

# SOKOL & SOKOL

CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS CONSULTANTS

BRAD A. SOKOL, C.P.A.  
LAUREN B. SOKOL, C.P.A.

MEMBER  
*American Institute of Certified Public Accountants*  
*Florida Institute of Certified Public Accountants*

July 1, 2020

Lidiala de la Rosa  
Century Gardens Homeowners Association, Inc.  
c/o Florida Property Management Services Solutions, Inc.  
12964 SW 133<sup>rd</sup> Court  
Miami, FL 33186

Dear Lidiala:

This electronic file contains the following:

- Required Communication Letter to board and management
- Adjusted trial balance
- Adjusting journal entries
- 2019 Audited Financial Statements

The Required Communication Letter is required as part of our auditing standards. Please distribute this letter directly to the Board of Directors.

Once again, thank you for all of your assistance. Please call if you have any questions.

With warm regards,



Brad Sokol, C.P.A.  
SOKOL & SOKOL  
Certified Public Accountants  
Miami, Florida

June 29, 2020

To the Board of Directors and Management  
Century Gardens Homeowners Association, Inc.  
Miami, Florida

We have audited the financial statements of Century Gardens Homeowners Association, Inc. (the “Association”) for the year ended December 31, 2019, and have issued our report thereon dated June 19, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 22, 2019. Professional standards also require that we communicate to you the following information related to our audit.

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 2 to the financial statements. In 2019, Accounting Standard Update 2014-09, *Revenue from Contracts with Customers*, Topic 606, was implemented as required by the Financial Accounting Standards Board. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Future major repairs and replacements reserves – estimating the remaining useful lives of assets and determining which assets should be included in the reserve study.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The material misstatements detected as a result of audit procedures were corrected by management and reflected in the Adjusting Journal Entry report.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 19, 2020.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Supplementary Information Accompanying the Audited Financial Statements*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

*Required Supplementary Information*

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining

Century Gardens Homeowners Association, Inc.

June 29, 2020

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certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

*Other Audit Findings or Issues*

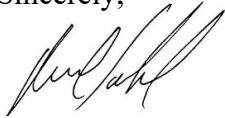
The following comment pertains to the current year's audit and requires the attention of management:

FDIC Insurance

The balance in the Association's bank accounts at several banks exceeds \$250,000, which is the maximum deposit amount that the FDIC will insure. We recommend that the Board of Directors consider alternatives to ensure that all funds are FDIC insured.

This information is intended solely for the use of the Board of Directors and Management of the Association and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Brad A. Sokol, C.P.A.

Sokol & Sokol, Certified Public Accountants

Miami, Florida

Client: **CENTURYGDNS - Century Gardens Homeowners Association, Inc.**  
 Engagement: **12/31/19 Audit**  
 Period Ending: **12/31/2019**  
 Trial Balance: **2100.00 - CIRATB**

