

CASA BLANCA ASSOCIATION, INC. and SUBSIDIARY

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018

CASA BLANCA ASSOCIATION, INC. and SUBSIDIARY

CONTENTS

YEAR ENDED DECEMBER 31, 2018

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Balance Sheet	3
Statement of Revenues, Expenses, and Changes in Fund Balances	4
Statement of Cash Flows	5-6
Notes to Financial Statements	7-9
SUPPLEMENTARY INFORMATION	
Schedule of Operating Expenses	10-11
Schedule of Changes in Replacement Fund Balances	12
Supplementary Information on Future Major Repairs and Replacements.....	13

Kenneth F. Kandefer
Certified Public Accountant
2262 Gulf Gate Drive
Sarasota, Florida 34231
*(941) 921-3221 * Fax (941) 924-1774*
E-Mail – kameron@kfkcpa.com

*Member American Institute of Certified Public Accountants * Florida Institute of Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Residential Unit Owners
Casa Blanca Association, Inc. and Subsidiary
Sarasota, Florida

Report on the Financial Statements

My firm has audited the accompanying financial statements of Casa Blanca Association, Inc. and Subsidiary, which comprise the balance sheet as of December 31, 2018, and the related statements of revenues, expenses, and changes in fund balances 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.

Board of Directors
Casa Blanca Association, Inc. and Subsidiary

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, 2018, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Schedule of Operating Expenses and Schedule of Changes in Replacement Fund Balances are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements 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 operation, 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.



Kenneth F. Kandefer
Certified Public Accountant

Available to be Issued Date: April 30, 2019

Audit Release Date: April 30, 2019

CASA BLANCA ASSOCIATION, INC. and SUBSIDIARY
BALANCE SHEET
DECEMBER 31, 2018

	<u>OPERATING</u>	<u>REPLACEMENT</u>	<u>RENTAL</u>	<u>TOTAL</u>
Cash	\$ 32,921	\$ 462,172	\$ 109,110	\$ 604,203
Cash Escrow	-	-	506,559	506,559
Accounts Receivable	804	-	2,361	3,165
Prepaid Expenses	210,421	-	2,200	212,621
Furniture and Equipment net of Depreciation	-	-	2,578	2,578
Due to/from Funds	3,285	-	7,467	10,752
TOTAL ASSETS	<u>247,431</u>	<u>462,172</u>	<u>630,275</u>	<u>1,339,878</u>
Accounts Payable	7,719	-	5,666	13,385
Accrued Expenses	-	-	10,529	10,529
Booking Deposits	-	-	489,533	489,533
Taxes Payable	-	-	13,800	13,800
Due to Owners	-	-	91,869	91,869
Prepaid Maintenance Fees	38,991	-	-	38,991
TOTAL LIABILITIES	<u>46,710</u>	<u>-</u>	<u>611,397</u>	<u>658,107</u>
Fund Balances	<u>200,721</u>	<u>462,172</u>	<u>18,878</u>	<u>681,771</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 247,431</u>	<u>\$ 462,172</u>	<u>\$ 630,275</u>	<u>\$ 1,339,878</u>

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
YEAR ENDED DECEMBER 31, 2018

	<u>OPERATING</u>	<u>REPLACEMENT</u>	<u>RENTAL</u>	<u>TOTAL</u>
REVENUES				
Members Assessments	\$ 455,608	\$ 223,520	\$ -	\$ 679,128
Commission Fees	-	-	316,447	316,447
Cleaning Fees	-	-	115,612	115,612
Processing Fees	-	-	101,504	101,504
Occupancy Fees	-	-	83,601	83,601
Interest Income	-	3,073	-	3,073
Reimbursed Expenses	113,519	-	-	113,519
Other Income	1,204	-	33,283	34,487
TOTAL REVENUES	<u>570,331</u>	<u>226,593</u>	<u>650,447</u>	<u>1,447,371</u>
EXPENSES				
Administrative	218,789	-	141,264	360,053
Grounds	27,105	-	114	27,219
Maintenance	74,292	-	227,568	301,860
Pool and Recreation	22,070	-	-	22,070
Utilities	115,569	-	17,717	133,286
Payroll	58,800	-	182,417	241,217
Other	-	-	101,011	101,011
Replacement	-	72,575	-	72,575
TOTAL EXPENSES	<u>516,625</u>	<u>72,575</u>	<u>670,091</u>	<u>1,259,291</u>
EXCESS (DEFICIT) REVENUES OVER EXPENSES BEFORE DEPRECIATION	53,706	154,018	(19,644)	188,080
DEPRECIATION	<u>-</u>	<u>-</u>	<u>(8,730)</u>	<u>(8,730)</u>
EXCESS (DEFICIT) REVENUES OVER EXPENSES AFTER DEPRECIATION	53,706	154,018	(28,374)	179,350
FUND BALANCE				
Beginning of Year	146,330	308,154	31,218	485,702
Prior Period Adjustment	685	-	16,034	16,719
FUND BALANCE End of Year	<u>\$ 200,721</u>	<u>\$ 462,172</u>	<u>\$ 18,878</u>	<u>\$ 681,771</u>

