

Whitley Bay Condominium Association, Inc.

Financial Statements and
Supplementary Information

December 31, 2018

Cole & Associates, LLC

Certified Public Accountants

Cole & Associates, LLC

Certified Public Accountants

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INDEPENDENT ACCOUNTANT'S 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 December 31, 2018 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 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, which 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. 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 12 - 13 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 compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We have not audited or reviewed the supplementary information and we 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
October 3, 2019

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2018

| | Operating Fund | Replacement Fund | Total |
|---|-------------------|---------------------|-------------------|
| ASSETS: | | | |
| Cash | \$ 114,880 | \$ 136,113 | \$ 250,993 |
| Assessments receivable (Note 3) | 1,890 | - | 1,890 |
| Prepaid expenses | 4,172 | - | 4,172 |
| Prepaid income tax | 700 | - | 700 |
| Investments in CD's | - | 164,896 | 164,896 |
| Other assets | 1,717 | - | 1,717 |
| TOTAL ASSETS | <u>\$ 123,359</u> | <u>\$ 301,009</u> | <u>\$ 424,368</u> |
| LIABILITIES: | | | |
| Accounts payable and accrued expenses | \$ 27,912 | \$ - | \$ 27,912 |
| Prepaid assessments | 10,300 | - | 10,300 |
| TOTAL LIABILITIES | 38,212 | - | 38,212 |
| FUND BALANCE | 85,147 | 301,009 | 386,156 |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 123,359</u> | <u>\$ 301,009</u> | <u>\$ 424,368</u> |

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Operating Fund</u> | <u>Replacement Fund</u> | <u>Total</u> |
|--|---------------------------|-----------------------------|-------------------|
| REVENUE: | | | |
| Assessment income | \$ 426,660 | \$ 57,180 | \$ 483,840 |
| Interest income | 42 | 2,531 | 2,573 |
| Other income | 17,407 | - | 17,407 |
| TOTAL REVENUE | <u>\$ 444,109</u> | <u>\$ 59,711</u> | <u>\$ 503,820</u> |
| EXPENDITURES: | | | |
| Accounting & legal | \$ 4,558 | \$ - | \$ 4,558 |
| Building repairs & maintenance | 27,382 | - | 27,382 |
| Contracts grounds maintenance | 5,100 | - | 5,100 |
| Elevator repairs & maintenance | 12,128 | - | 12,128 |
| Employee benefits | 3,081 | - | 3,081 |
| Insurance | 55,601 | - | 55,601 |
| Irrigation repairs | 1,243 | - | 1,243 |
| Janitorial | 24,029 | - | 24,029 |
| Licenses, permits, & taxes | 838 | - | 838 |
| Management fees | 12,480 | - | 12,480 |
| Office & other expenses | 5,773 | - | 5,773 |
| Other grounds maintenance | 38,358 | - | 38,358 |
| Other pool maintenance | 9,582 | - | 9,582 |
| Payroll expense | 36,946 | - | 36,946 |
| Pest control | 1,904 | - | 1,904 |
| Pool maintenance | 8,605 | - | 8,605 |
| Recreation repairs & maintenance | 165 | - | 165 |
| Safety & security | 10,700 | - | 10,700 |
| Trash removal | 14,658 | - | 14,658 |
| Utilities | 176,339 | - | 176,339 |
| Reserves expenditures | | 44,002 | 44,002 |
| TOTAL EXPENDITURES | <u>\$ 449,470</u> | <u>\$ 44,002</u> | <u>\$ 493,472</u> |
| EXPENDITURES IN EXCESS OF REVENUE | (5,361) | 15,709 | 10,348 |
| BEGINNING FUND BALANCE | <u>90,508</u> | <u>285,300</u> | <u>375,808</u> |
| ENDING FUND BALANCE | <u>\$ 85,147</u> | <u>\$ 301,009</u> | <u>\$ 386,156</u> |

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

| | Operating Fund | Replacement Fund |
|--|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Assessment fees collected | \$ 429,434 | \$ 57,180 |
| Interest received | 42 | 2,531 |
| Other income | 17,407 | - |
| Cash paid for operating expenses | (438,858) | - |
| Replacement expenses paid | - | (44,002) |
| | <u> </u> | <u> </u> |
| Net cash provided (used) by operating activities: | 8,025 | 15,709 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Reinvested interest/dividends | - | (1,700) |
| | <u> </u> | <u> </u> |
| Net cash provided (used) by investing activities: | - | (1,700) |
| NET CHANGE IN CASH | <u>8,025</u> | <u>14,009</u> |
| CASH AND CASH EQUIVALENTS - Beginning of Year | <u>106,855</u> | <u>122,104</u> |
| CASH AND CASH EQUIVALENTS - End of Year | <u><u>\$ 114,880</u></u> | <u><u>\$ 136,113</u></u> |

