

Cole & Associates, CPA's LLC
1222 Winter Garden Vineland Rd., Suite 112
Winter Garden, FL 34787

Banana Bay Condominium Assoc
c/o Clover Key, Inc.
110 Imperial Street
Merritt Island, FL 32952

Banana Bay Condominium Association, Inc.

Financial Statements and
Supplementary Information

December 31, 2021

Cole & Associates, LLC

Certified Public Accountants

Cole & Associates, LLC

Certified Public Accountants

Dayo O. Apena, CPA
DApena@ColeCPA.com

www.colecpa.com

407-351-4730
Fax 407-654-1544

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, 2021 and the related statements of revenues, expenditures, and changes in fund balances 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.

We are required to be independent of Banana Bay Condominium Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

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 accordance 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 13 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, who 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. The information is the responsibility of management. We have not audited, reviewed, or compiled 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 14 - 15 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 and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. 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.

Handwritten signature in cursive script that reads "Cole & Associates, LLC".

Cole & Associates, CPA, LLC
Certified Public Accountants
April 5, 2022

BANANA BAY CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2021

	Operating Fund	Replacement Fund	Total
ASSETS:			
Cash	\$ 51,661	\$ 349,898	\$ 401,559
Assessments receivable (Note 3)	7,052	-	7,052
Prepaid expenses	20,158	-	20,158
Prepaid income tax	400	-	400
Investments in CD's	-	124,968	124,968
Due from operating fund	-	32,563	32,563
Due to replacement fund	(32,563)	-	(32,563)
Other assets	1,794	-	1,794
TOTAL ASSETS	\$ 48,502	\$ 507,429	\$ 555,931
LIABILITIES:			
Accounts payable and accrued expenses	\$ 14,687	\$ -	\$ 14,687
Prepaid assessments	28,336	-	28,336
Contract liabilities (Assessments received in advance - Replacement: Note 2)	-	502,905	502,905
Special assessment fund (Note 6)	6,620	-	6,620
TOTAL LIABILITIES	49,643	502,905	552,548
FUND BALANCE (Replacement: Note 2)	(1,141)	4,524	3,383
TOTAL LIABILITIES AND FUND BALANCE	\$ 48,502	\$ 507,429	\$ 555,931

BANANA BAY CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Replacement Fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUE:			
Assessment income	\$ 663,360	\$ 200,858	\$ 864,218
Contractual collections/liability adjustment	(500)	(783)	(1,283)
Interest income	-	1,269	1,269
Other income	372	-	372
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUE	\$ 663,232	\$ 201,344	\$ 864,576
EXPENDITURES:			
Accounting & legal	\$ 7,728	\$ -	\$ 7,728
Building repairs & maintenance	61,252	-	61,252
Contracts grounds maintenance	43,200	-	43,200
Elevator repairs & maintenance	4,415	-	4,415
Income tax expense	1,000	-	1,000
Insurance	256,563	-	256,563
Interest expense	2,711	-	2,711
Irrigation repairs	535	-	535
Janitorial	17,281	-	17,281
Licenses, permits, & taxes	1,663	-	1,663
Management fees	17,952	-	17,952
Office & other expenses	2,531	-	2,531
Other grounds maintenance	15,447	-	15,447
Payroll expense	67,457	-	67,457
Pest control	10,083	-	10,083
Pool maintenance	14,068	-	14,068
Safety & security	7,040	-	7,040
Trash removal	25,229	-	25,229
Utilities	180,250	-	180,250
Reserves expenditures		200,858	200,858
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	\$ 736,405	\$ 200,858	\$ 937,263
EXPENDITURES IN EXCESS OF REVENUE	(73,173)	486	(72,687)
BEGINNING FUND BALANCE	72,032	4,038	76,070
	<u> </u>	<u> </u>	<u> </u>
ENDING FUND BALANCE	\$ (1,141)	\$ 4,524	\$ 3,383
	<u> </u>	<u> </u>	<u> </u>

BANANA BAY CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Replacement Fund
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Assessment fees collected	\$ 723,938	\$ 67,368
Interest received	-	1,269
Other income	372	-
Cash paid for operating expenses	(714,636)	-
Replacement expenses paid	-	(200,858)
Net cash provided (used) by operating activities:	<u>9,674</u>	<u>(132,221)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase/sale of CD's	-	142,309
Reinvested interest/dividends	-	(236)
Net cash provided (used) by investing activities:	<u>-</u>	<u>142,073</u>
NET CHANGE IN CASH	<u>9,674</u>	<u>9,852</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>41,987</u>	<u>340,046</u>
CASH AND CASH EQUIVALENTS - End of Year	<u><u>\$ 51,661</u></u>	<u><u>\$ 349,898</u></u>

