

CASA BLANCA ASSOCIATION, INC. AND SUBSIDIARY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016
(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

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FLANAGAN & JASON, INC.
CERTIFIED PUBLIC ACCOUNTANT AND ASSOCIATE

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Casa Blanca Association, Inc. and Subsidiary
Sarasota, Florida

We have audited the accompanying financial statements of Casa Blanca Association, Inc. and Subsidiary 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.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casa Blanca Association, Inc. and Subsidiary as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note VI are adequate to meet such future costs because that determination is outside the scope of our audit. However, as further explained in Note VI, the Association is not funding the replacement fund in accordance with the Association's estimated future replacement costs. Accordingly, the Association has the right to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of operating and rental fund expenses and the supplementary schedule of changes in replacement fund balances on pages 12-14 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information about future repairs and replacements on page 15 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



John R. Flanagan, CPA
President
Flanagan & Jason, Inc.
Sarasota, Florida
April 19, 2017

Casa Blanca Association, Inc. and Subsidiary
Balance Sheet
December 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Rental Fund</u>	<u>Total</u>
<u>Assets</u>				
Cash	\$ 64,749	\$ 238,855	\$ 36,822	\$ 340,426
Cash - escrow	-	-	565,410	565,410
Assessments receivable	11,722	-	-	11,722
Other receivables	21,000	-	7,843	28,843
Prepaid insurance	147,057	-	-	147,057
Prepaid income tax	-	-	3,874	3,874
Prepaid expenses - other	960	-	-	960
Furniture and equipment, net of accumulated depreciation of \$46,597 and \$22,017	<u>56</u>	<u>-</u>	<u>12,303</u>	<u>12,359</u>
Total Assets	<u>\$ 245,544</u>	<u>\$ 238,855</u>	<u>\$ 626,252</u>	<u>\$ 1,110,651</u>
<u>Liabilities</u>				
Accounts payable	\$ 17,331	\$ -	\$ 23,757	\$ 41,088
Sales tax payable	-	-	15,595	15,595
Prepaid assessments	48,622	-	-	48,622
Due to owners	-	-	98,889	98,889
Rental deposits	<u>-</u>	<u>-</u>	<u>424,095</u>	<u>424,095</u>
Total Liabilities	<u>65,953</u>	<u>-</u>	<u>562,336</u>	<u>628,289</u>
<u>Fund Balances</u>	<u>179,591</u>	<u>238,855</u>	<u>63,916</u>	<u>482,362</u>
Total Liabilities and Fund Balances	<u>\$ 245,544</u>	<u>\$ 238,855</u>	<u>\$ 626,252</u>	<u>\$ 1,110,651</u>

Read accountant's audit report.

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

Casa Blanca Association, Inc. and Subsidiary
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Rental Fund</u>	<u>Total</u>
<u>Revenues</u>				
Member assessments	\$ 491,160	\$ 176,000	\$ -	\$ 667,160
Cleaning fees	-	-	98,183	98,183
Occupancy charges	-	-	86,855	86,855
Rental commissions	-	-	297,559	297,559
Processing fees	-	-	102,864	102,864
Additional guest fees	-	-	14,866	14,866
Interest income	-	506	-	506
Reimbursed expenses	75,600	-	-	75,600
Other income	3,224	-	12,707	15,931
Total Revenues	<u>569,984</u>	<u>176,506</u>	<u>613,034</u>	<u>1,359,524</u>
<u>Expenses</u>				
Administration	250,062	-	222,101	472,163
Grounds and maintenance	94,205	-	-	94,205
Pool and recreation	19,373	-	-	19,373
Utilities	115,474	-	5,508	120,982
Payroll	65,541	-	154,344	219,885
Rental expenses	-	-	220,506	220,506
Betterments	-	142,353	-	142,353
Total Expenses	<u>544,655</u>	<u>142,353</u>	<u>602,459</u>	<u>1,289,467</u>
Excess (Deficit) of				
Revenues Over Expenses	25,329	34,153	10,575	70,057
Beginning Fund Balance	<u>154,262</u>	<u>204,702</u>	<u>53,341</u>	<u>412,305</u>
Ending Fund Balance	<u>\$ 179,591</u>	<u>\$ 238,855</u>	<u>\$ 63,916</u>	<u>\$ 482,362</u>

Read accountant's audit report.

