

2014

Financial Statements as
of December 31, 2014

[ISLAND COVE CONDOMINIUM ASSOCIATION, INC.]

ACCOUNTANT'S COMPILATION REPORT

March 2, 2015

To the Board of Directors
Island Cove Condominium Association, Inc.

We have compiled the accompanying balance sheet of Island Cove Condominium Association, Inc. as of December 31, 2014, and the related statements of income, retained earnings, and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The American Institute of Certified Public Accountants has determined that supplementary information about future major repairs and replacements of common property is required to supplement, but not required to be a part of, the basic financial statements. The Association has presented this supplementary information.

Mapili CPAs LLC

Mapili CPAs LLC
Certified Public Accountants

ISLAND COVE CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
December 31, 2014

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 17,059	\$ 210,528	\$ 227,587
Assessments receivable (net)	21,691	-	21,691
Total Assets	<u>\$ 38,750</u>	<u>\$ 210,528</u>	<u>\$ 249,278</u>
 Liabilities and Fund Balance			
Renter deposits	\$ 500	\$ -	\$ 500
Prepaid member assessments	2,902	-	2,902
Total Liabilities	<u>3,402</u>	<u>-</u>	<u>3,402</u>
 Fund Balance	 35,348	 210,528	 245,876
Total Liabilities and Fund Balance	<u>\$ 38,750</u>	<u>\$ 210,528</u>	<u>\$ 249,278</u>

See accompanying notes and compilation report

ISLAND COVE CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND BALANCE
Year Ended December 31, 2014

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>Total</u>
Revenues			
Member assessments	\$ 168,049	\$ 69,779	\$ 237,828
Special assessment	8,195	-	8,195
Late fee and finance charges	662	-	662
Other income	13,883	-	13,883
Interest income	-	461	461
Total Revenues	<u>190,789</u>	<u>70,240</u>	<u>261,029</u>
Expenses			
Building maintenance	15,046	-	15,046
Cable service	21,941	-	21,941
General and administrative	1,604	-	1,604
Grounds maintenance	29,402	-	29,402
Insurance expense	92,734	-	92,734
Major repairs and replacements	-	29,098	29,098
Management fees	2,952	-	2,952
Pool and amenities	8,551	-	8,551
Professional fees	10,361	-	10,361
Special assessment project	5,350	-	5,350
Utilities expense	35,567	-	35,567
Total Expenses	<u>223,508</u>	<u>29,098</u>	<u>252,606</u>
Excess (deficiency) of revenues over expenses	(32,719)	41,142	8,423
Fund balance at December 31, 2013	<u>68,067</u>	<u>169,386</u>	<u>237,453</u>
Fund balance at December 31, 2014	<u>\$ 35,348</u>	<u>\$ 210,528</u>	<u>\$ 245,876</u>

See accompanying notes and compilation report

ISLAND COVE CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2014

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>Total</u>
Excess (deficiency) of revenues over expenses	\$ (32,719)	\$ 41,142	\$ 8,423
 Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:			
Change in due to/from accounts	28,620	(28,620)	-
Increase in assessments receivable	(18,356)	-	(18,356)
Decrease in renter deposits	(500)	-	(500)
Increase in prepaid member assessments	2,902	-	2,902
Prior period adjustment	35,148	-	35,148
Net cash provided (used) by operating activities	<u>47,814</u>	<u>(28,620)</u>	<u>19,194</u>
 Net increase (decrease) in cash	 15,095	 12,522	 27,617
Cash at beginning of year	<u>1,964</u>	<u>198,006</u>	<u>199,970</u>
Cash at end of year	<u>\$ 17,059</u>	<u>\$ 210,528</u>	<u>\$ 227,587</u>

See accompanying notes and compilation report

ISLAND COVE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1: ORGANIZATION

Island Cove Condominium Association, Inc. is incorporated as a not-for-profit corporation in the State of Florida. The Association is responsible for the operation and maintenance of the common property within the development. The development is located in Brevard County, Florida and consists of 42 residential units.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using the principles of fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - The operating fund is used to account for the regular, recurring costs of the Association. Expenses from this fund are limited to those connected with daily operations.

Replacement Fund - The replacement fund is composed of capital assessments paid by unit owners to fund future replacements and major repairs. Expenses from this fund are restricted to those items for which assessments were specifically collected.

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. Member assessments receivable at the balance sheet date represents fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years.

Income Taxes

The Association may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, 2014, the Association elected to be taxed as a homeowners' association. Under this election, the Association is generally exempt from taxation on membership income and is taxed only on non-membership income items, such as interest earnings.

