

Whitley Bay Condominium Association, Inc.

Financial Statements and
Supplementary Information

December 31, 2017

Cole & Associates, LLC

Certified Public Accountants

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of
Whitley Bay Condominium Association, Inc.

We have audited the accompanying financial statements of Whitley Bay Condominium Association, Inc., which comprise the balance sheet as of December 31, 2017, and the related statements of revenues, expenditures, 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 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 Whitley Bay Condominium Association, Inc. as of December 31, 2017, 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 11 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting and 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.

Disclaimer of Opinion on Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Comparison Statements of Operating Fund Revenues and Expenditures on pages 12 and 13, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Cole & Associates, CPA, LLC
Certified Public Accountants
July 12, 2018

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2017

	Operating Fund	Replacement Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash	\$ 106,855	\$ 122,104	\$ 228,959
Assessments receivable (Note 3)	642	-	642
Other receivables	2,000	-	2,000
Prepaid expenses	9,236	-	9,236
Investments in CD's	-	163,196	163,196
Other assets	1,717	-	1,717
TOTAL ASSETS	<u>\$ 120,450</u>	<u>\$ 285,300</u>	<u>\$ 405,750</u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 21,482	\$ -	\$ 21,482
Income tax payable	182	-	182
Prepaid assessments	8,278	-	8,278
TOTAL LIABILITIES	29,942	-	29,942
FUND BALANCE	<u>90,508</u>	<u>285,300</u>	<u>375,808</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 120,450</u>	<u>\$ 285,300</u>	<u>\$ 405,750</u>

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

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Replacement Fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUE:			
Assessment income	\$ 431,232	\$ 52,608	\$ 483,840
Special assessment (Note 5)	518,400	-	518,400
Insurance reimbursement	153,410	-	153,410
Interest income	1,969	2,153	4,122
Other income	<u>926</u>	<u>-</u>	<u>926</u>
TOTAL REVENUE	<u>1,105,937</u>	<u>54,761</u>	<u>1,160,698</u>
 EXPENDITURES:			
Accounting & legal	4,430	-	4,430
Building repairs & maintenance	10,061	-	10,061
Consulting	200	-	200
Contract grounds maintenance	5,700	-	5,700
Elevator repairs & maintenance	14,499	-	14,499
Employee benefits	5,886	-	5,886
Income tax expense	382	-	382
Insurance	53,923	-	53,923
Irrigation repair	729	-	729
Janitorial	13,988	-	13,988
Licenses, permits & taxes	838	-	838
Management fees	11,976	-	11,976
Office & other expenses	7,876	-	7,876
Other grounds maintenance	15,320	-	15,320
Other pool maintenance	15,113	-	15,113
Payroll expense	55,916	-	55,916
Pest control	1,163	-	1,163
Recreation repairs & maintenance	572	-	572
Safety & security	10,130	-	10,130
Storm expenses	673,726	-	673,726
Trash removal	16,126	-	16,126
Utilities	180,185	-	180,185
Reserve expenditures	<u>-</u>	<u>62,070</u>	<u>62,070</u>
TOTAL EXPENDITURES	<u>1,098,739</u>	<u>62,070</u>	<u>1,160,809</u>
REVENUE IN EXCESS OF EXPENDITURES	7,198	(7,309)	(111)
BEGINNING FUND BALANCE	<u>83,310</u>	<u>292,609</u>	<u>375,919</u>
ENDING FUND BALANCE	<u>\$ 90,508</u>	<u>\$ 285,300</u>	<u>\$ 375,808</u>

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

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Replacement Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Assessment fees collected	\$ 409,297	\$ 52,608
Special assessment (Note 5)	518,400	-
Insurance reimbursement	153,410	-
Interest received	1,969	2,153
Other income	(1,074)	-
Cash paid for operating expenses	(1,095,130)	-
Replacement expenses paid	-	(62,070)
Net cash provided (used) by operating activities	(13,128)	(7,309)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase/sale of CD's	-	25,282
Reinvested interest/dividends	-	(1,519)
Net cash provided (used) by investing activities:	-	23,763
NET CHANGE IN CASH	(13,128)	16,454
CASH AND CASH EQUIVALENTS - Beginning of Year	119,983	105,650
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 106,855</u>	<u>\$ 122,104</u>

