

SUPPLEMENTARY INFORMATION

JUL 17 1964
STATEMENT OF THE
COMMISSIONER OF THE
REVENUE DEPARTMENT
OF THE STATE OF
NEW YORK
IN RESPONSE TO A
RESOLUTION PASSED
BY THE SENATE
ON JULY 15, 1964
RE: THE PROPOSED
CHANGES IN THE
ESTATE TAX
LAWS OF THE STATE
OF NEW YORK

THE SANDARAC ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 MARCH 31, 2014
 (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	2014/2015 Budgeted Funding
Carports	25 years	16 years	\$ 40,000	\$ -
Concrete restoration	14 years	14 years	340,000	-
Elevator	15 years	5 years	70,000	-
Mechanical/HVAC	7 years	7 years	140,000	-
Painting and waterproofing	7 years	7 years	280,000	-
Pavers	20 years	10 years	75,000	-
Pool and pool equipment	15 years	5 years	35,000	-
Roofs	20 years	9 years	200,000	-
Walkways	7-15 years	1-7 years	90,000	-
Pooled components			N/A	86,944
			<u>\$1,270,000</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, 2014

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
GENERAL AND ADMINISTRATIVE			
Audit	\$ 4,000	\$ 4,000	\$ -
Office equipment	1,000	537	463
Legal fees	2,000	-	2,000
Printing, postage and supplies	1,900	1,298	602
Taxes, licenses and fees	1,150	123	1,027
Miscellaneous	1,450	1,805	(355)
Total general and administrative	<u>11,500</u>	<u>7,763</u>	<u>3,737</u>
POOL	<u>3,000</u>	<u>3,211</u>	<u>(211)</u>
INSURANCE	<u>107,045</u>	<u>110,476</u>	<u>(3,431)</u>
STAFFING	<u>103,482</u>	<u>112,595</u>	<u>(9,113)</u>
MAINTENANCE			
Building maintenance	28,100	25,027	3,073
Elevator	8,500	9,235	(735)
Grounds	24,000	16,210	7,790
Contingency	9,011	-	9,011
Total maintenance	<u>69,611</u>	<u>50,472</u>	<u>19,139</u>
UTILITIES			
Cable TV	31,050	30,749	301
Electricity	15,500	13,796	1,704
Propane	400	658	(258)
Telephone	3,000	4,625	(1,625)
Trash	8,500	7,635	865
Water and sewer	42,000	44,082	(2,082)
Total utilities	<u>100,450</u>	<u>101,545</u>	<u>(1,095)</u>
Total operating fund expenses	<u>\$ 395,088</u>	<u>\$ 386,062</u>	<u>\$ 9,026</u>

Read Independent Auditor's Report.

Prepared by _____

THE SANDARAC ASSOCIATION, INC.
Adjusting Journal Entries

0202

Page 1

Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit
1	Adjusting	03/31/14			
		9110	Building maintenance		795.00
		1530	Due from Sandarac II	795.00	
			Record Sandarac II expense paid by Sandarac I		
				<i>8/15/13 Tropic Glass invoice</i>	
2	Adjusting	03/31/14			
		1310	A/R - maintenance fees		25,185.00
		1320	A/R -special assessment	4,162.00	
		1330	A/R - miscellaneous		1,785.00
		1340	A/R - late fees		360.00
		3310	Prepaid owner assessments		104,244.00
		3320	Deferred revenue	127,412.00	
			Reverse 4/1/14 billing and adjust A/R to actual		
3	Adjusting	03/31/14			
		9153	HVAC	2,494.00	
		1620	Prepaid expenses		2,494.00
			Reverse 3/31/13 prepaid expense		
4	Adjusting	03/31/14			
		6902	Miscellaneous income	1,803.76	
		6600	Expense reimbursements		1,803.76
			Reclassify expense reimbursements		
5	Adjusting	03/31/14			
		7430	Income taxes		350.00
		3020	Income taxes payable	350.00	
			Reclassify 2012 tax payment		
6	Adjusting	03/31/14			
		3320	Deferred revenue	2,656.91	
		5510	Operating fund balance		2,128.91
		6999	Reserve fees		528.00
			Adjust equity to actual		

Prepared by _____

THE SANDARAC ASSOCIATION, INC.
Adjusting Journal Entries

Reviewed by _____

Reference	Type	Date Account Number	Description	Debit	Credit
7	Adjusting	03/31/14			
		3320	Deferred revenue	250.00	
		6500	Beach commissions		250.00
			Adjust beach revenue to actual		
8	Adjusting	03/31/14			
		5035	Reserves - Pool equipment		1,421.00
		5040	Reserves - Concrete		106,770.43
		5230	Reserves - General	108,191.43	
			Net reserve accounts		
		TOTAL		<u>248,115.10</u>	<u>248,115.10</u>

