

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2023

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

TABLE OF CONTENTS

	PAGE
Accountant's Review Report	3 - 4
Financial Statements	
Balance Sheet	5
Statement of Revenues and Expenses and Changes in Fund Balance	6
Statement of Cash Flows	7
Statement of Deferred Maintenance and Replacement Fund	8
Notes to Financial Statements	9 - 12
Supplementary schedule of Operating Expenses	13
Supplementary information on Future Major Repairs and Replacements	14

PADRON MONTORO & HARTNEY, LLP

**Certified Public Accountants
13358 Southwest 128th Street
Miami, Florida 33186**

**Joseph R. Padron, CPA
Joseph Montoro, CPA
John C. Hartney, CPA**

ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying balance sheet of La Arboleda II Condominium Association, Inc. as of December 31, 2023, and the related statements of revenues and expenses and changes in fund balances, deferred maintenance and replacement fund, 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 the 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 engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis of 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 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion of 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 conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note H to the financial statements, the accompanying financial statements reflect that the Association has an accumulated deficit of \$258,292 in the operating fund. Our conclusion is not modified with respect to this matter.

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Supplementary Information

The supplementary information in Schedule of Operating Expenses on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, 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, accordingly, do not express an opinion on it.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 14 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, 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. We have not audited, reviewed or compiled the required supplementary information and, accordingly, we do not express an opinion, a conclusion or provide any assurance on it.

Padron, Montoro & Hartney, LLP

Miami, Florida
August 29, 2024

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
December 31, 2023

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 40,262	\$ 145,839	\$ 186,101
Assessments receivable - net of allowance for doubtful accounts of \$1,000	22,162	-	22,162
Prepaid expenses	138,192	-	138,192
Total	<u>\$ 200,616</u>	<u>\$ 145,839</u>	<u>\$ 346,455</u>

LIABILITIES AND FUND BALANCE

Accounts payable and accrued expenses	\$ 24,380	\$ -	\$ 24,380
Assessments collected in advance	16,331	-	16,331
Deferred revenue - cable	2,025	-	2,025
Deferred replacement fund revenue	-	411,913	411,913
Short term borrowings - insurance	149,526	-	149,526
Due to (from) other fund	266,646	(266,646)	-
Total Liabilities	458,908	145,267	604,175
Fund Balance	<u>(258,292)</u>	<u>572</u>	<u>(257,720)</u>
Total	<u>\$ 200,616</u>	<u>\$ 145,839</u>	<u>\$ 346,455</u>

See accountant's review report.

The notes to financial statements are an integral part of this statement

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2023

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
REVENUES			
Maintenance assessments	\$ 345,576	\$ -	\$ 345,576
Replacement fund revenue recognized	-	48,369	48,369
Special assessment recognized	56,605	-	56,605
Interest	13	572	585
Late fees	1,675	-	1,675
Violations	650	-	650
Other income	736	-	736
	<u>405,255</u>	<u>48,941</u>	<u>454,196</u>
Total revenues			
EXPENSES			
Administrative	11,917	-	11,917
Contracts	64,962	-	64,962
Insurance	214,195	-	214,195
Interest	5,316	-	5,316
Repairs and maintenance	142,916	-	142,916
Salaries and benefits	14,765	-	14,765
Major repairs and replacements expenditures	-	48,369	48,369
Utilities	74,161	-	74,161
	<u>528,232</u>	<u>48,369</u>	<u>576,601</u>
Total			
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(122,977)	572	(122,405)
Fund Balance - beginning	(135,315)	-	(135,315)
Fund Balance - Ending	<u>\$ (258,292)</u>	<u>\$ 572</u>	<u>\$ (257,720)</u>

See accountant's review report.

The notes to financial statements are an integral part of this statement

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ (122,977)	\$ 572	\$ (122,405)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided (used) by operating activities:			
(Increase) decrease in:			
Assessments receivable	(6,947)	-	(6,947)
Prepaid insurance	(55,315)	-	(55,315)
Increase (decrease) in:			
Accounts payable and accrued expenses	13,018	-	13,018
Prepaid assessments	3,580	-	3,580
Deferred revenue - cable	(810)	-	(810)
Deferred replacement fund revenue	-	7,605	7,605
Net cash provided (used) by operating activities	<u>(169,451)</u>	<u>8,177</u>	<u>(161,274)</u>
Cash flows from investing activities:	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities:			
Short term borrowings - proceeds	274,131	-	274,131
Short term borrowings - repayments	(206,806)	-	(206,806)
Interfund transfers	125,864	(125,864)	-
Net cash provided (used) by financing activities	<u>193,189</u>	<u>(125,864)</u>	<u>67,325</u>
Net Increase (decrease) in cash and cash equivalents	23,738	(117,687)	(93,949)
Cash and cash equivalents at beginning of year	<u>16,524</u>	<u>263,526</u>	<u>280,050</u>
Cash and cash equivalents at end of year	<u>\$ 40,262</u>	<u>\$ 145,839</u>	<u>\$ 186,101</u>
Supplemental Disclosure			
Interest paid	<u>\$ 5,316</u>	<u>\$ -</u>	<u>\$ 5,316</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accountant's review report.

