | 30,890                  | -                   | 30,890                  |
| Office and other  | 7,130                   | -                   | 7,130                   |
| Legal and accounting                                    | 19,310                  | -                   | 19,310                  |
| Insurance   | 159,710                 | -                   | 159,710                 |
| Reserve study   | 4,750                   | -                   | 4,750                   |
| Replacement expenses                                    | -                       | 291,260             | 291,260                 |
| <b>TOTAL EXPENSES</b>                                   | <b>545,550</b>          | <b>291,260</b>      | <b>836,810</b>          |
| <b>EXCESS (DEFICIENCY) OF REVENUE<br/>OVER EXPENSES</b> | <b>&lt; 45,120 &gt;</b> | <b>-</b>            | <b>&lt; 45,120 &gt;</b> |
| <b>FUND BALANCE – Beginning of year</b>                 | <b>84,580</b>           | <b>-</b>            | <b>84,580</b>           |
| <b>FUND BALANCE – End of year</b>                       | <b>\$ 39,460</b>        | <b>\$ -</b>         | <b>\$ 39,460</b>        |

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

**PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2021**

|   | OPERATING<br>FUND       | REPLACEMENT<br>FUND |
|---|-------------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                         |                     |
| Excess (deficiency) of revenue over expenses  | \$ < 45,120 >           | \$ -                |
| Adjustment to reconcile excess of revenue<br>over expenses to net cash provided by<br>operating activities: |                         |                     |
| (Increase) decrease in:   |                         |                     |
| Assessments receivable  | < 8,450 >               | -                   |
| Prepaid expenses  | 3,160                   | -                   |
| Due from operating fund   | -                       | < 6,000 >           |
| Increase (decrease) in:   |                         |                     |
| Accounts payable and accrued expenses   | 2,700                   | -                   |
| Assessments received in advance   | 6,140                   | -                   |
| Due to replacement fund   | 6,000                   | -                   |
| Contract liabilities  | -                       | 13,000              |
|   | -                       | 13,000              |
| <b>NET CASH PROVIDED (USED) BY OPERATIONS</b>   | <b>&lt; 35,570 &gt;</b> | <b>7,000</b>        |
| <b>CASH AT BEGINNING OF YEAR</b>  | <b>99,890</b>           | <b>284,440</b>      |
| <b>CASH AT END OF YEAR</b>  | <b>\$ 64,320</b>        | <b>\$ 291,440</b>   |

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

**PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

**NOTE 1: NATURE OF ORGANIZATION**

Parkside Place Homeowners Association, Inc., is a common interest development and 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.

The Association is governed by a member-elected Board of Directors which is responsible for enforcing provisions of the governing documents, which include covenants, conditions and restrictions (CC&Rs), bylaws, and rules and regulations.

**NOTE 2: DATE OF MANAGEMENT'S REVIEW**

The Association has adopted Financial Accounting Standards Board ASC No. 855 *Subsequent Events* (ASC 855). This standard is intended to establish general standards of accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 requires issuers to reflect in their financial statements and disclosures the effects of subsequent events that provide additional evidence about conditions at the balance sheet date. In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through the date that the financial statements were available to be issued.

**NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Fund Accounting

The Association's governing 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:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and Cash Equivalents

The Association considers cash on hand, demand deposits with financial institutions, money market accounts and all short-term investments to be included in cash and cash equivalents. The Association places its cash and cash equivalents with high credit quality institutions and believes the risk of loss is remote. Periodically, such deposits may be in excess of federally insured limits.

**PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

**(Note 3 continued)**

Member Assessments

Association members are subject to assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessments are recognized as revenue as the Association satisfies its performance obligation to the unit owners. Performance obligations include the administration, operation and maintenance of the common property in the development. The Association's performance obligations related to its annual operating assessments are satisfied over time on a daily pro-rata basis. Revenues are recorded at transaction amounts expected to be collected. 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 are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are thirty days or more delinquent. The Association treats uncollectible assessments as variable consideration and, as such, records an impairment loss against total assessed revenue. Methods and assumptions used to evaluate whether an impairment loss has occurred includes an evaluation of past experience and the Association's susceptibility to factors outside the Association's control.

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

Real and Personal Common Property

Real and personal common property acquired by the original owners from the developer is not recognized in the Association's financial statements, in accordance with prevalent industry practice, because it is commonly owned by the individual Association members and its disposition by the Board of Directors is restricted. Similarly, major repairs, replacements and improvements to real and personal property are not recognized.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.



**PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

**(Note 3 continued)**

Fair Value Measurement

Under FASB ASC 820, *Fair Value Measurements and Disclosures*, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Association has determined that there was no material difference between the carrying value and fair value of its financial assets and liabilities at December 31, 2021; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2021.

Contract Liabilities

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserves.

