

**PORTER COURT CONDOMINIUM ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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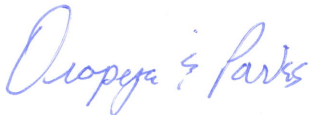
To the Board of Directors
Porter Court Condominium Association, Inc.
305 Whitehead Street
Key West, FL 33040

Management is responsible for the accompanying financial statements of Porter Court Condominium Association, Inc., which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The supplementary information contained in the schedule of operating fund revenues and expenses – actual to budget is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property and schedule of replacement reserves components of fund balance as listed in the table of contents is presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required 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. Such information is the responsibility of management. We have not audited, or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

We are not independent with respect to Porter Court Condominium Association, Inc.



February 11, 2020

PORTER COURT CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2019

	OPERATING FUND	REPLACEMENT FUND	TOTAL
Assets			
Current Assets			
Cash and Cash Equivalents	109,765	76,906	\$ 186,671
Investments	22,088	42,434	64,522
Prepaid Insurance	12,781	-	12,781
Utility Deposits	281	-	281
Total Assets	\$ 144,915	\$ 119,340	\$ 264,255
Liabilities and Fund Balance			
Current Liabilities			
Accounts Payable	\$ 4,175	\$ -	\$ 4,175
Income Tax Payable	410	-	410
Assessments Received in Advance	37,426	-	37,426
Total Current Liabilities	42,011	-	42,011
Fund Balance	102,904	119,340	222,244
Total Liabilities and Fund Balance	\$ 144,915	\$ 119,340	\$ 264,255

See accompanying notes and accountant's compilation report.

PORTER COURT CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

	OPERATING FUND	REPLACEMENT FUND	TOTAL
Revenues			
Member Assessments	\$ 157,926	\$ 33,000	\$ 190,926
Late/Other Fees	25	-	25
Interest Income	712	958	1,670
Total Revenue	158,663	33,958	192,621
Expenses			
Accounting and Legal	1,125	-	1,125
Bank Fees	393	-	393
Cable Television	7,985	-	7,985
Dues and Subscriptions	198	-	198
Income Tax	410	-	410
Insurance	75,687	-	75,687
Landscaping	13,340	-	13,340
Management Fees	20,437	-	20,437
Office Supplies	230	-	230
Painting	117	14,278	14,395
Pool Maintenance	12,843	6,500	19,343
Postage and Printing	162	-	162
Repairs and Maintenance	12,466	-	12,466
Utilities	6,558	-	6,558
Total Expenses	151,951	20,778	172,729
Excess of Revenues over Expenses	6,712	13,180	19,892
Fund Balance, December 31, 2018	159,032	43,320	202,352
Prior Year Adjustment	(62,840)	62,840	-
Fund Balance, December 31, 2019	\$ 102,904	\$ 119,340	\$ 222,244

See accompanying notes and accountant's compilation report.

PORTER COURT CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	OPERATING FUND	REPLACEMENT FUND	TOTAL
Cash Flows from Operating Activities:			
Cash Received From:			
Member Assessments	\$ 185,554	\$ 33,000	\$ 218,554
Late/Other Fees	25	-	25
Interest Income	712	958	1,670
Cash Paid For:			
Repairs and Maintenance	(36,866)	(20,778)	(57,644)
Utilities and Cable	(14,543)	-	(14,543)
Insurance	(76,684)	-	(76,684)
Administrative and Other	(22,545)	-	(22,545)
Net Cash Provided by (Used For) Operating Activities	35,653	13,180	48,833
Cash Flows from Investing Activities:			
Purchase of CD's	-	(20,000)	(20,000)
Reinvestment of Interest Income	(380)	(726)	(1,106)
Net Cash Provided by (Used For) Investing Activities	(380)	(20,726)	(21,106)
Net Increase (Decrease) in Cash	35,273	(7,546)	27,727
Cash and Cash Equivalents, December 31, 2018	74,492	84,452	158,944
Cash and Cash Equivalents, December 31, 2019	\$ 109,765	\$ 76,906	\$ 186,671

See accompanying notes and accountant's compilation report.