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

| | <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 | \$ (5,361) | \$ 15,709 |
| Adjustment to reconcile net revenues over expenditures to net cash provided by operating activities: | | |
| (Increase) decrease in: | | |
| Assessments receivable | (1,248) | - |
| Other receivables | 2,000 | - |
| Prepaid expenses | 5,064 | - |
| Prepaid income taxes | (700) | - |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 6,430 | - |
| Income tax payable | (182) | - |
| Prepaid assessments | 2,022 | - |
| Net cash provided (used) by operating activities: | <u>8,025</u> | <u>15,709</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Reinvested interest/dividends | - | (1,700) |
| Net cash provided (used) by investing activities: | <u>-</u> | <u>(1,700)</u> |
| NET CHANGE IN CASH | 8,025 | 14,009 |
| CASH AND CASH EQUIVALENTS - Beginning of Year | 106,855 | 122,104 |
| CASH AND CASH EQUIVALENTS - End of Year | <u>\$ 114,880</u> | <u>\$ 136,113</u> |

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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.

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018, 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.

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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 2018, 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 | BEGINNING BALANCE | FUNDING DURING YEAR | INTEREST & OTHER INCOME | CHARGES TO FUND | BALANCE 12/31/2018 |
|-------------------------|----------------------|---------------------------|-------------------------------|--------------------|-----------------------|
| Roofing | \$ 51,926 | \$ 13,812.00 | \$ - | \$ (15,400) | \$ 50,338 |
| Painting | 17,658 | 7,836 | - | (1,792) | 23,702 |
| Paving | 5,460 | 636 | - | - | 6,096 |
| Elevators | 48,946 | 4,104 | - | (5,861) | 47,189 |
| Mechanical & electrical | 55,452 | 9,240 | - | - | 64,692 |
| Pool & spa | 8,139 | 3,132 | - | (8,470) | 2,801 |
| Furniture & fixtures | 36,072 | 6,972 | - | (6,355) | 36,689 |
| Building | 31,228 | 7,800 | - | (6,124) | 32,904 |
| Marina walkway | 6,876 | 1,344 | - | - | 8,220 |
| Entrance pavers | 15,780 | 2,304 | - | - | 18,084 |
| Unallocated interest | 7,763 | - | 2,531 | - | 10,294 |
| TOTAL | \$ 285,300 | \$ 57,180 | \$ 2,531 | \$ (44,002) | \$ 301,009 |

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018.

NOTE 4: INCOME TAXES

Associations may be taxed as homeowners' associations or as regular corporations. In 2018, 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.

SUPPLEMENTAL INFORMATION

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)

DECEMBER 31, 2018

In the fall of 2018, 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 owners voted to waive full funding for 2019 and instead fund the reserves at 50% of need.

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 2018 | 2019 STATUTORY FUNDING REQUIRED |
|-------------------------|--|---|-----------------------------------|--|
| Roofing | 5 - 48 | \$ 752,088 | \$ 50,338 | \$ 19,759 |
| Painting | 10 | 220,000 | 23,702 | 19,630 |
| Paving | 2 | 8,000 | 6,096 | 952 |
| Elevators | 15 | 180,000 | 47,189 | 8,854 |
| Mechanical & electrical | 16 | 369,109 | 64,692 | 19,026 |
| Pool & spa | 5 - 13 | 44,000 | 2,801 | 4,011 |
| Furniture & fixtures | 1 | 64,000 | 36,689 | 27,311 |
| Building | 7 | 210,000 | 32,904 | 25,299 |
| Marina walkway | 2 | 15,000 | 8,220 | 3,390 |
| Entrance pavers | 1 | 25,000 | 18,084 | 6,916 |
| Unallocated interest | | | 10,294 | |
| | | <u>\$ 1,887,197</u> | <u>\$ 301,009</u> | <u>\$ 135,148</u> |

