

**BAREFOOT BEACH RESORT OF INDIAN SHORES
CONDOMINIUM ASSOCIATION, INC.
FINANCIAL STATEMENTS AND
ACCOUNTANT'S REVIEW REPORT
DECEMBER 31, 2016**

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To the Board of Directors:
Barefoot Beach Resort of Indian Shores Condominium Association, Inc.
Indian Shores, Florida

We have reviewed the accompanying financial statements of Barefoot Beach Resort of Indian Shores Condominium Association, Inc., which comprise the balance sheet as of December 31, 2016, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



Miranda Marleci CPA, PA
Clearwater, Florida

June 15, 2017

BAREFOOT BEACH RESORT OF INDIAN SHORES CONDOMINIUM ASSOCIATION, INC.

**Balance Sheet
As of December 31, 2016**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash, including interest-bearing deposits	\$ 74,459	\$ 567,350	\$ 641,810
Interfund Borrowings	(108,018)	108,018	-
Maintenance Fees Receivable - Net	1,032	-	1,032
Total Current Assets	<u>(32,527)</u>	<u>675,369</u>	<u>642,842</u>
Other Assets			
Prepaid Insurance	150,164	-	150,164
Prepaid Income Tax	500	-	500
Income Tax - Refund	830	-	830
Utility Deposit	3,910	-	3,910
Property and Equipment - Net	98,897	-	98,897
Total Other Assets	<u>254,301</u>	<u>-</u>	<u>254,301</u>
TOTAL ASSETS	<u><u>\$ 221,774</u></u>	<u><u>\$ 675,369</u></u>	<u><u>\$ 897,143</u></u>
 LIABILITIES AND FUND BALANCES			
Current Liabilities			
Accounts Payable	\$ 110	\$ -	\$ 110
Other Accrued Expenses	5,158	-	5,158
Prepaid Assessments	21,409	-	21,409
Insurance Note Payable	86,930	-	86,930
Total Current Liabilities	<u>113,605</u>	<u>-</u>	<u>113,605</u>
Fund Balances	<u>108,169</u>	<u>675,369</u>	<u>783,538</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 221,774</u></u>	<u><u>\$ 675,369</u></u>	<u><u>\$ 897,143</u></u>

BAREFOOT BEACH RESORT OF INDIAN SHORES CONDOMINIUM ASSOCIATION, INC.

Statements of Revenue, Expenses, and Changes in Fund Balances

For the Year Ended December 31, 2016

	<u>Operating Fund</u>	<u>Reserves Fund</u>	<u>Total</u>
REVENUES			
Maintenance Assessments	\$ 663,891	\$ 148,724	\$ 812,615
Application Fees	650	-	650
Laundry Income	5,987	-	5,987
Storage Rental Income	6,250	-	6,250
Collections Income	7,576	-	7,576
Miscellaneous Income	1,637	-	1,637
Interest Income	-	2,130	2,130
Total Revenues	<u>685,991</u>	<u>150,854</u>	<u>836,845</u>
EXPENSES			
Administrative	5,780	-	5,780
Bad Debt	(6,117)	-	(6,117)
Management Fees	19,089	-	19,089
Maintenance Salaries	94,824	-	94,824
Insurance Premium	336,754	-	336,754
Insurance Loan Expense	1,433	-	1,433
Utilities	104,574	-	104,574
Landscaping	30,298	-	30,298
Depreciation Expense	5,546	-	5,546
Contracted Services	19,306	-	19,306
Repairs and Maintenance	66,205	-	66,205
Professional Services	20,015	-	20,015
Federal Income Tax	170	-	170
Replacement Expenses	-	65,509	65,509
Total Expenses	<u>697,876</u>	<u>65,509</u>	<u>763,385</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	<u>(11,885)</u>	<u>85,346</u>	<u>73,460</u>
FUND BALANCE, Beginning of Year	122,285	589,677	711,962
Adjustments to Prior Year Income	(2,231)	347	(1,885)
Adjusted Beginning of Year Fund Balance	<u>120,054</u>	-	<u>120,054</u>
FUND BALANCE, Ending of Year	<u>\$ 108,169</u>	<u>\$ 675,369</u>	<u>\$ 783,538</u>

See Accompanying Accountant's Review Report

BAREFOOT BEACH RESORT OF INDIAN SHORES CONDOMINIUM ASSOCIATION, INC.