The notes to financial statements are an integral part of this statement

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF DEFERRED MAINTENANCE AND REPLACEMENT FUND
YEAR ENDED DECEMBER 31, 2023

Components of Deferred	Balance 12/31/2022	Assessments Billed	Expenditures	Balance 12/31/2023
Painting	\$ 49,000	\$ 10,142	\$ -	\$ 59,142
Resurfacing	10,005	2,400	12,405	-
Pool	3,567	886	-	4,453
Flat roof 700, 830, 850	13,161	3,194		16,355
Flat roof 730, 770, 860, 870	-	4,392		4,392
Flat roof 780-786	10,818	25,146	35,964	-
Flat roof 760, 800, 750	-	3,000		3,000
Tile roof	317,757	6,814	-	324,571
Total deferred reserve revenue	\$ 404,308	\$ 55,974	\$ 48,369	\$ 411,913

Components of Fund Balance	Balance 12/31/2022	Additions	Expenditures	Balance 12/31/2023
Interest	\$ -	\$ 572	\$ -	\$ 572
Total fund balance	\$ -	\$ 572	\$ -	\$ 572
Total deferred reserve revenue and fund balance	404,308	56,546	48,369	412,485

See accountant's review report.

The notes to financial statements are an integral part of this statement

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE A 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 maintaining the common areas of a residential community in Miami, Florida. The Association consists of 90 residential units.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association maintains its accounts using fund balance accounting. Financial resources are classified for accounting and reporting purposes in the following funds established for their specific purpose:

Operating Fund

The operating fund is used to account for the financial activity used for the general operations of the Association. Disbursements from the operating fund are generally at the discretion of the Board of Directors.

Replacement Fund

The replacement fund is used to account for the assessments made for major repair and replacement of common property and related expenses. Disbursements from the replacement fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association membership.

Revenue Recognition

Member Assessments

Member assessments are billed monthly based upon their proportionate share of ownership and based upon estimates of amounts necessary to provide funds for the Association's operating expenses and future major repairs and replacements. Maintenance assessment income 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 maintenance fees are satisfied over time on a daily pro-rata basis using the input method. 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 purpose. Assessments received in advance of the period for which they are assessed are reported as prepaid assessments on the balance sheet. Assessments receivable represents the outstanding balance due from the unit owners and are stated at the amounts expected to be collected. It is the Association's policy to retain legal counsel and place liens on the units of members whose assessments are delinquent. The balances of assessments receivable, net of allowance, as of the beginning and end of the year are \$15,215 and \$22,162, respectively.

Other Revenues

Other revenues (e.g. keys, decals, etc.) are recognized as the related services are performed.

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 disclosures 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. Significant estimates by management include the determination of the adequacy of the allowance for anticipated collectability of maintenance assessments.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Interest Income

Interest income is allocated to the operating and replacement funds based on the interest earned by the bank accounts designated for use by each fund.

Capitalization and Depreciation Policy

Real and common area property acquired by the original residential owners from the developer are not capitalized on the Association's financial statements since they are not saleable by the Association's Board of Directors. Replacement and improvements to the real and common area property are not capitalized for the above reason. Personal property purchased subsequent to the turnover from the developer is capitalized and depreciated over their estimated useful lives using accelerated methods.

NOTE C INCOME TAX

The Association has elected to file its federal income tax return using section 528 of the Internal Revenue Code (IRC) which is designed for homeowner associations. Under this 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. Income from other sources, including interest, net of related expenses, is taxed at a 30% income tax rate. The Association had no income tax expense for the year ended December 31, 2023. By electing to file its federal income tax return under the homeowner association section of the IRC, the association is exempt from filing a State of Florida tax return.

The Association did not incur penalties or interest on its income taxes during the year ended December 31, 2023. It is the Association's belief that they do not have any uncertain tax positions.

The IRC provides for the ability to examine income tax returns which had been filed during the most recent three (3) year period. As of the date of the independent accountant's review report, the Association has not been advised of any pending or upcoming examinations.

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE D SHORT TERM BORROWINGS - INSURANCE

The Association obtained a short term note from a financial institution to finance its annual insurance premiums. The note was payable in eleven monthly installments of \$24,921, at a annual interest rate of 8.00% and matures June 2024. The balance of the note as of December 31, 2023 was \$149,526. The note is secured by the unexpired portion of the underlying premiums.

