

**VINTAGE GRAND CONDOMINIUM ASSOCIATION, INC.**

**FINANCIAL STATEMENTS AND SUPPLEMENTARY  
INFORMATION**

**DECEMBER 31, 2017**

**(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)**

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**FLANAGAN & JASON, INC.**  
CERTIFIED PUBLIC ACCOUNTANT AND ASSOCIATE

**INDEPENDENT AUDITOR'S REPORT**

To The Board of Directors  
Vintage Grand Condominium Association, Inc.  
Sarasota, Florida

We have audited the accompanying financial statements of Vintage Grand Condominium Association, Inc. which comprise the balance sheet as of December 31, 2017, 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.

***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 involves 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 entity'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 entity'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 accounting 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 audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vintage Grand Condominium Association, Inc. as of December 31, 2017, 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.

### ***Emphasis of Matter***

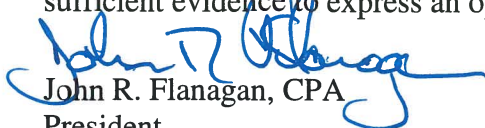
Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note III are adequate to meet such future costs because that determination is outside the scope of our audit. However, as further explained in Note III, the Association is not funding the replacement fund in accordance with the Association's estimated future replacement costs. Accordingly, the Association has the right to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available. Our opinion is not modified with respect to that matter.

### ***Disclaimer of Opinion on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of operating expenses and the supplementary schedule of changes in replacement fund balances on pages 12-15 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information 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 supplementary information about future major repairs and replacements on page 16 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 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.



John R. Flanagan, CPA  
President

Flanagan & Jason, Inc.  
Sarasota, Florida

July 24, 2018

**Vintage Grand Condominium Association, Inc.**  
**Balance Sheet**  
**December 31, 2017**

|   | <b>Operating<br/>Fund</b> | <b>Replacement<br/>Fund</b> | <b>Special<br/>Assessments<br/>Fund</b> | <b>Total</b>     |
|---|---------------------------|-----------------------------|---|------------------|
| <b><u>Assets</u></b>  |                           |                             |   |                  |
| Cash  | \$ 575,060                | \$ 1,220,012                | \$ -                                    | \$ 1,795,072     |
| Certificates of deposit   | -                         | 401,314                     | -                                       | 401,314          |
| Assessments receivable net<br>of allowance for doubtful<br>accounts of \$23,791 | 61,863                    | -                           | -                                       | 61,863           |
| A/R water reimbursement   | 35,016                    | -                           | -                                       | 35,016           |
| Prepaid insurance   | 78,622                    | -                           | -                                       | 78,622           |
| Prepaid expenses  | 14,712                    | -                           | -                                       | 14,712           |
| Utility deposits  | 12,269                    | -                           | -                                       | 12,269           |
| Due (to) from other fund  | 83,092                    | -                           | (83,092)                                | -                |
| <br>Total Assets  | <br>\$ 860,634            | <br>\$ 1,621,326            | <br>\$ (83,092)                         | <br>\$ 2,398,868 |
| <br><b><u>Liabilities</u></b>   |                           |                             |   |                  |
| Accounts payable  | \$ 327,305                | \$ -                        | \$ -                                    | \$ 327,305       |
| Refunds due owners  | 29                        | -                           | -                                       | 29               |
| Prepaid assessments   | 119,960                   | -                           | -                                       | 119,960          |
| Deferred cable license fee  | 64,080                    | -                           | -                                       | 64,080           |
| Construction retainage  | 161,881                   | -                           | -                                       | 161,881          |
| <br>Total Liabilities   | <br>673,255               | <br>-                       | <br>-                                   | <br>673,255      |
| <br><b><u>Fund Balances</u></b>   | <br>187,379               | <br>1,621,326               | <br>(83,092)                            | <br>1,725,613    |
| <br>Total Liabilities and<br>Fund Balances (Deficits)                           | <br>\$ 860,634            | <br>\$ 1,621,326            | <br>\$ (83,092)                         | <br>\$ 2,398,868 |

Read accountant's audit report.

The accompanying notes are an integral part of these financial statements.