Statement of Cash Flows

For the Year Ended December 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of Revenues over Expenses	\$ (11,885)	\$ 85,346	\$ 73,460
Adjustment to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation	5,546	-	5,546
Adjustment to Prior Year Income	(2,231)	347	(1,885)
(Increase) Decrease in:			
Maintenance Fees Receivable, Net	(1,032)	-	(1,032)
Prepaid Insurance	50,676	-	50,676
Prepaid Income Tax	(1,330)	-	(1,330)
Increase (Decrease) in:			
Accounts Payable	(469)	-	(469)
Other Accrued Expenses	(671)	-	(671)
Accrued Payroll Payable	(3,367)	-	(3,367)
Prepaid Assesments	(2,628)	-	(2,628)
Income Tax Payable	(36)	-	(36)
Net Cash from Operating Activites	<u>32,572</u>	<u>85,692</u>	<u>118,264</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Insurance Note Payable	(101,151)	-	(101,151)
Interfund Borrowings	<u>123,145</u>	<u>(123,145)</u>	<u>-</u>
Net Cash from Financing Activities	<u>21,994</u>	<u>(123,145)</u>	<u>(101,151)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	54,566	(37,453)	17,113
TOTAL CASH, Beginning of Year	<u>19,894</u>	<u>604,803</u>	<u>624,697</u>
TOTAL CASH, Ending of Year	<u>\$ 74,459</u>	<u>\$ 567,350</u>	<u>\$ 641,810</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION			
Federal Income tax paid during the year			<u>\$ 1,500</u>

BAREFOOT BEACH RESORT OF INDIAN SHORES CONDOMINIUM ASSOCIATION, INC.

Notes to Financial Statements

December 31, 2016

NOTE 1- ORGANIZATION

Barefoot Beach Resort of Indian Shores Condominium Association, Inc. (the Association) is a statutory condominium association incorporated in the State of Florida on February 7, 2005. The Association is responsible for the operation and maintenance of the common property within the development, which consist of 164 residential units and one commercial unit, located on approximately 5 acres in Indian Shores, Florida.

NOTE 2- DATE OF MANAGEMENT'S REVIEW

In preparing the compiled financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 15, 2017, the date the financial statements were available to be issued.

NOTE 3- SUMMARY OF 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 of 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.

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

Property and Equipment

The Association capitalizes at cost all property and equipment to which had title or other evidence of ownership, with the exception of real property directly associated with the units. Tangible personal property acquired by the Association, if any, is recorded at cost and depreciated over its estimated useful life using the straight-line method of depreciation.

Cash and Equivalents

For purposes of the Statements of Cash Flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalent.

BAREFOOT BEACH RESORT OF INDIAN SHORES CONDOMINIUM ASSOCIATION, INC.

Notes to Financial Statements

December 31, 2016

Donated Services

The Board of Directors of the Association's and its officers do not get compensated for their services. The value of such services is not recorded in the financial statements.

Interest Income

Interest income earned by the operating fund cash account(s) is credited to the operating fund. Interest income earned by the reserve fund account(s) is accumulated into a separate "Interest Earned" account and may be used for any reserve components.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Member Assessments

Association members are subject to annual assessments, payable monthly, to provide funds for the Association's operating and reserve funds. The Accounts Receivable at the balance sheet date represents fees due from unit owners. Prepaid Assessments at the balance sheet date represent fees paid in advance by the owners. The Association policy is to retain legal counsel and place liens on the properties of unit owners whose maintenance fees are 120 days or more delinquent. The excess of the assessments over expenses of operating at year end, if any, is retained by the Association for use in the next year.

