

BROADWAY PROMENADE CONDOMINIUM ASSOCIATION, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

BROADWAY PROMENADE CONDOMINIUM ASSOCIATION, INC.
AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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Independent Auditor's Report

To the Board of Directors
Broadway Promenade Condominium Association, Inc.
Sarasota, FL 34236

Report on the Financial Statements

We have audited the accompanying financial statements of Broadway Promenade Condominium Association, Inc., (a not-for-profit Florida corporation) which comprise the statement of financial position 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.

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 of 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 financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Broadway Promenade Condominium Association, Inc. as of December 31, 2019, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Supplementary Schedule of Operating Fund Expenses on page nine 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 the Supplementary Schedule of Future Major Repairs and Replacements on page 10 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.

Gardner & Thomas, LLC

Sarasota, Florida 34232

April 23, 2020

BROADWAY PROMENADE CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
Cash & Cash Equivalents	\$ 94,627	\$ 797,548	\$ 892,175
Member Assessments Receivable	11,487	-	11,487
Prepaid Insurance	48,652	-	48,652
Prepaid Expenses	635	-	635
	<hr/>	<hr/>	<hr/>
Current Assets	155,401	797,548	952,949
Tools & Equipment	14,448	-	14,448
Less: Accumulated Depreciation	(4,452)	-	(4,452)
Net Property, Plant & Equipment	<hr/> 9,996	<hr/> -	<hr/> 9,996
	<hr/>	<hr/>	<hr/>
Total Assets	<u>165,397</u>	<u>797,548</u>	<u>962,945</u>
Prepaid Member Assessments	28,324	-	28,324
Security Deposits	36,850	-	36,850
Insurance Premium Assignment Loan	24,997	-	24,997
	<hr/>	<hr/>	<hr/>
Total Liabilities	90,171	-	90,171
Fund Balance	<hr/> 75,226	<hr/> 797,548	<hr/> 872,774
	<hr/>	<hr/>	<hr/>
Total Liabilities & Fund Balance	<u>\$ 165,397</u>	<u>\$ 797,548</u>	<u>\$ 962,945</u>

See accompanying notes to the financial statements and independent auditor's report

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

	Operating Fund	Reserve Fund	Total
Member Assessments	\$ 1,146,756	\$ 179,426	\$ 1,326,182
Rental Income	25,745	-	25,745
Miscellaneous Fees	11,258	-	11,258
Interest Income	-	5,425	5,425
Total Revenue	<u>1,183,759</u>	<u>184,851</u>	<u>1,368,610</u>
Operating Expenses	1,196,888	-	1,196,888
Major Repairs & Replacements	-	32,809	32,809
Total Expenses	<u>1,196,888</u>	<u>32,809</u>	<u>1,229,697</u>
Changes in Fund Balance	(13,129)	152,042	138,913
Fund Balance as of January 1, 2019	<u>88,355</u>	<u>645,506</u>	<u>733,861</u>
Fund Balance as of December 31, 2019	<u><u>\$ 75,226</u></u>	<u><u>\$ 797,548</u></u>	<u><u>\$ 872,774</u></u>

See accompanying notes to the financial statements and independent auditor's report

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

<u>Cash Flows from Operating Activities:</u>		
Changes in Fund Balances	\$	138,913
<i>Adjustments to Reconcile Changes in Fund Balances to Net Cash Provided by Operating Activities:</i>		
<i>(Increases)/Decreases in Operating Assets:</i>		
Member Assessments Receivable	\$	(11,437)
Prepaid Insurance		37,039
Prepaid Expenses		5,702
<i>Increases/(Decreases) in Operating Liabilities:</i>		
Accounts Payable		(22,308)
Prepaid Member Assessments		2,792
Security Deposits		5,250
Total Adjustments		17,038
Net Cash Provided by Operating Activities		155,951
<u>Cash Flows from Investing Activities:</u>		
Dispositions of Tools & Equipment		4,453
Net Cash Provided by Investing Activities		4,453
<u>Cash Flows from Financing Activities:</u>		
Payments on Premium Assignment Loan	\$	(22,532)
Net Cash Used by Financing Activities		(22,532)
Change in Cash & Cash Equivalents		137,872
Cash and Cash Equivalents - 1/1/2019		754,303
Cash and Cash Equivalents - 12/31/2019	\$	892,175

See accompanying notes to the financial statements and independent auditor's report

BROADWAY PROMENADE CONDOMINIUM ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE A – ORGANIZATION

Broadway Promenade Condominium Association, Inc. (the “Association”) is a not-for-profit corporation organized June 19, 2007, to provide an entity pursuant to the Florida Condominium Act for administration, maintenance, operation, and management to its members and is located in Sarasota, Florida, consisting of a total of 186 condominium units and 3 guest suites in two buildings. Assessments against the owners of the condominium units, which are the principal source of revenue, are based on the estimated amounts required to protect and maintain the property owned by the owners in common.

All policy decisions are formulated by the Board of Directors. Certain major decisions are referred to the general membership before action is taken. Assessments are determined annually by the Board of Directors based upon maintenance and other operating requirements of the Association. The allocation of operating income and expenses to the unit owners, as indicated in the documents, is based on square footage per unit. Any deficit or excess of revenue over expenses would, in effect, increase or decrease assessments required in future periods.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association prepares its financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates and Assumptions

The preparation of the 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 reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates and assumptions.

