

**THE SANDARAC
ASSOCIATION, INC.**
FORT MYERS BEACH, FLORIDA
FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

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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

We have audited the accompanying financial statements of The Sandarac Association, Inc., which comprise the balance sheet as of March 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 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, we 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.

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

Opinion

In our 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, 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

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 our 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, 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 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. 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 the 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.

Cindy D'Artagnan, CPA, LLC

November 14, 2018

CINDY D'ARTAGNAN, CPA, LLC

THE SANDARAC ASSOCIATION, INC.
BALANCE SHEET
MARCH 31, 2018

	FUNDS		
	Operating	Replacement	Total
ASSETS			
Cash and cash equivalents	\$ 220,513	\$ 174,512	\$ 395,025
Accounts receivable - members	620	-	620
Prepaid expenses	5,732	-	5,732
Due from operating fund	-	3,803	3,803
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 226,865</u>	<u>\$ 178,315</u>	<u>\$ 405,180</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 14,836	\$ -	\$ 14,836
Assessments received in advance	105,115	-	105,115
Due to Sandarac II	715	-	715
Deferred special assessment	-	6,963	6,963
Due to replacement fund	3,803	-	3,803
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	124,469	6,963	131,432
 FUND BALANCES	 <u>102,396</u>	 <u>171,352</u>	 <u>273,748</u>
Total liabilities and fund balances	<u>\$ 226,865</u>	<u>\$ 178,315</u>	<u>\$ 405,180</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, 2018

	FUNDS		
	Operating	Replacement	Total
REVENUES			
Maintenance fees	\$ 459,306	\$ 112,640	\$ 571,946
Special assessment	-	202	202
Late fees	300	-	300
Interest	326	722	1,048
Beach commission	10,000	-	10,000
Transfer fees	1,175	-	1,175
Other	2,257	-	2,257
Total revenues	473,364	113,564	586,928
EXPENSES			
General and administrative	14,332	-	14,332
Insurance	132,930	-	132,930
Staffing	125,831	-	125,831
Building maintenance	42,115	-	42,115
Grounds maintenance	26,757	-	26,757
Utilities	153,928	-	153,928
Replacements	-	36,058	36,058
Total expenses	495,893	36,058	531,951
(Deficiency) excess of revenues over expenses	(22,529)	77,506	54,977
FUND BALANCES -			
April 1, 2017	124,925	93,846	218,771
FUND BALANCES -			
March 31, 2018	<u>\$ 102,396</u>	<u>\$ 171,352</u>	<u>\$ 273,748</u>

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part of the financial statements.

THE SANDARAC ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018

	FUNDS		
	<u>Operating</u>	<u>Replacement</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Maintenance fees received	\$ 488,682	\$ 112,640	\$ 601,322
Late fees received	180	-	180
Interest income received	326	722	1,048
Beach commission income received	10,000	-	10,000
Transfer fees received	675	-	675
Other income received	2,257	-	2,257
Cash paid for operating expenses	(473,352)	-	(473,352)
Replacement expenditures paid	-	(38,096)	(38,096)
Due (to) from funds	<u>(54,053)</u>	<u>54,053</u>	<u>-</u>
Net cash (used) provided by operating activities	<u>(25,285)</u>	<u>129,319</u>	<u>104,034</u>
Net (decrease) increase in cash	(25,285)	129,319	104,034
CASH AND CASH EQUIVALENTS -			
April 1, 2017	<u>245,798</u>	<u>45,193</u>	<u>290,991</u>
CASH AND CASH EQUIVALENTS -			
March 31, 2018	<u><u>\$ 220,513</u></u>	<u><u>\$ 174,512</u></u>	<u><u>\$ 395,025</u></u>

	FUNDS		
	<u>Operating</u>	<u>Replacement</u>	<u>Total</u>
RECONCILIATION OF (DEFICIENCY) EXCESS OF REVENUES OVER EXPENSES TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES			
(Deficiency) excess of revenues over expenses	\$ (22,529)	\$ 77,506	\$ 54,977
Adjustments to reconcile (deficiency) excess of revenues over expenses to net cash (used) provided by operating activities:			
Increase in accounts receivable - members	(480)	-	(480)
Decrease in due from Sandarac II	28,571	-	28,571
Increase in prepaid expenses	(807)	-	(807)
Decrease in accounts payable	(5,223)	(2,038)	(7,261)
Increase in assessments received in advance	29,236	-	29,236
Decrease in deferred special assessment	-	(202)	(202)
Due (to) from funds	(54,053)	54,053	-
Total adjustments	(2,756)	51,813	49,057
Net cash (used) provided by operating activities	<u>\$ (25,285)</u>	<u>\$ 129,319</u>	<u>\$ 104,034</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, 2018

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. An Amended and Restated Declaration of Condominium was recorded on March 5, 2018. 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 using the accrual reporting framework 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, shared 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 10 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 6.

THE SANDARAC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

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 commissions, and other income. The Association incurred no income tax liability for the year ended March 31, 2018.

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 2014, 2015, and 2016 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 no cash payments for income taxes or interest during the year ended March 31, 2018.

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 commercial banking 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, 2018, the uninsured balance was \$150,379, based on the bank statement balances, less FDIC insurance.