**Vintage Grand Condominium Association, Inc.**  
**Statement of Revenues, Expenses and Changes in Fund Balances**  
**For the Year Ended December 31, 2017**

|   | <u>Operating<br/>Fund</u> | <u>Replacement<br/>Fund</u> | <u>Special<br/>Assessments<br/>Fund</u> | <u>Total</u>        |
|---|---------------------------|-----------------------------|---|---------------------|
| <b><u>Revenues</u></b>                        |                           |                             |   |                     |
| Member assessments                            | \$ 1,255,927              | \$ 229,963                  | \$ -                                    | \$ 1,485,890        |
| Special assessments                           | -                         | -                           | 1,999,872                               | 1,999,872           |
| Late fee income                               | 9,037                     | -                           | -                                       | 9,037               |
| Interest income                               | 1,574                     | 5,835                       | -                                       | 7,409               |
| Application fees                              | 15,075                    | -                           | -                                       | 15,075              |
| Cable license fee                             | 8,640                     | -                           | -                                       | 8,640               |
| Other income                                  | 4,054                     | -                           | -                                       | 4,054               |
| Total Revenues                                | <u>1,294,307</u>          | <u>235,798</u>              | <u>1,999,872</u>                        | <u>3,529,977</u>    |
| <b><u>Expenses</u></b>                        |                           |                             |   |                     |
| Grounds                                       | 192,713                   | -                           | -                                       | 192,713             |
| Building maintenance                          | 193,708                   | -                           | -                                       | 193,708             |
| Rec facilities repair & maintenance           | 25,609                    | -                           | -                                       | 25,609              |
| Master association fees                       | 57,887                    | -                           | -                                       | 57,887              |
| Utilities                                     | 96,151                    | -                           | -                                       | 96,151              |
| Payroll                                       | 288,941                   | -                           | -                                       | 288,941             |
| Administration                                | 401,549                   | -                           | -                                       | 401,549             |
| Betterments                                   | -                         | 21,950                      | 2,082,964                               | 2,104,914           |
| Total Expenses                                | <u>1,256,558</u>          | <u>21,950</u>               | <u>2,082,964</u>                        | <u>3,361,472</u>    |
| Excess (Deficit) of Revenues<br>Over Expenses | 37,749                    | 213,848                     | (83,092)                                | 168,505             |
| Beginning Fund Balances                       | <u>149,630</u>            | <u>1,407,478</u>            | <u>-</u>                                | <u>1,557,108</u>    |
| Ending Fund Balances (Deficits)               | <u>\$ 187,379</u>         | <u>\$ 1,621,326</u>         | <u>\$ (83,092)</u>                      | <u>\$ 1,725,613</u> |

Read accountant's audit report.

The accompanying notes are an integral part of these financial statements.

**Vintage Grand Condominium Association, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2017**

|   | <u>Operating<br/>Fund</u> | <u>Replacement<br/>Fund</u> | <u>Special<br/>Assessments<br/>Fund</u> | <u>Total</u>        |
|---|---------------------------|-----------------------------|---|---------------------|
| <b>Cash Flows From Operating Activities:</b>        |                           |                             |   |                     |
| Cash received from members                          | \$ 1,239,716              | \$ 229,963                  | \$ 1,999,872                            | \$ 3,469,551        |
| Interest income                                     | 1,574                     | 5,835                       | -                                       | 7,409               |
| Other income  | 4,054                     | -                           | -                                       | 4,054               |
| Cash paid to suppliers and<br>contract servicers    | <u>(855,551)</u>          | <u>(21,950)</u>             | <u>(2,082,964)</u>                      | <u>(2,960,465)</u>  |
| Net Cash Provided (Used)<br>by Operating Activities | <u>389,793</u>            | <u>213,848</u>              | <u>(83,092)</u>                         | <u>520,549</u>      |
| <b>Cash Flows From Investing Activities:</b>        |                           |                             |   |                     |
| Purchase of certificates of deposit                 | <u>-</u>                  | <u>(401,314)</u>            | <u>-</u>                                | <u>(401,314)</u>    |
| Net Cash Provided (Used)<br>by Investing Activities | <u>-</u>                  | <u>(401,314)</u>            | <u>-</u>                                | <u>(401,314)</u>    |
| <b>Cash Flows From Financing Activities:</b>        |                           |                             |   |                     |
| Transfers   | <u>(83,092)</u>           | <u>-</u>                    | <u>83,092</u>                           | <u>-</u>            |
| Net Cash Provided (Used)<br>by Financing Activities | <u>(83,092)</u>           | <u>-</u>                    | <u>83,092</u>                           | <u>-</u>            |
| Net Increase (Decrease) in Cash                     | 306,701                   | (187,466)                   | -                                       | 119,235             |
| Cash at Beginning of Year                           | <u>268,359</u>            | <u>1,407,478</u>            | <u>-</u>                                | <u>1,675,837</u>    |
| Cash at End of Year                                 | <u>\$ 575,060</u>         | <u>\$ 1,220,012</u>         | <u>\$ -</u>                             | <u>\$ 1,795,072</u> |

