PRESIDENTIAL GOLFVIEW CONDOMINIUM ASSOCIATION, INC.

Financial Statements

For the year ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Presidential Golfview Condominium Association, Inc.

We have audited the accompanying financial statements of Presidential Golfview Condominium Association, Inc. ("the Association"), which comprise the balance sheet as of December 31, 2018, and the related statement of revenues and expenses and changes in fund balances 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 of 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 Presidential Golfview Condominium Association, Inc. as of December 31, 2018, 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.

Hafer LLC

Palm Beach, Florida
June 27, 2019

PRESIDENTIAL GOLFVIEW CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
December 31, 2018

	Operating Fund	Replacement Fund	Total Funds
Assets			
Cash and cash equivalents	$ 167,634	$ 236,881	$ 404,515
Assessments receivable, net (Note 3)	76,656	-	76,656
Prepaid expenses	95,161	-	95,161
Property and equipment, net (Note 2)	3,781	-	3,781
Utility deposits	13,208	-	13,208
Due (to) from funds (Note 12)	(142,887)	142,887	-
Total assets	$ 213,553	$ 379,768	$ 593,321
Liabilities and fund balances			
Accounts payable and accrued expenses	$ 56,040	$ -	$ 56,040
Insurance payable (Note 9)	89,925	-	89,925
Refundable deposits	5,595	-	5,595
Prepaid maintenance fees	11,523	-	11,523
Deferred cable revenue (Note 11)	19,620	-	19,620
Total liabilities	182,703	-	182,703
Fund balances	30,850	379,768	410,618
Total liabilities and fund balances	$ 213,553	$ 379,768	$ 593,321

See notes to financial statements.

PRESIDENTIAL GOLFVIEW CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
For the year ended December 31, 2018

	Operating Fund	Replacement Fund	Total Funds
Revenues			
Maintenance assessments	$ 1,438,800	$ 130,800	$ 1,569,600
Laundry income	18,455	-	18,455
Rental income	20,725	-	20,725
Cable revenues (Note 11)	6,540	-	6,540
Interest income	1,426	-	1,426
Other income	15,481	-	15,481
Total revenues	1,501,427	130,800	1,632,227
Expenses			
Administration	359,299	-	359,299
Building operations and maintenance	441,177	-	441,177
Utilities	679,484	-	679,484
Major repairs and replacements	-	18,290	18,290
Total expenses	1,479,960	18,290	1,498,250
Excess of revenues over expenses	21,467	112,510	133,977
Fund balances, beginning of year	9,383	267,258	276,641
Fund balances, end of year	$ 30,850	$ 379,768	$ 410,618

See notes to financial statements.

PRESIDENTIAL GOLFVIEW CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2018

	Operating Fund	Replacement Fund	Total Funds
Cash flows from operating activities			
Excess of revenues over expenses	$ 21,467	$ 112,510	$ 133,977
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Provision for bad debts	(3,512)	-	(3,512)
Depreciation expense	1,168	-	1,168
Changes in assets and liabilities:			
Assessments receivable	18,055	-	18,055
Prepaid expenses	1,534	-	1,534
Accounts payable and accrued expenses	4,283	-	4,283
Prepaid maintenance fees	(8,348)	-	(8,348)
Deferred cable revenue	(6,540)	-	(6,540)
Net cash provided by operating activities	28,107	112,510	140,617
Cash flows from financing activities			
Proceeds from insurance payable	154,809	-	154,809
Payments on insurance payable	(145,795)	-	(145,795)
Net cash provided by financing activities	9,014	-	9,014
Net increase in cash and cash equivalents	37,121	112,510	149,631
Cash and cash equivalents, beginning of year	130,513	124,371	254,884
Cash and cash equivalents, end of year	$ 167,634	$ 236,881	$ 404,515

Supplemental disclosures of cash flow information (Note 10)

See notes to financial statements.

NOTE 1: Organization

Presidential Golfview Condominium Association, Inc. ("the Association") was incorporated under the laws of the State of Florida as a not-for-profit corporation on May 15, 1980. The Association is responsible for maintaining and preserving the common property of the Association in accordance with the terms of Florida Statutes §718 and the provisions of the Declaration of Condominium. The Association consists of 436 residential units located in West Palm Beach, Florida.