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

Casa Blanca Association, Inc. and Subsidiary
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Rental Fund</u>	<u>Special Assessment Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:					
Maintenance fees collected	\$ 470,249	\$ 176,000	\$ -	\$ 24,150	\$ 670,399
Rental fees collected	-	-	199,904	-	199,904
Management fees collected	-	-	400,423	-	400,423
Interest received	-	506	-	-	506
Reimbursements collected	75,600	-	-	-	75,600
Other income collected	3,224	-	12,707	-	15,931
Cash paid for					
operating expenses	(556,901)	(142,353)	(616,558)	-	(1,315,812)
Interest paid	(268)	-	-	-	(268)
Net Cash Provided (Used) by Operating Activities	<u>(8,096)</u>	<u>34,153</u>	<u>(3,524)</u>	<u>24,150</u>	<u>46,683</u>
Cash Flows From Investing Activities:					
Purchase of equipment	-	-	(10,212)	-	(10,212)
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>(10,212)</u>	<u>-</u>	<u>(10,212)</u>
Cash Flows From Financing Activities:					
Rental deposits, net	-	-	2,960	-	2,960
Principal payments on loan	-	-	-	(26,367)	(26,367)
Interfund loan	25,409	(27,626)	-	2,217	-
Net Cash Provided (Used) by Financing Activities	<u>25,409</u>	<u>(27,626)</u>	<u>2,960</u>	<u>(24,150)</u>	<u>(23,407)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	17,313	6,527	(10,776)	-	13,064
Cash - January 1, 2016	<u>47,436</u>	<u>232,328</u>	<u>613,008</u>	<u>-</u>	<u>892,772</u>
Cash - December 31, 2016	<u>\$ 64,749</u>	<u>\$ 238,855</u>	<u>\$ 602,232</u>	<u>\$ -</u>	<u>\$ 905,836</u>

Read accountant's audit report.

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

Casa Blanca Association, Inc. and Subsidiary
Statement of Cash Flows
For the Year Ended December 31, 2016

	Operating Fund	Replacement Fund	Rental Fund	Special Assessment Fund	Total
Reconciliation of Excess (Deficit) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:					
Excess (Deficit) of Revenues Over Expenses	<u>\$ 25,329</u>	<u>\$ 34,153</u>	<u>\$ 10,575</u>	<u>\$ -</u>	<u>\$ 70,057</u>
Adjustments to Reconcile:					
Depreciation	136	-	2,531	-	2,667
Decrease/(Increase) in Operating Assets:					
Assessments receivable	47	-	-	24,150	24,197
Other receivables	19,435	-	(7,843)	-	11,592
Prepaid insurance	(17,606)	-	-	-	(17,606)
Prepaid income tax	-	-	1,866	-	1,866
Prepaid expenses - other	391	-	-	-	391
Increase/(Decrease) in Operating Liabilities:					
Accounts payable	(14,870)	-	(16,518)	-	(31,388)
Sales tax payable	-	-	622	-	622
Prepaid assessments	(20,958)	-	-	-	(20,958)
Due to owners	-	-	5,243	-	5,243
Total Adjustments	<u>(33,425)</u>	<u>-</u>	<u>(14,099)</u>	<u>24,150</u>	<u>(23,374)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (8,096)</u>	<u>\$ 34,153</u>	<u>\$ (3,524)</u>	<u>\$ 24,150</u>	<u>\$ 46,683</u>

Read accountant's audit report.

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

Casa Blanca Association, Inc. and Subsidiary Notes to Financial Statements

ORGANIZATION

Casa Blanca Association, Inc. ("the Association") is a not-for-profit corporation organized February 16, 1966 to provide an entity pursuant to the Florida Condominium Act for the administration, maintenance, operation, and management of Casa Blanca located in Sarasota, Florida. The Association consists of 88 residential condominium units. Assessments against the owners of the condominium units, which are the principal source of revenue, are based on the estimated amounts required to protect and maintain the property owned by the owners in common and are divided equally among the units. The Association is the parent company of the wholly owned subsidiary, Casa Blanca Vacation Rentals, Inc. ("the Subsidiary") which operates a short-term rental program.

All policy decisions are formulated by the Board of Directors. Certain major decisions are referred to the general membership before action is taken. Assessments are determined annually by the Board of Directors based upon maintenance and other operating requirements of the Association.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the fund method of accounting on the accrual basis. The accrual basis of accounting recognizes revenues when earned and expenses when the obligations are incurred.