Read accountant's audit report.

The accompanying notes are an integral part of these financial statements.

**Vintage Grand Condominium Association, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2017**

|  | <b>Operating<br/>Fund</b> | <b>Replacement<br/>Fund</b> | <b>Special<br/>Assessments<br/>Fund</b> | <b>Total</b>   |
|--|---------------------------|-----------------------------|---|----------------|
| <b>Reconciliation of Excess (Deficit) of<br/>Revenues Over Expenses to Net Cash<br/>Provided (Used) by Operating Activities:</b> |                           |                             |   |                |
| Excess (Deficit) of<br>Revenues Over Expenses  | \$ 37,749                 | \$ 213,848                  | \$ (83,092)                             | \$ 168,505     |
| <b>Adjustments to Reconcile:</b>   |                           |                             |   |                |
| Change in allowance for doubtful accounts  | (6,747)                   | -                           | -                                       | (6,747)        |
| <b>Decrease (Increase) in Operating Assets:</b>  |                           |                             |   |                |
| Assessments receivable   | (20,435)                  | -                           | -                                       | (20,435)       |
| AR-water reimbursement   | (17,982)                  | -                           | -                                       | (17,982)       |
| Prepaid insurance  | (22,495)                  | -                           | -                                       | (22,495)       |
| Prepaid expenses   | 396                       | -                           | -                                       | 396            |
| Utility deposits   | 737                       | -                           | -                                       | 737            |
| <b>Increase (Decrease) in Operating Liabilities:</b>   |                           |                             |   |                |
| Accounts payable   | 267,235                   | -                           | -                                       | 267,235        |
| Refunds due owners   | (1,801)                   | -                           | -                                       | (1,801)        |
| Deferred cable license fee   | (8,640)                   | -                           | -                                       | (8,640)        |
| Construction retainage   | 161,881                   | -                           | -                                       | 161,881        |
| Prepaid assessments  | (105)                     | -                           | -                                       | (105)          |
| Total Adjustments  | 352,044                   | -                           | -                                       | 352,044        |
| <br>Net Cash Provided (Used)<br>by Operating Activities  | <br>\$ 389,793            | <br>\$ 213,848              | <br>\$ (83,092)                         | <br>\$ 520,549 |

Read accountant's audit report.

The accompanying notes are an integral part of these financial statements.

# **Vintage Grand Condominium Association, Inc.**

## **Notes to Financial Statements**

### **ORGANIZATION**

The Association is a not-for-profit corporation organized December 20, 2005 to provide an entity pursuant to Florida Statute 718 for the administration, maintenance, operation, and management of Vintage Grand Condominium Association, Inc. located in Sarasota, Florida. The Association consists of 432 residential condominium units. Assessments against the owners of the condominium units, which are the principal source of revenue, are based on the estimated amounts required to protect and maintain the property owned by the owners in common of Vintage Grand Condominium Association, Inc. This includes building exteriors, pool and paved areas.

All policy decisions are formulated by the Board of Directors. Certain major decisions are referred to the general membership before action is taken. Assessments are determined annually by the Board of Directors based upon maintenance and other operating requirements of the Association. The allocation of operating income and expense, as indicated in the documents, is based on square footage per unit.

### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Basis of Accounting

The accompanying financial statements have been prepared using the fund method of accounting on the accrual basis. The accrual basis of accounting recognizes revenues when earned and expenses when the obligations are incurred.

The fund method of accounting requires funds such as operating funds and funds for future major repairs and replacements, to be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the operating fund are generally made at the discretion of the Board of Directors. Disbursements from the replacement fund may be made only for repair and replacement of the common element.

**Operating Fund** - This fund is used to account for financial resources available for the general operations of the Association.

**Replacement Fund** - This fund is composed of assessments paid by unit owners to fund future replacements, major repairs and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied.

**Special Assessments Fund** – This fund is intended to be used to report specific revenue paid by unit owners to fund replacements, major repairs, common expenses, and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which the special assessments were levied.

# **Vintage Grand Condominium Association, Inc.**

## **Notes to Financial Statements**

### Cash and Cash Equivalents

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

### Commonly Owned Assets

The Association has the responsibility to preserve and maintain the commonly owned assets. The commonly owned assets include property that is directly associated with the unit which includes property without which the units could not be occupied and exterior property that is normally part of freestanding units. Commonly owned assets also include the property that is not directly associated with the unit and is not necessary for the primary use of the unit, although individual unit owners may benefit from its use.

The Association's policy is not to capitalize and depreciate the commonly owned assets as ownership is vested directly or indirectly to the unit owners and these assets are not deemed to be severable. In addition, the Association directly expenses any purchases of personal property such as furnishings.

### Assessments Receivable

Association members are subject to monthly 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 to collect delinquent assessments. An allowance for bad debts of \$23,791 was deemed necessary for 2017.

### Maintenance Fees

Maintenance fees assessed in excess of expenditures reduce amounts assessed to members for maintenance in the subsequent year. Accumulated deficits will be recovered through future increases in assessments.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Fair Value of Financial Instruments

Professional standards require disclosure of an estimate of fair value of certain financial instruments. The Association's significant financial instruments are cash, certificates of deposit and assessments receivable. For these financial instruments, carrying values approximate fair value.

**Vintage Grand Condominium Association, Inc.**  
**Notes to Financial Statements**

**NOTE II - MAINTENANCE FEES**

Monthly assessments to owners ranged from \$380 to \$964 in 2017. Of that amount, \$25 to \$64 was designated to the replacement fund and \$218 to \$553 was designated to the special assessments fund.

The Association bills its maintenance fees in advance on a quarterly basis. Maintenance fees received in advance for 2018 amounted to \$119,960.

**NOTE III - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

During January 2015, the Board of Directors engaged an engineering company to conduct a study to estimate the remaining useful lives and the replacement costs of the components of common property. Accumulated funds are held in a separate bank account and generally are not available for expenditures for normal operations. The table included in the unaudited supplementary information about future major repairs and replacements is based on the study.

The Board is calculating funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. The members waived statutory funding, but approved partial funding of \$229,662, which was included in the 2018 budget. The study indicated a statutory funding requirement of \$459,323

Funds are not being accumulated in the replacement fund based upon estimates of future needs for repairs and replacements of common property components. Amounts are based on normal operations and without the effect of potential catastrophic occurrences. Actual expenditures may vary from the estimated future expenditures, 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 replacement. If additional funds are needed, the Association has the right, subject to Florida Statutes, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**NOTE IV - CONTINGENT LIABILITY**

The Association's current windstorm insurance policy contains a 3% hurricane deductible clause. Based on the \$42,568,000 valuation of the buildings, the first 3%, or \$1,277,040 in damages caused by a named storm would be the responsibility of the Association.

**NOTE V - INCOME TAXES**

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended December 31, 2017. 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

**Vintage Grand Condominium Association, Inc.**  
**Notes to Financial Statements**

organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, non-membership transactions, and capital transactions.

The Association has an option for income tax purposes to elect on an annual basis to be taxed as a regular corporation under Section 277 of the Internal Revenue Code whereby non-exempt function income is taxed at regular corporate rates, or to be taxed at a special corporate rate of 30% on its net non-function income, less \$100 exclusion, in accordance with Section 528 of the Internal Revenue Code. For 2017, the Association has elected to file under 528, and incurred no income tax expense.