THE SANDARAC ASSOCIATION, INC.
Trial Balance Worksheet

0202
Page 1

Basis: Adjusted

Account	T	Description	Mar 31, 2013	Mar 31, 2014 Unadjusted	Adjustments Debit	Adjustments Credit	Mar 31, 2014 Adjusted
1020	A	Petty cash	200.00	200.00			200.00
1025	A	Cash - operating - CNL Debit	541.31	1,141.20			1,141.20
1031	A	Cash - operating MM	120,120.31	50,406.26			50,406.26
1035	A	Cash - operating - CNL	95,588.26	143,745.85			143,745.85
1060	A	Cash - reserves - CNL	345,212.40	364,541.69			364,541.69
1099	A	Undeposited funds	22,557.00	(232.37)			(232.37)
1310	A	A/R - maintenance fees 2 Reverse 4/1/14 billing and adjust A/R to actual	0.00	28,223.00		25,185.00	3,038.00
1320	A	A/R -special assessment 2 Reverse 4/1/14 billing and adjust A/R to actual	0.00	(2,662.00)	4,162.00		1,500.00
1330	A	A/R - miscellaneous 2 Reverse 4/1/14 billing and adjust A/R to actual	0.00	2,041.19		1,785.00	256.19
1340	A	A/R - late fees 2 Reverse 4/1/14 billing and adjust A/R to actual	0.00	360.00		360.00	0.00
1530	A	Due from Sandarac II 1 Record Sandarac II expense paid by Sandarac I	5,178.22	148.54	795.00		943.54
1610	A	Prepaid insurance	2,154.79	61,813.01			61,813.01
1620	A	Prepaid expenses 3 Reverse 3/31/13 prepaid expense	2,494.00	2,494.00		2,494.00	0.00
3010	L	Accounts payable	(11,432.31)	(88,770.96)			(88,770.96)
3015	L	Accrued expenses	0.00	(12,066.14)			(12,066.14)
3020	L	Income taxes payable 5 Reclassify 2012 tax payment	(127.00)	(127.00)	350.00		223.00
3180	L	Deferred special assessment	(43,753.87)	(30,607.87)			(30,607.87)
3310	L	Prepaid owner assessments 2 Reverse 4/1/14 billing and adjust A/R to actual	(97,522.00)	340.00		104,244.00	(103,904.00)
3320	L	Deferred revenue	0.00	(130,318.91)			0.00

THE SANDARAC ASSOCIATION, INC.
Trial Balance Worksheet

Basis: Adjusted

Account	T	Description	Mar 31, 2013	Mar 31, 2014 Unadjusted	Adjustments Debit	Adjustments Credit	Mar 31, 2014 Adjusted
	2	Reverse 4/1/14 billing and adjust A/R to actual			127,412.00		
	6	Adjust equity to actual			2,656.91		
	7	Adjust beach revenue to actual			250.00		
5010	L	Reserve interest	(4,914.55)	(6,550.39)			(6,550.39)
5035	L	Reserves - Pool equipment 8 Net reserve accounts	0.00	1,421.00		1,421.00	0.00
5040	L	Reserves - Concrete 8 Net reserve accounts	0.00	106,770.43		106,770.43	0.00
5230	L	Reserves - General 8 Net reserve accounts	(296,543.98)	(346,803.90)	108,191.43		(238,612.47)
5510	L	Operating fund balance 6 Adjust equity to actual	(114,956.75)	(134,540.49)		2,128.91	(136,669.40)
6310	R	Maintenance fees	(385,088.04)	(385,088.04)			(385,088.04)
6320	R	Special assessment	0.00	(264,000.00)			(264,000.00)
6325	R	Condo watch	(300.00)	(1,210.00)			(1,210.00)
6340	R	Late fees	0.00	(960.00)			(960.00)
6370	R	Transfer fees	(750.00)	(650.00)			(650.00)
6500	R	Beach commissions 7 Adjust beach revenue to actual	(6,000.00)	(6,000.00)		250.00	(6,250.00)
6600	R	Expense reimbursements 4 Reclassify expense reimbursements	0.00	0.00		1,803.76	(1,803.76)
6902	R	Miscellaneous income 4 Reclassify expense reimbursements	(180.39)	(1,968.76)	1,803.76		(165.00)
6910	R	Operating interest	(120.31)	(330.14)			(330.14)
6999	R	Reserve fees 6 Adjust equity to actual	(77,340.00)	(86,416.00)		528.00	(86,944.00)
7037	E	Bad debt	218.12	0.00			0.00
7140	E	Accounting	4,000.00	4,000.00			4,000.00
7160	E	Legal	1,416.39	0.00			0.00
7161	E	Computer and internet	209.56	449.70			449.70

