

HIGH POINT OF DELRAY BEACH CONDOMINIUM ASSOCIATION SECTION 2, INC.

FINANCIAL STATEMENTS

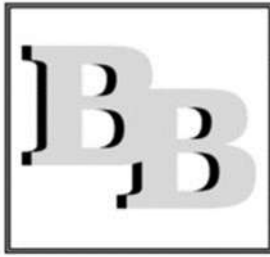
DECEMBER 31, 2018

HIGH POINT OF DELRAY BEACH CONDOMINIUM ASSOCIATION SECTION 2, INC.

TABLE OF CONTENTS

DECEMBER 31, 2018

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS:	
BALANCE SHEET	3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES	4
STATEMENT OF CASH FLOWS	5 - 6
NOTES TO FINANCIAL STATEMENTS	7 - 13
SUPPLEMENTARY INFORMATION:	
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS	14
STATEMENT OF OPERATING FUND REVENUES AND EXPENSES BUDGET COMPARISON	15 - 17



Brian Barie
CERTIFIED PUBLIC ACCOUNTANT
1176 NW 10th Street
Boynton Beach, Florida 33426
(P) 561-398-1755

Brian Barie, C.P.A.
bbarie@bariecpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
High Point of Delray Beach Condominium Association Section 2, Inc.
Delray Beach, Florida

Report on the Financial Statements

We have audited the accompanying balance sheet of High Point of Delray Beach Condominium Association Section 2, Inc., as of December 31, 2018, and the related statements of revenues, 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 from 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.

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of High Point of Delray Beach Condominium Association Section 2, Inc., as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements of common property 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 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Operating Fund Revenues and Expenses Budget Comparison is presented for the purposes of additional analysis, and is not a required part of the 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. Except for the budget information marked "unaudited," that information has been subjected to the auditing 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, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" had 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.

Brian Barie, CPA

Brian Barie, CPA
Boynton Beach, Florida

April 30, 2019

HIGH POINT OF DELRAY BEACH CONDOMINIUM ASSOCIATION SECTION 2, INC.

BALANCE SHEET

DECEMBER 31, 2018

	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 366,031	\$ 941,617	\$ 1,307,648
Certificates of Deposit	-	203,063	203,063
Assessment Receivable, Net of Allowance	7,973	-	7,973
Prepaid Insurance	14,052	-	14,052
Due To / From Funds	1,570	(1,570)	-
TOTAL ASSETS	\$ 389,626	\$ 1,143,110	\$ 1,532,736
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payables and Accrued Expenses	\$ 23,205	\$ -	\$ 23,205
Prepaid Maintenance Assessments	9,058	-	9,058
Note Payable - Clubhouse and Roof	437,873	-	437,873
TOTAL LIABILITIES	470,136	-	470,136
 FUND BALANCES			
Clubhouse and Roof Loan Deficit	(437,873)	-	(437,873)
Fund Balances	357,363	1,143,110	1,500,473
TOTAL LIABILITIES AND FUND BALANCES	\$ 389,626	\$ 1,143,110	\$ 1,532,736

See accompanying notes to financial statements.

HIGH POINT OF DELRAY BEACH CONDOMINIUM ASSOCIATION SECTION 2, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2018

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES			
Maintenance Assessments	\$ 882,924	\$ 102,396	\$ 985,320
Late Fees	2,525	-	2,525
Interest Income	1,516	12,915	14,431
Application Fees	6,100	-	6,100
Laundry Income	3,375	-	3,375
Miscellaneous Income	802	-	802
TOTAL REVENUES	897,242	115,311	1,012,553
EXPENSES			
Insurance	166,888	-	166,888
Landscaping	81,320	-	81,320
Maintenance	74,028	-	74,028
Clubhouse and Roof Loan Payments	118,785	-	118,785
Administrative	8,091	-	8,091
Office	2,210	-	2,210
Contractors	73,846	-	73,846
Pool	7,167	-	7,167
Professional Fees	18,304	-	18,304
Utilities	336,989	-	336,989
Association Owned Unit	45,500	-	45,500
TOTAL EXPENSES	933,128	-	933,128
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(35,886)	115,311	79,425
FUND BALANCES, BEGINNING	393,249	1,027,799	1,421,048
FUND BALANCES, ENDING	\$ 357,363	\$ 1,143,110	\$ 1,500,473

See accompanying notes to financial statements.