NOTE 2: Summary of significant accounting policies

Fund accounting
The Association prepares its financial statements on the accrual basis of accounting and presents them using fund accounting, using separate funds for operations and future major repairs and replacements. Disbursements from the operating fund are generally for the day-to-day operations and non-recurring unanticipated expenditures of the Association and are made at the discretion of the Board of Directors. Disbursements from the replacement fund generally are made only for designated purposes.

Interest earned
Interest earned by each fund is allocated to the appropriate fund. Income taxes on the interest earned are paid from the operating fund.

Property and depreciation
The Association capitalizes all real property and certain personal property which it purchases. Real property and common area acquired from the developer and related improvements to such property are not reflected on the Association 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 of depreciation. For the year ended December 31, 2018, depreciation expense was $1,168. A schedule of property, equipment, and accumulated depreciation at December 31, 2018 is as follows:

Machinery and equipment	$ 8,175
Less: accumulated depreciation	(4,394)
	$ 3,781

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. Accordingly, actual results could differ from those estimates.

Compensated absences
Employees of the Association are entitled to paid vacations, sick days, and other time off depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Association's policy is to recognize the costs of compensated absences when paid to employees.

Cash and cash equivalents
Cash and cash equivalents include all monies in banks including certificates of deposits and money market funds. Cash equivalents include highly liquid securities with original maturity of 90 days or less.

NOTE 2: Summary of significant accounting policies (continued)

<u>Short-term financial instruments</u>
The carrying amount of the Association's financial instruments, which include cash and cash equivalents, assessments receivable, prepaid expenses, accounts payable and accrued expenses, prepaid maintenance fees, and other assets and liabilities, approximate their fair values due to their short-term maturities.

<u>Utility pass-through</u>
In accordance with FASB ASC 605-45, the Association recognizes utility pass-through assessments using principal agent considerations. The Association is primarily involved in the determination of a specific service, it has the discretion in selecting the suppliers of such services, and it bears the credit risk for the amounts billed for the service; accordingly, management has determined that the Association is the principal, and, accordingly, recognizes all utility pass-through activities using gross reporting.

<u>Subsequent events</u>
Subsequent events have been evaluated through June 27, 2019, the date the financial statements were available to be issued in accordance with FASB ASC 855.

<u>Recently issued accounting guidance, not yet adopted</u>
In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, "*Leases*". The standard will affect all entities that lease assets and will require lessees to recognize a lease liability and a right-of-use asset for all leases (except short-term leases that have a duration of less than one year) as of the date on which the lessor makes the underlying asset available to the lessee. For non-public entities, such as the Association, the new standard is effective for annual periods beginning after December 15, 2019. While the Association expects the adoption of this standard to result in an increase to its reported assets and liabilities, the Association has not yet determined the full impact that the adoption of this standard will have on its financial statements and related disclosures.

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*". This new guidance will replace most existing U.S. GAAP guidance on this topic. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU No. 2015-14, which deferred, by one year, the effective date for the revenue reporting standard. Additionally, in March 2016, the FASB issued ASU No. 2016-08, "*Revenue from Contracts with Customers, Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*" clarifying the implementation guidance on principal versus agent considerations. Specifically, an entity is required to determine whether the nature of a promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for the good or service to be provided to the customer by the other party (that is, the entity is an agent). The determination influences the timing and amount of revenue recognition. For non-public entities, such as the Association, these new ASUs are effective for annual periods beginning after December 15, 2018. Effective January 1, 2019, the Association has adopted the new revenue recognition requirements as required; the Association does not believe the effects will have a material effect on its financial statements.

NOTE 3: Owners' assessments and allowance for uncollectible accounts

Monthly assessments to unit owners are based upon a share of the budgeted operating expenses and future major repairs and replacements. The Association retains excess operating funds at the end of the year for use in future operating periods. Assessments receivable at the balance sheet date represent fees due from unit owners. Assessments paid in advance are included on the balance sheet as prepaid maintenance fees. The Association's policy is to retain legal counsel and place liens or foreclose on units of members whose assessments are delinquent. The Association's estimate of the allowance for uncollectible accounts is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of reported amounts. The Association's assessments receivable at December 31, 2018 were as follows:

Assessments receivable	$ 78,060
Less: allowance for doubtful accounts	(1,404)
	$ 76,656

Additionally, the Association also has obtained legal title to multiple units. Due to the fact that many of the units are still subject to mortgage, and therefore have a clouded title, the Association has included all amounts in the total assessment receivable balance at December 31, 2018.