NOTE E COMMITMENTS

The Association has various contract services to maintain the common property, including management, pool maintenance, trash removal, janitorial and landscape maintenance. These contracts have different expiration dates and renewal terms.

NOTE F CONTINGENCIES

Insurance

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. If additional 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 or delay repairs and replacements until funds are available.

Litigation

The Association is periodically subject to complaints and claims, including litigation, arising in the ordinary course of business. Management believes that none of the claims and complaints of which it is currently aware will materially affect its business, financial position, or future operating results.

NOTE G MAJOR REPAIRS AND REPLACEMENTS FUND

The Association's governing documents and Florida statutes require that funds be accumulated for future major repairs and replacements unless properly waived by a majority of unit owners at a duly called meeting of the membership at which a quorum is present. The accounts shall include, but are not limited to, roof replacement, building painting, and pavement resurfacing and for any other item for which the future major repair or replacement cost exceeds \$10,000.

An independent study to determine the adequacy of the current funding program for future replacements of the Association's common elements is not being utilized. Accordingly, current regular assessments and cash in savings may not be sufficient to pay for the replacement costs. Therefore, when replacement funds are needed, the Association has the right to increase the maintenance assessments, pass special assessments or delay replacement until funds are available.

During the year ended December 31, 2023, the Association recognized reserve revenue of \$48,369, to the extent of reserve expenditures incurred from the deferred replacement fund revenue account. As of December 31, 2023, the operating fund was indebted to the future major repairs and replacement fund in the amount of \$266,646.

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE H OPERATING DEFICIT

The Association has an accumulated deficit of \$258,292 in the operating fund at December 31, 2023, 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 I DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association's management has evaluated events and transactions for potential recognition or disclosure through August 29, 2024, which is the date financial statements were available to be issued.

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2023

	<u>Total</u>
Administrative and General	
Accounting fees	2,675
Legal fees	500
Licenses, permits and taxes	3,580
Printing and postage	3,099
Other	2,063
Total Administration and General	<u>11,917</u>
Contract Services	
Lake	1,822
Landscaping	12,100
Management	14,256
Parking	2,400
Pool	4,200
Waste removal	29,556
Other	628
Total Contract Services	<u>64,962</u>
Insurance	
Insurance	214,195
Total Insurance	<u>214,195</u>
Interest	<u>5,316</u>
Utilities	
Electricity	4,958
Telephone	2,040
Water and sewer	67,163
Total Utilities	<u>74,161</u>
Salaries and Benefits	
Salaries and wages	13,159
Payroll taxes	1,606
	<u>14,765</u>
Repairs and Maintenance	
Electrical	8,832
General	39,124
Landscaping	1,350
Resurfacing	11,957
Roofing	78,026
Supplies	3,627
	<u>142,916</u>
Total Operating Expenses	<u><u>\$ 528,232</u></u>

See accountant's review report.

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND
REPLACEMENTS
YEAR ENDED DECEMBER 31, 2023

The Association's governing documents and Florida statutes require that funds be accumulated for future major repairs and replacements unless properly waived by a majority of unit owners at a duly called meeting of the membership at which a quorum is present. The accounts shall include, but are not limited to, roof replacement, building painting, and pavement resurfacing and for any other item for which the future major repair or replacement cost exceeds \$10,000.

An independent study to determine the adequacy of the current funding program for future replacements of the Association's common elements is not being utilized. Accordingly, current regular assessments and cash in savings may not be sufficient to pay for the replacement costs. Therefore, when replacement funds are needed, the Association has the right to increase the maintenance assessments, pass special assessments or delay replacement until funds are available.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Designated for Repairs and Replacements 12/31/23</u>	<u>Annual Funding Per Budget 2024</u>	Annual Funding Necessary to Fully Fund Major Repairs and Replacements Over the Remaining Useful Lives 2024	
Painting	6	\$ 120,000	\$ 59,142	\$ 11,269	\$	10,143
Resurfacing	4	18,000	-	7,714		4,500
Pool	4	10,000	4,453	1,520		1,387
Flat roof 700, 830, 850	15	60,000	16,355	3,300		2,910
Flat roof 730, 770, 860, 870	16	80,000	4,392	4,554		4,726
Flat roof 780-786	20	150,000	-	9,969		7,500
Flat roof 760, 800, 750	19	60,000	3,000	3,132		3,000
Flat roof 716, 742	20	40,000	-	2,000		2,000
Tile roof	17	450,000	324,571	7,073		7,378
Total		<u>\$ 988,000</u>	<u>\$ 411,913</u>	<u>\$ 50,531</u>	<u>\$</u>	<u>43,544</u>