

# **Banana Bay Condominium Association, Inc.**

Financial Statements and  
Supplementary Information

December 31, 2016

**Cole & Associates, LLC**

*Certified Public Accountants*

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# Cole & Associates, LLC

*Certified Public Accountants*

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Banana Bay Condominium Association, Inc.

To the Board of Directors:

We have reviewed the accompanying financial statements of Banana 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**

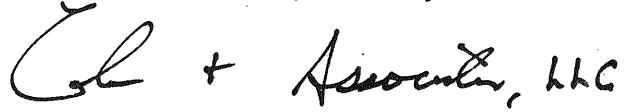
Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

### **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 11 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 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 not audited or reviewed such information and do not express an opinion, a conclusion, nor provide any assurance on it.

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 7, 2017

**BANANA BAY CONDOMINIUM ASSOCIATION, INC.**

**BALANCE SHEET**

**DECEMBER 31, 2016**

	Operating Fund	Replacement Fund	Total
<b>ASSETS:</b>			
Cash	\$ 42,483	\$ 189,310	\$ 231,793
Assessments receivable (Note 3)	24,181	-	24,181
Other receivables	90,728	-	90,728
Prepaid expenses	25,995	-	25,995
Investments in CD's	-	259,127	259,127
Due from operating fund	-	97,677	97,677
Due to replacement fund	(97,677)	-	(97,677)
Other assets	1,794	-	1,794
<b>TOTAL ASSETS</b>	<u>\$ 87,504</u>	<u>\$ 546,114</u>	<u>\$ 633,618</u>
<b>LIABILITIES:</b>			
Accounts payable and accrued expenses	\$ 1,800	\$ -	\$ 1,800
Prepaid assessments	25,089	-	25,089
<b>TOTAL LIABILITIES</b>	26,889	-	26,889
<b>FUND BALANCE</b>	<u>60,615</u>	<u>546,114</u>	<u>606,729</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 87,504</u>	<u>\$ 546,114</u>	<u>\$ 633,618</u>

See accompanying notes and accountant's review report.

**BANANA 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>
<b>REVENUE:</b>			
Assessment income	\$ 609,125	\$ 133,435	\$ 742,560
Insurance reimbursement	90,728	-	90,728
Interest income	23	1,346	1,369
Other income	3,719	-	3,719
	<u>703,595</u>	<u>134,781</u>	<u>838,376</u>
<b>TOTAL REVENUE</b>			
<b>EXPENDITURES:</b>			
Accounting & legal	7,236	-	7,236
Bad debt	268	-	268
Contract grounds maintenance	39,975	-	39,975
Elevator repairs & maintenance	7,847	-	7,847
Employee benefits	4,368	-	4,368
Insurance	222,341	-	222,341
Interest expense	2,451	-	2,451
Irrigation repair	3,851	-	3,851
Janitorial	8,099	-	8,099
Licenses, permits & taxes	1,455	-	1,455
Management fees	18,106	-	18,106
Office & other expenses	12,770	-	12,770
Other grounds maintenance	56,990	-	56,990
Other pool maintenance	2,422	-	2,422
Payroll expense	43,334	-	43,334
Pest control	10,685	-	10,685
Pool maintenance	6,600	-	6,600
Safety & security	3,972	-	3,972
Storm expenses	105,638	-	105,638
Trash removal	17,150	-	17,150
Utilities	146,673	-	146,673
Reserve expenditures	-	217,216	217,216
	<u>722,231</u>	<u>217,216</u>	<u>939,447</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXPENDITURES IN EXCESS OF REVENUE</b>	(18,636)	(82,435)	(101,071)
<b>FUND BALANCE TRANSFER</b>	64,296	(64,296)	-
<b>BEGINNING FUND BALANCE</b>	<u>14,955</u>	<u>692,845</u>	<u>707,800</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 60,615</u>	<u>\$ 546,114</u>	<u>\$ 606,729</u>

See accompanying notes and accountant's review report.

