

ROYAL POINCIANA CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022

ROYAL POINCIANA CONDOMINIUM ASSOCIATION, INC.

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Garg and Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Royal Poinciana Condominium Association, Inc.

Report on the Financial Statements

Opinion

We have audited the financial statements of Royal Poinciana Condominium Association, Inc., which comprise the balance sheet as of December 31, 2022, and the related statements of revenues and expenses, changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Royal Poinciana Condominium Association, Inc. as of December 31, 2022, 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 (GAAS). 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 Royal Poinciana 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 Royal Poinciana Condominium Association, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, 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 Royal Poinciana 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 Royal Poinciana 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Operating Expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of Association's management and derived from and relates directly to the underlying accounting and other record 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 on page 12 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.

Garg and Associates, Inc.

Garg and Associates, Inc.
Fort Lauderdale, Florida
June 10, 2024

ROYAL POINCIANA CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET
DECEMBER 31, 2022

ASSETS	Operating Fund	Replacement Fund	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 189,787	\$ 565,291	\$ 755,078
Assessments receivable, net of allowance for doubtful accounts of \$51,500	27,244	-	27,244
Prepaid insurance	22,974	-	22,974
Refundable Deposits	1,000	-	1,000
Due from operating fund	<u>(194,535)</u>	<u>194,535</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 46,470</u>	<u>\$ 759,826</u>	<u>\$ 806,296</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 76,961	\$ -	\$ 76,961
Accrued payable	7,826	-	7,826
Prepaid assessment	<u>26,186</u>	<u>-</u>	<u>26,186</u>
TOTAL LIABILITIES	110,973	-	110,973
FUND BALANCES (DEFICIT)	<u>(64,503)</u>	<u>759,826</u>	<u>695,323</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 46,470</u>	<u>\$ 759,826</u>	<u>\$ 806,296</u>

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

ROYAL POINCIANA CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Operating Fund	Replacement Fund	Total
REVENUES			
Assessments	\$ 1,165,568	90,744	\$ 1,256,312
Miscellaneous	38,291	-	38,291
Interest income	<u>-</u>	<u>76</u>	<u>76</u>
TOTAL REVENUES	<u>1,203,859</u>	<u>90,820</u>	<u>1,294,679</u>
EXPENSES			
General and administrative	\$ 310,625	\$ -	\$ 310,625
Bad debts recovery	(64,500)	-	(64,500)
Community room and building	12,888	-	12,888
Contract services	181,070	-	181,070
Personnel expense	311,653	-	311,653
Repairs and maintenance	137,315	-	137,315
Utilities	<u>331,103</u>	<u>-</u>	<u>331,103</u>
TOTAL EXPENSES	<u>1,220,154</u>	<u>-</u>	<u>1,220,154</u>
REVENUES (UNDER) OVER EXPENSES	(16,295)	90,820	74,525
FUND BALANCE (DEFICIT) – BEGINNING OF PERIOD	<u>(48,208)</u>	<u>669,006</u>	<u>620,798</u>
FUND BALANCE (DEFICIT) – END OF PERIOD	<u>\$ (64,503)</u>	<u>\$ 759,826</u>	<u>\$ 695,323</u>

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

ROYAL POINCIANA CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Revenue Over Expenses	\$ <u>(16,295)</u>	\$ <u>90,820</u>	\$ <u>74,525</u>
Adjustments to reconcile revenues (under) over expenses to net cash provided by operating activities:			
Bad debt recovery	(64,500)	-	(64,500)
(Increase) decrease in			
Assessments receivable	85,012	-	85,012
Prepaid insurance	(4,479)	-	(4,479)
Due to (from) operating fund	(16,541)	16,541	-
Increase (decrease) in			
Accounts payable	56,752	-	(56,752)
Prepaid Assessments	<u>(14,042)</u>	<u>-</u>	<u>(14,042)</u>
TOTAL ADJUSTMENTS	<u>42,202</u>	<u>16,541</u>	<u>58,743</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	25,907	107,361	133,268
CASH - BEGINNING OF YEAR	<u>163,880</u>	<u>457,930</u>	<u>621,810</u>
CASH - END OF YEAR	\$ <u><u>189,787</u></u>	\$ <u><u>595,291</u></u>	\$ <u><u>755,078</u></u>

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

ROYAL POINCIANA CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

NOTE 1. ORGANIZATION

Royal Poinciana Condominium Association, Inc. is a statutory condominium association incorporated in the State of Florida in 2005. The Condominium was created by conversion of existing improvements. The Association is responsible for the operation and maintenance of the common areas within the development. The Association consists of 384 residential units in Pompano Beach, Florida.

NOTE 2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 10, 2024, 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.

Owner 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 receivable at the balance sheet date represent fees due from unit owners.

Prepaid Assessments

Prepaid assessments mainly relate to monthly assessment fund collected in advance for future months. As of December 31, 2022, the association has prepaid balance of approximately \$23,000.

Allowance for Doubtful Accounts

The Association provides for estimated losses on accounts receivable based on bad debt experience, review of existing receivables and age of the past due balance. Based on these factors, the association estimated allowance for doubtful accounts of approximately \$52,000 at December 31, 2022.

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.

ROYAL POINCIANA CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

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.

Interest Earned

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

Cash and Cash Equivalents

For purposes of the 2022 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.

Revenue Recognition

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

NOTE 4. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$760,000 at December 31, 2022, are held in separate accounts and are generally not available for operating purposes.