As required by the Internal Revenue Code, the Association evaluates its uncertain tax positions annually. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of December 31, 2017, the Association had no uncertain tax positions.

The Association's income tax returns are subject to examination by applicable taxing authorities, generally for three years after they were filed. However, there are currently no audits for any tax periods in progress.

**NOTE VI - CONCENTRATIONS OF CREDIT RISK FOR CASH DEPOSITS**

The Association maintains its cash balances at financial institutions in southwest Florida. Accounts at commercial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. A summary of the total insured and uninsured amounts held at banks as of December 31, 2017 is as follows:

|                          |                   |
|--------------------------|-------------------|
| Total Cash Held Per Bank | \$ 2,449,856      |
| FDIC Portion Insured     | <u>2,078,498</u>  |
| Uninsured Cash Balance   | <u>\$ 371,358</u> |

**NOTE VII - MASTER ASSOCIATION**

Vintage Grand Condominium Association, Inc. exists within the Palmer Ranch planned community which is governed by the Palmer Ranch Master Property Owners Association, Inc., the Master Association. All owners are members of the Master Association and are subject to any assessments levied for the administration, maintenance, operation, and management of the Master Association.

**Vintage Grand Condominium Association, Inc.**  
**Notes to Financial Statements**

**NOTE VIII - CABLE LICENSING AGREEMENT**

The Association entered into an agreement with Comcast of Colorado/Florida/Mexico/Pennsylvania/Washington, LLC (the "Company") on June 1, 2016 whereby the Company would provide a cable communication system on the premises of the Association in Sarasota, Florida. The agreement is for a term of nine years beginning on the first mentioned date above. The terms, conditions, charges and fees for the services provided to residents at the premises shall be contained in contracts between the Company and individual residents. In return, the Association would receive a one-time fee in the amount of \$77,760 covering the entire term of the contract. The income from the agreement will be recorded over the life of the agreement.

**NOTE IX - LITIGATION**

An action was filed against the succession conversion developer and its owners and directors for construction defects and deficiencies, breach of implied warranty of fitness and merchantability, and against the developer-controlled directors of Vintage Grand for breach of fiduciary duty. The outcome of this litigation is uncertain at this time.

**NOTE X – SPECIAL ASSESSMENTS**

On January 5, 2017, the Board of Directors passed a \$1,999,872 special assessment for construction defects and deficiencies for the first phase of work consisting of 5 buildings of the Association. The assessment, which ranged from \$2,616 to \$6,636 per unit was due in 12 monthly payments of \$218 to \$553 per unit, beginning January 2017. On November 16, 2017, the Board approved the 2018 budget including a new 12 month continuation of the above special assessments for the next phase of the construction work.

**NOTE XI - SUBSEQUENT EVENTS**

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

## **Supplementary Information**

**Vintage Grand Condominium Association, Inc.**  
**Supplementary Schedule of Operating Expenses**  
**For the Year Ended December 31, 2017**  
**Unaudited**

**Grounds**

|                                  |                |
|----------------------------------|----------------|
| Grounds contract                 | \$ 101,823     |
| Lawn & ground supplies           | 234            |
| Irrigation repairs & maintenance | 30,174         |
| Miscellaneous grounds expense    | 58,072         |
| Gasoline/golf carts              | 2,410          |
|                                  | <u>192,713</u> |

**Building Maintenance**

|                          |                |
|--------------------------|----------------|
| Repairs & maintenance    | 49,780         |
| Security                 | 5,006          |
| Pest control             | 28,395         |
| Drywall repairs          | 11,938         |
| Locks & keys             | 3,261          |
| Roof repairs             | 38,962         |
| Small tools & equipment  | 13,260         |
| HVAC R & M               | 2,229          |
| Safety                   | 17,907         |
| Common area cleaning     | 3,120          |
| Common area painting     | 185            |
| Receivership maintenance | (985)          |
| Window repairs           | 3,169          |
| Gutter repairs           | 770            |
| Electric R & M           | 3,047          |
| Plumbing R & M           | 13,664         |
|                          | <u>193,708</u> |

Read accountant's audit report.

