

**WATERSIDE VILLAGE OF PALM BEACH
CONDOMINIUM ASSOCIATION INC.**

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS

Held on January 30, 2021 at 1:30 pm at the Clubhouse

PRESENT:

Andre Mongrain, President
Normand Cadieux, Vice President
Jean Claude Goyette, Secretary
Marc Desrochers, Treasurer
Marian Petrescu, Director
Celine Poissant, Director
Michael Shane, Director

and

Stacey Casey, Manager

1. Quorum

A quorum was present, as all seven directors attended the meeting.

2. Approval of the agenda

The president indicated that the agenda should be amended to include the following items:

Item 6. Approval of contracts awarded after November 13, 2020;

Item 7. Resolution for modified use of working capital reserve;

Item 8. Adjournment

The approval of the agenda as amended was moved by Celine Poissant, seconded by Marc Desrochers and unanimously approved.

3. Approval of the Minutes of the Board Meeting held on November 13, 2020

The approval of the Minutes of the meeting of the Board of Directors held on November 13, 2020 was moved by Michael Shane, seconded by Marian Petrescu and unanimously approved.

4. Review of the audited financial statement for the year 2018-2019

President Andre Mongrain made a detailed review of the financial statement. These comments are appended to the Minutes and form part of the Minutes as Appendix 1.

The audited financial statement for the year 2019-2020 is appended to the Minutes and form part of the Minutes as Appendix 2.

5. Appointment of the auditor for the fiscal year 2020 - 2021

President Andre Mongrain recommended to mandate Danzinger & Associates, CPA as the Auditor.

The appointment of Danzinger & Associates, CPA as auditor for the fiscal year 2020-2021 was moved by Marc Desrochers, seconded by Celine Poissant and unanimously approved.

6. Approval of the contracts awarded since November 13, 2020

President Andre Mongrain provided information on all contracts awarded after November 13, 2020. The President also mentioned that each contract is awarded after having been approved by all Directors individually. The list of contracts awarded since November 13, 2020 is appended to the Minutes and forms a part of the Minutes as Appendix 3.

The formal approval was moved by Normand Cadieux, seconded by Marian Petrescu and unanimously approved.

7. Resolution regarding working capital reserve usage

It was moved by Celine Poissant and seconded by Marc Desrochers and unanimously approved that usage from the Working Capital Reserve be restricted to the following situations:

1. The payment of a portion of the insurance policies premium. The amount used for this purpose needs to be refunded by the operating account before the end of the fiscal year (October 31) in the year it was borrowed.
2. Funds can be used from the Working Capital Reserve, following a vote of the owners for a special project in accordance with the Association documents. Conditions and reimbursement to the Working Capital Reserve of such usage needs to be included in the voting documents.
3. In case of an emergency, the Board of Directors is authorized to use funds available in the Working Capital Reserve. It needs a formal communication to the owners before use and the amount needs to be reimbursed within 30 days of the last usage date of the Working Capital Reserve under this article, either following an insurance settlement, the collection of a special assessment or from a transfer from the operating fund.

This motion is valid until the Board of Director meeting to be held on January 29, 2022 at which meeting a new motion will be voted. If no motion is tabled than this resolution remains in full force and effect.

8. Adjournment

The adjournment of the meeting was moved by Jean-Claude Goyette, seconded by Celine Poissant, and unanimously approved. The meeting was adjourned at 1:58 pm.

Jean Claude Goyette, Secretary
January 30, 2021

APPENDIX 1

COMMENTS ON 2019/2020 AUDITED STATEMENT

COMMENTAIRES SUR LES ETATS FINANCIERS VÉRIFIÉE 2019/2020

1. The following is the Auditor Opinion:

“In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterside Village of Palm Beach Condominium Association, Inc as of October 31, 2020, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.”

One more year without restriction.

2. Profit and Loss

Not a single line of difference between the audited report when compare to our internal monthly statement, with the exception of the depreciation charges, which is a non cash journal entry that we only do at the time of the preparation of the audited statement. By the way the audited financial statement for the year 2020/2021 will may be the last year with an entry for depreciation.

3. Balance sheet

This year, “the Financial Accounting Standards Board (FASB) issued new guidance that created *Topic 606 Revenue from Contracts with Customers...and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services*”.

