

Whitley Bay Condominium Association, Inc.

Financial Statements and
Supplementary Information

December 31, 2016

Cole & Associates, LLC

Certified Public Accountants

Cole & Associates, LLC

Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Whitley Bay Condominium Association, Inc.

To the Board of Directors:

We have reviewed the accompanying financial statements of Whitley Bay Condominium Association, Inc., which comprise the balance sheet as of December 31, 2016 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion on the Financial Statements

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 12 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, 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. Such information is the responsibility of management. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

Supplementary Information

The accompanying supplementary comparison schedules on pages 13 - 14 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management. We have not audited or reviewed such information and do not express an opinion, a conclusion, nor provide any assurance on it.

A handwritten signature in black ink that reads "Cole & Associates, LLC". The signature is written in a cursive, flowing style.

Cole & Associates, CPA, LLC
Certified Public Accountants
March 1, 2017

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2016

	Operating Fund	Replacement Fund	Total
ASSETS:			
Cash	\$ 119,983	\$ 105,650	\$ 225,633
Prepaid expenses	8,714	-	8,714
Investments in CD's	-	186,959	186,959
Other assets	1,717	-	1,717
TOTAL ASSETS	<u>\$ 130,414</u>	<u>\$ 292,609</u>	<u>\$ 423,023</u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 17,533	\$ -	\$ 17,533
Prepaid assessments	29,571	-	29,571
TOTAL LIABILITIES	47,104	-	47,104
FUND BALANCE	<u>83,310</u>	<u>292,609</u>	<u>375,919</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 130,414</u>	<u>\$ 292,609</u>	<u>\$ 423,023</u>

See accompanying notes and accountant's review report.

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Operating Fund	Replacement Fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUE:			
Assessment income	\$ 425,676	\$ 50,484	\$ 476,160
Special assessment	38,400	-	38,400
Insurance reimbursement	8,659	-	8,659
Interest income	92	1,983	2,075
Other income	1,220	-	1,220
	<u>474,047</u>	<u>52,467</u>	<u>526,514</u>
TOTAL REVENUE			
EXPENDITURES:			
Accounting & legal	2,050	-	2,050
Building repairs & maintenance	23,797	-	23,797
Clubhouse maintenance	433	-	433
Contract grounds maintenance	5,340	-	5,340
Elevator repairs & maintenance	17,838	-	17,838
Insurance	49,513	-	49,513
Janitorial	2,106	-	2,106
Licenses, permits & taxes	837	-	837
Management fees	12,476	-	12,476
Office & other expenses	15,091	-	15,091
Other grounds maintenance	7,485	-	7,485
Other pool maintenance	14,548	-	14,548
Payroll expense	88,530	-	88,530
Pest control	1,908	-	1,908
Recreation repairs & maintenance	38,486	-	38,486
Safety & security	14,122	-	14,122
Storm expenses	730	-	730
Trash removal	15,930	-	15,930
Utilities	167,658	-	167,658
Vehicle expense	540	-	540
Reserve expenditures	-	120,371	120,371
	<u>479,418</u>	<u>120,371</u>	<u>599,789</u>
TOTAL EXPENDITURES			
EXPENDITURES IN EXCESS OF REVENUE	(5,371)	(67,904)	(73,275)
BEGINNING FUND BALANCE	<u>88,681</u>	<u>360,513</u>	<u>449,194</u>
ENDING FUND BALANCE	<u>\$ 83,310</u>	<u>\$ 292,609</u>	<u>\$ 375,919</u>

See accompanying notes and accountant's review report.

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Operating Fund	Replacement Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Assessment fees collected	\$ 442,902	\$ 50,484
Special assessment	38,400	-
Insurance reimbursement	8,659	-
Interest received	92	1,983
Other income	1,220	-
Cash paid for operating expenses	(479,552)	-
Replacement expenses paid	-	(120,371)
Net cash provided (used) by operating activities	11,721	(67,904)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase/sale of CD's	-	(100,000)
Reinvested interest/dividends	-	(1,563)
Net cash provided (used) by investing activities:	-	(101,563)
NET CHANGE IN CASH	11,721	(169,467)
CASH AND CASH EQUIVALENTS - Beginning of Year	108,262	275,117
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 119,983</u>	<u>\$ 105,650</u>

See accompanying notes and accountant's review report.