**BANANA BAY CONDOMINIUM ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Operating Fund	Replacement Fund
	<u>                    </u>	<u>                    </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Assessment fees collected	\$ 621,281	\$ 101,857
Insurance reimbursement	90,728	-
Interest received	23	1,346
Other income	(87,009)	-
Cash paid for operating expenses	(685,465)	-
Replacement expenses paid	<u>-</u>	<u>(220,944)</u>
Net cash provided (used) by operating activities	(60,442)	(117,741)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase/sale of CD's	-	25,676
Reinvested interest/dividends	-	(519)
Fund transfer	<u>64,296</u>	<u>(64,296)</u>
Net cash provided (used) by investing activities:	64,296	(39,139)
<b>NET CHANGE IN CASH</b>	<u>3,854</u>	<u>(156,880)</u>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<u>38,629</u>	<u>346,190</u>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<u>\$ 42,483</u>	<u>\$ 189,310</u>

See accompanying notes and accountant's review report.

**BANANA BAY CONDOMINIUM ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Operating Fund	Replacement Fund
	<u>                    </u>	<u>                    </u>
<b>RECONCILIATION OF NET EXPENDITURES OVER REVENUES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Excess of expenditures over revenues	\$ (18,636)	\$ (82,435)
Adjustment to reconcile net expenditures over revenues to net cash provided by operating activities:		
Bad Debt Expense	268	-
(Increase) decrease in:		
Assessments receivable	1,336	-
Other receivables	(90,728)	-
Prepaid expenses	19,461	-
Due from operating fund	-	(31,578)
Due to replacement fund	31,578	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(14,273)	(3,728)
Prepaid assessments	12,899	-
Collections advances	(2,347)	-
Net cash provided (used) by operating activities:	<u>(60,442)</u>	<u>(117,741)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase/sale of CD's	-	25,676
Reinvested interest/dividends	-	(519)
Fund transfer	<u>64,296</u>	<u>(64,296)</u>
Net cash provided (used) by investing activities:	64,296	(39,139)
<b>NET CHANGE IN CASH</b>	<u>3,854</u>	<u>(156,880)</u>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<u>38,629</u>	<u>346,190</u>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<u>\$ 42,483</u>	<u>\$ 189,310</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	<u>\$ 2,451</u>	

See accompanying notes and accountant's review report.

**BANANA BAY CONDOMINIUM ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Banana 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 136 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 accountant's report.



**BANANA 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 \$19,148.

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 full amount of insurance proceeds. There will be a special assessment in 2017 for repairs, but the amount is not determined at this time.

See independent accountant's report.

**BANANA 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.

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 at a reduced rate 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.

Spending components below zero is technically borrowing from another component's fund, which requires a membership vote. Per Florida Statutes, funding formulas for the next year's budgeted contribution is the sum of the amount necessary to bring a negative component balance to zero plus the deferred maintenance or estimated replacement cost of the reserve component divided by the estimated remaining useful life of the component.

**BANANA 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	TRANSFERS	BALANCE 12/31/16
Carports	\$ 53,771	\$ 9,996	\$ -	\$ -	\$ -	\$ 63,767
Doors and hardware	36,882	4,609	-	(628)	-	40,863
Deferred maintenance	35,854	10,861	1,346	(67,520)	1,285	(18,174)
Recreational facilities	71,427	439	-	(7,499)	-	64,367
Roofing	87,087	11,545	-	(108,205)	-	(9,573)
Paving	175,434	60,271	-	(5,900)	-	229,805
Painting	117,480	9,615	-	(5,211)	(64,296)	57,588
Railings / enclosure	64,810	4,480	-	-	-	69,290
Dryer vent	10	-	-	-	-	10
Carpentry	11,179	16,483	-	(19,338)	-	8,324
Elevators	37,626	5,136	-	(2,915)	-	39,847
Unalloc. Interest	1,285	-	-	-	(1,285)	-
<b>TOTAL</b>	<b>\$ 692,845</b>	<b>\$ 133,435</b>	<b>\$ 1,346</b>	<b>\$ (217,216)</b>	<b>\$ (64,296)</b>	<b>\$ 546,114</b>

**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 (1/136). 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 \$38,870 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 accountant's report.