**Vintage Grand Condominium Association, Inc.**  
**Supplementary Schedule of Operating Expenses**  
**For the Year Ended December 31, 2017**  
**(Unaudited)**

**Rec Facilities Repair & Maintenance**

|                            |        |
|----------------------------|--------|
| Tennis & basketball courts | 590    |
| Pool chemicals             | 67     |
| Pool supplies              | 209    |
| Pools R & M                | 22,811 |
| Exercise room R & M        | 1,932  |
|                            | 25,609 |

**Master Association Fees** 57,887

**Utilities**

|                       |           |
|-----------------------|-----------|
| Water/sewer           | 260,398   |
| Water reimbursement   | (206,920) |
| Electric              | 30,587    |
| Gas                   | 3,425     |
| Trash removal         | 5,736     |
| Office internet       | 2,446     |
| Cable TV-fitness room | 479       |
|                       | 96,151    |

**Payroll**

|                             |         |
|-----------------------------|---------|
| Payroll                     | 244,174 |
| Office help                 | 38,243  |
| Employee insurance/benefits | 6,037   |
| Uniforms                    | 487     |
|                             | 288,941 |

Read accountant's audit report.

**Vintage Grand Condominium Association, Inc.**  
**Supplementary Schedule of Operating Expenses**  
**For the Year Ended December 31, 2017**  
**Unaudited**

**Administration**

|                                 |                                   |
|---------------------------------|-----------------------------------|
| Insurance-property              | 196,879                           |
| Advertising                     | 1,614                             |
| Legal                           | 100,987                           |
| Accounting services             | 4,990                             |
| Professional services           | 7,110                             |
| Licenses/filing fees            | 1,216                             |
| Membership dues                 | 1,345                             |
| Training seminars               | 464                               |
| Management fee                  | 50,544                            |
| Telephone                       | 4,777                             |
| Answering service               | 780                               |
| Office supplies                 | 8,700                             |
| Postage                         | 5,948                             |
| Printing & reproduction         | 3,146                             |
| Office equipment rental         | 3,061                             |
| Bank service charge             | 426                               |
| Misc administrative charges     | 2,984                             |
| Bad debt                        | 6,578                             |
|                                 | <hr/>                             |
|                                 | 401,549                           |
|                                 | <hr/>                             |
| <b>Total Operating Expenses</b> | <b><u><u>\$ 1,256,558</u></u></b> |

Read accountant's audit report.

**Vintage Grand Condominium Association, Inc.**  
**Supplementary Schedule of Changes in Replacement Fund Balances**  
**For the Year Ended December 31, 2017**  
**Unaudited**

| <u>Reserve Components</u>           | <u>Balance</u><br><u>1/1/17</u> | <u>Membership</u><br><u>Assessments</u> | <u>Interest</u><br><u>Income</u> | <u>Expenses</u>    | <u>Balance</u><br><u>12/31/17</u> |
|-------------------------------------|---------------------------------|---|----------------------------------|--------------------|-----------------------------------|
| Roof replacement                    | \$ 864,715                      | \$ 175,000                              | \$ -                             | -                  | \$ 1,039,715                      |
| Exterior painting/<br>waterproofing | 265,948                         | 25,000                                  | -                                | -                  | 290,948                           |
| Pavement resurfacing                | 70,545                          | 5,000                                   | -                                | -                  | 75,545                            |
| HVAC                                | 3,587                           | -                                       | -                                | -                  | 3,587                             |
| Pool & spa                          | 18,727                          | -                                       | -                                | -                  | 18,727                            |
| Pool deck                           | 2,109                           | -                                       | -                                | -                  | 2,109                             |
| Electrical                          | 74,383                          | -                                       | -                                | (4,507)            | 69,876                            |
| Fire/safety                         | 55,779                          | 20,000                                  | -                                | -                  | 75,779                            |
| Plumbing                            | 29,515                          | 4,963                                   | -                                | -                  | 34,478                            |
| Irrigation/drainage                 | 17,443                          | -                                       | -                                | (17,443)           | -                                 |
| Interest                            | 4,727                           | -                                       | 5,835                            | -                  | 10,562                            |
| <b>Total</b>                        | <u>\$ 1,407,478</u>             | <u>\$ 229,963</u>                       | <u>\$ 5,835</u>                  | <u>\$ (21,950)</u> | <u>\$ 1,621,326</u>               |

Read accountant's audit report.