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Operating Fund	Replacement Fund
	<u> </u>	<u> </u>
RECONCILIATION OF NET EXPENDITURES OVER REVENUES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Excess of expenditures over revenues	\$ (5,371)	\$ (67,904)
Adjustment to reconcile net expenditures over revenues to net cash provided by operating activities:		
(Increase) decrease in:		
Assessments receivable	611	-
Prepaid expenses	(2,287)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	2,153	-
Prepaid assessments	16,615	-
Net cash provided (used) by operating activities:	<u>11,721</u>	<u>(67,904)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase/sale of CD's	-	(100,000)
Reinvested interest/dividends	-	(1,563)
Net cash provided (used) by investing activities:	<u>-</u>	<u>(101,563)</u>
NET CHANGE IN CASH	<u>11,721</u>	<u>(169,467)</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>108,262</u>	<u>275,117</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 119,983</u>	<u>\$ 105,650</u>

See accompanying notes and accountant's review report.

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Whitley Bay Condominium Association, Inc. (the "Association") is incorporated in the State of Florida. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 64 residential units located in Brevard County, Florida.

Financial Statements

The accompanying financial statements were prepared pursuant to the requirements of Florida Statutes and the American Institute of Certified Public Accountants.

Fund Accounting

The Association presents its financial statements on the accrual basis using fund accounting. The financial statements are therefore segregated into funds based upon different funding policies established for operating and capital expenditures.

The Operating Fund reflects the maintenance assessments paid by unit owners to meet the regular, recurring costs of operations. Expenditures from this fund are limited to those connected with daily operations.

The Replacement Fund is composed of capital assessments paid by unit owners to fund future replacements and major repairs. Expenditures from this fund are typically restricted to those items for which assessments were specifically collected. Interest earned on replacement funds remains in the Replacement Fund and may only be expended for components previously funded.

Revenue Recognition

Regular assessments to members are recognized as revenue during the period for which they are assessed. Assessments received in advance of this period are reported as prepaid assessments on the balance sheet.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

See independent accountants' review report.

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real and Common Area Property

The Association capitalizes all property and equipment to which it holds title or has other evidence of ownership. Real and common area property acquired from the developer is not capitalized in the Association's financial statements, as it is owned by the individual unit owners in common and not by the Association. As a result, improvements made to the real property and common areas are expensed as incurred.

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 expenditures during the reporting period. Actual results could differ from those estimates.

Concentrations of Risk

The Association maintains cash balances at several banks. Deposits at banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2016, the uninsured portion of cash balances is \$0.

The Association has obtained insurance coverage for damages covered by windstorm. The Association would be responsible for losses up to the amount of the deductible and has the right to increase regular assessments, levy a special assessment or delay repairs until adequate funds are available.

Commitments and Contingency

The Association has entered into various short-term contractual agreements with outside vendors and service providers to maintain its common property and to administer the Association. These contracts have different expiration dates and renewal terms.

Subsequent Events

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date that the financial statements were issued.

The Association had hurricane damages occur during 2016 and is still in negotiations, at the time of this report, with the insurance agency to determine the amount of insurance proceeds. There will be a special assessment in 2017 for roof repairs, but the amount is not determined at this time.

See independent accountants' review report.

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 2: RESERVE FOR MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, as well as Florida Statutes, require funds to be accumulated for future major repairs and replacements. The funds are segregated and are not generally available for expenditures for normal operations.

Florida statutes require disclosure of the amount of annual funding required to fully fund each reserve account over the remaining useful life of the applicable assets. This calculation is presented in the Supplementary Information on Future Repairs and Replacements based upon estimates of replacement values and remaining lives as discussed below.

