

**THE SANDARAC
ASSOCIATION, INC.**
FORT MYERS BEACH, FLORIDA
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2013



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**Cindy
D'Artagnan**
CPA, LLC

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Sandarac Association, Inc.
Fort Myers Beach, Florida

Report on the Financial Statements

I have audited the accompanying financial statements of The Sandarac Association, Inc., which comprise the balance sheet as of March 31, 2013, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit includes 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 Association'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 Association's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Sandarac Association, Inc., as of March 31, 2013, 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

The audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating fund expenses - budget to actual is presented for the purpose 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. That information, except for the portion marked "unaudited," has been subjected to the auditing procedures applied during 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 taken as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I 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 accompanying supplementary information on future major repairs and replacements on page 13 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Cindy D'Artagnan, CPA, LLC

August 26, 2013

CINDY D'ARTAGNAN, CPA, LLC

THE SANDARAC ASSOCIATION, INC.
BALANCE SHEET
MARCH 31, 2013

	FUNDS		
	Operating	Replacement	Total
ASSETS			
Cash and cash equivalents	\$ 239,007	\$ 345,212	\$ 584,219
Due from Sandarac II	5,178	-	5,178
Prepaid insurance	2,155	-	2,155
Prepaid expense	2,494	-	2,494
	<u>\$ 248,834</u>	<u>\$ 345,212</u>	<u>\$ 594,046</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 11,432	\$ -	\$ 11,432
Income taxes payable	127	-	127
Assessments received in advance	97,522	-	97,522
Deferred special assessment	-	43,754	43,754
	<u>109,081</u>	<u>43,754</u>	<u>152,835</u>
	<u>139,753</u>	<u>301,458</u>	<u>441,211</u>
	<u>\$ 248,834</u>	<u>\$ 345,212</u>	<u>\$ 594,046</u>

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

THE SANDARAC ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2013

	FUNDS		
	Operating	Replacement	Total
REVENUES			
Maintenance fees	\$ 385,088	\$ 76,384	\$ 461,472
Interest	120	2,134	2,254
Beach commission	6,000	-	6,000
Transfer fees	750	-	750
Other	480	-	480
	<u>392,438</u>	<u>78,518</u>	<u>470,956</u>
EXPENSES			
General and administrative	19,006	-	19,006
Pool	2,988	-	2,988
Insurance	99,911	-	99,911
Staffing	90,193	-	90,193
Maintenance	54,398	-	54,398
Utilities	101,982	-	101,982
Replacements	-	32,946	32,946
	<u>368,478</u>	<u>32,946</u>	<u>401,424</u>
Total expenses	<u>368,478</u>	<u>32,946</u>	<u>401,424</u>
Excess of revenues over expenses	23,960	45,572	69,532
FUND BALANCES -			
April 1, 2012	<u>115,793</u>	<u>255,886</u>	<u>371,679</u>
FUND BALANCES -			
March 31, 2013	<u>\$ 139,753</u>	<u>\$ 301,458</u>	<u>\$ 441,211</u>

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part of the financial statements.

THE SANDARAC ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2013

	FUNDS		
	Operating	Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Maintenance fees received	\$ 469,929	\$ 76,384	\$ 546,313
Special assessment received	-	1,111	1,111
Interest income received	120	2,134	2,254
Beach commission income received	6,000	-	6,000
Transfer fees received	750	-	750
Other income received	480	-	480
Cash paid interest	(1,463)	-	(1,463)
Cash paid for income taxes	(350)	-	(350)
Cash paid for operating expenses	(368,075)	-	(368,075)
Replacement expenditures paid	-	(34,592)	(34,592)
Due from (to) funds	17,368	(17,368)	-
Net cash provided by operating activities	<u>124,759</u>	<u>27,669</u>	<u>152,428</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of certificate of deposit	-	(143)	(143)
Redemption of certificate of deposit	-	76,238	76,238
Net cash provided by investing activities	<u>-</u>	<u>76,095</u>	<u>76,095</u>
Net increase in cash	124,759	103,764	228,523
CASH AND CASH EQUIVALENTS -			
April 1, 2012	<u>114,248</u>	<u>241,448</u>	<u>355,696</u>
CASH AND CASH EQUIVALENTS -			
March 31, 2013	<u>\$ 239,007</u>	<u>\$ 345,212</u>	<u>\$ 584,219</u>