PORTER COURT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 – Summary of Significant Accounting Policies

Organization and Purpose

Porter Court Condominium Association, Inc. (The "Association") was incorporated in the State of Florida on October 9, 1990, as a not-for-profit corporation. The Association was established for the purpose of operating and maintaining a condominium development consisting of 19 units located in Key West, Florida.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The Association documents provide certain guidelines governing its financial activities. To ensure observation of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose.

Operating Fund: This fund is used to account for financial resources available for the general operations of the Association. Disbursements from this fund are generally at the discretion of the property manager pursuant to the annual budget. Expenditures not contemplated in the annual budget are approved by the Board of Directors.

Replacement Fund: This fund is used to accumulate financial resources designated for future major repairs and replacements. Disbursements from this fund may be made only for designated purposes.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all cash, time deposits and certificates of deposits with an original maturity of three months or less to be cash equivalents.

Investments

Investments are composed of direct investments in money market accounts in which cost equates fair value.

Member Assessments

Revenues are derived from monthly assessments charged to members based upon estimated annual operating expenses. Such assessments are due in equal quarterly installments. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Any excess assessments at year-end are retained by the Association for use in the succeeding year.

Capital Stock

The Association has not issued any shares of stock. Membership in the Association consists of all legal owners of individual units. On matters on which membership is entitled to vote, the owner or owners of each unit may exercise one vote in a manner as provided in the Articles of Incorporation, Declaration of Covenants and the By-Laws of the Corporation.

Recognition of Assets and Depreciation

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the members. Property and equipment acquired by the Association are recorded at cost. Capitalized common property is depreciated over its estimated useful life using straight line and double declining balance methods of depreciation. Real common property, donated to the Association by the Developer, is not recognized in the Association's financial statements and disposition by the Association's Board of Directors is restricted. The property ownership is vested in the lot owners and these assets are not deemed to be severable. Accordingly, real common property, primarily consisting of sidewalks, roadways, greenbelts, entry walls and neighborhood signs are not recognized as assets. Replacements, major repairs and the purchase of commonly owned assets are also not capitalized but are recorded as expenditures in the replacement fund.

PORTER COURT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The following methods and assumptions were used in estimating the fair value disclosures for financial instruments:

Cash and cash equivalents, certificate of deposits, assessments receivable, prepaid insurance and other expenses, payables and assessments received in advance – The carrying amounts reported in the balance sheet approximate fair values due to the relatively short maturities of these instruments.

Date of management's review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 11, 2020, the date that the financial statements were available to be issued.

Note 2 – Cash and Investments

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, Association's deposits may not be returned to it.

The Association maintains cash at two institutions in Key West consisting of checking and certificates of deposit. Balances at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The carrying amount of deposits with the financial institutions at December 31, 2019 was \$64,687. At December 31, 2019 the Association did not have any uninsured balances for cash and certificates of deposit.

Investments:

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from interest rates, Association's investment policy is structured to meet cash flow requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

Credit Risk – The Association invests in money market funds. The investments are recorded at cost which equate to fair market value, i.e. quoted market price, as provided by the Association's agent.

Concentration of credit risk – The Association maintains a brokerage account with a national institution with a location in Key West. Balances for the brokerage account are federally insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000, including \$100,000 in claims for cash awaiting investment. However, cash held in a deposit program is insured up to and under the conditions of the FDIC. The carrying amounts of cash held in deposit programs was \$186,906. At December 31, 2019 the Association did not have any uninsured balances for investments.

Note 3 – Assessments Receivable

There were no assessments receivable due from as of December 31, 2019.

Note 3 - Future Major Repairs and Replacements

The Association included assessments of \$33,000 in its 2019 budget for Florida statutory reserves. Under chapter 718 of the Florida statutes, these reserves are for, but not limited to, roof replacement, building painting and pavement resurfacing. Accumulated funds, which aggregate \$119,340 at December 31, 2019, are generally not available for operating purposes. It is the Association's policy to allocate interest earned equally between the operating and replacement funds.

