

Bayside Condominiums Association of Brevard, Inc.

Financial Statements and
Supplementary Information

December 31, 2017

Cole & Associates, LLC

Certified Public Accountants

Cole & Associates, LLC

Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Bayside Condominiums Association of Brevard, Inc.

To the Board of Directors:

We have reviewed the accompanying financial statements of Bayside Condominiums Association of Brevard, Inc., which comprise the balance sheet as of December 31, 2017 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 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
May 29, 2018

BAYSIDE CONDOMINIUMS ASSOCIATION OF BREVARD, INC.

BALANCE SHEET

DECEMBER 31, 2017

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS:			
Cash	\$ 44,514	\$ 203,352	\$ 247,866
Assessments receivable (Note 3)	5,344	-	5,344
Prepaid expenses	2,040	-	2,040
Other assets	3,362	-	3,362
TOTAL ASSETS	<u>\$ 55,260</u>	<u>\$ 203,352</u>	<u>\$ 258,612</u>
LIABILITIES:			
Accounts payable and accrued expenses	\$ 10,243	\$ -	\$ 10,243
Prepaid assessments	20,722	-	20,722
TOTAL LIABILITIES	30,965	-	30,965
FUND BALANCE	<u>24,295</u>	<u>203,352</u>	<u>227,647</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 55,260</u>	<u>\$ 203,352</u>	<u>\$ 258,612</u>

See accompanying notes and accountant's review report.

BAYSIDE CONDOMINIUMS ASSOCIATION OF BREVARD, 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	\$ 444,000	\$ 120,000	\$ 564,000
Interest income	30	1,091	1,121
Other income	18,051	-	18,051
	<u>462,081</u>	<u>121,091</u>	<u>583,172</u>
TOTAL REVENUE			
 EXPENDITURES:			
Accounting & legal	9,683	-	9,683
Contract grounds maintenance	22,450	-	22,450
Elevator repairs & maintenance	15,421	-	15,421
Insurance	78,271	-	78,271
Interest expense	1,062	-	1,062
Irrigation repair	6,670	-	6,670
Janitorial	13,535	-	13,535
Licenses, permits & taxes	1,036	-	1,036
Management fees	15,600	-	15,600
Office & other expenses	7,549	-	7,549
Other grounds maintenance	57,484	-	57,484
Other pool maintenance	3,196	-	3,196
Payroll expense	26,737	-	26,737
Pest control	2,760	-	2,760
Pool maintenance	5,400	-	5,400
Safety & security	20,937	-	20,937
Storm expenses	11,528	-	11,528
Utilities	172,356	-	172,356
Reserve expenditures	-	107,595	107,595
	<u>471,675</u>	<u>107,595</u>	<u>579,270</u>
TOTAL EXPENDITURES			
EXPENDITURES IN EXCESS OF REVENUE	(9,594)	13,496	3,902
BEGINNING FUND BALANCE	<u>33,889</u>	<u>189,856</u>	<u>223,745</u>
ENDING FUND BALANCE	<u>\$ 24,295</u>	<u>\$ 203,352</u>	<u>\$ 227,647</u>

See accompanying notes and accountant's review report.

BAYSIDE CONDOMINIUMS ASSOCIATION OF BREVARD, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Replacement Fund
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Assessment fees collected	\$ 440,082	\$ 120,000
Interest received	30	1,091
Other income	18,051	-
Cash paid for operating expenses	(446,931)	-
Replacement expenses paid	<u>-</u>	<u>(107,595)</u>
Net cash provided (used) by operating activities	11,232	13,496
NET CHANGE IN CASH	<u>11,232</u>	<u>13,496</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>33,282</u>	<u>189,856</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 44,514</u>	<u>\$ 203,352</u>

See accompanying notes and accountant's review report.

BAYSIDE CONDOMINIUMS ASSOCIATION OF BREVARD, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Operating Fund</u>	<u>Replacement Fund</u>
RECONCILIATION OF NET EXPENDITURES AND REVENUES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Excess of expenditures over revenues	\$ (9,594)	\$ 13,496
Adjustment to reconcile net expenditures and revenues to net cash provided by operating activities:		
(Increase) decrease in:		
Assessments receivable	(5,344)	-
Prepaid expenses	13,863	-
Other assets	638	-
Increase (decrease) in:		
Accounts payable and accrued expenses	10,243	-
Prepaid assessments	1,426	-
Net cash provided (used) by operating activities:	<u>11,232</u>	<u>13,496</u>
NET CHANGE IN CASH	<u>11,232</u>	<u>13,496</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>33,282</u>	<u>189,856</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 44,514</u>	<u>\$ 203,352</u>

See accompanying notes and accountant's review report.

BAYSIDE CONDOMINIUMS ASSOCIATION OF BREVARD, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Bayside Condominiums Association of Brevard, 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 100 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.

BAYSIDE CONDOMINIUMS ASSOCIATION OF BREVARD, 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.

The Association received roof damage from Hurricane Irma and may consider a special assessment contingent on the amount of insurance proceeds received.

See independent accountant's report.