The assessment fees in effect during 2016 ranged from \$240.88 to \$480.55 per month for the residential units and \$240.88 for the commercial unit. The annual assessments are determined by the Board of Directors. Interest is charged on past due accounts in accordance with the Association's covenants.

NOTE 4 - US INCOME TAX

The Association filed form 1120-H its federal income tax as a homeowner association under Section 528 of the Internal Revenue Code, "exempt function" income and expenses. Income from unit assessments is not taxable and expenses related to providing the services required of the association are not deductible. Generally all other income not received by pro-rata assessments of the Association members

BAREFOOT BEACH RESORT OF INDIAN SHORES CONDOMINIUM ASSOCIATION, INC.

Notes to Financial Statements

December 31, 2016

net of any expenses directly related to the generation of such income is fully taxable to the extent such net income exceeds \$100. The tax due for tax year 2016 was \$170.

NOTE 5 - UNINSURED ACCOUNT BALANCES

Accounts at financial institutions are secured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2016, the Association's cash balances did not exceed the federal depository insurance coverage of \$250,000.

NOTE 6 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds, which totaled \$675,368.70 at December 31, 2016, are held in separate Reserve Accounts and are generally not available for expenditures for normal operations.

The tables presented in the "Supplementary Information on Future Major Repairs and Replacements" provide an analysis of the funding and expenses for year ended December 31, 2016, and the budgeted funding for year 2017. The replacement funding included in 2017 budget approved by the Association is \$193,322, which represents fully funded reserve, based on Board estimates of the current replacement costs and on the updated reserve study prepared on July 2016 by an independent firm. The funding requirements are based on estimates, actual expenditures may vary from the estimated amounts, and the variations may be material. Therefore, the amounts accumulated in the replacement fund may not be adequate to meet all the future needs for such repairs and replacements. The Association has the right, subject to membership approval, to increase regular maintenance assessments, levy special assessments, or delay major repairs and replacements.

NOTE 7 – PROPERTY AND EQUIPMENT

At December 2016 the Association had the following property and equipment:

Furniture	\$ 17,891
Club House	69,796
Gazebo	5,204
Boat Slips	15,000
Fishing Dock	<u>10,000</u>
Total	117,891
Less: Accumulated Depreciation	<u>(18,994)</u>
	<u>\$ 98,897</u>

Total depreciation expense amounted \$5,546 for the year ended December 31, 2016.

BAREFOOT BEACH RESORT OF INDIAN SHORES CONDOMINIUM ASSOCIATION, INC.

Notes to Financial Statements

December 31, 2016

NOTE 8 – INSURANCE NOTE PAYABLE

On July 2016, the Association obtained a loan of \$161,910.18 to finance insurance premiums. The note bears interest at 3.05%. Principal and interest of \$14,996.07 are due monthly through July 2017. As of December 31, 2016, the principal remaining on the note is \$86,929.83.

Total insurance premiums for the 12 months period starting July 2016, were \$311,910.18. The balance of \$150,000 was paid with borrowing funds from reserve accounts. As of December 31, 2016 the association had paid back from the operating funds to the reserve funds total amount of \$100,000. The remainder balance of \$50,000 was paid off during year 2017.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Association may periodically be involved in legal actions and claims as a result of events that occur in the normal course of operations. The financial statements do not include any adjustments for such actions.

NOTE 10 – MANAGEMENT FEES

The Association has an agreement with Associa Gulf Coast to provide management services. The total management fees paid during 2016 were in the amount of \$ 19,089. The agreement will renew automatically unless prior 60-day notice is given.

