

CLUB ROYALE CONDOMINIUM ASSOCIATION, INC.

BOCA RATON, FLORIDA

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Club Royale Condominium Association, Inc.

Report on the Financial Statements

Opinion

I have audited the accompanying financial statements of Club Royale Condominium Association, Inc. which comprise the balance sheet as of December 31, 2022 and the related statements of revenues and expenses and changes in fund balance, and cash flows for the year then ended, and related notes to the financial statements.

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of Club Royale Condominium Association, Inc. as of December 31, 2022, 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Club Royale Condominium Association, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Effect of Adopting New Accounting Standard

As discussed in Note 1 to the financial statements, as of January 1, 2022, the Association adopted FASB ASC 842, Leases, the first applicable year which supersedes existing accounting standards for leases and requires associations to account for leases as either finance leases or operating leases and to recognize right-of-use lease assets and corresponding lease liabilities on the balance sheet for all leases with terms of 12 months or less. My opinion is not modified with respect to that matter.

CLUB ROYALE CONDOMINIUM ASSOCIATION, INC,

FINANCIAL STATEMENTS

DECEMBER 31, 2022

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Club Royale Condominium Association, Inc.

Balance Sheet

December 31, 2022

ASSETS	Operating Fund	Replacement Fund	Total
Cash and Cash Equivalents	\$ 170,291	\$ 472,173	\$ 642,464
Assessments Receivable	3,228	0	3,228
TOTAL ASSETS	173,519	472,173	645,692
LIABILITIES AND FUND BALANCE			
Accounts Payable	23,032	0	23,032
Assessments Paid in Advance	41,003	0	41,003
Other Liabilities	14,277	0	14,277
TOTAL LIABILITIES	78,312	0	78,312
Fund Balance	95,207	472,173	567,380
TOTAL LIABILITIES AND FUND BALANCE	173,519	472,173	645,692

The accompanying notes are an integral part of these financial statements.

Club Royale Condominium Association, Inc.			
Statement of Revenues and Expenses			
and Changes in Fund Balance			
For the year ended December 31, 2022			
	Operating	Replacement	
SUPPORT AND REVENUE	Fund	Fund	Total
Maintenance Assessments	883,613	98,179	981,792
Special Assessment	122,262	0	122,262
Interest Income	298	1,154	1,452
Other Income	3,173	0	3,173
TOTAL OWNERS SUPPORT AND REVENUE	1,009,346	99,333	1,108,679
OPERATING EXPENSES			
Administrative	379,386	0	379,386
Maintenance	206,500	0	206,500
Payroll	150,317	0	150,317
Utilities	263,793	0	263,793
Replacement Fund	0	89,911	89,911
TOTAL ASSOCIATION EXPENSES	999,996	89,911	1,089,907
EXCESS REVENUES OVER EXPENSES	9,350	9,422	18,772
BEGINNING FUND BALANCE	73,179	462,751	535,930
PRIOR PERIOD ADJUSTMENT	12,678	0	12,678
ENDING FUND BALANCE	<u>95,207</u>	<u>472,173</u>	<u>567,380</u>
The accompanying notes are an integral part of these financial statements.			

Club Royale Condominium Association, Inc.

Statement of Cash Flows

For the year ended December 31, 2022

Increase (Decrease) in Cash and Cash Equivalents

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Assessments from unit owners	1,002,812	98,179	1,100,991
Interest income	298	1,154	1,452
Other Income	3,173	0	3,173
Fund Expenses	-1,004,133	-89,911	-1,094,044
Prior Period Adjustment	12,678	0	12,678
Net cash provided (used) by operating activities:	14,828	9,422	24,250
Net increase (decrease) in cash and cash equivalents	14,828	9,422	24,250
Cash and cash equivalents, beginning of year	155,463	462,751	618,214
Cash and cash equivalents, end of year	170,291	472,173	642,464

The accompanying notes are an integral part of these financial statements.

Club Royale Condominium Association, Inc.			
Statement of Cash Flows			
For the year ended December 31, 2022			
<u>Increase (Decrease) in Cash and Cash Equivalents</u>			
Reconciliation of excess revenues over expenses to net cash provided by operating activities:			
	Operating Fund	Replacement Fund	Total
Excess Support and Revenue over (under) expenses	9,350	9,422	18,772
Adjustments to reconcile excess support and revenue over (under) expenses to net cash provided by operating activities:			
Prior Period Adjustment	12,678	0	12,678
(Increase) Decrease in:			
Accounts Receivable	-72	0	-72
Increase (Decrease) in:			
Accounts Payable	984	0	984
Assessments Paid in Advance	-2,991	0	-2,991
Other Liabilities	-5,121	0	-5,121
Total Adjustments	5,478	0	5,478
Net Cash provided (used) by operating activities	14,828	9,422	24,250
The accompanying notes are an integral part of these financial statements.			
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CLUB ROYALE CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The organization of the Association, accounting policies and methods of their application that significantly affect the financial position and results of operations are as follows:

THE ASSOCIATION. Club Royale Condominium Association, Inc. (The Association) is a statutory condominium association organized as a not-for-profit corporation in the State of Florida on November 20, 1981, for the purpose of maintaining the common area of the 168 condominium units.