Account	Description	1st PP-Adj 12/31/2018	UNADJ 12/31/2019	JE Ref #	AJE	ADJ 12/31/2019
1010	Cash - Operating FCB	8,325.00	0.00			0.00
1011	Cash - FCB Operating II	205,280.00	274,684.00			274,684.00
1020	Cash - Reserves FCB	31,241.00	58,428.00			58,428.00
1040	Cash - FCB Capital Contributio	12,778.00	25,424.00			25,424.00
1055	CASH - FCB S/A	1,420.00	117,358.00			117,358.00
1200	Owner Assessments Receivable	41,704.00	42,100.00			42,100.00
1205	Allowance for Bad Debts	(21,997.00)	(21,997.00)			(21,997.00)
1215	Spec Assess Acc Receivables	(120.00)	25,322.00		(1,644.00)	23,678.00
				AJE - 2	(1,644.00)	
1610	Prepaid Insurance	3,881.00	3,844.00			3,844.00
1620	Prepaid Expenses	0.00	2,400.00			2,400.00
1850	Utility Deposits	6,134.00	6,134.00			6,134.00
2001	Accounts Payable	(266.00)	(23,466.00)		19,848.00	(3,618.00)
				AJE - 4	19,848.00	
2002	Accrued Expenses	(3,076.00)	(3,076.00)		(3,568.00)	(6,644.00)
				AJE - 5	(3,568.00)	
2003	Accrued expenses - Spec Assess	0.00	0.00		(19,848.00)	(19,848.00)
				AJE - 4	(19,848.00)	
2500	Prepaid Owner Assessments	(35,851.00)	(35,226.00)			(35,226.00)
2900	Special Assessment Collected	0.00	(334,404.00)		1,644.00	(332,760.00)
				AJE - 2	1,644.00	
2910	Special Assessment Spent	0.00	141,982.00			141,982.00
3040	Reserves	(26,760.00)	(53,520.00)			(53,520.00)
3700	Capital Contribution	(15,318.00)	(27,818.00)			(27,818.00)
3800	Retained Earnings	(235,185.00)	(207,358.00)		(17.00)	(207,375.00)
				AJE - 1	(17.00)	
40001	Owner Assessments	(856,320.00)	(856,320.00)			(856,320.00)
40002	Reserve Income	(26,760.00)	(26,760.00)			(26,760.00)
40005	Clubhouse Rental	(3,600.00)	(2,615.00)			(2,615.00)
40011	Late Fee Income	(15,663.00)	(30,561.00)			(30,561.00)
40015	Legal Fee Income	(539.00)	(527.00)			(527.00)
40030	Screening Fees	(8,529.00)	(9,844.00)			(9,844.00)
40055	Violation Fees	(1,000.00)	(100.00)			(100.00)
40060	Gate/Key Cards	(570.00)	(800.00)			(800.00)
40080	Interest Income	(463.00)	(850.00)			(850.00)
40090	Miscellaneous Income	(2,264.00)	(3,900.00)			(3,900.00)
50008	Accounting Fees	5,400.00	5,365.00			5,365.00
50010	Bad Debt	0.00	1,821.00			1,821.00
50011	Bank Charges	306.00	231.00			231.00
50045	Legal Fees	9,954.00	20,510.00			20,510.00
50047	Annual Corporate Report	123.00	0.00			0.00
50050	Licenses, Taxes, Permits	799.00	822.00			822.00
50055	Licenses, Taxes, Permits- Pool/Spa	0.00	61.00			61.00
50075	Office Supplies	2,202.00	785.00			785.00
50082	Screening Fees Expense	2,904.00	2,535.00			2,535.00
50083	Professional Fees	0.00	900.00			900.00
50085	Printing & Postage	1,916.00	1,786.00			1,786.00
50087	Miscellaneous Expenses	4,194.00	300.00		17.00	317.00
				AJE - 1	17.00	
50100	Screening Fees	(281.00)	688.00			688.00
52031	Property & Liability	11,289.00	12,028.00			12,028.00
52032	Umbrella Insurance	1,220.00	1,220.00			1,220.00
52035	Directors & Officers Insurance	1,836.00	1,836.00			1,836.00
52036	Fidelity Bond	285.00	329.00			329.00
52040	Insurance Finance Charges	0.00	140.00			140.00
54050	Electricity	47,055.00	51,062.00		3,568.00	54,630.00
				AJE - 5	3,568.00	
54070	Water & Sewer	407.00	998.00			998.00
60010	Alarm Services	114,790.00	114,790.00			114,790.00
60013	Cable Television	403,737.00	416,941.00			416,941.00
60062	Front Desk Service	12,600.00	16,250.00			16,250.00
60075	Janitorial Service	24,960.00	24,960.00			24,960.00
60090	Lawn Maintenance Contract	82,672.00	82,800.00			82,800.00
61000	Management Services	27,660.00	28,440.00			28,440.00
61010	Pest Control	250.00	0.00			0.00
61020	Pool Service Contract	5,490.00	5,990.00			5,990.00
61025	Pool Repairs	4,300.00	0.00			0.00
61045	Security Services	6,099.00	6,099.00			6,099.00
61046	Security Camera Monitoring	3,184.00	5,516.00			5,516.00
61050	Sprinklers Repair	480.00	0.00			0.00

