

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2021

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
(A Not-For-Profit Corporation)

Financial Statements
December 31, 2021

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SOKOL & SOKOL

CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS CONSULTANTS

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MEMBER
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
La Arboleda II Condominium Association, Inc.
Miami, Florida

We have reviewed the accompanying financial statements of La Arboleda II Condominium Association, Inc. (a Not-For-Profit Corporation), which comprise the balance sheet as of December 31, 2021, and the related statements 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. 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, we 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review 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 us to perform procedures to obtain limited assurance as a basis for reporting whether we are 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. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of La Arboleda II Condominium Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

Accountant's Conclusion on the Financial Statements

Based on our review, we are 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.

Emphasis of Matter

Due to Future Major Repairs and Replacements Fund

As discussed in Note 6 to the financial statements, at December 31, 2021, the operating fund was indebted to the future major repairs and replacements fund in the amount of \$65,521. Our conclusion is not modified with respect to this matter.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT (Continued)

Emphasis of Matter (continued)

Deficit in the Operating Fund

As discussed in Note 8 to the financial statements, the accompanying financial statements reflect that the Association has an accumulated deficit of \$86,696 in the operating fund. Our conclusion is not modified with respect to this matter.

Supplementary Information

The supplementary information in the schedule of operating expenses, on page 12, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are 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. We have not audited the information and 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 on page 13 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. Such information is the responsibility of management. We have compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on it.



SOKOL & SOKOL
Certified Public Accountants
Miami, Florida

March 8, 2022

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
 (A Not-For-Profit Corporation)

Balance Sheet
December 31, 2021

	Operating Fund	Future Major Repairs and Replacements Fund	Total
ASSETS			
Cash and cash equivalents	\$ 16,130	\$ 456,130	\$ 472,260
Assessments receivable, net of allowance for doubtful accounts of \$1,000	15,278	-	15,278
Prepaid insurance	57,988	-	57,988
Due from (to) other fund	<u>(65,521)</u>	<u>65,521</u>	<u>-</u>
 Total Assets	 <u>\$ 23,875</u>	 <u>\$ 521,651</u>	 <u>\$ 545,526</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued expenses	\$ 33,623	\$ -	\$ 33,623
Assessments paid in advance	12,787	-	12,787
Insurance premiums financed	57,516	-	57,516
Deferred reserve revenue	-	510,995	510,995
Deferred revenue - cable	<u>3,645</u>	<u>-</u>	<u>3,645</u>
 Total Liabilities	 <u>107,571</u>	 <u>510,995</u>	 <u>618,566</u>
Fund Balances			
 Total Liabilities and Fund Balances	 <u>\$ 23,875</u>	 <u>\$ 521,651</u>	 <u>\$ 545,526</u>

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
 (A Not-For-Profit Corporation)

Statement of Revenues and Expenses and Changes in Fund Balances
For the Year Ended December 31, 2021

	Operating Fund	Future Major Repairs and Replacements Fund	Total
REVENUES			
Assessments	\$ 271,526	\$ -	\$ 271,526
Reserve revenue recognized	- -	157,235	157,235
Interest income	9	1,862	1,871
Late fees	783	- -	783
Violations	1,800	- -	1,800
Other income	2,030	- -	2,030
 Total Revenues	 276,148	 159,097	 435,245
EXPENSES			
Administrative and general (Schedule)	135,553	- -	135,553
Contract services (Schedule)	46,791	- -	46,791
Major repairs and replacements expenditures	- -	157,235	157,235
Repairs and maintenance (Schedule)	73,698	- -	73,698
Salaries and benefits (Schedule)	16,539	- -	16,539
Utilities (Schedule)	97,001	- -	97,001
 Total Expenses	 369,582	 157,235	 526,817
Excess (Deficit) of Revenues over Expenses	(93,434)	1,862	(91,572)
Fund Balances - Beginning of Year	9,738	8,794	18,532
Fund Balances - End of Year	\$ (83,696)	\$ 10,656	\$ (73,040)

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
 (A Not-For-Profit Corporation)

