Oceanside Residential Condominium Association, Inc.

FINANCIAL STATEMENTS (AND SUPPLEMENTARY INFORMATION)

December 31, 2022



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Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
Suite 210
Miramar Beach, Florida 32550

(850) 837-3141 (850) 654-4619 (fax) CRIcpa.com

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Members Oceanside Residential Condominium Association, Inc. Key West, Florida

We have reviewed the accompanying financial statements of Oceanside Residential Condominium Association, Inc., which comprise the balance sheet as of December 31, 2022, and the related statements of revenue, 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.

Accountants' 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.

We are required to be independent of Oceanside Residential Condominium Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion on the Financial Statements

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.

Summarized Comparative Information

We previously reviewed Oceanside Residential Condominium Association, Inc.'s 2021 financial statements and in our report dated February 18, 2022, stated that based on our review, we were not aware of any material modifications that should be made to the 2021 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized information presented herein as of and for the year ended December 31, 2021, for it to be consistent with the reviewed financial statements from which it has been derived.

Supplementary Information

The accompanying supplementary information contained in the schedule of changes in accumulated funds for future major repairs and replacements and in the schedule of operating fund revenue and expenses – budget and actual, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. We have not audited or reviewed such information, and we do not express an opinion, a conclusion, nor provide any assurance on it.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property 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, which considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have compiled the required supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on it.

Carr, Riggs & Ingram, L.L.C.
CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida March 30, 2023

Oceanside Residential Condominium Association, Inc. Balance Sheet

December 31,	2022							2021	
	0	perating Fund	•			Total		otal (For mparative urposes)	
Assets									
Cash Accounts receivable Prepaid expenses Deposits Interfund balance	\$	89,631 3,709 80,369 1,690 (16)	\$	108,202 - - - 16	\$	197,833 3,709 80,369 1,690	\$	189,607 5,183 64,970 1,690	
Total assets	\$	175,383	\$			283,601	\$	261,450	
Liabilities and Fund Balance									
Liabilities Accounts payable Insurance finance agreement Prepaid assessments Performance obligation	\$	6,325 36,157 25,545	\$	- - - 108,218	\$	6,325 36,157 25,545 108,218	\$	11,367 35,937 18,463 75,073	
Total liabilities		68,027		108,218		176,245		140,840	
Fund balance		107,356		-		107,356		120,610	
Total liabilities and fund balance	\$	175,383	\$	108,218	\$	283,601	\$	261,450	

Oceanside Residential Condominium Association, Inc. Statement of Revenue, Expenses and Changes in Fund Balance

For the year ended December 31,	2022 2021						
			Total (For				
	0	perating		Comparativ			
		Fund		Fund	Total	Р	urposes)
Revenue							
Regular assessments	\$	283,500	\$	155	\$ 283,655	\$	312,773
Special assessment	·	264,000	•	-	264,000	•	-
Interest and late fees		408		-	408		783
Total revenue		547,908		155	548,063		313,556
Expenses							
Administrative		1,666		-	1,666		6,079
Contract services		113,459		-	113,459		70,941
Insurance		118,146		-	118,146		108,588
Maintenance and repairs		243,955		155	244,110		43,941
Professional fees		37,390		-	37,390		35,240
Utilities		46,546		-	46,546		37,562
Total expenses		561,162		155	561,317		302,351
Excess (deficit) of revenue							
over expenses		(13,254)		-	(13,254)		11,205
Beginning fund balance		120,610		-	120,610		109,405
Ending fund balance	\$	107,356	\$	-	\$ 107,356	\$	120,610

Oceanside Residential Condominium Association, Inc. Statement of Cash Flows

For the year ended December 31,	2022							2021	
							Т	otal (For	
	0	perating	Re	placement			Comparative		
		Fund		Fund		Total	Р	urposes)	
Operating activities									
Excess (deficit) of revenue		(42.254)				(40.054)	,	44 205	
over expenses	\$	(13,254)	\$	-	\$	(13,254)	\$	11,205	
Changes in operating assets									
and liabilities:								()	
Accounts receivable		1,474		-		1,474		(3,635)	
Prepaid expenses		(15,399)		-		(15,399)		(4,851)	
Accounts payable		(5,042)		-		(5,042)		6,520	
Insurance finance agreement		220		-		220		35,937	
Prepaid assessments		7,082		-		7,082		4,336	
Performance obligation		-		33,145		33,145		4,027	
Interfund balance		7,160		(7,160)		-			
Net cash provided (used)									
by operating activities		(17,759)		25,985		8,226		53,539	
by operating activities		(17,755)		23,363		8,220		33,333	
Financing activities									
Proceeds on notes payable		-		-		-		(76,000)	
Net cash provided (used)									
by financing activities		-		-		-		(76,000)	
Not increase (decrease) in each		/17 7FO\		25.005		0.226		(22.464)	
Net increase (decrease) in cash		(17,759)		25,985		8,226		(22,461)	
Cash at beginning of year		107,390		82,217		189,607		212,068	
Cash at and of year	<u> </u>	00 C21	۲	100 202	ċ	107 922	۲	190 607	
Cash at end of year	\$	89,631	\$	108,202	\$	197,833	\$	189,607	