Account	Description	1st PP-Adj 12/31/2018	UNADJ 12/31/2019	JE Ref #	AJE	ADJ 12/31/2019
61055	Trash Removal	670.00	125.00			125.00
61100	Bookeeping Service	26,400.00	26,400.00			26,400.00
70005	R&M Air Conditioning	279.00	0.00			0.00
70037	R&M Doors	7,833.00	0.00			0.00
70045	R&M Electrical	11,444.00	10,255.00			10,255.00
70048	Gym Equipment	352.00	2,681.00			2,681.00
70051	R&M Gym Supplies	0.00	910.00			910.00
70060	R&M General	53,585.00	26,023.00			26,023.00
70065	R&M Janitorial Supplies	2,523.00	542.00			542.00
70068	R&M Lighting	1,984.00	0.00			0.00
70074	Acces Carsd	0.00	2,220.00			2,220.00
70095	R&M Pool	3,642.00	1,547.00			1,547.00
70100	R&M-Fence	0.00	1,320.00			1,320.00
70105	Mulch/Soil Common	5,750.00	13,150.00			13,150.00
70135	Landscaping Extras	1,456.00	1,160.00			1,160.00
70138	Tree Trim/Replacement	18,850.00	5,170.00			20,970.00
				AJE - 3	15,800.00	
70150	Irrigation Maintenance	6,159.00	18,000.00		(15,800.00)	2,200.00
				AJE - 3	(15,800.00)	
80000	Reserve Transfer	26,760.00	26,760.00			26,760.00
<b>Total</b>		<b>0.00</b>	<b>0.00</b>		<b>0.00</b>	<b>0.00</b>
<b>Net (Income) Loss</b>		<b>27,810.00</b>	<b>9,189.00</b>		<b>3,585.00</b>	<b>12,774.00</b>

Client: **CENTURYGDNS - Century Gardens Homeowners Association, Inc.**  
 Engagement: **12/31/19 Audit**  
 Period Ending: **12/31/2019**  
 Trial Balance: **2100.00 - CIRATB**  
 Workpaper: **2200.01 - Adjusting Journal Entries Report**  
 Fund Level: **All**  
 Index: **All**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 1</b>				
		S-00		
To agree to PY fund balance				
50087	Miscellaneous Expenses		17.00	
3800	Retained Earnings			17.00
<b>Total</b>			<b>17.00</b>	<b>17.00</b>
<b>Adjusting Journal Entries JE # 2</b>				
		T-00		
To adjust S/A billed amount				
2900	Special Assessment Collected		1,644.00	
1215	Spec Assess Acc Receivables			1,644.00
<b>Total</b>			<b>1,644.00</b>	<b>1,644.00</b>
<b>Adjusting Journal Entries JE # 3</b>				
		XE-01		
PBC entry - To reclass certain Irrigation expenses to Tree trimming				
70138	Tree Trim/Replacement		15,800.00	
70150	Irrigation Maintenance			15,800.00
<b>Total</b>			<b>15,800.00</b>	<b>15,800.00</b>
<b>Adjusting Journal Entries JE # 4</b>				
		N-02		
To reclass S/A accrual out of Operating accruals				
2001	Accounts Payable		19,848.00	
2003	Accrued expenses - Spec Assess			19,848.00
<b>Total</b>			<b>19,848.00</b>	<b>19,848.00</b>
<b>Adjusting Journal Entries JE # 5</b>				
		N-00		
To accrue for 2019 Expenses resulting from the search for unrecorded liabilities				
54050	Electricity		3,568.00	
2002	Accrued Expenses			3,568.00
<b>Total</b>			<b>3,568.00</b>	<b>3,568.00</b>
	<b>Total Adjusting Journal Entries</b>		<b>40,877.00</b>	<b>40,877.00</b>
	<b>Total All Journal Entries</b>		<b>40,877.00</b>	<b>40,877.00</b>

