

HOLIDAY PARK CONDOMINIUM NO. 1 ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019



HOLIDAY PARK CONDOMINIUM NO. 1 ASSOCIATION, INC.
DECEMBER 31, 2019

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of Holiday Park Condominium No. 1 Association, Inc.
Hollywood, FL

I have reviewed the accompanying financial statements of Holiday Park Condominium No. 1 Association, Inc. which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses, and changes in fund balances (deficit) and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

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.

Accountant's Responsibility

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Accountant's Conclusion on the Financial Statements

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Board of Directors

Supplemental Schedule

The supplemental schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. I have reviewed the information and, based on my review, I am not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. I have not audited the information and, accordingly, do not express an opinion on it.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have not audited, reviewed, or compiled the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

Guy Strum, P.A.

Guy Strum, P.A.
Plantation, Florida
January 24, 2020

HOLIDAY PARK CONDOMINIUM NO. 1 ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2019

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 6,539	\$ 68,639	\$ 75,178
Assessments receivable, net of allowance for doubtful accounts of \$17,000	7,979	-	7,979
Prepaid insurance	10,786	-	10,786
Interfund advances	<u>-</u>	<u>20,424</u>	<u>20,424</u>
	<u>\$ 25,304</u>	<u>\$ 89,063</u>	<u>\$ 114,367</u>
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued expenses	\$ 3,646	\$ -	\$ 3,646
Insurance financing payable	10,786	-	10,786
Prepaid assessments	19,155	-	19,155
Contract liabilities (assessments received in advance)	-	88,945	88,945
Interfund advances	<u>20,424</u>	<u>-</u>	<u>20,424</u>
	54,011	88,945	142,956
Fund balances (deficit)	<u>(28,707)</u>	<u>118</u>	<u>(28,589)</u>
	<u>\$ 25,304</u>	<u>\$ 89,063</u>	<u>\$ 114,367</u>

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

HOLIDAY PARK CONDOMINIUM NO. 1 ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2019

	OPERATING <u>FUND</u>	REPLACEMENT <u>FUND</u>	<u>TOTAL</u>
REVENUES:			
Maintenance assessments	\$ 293,336	\$ -	\$ 293,336
Bad debt recovery	<u>24,102</u>	<u>-</u>	<u>24,102</u>
	317,438	-	317,438
Special assessment - roofing project	148,584	-	148,584
Interest and other income	<u>2,831</u>	<u>21</u>	<u>2,852</u>
	<u>468,853</u>	<u>21</u>	<u>468,874</u>
EXPENSES:			
Accounting - preparation of year end financials	2,800	-	2,800
Administrative	15,070	-	15,070
Electric	7,543	-	7,543
Insurance	40,974	-	40,974
Internet	719	-	719
Janitorial	14,950	-	14,950
Lawn maintenance	10,800	-	10,800
Licenses and fees	1,138	-	1,138
Management fee	31,200	-	31,200
Pest control	105	-	105
Pool	4,200	-	4,200
Legal and professional fees	38,209	-	38,209
Repairs and supplies	62,774	-	62,774
Sanitation	18,591	-	18,591
Special assessment - roofing project	162,365	-	162,365
Water and sewer	85,969	-	85,969
Tree trimming	<u>4,250</u>	<u>-</u>	<u>4,250</u>
	<u>501,657</u>	<u>-</u>	<u>501,657</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(32,804)	21	(32,783)
FUND BALANCES - (DEFICIT) BEGINNING OF YEAR	<u>4,097</u>	<u>97</u>	<u>4,194</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (28,707)</u>	<u>\$ 118</u>	<u>\$ (28,589)</u>

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

HOLIDAY PARK CONDOMINIUM NO. 1 ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	OPERATING FUND	REPLACEMENT FUND	TOTAL
Cash Flows from Operating Activities:			
Assessments collected	\$ 467,061	\$ 32,138	\$ 499,199
Other receipts	2,831	21	2,852
Cash paid for operating expenses	<u>(502,932)</u>	<u>-</u>	<u>(502,932)</u>
Net Cash Provided (Used) by Operating Activities	<u>(33,040)</u>	<u>32,159</u>	<u>(881)</u>
Cash Flows from Financing Activities			
Interfund advances	<u>(9,999)</u>	<u>9,999</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>(9,999)</u>	<u>9,999</u>	<u>-</u>
Net Increase (Decrease) in Cash	(43,039)	42,158	(881)
Cash - Beginning of Year	<u>49,578</u>	<u>26,481</u>	<u>76,059</u>
Cash - End of Year	<u>\$ 6,539</u>	<u>\$ 68,639</u>	<u>\$ 75,178</u>
Reconciliation of Excess (Deficit) of Revenues over Expenses to Net Cash Provided (Used) by Operating Activities			
Excess (Deficit) of Revenues over Expenses	<u>\$ (32,804)</u>	<u>\$ 21</u>	<u>\$ (32,783)</u>
Adjustments to Reconcile Excess (Deficit) of Revenues over Expenses to Net Cash Provided (Used) by Operating Activities:			
Bad debt recovery	(24,102)	-	(24,102)
(Increase) Decrease in Assets:			
Assessments receivable	45,226	-	45,226
Prepaid insurance	1,338	-	1,338
Increase (Decrease) in Liabilities:			
Accounts payable and accrued expenses	(2,558)	-	(2,558)
Insurance financing payable	(55)	-	(55)
Prepaid assessments	(20,085)	-	(20,085)
Contract liabilities (assessments received in advance)	<u>-</u>	<u>32,138</u>	<u>32,138</u>
Total Adjustments	<u>(236)</u>	<u>32,138</u>	<u>31,902</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (33,040)</u>	<u>\$ 32,159</u>	<u>\$ (881)</u>

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

HOLIDAY PARK CONDOMINIUM NO. 1 ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - ORGANIZATION

Holiday Park Condominium No. 1 Association, Inc. is an association organized as a not-for-profit corporation in the State of Florida on December 1, 1977. The Association is responsible for the operation and maintenance of the common property of Holiday Park Condominium No. 1 consisting of 100 units. The Association is located in Hollywood, Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are at the discretion of the Board of Directors. Disbursements from the replacement fund generally may be made only for designated purposes.