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

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Operating Fund</u>	<u>Replacement Fund</u>
RECONCILIATION OF NET REVENUES OVER EXPENDITURES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Excess of revenues over expenditures	\$ 7,198	\$ (7,309)
Adjustment to reconcile net revenues over expenditures to net cash provided by operating activities:		
(Increase) decrease in:		
Assessments receivable	(642)	-
Other receivables	(2,000)	-
Prepaid expenses	(522)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	3,949	-
Income tax payable	182	-
Prepaid assessments	(21,293)	-
Net cash provided (used) by operating activities:	<u>(13,128)</u>	<u>(7,309)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase/sale of CD's	-	25,282
Reinvested interest/dividends	-	(1,519)
Net cash provided (used) by investing activities:	-	<u>23,763</u>
NET CHANGE IN CASH	<u>(13,128)</u>	<u>16,454</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>119,983</u>	<u>105,650</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 106,855</u>	<u>\$ 122,104</u>
SUPPLEMENTAL DISCLOSURES		
Income tax paid	<u>\$ 200</u>	

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

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 auditor's report.

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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, 2017, 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.

See independent auditor's report.

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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.

In the fall of 2017, 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.

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

COMPONENT	BALANCE 12/31/16	FUNDING DURING YEAR	INTEREST & OTHER INCOME	CHARGES TO FUND	BALANCE 12/31/17
Roofing	\$ 72,247	\$ 13,464	\$ -	\$ (33,785)	\$ 51,926
Painting	11,575	6,168	-	(85)	17,658
Paving	4,620	840	-	-	5,460
Elevators	44,974	3,972	-	-	48,946
Mechanical & electrical	65,366	8,436	-	(18,350)	55,452
Pool & spa	13,794	3,120	-	(8,775)	8,139
Furniture & fixtures	31,416	4,656	-	-	36,072
Building	24,623	7,680	-	(1,075)	31,228
Marina walkway	5,676	1,200	-	-	6,876
Entrance pavers	12,708	3,072	-	-	15,780
Unallocated interest	5,610	-	2,153	-	7,763
TOTAL	<u>\$ 292,609</u>	<u>\$ 52,608</u>	<u>\$ 2,153</u>	<u>\$ (62,070)</u>	<u>\$ 285,300</u>

See independent auditor's report.

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

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 \$0.00 on December 31, 2017.

NOTE 4: INCOME TAXES

Associations may be taxed as homeowners' associations or as regular corporations. In 2017, 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 \$382 for the year then ended.

NOTE 5: SPECIAL ASSESSMENT

The board of directors declared a special assessment for 2017 of \$8,100 per unit for a total of \$518,400 to fund roof replacements. The special assessment was due in two equal installments on June 15 and July 16. In 2017, the total special assessment of \$518,400 was expended.

SUPPLEMENTAL INFORMATION

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

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

DECEMBER 31, 2017

In the fall of 2017, 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, 2017	2018 STATUTORY FUNDING REQUIRED
Roofing	6 - 49	\$ 752,088	\$ 51,926	\$ 13,812
Painting	2	169,000	17,658	75,671
Paving	2	8,080	5,460	1,310
Elevators	17	181,800	48,946	7,815
Mechanical & electrical	18	372,800	55,452	17,630
Pool & spa	10	20,200	8,139	1,206
Furniture & fixtures	1	50,000	36,072	13,928
Building	5	10,000	31,228	-
Marina walkway	4	15,150	6,876	2,069
Entrance pavers	-	25,200	15,780	9,420
Unallocated interest	-	-	7,763	-
TOTAL		<u><u>\$ 1,604,318</u></u>	<u><u>\$ 285,300</u></u>	<u><u>\$ 142,861</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, 2017