# SOKOL & SOKOL

CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS CONSULTANTS

## **CENTURY GARDENS HOMEOWNERS ASSOCIATION, INC. (A Not-For-Profit Corporation)**

### **FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**



**CENTURY GARDENS HOMEOWNERS ASSOCIATION, INC.**  
(A Not-For-Profit Corporation)

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**Financial Statements**  
**December 31, 2019**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Century Gardens Homeowners Association, Inc.  
Miami, Florida

We have audited the accompanying financial statements of Century Gardens Homeowners Association, Inc. (a Not-For-Profit Corporation), which comprise the balance sheet as of December 31, 2019, and the related statements of revenues and 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.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Century Gardens Homeowners Association, Inc. as of December 31, 2019, 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.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### *Emphasis of Matter*

As discussed in Note 12 to the financial statements, the accompanying financial statements reflect the impact of the Association adopting ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

### *Future Major Repairs and Replacements*

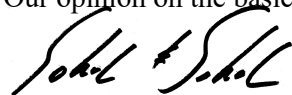
We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to this matter.

### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of operating expenses on page 14 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.

### *Required Supplementary Information*

Management has omitted the information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.



SOKOL & SOKOL  
Certified Public Accountants  
Miami, Florida

June 19, 2020

**CENTURY GARDENS HOMEOWNERS ASSOCIATION, INC.**  
(A Not-For-Profit Corporation)

**Balance Sheet**  
**December 31, 2019**

	Operating Fund	Future Major Repairs and Replacements Fund	Special Assessments Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 300,108	\$ 58,428	\$ 117,358	\$ 475,894
Assessments receivable, net of allowance for doubtful accounts of \$21,997	20,103	-	23,678	43,781
Prepaid expenses, principally insurance	6,244	-	-	6,244
Utility deposits	6,134	-	-	6,134
Due from (to) other fund	(64,682)	(4,908)	69,590	-
Total Assets	<u>\$ 267,907</u>	<u>\$ 53,520</u>	<u>\$ 210,626</u>	<u>\$ 532,053</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 10,262	\$ -	\$ 19,848	\$ 30,110
Assessments paid in advance	35,226	-	-	35,226
Deferred reserve revenue	-	53,520	-	53,520
Special assessment billed in excess of utilization	-	-	190,778	190,778
Total Liabilities	45,488	53,520	210,626	309,634
<b>Fund Balances</b>	222,419	-	-	222,419
Total Liabilities and Fund Balances	<u>\$ 267,907</u>	<u>\$ 53,520</u>	<u>\$ 210,626</u>	<u>\$ 532,053</u>

**CENTURY GARDENS HOMEOWNERS ASSOCIATION, INC.**  
(A Not-For-Profit Corporation)

**Statement of Revenues and Expenses and Changes in Fund Balances**  
**For the Year Ended December 31, 2019**

	Operating Fund	Future Major Repairs and Replacements Fund	Special Assessments Fund	Total
<b>REVENUES</b>				
Assessments	\$ 856,320	\$ -	\$ -	\$ 856,320
Special assessment revenue recognized	-	-	141,982	141,982
Clubhouse rental fees	2,615	-	-	2,615
Interest income	850	-	-	850
Late fees	30,561	-	-	30,561
Legal fees	527	-	-	527
Miscellaneous income	3,900	-	-	3,900
Screening fees	9,844	-	-	9,844
Other income	900	-	-	900
	<u>905,517</u>	<u>-</u>	<u>141,982</u>	<u>1,047,499</u>
Total Revenues				
<b>EXPENSES</b>				
Administrative and general (Schedule)	34,000	-	-	34,000
Bad debt	1,821	-	-	1,821
Contract services (Schedule)	728,311	-	-	728,311
Insurance	15,553	-	-	15,553
Repairs and maintenance (Schedule)	82,978	-	-	82,978
Special assessment expenditures	-	-	141,982	141,982
Utilities (Schedule)	55,628	-	-	55,628
	<u>918,291</u>	<u>-</u>	<u>141,982</u>	<u>1,060,273</u>
Total Expenses				
<b>Excess (Deficit) of Revenues over Expenses</b>	(12,774)	-	-	(12,774)
<b>Fund Balances - Beginning of Year</b>	222,693	-	-	222,693
Capital contributions	12,500	-	-	12,500
	<u>222,419</u>	<u>-</u>	<u>-</u>	<u>222,419</u>
<b>Fund Balances - End of Year</b>	<u>\$ 222,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,419</u>