Interest Earned

The Board's policy is to allocate to the applicable fund interest earned on cash accounts.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. 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 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 unit owners whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year.

HOLIDAY PARK CONDOMINIUM NO. 1 ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

It is the opinion of the Board of Directors that the Association will ultimately prevail against most homeowners with delinquent assessments and, accordingly, an allowance for uncollectible accounts of \$17,000 is deemed necessary.

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year are \$152,103 and \$24,979, respectively.

Contract Liabilities (Assessments received in advance)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is (are) recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year are \$0 and \$88,945, respectively.

Income Taxes

In 2019, the Association elected to file as a homeowners' association in accordance with Internal Revenue Service Code section 528. Under that 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, net of any applicable expenses.

Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. According to the Association's governing documents, homeowners must approve dispositions of any common real property. Property and equipment, if any, acquired by the Association are recorded at cost and property contributed to the Association by the developer, if any, is recorded at estimated fair value at the date of contribution.

HOLIDAY PARK CONDOMINIUM NO. 1 ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash, brokerage money funds and certificates of deposit purchased with an original maturity date of three months or less.

Fair Value of Financial Instruments

The carrying amounts of the Association's financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and long-term debt, approximate their fair values due to their short-term maturities.

Comprehensive Income

ASC 220 (formally 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, 2019, there were not items that qualify as comprehensive income.

Accounting for Uncertainty in Income Taxes

A loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

HOLIDAY PARK CONDOMINIUM NO. 1 ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Under federal and state income tax laws, an entity's income tax returns are subject to examination by the applicable taxing authorities. The time period during which a return may be selected by a taxing authority for examination generally ends at the later of three years after the initial due date of the return or three years after the return is filed.

NOTE C – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and Florida Statutes require funds to be accumulated for future major repairs and replacements. Accumulated funds are to be held in separate accounts and are generally not available for operating purposes.

The funding program was based on a study performed by the board of directors in 2019 to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding 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.

NOTE D – 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 an association expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of new guidance as of January 1, 2019, 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, 2019. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities related to the replacement fund, as previously described.

HOLIDAY PARK CONDOMINIUM NO. 1 ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our 2019 financial statements. Following are the line items from our balance sheet as of December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
<u>Liabilities:</u>			
Contract liabilities (assessments received in advance)	\$ <u> -</u>	\$ <u> 88,945</u>	\$ <u> 88,945</u>
Total liabilities	\$ <u> -</u>	\$ <u> 88,945</u>	\$ <u> 88,945</u>
<u>Fund Balance:</u>			
Ending fund balance (deficit)	\$ <u> 3,549</u>	\$ <u> (32,138)</u>	\$ <u> (28,589)</u>

The following are the line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

SUPPLEMENTAL INFORMATION

HOLIDAY PARK CONDOMINIUM NO. 1 ASSOCIATION, INC.
SCHEDULE OF REPLACEMENT FUND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>PAINING</u>	<u>ROOF</u>	<u>PAVING</u>	<u>INTEREST</u>	<u>TOTAL</u>
ADDITIONS:					
Maintenance assessments	\$ 3,355	\$ 27,264	\$ 1,518	\$ -	\$ 32,137
Interest income	-	-	-	21	21
	<u>3,355</u>	<u>27,264</u>	<u>1,518</u>	<u>21</u>	<u>32,158</u>
EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIT) OF ADDITIONS OVER EXPENSES	3,355	27,264	1,518	21	32,158
RESERVE ACCOUNTS - BEGINNING OF YEAR	<u>33,165</u>	<u>4,713</u>	<u>18,929</u>	<u>97</u>	<u>56,904</u>
RESERVE ACCOUNTS - END OF YEAR	<u>\$ 36,520</u>	<u>\$ 31,977</u>	<u>\$ 20,447</u>	<u>\$ 118</u>	<u>\$ 89,062</u>
				Contract liabilities:	\$ 88,944
				Fund balance:	<u>118</u>
					<u>\$ 89,062</u>

SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT

HOLIDAY PARK CONDOMINIUM NO. 1 ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
 REPAIRS AND REPLACEMENTS
 UNAUDITED
 December 31, 2019

The Board of Directors and management have estimated the remaining useful lives and the replacement costs of the components of common property.

The following table is based on these estimates and presents significant information about the components of common property.

	Estimated Remaining Useful Life (in years)	Estimated Replacement Cost	2020 Funding per Budget
Painting	7	\$ 60,000	\$ 3,394
Roof	19	550,000	27,384
Paving	3	25,000	1,560
Interest	N/A	N/A	-
		<u>\$ 635,000</u>	<u>\$ 32,338</u>