Statement of Cash Flows
For the Year Ended December 31, 2021

	Operating Fund	Future Major Repairs and Replacements Fund	Total
Cash Flows from Operating Activities			
Assessments and related charges	\$ 274,664	\$ 50,256	\$ 324,920
Interest income	9	1,862	1,871
Violations	1,800	-	1,800
Other income	1,220	-	1,220
Payments made for Association expenses	<u>(357,171)</u>	<u>(157,235)</u>	<u>(514,406)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(79,478)</u>	<u>(105,117)</u>	<u>(184,595)</u>
Cash Flows from Financing Activities			
Proceeds from insurance premiums financed	105,445	-	105,445
Repayments on insurance premiums financed	(98,672)	-	(98,672)
Net interfund borrowings	<u>65,521</u>	<u>(65,521)</u>	<u>-</u>
Net Cash Provided by (Used for) Financing Activities	<u>72,294</u>	<u>(65,521)</u>	<u>6,773</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,184)	(170,638)	(177,822)
Cash and Cash Equivalents - Beginning of Year	23,314	626,768	650,082
Cash and Cash Equivalents - End of Year	<u>\$ 16,130</u>	<u>\$ 456,130</u>	<u>\$ 472,260</u>

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
 (A Not-For-Profit Corporation)

Statement of Cash Flows (Continued)
For the Year Ended December 31, 2021

	Operating Fund	Future Major Repairs and Replacements Fund	Total
Reconciliation of Excess (Deficit) of Revenues over Expenses to Net Cash Provided by (Used for) Operating Activities			
Excess (Deficit) of Revenues over Expenses	\$ (93,434)	\$ 1,862	\$ (91,572)
Adjustments to Reconcile Excess (Deficit) of Revenues over Expenses to Net Cash Provided by (Used for) Operating Activities			
(Increase) decrease in assets:			
Assessments receivable	(669)	-	(669)
Prepaid insurance	(6,828)	-	(6,828)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	19,239	-	19,239
Assessments paid in advance	3,024	-	3,024
Deferred reserve revenue	-	(106,979)	(106,979)
Deferred revenue - cable	<u>(810)</u>	<u>-</u>	<u>(810)</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ (79,478)</u></u>	<u><u>\$ (105,117)</u></u>	<u><u>\$ (184,595)</u></u>

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
(A Not-For-Profit Corporation)

**Notes to Financial Statements
For the Year Ended December 31, 2021**

NOTE 1 – ORGANIZATION

La Arboleda II Condominium Association, Inc. (the “Association”) was incorporated on April 22, 1977 as a not-for-profit corporation in the State of Florida for the purpose of operating and administering the common areas of a residential community in Miami, Florida. The Association is governed and operated subject to the terms and conditions of a Declaration of Condominium (the “Declaration”) as recorded among the Public Records of Miami-Dade County, Florida, the By-Laws, and rules and regulations of the Association, and any amendments thereto. The Association consists of 90 residential units.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

Financial Statements – The accompanying financial statements were prepared pursuant to the requirements of Florida Statutes and in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation – The Association uses the accrual basis of accounting. This method of accounting recognizes revenue when earned, regardless of when received, and expenditures when incurred, regardless of when paid.

Pursuant to FASB Topic 606, *Revenue from Contracts with Customers*, 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 are satisfied over time. The performance obligations related to the future major repairs and replacements, and special assessment funds, if any, are satisfied when the funds are utilized for their designated purposes. A deferred liability is recorded when the Association accumulates funds in advance of the satisfaction of the related performance obligation. A deferred asset is recorded when the funds are utilized in excess of billings.

Fund Accounting – The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements and other special purposes, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors (the “Board”). Disbursements from the replacements fund and the special assessment fund may generally be made only for their designated purposes.

Maintenance Assessments – Maintenance assessments are based upon a budget established by the Board of Directors. Assessments are levied against each unit based on their proportionate share of common expenses and, if applicable, reserves for future major repairs and replacements. Assessments are payable monthly in advance. Special assessments may also be imposed from time to time as deemed appropriate by the Board of Directors.

Cash and Cash Equivalents – For purposes of the accompanying statement of cash flows, the Association considers demand deposit and money market accounts to be cash and cash equivalents

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
(A Not-For-Profit Corporation)

Notes to Financial Statements (Continued)
For the Year Ended December 31, 2021

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS
(Continued)**

Property and Equipment – Real property, common areas and related improvements which are maintained by the Association are not recorded in the Association's financial statements because these properties are deemed to be owned by the unit owners in common and not by the Association. The Association capitalizes at cost, real and personal property to which it has title, based on a threshold established by the Board of Directors.