In simple term, it replaces the term RESERVE by CONTRACT LIABILITIES, meaning that at one point in time those reserves amounts will become a contract for execution of the purposes the funds were collected from the customer base, owners are the customer base. It added 2 pages to the financial statement and we did ask to maintain the same presentation for the RESERVE as in the past.

Technically it does reduce the fund balance available by separating the operating from the reserve account fund.

The auditor also recorded the interest received on November 12, 2020 as accrued, this is not a significant difference, we internally only record when received.

For the fiscal year 2020/2021 we have 4 CD that become due, they will be renewed in addition to new one when fund in the reserve bank account and cash flow forecast does allow.

Andre Mongrain
January 30, 2021

COMMENTAIRES SUR LES ETATS FINANCIERS VÉRIFIÉE 2019/2020

1. L'opinion de la verificatrice

« À notre avis, les états financiers mentionnés ci-dessus présentent équitablement, à tous égards importants, la situation financière de Waterside Village de Palm Beach Condominium Association, Inc au 31 octobre 2020, et les résultats de ses activités et de ses flux de trésorerie pour l'année terminée conformément aux principes comptables généralement acceptés aux États-Unis d'Amérique. »

Encore un an sans restriction.

2. Etat de perte et profit

Pas une seule ligne de différence entre le rapport vérifié par rapport à notre relevé mensuel interne, à l'exception des frais d'amortissement, qui est une entrée de journal non monétaire que nous ne faisons qu'au moment de la préparation de l'état vérifié. Soit dit en passant, l'état financier vérifié pour l'année 2020/2021 pourrait être la dernière année avec une entrée pour amortissement.

3. Le bilan

Cette année, « le Financial Accounting Standards Board (FASB) a publié de nouvelles lignes directrices qui ont créé le sujet 606 revenus provenant des contrats avec les clients... et exige la reconnaissance des recettes lorsque les biens ou services promis sont transférés aux clients dans un montant qui reflète la contrepartie à laquelle CIRA s'attend à avoir droit en échange de ces biens ou services ».

En termes simples, cela remplace le terme RESERVE par OBLIGATION CONTRACTUELLE, ce qui signifie qu'à un moment donné ces montants

de réserves deviendront un contrat pour l'exécution des fins pour lesquels les fonds ont été collectés auprès de la clientèle, les propriétaires sont la clientèle. Cela a ajouté deux pages à l'état financier et nous avons demandé à maintenir la même présentation pour la RÉSERVE que par le passé.

Techniquement, cela réduit le solde des fonds disponible en séparant l'exploitation du fonds de réserve.

La vérificatrice a également enregistré l'intérêt reçu le 12 novembre 2020 tel qu'il a été accumulé à la fin d'année, ce n'est pas une différence significative, nous n'enregistrons à l'interne que lorsqu'ils sont reçus.

Pour l'exercice 2020/2021, nous avons 4 CD qui viennent à échéance, ils seront renouvelés en plus d'un nouveau CD ou Annuité lorsque les fonds dans le compte bancaire de réserve et les prévisions de flux de trésorerie le permettent.

Andre Mongrain

Le 30 janvier 2021

APPENDIX 2

WATERSIDE VILLAGE OF PALM BEACH, CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENT

October 31, 2020

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Accountants' Report

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Waterside Village of Palm Beach Condominium Association Inc, which are comprised of the balance sheet as of October 31, 2020, 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.

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.

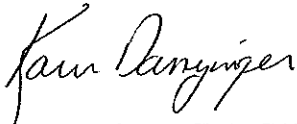
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterside Village of Palm Beach Condominium Association, Inc as of October 31, 2020, 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Supplementary Information on Future Major Repairs and Replacements on page 12 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. 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.