The Association is funding the replacement and/or major repair and painting of commonly owned assets based on estimates of the useful lives of the assets and estimated replacement or repair costs as determined by the Board of Directors. This funding is based on an independent study conducted September 23, 2006. The costs do not take into account the effects of inflation. Actual expenditures may vary from the estimated amounts and the variations may be material. As a result, amounts designated for future repairs and replacements may not be adequate. If additional funds are needed, the Association has the right, subject to member approval, to increase regular

PORTER COURT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 4 - Future Major Repairs and Replacements (continued)

assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Note 5 – Income Taxes

For federal income tax purposes, the Association files its tax return on a calendar year basis and may elect annually to be taxed as a homeowners association pursuant to Section 528 of the Internal Revenue code. The effect of the election is to exclude from taxation exempt function net income, which is the excess of revenue from lot owner assessments over expenditures for maintenance of common property.

For the tax year ended December 31, 2019, the Association was subject to federal income tax of \$410 on its non-exempt function income.

The federal and state income tax returns for the tax years ended December 31, 2019, 2018, 2017 and 2016 are subject to examination by taxing authorities.

Note 6 – Commitments and Contingencies

Insurance

The Association's insurance policy deductibles are all less than or equal to \$1,000, with the exception of windstorm deductible, which is currently 3% of property value.

Note 7 – Contractual Agreements

The Association has entered into a contract with a management company to provide management services to the Association. The contract is on a calendar year basis.

The Association has entered into a five-year cable television service contract, which expires in December 2021.

Note 8 – Prior Period Adjustment

An adjustment was made to beginning replacement fund due to a prior year calculation error.

SUPPLEMENTARY INFORMATION

PORTER COURT CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF REPLACEMENT RESERVES COMPONENTS OF FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>RESERVE</u>	<u>BALANCE AT 12/31/18</u>	<u>PRIOR YEAR ADJUSTMENT</u>	<u>2019 FUNDING</u>	<u>INT/DIV INCOME</u>	<u>RESERVE EXPENDITURES</u>	<u>BALANCE AT 12/31/19</u>
Pooled Reserves	43,320	62,840	33,000	958	20,778	119,340

See accountant's compilation report.

PORTER COURT CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES - ACTUAL TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>ACTUAL</u>	<u>BUDGET</u>	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues			
Member Assessments	157,926	\$ 157,926	\$ -
Late/Other Fees	25	-	25
Interest Income	712	150	562
	<u>158,663</u>	<u>158,076</u>	<u>587</u>
Expenses			
Accounting and Legal	1,125	1,300	175
Bank Fees	393	300	(93)
Cable Television	7,985	7,800	(185)
Dues and Subscriptions	198	62	(136)
Income Tax	410	-	(410)
Insurance	75,687	75,214	(473)
Landscaping	13,340	18,400	5,060
Management Fees	20,437	20,437	-
Office Supplies	230	4,449	4,219
Painting	117	1,200	1,083
Pool Maintenance	12,843	12,000	(843)
Postage and Printing	162	330	168
Repairs and Maintenance	12,466	7,200	(5,266)
Utilities	6,558	9,240	2,682
	<u>151,951</u>	<u>157,932</u>	<u>5,981</u>
Excess of Revenues over Expenses	<u><u>\$ 6,712</u></u>	<u><u>\$ 144</u></u>	<u><u>\$ 6,568</u></u>

See accountant's compilation report.

**PORTER COURT CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

RESERVE	ESTIMATED REMAINING USEFUL LIFE (YEARS)	ESTIMATED CURRENT REPLACEMENT COST	REPLACEMENT FUND BALANCE
Building: Painting/siding	1 - 25	\$ 111,350	\$ 29,165
Paving	14 - 23	64,378	16,862
Roof	1 - 8	185,439	48,571
Pool	3 - 6	94,464	24,742
 Total		 <u>\$ 455,631</u>	 <u>\$ 119,340</u>

See accountant's compilation report.