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

CASA BLANCE ASSOCIATION, INC and SUBSIDIARY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

	<u>OPERATING</u>	<u>REPLACEMENT</u>	<u>RENTAL</u>	<u>TOTAL</u>
<u>Cash Flows From Operating Activities</u>				
Member Assessments	\$ 459,305	\$ 223,520	\$ -	\$ 682,825
Rental Income and Fees	-	-	619,891	619,891
Interest Received	-	3,073	-	3,073
Other Income Received	114,723	-	33,283	148,006
Cash Paid for Expenditures	(626,534)	(74,150)	(628,972)	(1,329,656)
Income Taxes Paid	-	-	-	-
Interest Paid	-	-	-	-
Net Cash from Operations	<u>(52,506)</u>	<u>152,443</u>	<u>24,202</u>	<u>124,139</u>
<u>Cash Flows From Investing Activities</u>				
Purchase of Assets	-	-	(4,355)	(4,355)
Net Cash from Operations	<u>-</u>	<u>-</u>	<u>(4,355)</u>	<u>(4,355)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(52,506)	152,443	19,847	119,784
Cash and Cash Equivalents, Beginning of Year	<u>85,427</u>	<u>309,729</u>	<u>595,822</u>	<u>990,978</u>
Cash and Cash Equivalents, End of Year	<u>\$ 32,921</u>	<u>\$ 462,172</u>	<u>\$ 615,669</u>	<u>\$ 1,110,762</u>

Cash and cash equivalents reflected in these financial statements include money market funds, standard checking and savings accounts.

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

CASA BLANCA ASSOCIATION, INC. and SUBSIDIARY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

**RECONCILIATION OF EXCESS (DEFICIT)
OF REVENUES OVER EXPENSES TO
NET CASH PROVIDED BY OPERATING
ACTIVITIES:**

	<u>OPERATING</u>	<u>REPLACEMENT</u>	<u>RENTAL</u>	<u>TOTAL</u>
Excess (Deficit) Revenues Over Expenses	\$ 53,706	\$ 154,018	\$ (28,374)	\$ 179,350
Prior Period Correction	685	-	16,034	16,719
Depreciation	-	-	8,730	8,730
Total	<u>54,391</u>	<u>154,018</u>	<u>(3,610)</u>	<u>204,799</u>

Adjustment to Reconcile Excess (Deficit)
Revenues over Expenses Provided by
(Used in) Operating Activities

(Increase) Decrease in:

Receivables	16,535	-	2,727	19,262
Prepaid Expenses	(92,271)	-	1,674	(90,597)
Due Between Funds	(1,710)	(1,575)	5,387	2,102

Increase (Decrease) in:

Payables	(16,613)	-	(38,735)	(55,348)
Accrued Liabilities	-	-	10,529	10,529
Booking Deposits	-	-	46,230	46,230
Prepaid Maintenance Fees	(12,838)	-	-	(12,838)

Total Adjustments	<u>(106,897)</u>	<u>(1,575)</u>	<u>27,812</u>	<u>(80,660)</u>
--------------------------	------------------	----------------	---------------	-----------------

**Net Cash Provided (Used)
by Operating Activities**

	<u>\$ (52,506)</u>	<u>\$ 152,443</u>	<u>\$ 24,202</u>	<u>\$ 124,139</u>
--	--------------------	-------------------	------------------	-------------------

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

CASA BLANCA ASSOCIATION, INC. and SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 1 - NATURE OF ORGANIZATION

CASA BLANCA ASSOCIATION, INC. AND SUBSIDIARY is a not-for-profit corporation organized on February 15, 1966 according to the Florida Condominium Act for the purpose of offering maintenance services to its members who are the unit owners in Casa Blanca Condominium located in Sarasota, FL.. The Association represents 88 residential units. Substantially, all of the Association's revenues are provided by its members through yearly assessments. This Association is the parent company of the wholly owned subsidiary, Casa Blanca Vacation Rentals, Inc. ("the Subsidiary") which operates a short term rental program.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing 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 fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

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

Replacement Fund--This fund is used to accumulate financial resources designated for future major repairs and replacements.