BAYSIDE CONDOMINIUMS ASSOCIATION OF BREVARD, 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
Pooled funds	<u>\$ 189,856</u>	<u>\$ 120,000</u>	<u>\$ 1,091</u>	<u>\$ (107,595)</u>	<u>\$ 203,352</u>
TOTAL	<u>\$ 189,856</u>	<u>\$ 120,000</u>	<u>\$ 1,091</u>	<u>\$ (107,595)</u>	<u>\$ 203,352</u>

See independent accountant's report.

BAYSIDE CONDOMINIUMS ASSOCIATION OF BREVARD, 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 (1/100). 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 \$0 for the year then ended.

SUPPLEMENTAL INFORMATION

BAYSIDE CONDOMINIUMS ASSOCIATION OF BREVARD, INC.

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

DECEMBER 31, 2017

In 2016, the Association had an independent reserve study conducted to estimate 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.

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
Pooled funds	-	\$ -	\$ 203,352	\$ 132,000
Exhaust fans	1	12,000	-	-
Pump stations	10	27,000	-	-
Doors & garage doors	9	102,900	-	-
Townhouse tile roofs	28	592,500	-	-
Flat roofs	4	145,000	-	-
Tile roofs	30	138,000	-	-
Painting of all buildings & wall	4	380,000	-	-
Elevators	20	75,000	-	-
Fire detection systems	1	14,300	-	-
Gates	7	16,000	-	-
HVAC stands	17	60,000	-	-
Brick pavers	6	20,600	-	-
Seal asphalt	5	10,300	-	-
Roads, parking lots & curbs	9	117,500	-	-
Pool & pool deck	8	21,100	-	-
Railings	9	105,000	-	-
Soffits	26	18,800	-	-
Windows & glass doors	27	27,700	-	-
Driveways & sidewalks	5	11,400	-	-
Light poles	12	10,200	-	-
Fountains	5	12,500	-	-
TOTAL		<u>\$ 1,917,800</u>	<u>\$ 203,352</u>	<u>\$ 132,000</u>

See independent accountant's report.

BAYSIDE CONDOMINIUMS ASSOCIATION OF BREVARD, 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	\$ 564,000	\$ 564,000	\$ -
Interest income	30	12	18
Other income	<u>18,051</u>	<u>300</u>	<u>17,751</u>
TOTAL REVENUE	<u>582,081</u>	<u>564,312</u>	<u>17,769</u>
EXPENDITURES:			
Accounting & legal	9,683	6,000	3,683
Contract grounds maintenance	22,450	22,464	(14)
Elevator repairs & maintenance	15,421	15,600	(179)
Insurance	78,271	91,404	(13,133)
Interest expense	1,062	3,204	(2,142)
Irrigation repair	6,670	5,700	970
Janitorial	13,535	13,200	335
Licenses, permits & taxes	1,036	1,320	(284)
Management fees	15,600	15,600	-
Office & other expenses	7,549	7,128	421
Other grounds maintenance	57,484	40,776	16,708
Other pool maintenance	3,196	4,260	(1,064)
Payroll expense	26,737	24,336	2,401
Pest control	2,760	2,724	36
Pool maintenance	5,400	5,400	-
Safety & security	20,937	7,572	13,365
Storm expenses	11,528	-	11,528
Utilities	172,356	177,624	(5,268)
Reserve funding	<u>120,000</u>	<u>120,000</u>	<u>-</u>
TOTAL EXPENDITURES	<u>591,675</u>	<u>564,312</u>	<u>27,363</u>
EXPENDITURES IN EXCESS OF REVENUE	<u>\$ (9,594)</u>	<u>\$ -</u>	<u>\$ (9,594)</u>

See independent accountant's report.

BAYSIDE CONDOMINIUMS ASSOCIATION OF BREVARD, 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>	Variance
REVENUE:			
Assessment income	\$ 564,000	\$ 548,400	\$ 15,600
Interest income	30	41	(11)
Other income	<u>18,051</u>	<u>8,365</u>	<u>9,686</u>
TOTAL REVENUE	<u>582,081</u>	<u>556,806</u>	<u>25,275</u>
EXPENDITURES:			
Accounting & legal	9,683	5,500	4,183
Contract grounds maintenance	22,450	31,761	(9,311)
Elevator repairs & maintenance	15,421	14,076	1,345
Insurance	78,271	84,584	(6,313)
Interest expense	1,062	4,841	(3,779)
Irrigation repair	6,670	4,401	2,269
Janitorial	13,535	13,365	170
Licenses, permits & taxes	1,036	1,196	(160)
Management fees	15,600	15,330	270
Office & other expenses	7,549	9,698	(2,149)
Other grounds maintenance	57,484	47,336	10,148
Other pool maintenance	3,196	3,916	(720)
Payroll expense	26,737	25,350	1,387
Pest control	2,760	5,471	(2,711)
Pool maintenance	5,400	4,865	535
Safety & security	20,937	12,585	8,352
Storm expenses	11,528	13,510	(1,982)
Utilities	172,356	165,575	6,781
Reserve funding	<u>120,000</u>	<u>102,000</u>	<u>18,000</u>
TOTAL EXPENDITURES	<u>591,675</u>	<u>565,360</u>	<u>26,315</u>
EXPENDITURES IN EXCESS OF REVENUE	<u>\$ (9,594)</u>	<u>\$ (8,554)</u>	<u>\$ (1,040)</u>

See independent accountant's report.