HIGH POINT OF DELRAY BEACH CONDOMINIUM ASSOCIATION SECTION 2, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	OPERATING FUND	REPLACEMENT FUND	TOTAL
OPERATING ACTIVITIES:			
Cash Received From Maintenance Assessments	\$ 862,915	\$ 102,396	\$ 965,311
Cash Received From Interest Income	1,516	12,915	14,431
Cash Received From Application Fees	6,100	-	6,100
Cash Received From Laundry Income	3,375	-	3,375
Cash Received From Miscellaneous Income	802	-	802
Cash Paid For Operating Fund Expenses	(828,181)	-	(828,181)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	46,527	115,311	161,838
INVESTING ACTIVITIES:			
Certificates of Deposit	-	405,779	405,779
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	-	405,779	405,779
FINANCING ACTIVITIES:			
Due To / From Funds	(487)	487	-
Principal Payments On Note Payable - Clubhouse and Roof	(98,952)	-	(98,952)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(99,439)	487	(98,952)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(52,912)	521,577	468,665
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2017	418,943	420,040	838,983
CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2018	\$ 366,031	\$ 941,617	\$ 1,307,648

See accompanying notes to financial statements.

HIGH POINT OF DELRAY BEACH CONDOMINIUM ASSOCIATION SECTION 2, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

	OPERATING FUND	REPLACEMENT 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	\$ (35,886)	\$ 115,311	\$ 79,425
Bad Debt Expense	630	-	630
Loan Principal	98,952	-	98,952
(INCREASE) DECREASE IN ASSETS:			
Assessment Receivable, Net of Allowance	(3,149)	-	(3,149)
Prepaid Insurance	723	-	723
INCREASE (DECREASE) IN LIABILITIES:			
Accounts Payables and Accrued Expenses	4,642	-	4,642
Prepaid Maintenance Assessments	(19,385)	-	(19,385)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 46,527	\$ 115,311	\$ 161,838

See accompanying notes to financial statements.

HIGH POINT OF DELRAY BEACH CONDOMINIUM ASSOCIATION SECTION 2, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – ORGANIZATION

High Point of Delray Beach Condominium Association Section 2, Inc. is a not-for-profit corporation pursuant to Chapter 718 of the Florida Statutes. The Association is responsible for the operation and maintenance of the common property and clubhouse which consists of 276 residential units located in Delray Beach, Florida.

NOTE 2 – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition of disclosure through April 30, 2019, the date that the financial statements were available to be issued.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of High Point of Delray Beach Condominium Association Section 2, Inc. (the Association) is presented to assist in understanding the Association’s financial statements. The financial statements and notes are representations of the Association’s management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied to the preparation of these financial statements.

Basis of Accounting

The Association follows the accrual basis of accounting. Maintenance Assessments are recorded as revenue when due and uncollected amounts are recorded as assessments receivable. Expenses are recorded in the period when incurred and unpaid expenses are recorded as accounts payable and accrued expenses.

Fund Accounting

The Association’s governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources the Association maintains its accounts using fund accounting resulting from actions of the Board of Directors, the Association voting membership, or applicable Florida Statute. At the end of the year, excess funds are retained by the fund generating such excess during the year. Financial resources are classified for accounting and reporting purposes in the following funds according to their nature and purposes:

The Operating Fund - is used to account for financial resources available for the general operating of the Association.

The Replacement Fund - is used to accumulate financial resources designated for future major repairs and replacements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the association consolidates checking and money market accounts.

Interest Earned

The Association’s policy is to allocate interest earned to the fund that holds the bank account.

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 reported period. Actual results could differ from those estimates.

HIGH POINT OF DELRAY BEACH CONDOMINIUM ASSOCIATION SECTION 2, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capitalization Policy and Depreciation

Based on industry practice and set forth in FASB ASC 972-360, commonly owned assets are generally not capitalized as assets in the Association's financial statements. Ownership of the commonly owned assets is vested directly or indirectly in the unit owners and these assets are not deemed to be severable. Disposition of real and personal common property by the Association's Board of Directors is restricted. Maintenance and repair costs are charged to expense as incurred.

Property and Equipment

Real property and common area assets acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the owners in common and not by the Association. Capital expenditures are recorded as expenses in the period incurred and to the designated fund.

Fair Value Measurement

Under FASB AC 820, Fair Value Measurements and Disclosures, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal of most advantageous market for the asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

The Association has determined that there was no material difference between the carrying value and fair value of its financial assets and liabilities at December 31, 2018; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2018.