Karen M Danzinger, CPA, CAM
Deerfield Beach, Florida

January 7, 2020



WATERSIDE VILLAGE OF PALM BEACH
BALANCE SHEET
OCTOBER 31, 2020

ASSETS			
CURRENT ASSETS:	Operating Fund	Reserve Fund	Total
Cash & Cash Equivalents	\$ 5,483	\$ 211,446	\$ 216,929
Assessments due	10,329		10,329
Allowance for Bad Debt	(7,379)		(7,379)
Prepaid insurance	162,635		162,635
Inter fund transfer due	30,001	(30,001)	-
Total Current Assets	<u>201,069</u>	<u>181,445</u>	<u>382,514</u>
INVESTMENTS			
CD's with a maturity greater than 3 mos and withdrawal penalty clause		690,000	690,000
Annuities		450,007	450,007
Total Investments	<u>-</u>	<u>1,140,007</u>	<u>1,140,007</u>
FIXED ASSETS			
Equipment	204,938		204,938
Buildings/Units	77,802		77,802
Land	221,974		221,974
Accumulated Depreciation	(278,986)		(278,986)
Total Fixed Assets	<u>225,728</u>	<u>-</u>	<u>225,728</u>
OTHER ASSETS			
Deposits	2,235		2,235
<i>Total Assets</i>	<u><u>\$ 429,032</u></u>	<u><u>\$ 1,321,452</u></u>	<u><u>\$ 1,750,484</u></u>

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES:			
Accounts payable	\$ 58,401	\$ -	\$ 58,401
Prepaid assessments	22,355		22,355
Accrued expenses	5,900		5,900
Contract Liabilities (<i>assessments received in advance-replacement fund</i>)		1,321,452	1,321,452
Total Current Liabilities	<u>86,656</u>	<u>1,321,452</u>	<u>1,408,108</u>
FUND BALANCE:			
Fund balance	342,376	-	342,376
Total Fund Balance	<u>342,376</u>	<u>-</u>	<u>342,376</u>
<i>Total Liabilities and Fund Balance</i>	<u><u>\$ 429,032</u></u>	<u><u>\$ 1,321,452</u></u>	<u><u>\$ 1,750,484</u></u>

SEE ACCOMPANYING NOTES AND ACCOUNTANTS' REPORT

WATERSIDE VILLAGE OF PALM BEACH
STATEMENT OF REVENUE, EXPENSES AND FUND BALANCE
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2020

REVENUE:	Operating Fund	Reserve Fund	Total
Maintenance assessments	\$ 1,584,040	\$ -	\$ 1,584,040
Extra transfer to reserves	(25,000)		(25,000)
Application/Estoppel fees	22,250		22,250
Late fee income	1,475		1,475
Interest income	1,029	22,104	23,133
Other income	2,550		2,550
<i>Total Revenue</i>	<u>1,586,344</u>	<u>22,104</u>	<u>1,608,448</u>
EXPENDITURES:			
Utilities	409,852		409,852
Salaries & Wages	234,222		234,222
Security Guards	59,262		59,262
General & Administrative			
Insurance	309,766		309,766
Professional Fees	36,357		36,357
Bad Debt & Collection Fees	3,033		3,033
Licenses, Taxes, & Fees	7,107		7,107
Office Expenses	10,984		10,984
Screening Expenses	5,125		5,125
Social Facilities	13,904		13,904
Depreciation	2,668		2,668
Misc Admin	11,471		11,471
Maintenance			
Landscaping & Grounds Maint	226,096		226,096
Building Maintenance	55,314		55,314
Pool Maint & Supplies	27,236		27,236
Other Common Amenities	75,288	22,104	97,391
Fences & Signage	25,560		25,560
Pest Control	11,367		11,367
Plumbing repairs	4,861		4,861
Lighting	29,412		29,412
Electrical repairs	9,526		9,526
Fire Safety	4,896		4,896
Janitorial Supplies	3,210		3,210
Golf Carts	1,582		1,582
Misc Other Maintenance	5,190		5,190
<i>Total Expenses</i>	<u>1,583,287</u>	<u>22,104</u>	<u>1,605,391</u>
Income Over/(Under) Expenses:	3,057	0	3,057
Fund balance Oct 31 2019	339,319		339,319
Fund balance Oct 31 2020	<u>\$ 342,376</u>	<u>\$ -</u>	<u>\$ 342,376</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANTS' REPORT