The Association elected to adopt the revenue recognition standard effective January 1, 2020, using the modified retrospective method. This method allows the standard to be adopted retrospectively through a cumulative adjustment recognized upon adoption. The cumulative adjustment recorded upon adoption of ASC 606 consisted of changes in the recognition of replacement fund assessments, and accordingly the accumulated funds for future major repairs and replacements are now largely classified as a performance obligation liability and not fund balance.

**NOTE 4: INCOME TAXES**

The Association elects annually to be taxed as either a corporation under Internal Revenue Code (IRC) 277 or as a homeowners association under IRC 528 in its tax filing with the Internal Revenue Service (IRS). Form 1120 is used when filing as a corporation and Form 1120-H is used when filing as a homeowners association. With either election the Association is generally taxed only on its non-membership income, such as bank interest, investment earnings and other non-exempt function income.

The Association follows FASB ASC, *Accounting for Uncertainty in Income Taxes*, which provides guidance on accounting for uncertainty in income taxes recognized in the Association's financial statements. The guidance prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2021, the Association had no uncertain tax positions that require either recognition or disclosure in the Association's financial statements. Generally, the Association's tax returns remain open for three years for federal income tax examination.

**PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

**NOTE 5: COMMITMENTS AND CONTINGENCIES**

Commitments

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.

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.

Litigation

During the course of its operations, the Association is subject to various claims, torts, and actions. Management reviews the validity of such actions and acts accordingly. Management does not believe the outcome of any current actions will result in material loss to the Association or will materially affect its business, financial position, or future operating results.

Insurance Matters

In the event of a disaster, the Association could be exposed to losses for damages in excess of insurance coverage limits. Management considers this risk of loss to be remote and its insurance coverage adequate.

PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 6: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association is budgeting for funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$ 291,440 at December 31, 2021, are held in separate accounts and are generally not available for operating purposes. The Association levied assessments of \$ 47,790 for the year ended December 31, 2021, plus a special assessment of \$ 256,000.

During the fall of 2021 the Board of Directors, with the assistance of the property manager, estimated the remaining useful lives and replacement costs of common property components. 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 or levy special assessments, or it may delay major repairs and replacements until funds are available.

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

| COMPONENT           | BALANCE<br>1/1/2021 | FUNDING<br>DURING<br>YEAR | INTEREST<br>INCOME | EXPENSES<br>DURING<br>YEAR | BALANCE<br>12/31/2021 |
|---------------------|---------------------|---------------------------|--------------------|----------------------------|-----------------------|
| Special assessments | \$ -                | \$ 256,000                | \$ -               | \$ 188,460                 | \$ 67,540             |
| Pooled              | <u>284,440</u>      | <u>47,790</u>             | <u>470</u>         | <u>102,800</u>             | <u>229,900</u>        |
|                     | <u>\$ 284,440</u>   | <u>\$ 303,790</u>         | <u>\$ 470</u>      | <u>\$ 291,260</u>          | <u>\$ 297,440</u>     |



**PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2021**

**NOTE 7: FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION**

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate-Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of new guidance as of January 1, 2020, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2020. Adoption of the new guidance resulted in changes to our accounting policies for assessments revenue and contract liabilities related to the replacement fund, as previously described.

The effect of the adoption is a decrease in 2021 assessments by \$ 13,000 and a recording of a contract liability (assessments received in advance-replacement fund) at December 31, 2021, of \$ 297,440. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

**NOTE 8: SPECIAL ASSESSMENT**

During the year, the Board of Directors approved a special assessment of \$ 2,000 per unit for a total of \$ 256,000. The assessment was due in two equal payments, the first on July 31, 2021, and the second on August 31, 2021. The purpose of the assessment was to fund the drainage project plus seawall and swale maintenance. All of these proceeds were recorded as income in the replacement fund.



**PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.**

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

**December 31, 2021**

The Association's Board of Directors had an independent reserve study conducted in 2021 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from licensed contractors who inspected the property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

| <u>COMPONENT</u>       | <u>ESTIMATED REMAINING<br/>USEFUL LIFE (YEARS)</u> | <u>ESTIMATED CURRENT<br/>REPLACEMENT COST</u> | <u>REPAIRS/REPLACEMENTS<br/>DECEMBER 31, 2021</u> |
|------------------------|--|---|---|
| Property site elements | 0-30   | \$ 2,006,600                                  | \$ -  |
| Clubhouse elements     | 0-23   | 196,800                                       | -   |
| Pool elements          | 1-28   | 290,800                                       | -   |
| Reserve study          | 2  | 3,600   | -   |
| Special assessment     | -  | -   | 161,310   |
| Pooled                 | -  | -   | 136,130   |
|                        |  | <u>\$ 2,497,800</u>                           | <u>\$ 297,440</u>                                 |

See auditor's report.