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

Member Assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessment receivables at the balance sheet date represent 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. Accounts Receivable at December 31, 2018 for regular quarterly assessments was \$804.

Income Tax

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended December 31, 2018. The Association is subject to specific rulings and regulations applicable to nonexempt membership organization. In general, The Association is required to separate its taxable income and deductions into membership transactions, nonmembership transactions and capital transactions.

The Association is filing as a regular corporation under Section 277 of the Internal Revenue Code whereby non-exempt function income is taxed a regular corporate rates.

The Subsidiary is taxed as a regular corporation.

CASA BLANCA ASSOCIATION, INC. and SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 reported period. Actual results could differ from those estimates.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property at cost and depreciates it using the straight-line method.

NOTE 3 – COMMITMENTS

The Association has contracts with several vendors that were in force during the year 2018.

NOTE 4 - PROVISION FOR INCOME TAXES

As stated in Note 2, the Association is taxed by the Internal Revenue Service on any non-membership income, net of certain deductions. For the year ended December 31, 2018, there was no federal tax liability.

NOTE 5 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds would be held in a separate account and are generally not available for expenditures for normal operations.

The Association engaged an independent engineer who conducted an updated study in 2016 to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement 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 that would be accumulated in the replacement fund may not be adequate to meet future needs. If additional funds would be needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

CASA BLANCA ASSOCIATION, INC. and SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 6 – UNINSURED CASH BALANCES

The Association maintains its cash in financial institutions in Florida. Cash balances are insured under the FDIC for up to \$250,000 per institution. At December 31, 2018, the Association had \$33,208 in uninsured funds.

NOTE 7 – UNCERTAINTY IN INCOME TAXES

The Association evaluates its uncertain tax position in compliance with requirements established by the financial standards board. 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. Management has determined that there are no probable liabilities related to the current Association tax position.

NOTE 8 – DATE OF MANAGEMENT REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date indicated on the Auditor's letter labeled "available for Issue" date.

NOTE 9 – 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. Depreciation expenses for the year ended December 31, 2018 was \$8,730.

	Operating	Rental	Total
Equipment	\$ 46,653	\$ 38,675	\$ 85,328
Accumulated Depreciation	<u>(46,653)</u>	<u>(36,097)</u>	<u>(82,750)</u>
Net Book Value	\$ - 0 -	\$ 2,578	\$ 2,578

CASA BLANCA ASSOCIATION, INC. and SUBSIDIARY
SCHEDULE OF OPERATING AND RENTAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>OPERATING</u>	<u>RENTAL</u>
ADMINISTRATIVE		
Bank and Merchant Fees	\$ -	\$ 66,778
Fees, Dues and Licenses	596	332
Fees Payable to Division	352	-
Insurance	185,075	11,279
Advertising	-	2,655
Accounting	3,345	9,054
Professional Fees	5,195	5,445
Management Fees	19,140	-
Office Supplies	4,228	3,934
Postage and Delivery	-	1,469
Rent and Equipment Lease	-	4,352
Office Rent	-	18,000
Security	-	17,966
Annual Party	858	-
TOTAL ADMINISTRATIVE EXPENSE	<u>218,789</u>	<u>141,264</u>
GROUNDS		
Landscape Maintenance	22,640	114
Grounds Other	4,465	-
TOTAL GROUNDS EXPENSE	<u>27,105</u>	<u>114</u>
MAINTENANCE		
Maintenance Supplies	7,219	245
Owner Expenses	-	1,210
Contract Cleaning	-	147,207
Linens	-	55,080
Occupancy Supplies	-	8,176
Other Repair and Maintenance	-	8,314
Elevator Maintenance	10,000	-
Fire and Safety	4,422	-
HVAC Maintenance	440	-
Beach Maintenance	2,419	2,413
Pest Control	7,625	-
Common Area	37,897	783
Paver Work	2,133	-
Roof Repairs	2,100	-
Vending Machines	-	403
Washer and Dryer Repair	37	3,737
TOTAL MAINTENANCE EXPENSE	<u>\$ 74,292</u>	<u>\$ 227,568</u>