The fund method of accounting requires funds such as operating funds and funds for future major repairs and replacements, to be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the operating fund are generally made at the discretion of the Board of Directors. Disbursements from the replacement fund may be made only for repair and replacement of the common element.

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund - This fund is composed of assessments paid by unit owners to fund future replacements, major repairs and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied.

Rental Fund - This fund is used to account for the income and expenses derived from short-term rentals at Casa Blanca Association, Inc.

Special Assessment Fund - This fund is restricted as to the intended purpose of the assessment.

Casa Blanca Association, Inc. and Subsidiary Notes to Financial Statements

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Association considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Interest Earned on Replacement Fund

The Association retains interest earned on operating fund accounts in the operating fund net of taxes and interest earned on replacement fund accounts in the replacement fund.

Commonly Owned Assets

The Association has the responsibility to preserve and maintain the commonly owned assets. The commonly owned assets include property that is directly associated with the unit which includes property without which the units could not be occupied and exterior property that is normally part of freestanding units. Commonly owned assets also include the property that is not directly associated with the unit and is not necessary for the primary use of the unit, although individual unit owners may benefit from its use.

Property and equipment were recorded at cost and capitalized through December 31, 2007. During 2008, the Association adopted a policy not to capitalize and depreciate the commonly owned assets purchased on or after January 1, 2008 as ownership is vested directly or indirectly to the unit owners and these assets are not deemed to be severable. The Subsidiary capitalizes equipment purchases.

Assessments Receivable – Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and take appropriate legal recourse on the properties of the unit owners whose assessments are delinquent. An allowance for uncollectable assessments was not deemed necessary for 2016.

Maintenance Fees – Maintenance fees assessed in excess of expenditures reduce amounts assessed to members for maintenance in the subsequent year. Accumulated deficits will be recovered by various methods including: increases in assessments, reduction in expenses or passing a special assessment.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

Casa Blanca Association, Inc. and Subsidiary
Notes to Financial Statements

Property and Equipment – Property and equipment are valued at cost. Depreciation is recorded on the straight-line basis over the useful lives of the assets, ranging from 3-10 years. Depreciation expense for the year ended December 31, 2016 was \$2,667. Property and equipment consist of the following:

	<u>Operating</u>	<u>Rental</u>	<u>Total</u>
Equipment	\$46,653	\$34,320	\$80,973
Accum. Depreciation	<u>(46,597)</u>	<u>(22,017)</u>	<u>(68,614)</u>
Net Book Value	<u>\$ 56</u>	<u>\$12,303</u>	<u>\$12,359</u>

Fair Value of Financial Instruments

Professional standards require disclosure of an estimate of fair value of certain financial instruments. The Association's significant financial instruments are cash and assessments receivable. For these financial instruments, carrying values approximate fair value.

NOTE II - MAINTENANCE FEES

Quarterly assessments to owners were \$1,900 in 2016. Of that amount, \$500 was designated to the replacement fund.

The Association bills its maintenance fees in advance on a quarterly basis. Maintenance fees received in advance for future periods amounted to \$48,622.

The annual budget and assessments of owners are determined by the Board of Directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

NOTE III - CONTINGENT LIABILITIES

The Association's current windstorm insurance policy contains a 3% hurricane deductible clause. Based on the \$10,012,000 valuation of the buildings, the first 3%, or \$300,000 in damages caused by a named hurricane would be the responsibility of the Association.

NOTE IV - CONCENTRATION OF CREDIT RISK

The Company maintains cash balances at financial institutions located in Sarasota, Florida. Accounts at commercial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of December 31, 2016, the Association and Subsidiary's cash balances exceeded the insured limits by \$204,627.

NOTE V - RENTAL REVENUES

Casa Blanca Vacation Rentals, Inc. retains 13% of gross rents collected. Housekeeping and occupancy fees are paid by the tenant for rentals less than one week and by the owner for rentals of one week or longer. Service income is collected from owners for cleaning services and repairs provided by the Association.

Casa Blanca Association, Inc. and Subsidiary
Notes to Financial Statements

NOTE VI - FUTURE MAJOR REPAIRS AND REPLACEMENTS

In 2016, independent engineers conducted a reserve study which was used with board estimates in preparing the 2017 budget to estimate the remaining useful lives and the replacement costs of the components of common property. Accumulated funds are held in a separate bank account and generally are not available for expenditures for normal operations. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study.