NOTE 4 – INCOME TAXES

The Association is subject to federal and state taxation. For each tax year ended, the association may elect to file its federal income tax return as a tax-exempt homeowners' association (Section 528 of the Internal Revenue Code) or as a regular corporation (Section 277 of the Internal Revenue Code). Under either method, the Association may be subject to tax on investment income and other non-exempt income, but at different rates. Under Section 277, excess revenues over expenditures is subject to taxation unless such excess is returned to the unit owners or applied to the following year's assessments. Under Section 528, the Association elects to exclude from taxation "exempt function income," which generally consists of revenue from unit owner assessments.

For the tax year ended December 31, 2018, the Association will file its Federal tax return on Form 1120H under Section 528 of the Internal Revenue Code.

There is no current year provision for income taxes.

The Association follows the reporting and disclosure guidance for uncertainty in income taxes as defined in FASB ASC 740. The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statement when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. As of December 31, 2018, the Association had no uncertain tax positions that qualify for recognition or disclosure in the financial statements. Generally, the Internal Revenue Service may review the returns for the past three years.

NOTE 5 – MAINTENANCE ASSESSMENTS AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The Association Declaration provides that each unit owner is chargeable for their proportionate share of common expenses as determined by the Board of Directors based on an adopted budget. The Association can retain legal counsel in the event of delinquent owner assessments and has lien rights which can be exercised through foreclosure proceedings. Assessments receivable consists of uncollected amounts due from owners such as maintenance assessments, late fees, collections costs, and other charges, which can be reduced by estimating the allowance for uncollectible accounts. Prepaid maintenance assessments represent amounts paid in advance for maintenance assessments. Any excess assessments at year-end will be retained by the Association for use in the following year.

HIGH POINT OF DELRAY BEACH CONDOMINIUM ASSOCIATION SECTION 2, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 – MAINTENANCE ASSESSMENTS AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS (CONT'D)

Assessments Receivable, Net of Allowance

Assessments receivable are recorded at its original billing amounts plus late fees, if applicable. Management is responsible for estimating the allowance for uncollectible accounts by periodically reviewing aged receivable reports. 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 balance of assessments receivable, net of allowance at December 31, 2018, consists of the following:

	<u>Amount</u>
Assessments Receivable	\$ 7,973
Less: Allowance For Uncollectible Accounts	-
Assessments Receivable, Net of Allowance	<u>\$ 7,973</u>

NOTE 6 – CONCENTRATION OF CREDIT RISK

At December 31, 2018, the Association maintains cash and cash equivalent balances which exceeds the Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000. Bank deposits exceeding the FDIC limit totals \$274,448. The Association places its cash with stable, high-quality financial institutions and has not experienced any losses related to these uninsured cash balances and believes it is not exposed to any significant risk.

NOTE 7 – CERTIFICATES OF DEPOSIT

The Association classifies certificates as short-term investments on the balance sheet. Certificates are recorded at historical cost and investment income is recognized when earned on the statement of revenues, expenses and changes in fund balances. Typically, penalties for early withdrawal would not have a material effect on these financial statements. Investments carried at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Certificates of deposit activity for the year ended December 31, 2018 is summarized as follows:

	<u>Amount</u>
Purchases of Certificates Deposit	\$ 202,575
Interest Income	10,075
Maturities of Certificates of Deposit	<u>(618,429)</u>
Net Increase (Decrease) In Certificates of Deposit	(405,779)
Certificates of Deposit at December 31, 2017	<u>608,842</u>
Certificates of Deposit at December 31, 2018	<u>\$ 203,063</u>

**HIGH POINT OF DELRAY BEACH CONDOMINIUM ASSOCIATION SECTION 2, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 – NOTE PAYABLE – CLUBHOUSE AND ROOF

The Association originally financed the clubhouse repairs and the roof replacement projects with two separate loans. During December 2012, the Association entered into an agreement with a bank to consolidate the remaining principal balances on the clubhouse repairs loan (\$597,608) and roof replacement loan (\$377,941) by refinancing them into one new fixed rate loan totaling \$975,549. The loan will be paid at a fixed rate of 3.99% over ten (10) years with the final payment due in December 2022. The loan is collateralized by assessments.

The principal payments for each year through the maturity date are as follows:

YEAR	AMOUNT
12/31/2019	\$ 103,178
12/31/2020	107,371
12/31/2021	111,734
12/31/2022	115,590
TOTAL	<u>\$ 437,873</u>

During the year ended December 31, 2018, the Association made \$118,785 of loan payments, consisting of \$98,952 of principal and \$19,833 of interest.