NOTE 4: Concentration of credit risk

The Association maintains its cash in bank at various financial institutions whereby deposits are insured up to $250,000 by the Federal Deposit Insurance Corporation. At December 31, 2018, the Association has uninsured deposits in the amount of $159,492.

NOTE 5: Insurance contingencies

In the event of a loss due to a hurricane the Association would be responsible for a deductible of 2%, per calendar year, per building, of the total insured value of the property under the provisions of the hurricane loss insurance contract.

NOTE 6: Other commitments and contingencies

The Association has contracted with various vendors for various services to maintain the common property related to certain administration and building operations and maintenance expenses. These contracts are approved, as necessary, by the Board of Directors and have varying expiration dates and renewal terms.

NOTE 7: Income taxes

The Association makes a yearly election to be taxed either under Internal Revenue Code ("IRC") §528 as a homeowners' association or under IRC §277 as a regular corporation. For 2018, the Association elected to be taxed under §528. Under this election, the Association is generally taxed only on non-exempt function income, such as interest earnings, at applicable rates. Additionally, from time to time, certain temporary differences may arise between financial and taxable income, the overall effects of which are not material to the financial statements taken as whole. As such, the Association has not recorded deferred income taxes at December 31, 2018. The Association's policy on income statement classification of interest and penalties related to income tax obligations is to include such items as part of income tax expense. Generally, the Association's federal income tax returns for 2016 - 2018 remain subject to possible examination by the Internal Revenue Service.

NOTE 8: Litigation

The Association, from time-to-time, may become party to various legal actions normally associated with condominium associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

NOTE 9: Insurance payable

During 2017 and 2018, the Association financed its insurance premiums. The total amount financed was $154,809 and is payable in monthly installments including interest through November 2019. The financing is secured by any unearned premiums or other sums which may become collectible under the terms of the agreement. At December 31, 2018, the outstanding balance, including accrued interest, was $89,925.

NOTE 10: Supplemental disclosures of cash flow information

Non-cash financing activities during 2018 were as follows:

Cost of insurance coverage acquired via financing agreements	$ 169,385
Cash paid related to financing agreements (down payments)	(14,576)
Liabilities assumed (Note 9)	$ 154,809

NOTE 11: Deferred cable revenue

During 2012, the Association entered into a bulk cable contract with Comcast. As consideration for entering into a 10-year contract, Comcast agreed to pay the Association $150 per unit, or $65,400. The Association, in accordance with accounting policies generally accepted in the United States of America, is amortizing the revenue over the life of the contract. Accordingly, for the year ended December 31, 2018, the Association has recognized $6,540 as cable revenues. At December 31, 2018, the remaining balance of $19,620 is recorded as deferred cable revenue and will be recognized over the remaining life of the contract.

NOTE 12: Due (to) from funds / interfund borrowings

At December 31, 2018, the Association's operating fund owes its replacement fund $142,887. This interfund borrowing may be in violation of Florida Statutes unless repaid within 30 days.

NOTE 13: Future major repairs and replacements

The Association's governing documents and FS §718 require that the Association's annual budget include budgeted assessments for future major repairs and replacements (reserves), unless waived in whole or in part by a vote of the owners in accordance with the governing documents and Florida law. Accumulated funds are held in separate interest-bearing accounts and are generally not available for operating purposes.

Reserve funds are accumulated based on estimated current costs of the components of common property. 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 all future needs for major repairs and replacements. If additional funds are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 13: Future major repairs and replacements (continued)

The Board of Directors has not contracted with a reserve specialist to conduct an independent study to estimate the useful lives, the remaining useful lives, and replacement costs of the common property components. The schedule included in the required supplementary information on future major repairs and replacements is based upon estimates by the Board.

For the year ended December 31, 2018, the Association partially fund reserves in the amount of $130,800. This less than full funding was not approved by a vote of the unit owners and may be in violation of FS §718. For the year ending December 31, 2019, the Association's unit owners voted to partially fund reserves in the amount of $130,800.