**Vintage Grand Condominium Association, Inc.**  
**Supplementary Information About Future Major Repairs and Replacements**  
**December 31, 2017**  
**Unaudited**

The following is the estimated remaining life and estimated cost to replace the components of the designated Reserves. This is based upon estimates determined by an architect's study in 2015 which was utilized during the preparation of the proposed 2018 budget.

| <u>Reserve Components</u>       | <u>Estimated<br/>Remaining<br/>Life</u> | <u>Estimated<br/>Cost to<br/>Replace</u> | <u>2018<br/>Statutory<br/>Funding<br/>Requirement</u> |
|---------------------------------|---|--|---|
| Roof replacement                | 6 years                                 | \$ 2,391,400                             | \$ 251,807  |
| Building painting/waterproofing | 1 year                                  | 332,080                                  | 64,292  |
| Pavement resurfacing            | 10 years                                | 394,722                                  | 32,230  |
| HVAC                            | 6 years                                 | 12,000                                   | 1,388   |
| Pool & spa                      | 5 years                                 | 76,983                                   | 11,512  |
| Pool deck                       | 38 years                                | 163,590                                  | 4,243   |
| Electrical                      | 15 years                                | 115,500                                  | 2,740   |
| Fire/safety                     | 7 years                                 | 527,525                                  | 66,939  |
| Plumbing                        | 10 years                                | 270,200                                  | 23,923  |
| Irrigation/drainage             | 5 years                                 | 18,750                                   | 249   |
|                                 |   | <u>\$ 4,302,750</u>                      | <u>\$ 459,323</u>                                     |

Read accountant's audit report.

**REPORT TO THE BOARD OF DIRECTORS**  
**VINTAGE GRAND CONDOMINIUM ASSOCIATION, INC.**  
**DECEMBER 31, 2017**

# FLANAGAN & JASON, INC.

CERTIFIED PUBLIC ACCOUNTANT AND ASSOCIATE

To the Board of Directors  
Vintage Grand Condominium Association, Inc.

In planning and performing our audit of the financial statements of Vintage Grand Condominium Association, Inc. as of and for the year ended December 31, 2017 in accordance with auditing standards generally accepted in the United States of America, we considered Vintage Grand Condominium Association, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Other Audit Findings or Issues

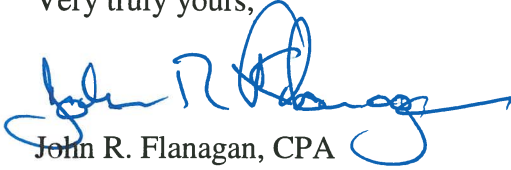
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

As noted in the prior year audit report, the Association's cash in bank accounts not covered by FDIC insurance amounted to \$1,540,673. We recommended the opening of additional bank accounts to spread these monies among different banking institutions in order that all funds would be within the FDIC insured limit. We noted in the current year the Association is participating in the CDARS registry service whereby the funds are opened in various financial institutions under the umbrella of your local bank. These accounts at each institution are insured by the FDIC. During the current year audit, we noted the special assessment funds were deposited into the regular operating account and payments were made from that account.

Due to the size of the special assessment, the operating account was in excess of the FDIC limit on a regular basis. With the necessity of the continuation of the special assessment for replacing the construction deficiencies, we recommend that these monies be maintained in a special assessment cash account with payments being made directly out of that account. This would prevent any possibility of using these monies for non-assessment expenses thus enabling the Association to better control their operating budget without the mixing of funds.

This information is intended solely for the use of the Board of Directors and management of Vintage Grand Condominium Association, Inc., and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John R. Flanagan, CPA  
President  
Flanagan & Jason, Inc.  
Sarasota, Florida  
July 24, 2018