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
REVENUE:			
Assessment income	\$ 483,840	\$ 483,840	\$ -
Special assessment (Note 5)	518,400	-	518,400
Insurance reimbursement	153,410	-	153,410
Interest income	1,969	84	1,885
Other income	<u>926</u>	<u>180</u>	<u>746</u>
TOTAL REVENUE	<u>1,158,545</u>	<u>484,104</u>	<u>674,441</u>
EXPENDITURES:			
Accounting & legal	4,430	2,460	1,970
Building repairs & maintenance	10,061	9,144	917
Consulting	200	504	(304)
Contract grounds maintenance	5,700	5,700	-
Elevator repairs & maintenance	14,499	14,736	(237)
Employee benefits	5,886	2,700	3,186
Income tax expense	382	-	382
Insurance	53,923	54,372	(449)
Irrigation repair	729	360	369
Janitorial	13,988	1,560	12,428
Licenses, permits & taxes	838	900	(62)
Management fees	11,976	11,976	-
Office & other expenses	7,876	6,924	952
Other grounds maintenance	15,320	12,720	2,600
Other pool maintenance	15,113	13,092	2,021
Payroll expense	55,916	86,184	(30,268)
Pest control	1,163	1,908	(745)
Recreation repairs & maintenance	572	780	(208)
Safety & security	10,130	10,968	(838)
Storm expenses	673,726	-	673,726
Trash removal	16,126	14,640	1,486
Utilities	180,185	179,868	317
Reserve funding	<u>52,608</u>	<u>52,608</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,151,347</u>	<u>484,104</u>	<u>667,243</u>
REVENUE IN EXCESS OF EXPENDITURES	<u>\$ 7,198</u>	<u>\$ -</u>	<u>\$ 7,198</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, 2017

	<u>2017</u>	<u>2016</u>	<u>Variance</u>
REVENUE:			
Assessment income	\$ 483,840	\$ 476,160	\$ 7,680
Special assessment (Note 5)	518,400	38,400	480,000
Insurance reimbursement	153,410	8,659	144,751
Interest income	1,969	92	1,877
Other income	<u>926</u>	<u>1,220</u>	<u>(294)</u>
TOTAL REVENUE	<u>1,158,545</u>	<u>524,531</u>	<u>634,014</u>
EXPENDITURES:			
Accounting & legal	4,430	2,050	2,380
Building repairs & maintenance	10,061	23,797	(13,736)
Clubhouse maintenance	-	433	(433)
Consulting	200	-	200
Contract grounds maintenance	5,700	5,340	360
Elevator repairs & maintenance	14,499	17,838	(3,339)
Employee benefits	5,886	-	5,886
Income tax expense	382	-	382
Insurance	53,923	49,513	4,410
Irrigation repair	729	-	729
Janitorial	13,988	2,106	11,882
Licenses, permits & taxes	838	837	1
Management fees	11,976	12,476	(500)
Office & other expenses	7,876	15,091	(7,215)
Other grounds maintenance	15,320	7,485	7,835
Other pool maintenance	15,113	14,548	565
Payroll expense	55,916	88,530	(32,614)
Pest control	1,163	1,908	(745)
Recreation repairs & maintenance	572	38,486	(37,914)
Safety & security	10,130	14,122	(3,992)
Storm expenses	673,726	730	672,996
Trash removal	16,126	15,930	196
Utilities	180,185	167,658	12,527
Vehicle expense	-	540	(540)
Reserve funding	<u>52,608</u>	<u>50,484</u>	<u>2,124</u>
TOTAL EXPENDITURES	<u>1,151,347</u>	<u>529,902</u>	<u>621,445</u>
REVENUE IN EXCESS OF EXPENDITURES	<u>\$ 7,198</u>	<u>\$ (5,371)</u>	<u>\$ 12,569</u>

See independent accountant's report.