

Banana 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

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 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
May 9, 2019

BANANA BAY CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2018

	Operating Fund	Replacement Fund	Total
ASSETS:			
Cash	\$ 94,458	\$ 324,703	\$ 419,161
Assessments receivable (Note 3)	17,279	-	17,279
Prepaid expenses	19,365	-	19,365
Investments in CD's	-	297,798	297,798
Due from operating fund	-	7,577	7,577
Due to replacement fund	(7,577)	-	(7,577)
Other assets	1,794	-	1,794
TOTAL ASSETS	\$ 125,319	\$ 630,078	\$ 755,397
LIABILITIES:			
Accounts payable and accrued expenses	\$ 9,550	\$ -	\$ 9,550
Prepaid assessments	16,757	-	16,757
Special assessment fund (Note 5)	6,620	-	6,620
TOTAL LIABILITIES	32,927	-	32,927
FUND BALANCE	92,392	630,078	722,470
TOTAL LIABILITIES AND FUND BALANCE	\$ 125,319	\$ 630,078	\$ 755,397

BANANA BAY CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Replacement Fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUE:			
Assessment income	\$ 626,640	\$ 140,400	\$ 767,040
Insurance reimbursement	528,054	-	528,054
Interest income	57	5,191	5,248
Other income	885	-	885
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUE	\$ 1,155,636	\$ 145,591	\$ 1,301,227
EXPENDITURES:			
Accounting & legal	\$ 4,640	\$ -	\$ 4,640
Bad debt	10,700	-	10,700
Building repairs & maintenance	213,668	-	213,668
Clubhouse maintenance	12,650	-	12,650
Contracts grounds maintenance	40,500	-	40,500
Elevator repairs & maintenance	4,765	-	4,765
Employee benefits	4,683	-	4,683
Insurance	235,633	-	235,633
Interest expense	3,563	-	3,563
Irrigation repairs	6,564	-	6,564
Janitorial	12,735	-	12,735
Licenses, permits, & taxes	1,628	-	1,628
Management fees	17,952	-	17,952
Office & other expenses	7,122	-	7,122
Other grounds maintenance	168,255	-	168,255
Other pool maintenance	3,720	-	3,720
Payroll expense	52,608	-	52,608
Pest control	9,793	-	9,793
Pool maintenance	7,300	-	7,300
Safety & security	8,141	-	8,141
Storm expenses	51,539	-	51,539
Trash removal	18,737	-	18,737
Utilities	168,559	-	168,559
Reserves expenditures		189,382	189,382
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	\$ 1,065,455	\$ 189,382	\$ 1,254,837
REVENUE IN EXCESS OF EXPENDITURES	90,181	(43,791)	46,390
BEGINNING FUND BALANCE	2,211	673,869	676,080
	<u> </u>	<u> </u>	<u> </u>
ENDING FUND BALANCE	\$ 92,392	\$ 630,078	\$ 722,470

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

BANANA 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	\$ 643,985	\$ 140,501
Insurance reimbursement	616,826	-
Interest received	57	5,191
Other income	885	-
Cash paid for operating expenses	(1,197,402)	-
Replacement expenses paid	-	(189,382)
Net cash provided (used) by operating activities:	<u>64,351</u>	<u>(43,690)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase/sale of CD's	-	86,009
Reinvested interest/dividends	-	(2,956)
Net cash provided (used) by investing activities:	<u>-</u>	<u>83,053</u>
NET CHANGE IN CASH	<u>64,351</u>	<u>39,363</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>30,107</u>	<u>285,340</u>
CASH AND CASH EQUIVALENTS - End of Year	<u><u>\$ 94,458</u></u>	<u><u>\$ 324,703</u></u>

BANANA 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	\$ 90,181	\$ (43,791)
Adjustment to reconcile net revenues over expenditures to net cash provided by operating activities:		
Bad debt expense	10,700	-
(Increase) decrease in:		
Assessments receivable	8,115	-
Insurance receivables	88,772	-
Prepaid expenses	6,350	-
Due from operating fund	-	101
Due to reserve fund	(101)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(91,791)	-
Prepaid assessments	(1,470)	-
Special assessment fund	(46,405)	-
Net cash provided (used) by operating activities:	<u>64,351</u>	<u>(43,690)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase/sale of CD's	-	86,009
Reinvested interest/dividends	-	(2,956)
Net cash provided (used) by investing activities:	<u>-</u>	<u>83,053</u>
NET CHANGE IN CASH	64,351	39,363
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>30,107</u>	<u>285,340</u>
CASH AND CASH EQUIVALENTS - End of Year	<u><u>\$ 94,458</u></u>	<u><u>\$ 324,703</u></u>

BANANA BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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.

BANANA 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 \$64,134.

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.

BANANA 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	TRANSFERS	BALANCE 12/31/2018
Carports	\$ 63,767	\$ -	\$ -	\$ -	\$ -	\$ 63,767
Doors and hardware	40,863	-	-	-	-	40,863
Deferred maintenance	1,235	-	1,252	-	(1)	2,486
Recreational facilities	64,367	-	-	(26,470)	-	37,897
Roofing	-	-	-	-	1	1
Paving	229,805	-	-	(65,555)	-	164,250
Painting	54,188	-	-	-	-	54,188
Railings / enclosure	69,290	-	-	-	-	69,290
Dryer vent	10	-	-	-	-	10
Carpentry	793	-	-	-	-	793
Elevators	39,847	-	-	-	-	39,847
Pooled	109,704	140,400	-	(97,357)	-	152,747
Unalloc. Interest	-	-	3,939	-	-	3,939
TOTAL	\$ 673,869	\$ 140,400	\$ 5,191	\$ (189,382)	\$ -	\$ 630,078

BANANA 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 (1/136). 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 \$40,000 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.