BASIS OF ACCOUNTING. The Association prepares its financial statements on the accrual method of accounting. Under this method uncollected assessments are recorded as an asset. Assessments Paid in Advance represent payments received which are not due until the next fiscal period and are recorded as a liability.

FUND ACCOUNTING. The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for major repairs and replacements (reserve funds) be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors and manager. Disbursements from the replacement (reserve) fund generally may be made only for designated purposes.

COMMON AREA EQUIPMENT AND FURNISHINGS. Common area equipment and furnishings, additions and replacements are expenses in the period when acquired rather than being capitalized. Accordingly, depreciation of common area equipment and furnishings is not charged to expense. This is not deemed to be material to overall operating results.

STATEMENT OF CASH FLOWS. For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

CLUB ROYALE CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(con't.)**

ESTIMATES. The preparation of financial statements with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FAIR VALUE MEASUREMENT Under FASB ASC 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 or most advantageous market for the asset or 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 as of December 31, 2022; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2022.

ADOPTION OF FASB ASC 842- LEASES Effective January 1, 2022, the Association adopted FASB ASC 842, Leases. The Association determines if an arrangement contains a lease at inception on whether the Association has the right to control the asset during the contract period and other facts and circumstances. The Association elected the package of practical expedients permitted under this transition guidance with the new standard, which among other things, allowed it to carry forward the historical lease classification. The Association has elected the short-term lease practical expedient related to leases of various equipment which require that lease payments be expensed on a straight-line basis over the lease term. The adoption of FASB ASC 842 did not have a material impact on the Association's results of operations or cash flows.

CLUB ROYALE CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

2. CONCENTRATION OF CREDIT RISK

The Association places its cash with high quality financial institutions. At times, demand deposits have been in excess of FDIC insurance limits.

3. INCOME TAXES

The corporation generally is taxed only on nonmembership income. Income tax expense for the year ended December 31, 2022 is anticipated to be \$0.

4. FUTURE MAJOR REPAIRS AND REPLACEMENTS

Future major repairs and replacements (reserves) required by the Florida Statutes are common expenses and must be fully funded unless properly waived or reduced. In addition to reserve accounts for roof replacement, building painting and pavement resurfacing, the Association is required to establish and maintain reserves, unless waived or reduced as noted previously, for all capital expenditure and deferred maintenance items in excess of \$10,000.

The Board is funding major repairs and replacements using the pooled funding method. Funds allocated for 2023 will be \$135,492. If additional funds are needed the Association has the right, subject to membership approval, to increase regular assessments, pass a special assessment or delay the repair or replacement pending availability of funds.

Club Royale Condominium Association, Inc.			
Schedule of Operating Fund Revenues and Expenses			
<u>For the year ended December 31, 2022</u>			
	Actual	Budget (Unaudited)	Variance (Unaudited)
OWNERS SUPPORT AND REVENUE			
Assessments from unit owners	883,613	883,613	0
Special Assessment	122,262	0	122,262
Interest Income	298	0	298
Other Income	3,173	0	3,173
TOTAL OWNERS SUPPORT AND REVENUE	1,009,346	883,613	125,733
ADMINISTRATION			
Boca Del Mar Improvements	22,680	23,000	320
Insurance	342,169	208,150	-134,019
Legal	1,690	1,500	-190
Office	6,947	6,000	-947
Postage	700	1,000	300
Accounting	5,200	3,600	-1,600
	379,386	243,250	-136,136
MAINTENANCE			
Exterminator	23,167	20,000	-3,167
Fire Alarm	14,902	10,000	-4,902
Building Maintenance Supplies	37,610	60,000	22,390
Elevator	4,350	2,500	-1,850
Generator	4,426	4,500	74
Irrigation	7,334	5,500	-1,834
Landscaping	55,451	65,000	9,549
Pool	7,281	8,500	1,219
Cleaning Service	42,606	43,000	394
Miscellaneous	9,373	8,000	-1,373
	206,500	227,000	20,500
PAYROLL			
Maintenance	49,776	50,000	224
Office Salaries	84,739	83,000	-1,739
Payroll Taxes	13,012	11,000	-2,012
Payroll Expenses	2,790	2,500	-290
	150,317	146,500	-3,817
UTILITIES			
Cable Television	109,893	109,400	-493
Disposal	5,362	7,700	2,338
Electric	38,360	32,000	-6,360
Water and Sewer	94,042	100,000	5,958
Telephone	16,136	15,000	-1,136
	263,793	264,100	307
TOTAL EXPENSES	999,996	880,850	-119,146
EXCESS OWNERS SUPPORT AND REVENUE OVER (UNDER) ASSOCIATION EXPENSES	9,350	2,763	6,587

Club Royale Condominium Association, Inc.

Schedule of Changes in Replacement Fund Balances

For the year ended December 31, 2022

	Balance 12/31/21	Additions to Fund	Charges to Fund	Balance 12/31/22
COMMON AREA COMPONENT				
Pooled Reserve Allocation	435,239	98,179	89,911	443,507
Unallocated Interest	27,512	1,154	0	28,666
TOTALS	462,751	99,333	89,911	472,173