Interest Earned – The Association allocates interest earned by the future major repairs and replacements fund to the future major repairs and replacements fund.

Use of 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.

NOTE 3 – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 8, 2022, the date that the financial statements were available to be issued.

NOTE 4 – INCOME TAXES

The Association is subject to Federal and State taxation and has, on an annual basis, the choice to select from two methods to determine the amount of tax, if any, it must pay. Under one method, the excess of revenues from members over related expenditures is subject to taxation unless such excess is returned to the unit owners or applied to the following year's assessments. The other method enables the Association to elect to exclude from taxation "exempt function income" which generally consists of revenue from unit owner assessments. Under either method, the Association may be subject to tax on investment income and other non-exempt income, but at different rates. At December 31, 2021, there are no income tax liabilities, or uncertain tax positions.

NOTE 5 – INSURANCE PREMIUMS FINANCED

The Association's insurance premiums are financed under an agreement that requires monthly installments of approximately \$9,586, including interest at 2.00% per annum, payable through June 2022. The financing company has security interests in the unearned premiums of the related insurance policies. Finance charges aggregate approximately \$1,411 over the term of the note and are included in insurance expense on the Statement of Revenues and Expenses and Changes in Fund Balances.

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
 (A Not-For-Profit Corporation)

Notes to Financial Statements (Continued)
For the Year Ended December 31, 2021

NOTE 6 – FUTURE MAJOR REPAIRS AND REPLACEMENTS FUND

The Association's governing documents and Florida Statutes require that the budget shall include reserve accounts for future major repairs and replacements ("reserves") unless properly waived by a majority of unit owners at a duly called meeting of the Association at which a quorum is present. These accounts shall include, but are not limited to, roof replacement, building painting, and pavement resurfacing, regardless of the amount of future major repair expense or replacement cost, and for any other item for which the future major repair expense or replacement cost exceeds \$10,000.

In 2020, the Association conducted an informal study to estimate the remaining useful lives and the replacement costs of the components of common property. The study was based on both current and historical information provided by management. The funding plan is based on the straight-line method, not including consideration of inflation and interest factors. Actual expenditures and investment income may vary from the estimated amounts as disclosed in the supplementary information, and the variations may be material. Therefore, amounts accumulated in the replacements fund may not be adequate to meet all future needs for major repairs and replacements. 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 effect on future assessments has not been determined.

Reserve funds accumulated through assessments are presented on the Balance Sheet as Deferred reserve revenue. Interest earned and transfers, if any, are presented on the Balance Sheet as components of Fund balance. An analysis of the activity in the future major repairs and replacements fund for the year ended December 31, 2021 follows:

Components of Deferred Reserve Revenue	Balance at 12/31/2020	Assessments Billed	Expenditures	Balance at 12/31/2021
Paint	\$ 20,604	\$ 14,200	\$ -	\$ 34,804
Resurfacing	6,626	1,687	-	8,313
Flat roof 700, 830, 850	4,286	4,615	-	8,901
Flat roof	199,543	22,923	(117,402)	105,063
Tile roof	385,562	5,722	(39,833)	351,450
Pool	1,354	1,110	-	2,463
Total deferred reserve revenue	<u>\$ 617,973</u>	<u>\$ 50,256</u>	<u>\$ (157,235)</u>	<u>\$ 510,995</u>

Components of Fund Balance	Balance at 12/31/2020	Interest Earned	Expenditures	Balance at 12/31/2021
Interest	\$ 8,794	\$ 1,862	\$ -	\$ 10,656
Total fund balance	<u>\$ 8,794</u>	<u>\$ 1,862</u>	<u>\$ -</u>	<u>\$ 10,656</u>
Total liabilities and fund balance	<u>\$ 626,767</u>	<u>\$ 52,119</u>	<u>\$ (157,235)</u>	<u>\$ 521,651</u>

During the year ended December 31, 2021, the Association recognized reserve revenue of \$157,235, to the extent of reserve expenditures incurred from the deferred reserve revenue account. As of December 31, 2021, the operating fund was indebted to the future major repairs and replacements fund in the amount of \$65,521. The ultimate disposition of this balance cannot be determined at this time.