	FUNDS		
	<u>Operating</u>	<u>Replacement</u>	<u>Total</u>
RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 23,960	\$ 45,572	\$ 69,532
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Decrease in accounts receivable - members	874	1,111	1,985
Increase in due from Sandarac II	(5,178)	-	(5,178)
Decrease in prepaid insurance	603	-	603
Increase in prepaid expense	(1,358)	-	(1,358)
Increase (decrease) in accounts payable	4,733	(1,646)	3,087
Decrease in income taxes payable	(210)	-	(210)
Increase in assessments received in advance	83,967	-	83,967
Due from (to) funds	17,368	(17,368)	-
Total adjustments	100,799	(17,903)	82,896
Net cash provided by operating activities	<u>\$ 124,759</u>	<u>\$ 27,669</u>	<u>\$ 152,428</u>

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

THE SANDARAC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 1 - THE ASSOCIATION

The Sandarac Association, Inc. (the "Association") was incorporated on December 18, 1974, under the laws of Florida as a corporation not-for-profit, to operate and manage Sandarac I, a condominium consisting of 88 residential units, located in Fort Myers Beach, Florida. The owners of all units in the condominium are the only members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Accounting

The Association prepares its financial statements on the accrual basis and presents them as separate funds based on its different funding policies for operations and replacement expenditures.

Property and Equipment

Ownership of the commonly owned assets is vested directly or indirectly in the unit owners, and those assets are not deemed to be severable. As a result, commonly owned assets are not presented in the Association's financial statements. Commonly owned assets include the buildings, pool, and common areas.

Revenue Recognition

The Association's current policy is to assess each unit owner a fixed amount per quarter, based on the annual budget determined by the Board of Directors (the "Board"). Each unit owner is assessed an equal portion of the maintenance fees.

Accounts Receivable

Accounts receivable are generally considered delinquent when they are 30 days past due. The Association accounts for potential losses in accounts receivable utilizing the allowance method. The Association maintains an allowance for bad debt at an amount that it believes is sufficient to provide adequate protection against future losses. Provisions for losses, if any, are determined principally on the basis of experiences in the preceding years, taking into account historical losses, industry standards, statutory regulations and current economic conditions. All accounts, or portions thereof, deemed to be uncollectible are written off to an allowance for bad debt.

Funds

The operating fund reflects the operating portion of the quarterly assessments paid by the unit owners to meet the various day-to-day expenditures incurred in the administration and operation of the condominium and recreational facilities.

The replacement fund is composed of the portion of the quarterly assessments designated in the budget to fund for future major repairs and replacements, as further discussed in Note 5.

THE SANDARAC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Association files its income tax return as a homeowners' association, in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income, which includes interest, beach concession, and other income. The Association incurred an income tax liability of \$127 for the year ended March 31, 2013.

The Association has not identified any tax positions that it would consider uncertain tax positions as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Code Section 740. The 2009, 2010, and 2011 tax returns remain open to examination.

Cash Flows

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

The Association made cash payments of \$350 for income taxes and cash payments of \$1,463 for interest during the year ended March 31, 2013. The interest was related to the financing of insurance premiums, and is included in insurance expense.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

Subsequent events have been evaluated through the date of the audit report, which is the date the financial statements were available to be issued.

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Association maintains its cash and cash equivalent accounts at a financial institution located in Florida. Accounts at the commercial banking institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of March 31, 2013, the uninsured balance was \$314,509, based on the bank statement balances less FDIC insurance.

THE SANDARAC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 4 - ASSESSMENTS RECEIVED IN ADVANCE

Assessments received in advance consisted of maintenance fees for the year ended March 31, 2014, received by the Association prior to April 1, 2013.

NOTE 5 - REPLACEMENT FUND

The Association's replacement fund is utilized to accumulate funds for future major repairs and replacements, by an allocation of the maintenance fees assessment charged to each unit owner, and specifically designated for the fund in the annual budget. Deductions from the fund are recorded as costs, as incurred, which are determined by the Board to meet the objective for which the fund was established.

The following is a table of the current year's activity in the replacement fund:

Components	Balance April 1, 2012	Additions to Fund	Charges to Fund	Intrafund Transfer	Balance March 31, 2013
Pooled components	\$ 253,105	\$ 76,384	\$ 32,946	\$ 3,662	\$ 300,205
Unallocated interest	2,781	2,134	-	(3,662)	1,253
	<u>\$ 255,886</u>	<u>\$ 78,518</u>	<u>\$ 32,946</u>	<u>\$ -</u>	<u>\$ 301,458</u>

Additions to fund include interest income of \$2,134.