The estimated required annual funding per this calculation was \$104,244. However, at a duly called meeting, Association membership voted to fund for future repairs and replacements at a reduced amount of \$50,484 for the year ended December 31, 2016.

In the fall of 2016, the Association estimated the remaining useful lives and current replacement costs of common property components. Estimates were based on professional judgment, which may include contractor estimates for major components. The Association is funding for major repairs and replacements over the remaining useful lives, and considering amounts previously accumulated in the replacement fund.

Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 2: RESERVE FOR MAJOR REPAIRS AND REPLACEMENTS (Continued)

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

COMPONENT	BALANCE 12/31/15	FUNDING DURING YEAR	INTEREST & OTHER INCOME	CHARGES TO FUND	BALANCE 12/31/16
Roofing	\$ 62,035	\$ 10,212	\$ -	\$ -	\$ 72,247
Painting	64,282	12,624	-	(65,331)	11,575
Paving	4,140	480	-	-	4,620
Elevators	44,840	3,552	-	(3,418)	44,974
Mechanical & electrical	57,578	7,788	-	-	65,366
Pool & spa	12,626	3,684	-	(2,516)	13,794
Furniture & fixtures	26,448	4,968	-	-	31,416
Building	71,497	2,232	-	(49,106)	24,623
Marina walkway	4,824	852	-	-	5,676
Entrance pavers	8,616	4,092	-	-	12,708
Unallocated interest	3,627	-	1,983	-	5,610
TOTAL	\$ 360,513	\$ 50,484	\$ 1,983	\$ (120,371)	\$ 292,609

NOTE 3: MEMBER ASSESSMENTS

Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Association expenses are allocated on a pro-rata basis per unit (1/64). Assessments receivable at the balance sheet date represent fees due from unit owners. It is the Association's policy to retain legal counsel and place liens on the property of delinquent homeowners. Assessments that have been deemed to be uncollectible as of the report date have been charged to bad debts. The allowance for uncollectible accounts is \$0 on December 31, 2016.

NOTE 4: INCOME TAXES

Associations may be taxed as homeowners' associations or as regular corporations. In 2016, the Association elected to be taxed as a homeowners' association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, net of directly related expenses, at a rate of 30%. Income tax expense was \$0 for the year then ended.

See independent accountants' review report.

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

NOTE 5: SPECIAL ASSESSMENT

The board of directors declared a special assessment for 2016 of \$600 per unit for a total of \$38,400 to fund painting. In 2016, \$38,400 of the assessment was expended with the balance of \$0 to be expended in 2017.

	Income	Spent in 2016	Balance to be spent
Painting	\$38,400	\$38,400	-

See independent accountants' review report.

SUPPLEMENTAL INFORMATION

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)**

DECEMBER 31, 2016

In the fall of 2016, the Association estimated the remaining useful lives and current replacement costs of common property components. Estimates were based upon professional judgment, which may include contractor estimates for major components. Florida statutes require disclosure of the amount of the annual funding required to fully fund each reserve account over the remaining useful life of the applicable asset.

The following is based on the estimate and presents significant information about the components of common property:

COMPONENT	ESTIMATED REMAINING USEFUL LIFE (YEARS)	ESTIMATED CURRENT REPLACEMENT COST	REPAIRS / REPLACEMENTS DECEMBER 31, 2016	2017 STATUTORY FUNDING REQUIRED
Roofing	-	\$ 292,989	\$ 72,247	\$ 20,424
Painting	2	169,000	11,575	78,713
Paving	3	8,080	4,620	1,153
Elevators	18	181,800	44,974	7,601
Mechanical & electrical	19	372,800	65,366	16,181
Pool & spa	-	20,200	13,794	-
Furniture & fixtures	2	50,000	31,416	9,292
Building	6	10,000	24,623	-
Marina walkway	5	15,150	5,676	1,895
Entrance pavers	1	25,200	12,708	12,492
Unallocated interest	-	-	5,610	-
TOTAL		<u><u>\$ 1,145,219</u></u>	<u><u>\$ 292,609</u></u>	<u><u>\$ 147,751</u></u>

See independent accountant's report.