WATERSIDE VILLAGE OF PALM BEACH
STATEMENT OF CASH FLOWS
OCTOBER 31, 2020

	Operating Fund	Reserve Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Member assessments collected	\$ 1,583,653	\$ 117,500	\$ 1,701,153
Late fees	1,475		1,475
Interest received	1,029	30,245	31,274
Application/Estoppel fees	22,250		22,250
Other income received	2,550		2,550
Allowance for bad debt	216		216
Extra reserve transfer	(25,000)	25,000	0
Cash paid for operating expenditures	<u>(1,611,711)</u>	<u>(22,104)</u>	<u>(1,633,814)</u>
<i>Net cash provided (used) by Operating Activities</i>	(25,538)	150,642	125,104
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund transfer	19,190	6,543	25,733
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase)/Decrease in certificates of deposit		(25,000)	(25,000)
Cash and cash equivalents at October 31, 2019	11,831	79,260	91,091
Cash and cash equivalents at October 31, 2020	<u>\$ 5,483</u>	<u>\$ 211,445</u>	<u>\$ 216,928</u>
Reconciliation of revenues over Expenses to net cash used in Operating activities:			
Revenues in excess of expenses:	\$ 3,057	\$ -	\$ 3,057
(Increase) Decrease in			
assessments due	(341)		(341)
prepaid insurance	(18,271)		(18,271)
Increase (Decrease) in			
accumulated depreciation	2,668		2,668
allow for doubtful accts	216		216
accounts payable	(11,471)		(11,471)
prepaid assessments	(46)		(46)
accruals	(1,350)		(1,350)
contingent liabilities		150,642	150,642
<i>Net cash provided (used) by Operating Activities</i>	<u>\$ (25,538)</u>	<u>\$ 150,642</u>	<u>\$ 125,104</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANTS' REPORT

WATERSIDE VILLAGE OF PALM BEACH, CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED OCTOBER 31, 2020

NOTE A – NATURE OF ORGANIZATION

Waterside Village of Palm Beach, Condominium Association, Inc., is a statutory condominium association incorporated in the State of Florida on September 16, 1988. The Association is responsible for the operation and maintenance of the common property of Waterside Village of Palm Beach, Condominium Association, Inc and consists of 412 units. One unit is used as the Association Office.

NOTE B – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition of disclosure through January 7, 2021, the date that the financial statements were available to be issued.

NOTE C – 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.

Member Assessments & Assessments Receivable

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 homeowners whose assessments are thirty days or more

WATERSIDE VILLAGE OF PALM BEACH, CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED OCTOBER 31, 2020

delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year.

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 \$9,988 and \$10,329, respectively

Revenue Recognition

Revenue from maintenance fees is recognized in the period to which it applies, and payments in advance are deferred to the appropriate future period.

Special Assessments

Special assessments are recognized as revenue when the funds are used for the purpose intended. Special assessment revenue is deferred if the expenditure has not yet been incurred. There is currently no special assessment.

Cash Equivalents

For purposes of the balance sheet and statement of cash flows, the Association considers demand deposits with banks, certificates of deposit, money market funds and any other highly-liquid debt instruments purchased with a maturity of three months or less or with no penalty for early withdrawal to be cash equivalents.

Allocation of Expenses

The responsibility for payment of common expenses is allocated equally among individual unit owners as set forth in the governing documents.

Income Tax

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended October 31, 2020. 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. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government and at 5.5% by the State of Florida. The association has no tax liability for the fiscal year ending October 31, 2020.

The Association's tax filings are subject to audit by various taxing authorities. At report date, the Association's federal income tax returns for 2016, 2017, and 2018 remain open to examination by the Internal Revenue Service. In evaluating the

WATERSIDE VILLAGE OF PALM BEACH, CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED OCTOBER 31, 2020

Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

Commitments

The association contracts with several vendors for various services to maintain the common property. These contracts are approved, as necessary, by the Board of Directors and have varying expiration dates and renewal terms.

Property and Equipment

The Association capitalizes all property and equipment to which it holds title or has other evidence of ownership. Real property and common areas acquired from the developer and related improvements to such property are not reflected on the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. Property and equipment are depreciated over the estimated useful lives of the assets using the straight-line method.

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 (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 \$1,170,810 and \$1,321,452, respectively.

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.