Collateralized Assessments / Loan Repayment Budget Provision

As a condition precedent, the lender has secured the Association's obligation to repay the loan. The loan is collateralized by the Association's assessments. To meet this condition, the Association puts a line item budget provision on its annual budget for repayment of loan principal and accrued interest expense. Typically, risk of loan default is low when member's pay their assessments on time. The Association can increase regular assessments or pass a special assessment if additional funds are needed to repay this loan.

Expense Recognition

Based on industry practice and set forth in FASB ASC 972-360, no assets were capitalized in the financial statements. See Note 10 – clubhouse and roof loan deficit for significant information about expense recognition.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Commitments

The Association has various contract services to maintain the common property, including lawn maintenance, pool maintenance, pest control, bookkeeping services, maintenance services, and cable television. These contracts have different expiration dates and renewal terms.

Insurance Deductible Contingency

The current property insurance policy contains a deductible. The Association has the right to increase maintenance fees, pass a special assessment or delay expenditures should it need additional funds to pay for its insurance deductible or to cover losses from an uninsured event.

Legal Contingencies

The Association from time-to-time can be subject to complaints and claims, including litigation, arising in the ordinary course of business. As of the date of this report, management believes that there are no claims or complaints of which it is currently aware that will materially affect its business, financial position, or results of future operations.

**HIGH POINT OF DELRAY BEACH CONDOMINIUM ASSOCIATION SECTION 2, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONT'D)

Cable Contract Renewal

During the year ended December 31, 2017, the Association negotiated with Blue Stream to be its new cable service provider beginning on January 1, 2018. During the Association's final arrangements, it was brought to the board's attention that the Association could incur significant monetary damages for not providing proper "Notice of Cancellation" to Comcast. During December 2017, an agreement was reached with Comcast to renew the Association's existing cable contract through December 31, 2019, but with no automatic renewal clause. Therefore, no monetary damages (\$0) were incurred by the Association for renewing the Comcast contract. On January 1, 2020, Blue Stream will be the Association's subsequent cable provider.

NOTE 10 – CLUBHOUSE AND ROOF LOAN DEFICIT

A deficit of funds was incurred when the Association financed the clubhouse repairs and roof replacement projects totaling \$975,549. Based on industry practice and set forth in FASB ASC 972-360, no assets were capitalized in the financial statements because loan proceeds were used for common property that is restricted. Accordingly, costs were recognized as expenses and the corresponding amounts owed to the bank as loan payable. This entry utilizes the GAAP matching principle which matches the costs as expenses to the funding sources.

Over the repayment period, funds needed to repay the loan are obtained from the members by putting a line item provision on the Association's annual budget. Every month, the Association matches assessments with the amount of that month's principle loan payment by recording an entry to expenses in order to fund this budget line item provision.

The balance at December 31, 2018, consists of the following:

	Amount
Clubhouse and Roof Loan Deficit, Beginning Balance	\$ (536,825)
2018 Budget Provision For Principal Loan Payments	98,952
Clubhouse and Roof Loan Deficit, Ending Balance	\$ (437,873)

NOTE 11 – OPERATING FUND DEFICIT

At December 31, 2018, the Association has an accumulated operating fund deficit totaling \$80,510 (negative). The remaining deficit balance from the clubhouse repairs and roof replacements expenditures is \$437,873 (negative). The operating fund balance totaling \$357,363 represents the accumulation of operating funds as a result of normal operating activities.

In order to correct the deficit, the Association includes a provision on its annual budget in the form of principal loan payments. In substance, this budget provision represents expenses recognized to fund the repayment of the deficit. Therefore, it is expected that the remaining recreation loan deficit balance will be reduced to zero (\$0) overtime. If additional funds are needed to correct this situation, the Association could increase maintenance fees, pass a special assessment, or decrease expenses, if possible

The accumulated fund balances presented on the balance sheet at December 31, 2018, consists of the following:

	OPERATING FUND	REPLACEMENT FUND	TOTAL
Clubhouse and Roof Loan Deficit	\$ (437,873)	\$ -	\$ (437,873)
Fund Balances	357,363	1,143,110	1,500,473
Totals Fund Balances	\$ (80,510)	\$ 1,143,110	\$ 1,062,600

**HIGH POINT OF DELRAY BEACH CONDOMINIUM ASSOCIATION SECTION 2, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 12 – ASSOCIATION OWNED UNIT

The Association has taken title of one (1) unit as a result of a purchase transaction. The generation of future significant cash flows cannot be readily determined by the Association. Accordingly, no asset had been recorded for the unit because its Fair Value cannot be determined. No liability has been recorded for the unit because the Association is not obligated by a third-party loan or any mortgage assumption agreement.

