

VINTAGE GRAND CONDOMINIUM ASSOCIATION, INC.

**FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION**

DECEMBER 31, 2018

(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, 2018, 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, 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.

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.

Flanagan and Jason, Inc

Flanagan & Jason, Inc.

Sarasota, Florida

March 17, 2020

Vintage Grand Condominium Association, Inc.
Balance Sheet
December 31, 2018

	Operating Fund	Replacement Fund	Total
<u>Assets</u>			
Cash	\$ 743,774	\$ 1,375,318	\$ 2,119,092
Certificates of deposit	-	402,895	402,895
Assessments receivable net of allowance for doubtful accounts of \$36,288	99,234	-	99,234
A/R water reimbursement	16,727	-	16,727
Prepaid insurance	64,682	-	64,682
Prepaid expenses	14,712	-	14,712
Utility deposits	12,323	-	12,323
Due (to) from other fund	19,798	(19,798)	-
 Total Assets	 \$ 971,250	 \$ 1,758,415	 \$ 2,729,665
 <u>Liabilities</u>			
Accrued expenses	\$ 37,576	\$ -	\$ 37,576
Prepaid assessments	126,691	-	126,691
Deferred cable license fee	55,440	-	55,440
Construction retainage	29,258	-	29,258
 Total Liabilities	 248,965	 -	 248,965
 <u>Fund Balances</u>	 722,285	 1,758,415	 2,480,700
 Total Liabilities and Fund Balances (Deficits)	 \$ 971,250	 \$ 1,758,415	 \$ 2,729,665

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, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>Revenues</u>			
Member assessments	\$ 1,281,991	\$ 229,962	\$ 1,511,953
Contingent rebuilding assessments	2,000,000	-	2,000,000
Late fees	20,315	-	20,315
Interest income-owners	6,961	-	6,961
Interest income	4,550	11,701	16,251
Application fees	11,435	-	11,435
Cable license fee	8,640	-	8,640
Fines	6,402	-	6,402
Other income	4,880	-	4,880
Total Revenues	<u>3,345,174</u>	<u>241,663</u>	<u>3,586,837</u>
<u>Expenses</u>			
Grounds	217,491	-	217,491
Building maintenance	301,242	-	301,242
Rec facilities repair & maintenance	37,983	-	37,983
Master association fees	51,937	-	51,937
Utilities	92,223	-	92,223
Payroll	243,096	-	243,096
Administration	453,836	-	453,836
Contingent rebuilding expenses	1,329,367		
Betterments	-	104,574	104,574
Total Expenses	<u>2,727,175</u>	<u>104,574</u>	<u>2,831,749</u>
Excess (Deficit) of Revenues Over Expenses	617,999	137,089	755,088
Prior year adjustment	(83,093)	-	(83,093)
Beginning Fund Balances	<u>187,379</u>	<u>1,621,326</u>	<u>1,808,705</u>
Ending Fund Balances (Deficits)	<u>\$ 722,285</u>	<u>\$ 1,758,415</u>	<u>\$ 2,480,700</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, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash received from members	\$ 3,245,486	\$ 229,962	\$ 3,475,448
Interest income	4,550	11,701	16,251
Other income	45,270	-	45,270
Cash paid to suppliers and contract servicers	<u>(3,106,796)</u>	<u>(104,574)</u>	<u>(3,211,370)</u>
Net Cash Provided (Used) by Operating Activities	<u>188,510</u>	<u>137,089</u>	<u>325,599</u>
Cash Flows From Investing Activities:			
Purchase of certificates of deposit	<u>-</u>	<u>(1,581)</u>	<u>(1,581)</u>
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>(1,581)</u>	<u>(1,581)</u>
Cash Flows From Financing Activities:			
Interfund borrowing	<u>(19,798)</u>	<u>19,798</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>(19,798)</u>	<u>19,798</u>	<u>-</u>
Net Increase (Decrease) in Cash	168,712	155,306	324,018
Cash at Beginning of Year	<u>575,062</u>	<u>1,220,012</u>	<u>1,795,074</u>
Cash at End of Year	<u><u>\$ 743,774</u></u>	<u><u>\$ 1,375,318</u></u>	<u><u>\$ 2,119,092</u></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, 2018

	Operating Fund	Replacement Fund	Total
Reconciliation of Excess (Deficit) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:			
Excess (Deficit) of Revenues Over Expenses	\$ 617,999	\$ 137,089	\$ 755,088
Adjustments to Reconcile:			
Change in allowance for doubtful accounts	12,497	-	12,497
Decrease (Increase) in Operating Assets:			
Assessments receivable	(49,868)	-	(49,868)
AR-water reimbursement	18,289	-	18,289
Prepaid insurance	13,940	-	13,940
Utility deposits	(54)	-	(54)
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(327,306)	-	(327,306)
Accrued expenses	37,574	-	37,574
Refunds due owners	(29)	-	(29)
Deferred cable license fee	(8,640)	-	(8,640)
Construction retainage	(132,623)	-	(132,623)
Prepaid assessments	6,731	-	6,731
Total Adjustments	(429,489)	-	(429,489)
Net Cash Provided (Used) by Operating Activities	\$ 188,510	\$ 137,089	\$ 325,599

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 \$36,288 was deemed necessary for 2018.

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 \$383 to \$971 in 2018. Of that amount, \$25 to \$64 was designated to the replacement fund and \$218 to \$553 was designated to the rebuilding fund.

The Association bills its maintenance fees in advance on a monthly basis. Maintenance fees received in advance for 2019 amounted to \$126,691.