BANANA BAY CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Replacement Fund
	<u> </u>	<u> </u>
RECONCILIATION OF NET REVENUES OVER EXPENDITURES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Excess of revenues over expenditures	\$ (73,173)	\$ 486
Adjustment to reconcile net revenues over expenditures to net cash provided by operating activities:		
Contractual collections adjustment	500	-
(Increase) decrease in:		
Assessments receivable	392	-
Prepaid expenses	17,734	-
Due from operating fund	-	(52,632)
Due to reserve fund	52,632	-
Increase (decrease) in:		
Accounts payable and accrued expenses	4,535	-
Prepaid assessments	7,054	-
Contract liabilities	-	(80,075)
Net cash provided (used) by operating activities:	<u>9,674</u>	<u>(132,221)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase/sale of CD's	-	142,309
Reinvested interest/dividends	-	(236)
Net cash provided (used) by investing activities:	<u>-</u>	<u>142,073</u>
NET CHANGE IN CASH	9,674	9,852
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>41,987</u>	<u>340,046</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 51,661</u>	<u>\$ 349,898</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	<u>\$ 2,711</u>	

BANANA BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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. The Association is governed by a Board of Directors which is responsible for enforcing provisions of the governing documents, which include covenants, conditions and restrictions, by-laws, and rules and regulations.

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, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract Liabilities (Assessments received in advance – Replacement Fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to the major repairs and replacement fund. The balances of contract liabilities as of the beginning and end of the year ended 2021 are \$582,980 and \$460,336, respectively.

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, 2021, 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.

BANANA BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

See Note 5 for COVID-19 pandemic disclosure.

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. We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our engagement.

In the fall of 2021, 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.

BANANA BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2: RESERVE FOR MAJOR REPAIRS AND REPLACEMENTS (Continued)

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 12/31/2021
Carpots	\$ 63,767	\$ -	\$ -	\$ -	\$ 63,767
Doors and hardware	40,863	-	-	-	40,863
Deferred maintenance	2,506	-	-	-	2,506
Recreational facilities	37,897	-	-	-	37,897
Roofs	1	-	-	-	1
Pavement	29,468	-	-	-	29,468
Painting	36,179	-	-	-	36,179
Railings / enclosure	67,284	-	-	-	67,284
Dryer vent	10	-	-	-	10
Carpentry	432	-	-	-	432
Elevators	30,362	-	-	30,362	-
Pooled Reserves	274,211	120,000	783	170,496	224,498
Unalloc. Interest	4,038	-	486	-	4,524
TOTAL	\$ 587,018	\$ 120,000	\$ 1,269	\$ 200,858	\$ 507,429
				Contract liability portion	502,905
				Equity portion	4,524
					<u>\$ 507,429</u>

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). Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement assessments are satisfied when these funds are expended for their designated purpose.

BANANA BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3: MEMBER ASSESSMENTS (Continued)

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 contractual collections adjustments. The allowance for uncollectible accounts is \$2,200 on December 31, 2021. The balances of assessments receivable as of the beginning and the end of the year are \$9,644 and \$9,252, respectively.

NOTE 4: INCOME TAXES

Associations may be taxed as homeowners' associations under Internal Revenue Code (IRC) 528 or as regular corporations under IRC 277. In 2021, 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 \$1,000 for the year then ended.

The Association follows FASB ASC 740, *Accounting for Uncertainty in Income Taxes*, which provides guidance on accounting for uncertainty in income taxes recognized in the Association's financial statements. The guidance prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. As of December 31, 2021, the Association had no uncertain tax positions that require either recognition or disclosure in the Association's financial statements. Generally, the Association's tax returns remain open for three years for federal income tax examination.

NOTE 5: COVID-19 PANDEMIC

Markets have been negatively impacted by a novel strain of coronavirus (COVID-19), which was declared a pandemic by the World Health Organization (WHO) on March 11, 2020. The continued spread of COVID-19 and the actions being taken by governments, businesses, and individuals to limit this pandemic may adversely impact operations, including, among others, increasing the credit risk of owners and collectability of owner assessments. This has resulted in significant economic uncertainty, of which the potential impact to the Association's future financial results is difficult to measure.

BANANA BAY CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 6: 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 Mathew repairs, elevator repairs, carport repairs and fire mump removal/repair. \$382,175 of the assessment was expended in 2017 and \$46,405 expended in 2018. At year end December 31, 2021 there is a balance of \$6,620 left to be expended.