THE SANDARAC ASSOCIATION, INC.
Trial Balance Worksheet

Basis: Adjusted

Account	T	Description	Mar 31, 2013	Mar 31, 2014 Unadjusted	Adjustments Debit	Adjustments Credit	Mar 31, 2014 Adjusted
7280	E	Insurance	61,673.12	69,838.66			69,838.66
7281	E	Insurance - flood	32,607.23	40,636.96			40,636.96
7282	E	Insurance - financing	5,630.38	0.00			0.00
7400	E	Office	2,010.27	850.56			850.56
7410	E	Postage	138.18	431.29			431.29
7430	E	Income taxes 5 Reclassify 2012 tax payment	146.20	350.00		350.00	0.00
7450	E	Licenses & fees	724.50	122.75			122.75
7870	E	Office equipment	1,060.06	537.15			537.15
7880	E	Bank charges	0.00	16.00			16.00
7890	E	Miscellaneous admin.	2,403.94	1,356.05			1,356.05
8010	E	Pool contract	2,988.28	3,210.81			3,210.81
8910	E	Electricity	10,384.25	7,874.08			7,874.08
8915	E	Electric - office & pool	5,126.23	5,922.12			5,922.12
8930	E	Water and sewer	44,284.12	42,590.56			42,590.56
8940	E	Water - office & pool	1,999.78	1,491.17			1,491.17
8950	E	Propane	398.87	657.87			657.87
8970	E	Cable TV	29,760.72	30,748.67			30,748.67
8980	E	Trash	8,351.08	7,635.10			7,635.10
8990	E	Telephone	1,676.63	4,625.01			4,625.01
9040	E	Contract labor	34,728.25	3,500.00			3,500.00
9050	E	Payroll	42,053.20	96,945.53			96,945.53
9051	E	Workers compensation	432.67	4,332.54			4,332.54

THE SANDARAC ASSOCIATION, INC.
Trial Balance Worksheet

Basis: Adjusted

Account	T	Description	Mar 31, 2013	Mar 31, 2014 Unadjusted	Adjustments Debit	Adjustments Credit	Mar 31, 2014 Adjusted
9052	E	Misc. staffing expense	1,271.30	0.00			0.00
9054	E	Payroll taxes	11,707.39	7,817.45			7,817.45
9110	E	Building maintenance 1 Record Sandarac II expense paid by Sandarac I	18,962.26	22,994.41		795.00	22,199.41
9153	E	HVAC 3 Reverse 3/31/13 prepaid expense	3,955.51	0.00	2,494.00		2,494.00
9240	E	Fire alarm system	485.88	333.81			333.81
9605	E	Management contract	5,844.61	0.00			0.00
9610	E	Lawn maintenance contract	21,994.58	16,209.88			16,209.88
9620	E	Elevator contract	7,952.15	9,234.67			9,234.67
9750	E	Pest control	1,047.20	0.00			0.00
9880	E	Special assessment expenses	0.00	264,000.00			264,000.00
9910	E	Reserve funding	77,340.00	86,944.00			86,944.00
Total			<u>0.00</u>	<u>0.00</u>	<u>248,115.10</u>	<u>248,115.10</u>	<u>0.00</u>
Profit/(Loss)			<u>24,795.83</u>	<u>10,966.14</u>	<u>(571.00)</u>		<u>10,395.14</u>

THE SANDARAC ASSOCIATION, INC.
6666 ESTERO BOULEVARD
FORT MYERS BEACH, FLORIDA 33931

July 24, 2014

Cindy D'Artagnan, CPA, LLC
6369 Bethany Avenue
Fort Myers, FL 33919

Madam:

We are providing this letter in connection with your audit of the financial statements of The Sandarac Association, Inc., which comprise the balance sheet as of March 31, 2014, 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, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of The Sandarac Association, Inc. in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of July 24, 2014, the following representations made to you during your audit.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 2, 2014, including our responsibility for the preparation and fair presentation of the financial statements.
- The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

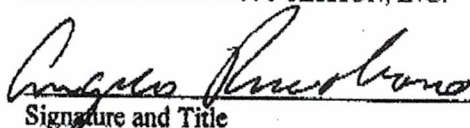
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- Material concentrations have been properly disclosed in accordance with U.S. GAAP.
- Guarantees, whether written or oral, under which the Association is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- Transfers or designations of fund balances or interfund borrowings have been properly authorized and approved and have been properly recorded or disclosed in accordance with GAAP.
- Uncollectible interfund loans, if any, have been properly accounted for and disclosed in accordance with GAAP.

Information Provided

- We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud affecting the Association involving -
 - a. management,
 - b. employees who have significant roles in internal control, or
 - c. others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's financial statements communicated by employees, former employees, regulators, or others.

- We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the Association's related parties and all the related party relationships and transactions of which we are aware.
- The Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- We acknowledge our responsibility for presenting the required supplementary information (RSI) in accordance with U.S. GAAP. The RSI is measured and presented within prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- We acknowledge our responsibility for presenting the schedule of operating fund expenses – budget to actual in accordance with U.S. GAAP, and we believe the schedule of operating fund expenses – budget to actual, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the schedule have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- The Board of Directors is collecting funds for future major repairs and replacements in conformity with The Sandarac Association, Inc.'s policy to fund for those needs based on estimates provided by management in 2013, using the pooling method. The Board of Directors believes the funds will adequately provide for future major repairs and replacements.
- The Association's allocation of expenses against exempt and nonexempt function income conforms with IRS rules, which require that the allocation be made "on a reasonable basis." We have adequately documented such allocation.
- We understand that management is responsible for the Association's choice of filing Form 1120-H and the consequences thereof.
- Management considers all accounts receivable to be collectible.
- The Association has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund balances.

THE SANDARAC ASSOCIATION, INC.

 - TREASURE
Signature and Title