

**Tamarind Gulf and Bay
Condominium Association, Inc.**

Financial Statements

December 31, 2021

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CAVANAUGH & CO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Tamarind Gulf and Bay Condominium Association, Inc.

Opinion

We have audited the accompanying financial statements of Tamarind Gulf and Bay Condominium Association, Inc., which comprise the balance sheet as of December 31, 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tamarind Gulf and Bay Condominium Association, Inc. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tamarind Gulf and Bay Condominium Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tamarind Gulf and Bay Condominium Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tamarind Gulf and Bay Condominium Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tamarind Gulf and Bay Condominium Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of replacement fund activity is presented for purposes of additional analysis and is not a required part of the 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

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 is the responsibility of management and, although not a 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 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.



Sarasota, Florida

May 31, 2022

Tamarind Gulf and Bay Condominium Association, Inc.

Balance Sheet
December 31, 2021

	<u>ASSETS</u>			2020 Total (For Comparative Purposes Only)
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	
Assets:				
Cash and cash equivalents	\$ 243,754	261	244,015	249,420
Certificates of deposit	-	-	-	33
Assessments receivable	10,535	-	10,535	9,800
Due from other fund	22,809	-	22,809	-
Prepaid expenses	<u>219,345</u>	<u>-</u>	<u>219,345</u>	<u>77,841</u>
 Total assets	 <u>\$ 496,443</u>	 <u>261</u>	 <u>496,704</u>	 <u>337,094</u>

LIABILITIES AND FUND BALANCES

Liabilities:				
Accounts payable	\$ 43,956	268,142	312,098	22,424
Insurance note payable	193,238	-	193,238	-
Prepaid assessments	154,804	-	154,804	126,454
Security deposits	500	-	500	500
Payroll taxes payable	126	-	126	126
Due to other fund	-	22,809	22,809	-
Note payable	-	635,401	635,401	-
Contract liabilities - (assessments received in advance - Replacement Fund)	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,367</u>
 Total liabilities	 392,624	 926,352	 1,318,976	 324,871
 Fund Balance (Deficit)	 <u>103,819</u>	 <u>(926,091)</u>	 <u>(822,272)</u>	 <u>12,223</u>
 Total liabilities and fund balances	 <u>\$ 496,443</u>	 <u>261</u>	 <u>496,704</u>	 <u>337,094</u>

See accompanying notes to financial statements.

Tamarind Gulf and Bay Condominium Association, Inc.

Statement of Revenues, Expenses, and Changes in Fund Balances

Year Ended December 31, 2021

	Operating Fund	Replacement Fund	Total	2020 Total (For Comparative Purposes Only)
Revenues:				
Maintenance assessments	\$ 1,018,293	462,074	1,480,367	1,356,327
Interest	21	93	114	140
Laundry	3,750	-	3,750	3,500
Other	18,800	-	18,800	14,400
Total revenues	1,040,864	462,167	1,503,031	1,374,367
Expenses:				
Replacement	-	1,388,258	1,388,258	397,454
Accounting and audit	2,089	-	2,089	9,350
Cable TV	80,972	-	80,972	76,130
Electricity	14,001	-	14,001	13,045
Insurance	455,129	-	455,129	460,487
Interest	12,973	-	12,973	5,876
Laundry room	3,426	-	3,426	606
Legal-general	4,496	-	4,496	11,573
Licenses, permits and dues	2,376	-	2,376	4,221
Management fees	33,492	-	33,492	11,740
Miscellaneous	(1,084)	-	(1,084)	5,737
Office	4,560	-	4,560	10,319
Payroll	64,616	-	64,616	105,217
Pest control	18,104	-	18,104	17,494
Repairs and maintenance:				
Building maintenance	34,114	-	34,114	29,098
Elevator	13,518	-	13,518	12,001
Grounds contract	47,123	-	47,123	67,821
Grounds maintenance	12,399	-	12,399	4,386
Pool repairs	18,571	-	18,571	10,918
State condominium fee	580	-	580	580
Taxes-payroll	-	-	-	9,458
Telephone	5,907	-	5,907	6,553
Water and sewer	121,906	-	121,906	119,457
Total expenses	949,268	1,388,258	2,337,526	1,389,521
Deficiency of revenues over expenses	91,596	(926,091)	(834,495)	(15,154)
Fund balance, January 1	12,223	-	12,223	27,377
Fund balance, December 31	\$ 103,819	(926,091)	(822,272)	12,223

See accompanying notes to financial statements.

Tamarind Gulf and Bay Condominium Association, Inc.