Components of the replacement fund are as follows:

	Balance 01/01/18	Additions	Expenses	Transfers	Balance 12/31/18
Roof	$ 55,240	$ 32,700	$ 8,290	$ -	$ 79,650
Parking lots	46,673	19,620	10,000	-	56,293
Elevators	(31,805)	-	-	-	(31,805)
Exterior painting	139,696	78,480	-	-	218,176
Tennis courts	1,000	-	-	-	1,000
Plumbing	61,906	-	-	-	61,906
Pool equipment	1,000	-	-	-	1,000
Pool demolition	(6,452)	-	-		(6,452)
	$ 267,258	$ 130,800	$ 18,290	$ -	$ 379,768

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Presidential Golfview Condominium Association, Inc.

Report on the Financial Statements

We have audited the financial statements of Presidential Golfview Condominium Association, Inc. ("the Association") as of and for the year ended December 31, 2018, and our report thereon dated June 27, 2019, which expressed an unmodified opinion on those financial statements, appears on Page 1.

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 compared to budget on Page 11, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records 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. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide assurance on it.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of 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.

Hafer LLC

Palm Beach, Florida
June 27, 2019

PRESIDENTIAL GOLFVIEW CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET
For the year ended December 31, 2018

	Actual	Budget (Unaudited)	Variance Favorable (Unfavorable)
Administration			
Annual audit fees	$ 5,700	$ -	$ (5,700)
Bank charges	132	-	(132)
Benefits	14,479	-	(14,479)
Credit reports	136	-	(136)
Depreciation expense	1,168	-	(1,168)
Gross wages	140,514	140,000	(514)
Insurance	175,021	228,000	52,979
Legal fees	2,350	10,000	7,650
Licenses, fee and penalties	6,088	13,000	6,912
Payroll taxes	10,983	10,700	(283)
Postage and delivery	1,232	-	(1,232)
Printing and office supplies	1,496	2,500	1,004
	359,299	404,200	44,901
Building operations and maintenance			
Cleaning service	39,515	29,000	(10,515)
Electrical	22,321	8,000	(14,321)
Elevator contract	24,439	35,000	10,561
Elevator maintenance	14,511	-	(14,511)
Fire and life safety	8,193	-	(8,193)
Fire repair expenses	10,282	9,000	(1,282)
Landscape contract	54,000	54,000	-
Miscellaneous repairs	36,206	30,000	(6,206)
Parts and supplies	21,240	24,000	2,760
Pest control contract	14,970	15,000	30
Plumbing repairs	11,866	22,000	10,134
Pool cleaning and supplies	197	-	(197)
Pool maintenance	6,184	8,000	1,816
Property improvement fund	89,562	90,000	438
Security	72,860	76,000	3,140
WPBPD crime prevention expense	14,831	19,000	4,169
	441,177	419,000	(22,177)
Utilities			
Electricity	59,465	72,000	12,535
Telephone	11,919	11,000	(919)
Trash removal	60,700	40,000	(20,700)
Water	547,400	540,000	(7,400)
	679,484	663,000	(16,484)
Total budgeted expenses	$ 1,479,960	$ 1,486,200	$ 6,240

See auditors' report on supplementary information.

PRESIDENTIAL GOLFVIEW CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)
December 31, 2018

The following schedule represents estimates by the Board of Directors over various dates, which is based upon estimates of replacement costs provided to management by vendors. The schedule provides information about components of common property.

Component	Estimated Useful Life (years)	Estimated Remaining Life (years)	Estimated Replacement Cost	Required Statutory Funding 12/31/19	Approved Budgeted Funding 12/31/19
Roof	30	-	$ 300,000	$ 220,350	$ 32,700
Parking lots	20	-	100,000	43,707	19,620
Elevators	-	-	-	31,805	-
Exterior painting	10	-	600,000	381,824	78,480
Pool demolition	-	-	-	6,452	-
			$ 1,000,000	$ 684,138	$ 130,800

* In accordance with FS §718.111(13), required statutory funding for the year ending December 31, 2019, of $684,138 is the amount of assessments necessary to bring reserves up to the level necessary to avoid a special assessment.

See auditors' report on supplementary information.