SUPPLEMENTARY INFORMATION

BANANA BAY CONDOMINIUM ASSOCIATION, INC.

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

DECEMBER 31, 2021

In the fall of 2021, 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 2021	2022 STATUTORY FUNDING REQUIRED
Carports	8	\$ 411,400	\$ 63,767	\$ -
Doors and hardware	0 - 6	149,804	40,863	-
Deferred maintenance	0 - 8	87,100	2,506	-
Recreational facilities	0 - 20	144,422	37,897	-
Roofs	0 - 34	1,054,089	1	-
Pavement	0 - 12	613,324	29,468	-
Painting	0 - 7	162,377	36,179	-
Railings / enclosure	0 - 10	161,009	67,284	-
Dryer vent	-	-	10	-
Carpentry	0 - 11	538,926	432	-
Pooled Reserves	-	-	224,498	122,400
Unalloc. Interest	-	-	4,524	-
		<u>\$ 3,322,451</u>	<u>\$ 507,429</u>	<u>\$ 122,400</u>

BANANA BAY CONDOMINIUM ASSOCIATION, INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
REVENUE:			
Assessment income	\$ 783,360	\$ 783,360	\$ -
Contractual collections adjustment	(500)	-	(500)
Other income	372	-	372
TOTAL REVENUE	<u>\$ 783,232</u>	<u>\$ 783,360</u>	<u>\$ (128)</u>
EXPENDITURES:			
Accounting & legal	7,728	5,306	2,422
Building repairs & maintenance	61,252	15,078	46,174
Contracts grounds maintenance	43,200	42,504	696
Elevator repairs & maintenance	4,415	6,252	(1,837)
Income tax expense	1,000	-	1,000
Insurance	256,563	230,568	25,995
Interest expense	2,711	3,300	(589)
Irrigation repairs	535	750	(215)
Janitorial	17,281	16,204	1,077
Licenses, permits, & taxes	1,663	2,124	(461)
Management fees	17,952	17,952	-
Office & other expenses	2,531	2,206	325
Other grounds maintenance	15,447	18,944	(3,497)
Payroll expense	67,457	62,016	5,441
Pest control	10,083	9,792	291
Pool maintenance	14,068	9,900	4,168
Safety & security	7,040	7,752	(712)
Trash removal	25,229	26,580	(1,351)
Utilities	180,250	186,132	(5,882)
Reserve funding	120,000	120,000	-
TOTAL EXPENDITURES	<u>856,405</u>	<u>783,360</u>	<u>73,045</u>
EXPENDITURES IN EXCESS OF REVENUE	<u>\$ (73,173)</u>	<u>\$ -</u>	<u>\$ (73,173)</u>

BANANA BAY CONDOMINIUM ASSOCIATION, INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
REVENUE:			
Assessment income	\$ 783,360	\$ 767,040	\$ 16,320
Contractual collections adjustments	(500)	-	(500)
Other income	372	5,780	(5,408)
TOTAL REVENUE	<u>\$ 783,232</u>	<u>\$ 772,820</u>	<u>\$ 10,412</u>
EXPENDITURES:			
Accounting & legal	7,728	2,566	5,162
Building repairs & maintenance	61,252	35,508	25,744
Clubhouse maintenance	-	3,600	(3,600)
Contracts grounds maintenance	43,200	40,500	2,700
Elevator repairs & maintenance	4,415	6,809	(2,394)
Employee benefits	-	6,490	(6,490)
Income tax expense	1,000	-	1,000
Insurance	256,563	210,939	45,624
Interest expense	2,711	3,534	(823)
Irrigation repairs	535	401	134
Janitorial	17,281	14,273	3,008
Licenses, permits, & taxes	1,663	1,540	123
Management fees	17,952	17,952	-
Office & other expenses	2,531	2,071	460
Other grounds maintenance	15,447	15,442	5
Payroll expense	67,457	57,972	9,485
Pest control	10,083	10,466	(383)
Pool maintenance	14,068	8,100	5,968
Safety & security	7,040	4,430	2,610
Trash removal	25,229	23,382	1,847
Utilities	180,250	181,331	(1,081)
Reserve funding	120,000	120,000	-
TOTAL EXPENDITURES	<u>856,405</u>	<u>767,306</u>	<u>89,099</u>
EXPENDITURES IN EXCESS OF REVENUE	<u>\$ (73,173)</u>	<u>\$ 5,514</u>	<u>\$ (78,687)</u>