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

**SUPPLEMENTARY INFORMATION - STATEMENT OF REVENUES AND EXPENDITURES
ACTUAL TO BUDGET (UNAUDITED)**

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
REVENUE:			
Assessment income	\$ 476,160	\$ 476,160	\$ -
Special assessment	38,400	-	38,400
Insurance reimbursement	8,659	-	8,659
Interest income	92	120	(28)
Other income	<u>1,220</u>	<u>180</u>	<u>1,040</u>
TOTAL REVENUE	<u>524,531</u>	<u>476,460</u>	<u>48,071</u>
EXPENDITURES:			
Accounting & legal	2,050	2,460	(410)
Building repairs & maintenance	23,797	14,604	9,193
Clubhouse maintenance	433	780	(347)
Contract grounds maintenance	5,340	5,700	(360)
Elevator repairs & maintenance	17,838	14,736	3,102
Insurance	49,513	59,268	(9,755)
Janitorial	2,106	1,560	546
Licenses, permits & taxes	837	900	(63)
Management fees	12,476	11,976	500
Office & other expenses	15,091	8,964	6,127
Other grounds maintenance	7,485	4,620	2,865
Other pool maintenance	14,548	10,116	4,432
Payroll expense	88,530	84,324	4,206
Pest control	1,908	1,908	-
Recreation repairs & maintenance	38,486	-	38,486
Safety & security	14,122	11,100	3,022
Storm expenses	730	-	730
Trash removal	15,930	15,504	426
Utilities	167,658	176,916	(9,258)
Vehicle expense	540	540	-
Reserve funding	<u>50,484</u>	<u>50,484</u>	<u>-</u>
TOTAL EXPENDITURES	<u>529,902</u>	<u>476,460</u>	<u>53,442</u>
EXPENDITURES IN EXCESS OF REVENUE	<u>\$ (5,371)</u>	<u>\$ -</u>	<u>\$ (5,371)</u>

See independent accountant's report.

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

**SUPPLEMENTARY INFORMATION - STATEMENT OF REVENUES AND EXPENDITURES
ACTUAL TO PRIOR YEAR (UNAUDITED)**

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>	<u>2015</u>	<u>Variance</u>
REVENUE:			
Assessment income	\$ 476,160	\$ 469,248	\$ 6,912
Special assessment	38,400	-	38,400
Insurance reimbursement	8,659	-	8,659
Interest income	92	108	(16)
Other income	<u>1,220</u>	<u>525</u>	<u>695</u>
TOTAL REVENUE	<u>524,531</u>	<u>469,881</u>	<u>54,650</u>
EXPENDITURES:			
Accounting & legal	2,050	1,890	160
Building repairs & maintenance	23,797	22,611	1,186
Clubhouse maintenance	433	403	30
Consulting	-	1,500	(1,500)
Contract grounds maintenance	5,340	5,700	(360)
Elevator repairs & maintenance	17,838	14,070	3,768
Insurance	49,513	59,269	(9,756)
Irrigation repair	-	330	(330)
Janitorial	2,106	-	2,106
Licenses, permits & taxes	837	537	300
Management fees	12,476	11,970	506
Office & other expenses	15,091	7,179	7,912
Other grounds maintenance	7,485	9,508	(2,023)
Other pool maintenance	14,548	13,364	1,184
Payroll expense	88,530	86,848	1,682
Pest control	1,908	1,538	370
Recreation repairs & maintenance	38,486	-	38,486
Safety & security	14,122	11,525	2,597
Storm expenses	730	-	730
Trash removal	15,930	16,555	(625)
Utilities	167,658	171,983	(4,325)
Vehicle expense	540	-	540
Reserve funding	<u>50,484</u>	<u>47,472</u>	<u>3,012</u>
TOTAL EXPENDITURES	<u>529,902</u>	<u>484,252</u>	<u>45,650</u>
EXPENDITURES IN EXCESS OF REVENUE	<u>\$ (5,371)</u>	<u>\$ (14,371)</u>	<u>\$ 9,000</u>

See independent accountant's report.