

**PORTSIDE CONDOMINIUM HOMEOWNERS'
ASSOCIATION, INC.**

REPORT FOR THE YEAR ENDED

DECEMBER 31, 2021

PORTSIDE CONDOMINIUM HOMEOWNERS' ASSOCIATION, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Portside Condominium Homeowners' Association, Inc.

Opinion

We have audited the accompanying financial statements of Portside Condominium Homeowners' Association, Inc. (the "Association"), which comprise the balance sheet as of December 31, 2021, and the related statements of revenues and expenses and changes in members' equity 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 Portside Condominium Homeowners' Association, Inc. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 the Association 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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 the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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.

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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 the 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 the 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.

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 revenues and schedule of expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that future major repairs and replacements of common property 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.

March & McMillin, CPAs, PLLC

May 11, 2022

March McMillin, CPAs, PLLC
CPA services for Condominium Homeowners Associations

PORTSIDE CONDOMINIUM HOMEOWNERS' ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2021

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 107,369	\$ 258,410	\$ 365,779
Certificates of Deposit		497,839	497,839
Accounts Receivable	12,178		12,178
Accrued Interest		996	996
TOTAL ASSETS	<u>\$ 119,547</u>	<u>\$ 757,245</u>	<u>\$ 876,792</u>
 LIABILITIES AND MEMBERS' EQUITY			
Accounts Payable	\$ 7,644		\$ 7,644
Accrued Expenses	53	\$ 38,853	38,906
Prepaid Assessments	47,208		47,208
TOTAL LIABILITIES	<u>\$ 54,905</u>	<u>\$ 38,853</u>	<u>\$ 93,758</u>
 MEMBERS' EQUITY	 <u>\$ 64,642</u>	 <u>\$ 718,392</u>	 <u>\$ 783,034</u>
 TOTAL LIABILITIES AND MEMBERS' EQUITY	 <u>\$ 119,547</u>	 <u>\$ 757,245</u>	 <u>\$ 876,792</u>

See Independent Auditors' Report and accompanying notes

PORTSIDE CONDOMINIUM HOMEOWNERS' ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Reserve Fund	Total
REVENUES	<u>\$ 690,185</u>	<u>\$ 287,139</u>	<u>\$ 977,324</u>
EXPENSES			
Administrative	\$ 89,538	\$ 14	\$ 89,552
Maintenance and Repair	136,105		136,105
Payroll	97,307		97,307
Utilities	122,035		122,035
Insurance	228,357		228,357
Reserve		349,757	349,757
TOTAL EXPENSES	<u>\$ 673,342</u>	<u>\$ 349,771</u>	<u>\$ 1,023,113</u>
EXCESS REVENUES OVER (UNDER) EXPENSES	\$ 16,843	\$ (62,632)	\$ (45,789)
MEMBERS' EQUITY - Beginning	13,231	815,592	828,823
Interfund Balances (net)	<u>34,568</u>	<u>(34,568)</u>	<u> </u>
MEMBERS' EQUITY - Ending	<u>\$ 64,642</u>	<u>\$ 718,392</u>	<u>\$ 783,034</u>

See Independent Auditors' Report and accompanying notes

PORTSIDE CONDOMINIUM HOMEOWNERS' ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash flows from operating activities:	Operating Fund	Reserve Fund	Total
Net excess of revenues (expenses)	\$ 16,843	\$ (62,632)	\$ (45,789)
Adjustments to reconcile excess of revenues over expenses to net cash used by operating activities:			
(Increase) decrease in:			
Accounts Receivable	(1,426)		(1,426)
Accrued Interest		(996)	(996)
Increase (decrease) in:			
Accounts Payable	2,567		2,567
Accrued Expenses	53	38,853	38,906
Prepaid Assessments	9,457		9,457
Net cash provided (used) by operating activities	\$ 27,494	\$ (24,775)	\$ 2,719
Cash flows from investing activities:	-	-	-
Cash flows from financing activities:	-	-	-
Net increase (decrease) in cash	\$ 27,494	\$ (24,775)	\$ 2,719
Cash, beginning of year	45,307	317,753	363,060
Interfund Balances (net)	34,568	(34,568)	
Cash, end of year	<u>\$ 107,369</u>	<u>\$ 258,410</u>	<u>\$ 365,779</u>
Supplemental Cash Flow Information:			
Cash Paid for Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash Paid for Income Taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report and accompanying notes

PORTSIDE CONDOMINIUM HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: NATURE OF ORGANIZATION

Portside Condominium Homeowners' Association, Inc. (the "Association") is a nonprofit association incorporated under the laws of the State of Florida and operated to perform those services normally associated with common interest realty association, which includes preserving and maintaining the common property of the Association. The Association consists of 187 units and is located in Panama City Beach, Florida.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Member Assessments

Association members are subject to regular assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable at the balance sheet date represent fees due from members, while assessments received in advance represent future months' fees paid in advance by members. The Association's policy is to retain legal counsel and place liens or foreclose on the units of members whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in future years.