**CENTURY GARDENS HOMEOWNERS ASSOCIATION, INC.**  
(A Not-For-Profit Corporation)

**Statement of Cash Flows**  
**For the Year Ended December 31, 2019**

	Operating Fund	Future Major Repairs and Replacements Fund	Special Assessments Fund	Total
<b>Cash Flows from Operating Activities</b>				
Assessments and related charges	\$ 853,478	\$ 26,760	\$ 309,082	\$ 1,189,320
Interest income	850	-	-	850
Late fees	30,561	-	-	30,561
Legal fees	527	-	-	527
Screening fees	9,844	-	-	9,844
Other income	7,415	-	-	7,415
Payments made for Association expenses	(911,913)	-	(122,254)	(1,034,167)
Net Cash Provided by (Used for) Operating Activities	(9,238)	26,760	186,828	204,350
<b>Cash Flows from Financing Activities</b>				
Net interfund borrowings	70,463	427	(70,890)	-
Capital contributions	12,500	-	-	12,500
Net Cash Provided by (Used for) Financing Activities	82,963	427	(70,890)	12,500
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	73,725	27,187	115,938	216,850
<b>Cash and Cash Equivalents - Beginning of Year</b>	226,383	31,241	1,420	259,044
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 300,108</u>	<u>\$ 58,428</u>	<u>\$ 117,358</u>	<u>\$ 475,894</u>

**CENTURY GARDENS HOMEOWNERS ASSOCIATION, INC.**  
(A Not-For-Profit Corporation)

**Statement of Cash Flows (Continued)**  
**For the Year Ended December 31, 2019**

	Operating Fund	Future Major Repairs and Replacements Fund	Special Assessments Fund	Total
<b>Reconciliation of Excess (Deficit) of Revenues over Expenses to Net Cash Provided by (Used for) Operating Activities</b>				
Excess (Deficit) of Revenues over Expenses	\$ (12,774)	\$ -	\$ -	\$ (12,774)
<b>Adjustments to Reconcile Excess (Deficit) of Revenues over Expenses to Net Cash Provided by (Used for) Operating Activities</b>				
(Increase) decrease in assets:				
Assessments receivable	(396)	-	(23,678)	(24,074)
Prepaid expenses, principally insurance	(2,363)	-	-	(2,363)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	6,920	-	19,728	26,648
Assessments paid in advance	(625)	-	-	(625)
Deferred reserve revenue	-	26,760	-	26,760
Special assessment billed in excess of utilization	-	-	190,778	190,778
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ (9,238)</b>	<b>\$ 26,760</b>	<b>\$ 186,828</b>	<b>\$ 204,350</b>

# CENTURY GARDENS HOMEOWNERS ASSOCIATION, INC.

(A Not-For-Profit Corporation)

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## Notes to Financial Statements For the Year Ended December 31, 2019

### NOTE 1 – ORGANIZATION

Century Gardens Homeowners Association, Inc. (the “Association”) was incorporated on July 16, 2007 as a not-for-profit corporation in the State of Florida for the purpose of operating and administering the common areas of a residential community in Miami, Florida. The Association is governed and operated subject to the terms and conditions of the Declaration for Century Gardens (the “Declaration”) as recorded on March 7, 2008 among the Public Records of Miami-Dade County, Florida, the By-Laws, and rules and regulations of the Association, and any amendments thereto. The Association is comprised of 466 residential units, of which 255 are townhouses and 211 are single family homes.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

**Financial Statements** – The accompanying financial statements were prepared pursuant to the requirements of Florida Statutes and in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation** – The Association uses the accrual basis of accounting. This method of accounting recognizes revenues when earned, regardless of when received, and expenditures when incurred, regardless of when paid.