The Associations federal tax returns filed within the past three years remain open to examination by the Internal Revenue Service. The Association has evaluated its tax provisions and believes that no accruals are necessary at December 31, 2014.

ISLAND COVE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Revenues and Expenses to Owners

Revenue and expenses are allocated equally among all of the owners within the Association.

Real and Common Area Property

Real and common area property acquired by the original homeowners from the developer is not capitalized on the Association's financial statements, since it is owned by the individual owners in common and not by the Association. As a result, improvements 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 expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

NOTE 3: COMMITMENTS AND CONTINGENCIES

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.

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.

NOTE 4: SPECIAL ASSESSMENT

In 2014, a special assessment was done for \$8,195 for parking lot repairs and retention pond spillway.

ISLAND COVE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 5: RESERVE TRANSFERS

By a vote of the membership, \$4,742 of reserves was moved out of the reserve fund and into the operating fund to cover the operations shortfall of a bankrupt homeowner that was not paying their dues.

NOTE 6: SUBSEQUENT EVENTS

For the period ending December 31, 2014, the Association has evaluated subsequent events for potential recognition and disclosure through March 2, 2015, the date of the Independent Auditor's Report (the date the financial statements were available to be issued).

NOTE 7: CONCENTRATIONS OF CREDIT RISK

Financial instruments which may potentially subject the Association to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, consist mostly of bank accounts and certificates of deposit with balances insured by the Federal Deposit Insurance Corporation (\$250,000) and member assessment receivable. Management of the Association evaluates the financial stability of its depositories and considers the risk of loss to be remote. The Association's major source of revenue is member assessments, which are received from its members and may be secured by a lien on their property. The Association monitors the collectability of these receivables and pursues collection if needed. Management routinely assesses the uncollectibility of these receivables and provides for an allowance for doubtful accounts.

ISLAND COVE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 8: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. The funds are segregated and held primarily in interest-bearing accounts. The Association's Board of Directors has estimated the remaining useful lives and replacement costs of common property components.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on current estimates of replacements costs 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.

Member's equity designated for future major repairs and replacements is shown in the table below:

Component	Balance 1/1/14	Fund Additions	Major Repairs / Replacements	Balance 12/31/14
Dock/Bridge/Pond	\$ 29,077	\$ -	\$ -	\$ 29,077
Elevator Piston	33,857	2,772	-	36,629
Front Gate	7,952	-	-	7,952
Generator	4,273	3,384	2,287	5,370
Painting	17,614	7,200	2,675	22,139
Parking Lot	2,989	2,916	800	5,105
Carpet	3,690	-	3,690	-
Décor	571	-	-	571
Furniture	4,681	600	-	5,281
Pool/Spa	6,892	1,320	3,596	4,616
Refrigerator	222	-	-	222
Sauna	3,427	-	-	3,427
Solar Heater	4,300	-	-	4,300
Stove/Microwave	1,052	-	1,052	-
Roofs	41,924	13,872	14,998	40,798
Clubhouse A/C	6,865	-	-	6,865
Deferred Maintenance	-	461	-	461
Insurance	-	37,715	-	37,715
Total	\$ 169,386	\$ 70,240	\$ 29,098	\$ 210,528

SUPPLEMENTARY INFORMATION

ISLAND COVE CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)
DECEMBER 31, 2014

The Association's Board of Directors has estimated the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date which was last updated by the Board of Directors in 2014. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following is based on the study and presents significant information about the components of common property.

Component	Estimated Remaining Useful Life In Years (Unaudited)	Estimated Current Replacement Cost (Unaudited)	Component Balance 12/31/2014	2015 Budgeted Funding
Dock/Bridge/Pond	10-35	\$ 36,000	\$ 29,077	\$ 336
Elevator Piston	15	80,000	36,629	2,940
Front Gate	20	7,500	7,952	-
Generator	28	38,000	5,370	1,200
Painting	6	70,000	22,139	8,280
Parking Lot	18	63,000	5,105	3,240
Décor/Carpet	5	1,200	571	-
Furniture	6	2,000	5,281	-
Pool/Spa/Clubhouse	4-30	34,000	4,616	3,000
Appliances	7	1,600	222	-
Sauna	6-8	3,450	3,427	-
Solar Heater	7	4,000	4,300	-
Roofs	15-29	320,000	40,798	12,420
Clubhouse A/C	8	6,900	6,865	-
Deferred Maintenance	25	100,000	461	3,000
Insurance	--	-	37,715	-
Total		\$ 767,650	\$ 210,528	\$ 34,416