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 \$234,132, which was included in the 2019 budget. The study indicated a statutory funding requirement of \$425,694.

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 \$44,592,000 valuation of the buildings, the first 3%, or \$1,338,760 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, 2018. The Association is subject to specific rulings and regulations applicable to nonexempt membership

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 2018, 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, 2018, 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, 2018 is as follows:

Total Cash Held Per Bank	\$ 2,553,990
FDIC Portion Insured	<u>654,292</u>
Uninsured Cash Balance	<u>\$ 1,899,698</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. In addition, the Association is a member of the Crockers Lake Community Association with an annual fee of approximately \$7,900.

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 in the amount of \$15 million. This claim was settled late in 2019 with the Association receiving \$369,750 after attorney fees. An insurance claim for building collapse coverage was filed against the property insurance companies for the same \$15 million stated above. Although the outcome of this claim and litigation is uncertain at this time, the attorneys feel this claim is well supported.

NOTE X – CONTINGENT REBUILDING ASSESSMENT

On January 5, 2017, the Board of Directors passed an operating budget which included \$2,000,000 for funding of the first phase of work to remedy construction defects and deficiencies of buildings. The assessment (“Contingent Rebuilding Assessment”) was due in twelve monthly payments of \$218 to \$553 per unit, beginning January 2017. On November 16, 2017 the Board approved the 2018 operating budget including a 12 month continuation of the Contingent Rebuilding Assessment at the same payment amounts for the next phase of the construction work.

NOTE XI – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to reclass the Contingent Rebuilding Assessment in 2017 to the Operating Fund to recognize the assessment as an additional operating fund assessment per Florida Statutes.

NOTE XII - 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, 2018
Unaudited

Grounds

Grounds contract	102,850
Grounds expense-other	75,684
Lawn & ground supplies	2,935
Irrigation repairs & maintenance	30,614
Additional plantings	3,900
Gasoline/golf carts	1,508
	<u>217,491</u>

Building Maintenance

Repairs & maintenance	68,920
Security	5,378
Pest control	16,912
Drywall repairs	64,362
Locks & keys	509
Roof repairs	66,249
Small tools & equipment	815
HVAC R & M	8,015
Safety	47,954
Smoke detectors	931
Common area cleaning	3,364
Common area painting	3,163
Window repairs	1,402
Gutter repairs	2,594
Electric R & M	9,273
Plumbing R & M	1,401
	<u>301,242</u>

Read accountant's audit report.

Vintage Grand Condominium Association, Inc.
Supplementary Schedule of Operating Expenses
For the Year Ended December 31, 2018
(Unaudited)

Rec Facilities Repair & Maintenance

Tennis & basketball courts	103
Pool & spa maintenance	26,339
Pool fence R & M	5,645
Pool fuel	4,815
TV room fitness furniture	135
Exercise room R & M	946
	<u>37,983</u>

Master Association Fees 51,937

Utilities

Water/sewer	260,201
Water reimbursement	(201,660)
Electric	26,762
Trash removal	6,438
Cable TV-fitness room	482
	<u>92,223</u>

Payroll

Payroll	233,774
Office help	3,427
Employee insurance/benefits	5,558
Uniforms	337
	<u>243,096</u>

Read accountant's audit report.

Vintage Grand Condominium Association, Inc.
Supplementary Schedule of Changes in Replacement Fund Balances
For the Year Ended December 31, 2018
Unaudited

<u>Reserve Components</u>	<u>Balance 1/1/18</u>	<u>Membership Assessments</u>	<u>Interest Income</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Balance 12/31/18</u>
Roof replacement	\$ 1,039,715	\$ 175,000	\$ -	\$ -	\$ -	\$ 1,214,715
Exterior painting/ waterproofing	290,948	25,000	-	(32,000)	-	283,948
Pavement resurfacing	75,545	5,000	-	-	-	80,545
HVAC	3,587	-	-	-	-	3,587
Pool & spa	18,727	-	-	(3,851)	-	14,876
Pool deck	2,109	-	-	-	-	2,109
Electrical	69,876	-	-	-	-	69,876
Fire/safety	75,779	20,000	-	(38,819)	-	56,960
Plumbing	34,478	4,962	-	-	-	39,440
Irrigation/drainage	-	-	-	(29,904)	17,884	(12,020)
Interest	10,562	-	11,701	-	(17,884)	4,379
Total	<u>\$ 1,621,326</u>	<u>\$ 229,962</u>	<u>\$ 11,701</u>	<u>\$ (104,574)</u>	<u>\$ -</u>	<u>\$ 1,758,415</u>

Read accountant's audit report.

Vintage Grand Condominium Association, Inc.
Supplementary Information About Future Major Repairs and Replacements
December 31, 2018
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 engineer's study in 2015 which was utilized during the preparation of the proposed 2019 budget.

<u>Reserve Components</u>	<u>Estimated Remaining Life(Years)</u>	<u>Estimated Cost to Replace</u>	<u>2019 Statutory Funding Requirement</u>
Roof replacement	6	\$ 2,391,400	\$ 196,114
Building painting/waterproofing	3	301,080	5,711
Pavement resurfacing	5	394,722	62,835
HVAC	1	12,000	8,413
Pool & spa	1	76,983	62,107
Pool deck	33	163,590	4,893
Electrical	10	115,500	4,112
Fire/safety	8	527,525	56,346
Plumbing	10	270,200	23,076
Irrigation/drainage	14	18,750	2,086
		<u>\$ 4,271,750</u>	<u>\$ 425,693</u>

Read accountant's audit report.