Pursuant to FASB Topic 606, *Revenue from Contracts with Customers* (Note 12), assessment revenue 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 assessments are satisfied over time. 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 purposes. A deferred liability is recorded when the Association accumulates funds in advance of the satisfaction of the related performance obligation. A deferred asset is recorded when the funds are utilized in excess of billings.

**Fund Accounting** – The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements and other special purposes, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors. Disbursements from the replacements fund and special assessment fund generally may be made only for designated purposes.

**Maintenance Assessments** – Maintenance assessments are based upon a budget established by the Board of Directors. Assessments are levied against the unit owners for their proportionate share of common expenses and, if applicable, reserves for future major repairs and replacements. Assessments are payable monthly in advance. Special assessments may also be imposed from time to time as deemed appropriate by the Board of Directors.

**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 amount 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. Actual results could differ from those estimates.



**CENTURY GARDENS HOMEOWNERS ASSOCIATION, INC.**

(A Not-For-Profit Corporation)

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**Notes to Financial Statements (Continued)**

**For the Year Ended December 31, 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS  
(Continued)**

**Property and Equipment** – Common areas owned by the Association are reserved for the use of the owners and/or are required to be maintained as common areas under the Declaration and/or governmental restrictions; therefore, the sale of such common areas for revenue is remote. Accordingly, such common areas are not recorded in the financial records of the Association. The Association capitalizes, at cost, personal property to which it has title based on a threshold established by the Board of Directors.

**Cash and Cash Equivalents** – For purposes of the accompanying statement of cash flows, the Association considers demand deposit and money market accounts to be cash and cash equivalents

**Interest Earned** – The Association allocates interest earned by the future major repairs and replacements fund to the operating fund.

**NOTE 3 – DATE OF MANAGEMENT’S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 19, 2020, the date that the financial statements were available to be issued.

**NOTE 4 – INCOME TAXES**

The Association is subject to Federal and State taxation and has, on an annual basis, the choice to select from two methods to determine the amount of tax, if any, it must pay. Under one method, the excess of revenues over related expenses is subject to taxation unless such excess is returned to the unit owners or applied to the following year’s assessments. The other method enables the Association to elect to exclude from taxation “exempt function income,” which generally consists of revenue from unit owner assessments. Under either method, the Association may be subject to tax on investment income and other non-exempt income, but at different tax rates. At December 31, 2019, there are no income tax liabilities or uncertain tax positions.

**NOTE 5 – CAPITAL CONTRIBUTIONS**

The Declaration requires that each buyer contribute an amount equal to two months’ maintenance assessments at closing to be used as initial working capital by the Association. For the year ended December 31, 2019, the Association has received capital contributions totaling \$12,500 as reflected on the Statement of Revenues and Expenses and Changes in Fund Balances.

**CENTURY GARDENS HOMEOWNERS ASSOCIATION, INC.**

(A Not-For-Profit Corporation)

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**Notes to Financial Statements (Continued)**

**For the Year Ended December 31, 2019**

**NOTE 6 – ASSOCIATION INSURANCE DEDUCTIBLES**

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. The maximum deductible for which the Association could be responsible is 3% of the total insured value of the property. The Association has not set aside funds to cover the deductible. Accordingly, if such 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, utilize operating surplus, if any, or delay repairs and replacements until funds are available.

**NOTE 7 – CONCENTRATION OF CREDIT RISK**

Financial instruments, which potentially subject the Association to concentrations of credit risk, consist principally of cash and assessments receivable.

**FDIC Insurance** – The Association maintains cash in bank accounts at high credit quality financial institutions. The balance, at times, may exceed federally insured limits. The FDIC provides \$250,000 coverage per depositor, per insured bank. At December 31, 2019, the Association exceeded the insured limits by \$232,187. The Association has not incurred losses related to these funds.

**Assessments Receivable** – The Association's policy is to retain legal counsel and to enforce its liens on any unpaid assessments, including the taking of foreclosure action. The Association has made an assessment of uncollectible receivables and determined that an allowance for doubtful accounts of \$21,997 is required as of December 31, 2019.