# **SUPPLEMENTAL INFORMATION**

**BANANA 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 provided by the Association and presents significant information about the components of common property:

COMPONENT	ESTIMATED REMAINING USEFUL LIFE (YEARS)	ESTIMATED CURRENT REPLACEMENT COST	REPAIRS / REPLACEMENTS 2016	2017 STATUTORY FUNDING REQUIRED
Carports	0 - 18	\$ 333,720	\$ 63,767	\$ -
Doors and hardware	1 - 11	113,812	40,863	-
Deferred maintenance	0 - 8	155,000	(18,174)	18,174
Recreational facilities	1 - 28	143,585	64,367	-
Roofing	-	951,305	(9,573)	9,573
Paving	2 - 16	622,552	229,805	-
Painting	3 - 6	145,770	57,588	-
Railings / enclosure	0 - 26	156,320	69,290	-
Dryer vent	-	-	10	-
Carpentry	3 - 17	441,793	8,324	-
Elevators	7 - 12	122,000	39,847	-
Pooled		-	-	129,780
<b>TOTAL</b>		<u>\$ 3,185,857</u>	<u>\$ 546,114</u>	<u>\$ 157,527</u>

**BANANA BAY CONDOMINIUM ASSOCIATION, INC.**

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

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Actual	Budget	Variance
<b>REVENUE:</b>			
Assessment income	\$ 742,560	\$ 742,720	\$ (160)
Insurance reimbursement	90,728	-	90,728
Interest income	23	-	23
Other income	3,719	-	3,719
<b>TOTAL REVENUE</b>	<b>837,030</b>	<b>742,720</b>	<b>94,310</b>
<b>EXPENDITURES:</b>			
Accounting & legal	7,236	7,500	(264)
Bad debt	268	-	268
Contract grounds maintenance	39,975	37,520	2,455
Elevator repairs & maintenance	7,847	4,000	3,847
Employee benefits	4,368	4,392	(24)
Insurance	222,341	215,633	6,708
Interest expense	2,451	2,800	(349)
Irrigation repair	3,851	1,500	2,351
Janitorial	8,099	14,016	(5,917)
Licenses, permits & taxes	1,455	920	535
Management fees	18,106	17,160	946
Office & other expenses	12,770	8,724	4,046
Other grounds maintenance	56,990	34,586	22,404
Other pool maintenance	2,422	1,000	1,422
Payroll expense	43,334	54,996	(11,662)
Pest control	10,685	9,042	1,643
Pool maintenance	6,600	7,400	(800)
Safety & security	3,972	3,250	722
Storm expenses	105,638	-	105,638
Trash removal	17,150	8,000	9,150
Utilities	146,673	155,100	(8,427)
Reserve funding	133,435	133,181	254
<b>TOTAL EXPENDITURES</b>	<b>855,666</b>	<b>720,720</b>	<b>134,946</b>
<b>EXPENDITURES IN EXCESS OF REVENUE</b>	<b>\$ (18,636)</b>	<b>\$ 22,000</b>	<b>\$ (40,636)</b>

See independent accountant's report.

**BANANA 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>
<b>REVENUE:</b>			
Assessment income	\$ 742,560	\$ 742,560	\$ -
Insurance reimbursement	90,728	-	90,728
Interest income	23	43	(20)
Other income	<u>3,719</u>	<u>3,151</u>	<u>568</u>
<b>TOTAL REVENUE</b>	<u>837,030</u>	<u>745,754</u>	<u>91,276</u>
<b>EXPENDITURES:</b>			
Accounting & legal	7,236	12,555	(5,319)
Bad debt	268	13,950	(13,682)
Contract grounds maintenance	39,975	37,740	2,235
Elevator repairs & maintenance	7,847	5,199	2,648
Employee benefits	4,368	6,517	(2,149)
Insurance	222,341	244,886	(22,545)
Interest expense	2,451	3,774	(1,323)
Irrigation repair	3,851	1,774	2,077
Janitorial	8,099	13,029	(4,930)
Licenses, permits & taxes	1,455	1,455	-
Management fees	18,106	17,100	1,006
Office & other expenses	12,770	10,122	2,648
Other grounds maintenance	56,990	33,136	23,854
Other pool maintenance	2,422	-	2,422
Payroll expense	43,334	45,373	(2,039)
Pest control	10,685	5,969	4,716
Pool maintenance	6,600	9,771	(3,171)
Safety & security	3,972	2,932	1,040
Storm expenses	105,638	-	105,638
Trash removal	17,150	5,112	12,038
Utilities	146,673	149,772	(3,099)
Reserve funding	<u>133,435</u>	<u>118,664</u>	<u>14,771</u>
<b>TOTAL EXPENDITURES</b>	<u>855,666</u>	<u>738,830</u>	<u>116,836</u>
<b>EXPENDITURES IN EXCESS OF REVENUE</b>	<u>\$ (18,636)</u>	<u>\$ 6,924</u>	<u>\$ (25,560)</u>

See independent accountant's report.