THE SANDARAC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 4 - ACCOUNTS RECEIVABLE - MEMBERS

As of March 31, 2018, accounts receivable - members consisted of late fees and transfer fees.

Accounts receivable are recorded at cost. Management considers all accounts receivable to be collectible; therefore no allowance for bad debt has been recorded. The Association did not recognize any bad debt expense during the year ended March 31, 2018.

NOTE 5 - ASSESSMENTS RECEIVED IN ADVANCE

Assessments received in advance consisted of maintenance fees for the year ended March 31, 2019, received by the Association prior to April 1, 2018.

NOTE 6 - 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, 2017	Additions to Fund	Charges to Fund	Balance March 31, 2018
Pooled components	\$ 85,468	\$ 112,842	\$ 36,058	\$ 162,252
Unallocated interest	8,378	722	-	9,100
	<u>\$ 93,846</u>	<u>\$ 113,564</u>	<u>\$ 36,058</u>	<u>\$ 171,352</u>

Additions to fund include interest income of \$722, and \$202 from a special assessment, as more fully described in Note 7.

THE SANDARAC ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 6 - REPLACEMENT FUND (Continued)

Charges to fund during the year ended March 31, 2018, consisted of the following:

Concrete repairs	\$ 3,450
Gutters	5,890
HVAC/mechanical	20,400
Special assessment (plumbing)	202
Stucco damage	6,116
	<u>\$ 36,058</u>

During the year ended March 31, 2018, the Association funded for major repairs and replacements over the estimated useful lives of the components based on management'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 7 for additional information.

The 2018/2019 budgeted funding is \$112,640, 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 7 - SPECIAL ASSESSMENT

In April 2011, the Board approved a special assessment of \$3,500 per unit for sewer and related repairs. The activity related to the 2011 special assessment during the year ended March 31, 2018, was as follows:

Deferred special assessment - March 31, 2017	\$ 7,165
Current year expenditures	202
Deferred special assessment - March 31, 2018	<u>\$ 6,963</u>

NOTE 8 - RELATED PARTY TRANSACTIONS

The Association shares certain costs with The Sandarac II Association, Inc. ("Sandarac II") related to the maintenance and operation of the recreation and office building, and certain common areas. Each association pays its pro-rata portion of the shared expenses. As of March 31, 2018, there was \$715 due to Sandarac II. This amount is recorded as Due to Sandarac II on the balance sheet.

NOTE 9 - 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, 2018
 (Unaudited)

The following table is based on estimates provided by management during 2018, and presents information about the components of common property:

Components	Estimated Useful Lives	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2018/2019 Budgeted Funding
Carports	35 years	22 years	\$ 230,000	\$ -
Elevators	25-30 years	16-27 years	260,000	-
Generator	25 years	23 years	35,000	-
HVAC / mechanical	1 year	1 year	30,000	-
Lobbies and social room	15 years	6 years	25,000	-
Fire system	47 years	5 years	75,000	-
Painting and waterproofing	8 years	3 years	275,000	-
Paving	30 years	16 years	230,000	-
Pool and pool area	10 years	1 year	20,000	-
Roofs	20-22 years	5-18 years	189,997	-
Trash chutes	47 years	5 years	60,000	-
Walkways	20 years	15 years	160,000	-
Water mains	47 years	5 years	60,000	-
Pooled components			N/A	112,640
			<u>\$ 1,649,997</u>	<u>\$ 112,640</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, 2018

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
GENERAL AND ADMINISTRATIVE			
Audit	\$ 5,500	\$ 6,035	\$ (535)
Auto	1,200	-	1,200
Legal fees	5,000	2,950	2,050
Office equipment	1,000	581	419
Printing, postage and supplies	2,100	2,922	(822)
Security	-	299	(299)
Miscellaneous	1,400	1,545	(145)
Total general and administrative	<u>16,200</u>	<u>14,332</u>	<u>1,868</u>
INSURANCE	<u>133,350</u>	<u>132,930</u>	<u>420</u>
STAFFING	<u>116,076</u>	<u>125,831</u>	<u>(9,755)</u>
BUILDING MAINTENANCE			
Building repairs and supplies	26,000	29,912	(3,912)
Elevator	7,880	9,540	(1,660)
Fire protection	-	2,663	(2,663)
Total building maintenance	<u>33,880</u>	<u>42,115</u>	<u>(8,235)</u>
GROUNDS MAINTENANCE			
Grounds	20,400	22,607	(2,207)
Pool	3,500	4,150	(650)
Total grounds maintenance	<u>23,900</u>	<u>26,757</u>	<u>(2,857)</u>
UTILITIES			
Cable TV	76,500	77,710	(1,210)
Electricity	13,000	13,609	(609)
Propane	600	293	307
Telephone	2,500	4,129	(1,629)
Trash	7,000	6,926	74
Water and sewer	44,000	51,261	(7,261)
Total utilities	<u>143,600</u>	<u>153,928</u>	<u>(10,328)</u>
CONTINGENCY	<u>4,500</u>	<u>-</u>	<u>4,500</u>
Total operating fund expenses	<u>\$ 471,506</u>	<u>\$ 495,893</u>	<u>\$ (24,387)</u>

Read Independent Auditor's Report.