Fair Value Measurement

The Association's financial instruments consist primarily of cash, certificates of deposit, annuities, accounts receivable, accounts payable, insurance payable, and prepaid maintenance assessments. The carrying amount of these instruments approximate their fair value due to the short-term nature of such instruments.

Comprehensive Income

ASC 220 (formerly 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

WATERSIDE VILLAGE OF PALM BEACH, CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED OCTOBER 31, 2020

and other comprehensive income. For the year ended October 31, 2020, there were no items that qualify as comprehensive income.

NOTE D – UNINSURED CASH BALANCES

The Association maintains accounts at multiple banks in Palm Beach County. Accounts located at each bank are secured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Association may have cash in financial institutions in excess of federally insured limits. As of October 31, the Association did not have any funds in excess of these limits.

NOTE E – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and Florida statutes require funds to be accumulated for future major repairs and replacements unless waived by a vote of the membership at a duly held meeting for that purpose. Accumulated funds, which aggregate approximately \$1,321,452 at October 31, 2020, are held in a separate account and are generally not available for operating purposes.

The Board of Directors conducted an informal study in summer 2020 to estimate the remaining useful lives and the replacement costs of the common property and components. Actual expenditures 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, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available. Any interest earned on these funds is allocated to the varying components each year. The activity in these accounts is show below.

	Balance 10/31/2019	Additions	PY Interest Alloc	CY Interest	Expense	Transfer	Balance 10/31/2020
Roof	\$ 448,904	42,900	7,270				\$ 499,074
Painting	\$ 12,252		198				\$ 12,450
Asphalt	\$ 242,752	41,000	3,931				\$ 287,683
Pools	\$ 75,660	4,000	1,225				\$ 80,885
Awning	\$ 79,502		1,287				\$ 80,789
Sprinklers	\$ 61,153	4,500	990				\$ 66,643
TV Infrastructure	\$ 67,733	6,100	1,469		(22,104)	25,000	\$ 78,199
Working Capital	\$ 163,831	19,000	2,653				\$ 185,484
Interest	\$ 19,024		(19,023)	30,245			\$ 30,246
Total	\$ 1,170,810	117,500	-	30,245	(22,104)	25,000	\$ 1,321,452

SEE ACCOUNTANTS' REPORT

WATERSIDE VILLAGE OF PALM BEACH, CONDOMINIUM ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENT
 FOR THE YEAR ENDED OCTOBER 31, 2020

NOTE F – INSURANCE DEDUCTIBLES

In compliance with the Association's governing documents and Florida statute, the Association maintains multiple types of insurance policies, including property, wind, flood, crime, directors & officers, liability and an umbrella policy. The policies have various deductibles, some of which are considerable (e.g. Wind). In the event of a disaster, the Association could be exposed to losses for damages in excess of insurance coverage limits, as well as the stated deductibles. Management considers the risk of loss to be remote and its insurance coverage adequate. Information on any of these policies is available from the management office, or you may request a Certificate of Insurance from the Association's insurance agent.

NOTE G – LONG TERM CONTRACTS

In September 2019, the Board of Directors signed a 5-year contract with Packard Technologies for the equipment required for the Dish TV television services to the Association.

NOTE H – BAD DEBT

Associations are now facing an increased risk of bad debt write-offs due to the foreclosure market. Florida statutes currently state that in the event of a bank foreclosure, the bank is required to pay the Association the equivalent of twelve months regular maintenance or 1% of the original mortgage note, whichever is less. The remaining balance must be written off and absorbed by the Association. Bad debt provisions may not be sufficient to cover these losses.

The Association currently is including an estimate of bad debt in the operating budget to cover these potential losses. As of October 31, 2020, there is a provision in the amount of \$7,379.

In the event of a significant shortfall, the Association has the right, subject to member approval, to increase regular assessments, levy special assessments, or add the shortfall to the following year's budget.