Property and Equipment

The Association records and depreciates only personal property assets to which the association has title. Common property of the Association is not recognized as property and equipment for depreciation.

Basis of Accounting

The Association's financial statements are prepared on the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Assessments paid by members in advance are deferred and recognized as revenue when earned.

Fund Accounting

The Association uses fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Reserve Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

Income Tax

The Association may, at its election, be taxed as a regular corporation or a homeowners association. This election is made yearly. For the current year, the Association was taxed as a homeowners association. The Association's federal tax return is subject to audit by the Internal Revenue Service. The tax returns for the current and prior two fiscal years remain open for examination by the IRS. In evaluating the Association's tax positions and accruals, the Association believes that its estimates are appropriate, based on the current facts and circumstances.

Interest Earned

The Association's policy is for interest to remain in the fund in which it is earned.

PORTSIDE CONDOMINIUM HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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. Accordingly, actual results could differ from those estimates.

Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 11, 2022, which is the date that the financial statements were available to be issued.

NOTE 3: CONCENTRATION OF CREDIT RISK

The Association's annual assessment revenue is subject to significant concentration of credit risk, given that the revenue is received primarily within a small geographic area. The financial instruments that potentially subject the Association to credit risk consist principally of assessments receivable, the majority of which contain provisions for recovery by placing liens on real property and through legal judgments. In the event that the owners did not comply with the terms of the Covenant, Conditions and Restrictions and collection efforts by the Association were unsuccessful, the Association could incur a loss equal to the amount due.

NOTE 4: REVENUE RECOGNITION

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new guidance established the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The Association does not believe that the performance obligation relating to the reserve fund meets the required contractual liability obligations necessary to implement ASC 606.

NOTE 5: RELATED PARTY TRANSACTIONS

The Association utilizes a property management company that manages the day-to-day operations of the Association. In addition to a management fee, other significant expenses may be incurred generally consisting of administrative expenses.

NOTE 6: FUNDED RESERVES

The Association requires funds to be accumulated for future major repairs and replacements. The funds are held primarily in interest-bearing accounts. In 2016, the Association conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. The results of this study are summarized in the supplemental information section to these financial statements. Actual costs and expenditures may vary from those estimates and the variations may be material. As replacement funds are needed to meet future costs for major repairs and replacements, the Association has the right to borrow, increase regular assessments, pass special assessments subject to owner approval or delay major repairs and replacements until funds are available.

PORTSIDE CONDOMINIUM HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6: FUNDED RESERVES (continued)

The budget of the association does not provide for reserve accounts for capital expenditures and deferred maintenance that may result in special assessments. Owners may elect to provide for reserve accounts upon obtaining the approval of a majority of the total voting interests of the association by vote of the members at a meeting or by written consent.

Members' equity designated for future major repairs and replacements has been allocated by the Board of Directors to the components of common property as follows:

<u>Components</u>	<u>Balance January 1, 2021</u>	<u>Funding During the Year</u>	<u>Charges to Fund</u>	<u>Other</u>	<u>Balance December 31, 2021</u>
Pooled Reserves	\$ 815,592	\$ 287,139	\$ (349,771)	\$ (34,568)	\$ 718,392
Total	<u>\$ 815,592</u>	<u>\$ 287,139</u>	<u>\$ (349,771)</u>	<u>\$ (34,568)</u>	<u>\$ 718,392</u>

NOTE 7: INSURANCE CLAIM

The Association has an ongoing insurance claim relating to tornado damage incurred during the year. Approximately \$205,000 was spent during the year toward tornado repairs and the Association estimates another \$250,000 may be spent toward additional work to be done in 2022 to complete repairs. Insurance is expected to cover the repair costs less deductibles.

