

**PARKSIDE PLACE
HOMEOWNERS ASSOCIATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2013

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Parkside Place Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2013, and the related statements of revenue, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parkside Place Homeowners Association, Inc. as of December 31, 2013, 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.

Supplementary Information

Management has omitted the supplementary information on future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this omitted information.

Joseph R. Michalak, LLC

Joseph R. Michalak, LLC
Certified Public Accountant

Maitland, Florida
March 23, 2015

PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEET

December 31, 2013

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS:			
Cash, including interest-bearing deposits	\$ 66,690	\$ 214,830	\$ 281,520
Assessments receivable, net of allowance (Note 3)	11,470	-	11,470
Prepaid expenses	<u>17,700</u>	<u>-</u>	<u>17,700</u>
TOTAL ASSETS	<u><u>\$ 95,860</u></u>	<u><u>\$ 214,830</u></u>	<u><u>\$ 310,690</u></u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 4,430	\$ -	\$ 4,430
Assessments received in advance	<u>12,070</u>	<u>-</u>	<u>12,070</u>
TOTAL LIABILITIES	<u>16,500</u>	<u>-</u>	<u>16,500</u>
FUND BALANCE:	<u>79,360</u>	<u>214,830</u>	<u>294,190</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 95,860</u></u>	<u><u>\$ 214,830</u></u>	<u><u>\$ 310,690</u></u>

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

PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE

Year Ended December 31, 2013

	OPERATING FUND	REPLACEMENT FUND	TOTALS
REVENUE:			
Assessments	\$ 399,360	\$ 38,340	\$ 437,700
Interest	-	40	40
Other	2,850	-	2,850
Rental income	14,480	-	14,480
	416,690	38,380	455,070
TOTAL REVENUE			
EXPENSES:			
Cable service	67,150	-	67,150
Building repair and maintenance	1,210	-	1,210
Exterior painting	28,390	-	28,390
Pest / Termite treatment	11,920	-	11,920
Fertilizer / Pest treatment	10,560	-	10,560
Utilities	14,160	-	14,160
Lakes and waterways	800	-	800
Contract grounds maintenance	35,320	-	35,320
Irrigation repair	6,240	-	6,240
Other grounds maintenance	26,290	-	26,290
Pool and clubhouse costs	6,730	-	6,730
Janitorial	980	-	980
Contract management fee	20,740	-	20,740
Maintenance personnel	46,800	-	46,800
Office and other	3,320	-	3,320
Legal and accounting	6,980	-	6,980
Insurance	106,490	-	106,490
License and fees	760	-	760
Bad debt	12,680	-	12,680
Rental expense	4,880	-	4,880
Replacement expenses	-	23,520	23,520
	412,400	23,520	435,920
TOTAL EXPENSES			
REVENUE IN EXCESS OF EXPENSES	4,290	14,860	19,150
FUND BALANCE – Beginning of year	75,070	199,970	275,040
FUND BALANCE – End of year	\$ 79,360	\$ 214,830	\$ 294,190

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

PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2013

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Revenue in excess of expenses	\$ 4,290	\$ 14,860
Adjustment to reconcile excess of revenue over expenses to net cash provided by operating activities:		
(Increase) decrease in:		
Assessments receivable	< 150 >	-
Prepaid expenses	< 8,820 >	-
Increase (decrease) in:		
Accounts payable and accrued expenses	2,660	-
Assessments received in advance	< 2,910 >	-
NET CASH PROVIDED (USED) BY OPERATIONS	< 4,930 >	14,860
CASH AT BEGINNING OF YEAR	<u>71,620</u>	<u>199,970</u>
CASH AT END OF YEAR	<u>\$ 66,690</u>	<u>\$ 214,830</u>

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

PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Fund Accounting

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

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

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

Cash and Cash Equivalents

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

Real and Common Area Property

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 2: RESERVE FOR MAJOR REPAIRS AND REPLACEMENTS

The Association is funding for major repairs and replacements based on estimated current replacement costs. 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 to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

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

COMPONENT	BALANCE 1/1/2013	FUNDING DURING YEAR	INTEREST INCOME	EXPENSES DURING YEAR	BALANCE 12/31/2013
Accounting	\$ 1,060	\$ -	\$ -	\$ -	\$ 1,060
Roads / Sidewalks	40,150	15,000	-	-	55,150
Roofing	13,300	<12,760 >	-	-	540
Painting	29,660	12,700	-	-	42,360
Pool / Spa	8,600	3,000	-	11,020	580
Clubhouse	11,730	3,000	-	-	14,730
Storage room	5,000	-	-	-	5,000
Tennis courts	2,130	2,400	-	-	4,530
Fence	9,850	3,600	-	-	13,450
Lighting	6,640	-	-	3,610	3,030
Irrigation	< 430 >	-	-	-	< 430 >
Pond / Drainage	12,760	2,400	-	8,890	6,270
Capital improvements	59,290	9,000	-	-	68,290
Interest	230	-	40	-	270
	<u>\$ 199,970</u>	<u>\$ 38,340</u>	<u>\$ 40</u>	<u>\$ 23,520</u>	<u>\$ 214,830</u>

PARKSIDE PLACE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

NOTE 3: MEMBER ASSESSMENTS

Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. Members' assessments prepaid are classified as assessments received in advance. It is the Association's policy to retain legal counsel and place liens on the property of delinquent homeowners. Assessments which have been deemed to be uncollectable as of the report date have been charged to bad debts. Any excess assessments at year end are retained by the Association for use in future operation periods. The allowance for bad debt expense is \$ 40,600 as of December 31, 2013.

NOTE 4: INCOME TAXES

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

NOTE 5: COMMITMENTS AND CONTINGENCIES

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

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 23, 2015, the date that the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

NOTE 6: CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of bank accounts and certificates of deposit. The Association maintains its cash balances at several different financial institutions. Accounts at each institution are insured by the FDIC up to \$ 250,000. As of December 31, 2013, all of the Association's funds were fully insured.

The Association's major source of revenue is member assessments, which are receivable from its members and may be secured by a lien on their property. The Association monitors the collectability of these receivables and pursues collection. Management routinely assesses the collectability of these receivables and provides for an allowance for doubtful accounts based on this assessment.