SUPPLEMENTARY INFORMATION

BAREFOOT BEACH RESORT OF INDIAN SHORES CONDOMINIUM ASSOCIATION, INC.
Supplementary Information on Future Major Repairs and Replacements
December 31, 2016

Components	Est. Life When New (years)	Est. Remaining Useful Life (years)	Estimated Replacement Cost	2017 Fully Funding	Fund Balance 12/31/2016
Laundry	15	1	\$ 16,319	\$ -	\$ 16,319
Painting	7	1	117,951	14,935	108,938
Paving	15	8	179,739	17,647	51,301
Plumbing	20	19	362,500	5,199	247,687
Pool	25	10	81,998	7,213	20,068
Roof	20	11	1,314,639	117,257	22,495
Drainage	20	8	54,250	(5,827)	94,567
Seawall and Pier	40	11	92,181	3,455	46,358
Building and Infrastructure	25	13	322,742	20,864	48,511
Capital Improvements	12	8	11,308	1,236	(1,146)
Club House	25	7	84,334	11,342	4,937
Unallocated Interest	n/a	n/a	n/a	n/a	15,333
			<u>\$ 2,637,961</u>	<u>\$ 193,322</u>	<u>\$ 675,369</u>

The above table is based on the updated reserve study prepared by an independent firm on July 2016
The estimated replacement cost is \$856,964 higher compared to 2012 reserve study, due to updated information and 4 years of cost increase.

BAREFOOT BEACH RESORT OF INDIAN SHORES CONDOMINIUM ASSOCIATION, INC.
Schedule of Changes in Replacement Funds
December 31, 2016

Components	Beginning Balance 01/01/2016	Amount Funded	Expenses	Interest Earned	Prior Year Interest Adjustment	Ending Balance 12/31/2016
Building	\$ -	\$ 51,516	\$ 3,005	\$ -	\$ -	\$ 48,511
Deferred Maintenance	-	1,416	2,562	-	-	(1,146)
Laundry	14,153	2,166	-	-	-	16,319
Painting	75,881	33,057	-	-	-	108,938
Paving	34,183	17,118	-	-	-	51,301
Plumbing	271,725	(24,038)	-	-	-	247,687
Pool	4,468	17,118	1,517	-	-	20,068
Recreation Center	-	4,937	-	-	-	4,937
Roof	(48,036)	70,530	-	-	-	22,495
Drainage	104,011	(9,444)	-	-	-	94,567
Seawall	86,390	(15,652)	24,380	-	-	46,358
Interest Earned	46,901	-	34,045	2,130	347	15,333
Total	\$ 589,677	\$ 148,724	\$ 65,509	\$ 2,130	\$ 347	\$ 675,369

BAREFOOT BEACH RESORT OF INDIAN SHORES CONDOMINIUM ASSOCIATION, INC.

**Supplementary Information of Actual to Budget Revenues and Expenses Comparison
Operating Fund
For the Year ended December 31, 2016**

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Maintenance Assessments	\$ 812,615	\$ 812,608	\$ 6
Application Fees	650	-	650
Laundry Income	5,987	13,000	(7,013)
Storage Rental Income	6,250	5,000	1,250
Collections Income	7,576	-	7,576
Miscellaneous Income	1,637	-	1,637
Prior Year Income/Deficit	-	25,000	(25,000)
Interest Income - Reserves	2,130	-	2,130
Total Revenues	<u>\$ 836,845</u>	<u>\$ 855,608</u>	<u>\$ (18,764)</u>
Expenses			
Administrative	5,780	6,859	1,079
Bad Debt	(6,117)	10,000	
Management Fees	19,089	18,900	(189)
Maintenance Salaries	94,824	82,000	(12,824)
Insurance Premium	336,754	310,000	(26,754)
Insurance Loan Expense	1,433	-	(1,433)
Utilities	104,574	119,800	15,226
Landscaping	30,298	26,761	(3,537)
Depreciation Expense	5,546	-	(5,546)
Contracted Services	19,306	20,000	694
Repairs and Maintenance	66,205	79,600	13,395
Professional Services	20,015	26,000	5,986
Federal Income Tax	170	500	330
Reserve Expenses	150,854	155,187	4,333
Total Expenses	<u>848,730</u>	<u>855,607</u>	<u>(6,877)</u>
Surplus of Revenues over Expenses	<u>\$ (11,885)</u>	<u>\$ 1</u>	<u>\$ (11,886)</u>