Statement of Cash Flows
Year Ended December 31, 2021

	Operating Fund	Replacement Fund	Total	2020 Total (For Comparative Purposes Only)
Cash flows from operating activities:				
Maintenance assessments collected	\$ 1,045,908	286,707	1,332,615	1,270,150
Interest received	21	93	114	140
Other income received	22,550	-	22,550	17,900
Income tax paid	-	-	-	-
Operating expenses paid	<u>(1,181,203)</u>	<u>(1,008,153)</u>	<u>(2,189,356)</u>	<u>(1,372,314)</u>
Cash flows from operating activities	<u>(112,724)</u>	<u>(721,353)</u>	<u>(834,077)</u>	<u>(84,124)</u>
Cash flows from investing activities:				
Reinvestment of interest earned	-	(93)	(93)	(127)
Redemption (purchase) of certificates of deposit	-	126	126	201,110
Cash flows from investing activities	<u>-</u>	<u>33</u>	<u>33</u>	<u>200,983</u>
Cash flows from financing activities:				
Proceeds from notes payable	346,812	635,401	982,213	-
Payments on notes payable	<u>(153,574)</u>	<u>-</u>	<u>(153,574)</u>	<u>-</u>
Cash flows from financing activities	<u>193,238</u>	<u>635,401</u>	<u>828,639</u>	<u>-</u>
Increase (Decrease) in cash and cash equivalents	80,514	(85,919)	(5,405)	116,859
Cash and cash equivalents, January 1	<u>163,240</u>	<u>86,180</u>	<u>249,420</u>	<u>132,561</u>
Cash and cash equivalents, December 31	<u>\$ 243,754</u>	<u>261</u>	<u>244,015</u>	<u>249,420</u>
Reconciliation of deficiency of revenues over expenses to cash flows from operating activities:				
Deficiency of revenues over expenses	\$ 91,596	(926,091)	(834,495)	(15,154)
Unrealized (gain) loss on investment	-	-	-	-
Adjustments:				
(Increase) decrease in:				
Assessments receivable	(735)	-	(735)	(3,300)
Due (to) from other fund	(111,963)	111,963	-	-
Prepaid expenses	(141,504)	-	(141,504)	(2,532)
Increase (decrease) in:				
Accounts payable	21,532	268,142	289,674	22,424
Prepaid assessments	28,350	-	28,350	(31,550)
Payroll taxes payable	-	-	-	(2,685)
Contract liability	-	(175,367)	(175,367)	(51,327)
Total adjustments	<u>(204,320)</u>	<u>204,738</u>	<u>418</u>	<u>(68,970)</u>
Net cash flows from operating activities	<u>\$ (112,724)</u>	<u>(721,353)</u>	<u>(834,077)</u>	<u>(84,124)</u>

See accompanying notes to financial statements.

Tamarind Gulf and Bay Condominium Association, Inc.

Notes to Financial Statements

December 31, 2021

Note 1 – Organization and Summary of Significant Accounting Policies:

Organization

Tamarind Gulf and Bay Condominium Association, Inc. (the “Association”) was incorporated under the Laws of the State of Florida as a not-for-profit corporation for the purpose of administering and operating the property located at 2955 North Beach Road in Englewood, Florida. The members of the Association consist of 145 condominium unit owners.

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, and prepares its financial statements on the accrual basis of 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 day to day operations of the Association.

Replacement Fund

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

Regular Assessments

Association members are subject to annual 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 place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year.

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 is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent.

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control.

Common Property

The Association’s policy is to not capitalize the commonly owned real property as ownership is vested directly or indirectly in the unit owners and these assets are not deemed to be severable.

Tamarind Gulf and Bay Condominium Association, Inc.

Notes to Financial Statements – Continued

December 31, 2021

Note 1 – Organization and 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 (assessments received in advance-replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes. 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.

For Federal tax purposes, the Association is taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses, and any net membership losses may only be carried forward to offset membership income of future tax periods. Any net membership income not applied to the subsequent tax year is subject to taxation. There was no income tax expense for 2021.

Management has evaluated the effect of an accounting standard relating to accounting for uncertainty in income taxes. Management has determined that the Association had no uncertain income tax positions that could have a significant effect on the financial statements for the year ended December 31, 2021. The Association's federal income tax returns are subject to examination by the Internal Revenue Service, generally for three years after the federal income tax returns were filed.

Cash and Cash Equivalents

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

Common Expenses

The common expenses are borne equally by the 145 condominium unit owners and the unit owners share equally in the common surplus, such equal share being a 1/145 share.

Note 2 – Uninsured Cash Balances:

The Association maintains its cash balances at several financial institutions. Accounts at each institution are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2021, there were no balances in excess of FDIC limits.

Tamarind Gulf and Bay Condominium Association, Inc.

Notes to Financial Statements – Continued

December 31, 2021

Note 3 – Insurance Loan:

The Association financed the certain insurance premiums that were due in June 2021. The total amount financed was \$346,812. Terms call for eleven payments of \$32,206 including interest at 4.276%. The balance of the loan at December 31, 2021 is \$193,238.