**NOTE 8 – FUTURE MAJOR REPAIRS AND REPLACEMENTS FUND**

The Association is not obligated, by its documents, to establish and maintain adequate reserve funds in order to fund future major repairs and replacements of common area improvements ("reserves"). Additionally, Florida Statutes Section 720.303(6) provides that the Board is not obligated to include reserves in the budget unless the developer initially established reserves in the budget or where a majority of the entire membership approves having statutory reserves. If a majority of the entire membership does not approve statutory reserves, then the Board has the discretion to include reserve accounts in the budget each year and such reserves may be funded and used however the Board determines.

The reserves were not established by the developer or affirmatively approved by the membership. Accordingly, the Association is not subject to the reserve requirements of Florida Statutes Section 720.303(6).

THE BUDGET OF THE ASSOCIATION PROVIDES FOR LIMITED VOLUNTARY DEFERRED EXPENDITURE ACCOUNTS, INCLUDING CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE, SUBJECT TO LIMITS ON FUNDING CONTAINED IN OUR GOVERNING DOCUMENTS. BECAUSE THE OWNERS HAVE NOT ELECTED TO PROVIDE FOR RESERVE ACCOUNTS PURSUANT TO SECTION 720.303(6), FLORIDA STATUTES, THESE FUNDS ARE NOT SUBJECT TO THE RESTRICTIONS ON USE OF SUCH FUNDS SET FORTH IN THAT STATUTE, NOR ARE RESERVES CALCULATED IN ACCORDANCE WITH THAT STATUTE.

**CENTURY GARDENS HOMEOWNERS ASSOCIATION, INC.**  
(A Not-For-Profit Corporation)

**Notes to Financial Statements (Continued)**  
**For the Year Ended December 31, 2019**

**NOTE 8 – FUTURE MAJOR REPAIRS AND REPLACEMENTS FUND (Continued)**

The Association has not conducted a study to estimate the remaining useful lives and the replacement costs of the components of common property. However, the Board includes a general reserves line item in the Association’s annual budget. Therefore, amounts accumulated in the future major repairs and replacements 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 effect on future assessments has not been determined.

Reserve funds accumulated through assessments are presented on the Balance Sheet as Deferred reserve revenue. Interest earned and transfers, if any, are presented on the Balance Sheet as components of Fund Balance. An analysis of the activity in the future major repairs and replacement fund for the year ended December 31, 2019 follows:

Components of Deferred Reserve Revenue	Balance at 12/31/2018	Assessments Billed	Expenditures	Balance at 12/31/2019
General	\$ 26,760	\$ 26,760	\$ -	\$ 53,520
Total deferred reserve revenue	\$ 26,760	\$ 26,760	\$ -	\$ 53,520

**NOTE 9 – SPECIAL ASSESSMENTS**

On October 23, 2018 the Board of Directors approved two special assessments. The first special assessment, in the amount of \$26,760 applicable to all unit owners, is to fund the common area painting of the amenities and perimeter columns. The assessment for each of the 466 units is \$60. The special assessment was to be billed and paid in full by January 1, 2019. The second special assessment, in the amount of \$306,000 applicable to only townhouse unit owners, is to fund the painting of the townhouses. In accordance with the Declaration, it is the Association’s obligation to paint the townhouses. The assessment for each of the 255 units is \$1,200. The special assessment was to be billed and paid in twelve monthly installments from January 2019 to December 2019.

The activity in the special assessment fund as of December 31, 2019 consists of the following:

Special assessment 1 - Common area painting of the amenities and perimeter columns

Special assessment billed	\$ 26,760
Special assessment utilized	\$ -
Special assessment billed in excess (deficit) of utilization	\$ 26,760

**CENTURY GARDENS HOMEOWNERS ASSOCIATION, INC.**  
(A Not-For-Profit Corporation)

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**Notes to Financial Statements (Continued)**  
**For the Year Ended December 31, 2019**

**NOTE 9 – SPECIAL ASSESSMENTS (Continued)**

During the year ended December 31, 2019, the Association recognized special assessment revenues of \$141,982, to the extent of special assessment utilization.