SUPPLEMENTARY INFORMATION

PORTSIDE CONDOMINIUM HOMEOWNERS' ASSOCIATION, INC.
SCHEDULE OF REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Reserve Fund	Total
Regular Assessments	\$ 657,960	\$ 105,000	\$ 762,960
Parking and Wristband Fees	28,132		28,132
Late Fees and Penalties	1,087		1,087
Returned Check Charges	29		29
Transfer Fee	2,800		2,800
Interest		1,313	1,313
Other	177		177
Insurance Claim (Note 7)		180,826	180,826
TOTAL REVENUES	<u>\$ 690,185</u>	<u>\$ 287,139</u>	<u>\$ 977,324</u>

PORTSIDE CONDOMINIUM HOMEOWNERS' ASSOCIATION, INC.
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Reserve Fund	Total
ADMINISTRATIVE			
CPA Services	\$ 3,100		\$ 3,100
Bank Charges	30	\$ 14	44
Professional Fees	2,515		2,515
Legal Fees	8,638		8,638
Administrative and Office	3,363		3,363
Contract Labor and Services	181		181
Passes and Bands	385		385
Management Fees	65,067		65,067
Telephone and Internet	5,492		5,492
Postage	767		767
TOTAL ADMINISTRATIVE	<u>\$ 89,538</u>	<u>\$ 14</u>	<u>\$ 89,552</u>
MAINTENANCE AND REPAIR			
Repairs and Maintenance	\$ 28,961		\$ 28,961
Landscaping	79,375		79,375
Pool Supply and Repair	17,706		17,706
Pest Control	8,444		8,444
Other - Tools and Equipment	1,619		1,619
TOTAL MAINTENANCE AND REPAIR	<u>\$ 136,105</u>	<u>\$ -</u>	<u>\$ 136,105</u>
PAYROLL			
Wages and Other	\$ 89,379		\$ 89,379
Processing Fees	880		880
Taxes	7,048		7,048
TOTAL PAYROLL	<u>\$ 97,307</u>	<u>\$ -</u>	<u>\$ 97,307</u>
UTILITIES			
Electric	\$ 35,270		\$ 35,270
Gas	17,395		17,395
Water and Sewer	20,155		20,155
Cable Television	26,208		26,208
Trash Collection	23,007		23,007
TOTAL UTILITIES	<u>\$ 122,035</u>	<u>\$ -</u>	<u>\$ 122,035</u>
INSURANCE			
Property and Liability	\$ 228,357		\$ 228,357
TOTAL INSURANCE	<u>\$ 228,357</u>	<u>\$ -</u>	<u>\$ 228,357</u>
RESERVE			
Buildings and Structures		\$ 165,443	\$ 165,443
Tornado Repairs (Note 7)		184,314	184,314
TOTAL RESERVE	<u>\$ -</u>	<u>\$ 349,757</u>	<u>\$ 349,757</u>
TOTAL EXPENSES	<u>\$ 673,342</u>	<u>\$ 349,771</u>	<u>\$ 1,023,113</u>

See Independent Auditors' Report and accompanying notes

PORTSIDE CONDOMINIUM HOMEOWNERS' ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2021
(UNAUDITED)

The Association had a replacement reserve study conducted by an engineering firm in 2016 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. The following has been extracted or derived from the Association's replacement reserve study and presents significant information about the components of common property.

<u>Reserve Component</u>	<u>Estimated Useful Life</u>	<u>Estimated Remaining Useful Life</u>	<u>Estimated 1st Year of Replacement</u>	<u>Estimated Total Cost for Future 24 Years (\$)</u>
Common Lighting/Electrical	10	1	2018	69,810
Clubhouse/Office Interior Fund	15	11	2028	17,875
Paint/Waterproof Building Exteriors	10	8	2025	980,000
Asphalt Overlay	28	1	2018	194,020
Asphalt Sealcoat/Rejuvenation	4	1	2018	245,640
Fencing, Pools/Decks	25	13	2030	53,790
Fencing, North Pool (Wood)	25	23	2040	8,840
Pool & Spa Equipment Allowance	5	3	2020	63,000
Pool & Spa Furniture	10	5	2022	41,800
Pool Decking, Wood - Front	18	16	2033	52,540
Pool Deck Pavers, Front	25	23	2040	8,400
Pool Deck Pavers, North	25	23	2040	25,650
Pool Heaters, Propane	12	10	2027	12,800
Pool Interiors, Front	12	10	2027	75,456
Pool Interiors, North/Clubhouse	12	5	2022	31,680
Pool Interiors, Waterfall	12	9	2026	33,120
Spas Interior Resurfacing	10	5	2022	24,740
Overlook Replacement, Front Pool	20	18	2035	6,570
Roofing, Shingle	18	10	2027	592,000
Tiki Huts Allowance	7	5	2022	27,900
Fencing, Entry	25	12	2029	20,798
Fencing, Perimeter	18	3	2020	139,994
Landscaping Allowance	20	3	2020	50,000
Lift Station Pumps & Equipment	24	17	2034	16,480
Mailboxes	20	17	2034	7,000
Retention Walls Restoration	7	5	2022	209,250
Signage, Entry Feature	20	16	2033	18,350
Tennis Court Fencing & Gates	28	25	2033	16,880
Tennis Court Resurfacing	7	7	2019	69,200

See Independent Auditors' Report and accompanying notes