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2018

| | Actual | Budget | Variance |
|--|-------------------|-------------------|-------------------|
| REVENUE: | | | |
| Assessment income | \$ 483,840 | \$ 483,840 | \$ - |
| Interest income | 42 | 84 | (42) |
| Other income | 17,407 | 180 | 17,227 |
| TOTAL REVENUE | \$ 501,289 | \$ 484,104 | \$ 17,185 |
| EXPENDITURES: | | | |
| Accounting & legal | 4,558 | 3,960 | 598 |
| Building repairs & maintenance | 27,382 | 8,244 | 19,138 |
| Consulting | - | 792 | (792) |
| Contracts grounds maintenance | 5,100 | 5,700 | (600) |
| Elevator repairs & maintenance | 12,128 | 15,264 | (3,136) |
| Employee benefits | 3,081 | 2,700 | 381 |
| Insurance | 55,601 | 57,264 | (1,663) |
| Irrigation repairs | 1,243 | 648 | 595 |
| Janitorial | 24,029 | 23,400 | 629 |
| Licenses, permits, & taxes | 838 | 900 | (62) |
| Management fees | 12,480 | 12,480 | - |
| Office & other expenses | 5,773 | 4,428 | 1,345 |
| Other grounds maintenance | 38,358 | 17,244 | 21,114 |
| Other pool maintenance | 9,582 | 5,700 | 3,882 |
| Payroll expense | 36,946 | 44,196 | (7,250) |
| Pest control | 1,904 | 2,004 | (100) |
| Pool maintenance | 8,605 | 8,604 | 1 |
| Recreation repairs & maintenance | 165 | 780 | (615) |
| Safety & security | 10,700 | 10,632 | 68 |
| Trash removal | 14,658 | 14,640 | 18 |
| Utilities | 176,339 | 187,344 | (11,005) |
| Reserve funding | 57,180 | 57,180 | - |
| TOTAL EXPENDITURES | 506,650 | 484,104 | 22,546 |
| EXPENDITURES IN EXCESS OF REVENUE | \$ (5,361) | \$ - | \$ (5,361) |

WHITLEY BAY CONDOMINIUM ASSOCIATION, INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2018

| | 2018 | 2017 | Variance |
|--|-----------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| REVENUE: | | | |
| Assessment income | \$ 483,840 | \$ 483,840 | \$ - |
| Special assessment income | - | 518,400 | (518,400) |
| Insurance reimbursement | - | 153,410 | (153,410) |
| Interest income | 42 | 1,969 | (1,927) |
| Other income | 17,407 | 926 | 16,481 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL REVENUE | \$ 501,289 | \$ 1,158,545 | \$ (657,256) |
| | <u> </u> | <u> </u> | <u> </u> |
| EXPENDITURES: | | | |
| Accounting & legal | 4,558 | 4,430 | 128 |
| Building repairs & maintenance | 27,382 | 8,619 | 18,763 |
| Consulting | - | 200 | (200) |
| Contracts grounds maintenance | 5,100 | 5,700 | (600) |
| Elevator repairs & maintenance | 12,128 | 14,499 | (2,371) |
| Employee benefits | 3,081 | 5,886 | (2,805) |
| Income tax expense | - | 382 | (382) |
| Insurance | 55,601 | 53,923 | 1,678 |
| Irrigation repairs | 1,243 | 729 | 514 |
| Janitorial | 24,029 | 13,988 | 10,041 |
| Licenses, permits, & taxes | 838 | 838 | - |
| Management fees | 12,480 | 11,976 | 504 |
| Office & other expenses | 5,773 | 5,515 | 258 |
| Other grounds maintenance | 38,358 | 16,762 | 21,596 |
| Other pool maintenance | 9,582 | 6,712 | 2,870 |
| Payroll expense | 36,946 | 55,916 | (18,970) |
| Pest control | 1,904 | 1,163 | 741 |
| Pool maintenance | 8,605 | 8,401 | 204 |
| Recreation repairs & maintenance | 165 | 572 | (407) |
| Safety & security | 10,700 | 12,491 | (1,791) |
| Storm expenses | - | 673,726 | (673,726) |
| Trash removal | 14,658 | 16,126 | (1,468) |
| Utilities | 176,339 | 180,185 | (3,846) |
| Reserve funding | 57,180 | 52,608 | 4,572 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL EXPENDITURES | 506,650 | 1,151,347 | (644,697) |
| | <u> </u> | <u> </u> | <u> </u> |
| EXPENDITURES IN EXCESS OF REVENUE | \$ (5,361) | \$ 7,198 | \$ (12,559) |
| | <u> </u> | <u> </u> | <u> </u> |