The condominium developer in 2005 conducted a study to estimate the remaining useful lives and the replacement costs of the common property components. The Association is 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. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study.

Due to new legislation passed by the Florida Senate in 2022, an Association is required to perform a structural integrity reserve study every 10 years by an engineer. First of this study should be completed by the Association by December 31st 2024. This study requires visual inspection and estimated remaining useful life and replacement costs for any common area that exceeds \$10,000. Actual cost of replacement reserve may be significantly higher than original study performed in 2005.

Additionally, per the new legislation beginning in 2025, members of the Association may not elect to provide no reserve or less reserve for common area expenses. This changes may significantly impact the Association monthly assessment for unit owner or may require special assessment on the Unit owners.

ROYAL POINCIANA CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

NOTE 5. INCOME TAXES

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2022. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property.

NOTE 6. CONCENTRATIONS OF CREDIT RISK

Royal Poinciana Condominium Association, Inc. maintains its cash balances in two financial institutions located in Florida. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times throughout the year the association cash balance exceeded federal deposit insurance limit of \$250,000.

NOTE 7. CAPITAL CONTRIBUTION

Each purchaser is required, at the time of closing, to contribute to the Association an amount which is approximately two months of monthly owner's assessment for working capital. These monies are reflected in the accompanying financial statements as part of operating fund. These funds may be utilized for payment of expenditures for the benefit of the Association.

NOTE 8. DUE FROM OPERATING FUND/DUE TO REPLACEMENT FUND

The Due from Operating Fund / Due to Replacement Fund reflects an amount of approximately \$194,535 by which the reserves is underfunded. The Association may increase assessments, pass a special assessment or have a vote to reallocate the reserves.

NOTE 9. SUBSEQUENT EVENTS

In May 2023 the Association reserve bank account was subject to fraud perpetrated by a third party. The association reserve account had fraudulent checks written out by a third party for the total amount of approximately \$235,500. As soon as the Association became aware of this fraudulent transaction, the association management reported these fraudulent transaction to the bank. Additionally, a police report was made on May 12th 2023. The Bank had identified the issue and provide verbal assurance that the money will be deposited back into the Association's bank account. On July 24th 2023, the bank has deposited full amount of \$235,500 into Association's reserve account.

SUPPLEMENTARY INFORMATION

ROYAL POINCIANA CONDOMINIUM ASSOCIATION, INC.

**SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

General and Administrative

Accounting and audit fees	3,500
Accounting software	4,570
Background fees	2,480
Bank charges	128
Condominium filing fee	3,656
Copier lease and maintenance	3,827
Credit card fees	21,215
Insurance - Property or liability	256,906
Legal and professional	1,399
Licenses, permits and fees	1,536
Office supplies and repair	3,177
Petty cash	1,700
Printing and postage	3,041
HOA reimbursement	2,490
Outside Labor	<u>1,000</u>
Total General and Administrative	<u>310,625</u>

Personnel Expense

Employer's fica	31,402
Medical insurance	81,397
On site personnel	190,411
Payroll processing fees	5,028
Workmen's compensation	<u>3,415</u>
Total Personnel Expense	<u>311,653</u>

ROYAL POINCIANA CONDOMINIUM ASSOCIATION, INC.

**SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

Community Room and Building

Cable or internet	7,922
Gym equipment and maintenance	1,436
Pool license	425
Pool service	<u>3,105</u>
Total Community Room and Building	<u>12,888</u>

Contract Services

Fertilization and pest control	2,100
Fire alarm or extinguisher Services	22,562
Irrigation maintenance and repair	11,870
Lake and fountain maintenance	7,982
Lawn and tree maintenance	98,509
Security services	750
Trash collection	<u>37,297</u>
Total Contract Services	<u>181,070</u>

ROYAL POINCIANA CONDOMINIUM ASSOCIATION, INC.

SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

Repairs and Maintenance

Backflow certification	210
Building or roof repair and maintenance	112,769
Cleaning or maintenance supplies	7,552
Electrical repairs and supplies	589
Equipment repair or purchase	4,138
Gate repair	25
Plumbing repairs	<u>12,032</u>
Total Repairs and Maintenance	<u>137,315</u>

Utilities

Electricity	41,613
Telephone - gate	18,868
Telephone - office	12,987
Water and sewer	<u>257,635</u>
Total Utilities	<u>331,103</u>

ROYAL POINCIANA CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)
DECEMBER 31, 2022

An independent study to determine the adequacy of the current funding program for the replacement and deferred maintenance of Association common areas has not been conducted. In the Association's Documents (recorded in 2005), the developer estimated the remaining useful lives and the replacement cost of common property. Funds are being accumulated in the replacement fund based on these estimates. Actual expenditure may vary from the estimated future expenditures, and the variation may be material. Accordingly, the current replacement fund may or may not be sufficient to meet all future costs. When funds are needed, the Association has the right to increase the assessments or pass special assessments.

The following table is based on estimates provided in the Declaration of Condominium and present significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Replacement Fund Balance at December 31, 2022</u>
Clubhouse A/C	0	\$ 12,000	\$ 4,277
Plumbing	24	475,000	169,287
Roof	19	700,000	249,474
Paint	0	700,000	249,474
Pool	10	45,000	16,038
Paving	20	<u>200,000</u>	<u>71,276</u>
Total		<u>\$ 2,132,000</u>	<u>\$ 759,826</u>