

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2024

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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ACCOUNTANT'S REVIEW REPORT

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

Opinion

We have audited the accompanying balance sheet of La Arboleda II Condominium Association, Inc., as of December 31, 2024, and the related statements of revenues and expenses and changes in fund balance, deferred maintenance and replacement fund, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of La Arboleda II Condominium Association, Inc. as of December 31, 2024, 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.

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 \$291,429 in the operating fund. Our conclusion is not modified with respect to this matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. 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 relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 of material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about La Arboleda II Condominium Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error,
- and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
Obtain an understanding of internal control relevant to the audit 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 La Arboleda II Condominium Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise
- substantial doubt about La Arboleda II Condominium Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 15 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 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; however, we have not audited or reviewed the required supplementary information and, accordingly do not express an opinion, a conclusion, nor provide any form of assurance on it.

(continued)

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

Supplementary Information

The supplementary information in Schedule of Operating Expenses on page 14 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.

Padron, Montoro & Hartney, LLP

Miami, Florida

May 2, 2024

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
December 31, 2024

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 34,750	\$ 151,891	\$ 186,641
Assessments receivable - net of allowance for credit losses of \$1,000	15,954	-	15,954
Prepaid expenses	138,593	-	138,593
Other assets	1,438	-	1,438
	<u>190,735</u>	<u>151,891</u>	<u>342,626</u>
Total	<u>\$ 190,735</u>	<u>\$ 151,891</u>	<u>\$ 342,626</u>

LIABILITIES AND FUND BALANCE

Accounts payable and accrued expenses	\$ 34,756	\$ -	\$ 34,756
Assessments collected in advance	13,190	-	13,190
Deferred revenue - cable	1,215	-	1,215
Deferred replacement fund revenue	-	433,930	433,930
Short term borrowings - insurance	149,959	-	149,959
Due to (from) other fund	283,044	(283,044)	-
	<u>482,164</u>	<u>150,886</u>	<u>633,050</u>
Total Liabilities	<u>482,164</u>	<u>150,886</u>	<u>633,050</u>
Fund Balance	<u>(291,429)</u>	<u>1,005</u>	<u>(290,424)</u>
Total	<u>\$ 190,735</u>	<u>\$ 151,891</u>	<u>\$ 342,626</u>

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2024

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
REVENUES			
Maintenance assessments	\$ 472,419	\$ -	\$ 472,419
Replacement fund revenue recognized	-	28,515	28,515
Interest	18	433	451
Late fees	1,701	-	1,701
Violations	2,100	-	2,100
Other income	1,485	-	1,485
	<u>477,723</u>	<u>28,948</u>	<u>506,671</u>
Total revenues			
EXPENSES			
Administrative	31,713	-	31,713
Contracts	59,919	-	59,919
Insurance	272,638	-	272,638
Interest	9,258	-	9,258
Repairs and maintenance	51,626	-	51,626
Salaries and benefits	16,145	-	16,145
Major repairs and replacements expenditures	-	28,515	28,515
Utilities	69,561	-	69,561
	<u>510,860</u>	<u>28,515</u>	<u>539,375</u>
Total			
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(33,137)	433	(32,704)
Fund Balance - beginning	(258,292)	572	(257,720)
Fund Balance - Ending	<u>\$ (291,429)</u>	<u>\$ 1,005</u>	<u>\$ (290,424)</u>

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ (33,137)	\$ 433	\$ (32,704)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided (used) by operating activities:			
(Increase) decrease in:			
Assessments receivable	6,208	-	6,208
Prepaid insurance	(401)	-	(401)
Increase (decrease) in:			
Accounts payable and accrued expenses	10,376	-	10,376
Prepaid assessments	(3,141)	-	(3,141)
Deferred revenue - cable	(810)	-	(810)
Deferred replacement fund revenue	-	22,017	22,017
Net cash provided (used) by operating activities	<u>(22,343)</u>	<u>22,450</u>	<u>107</u>
Cash flows from investing activities:	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities:			
Short term borrowings - proceeds	274,926	-	274,926
Short term borrowings - repayments	(274,493)	-	(274,493)
Interfund transfers	16,398	(16,398)	-
Net cash provided (used) by financing activities	<u>16,831</u>	<u>(16,398)</u>	<u>433</u>
Net Increase (decrease) in cash and cash equivalents	(5,512)	6,052	540
Cash and cash equivalents at beginning of year	<u>40,262</u>	<u>145,839</u>	<u>186,101</u>
Cash and cash equivalents at end of year	<u>\$ 34,750</u>	<u>\$ 151,891</u>	<u>\$ 186,641</u>
Supplemental Disclosure			
Interest paid	<u>\$ 9,258</u>	<u>\$ -</u>	<u>\$ 9,258</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF DEFERRED MAINTENANCE AND REPLACEMENT FUND
YEAR ENDED DECEMBER 31, 2024