At December 31, 2018, financial activities for the Association owned unit consists of the following:

Unit #	Purchase Date	Purchase Cost	Repairs & Maintenance	Rental Income
475D	December 2018	\$ 38,000	\$ 7,500	-

Rental Income and Expenses

The Association could lease this unit on a short-term basis (duration of less than 1 year) as an additional source of income. The Association incurs monthly maintenance assessments charges due to the Association and incurs repairs and maintenance costs directly related to the operating activities for this unit. During 2018, the Association purchased the unit for \$38,000, incurred repairs and maintenance expenses of \$7,500, and had no (\$0) rental income.

NOTE 13 – FUTURE MAJOR REPAIRS AND REPLACEMENT FUNDS

Florida Statutes require the Association to include budget provisions for reserves for capital expenditures and deferred maintenance for each fiscal year. Reserves are restricted to their intended purpose and full funding is required, unless modified by a qualified unit owner vote. Accumulated funds are accounted for in the replacement fund.

The current year approved budget includes provisions for reserves for capital improvements and major repairs and replacements. The funds are being accumulated based on estimates of future needs for repairs and replacements of common property components as determined by the Board of Directors and are generally not available for normal operations. Actual expenditures may vary from the estimated future expenditures, 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 has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The balance at December 31, 2018, consists of the following:

Components:	Balance 12/31/2017	Assessments Interest	Transfers	Expenditures	Balance 12/31/2018
Roofing	\$ 658,324	\$ 69,996	-	-	\$ 728,320
Paving	243,919	17,100	-	-	261,019
Painting	60,679	14,100	-	-	74,779
Pool	28,097	1,200	-	-	29,297
Interest	36,780	12,915	-	-	49,695
	<u>\$ 1,027,799</u>	<u>\$ 115,311</u>	<u>-</u>	<u>-</u>	<u>\$ 1,143,110</u>

Supplementary Information

Supplementary information about future major repairs and replacement on page 14 presents significant information about the components of common property.

HIGH POINT OF DELRAY BEACH CONDOMINIUM ASSOCIATION SECTION 2, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 13 – FUTURE MAJOR REPAIRS AND REPLACEMENT FUNDS (CONT'D)

Interest

The Association does not allocate interest earned on the replacement funds to specific replacement components as earned, but does so periodically depending on the projected requirements.

Commingling of Funds

Florida Statute allows commingling of operating and replacement funds if the replacement funds are accounted for separately and fully funded.

Due To / From Funds

Florida Statute allows commingling of operating and replacement funds if the replacement funds are accounted for separately and fully funded. The Due To / From Funds reflects amounts of \$1,570 by which the Association could transfer cash from the replacement fund to the operating fund to correct this situation.

SUPPLEMENTARY INFORMATION

**HIGH POINT OF DELRAY BEACH CONDOMINIUM ASSOCIATION SECTION 2, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2018
 (UNAUDITED)**

The Association has conducted an independent reserve study (November 2015) to estimate the remaining useful lives and the replacement costs of the components of common property. Actual expenditures may vary from the estimated amounts and the differences may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs for major repairs and replacements. If additional funds are needed, however, the Association has the right to increase regular assessments, pass a special assessment, or it may delay major repairs and replacements until funds are available.

The following presents significant information about the components of common property:

Components:	Estimated Useful Life Remaining	Estimated Current Replacement Cost	2019 Full Funding Requirement
Painting	4 Years	\$ 131,893	\$ 14,100
Paving	1 - 12 Years	472,005	17,100
Pool	0 - 18 Years	47,087	1,200
Roofing	10 Years	1,437,782	69,996
Total		<u>\$ 2,088,767</u>	<u>\$ 102,396</u>

See independent auditor's report.