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
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Notes to Financial Statements (Continued)
For the Year Ended December 31, 2021

NOTE 7 – CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Association to concentrations of credit risk, consist principally of cash and assessments receivable.

FDIC Insurance - The Association maintains cash in bank accounts at high credit quality financial institutions. The balance, at times, may exceed federally insured limits. The FDIC provides \$250,000 coverage per depositor, per insured bank. As of December 31, 2021, the Association exceeded the insured limits by \$201,942. The Association has not incurred losses related to these funds.

Assessments Receivable – The Association's policy is to retain legal counsel and to enforce its liens on any unpaid assessments, including the taking of foreclosure action. The Association has made an assessment of uncollectible receivables and determined that an allowance for doubtful accounts of \$1,000 is required as of December 31, 2021.

NOTE 8 – OPERATING DEFICIT

The Association has an accumulated deficit of \$86,696 in the operating fund at December 31, 2021, as reflected on the Balance Sheet. To reduce or eliminate this deficit, the Association may increase regular assessments, reduce expenses, or pass special assessments.

NOTE 9 – HURRICANE DEDUCTIBLE

Common property of the Association is located in South Florida, an area proven geographically prone to hurricanes. The Association's insurance policies define deductibles and exclusions which will yield uncovered costs if common property damage claims occur. The Association has not set aside funds to cover the deductible. Accordingly, if such funds are needed to replace or repair Association property, the Association has the right, subject to governing documents, to increase regular assessments, pass special assessments, borrow funds, utilize operating surplus, if any, or delay repairs and replacements until funds are available.

NOTE 10 – AGREEMENTS

In the regular course of operations, the Association has entered into several agreements with third parties to provide services such as management, landscaping, waste removal and others.

NOTE 11 – COVID-19

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses causing loss of work and wages to individuals. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. This matter may negatively impact the Association's financial results as its members' willingness and ability to pay assessments becomes uncertain. However, the related financial impact and duration cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
 (A Not-For-Profit Corporation)

Schedule of Operating Expenses
For the Year Ended December 31, 2021

ADMINISTRATIVE AND GENERAL

Accounting fees	\$ 2,425
Insurance	108,202
Legal	7,249
Licenses and permits	1,818
Management fees	12,960
Printing and postage	2,455
Other	444
	<u>\$ 135,553</u>

CONTRACT SERVICES

Lake	\$ 1,605
Landscaping and lawn	13,096
Pool	3,600
Termite treatment	2,400
Waste removal	25,464
Other	626
	<u>\$ 46,791</u>

REPAIRS AND MAINTENANCE

Electrical	\$ 960
General	19,680
Roof	7,460
Supplies	4,098
Termite litigation settlement	41,500
	<u>\$ 73,698</u>

SALARIES AND BENEFITS

Janitorial wages	\$ 13,300
Payroll processing	1,457
Payroll taxes	1,051
Workers comp insurance	731
	<u>\$ 16,539</u>

UTILITIES

Electricity	\$ 3,876
Telephone	1,607
Water and sewer	57,728
Water and sewer - leaks	33,790
	<u>\$ 97,001</u>

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
(A Not-For-Profit Corporation)

**Supplementary Information on Future Major Repairs and Replacements
For the Year Ended December 31, 2021**

In 2021, the Association conducted an informal study to estimate the remaining useful lives and the replacement costs of the components of common property. The study was based on both current and historical information provided by management. The funding plan is based on the straight-line method, not including consideration of inflation and interest factors.

The following table is based on the study and presents significant information about the components of common property:

Common Area Components	Estimated Remaining Useful Life	Estimated Replacement Cost	2022 Annual Funding
Paint	6	\$ 120,000	\$ 14,199
Resurfacing	1	10,000	1,687
Flat roof 700, 830, 850	12	60,000	4,258
Flat roof 730, 770, 860, 870	15	80,000	5,333
Flat roof	6	280,000	19,645
Tile roof	19	450,000	4,436
Pool	5	8,000	1,107
Totals		<u>\$ 1,008,000</u>	<u>50,665</u>