Components of Deferred	Balance 12/31/2023	Assessments Billed	Expenditures	Balance 12/31/2024
Painting	\$ 59,142	\$ 11,269	\$ -	\$ 70,411
Resurfacing	-	7,714	-	7,714
Pool	4,453	1,520	-	5,973
Flat roof 700, 830, 850	16,355	3,300	-	19,655
Flat roof 730, 770, 860, 870	4,392	4,554	8,946	-
Flat roof 780-786	-	9,969	9,969	-
Flat roof 760, 800, 750	3,000	3,132	4,800	1,332
Tile roof	324,571	7,074	4,800	326,845
Flat roof 716,742	-	2,000	-	2,000
Total deferred reserve revenue	\$ 411,913	\$ 50,532	\$ 28,515	\$ 433,930

Components of Fund Balance	Balance 12/31/2023	Additions	Expenditures	Balance 12/31/2024
Interest	\$ 572	\$ 433	\$ -	\$ 1,005
Total fund balance	\$ 572	\$ 433	\$ -	\$ 1,005
Total deferred reserve revenue and fund balance	412,485	50,965	28,515	434,935

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

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 \$22,162 and \$15,954, 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, 2024

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, 2024. 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, 2024. 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, 2024

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 \$24,993, at a annual interest rate of 7.25% and matures June 2025. The balance of the note as of December 31, 2024 was \$149,959. 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, 2024, the Association recognized reserve revenue of \$28,515, to the extent of reserve expenditures incurred from the deferred replacement fund revenue account. As of December 31, 2024, the operating fund was indebted to the future major repairs and replacement fund in the amount of \$283,044.

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2024

NOTE H OPERATING DEFICIT

The Association has an accumulated deficit of \$291,429 in the operating fund at December 31, 2024, 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 May 2, 2025, 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, 2024

	<u>Total</u>
Administrative and General	
Accounting fees	5,675
Legal fees	1,900
Licenses, permits and taxes	21,162
Printing and postage	2,239
Other	737
Total Administration and General	<u>31,713</u>
Contract Services	
Lake	1,416
Landscaping	8,750
Management	12,968
Parking	1,825
Pool	4,200
Waste removal	30,400
Other	360
Total Contract Services	<u>59,919</u>
Insurance	
Insurance	272,638
Total Insurance	<u>272,638</u>
Interest	<u>9,258</u>
Utilities	
Electricity	6,235
Telephone	1,663
Water and sewer	61,663
Total Utilities	<u>69,561</u>
Salaries and Benefits	
Salaries and wages	15,106
Payroll taxes	1,039
	<u>16,145</u>
Repairs and Maintenance	
Electrical	2,485
General	19,283
Landscaping	9,900
Roofing	14,715
Supplies	5,243
	<u>51,626</u>
Total Operating Expenses	<u><u>\$ 510,860</u></u>

See independent auditor's report.

LA ARBOLEDA II CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND
REPLACEMENTS
YEAR ENDED DECEMBER 31, 2024

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 12/31/24</u>	<u>Annual Funding Per Budget 2025</u>	<u>Annual Funding Necessary to Fully Fund Major Repairs and Replacements Over the Remaining Useful Lives 2025</u>
Painting	5	\$ 120,000	\$ 70,411	\$ 11,100	\$ 9,918
Resurfacing	3	18,000	7,714	7,649	3,429
Pool	3	10,000	5,973	1,495	1,342
Flat roof 700, 830, 850	14	60,000	19,655	3,009	2,882
Flat roof 730, 770, 860, 870	15	80,000	-	3,941	5,333
Flat roof 780-786	19	150,000	-	13,154	7,895
Flat roof 760, 800, 750	18	60,000	1,332	3,301	3,259
Flat roof 716, 742	19	40,000	2,000	2,000	2,000
Tile roof	16	450,000	326,845	7,354	7,697
Replacement funding deficit				-	283,044
Total		<u>\$ 988,000</u>	<u>\$ 433,930</u>	<u>\$ 53,003</u>	<u>\$ 326,799</u>