The Board is calculating funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. The members waived statutory funding, but approved partial funding of \$176,000, which was included in the 2017 budget. The study indicated a statutory funding requirement of \$211,291.

Funds are not being accumulated in the replacement fund based upon estimates of future needs for repairs and replacements of common property components. Amounts are based on normal operations and without the effect of potential catastrophic occurrences. Actual expenditures and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacement. If additional funds are needed, the Association has the right, subject to Florida Statutes, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE VII - INCOME TAXES

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended December 31, 2016. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, nonmembership transactions, and capital transactions.

The Association has an option for income tax purposes to elect on an annual basis to be taxed as a regular corporation under Section 277 of the Internal Revenue Code whereby non-exempt, function income is taxed at regular corporate rates, or to be taxed at a special corporate rate of 30% on its net, non-function income, less \$100 exclusion, in accordance with Section 528 of the Internal Revenue Code. For 2016, the Association elected to file under Section 528 and incurred no income tax expense.

The Subsidiary is taxed as a regular corporation, filed Form 1120 for the year ended December 31, 2016 and incurred \$1,866 in income tax expense.

Casa Blanca Association, Inc. and Subsidiary
Notes to Financial Statements

As required by the Internal Revenue Code, the Association evaluates its uncertain tax positions annually. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. At December 31, 2016, the Association had no uncertain tax positions.

The Association's income tax returns are subject to examination, by applicable taxing authorities, generally for three years after the returns are filed. Currently, there are no audits in progress for any tax periods.

NOTE VIII - LOAN PAYABLE

On June 30, 2014, The Association obtained a \$200,000 loan to fund the paver project. The loan was secured by the property, assessments and unearned insurance premiums, and payable in \$26,148 quarterly installments of principal and interest. The quarterly installment was based on a two (2) year amortization with interest accruing at 4%. The Association incurred \$268 in interest expense during 2016. The loan was paid in full in March 2016.

NOTE IX - SPECIAL ASSESSMENT

In 2014, the membership approved a special assessment to fund the paver project. Owners had the option of paying \$4,400 on May 15, 2014 or eight quarterly installments of \$575 commencing May 15, 2014 through February 15, 2016.

NOTE X - SUBSEQUENT EVENTS

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

Supplementary Information

Casa Blanca Association, Inc. and Subsidiary
Supplementary Schedule of Operating and Rental Fund Expenses
For the Year Ended December 31, 2016
Unaudited

	<u>Operating Fund</u>	<u>Rental Fund</u>	<u>Total</u>
<u>Administration</u>			
Bank & merchant fees	\$ 159	\$ 60,282	\$ 60,441
Licences, fees & permits	3,250	1,531	4,781
Fees payable to the division	413	-	413
Depreciation	136	2,531	2,667
Insurance	214,819	-	214,819
Accounting & audit	4,555	3,000	7,555
Legal & professional	5,989	-	5,989
Management fees	13,500	51,706	65,206
Office expense	4,725	3,329	8,054
Rent & equipment leases	2,248	21,720	23,968
Interest expense	268	-	268
Advertising	-	2,683	2,683
Maintenance supplies	-	7,620	7,620
Uniforms	-	848	848
Computers & updates	-	6,900	6,900
Postage	-	485	485
CBA commissions	-	57,600	57,600
Income tax	-	1,866	1,866
	<u>250,062</u>	<u>222,101</u>	<u>472,163</u>
<u>Grounds and Maintenance</u>			
Landscape maintenance	17,400	-	17,400
Landscape - other	8,568	-	8,568
Supplies	10,027	-	10,027
Elevator maintenance	22,302	-	22,302
Fire and safety	1,783	-	1,783
HVAC repairs and service	684	-	684
Laundry equipment	603	-	603
Beach maintenance	1,691	-	1,691
Pest control	10,495	-	10,495
Common area repairs	14,856	-	14,856
Security	<u>5,796</u>	<u>-</u>	<u>5,796</u>
	<u>94,205</u>	<u>-</u>	<u>94,205</u>

Read accountant's audit report.