Replacement fund expenses during the year ended March 31, 2013, consisted of the following:

Crossover walkway	\$ 4,142
Electrical	10,700
HVAC	18,104
	<u>\$ 32,946</u>

THE SANDARAC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

NOTE 5 - REPLACEMENT FUND (Continued)

During the year ended March 31, 2013, the Association funded for major repairs and replacements over the estimated useful lives of the components based on a professional appraiser's estimates of current replacement costs, in accordance with Florida Statutes, using the pooling method. In addition, the activity related to a special assessment has been accounted for within the replacement fund. See Note 6 for additional information.

The 2013/2014 budgeted funding is \$86,944, as shown in the unaudited supplementary information. The components' actual costs and useful lives 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 all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, through its Board, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 6 - DEFERRED SPECIAL ASSESSMENT

In April 2011, the Board approved a special assessment of \$3,500 per unit for sewer and related repairs. The repairs were completed during the year ended March 31, 2012, resulting in \$43,754 of remaining funds. There was no additional activity related to these funds during the year ended March 31, 2013.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Association shares certain costs with the The Sandarac II Association, Inc. ("Sandarac II") related to staffing and to the operation of the recreation and office building and certain common areas. As of March 31, 2013, there was \$5,178 due from Sandarac II.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Association has various service contracts.

SUPPLEMENTARY INFORMATION

THE SANDARAC ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 MARCH 31, 2013
(Unaudited)

The following table is based on estimates provided by management during 2013, and presents information about the components of common property:

Components	Estimated Useful Lives	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2013/2014 Budgeted Funding
Carpports	25 years	18 years	\$ 40,000	\$ -
Concrete restoration	14 years	1 year	210,000	-
Elevator	15 years	10 year	70,000	-
Mechanical/HVAC	7 years	6 years	140,000	-
Painting and waterproofing	7 years	1 year	130,000	-
Pavers	20 years	12 years	75,000	-
Pool and pool equipment	15 years	6 years	17,500	-
Roofs	20 years	10 years	200,000	-
Walkways	15 years	5 years	90,000	-
Pooled items			N/A	86,944
			<u>\$ 972,500</u>	<u>\$ 86,944</u>

Estimated current replacement costs are based on an assumed rate of investment interest of 2%.

THE SANDARAC ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL
FOR THE YEAR ENDED MARCH 31, 2013

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
GENERAL AND ADMINISTRATIVE			
Accounting	\$ 4,000	\$ 4,000	\$ -
Bad debt	-	218	(218)
Office equipment	-	1,060	(1,060)
Legal fees	3,000	1,416	1,584
Management fees	45,200	5,845	39,355
Printing, postage and supplies	4,500	2,148	2,352
Taxes, licenses and fees	2,413	870	1,543
Miscellaneous	1,200	3,449	(2,249)
Total general and administrative	<u>60,313</u>	<u>19,006</u>	<u>41,307</u>
 POOL	 <u>5,823</u>	 <u>2,988</u>	 <u>2,835</u>
 INSURANCE	 <u>96,095</u>	 <u>99,911</u>	 <u>(3,816)</u>
 STAFFING	 <u>39,440</u>	 <u>90,193</u>	 <u>(50,753)</u>
MAINTENANCE			
Building maintenance	42,900	23,404	19,496
Elevator	7,350	7,952	(602)
Grounds	16,040	21,995	(5,955)
Janitorial	12,000	-	12,000
Pest control	2,148	1,047	1,101
Contingency	6,200	-	6,200
Total maintenance	<u>86,638</u>	<u>54,398</u>	<u>32,240</u>
UTILITIES			
Cable TV	30,000	29,761	239
Electricity	16,000	15,510	490
Propane	500	399	101
Telephone	3,500	1,677	1,823
Trash	9,200	8,351	849
Water and sewer	43,500	46,284	(2,784)
Total utilities	<u>102,700</u>	<u>101,982</u>	<u>718</u>
 Total operating fund expenses	 <u>\$ 391,009</u>	 <u>\$ 368,478</u>	 <u>\$ 22,531</u>

Read Independent Auditor's Report.