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

**CASA BLANCA ASSOCIATION, INC. and SUBSIDIARY
SCHEDULE OF OPERATING AND RENTAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	<u>OPERATING</u>	<u>RENTAL</u>
POOL AND RECREATION		
Clubhouse Expenses	\$ 262	\$ -
Pool Expense	12,273	-
Pool Fuel	<u>9,535</u>	<u>-</u>
TOTAL POOL AND RECREATION	<u>22,070</u>	<u>-</u>
UTILITIES EXPENSE		
Electric	12,262	-
Cable TV and WiFi	45,531	12,440
Telecommunications	4,965	5,277
Trash	1,728	-
Water and Sewer	<u>51,083</u>	<u>-</u>
TOTAL UTILITIES EXPENSE	<u>115,569</u>	<u>17,717</u>
PAYROLL		
Office and Administrative	-	156,766
Maintenance	<u>58,800</u>	<u>25,651</u>
TOTAL PAYROLL EXPENSE	<u>58,800</u>	<u>182,417</u>
OTHER RENTAL EXPENSE		
Rate Adjustments	-	5,011
CBA Commissions	<u>-</u>	<u>96,000</u>
TOTAL RENTAL EXPENSE	<u>-</u>	<u>101,011</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 516,625</u></u>	<u><u>\$ 670,091</u></u>

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

CASA BLANCA ASSOCIATION, INC. and SUBSIDIARY
SCHEDULE OF CHANGES IN REPLACEMENT FUND BALANCES
YEAR ENDED DECEMBER 31, 2018

	<u>Beginning Balance</u>	<u>Assessments Income</u>	<u>Interest</u>	<u>Expenses</u>	<u>Ending Balance</u>
Building Restoration	\$ 38,121	\$ 100,029	\$ -	\$ -	\$ 138,150
Mechanical/Electrical	14,069	9,921	-	-	23,990
Exterior Painting	14,999	17,342	-	(2,500)	29,841
Roadway Resurfacing	30,149	7,140	-	-	37,289
Grounds Site Improvements	21,363	22,021	-	(70,075)	(26,691)
Pool	7,770	6,971	-	-	14,741
Roofing	169,184	52,908	-	-	222,092
Railings	2,248	7,188	-	-	9,436
Interest Income	<u>10,251</u>	<u>-</u>	<u>3,073</u>	<u>-</u>	<u>13,324</u>
TOTAL REPLACEMENT FUND	<u><u>\$ 308,154</u></u>	<u><u>\$ 223,520</u></u>	<u><u>\$ 3,073</u></u>	<u><u>\$ (72,575)</u></u>	<u><u>\$ 462,172</u></u>

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

CASA BLANCA ASSOCIATION, INC. and SUBSIDIARY
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
YEAR ENDED DECEMBER 31, 2018

(UNAUDITED)

Management and the Board have updated an engineer's study to estimate the remaining useful lives and estimated cost to replace the components of reserves. This information was created while preparing the proposed 2019 budget.

<u>Components</u>	<u>Estimated Useful Life</u>	<u>Estimated Remaining Useful Life</u>	<u>Estimated Replacement Costs</u>	<u>Funding Requirement 2019</u>
Buildings/Structures				
Concrete Resotration	10	4	\$ 85,000	\$ 12,508
Sewer remediation	2	1	100,000	58,863
Machanical/Electrical				
Elevator Modernization	30	18	71,810	2,348
Fire Alarm System	25	10	21,680	1,276
HVAC Package Unit	10	1	11,596	6,885
Exterior Painting				
Paint/Water proof Mid Rise	10	4	35,904	5,254
Paint/Water proof Office Buildings	10	3	4,568	916
Paint/Water proof Villas	10	5	71,568	8,425
Pavement				
Pavers, Parking and Drives	30	26	225,400	6,850
Clean and Seal Pavers	58	5	40,000	6,321
Pool				
Pool Decking	30	10	23,165	1,364
Pool Fencing and Gates	24	4	6,735	991
Pool Interiors	13	5	28,188	3,318
Roofing				
Roofing Mid Rise	20	12	158,840	7,791
Roofing Office Flat	20	5	28,432	3,347
Roofing Office Metal	35	23	10,215	261
Roofing Villas	35	23	1,067,387	27,317
Railings	40	1	16,808	9,894
Ground Site Improvements				
Beach Cabanas	20	4	15,120	2,225
Fencing, North Boundary	25	9	12,743	833
Lighting, Parking/Drives	24	2	23,474	6,909
Seawall	40	8	101,280	7,452
Sinage	17	2	7,100	2,090
TOTAL			<u>\$ 2,167,013</u>	<u>\$ 183,438</u>