NOTE 5: SPECIAL ASSESSMENT

The board of directors declared a special assessment in 2017 of \$3,200 per unit for a total of \$435,200 to fund hurricane Matthew repairs, elevator repairs, carport repairs and fire pump removal/repair. \$382,175 of the assessment was expended in 2017, \$46,405 expended in 2018, and the balance of \$6,620 to be expended in 2019.

	Income	Spent	Balance to be spent
Hurricane repairs	\$ 361,950	\$ 361,950	\$ -
Elevators repairs	29,550	22,930	6,620
Carport repairs	35,000	35,000	-
Fire pump repairs	8,700	8,700	-
Total	<u>\$ 435,200</u>	<u>\$ 428,580</u>	<u>\$ 6,620</u>

NOTE 6: INSURANCE SETTLEMENT

During 2018, the Association received an insurance settlement totaling \$616,826 for repairs related to hurricane damages. \$88,772 of the settlement was accrued in 2017 for related repair expenses incurred, with the balance of \$528,054 recognized in 2018.

SUPPLEMENTAL INFORMATION

BANANA 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 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
Carports	11	\$ 411,400	\$ 63,767	\$ -
Doors and hardware	0 - 9	149,804	40,863	-
Deferred maintenance	0 - 11	87,100	2,486	-
Recreational facilities	1 - 23	144,422	37,897	-
Roofing	0 - 37	1,054,089	1	-
Paving	0 - 14	613,324	164,250	-
Painting	0 - 9	162,377	54,188	-
Railings / enclosure	1 - 13	161,009	69,290	-
Dryer vent	-	-	10	-
Carpentry	1 - 14	538,926	793	-
Elevators	5 - 10	180,600	39,847	-
Pooled	-	-	152,747	144,612
Unalloc. Interest			3,939	
		<u>\$ 3,503,051</u>	<u>\$ 630,078</u>	<u>\$ 144,612</u>

BANANA 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	\$ 767,040	\$ 767,040	\$ -
Insurance reimbursement	528,054	-	528,054
Interest income	57	36	21
Other income	885	-	885
TOTAL REVENUE	\$ 1,296,036	\$ 767,076	\$ 528,960
EXPENDITURES:			
Accounting & legal	4,640	4,704	(64)
Bad debt	10,700	-	10,700
Building repairs & maintenance	213,668	20,532	193,136
Clubhouse maintenance	12,650	-	12,650
Contracts grounds maintenance	40,500	40,500	-
Elevator repairs & maintenance	4,765	8,040	(3,275)
Employee benefits	4,683	2,988	1,695
Insurance	235,633	212,448	23,185
Interest expense	3,563	4,200	(637)
Irrigation repairs	6,564	8,400	(1,836)
Janitorial	12,735	11,700	1,035
Licenses, permits, & taxes	1,628	1,524	104
Management fees	17,952	17,952	-
Office & other expenses	7,122	6,972	150
Other grounds maintenance	168,255	22,380	145,875
Other pool maintenance	3,720	1,200	2,520
Payroll expense	52,608	48,528	4,080
Pest control	9,793	10,536	(743)
Pool maintenance	7,300	7,200	100
Safety & security	8,141	6,972	1,169
Storm expenses	51,539	-	51,539
Trash removal	18,737	19,020	(283)
Utilities	168,559	170,880	(2,321)
Reserve funding	140,400	140,400	-
TOTAL EXPENDITURES	1,205,855	767,076	438,779
REVENUE IN EXCESS OF EXPENDITURES	\$ 90,181	\$ -	\$ 90,181

BANANA 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
REVENUE:			
Assessment income	\$ 767,040	\$ 750,720	\$ 16,320
Special assessment income	-	435,200	(435,200)
Insurance reimbursement	528,054	88,772	439,282
Interest income	57	34	23
Other income	885	1,993	(1,108)
TOTAL REVENUE	\$ 1,296,036	\$ 1,276,719	\$ 19,317
EXPENDITURES:			
Accounting & legal	4,640	6,872	(2,232)
Bad debt	10,700	14,349	(3,649)
Building repairs & maintenance	213,668	-	213,668
Clubhouse maintenance	12,650	-	12,650
Contracts grounds maintenance	40,500	41,065	(565)
Elevator repairs & maintenance	4,765	12,610	(7,845)
Employee benefits	4,683	-	4,683
Insurance	235,633	218,850	16,783
Interest expense	3,563	3,553	10
Irrigation repairs	6,564	12,625	(6,061)
Janitorial	12,735	5,688	7,047
Licenses, permits, & taxes	1,628	1,455	173
Management fees	17,952	17,160	792
Office & other expenses	7,122	15,871	(8,749)
Other grounds maintenance	168,255	66,247	102,008
Other pool maintenance	3,720	2,668	1,052
Payroll expense	52,608	47,548	5,060
Pest control	9,793	11,425	(1,632)
Pool maintenance	7,300	7,200	100
Safety & security	8,141	3,196	4,945
Special assesment expense	-	435,200	(435,200)
Storm expenses	51,539	100,719	(49,180)
Trash removal	18,737	20,313	(1,576)
Utilities	168,559	154,946	13,613
Reserve funding	140,400	129,780	10,620
TOTAL EXPENDITURES	1,205,855	1,329,340	(123,485)
REVENUE IN EXCESS OF EXPENDITURES	\$ 90,181	\$ (52,621)	\$ 142,802