Fund Accounting

The fund method of accounting requires funds, such as operating funds and funds for future major repairs and replacements, to be classified separately for accounting and reporting purposes.

Operating Fund

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

Reserve Fund

This fund is composed of assessments paid by unit owners to fund future replacements, major repairs and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied.

BROADWAY PROMENADE CONDOMINIUM ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Association considers all highly liquid investments available for current use with an initial maturity of six months or less to be cash equivalents.

Income Taxes

The Association has an option for income tax purposes to elect, on an annual basis, whether to be taxed as a regular “C” corporation under Section 277 of the Internal Revenue Code, whereby net income is taxed at regular corporate rates, or to be taxed at a special corporate rate of 30% on its net non-exempt function income—mainly interest less a \$100 exclusion—in accordance with Section 528 of the Internal Revenue Code. The tax return for 2019 will be filed under Section 528.

Commonly Owned Assets

The Association has the responsibility to preserve and maintain the commonly owned assets. The commonly owned assets include property that is directly associated with the unit which includes property without which the units could not be occupied and exterior property that is normally part of a freestanding unit. Commonly owned assets also include the property that is not directly associated with the unit and is not necessary for the primary use of the unit, although individual owners may benefit from its use.

The Association’s policy is not to capitalize and depreciate the commonly owned assets as ownership is vested directly or indirectly in the unit owners and these assets are not deemed to be severable. In addition, the Association directly expenses any minor purchase of personal property such as furnishings and recreation equipment.

Personal Property

Equipment owned by the Association is recorded at cost and depreciated over its estimated useful life.

NOTE C – LINE OF CREDIT

The Board of Directors obtained a Line of Credit in the amount of \$100,000 from Sabal Palm Bank on October 24, 2018. The loan is a Variable Rate Nondisclosable Revolving Line of Credit Loan due on October 24, 2020. The interest on the Note is based on the Index on the unpaid principal using the Interest Calculation method using a rate of .75% over the Index of 5.25% per annum. There has been no activity on the loan for the year ended December 31, 2019.

NOTE D – SUBSEQUENT EVENTS

The Association has evaluated all events subsequent to the statement of financial position date of December 31, 2019, through the date these financial statements were available to be issued, April 23, 2020, and have determined there are no subsequent events that require disclosure.

BROADWAY PROMENADE CONDOMINIUM ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE E – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Florida Statutory Reserve requirement for funding reserves for replacement and repair of roofing, painting, and repaving was not waived by the general membership of Broadway Promenade Condominium Association, Inc. for 2019.

The Association's governing documents require that funds be accumulated for future major repairs and replacements of Association property. The Board of Directors had a reserve study conducted while preparing the 2017 budget to update estimated useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on that study.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund, using a pooled reserve concept.

Funds are accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variation may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements.

SUPPLEMENTARY INFORMATION

BROADWAY PROMENADE CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY SCHEDULE OF OPERATING FUND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

Bad Debt Expense	\$	508	
Bank Charges		1,317	
Computer & Internet Expense		4,863	
Federal Income Tax		3,629	
Legal & Professional Fees		47,490	
Licenses & Permits		3,209	
Management Fees		60,001	
Office Supplies & Expense		6,000	
Postage & Printing		4,592	
Salaries & Wages		424,457	
Total Administrative Expense		<u>424,457</u>	\$ 556,066
Access & Monitoring System Repairs		5,605	
Building and Roof Repairs & Maintenance		35,075	
Elevator Repairs & Service		15,951	
Fire, Electrical & Plumbing Maintenance		30,315	
Furniture Expenses		2,934	
Gym Maintenance		7,105	
HVAC System Repairs & Maintenance		26,076	
Janitorial Expense		3,323	
Landscape Expense		36,807	
Pest Control		5,561	
Pool Service & Accessories		7,180	
Rental Unit Expenses		3,244	
WiFi & Cable Service Expense		27,694	
Total Building & Grounds Expense		<u>27,694</u>	206,870
Flood & Wind Insurance		131,425	
Liability, General & Umbrella Insurance		17,658	
Mold/Sewer Insurance		2,491	
Workers' Comp. Insurance		6,925	
Other Insurance Charges		2,507	
Total Insurance Expense		<u>2,507</u>	161,006
Cable & Internet Charges		23,250	
Electricity		77,021	
Natural Gas		10,224	
Telephone		4,055	
Trash & Recycling		25,702	
Water & Sewer	\$	132,694	
Total Utilities Expense		<u>132,694</u>	272,946
Total Operating Expenses		<u><u>\$ 1,196,888</u></u>	

See accompanying notes to the financial statements and independent auditor's report

BROADWAY PROMENADE CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2019

The following is the estimated remaining life and estimated cost to replace the components of the reserves. This information is based upon an independent reserve study:

Components	Estimated Life in Years	Estimated Remaining Life in Years	Estimated Cost to Replace
Building Exteriors	8.30	4 - 26	\$ 481,678
Common Area Interiors	1.20	0 - 9	494,501
Courtyard	10.25	0 - 14	286,440
Mechanical and Electrical	6.35	0 - 30	635,088
Pavement	4.25	0 - 14	67,101
Pool and Spa	1.25	0 - 14	45,081
Roof	12.25	0 - 19	1,034,316
			\$ 3,044,205

See the accompanying notes to the financial statements and independent auditor's report