HIGH POINT OF DELRAY BEACH CONDOMINIUM ASSOCIATION SECTION 2, INC.
STATEMENT OF OPERATING FUND REVENUES AND EXPENSES BUDGET COMPARISON
YEAR ENDED DECEMBER 31, 2018

	OPERATING FUND	BUDGET (UNAUDITED)	TOTAL
REVENUES			
Maintenance Assessments	\$ 882,924	\$ 882,924	\$ -
Late Fees	2,525	3,000	(475)
Interest Income	1,516	-	1,516
Application Fees	6,100	3,000	3,100
Laundry Income	3,375	3,000	375
Miscellaneous Income	802	744	58
TOTAL REVENUES	897,242	892,668	4,574
EXPENSES			
INSURANCE			
Condo Master	166,888	178,000	11,112
TOTAL INSURANCE	166,888	178,000	11,112
LANDSCAPING			
Lawn Maintenance Contract	59,400	51,000	(8,400)
Tree Removal Replacement	19,620	16,000	(3,620)
Landscaping	2,300	-	(2,300)
TOTAL LANDSCAPING	81,320	67,000	(14,320)
MAINTENANCE			
Building	51,550	73,952	22,402
Clubhouse Maintenance	7,093	6,000	(1,093)
Lake, Sprinkler, and Plumbing	3,883	-	(3,883)
Pest Control	11,502	6,000	(5,502)
TOTAL MAINTENANCE	74,028	85,952	11,924
CLUBHOUSE AND ROOF LOAN PAYMENTS			
Loan Principal	98,952	118,776	19,824
Loan Interest	19,833	-	(19,833)
TOTAL CLUBHOUSE AND ROOF LOAN PAYMENTS	118,785	118,776	(9)

See independent auditor's report.

HIGH POINT OF DELRAY BEACH CONDOMINIUM ASSOCIATION SECTION 2, INC.
STATEMENT OF OPERATING FUND REVENUES AND EXPENSES BUDGET COMPARISON
YEAR ENDED DECEMBER 31, 2018

	OPERATING FUND	BUDGET (UNAUDITED)	TOTAL
EXPENSES CONT'D			
ADMINISTRATIVE			
Bad Debt Expense	630	8,000	7,370
General Expenses	2,108	440	(1,668)
Credit Reports	1,200	1,000	(200)
Bank Service Charges	-	100	100
Licenses, Permits, and Fees	1,084	1,800	716
Computer Repairs	849	1,000	151
Phone and Internet	2,220	-	(2,220)
TOTAL ADMINISTRATIVE	8,091	12,340	4,249
OFFICE			
Postage and Election	877	2,000	1,123
Printing	538	-	(538)
Office Supplies	795	1,000	205
TOTAL OFFICE	2,210	3,000	790
CONTRACTORS			
1099 Contractors	-	79,400	79,400
Maintenance	41,406	-	(41,406)
Office Services and Bookkeeping	32,440	-	(32,440)
TOTAL CONTRACTORS	73,846	79,400	5,554
POOL			
Pool Maintenance Contract	6,719	4,200	(2,519)
Pool Supplies and Repairs	448	2,500	2,052
TOTAL POOL	7,167	6,700	(467)
PROFESSIONAL FEES			
Legal	14,004	10,000	(4,004)
Audit and Tax Preparation	4,300	4,500	200
TOTAL PROFESSIONAL FEES	18,304	14,500	(3,804)

See independent auditor's report.

HIGH POINT OF DELRAY BEACH CONDOMINIUM ASSOCIATION SECTION 2, INC.
STATEMENT OF OPERATING FUND REVENUES AND EXPENSES BUDGET COMPARISON
YEAR ENDED DECEMBER 31, 2018

	<u>OPERATING FUND</u>	<u>BUDGET (UNAUDITED)</u>	<u>TOTAL</u>
EXPENSES CONT'D			
UTILITIES			
Cable	130,213	123,000	(7,213)
Electricity	38,003	36,000	(2,003)
Water, Sewage, and Garage	168,773	168,000	(773)
TOTAL UTILITIES	<u>336,989</u>	<u>327,000</u>	<u>(9,989)</u>
ASSOCIATION OWNED UNIT			
Purchase Of Unit # 475D	38,000	-	(38,000)
Unit Repairs and Maintenance	7,500	-	(7,500)
TOTAL ASSOCIATION OWNED UNIT	<u>45,500</u>	<u>-</u>	<u>(45,500)</u>
TOTAL OPERATING EXPENSES	<u>933,128</u>	<u>892,668</u>	<u>(40,460)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	<u>\$ (35,886)</u>	<u>\$ -</u>	<u>\$ (35,886)</u>

See independent auditor's report.