Casa Blanca Association, Inc. and Subsidiary
Supplementary Schedule of Operating and Rental Fund Expenses
For the Year Ended December 31, 2016
Unaudited

	<u>Operating Fund</u>	<u>Rental Fund</u>	<u>Total</u>
<u>Pool and Recreation</u>			
Pool expense	7,731	-	7,731
Pool fuel	<u>11,642</u>	-	<u>11,642</u>
	<u>19,373</u>	-	<u>19,373</u>
<u>Utilities</u>			
Electric	15,486	-	15,486
Cable TV	41,640	-	41,640
Telecommunications	4,329	5,508	9,837
Trash	1,549	-	1,549
Water and sewer	<u>52,470</u>	-	<u>52,470</u>
	<u>115,474</u>	<u>5,508</u>	<u>120,982</u>
<u>Payroll</u>			
Maintenance	65,541	32,767	98,308
Office and administration	-	<u>121,577</u>	<u>121,577</u>
	<u>65,541</u>	<u>154,344</u>	<u>219,885</u>
<u>Rental Expenses</u>			
Contract cleaning	-	121,336	121,336
Guest activities	-	395	395
Occupancy supplies	-	11,789	11,789
Linens	-	57,995	57,995
Laundry machine repairs	-	497	497
Rental repairs	-	24,980	24,980
Other	-	<u>3,514</u>	<u>3,514</u>
	-	<u>220,506</u>	<u>220,506</u>
Total Expenses	<u>\$ 544,655</u>	<u>\$ 602,459</u>	<u>\$ 1,147,114</u>

Read accountant's audit report.

Casa Blanca Association, Inc. and Subsidiary
Supplementary Schedule of Changes in Replacement Fund Balances
For the Year Ended December 31, 2016
Unaudited

<u>Reserve Components</u>	<u>Beginning Balance 01/01/16</u>	<u>Member Assessments</u>	<u>Interest Income</u>	<u>Expenses</u>	<u>Ending Balance 12/31/16</u>
Exteriors	\$ 26,865	\$ 12,900	\$ -	\$ -	\$ 39,765
Roadways	10,569	11,420	-	-	21,989
Grounds site improve.	101,277	127,980	-	(120,116)	109,141
Roofs	57,019	23,700	-	(22,237)	58,482
Interest	8,972	-	506	-	9,478
Totals	<u>\$ 204,702</u>	<u>\$ 176,000</u>	<u>\$ 506</u>	<u>\$ (142,353)</u>	<u>\$ 238,855</u>

Read accountant's audit report.

Casa Blanca Association, Inc. and Subsidiary
Supplementary Information About Future Major Repairs and Replacements
For the Year Ended December 31, 2016
Unaudited

The following is the estimated remaining life and estimated cost to replace the components of reserves. This information is based upon a 2016 engineer's study and estimates determined by the Board of Directors during the preparation of the proposed 2017 budget.

<u>Reserve Components</u>	<u>Estimated Remaining Life - in Years</u>	<u>Estimated Cost to Replace</u>	<u>2017 Statutory Funding Requirement</u>
Buildings / Structural			
Concrete Restoration Allowance	6	\$ 85,000	\$ 12,405
Sewer Remediation	2	200,000	87,564
Mechanical / Electrical			
Elevator Modernization/Jack, Mid-Rise	20	71,810	3,144
Fire Alarm System, Mid-Rise	12	21,680	1,582
HVAC Package Unit, Office Building	3	11,696	3,414
Exterior Painting / Powerwashing			
Paint/Waterproof Mid-Rise Exteriors	6	35,904	5,240
Paint/Waterproof Office Bldgs. Exteriors	5	4,668	818
Paint/Waterproof Villas Exteriors	7	71,568	8,953
Roadway Resurfacing	28	225,400	7,049
Pool			
Pool Decking	12	23,165	1,690
Pool Fencing & Gates	6	6,735	983
Pool Interiors	7	28,188	3,526
Roofing			
Roofing, Mid-Rise	14	158,840	9,935
Roofing, Office (Flat)	7	28,432	3,557
Roofing, Office (Metal Shingle)	25	10,215	358
Roofing, Villas	25	1,067,387	37,386
Railings	3	16,808	4,906
Ground Site Improvements			
Beach Cabanas	6	15,120	2,207
Fencing, North Boundary	11	12,743	1,014
Lighting, Parking/Drives	4	23,474	5,139
Seawall	10	101,280	8,869
Signage	4	7,100	1,552
Total		<u>\$ 2,227,213</u>	<u>\$ 211,291</u>

Read accountant's audit report.