Special assessment 2 - Painting of the townhouses

Special assessment billed	<u>\$ 306,000</u>
Special assessment utilized	<u>\$ 141,982</u>
Special assessment billed in excess (deficit) of utilization	<u><u>\$ 164,018</u></u>

**NOTE 10 – AGREEMENTS**

In the regular course of operations, the Association has entered into several agreements with third parties to provide services such as alarm, cable, janitorial, lawn maintenance, management, and others.

**NOTE 11 – SUBSEQUENT EVENT – COVID-19**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses causing loss of work and wages to individuals. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. This matter may negatively impact the Association's financial results as its members' willingness and ability to pay assessments becomes uncertain. However, the related financial impact and duration cannot be reasonably estimated at this time.

**NOTE 12 – FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION**

The Financial Accounting Standards Board (FASB) issued Accounting Standard Update 2014-09, *Revenue from Contracts with Customers*, Topic 606. This guidance requires the recognition of revenue when performance obligations are satisfied, in an amount that reflects the consideration to which the Association expects to be entitled.

The Association adopted the requirements of the new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning Fund balance. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities related to the future major repairs and replacements fund, as previously described.

**CENTURY GARDENS HOMEOWNERS ASSOCIATION, INC.**  
(A Not-For-Profit Corporation)

**Notes to Financial Statements (Continued)**  
**For the Year Ended December 31, 2019**

**NOTE 12 – FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION (Continued)**

The adoption of the new revenue recognition guidance resulted in the following change to Fund balance as of January 1, 2019:

Fund balance, as previously reported, at January 1, 2019	\$	249,453	
Adjustment		(26,760)	
Fund balance, as adjusted, at January 1, 2019	\$	222,693	

The modified retrospective method of transition requires the disclosure of the effect of applying the new guidance on each item included in the 2019 financial statements. Following are the line items from the Balance Sheet as of December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
<u>Liabilities:</u>			
Deferred reserve revenue	\$ -	\$ 53,520	\$ 53,520
Total liabilities	256,114	53,520	309,634
 <u>Fund Balance:</u>			
Ending fund balances	275,939	(53,520)	222,419

The following are the line items from the Statement of Revenues and Expenses and Changes in Fund Balances, and the Statement of Cash Flows for the year ended December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
<u>Statement of Revenues and</u>			
<u>Expenses and Changes in Fund Balances:</u>			
Assessments	\$ 883,080	\$ (26,760)	\$ 856,320
Excess (deficit) of revenues over expenses	13,986	(26,760)	(12,774)
 <u>Statement of Cash Flows:</u>			
Excess (deficit) of revenues over expenses	13,986	(26,760)	(12,774)
Increase (decrease) in deferred reserve assessments	-	26,760	26,760

**SUPPLEMENTARY INFORMATION**

**CENTURY GARDENS HOMEOWNERS ASSOCIATION, INC.**

(A Not-For-Profit Corporation)

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**Schedule of Operating Expenses  
For the Year Ended December 31, 2019**

**ADMINISTRATIVE AND GENERAL**

Accounting fees	\$	5,365
Bank charges		231
Legal fees		20,510
Licenses taxes and permits		883
Office expenses		1,102
Printing and postage		1,786
Professional fees		900
Screening fees		3,223
		<u>34,000</u>

**CONTRACT SERVICES**

Alarm	\$	114,790
Bookkeeping		26,400
Cable		416,941
Front desk		16,250
Janitorial		24,960
Lawn maintenance		82,800
Management		28,440
Pool and spa		5,990
Security		11,615
Trash		125
		<u>728,311</u>

**REPAIRS AND MAINTENANCE**

Access control	\$	2,220
Electrical		10,255
Fence		1,320
General		26,023
Gym		3,591
Irrigation		2,200
Janitorial supplies		542
Landscaping extras		14,310
Pool		1,547
Tree trimming		20,970
		<u>82,978</u>

**UTILITIES**

Electricity	\$	54,630
Water and sewer		998
		<u>55,628</u>