Note 4 – Note Payable:

In April 2021, the Association obtained a \$2,000,000 loan to assist in providing funds for a roofing project. Draws on the loan are available until November 2022 (the “draw period”). During the draw period, the terms call for monthly payments of interest only on any outstanding balance at 3.75%. Following the draw period, the principal and interest (at 3.75%) are due in 162 monthly payments of \$15,806 with a maturity date of April 2036. The loan is collateralized by particular assets of the Association except for reserve and special assessment funds. The balance of the loan at December 31, 2021 is \$635,401. It is likely that the loan will be fully utilized and drawn on in full. Future minimum principal payments required if the loan were drawn in full are shown below.

<u>Year</u>	
2022	\$ 9,556
2023	117,025
2024	121,489
2025	126,124
2026	130,936
Thereafter	<u>1,494,870</u>
Total	<u>\$ 2,000,000</u>

Note 5 – Future Major Repairs and Replacements:

The Association’s bylaws and Florida Statutes require that the Association prepare its annual budget with calculations of estimates of future costs for the repair and/or replacement of certain common property. These calculations provide the basis for the establishment and ratable funding of reserves over a period of time. The budget must include amounts representing full funding of reserves, however, the membership may vote to reduce or eliminate the funding of these amounts as called for in the budget. This vote must be at a duly called meeting before the budget is in place and is valid for one year only.

The Board of Directors annually reviews the major components of common property. As part of the review, a study was conducted by a third party in 2020 to estimate the remaining useful lives and the estimated current replacement costs of each of the components of the Replacement Fund. The study anticipates earnings on invested funds of .75% in the first year and up to 3% in later years. The study also uses an inflation rate of 3% and increases assessments annually by 3%. The table included in the unaudited supplementary information on future major repairs and replacements is based on this study.

Tamarind Gulf and Bay Condominium Association, Inc.

Notes to Financial Statements – Continued

December 31, 2021

Note 5 – Future Major Repairs and Replacements - continued:

The Board is funding for future major repairs and replacements over the remaining estimated useful lives of the components based on estimates of current replacement costs. Amounts previously accumulated are considered in determining the annual funding requirement. The calculated funding requirement for 2021 from the 2020 study is \$787,986 on the pooling method. For 2021, the Board approved a budget which included funding reserve accounts for a total of \$718,707 with \$432,000 provided by loan proceeds and \$286,707 from member assessments. The calculated funding requirement for 2022 from the 2020 study is \$811,626 on the pooling method. For 2022, the Board approved a budget which included funding reserve accounts for a total of \$1,038,982 with \$723,275 provided by loan proceeds and \$315,707 from member assessments.

Actual expenditures may vary from the estimated replacement costs. These variances could be material. Consequently, the amounts accumulated in this fund may not be adequate to fund the major repair or replacement. If additional funds are needed, the Association may increase regular assessments, pass a special assessment or delay the repair or replacement.

Note 6 – Insurance Contingency:

The Association's current windstorm insurance policy contains a deductible clause of 3% for hurricane and \$25,000 per occurrence for other wind events with minimums per building. Based on the \$34,442,701 insured valuation of the buildings, the first \$1,033,281 would be the responsibility of the Association in the event of a hurricane.

Note 7 – Subsequent Events:

Subsequent events have been evaluated through May 31, 2022, which is the date the financial statements were available to be issued.

Tamarind Gulf and Bay Condominium Association, Inc.

Schedule of Replacement Fund Activity

Year Ended December 31, 2021

Beginning pooled balance	\$ 175,367
Pooling assessment	286,707
Interest	93
Expenses:	
Roofs and carport	(1,008,327)
Painting and waterproofing	(308,543)
Paving	(58,962)
Swimming pool	(4,371)
Buildings and elevators	(6,240)
Water/sewer	<u>(1,815)</u>
Total expenses	<u>(1,388,258)</u>
Ending pooled balance	<u>\$ (926,091)</u>
Ending balance consists of:	
Fund deficit from loan	\$ (635,401)
Contract liability	<u>(290,690)</u>
Total	<u>\$ (926,091)</u>

Tamarind Gulf and Bay Condominium Association, Inc.

Supplementary Information on Future Major Repairs and Replacements

December 31, 2021

(Unaudited)

The Board of Directors engaged Dreux Isaac & Associates, Inc., licensed architect and engineer, to conduct a study to estimate the remaining useful lives and the estimated current replacement costs of the components of common property.

The following table is based on that study performed during 2020 and presents significant information about the components of common property.

The pooling method considers the total beginning year reserve balance in year one along with the projected annual reserve expenditures over a thirty year period, and through pooling of all of the reserve funds and creating one general reserve fund, arrives at an annual contribution amount so as to provide a positive cash flow and adequate reserve account balance over the next thirty years.

	<u>Remaining Estimated Useful Life</u>	<u>Estimated Replacement Costs</u>
Roofs and carport	1 - 29	\$ 2,249,984
Painting and waterproofing	1 - 3	473,872
Paving	1 - 18	386,879
Swimming pool	1 - 19	87,969
Buildings and elevators	1 - 30	2,453,590
Water/Sewer	1	12,000
Docks/Seawall/Beachwalks	8 - 28	<u>717,300</u>
		<u><u>\$ 6,381,594</u></u>