NOTE I – EXPENSES

Utilities:

Electricity	\$ 42,039
Water & Sewer	192,310
Garbage & Recycling	59,144

SEE ACCOUNTANTS' REPORT

WATERSIDE VILLAGE OF PALM BEACH, CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENT
FOR THE YEAR ENDED OCTOBER 31, 2020

Propane	825
Cable TV	104,401
Telephone	7,556
WiFi	<u>3,577</u>
Total:	409,852

NOTE J – INVESTMENTS

At year end, the Association's investments consist of the following:

Certificates of Deposit:

<u>Financial Institution</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Yearend Value</u>
UBS Bank USA	3.1%	10/18/2021	100,000.
Iberia Bank	Varies	2/28/2022	100,000.
Iberia Bank	Varies	6/30/2022	50,000.
Bank of the West	Varies	11/26/2021	160,000.
Ally Bank	3.1%	10/18/2021	100,000.
Synchrony Bank	2.71%	1/11/2020	<u>180,000.</u>
Total			\$690,000

Annuities:

<u>Financial Institution</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Yearend Value</u>
Security Benefit	2.25%	10/17/2021	100,004
Security Benefit	2.25%	10/18/2021	100,003
United Life Ins	2.80%	08/13/2025	<u>250,000</u>
Total			\$450,007

NOTE K: PROPERTY & EQUIPMENT

As of October 31, 2020, the Association's fixed assets are comprised of the following:

Equipment	\$ 10,641
TV System	194,297
Maintenance Building	6,701
Condominium Unit	71,101
Mizner Road Land	96,916
Land	<u>125,059</u>
Total	\$ 504,714
Less: Accum Depr	<u>(278,986)</u>
Fixed Assets: Net	<u>\$ 225,728</u>

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Included in Equipment is \$18,000 of personal property which was transferred to the Association by the developer on the date of turnover. Such property was recorded based on values provided by the developer.

The Association has decided not to capitalize any purchases of Property and Equipment, but rather to expense them in the year they occur, with the exception of Land Purchases.

NOTE L - 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 a CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of new guidance as of November 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 November 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.

The adoption of the new revenue recognition guidance resulted in the following change to fund balance as of November 1, 2019:

Fund balance, as previously reported, at November 1, 2019	\$ 1,510,130
Adjustment	<u>(1,170,810)</u>
Fund balance, as adjusted, at November 1, 2019	\$ 339,319

The effect of the adoption is a recording of a contract liability (assessments received in advance-replacement fund) at October 31, 2020, of \$1,321,452. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our fiscal 2019-2020 financial

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statements. Following are the line items from our balance sheet as of October 31, 2020, 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-replacement reserve)	0	1,321,452	1,321,452
Total liabilities	86,656	1,321,452	1,408,108
<u>Fund Balance:</u>			
Ending fund balances	1,750,484	(1,321,452)	342,376

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 October 31, 2020, 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:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
<u>Revenue:</u>			
Regular assessments	1,701,540	(117,500)	1,584,040
Interest earned	31,274	(8,142)	23,133
Excess of revenues over expenses	128,699	(125,642)	3,057
<u>Cash Flows:</u>			
Excess of revenues over expenses	128,699	(125,642)	3,057
Increase (Decrease) in contract liabilities <i>(Assessments received in advance- replacement reserve)</i>	0	150,642	150,642

SUPPLEMENTARY INFORMATION

SEE ACCOUNTANTS' REPORT

WATERSIDE VILLAGE OF PALM BEACH, CONDOMINIUM ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
 AND REPLACEMENTS (UNAUDITED)

The Association has not conducted an independent study to estimate the replacement costs and remaining useful lives of the components of common property. Instead, the Board of Directors conducts a review of the estimate of the remaining useful lives and the replacement costs of the components of common property each year as part of the budget preparation process. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of study. Actual expenditures may vary from these estimated amounts and the variance may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The following information is based on the study and presents significant information about the components of common property (amounts are rounded to the nearest dollar).

Components	Estimated Life (years)	Estimated Remaining Useful Life (Years)	Estimated Replacement Costs	Component Fund Balance, 10/31/20	20/21 Required Minimum Funding
Roof	30	14	1,100,000	499,074	42,923
Painting	4	1	12,450	12,450	0
Asphalt	12	10	700,000	287,683	41,232
Pools	40	10	120,000	80,885	3,912
Awning	4	1	81,000	80,789	211
Sprinklers	4	4	85,000	66,643	4,589
TV Infrastructure	6	6	100,000	78,199	3,634
Working Capital		1	200,000	185,484	14,516
Interest				30,246	
Total Reserves			2,398,450	1,321,452	111,017