NOTE 1: DESCRIPTION OF THE ORGANIZATION

Oceanside Residential Condominium Association, Inc., a Florida not-for-profit Corporation, was formed on March 13, 2003. Membership in the Association consists of the 22 residential unit owners of the Oceanside Residential Condominium Association, Inc. The development is located on approximately 1.15 acres in Key West, Florida.

The Association was organized for the purpose maintaining and protecting the elements owned by the unit owners in common, including a swimming pool, sidewalks, and parking areas. Disposition of common area property requires consent of the members according to the governing documents and Florida Statutes.

Most policy decisions, except the annual budget and owners' assessments which are approved by the owners, are formulated by the Board of Directors. Decisions are referred to the general Association membership before action is taken, when so required by the governing documents of the Association.

Management and accounting services are provided to the Association by The Community Association Company.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs). The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds

The Association is a not-for-profit organization which employs the fund method of accounting in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors, the Association voting membership, or applicable Florida Statute. The financial statements segregate the accounting for such funds as either operating or replacement funds. At the end of the year, excess funds are retained by the fund generating such excess during the year.

The operating fund is used to account for financial resources available for the general operation of the Association. Disbursements from the operating fund are generally at the discretion of the Board of Directors.

The replacement fund is generally used to account for assessments made for major repair and replacement of common property, and related expenses. Disbursements from the replacement fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association membership. Interest income earned in the replacement fund is maintained in the replacement fund.

Cash Equivalents

Cash and cash equivalents include cash and all highly-liquid debt instruments with an original maturity of 90 days or less.

Accounts Receivable from Owners and Allowance for Doubtful Accounts

Accounts receivable from owners are reported at the outstanding balance due from owners, net of any allowance for doubtful accounts. The Association provides for doubtful accounts based on experience and analysis of individual accounts. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific accounts are determined to be uncollectable, they are written off by charging the allowance and crediting the receivable. Since management considers all receivables to be collectible at December 31, 2022, no allowance has been established at this time.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the balance sheet. These items will be expensed over the applicable usage periods.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalization and Depreciation

Real property acquired by the Association is capitalized when it (a) is used to generate significant cash flows from members on the basis of usage or from nonmembers or (b) can be disposed of for cash with the Association retaining the proceeds. Real property acquired by the Association that does not meet these guidelines is not capitalized, and accordingly, replacements, major repairs, and improvements to this property are not capitalized; instead, they are reported as expenses in the fund making the expenditure. Real property that does not meet the criteria to capitalize is identified in Note 1.

Contract Assets and Liabilities

Contract assets represent revenue recognized in excess of amounts billed. No such amounts are reported on the balance sheet as of December 31, 2022. Contract liabilities represent revenue collected in advance of the contract period or amounts billed in excess of revenue recognized. These liabilities are reported on the balance sheet as prepaid assessments and performance obligation liabilities.

Revenue Recognition

The Association recognizes revenue when performance obligations under the terms of the contracts with customers are satisfied. Revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. For purposes of this Association, the definition of customers includes the Association's members.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 30, 2023, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

NOTE 3: OWNERS' ASSESSMENTS

Revenue and expenses are allocated to the unit owners equally, and accordingly, assessment rates are established using this formula. The rate for 2022 was \$1,200 per unit per month. Budgeted assessment fees for the year ended December 31, 2022 totaled \$316,800, of which \$33,300 was allocated to the replacement fund.

NOTE 3: OWNERS' ASSESSMENTS (Continued)

The following table reconciles budgeted regular assessments to the amounts recognized as assessment revenue in the statement of revenue, expenses, and changes in fund balance:

For the year ended December 31,

2022

	0	Operating Replacement Fund Fund			Total		
Budgeted regular assessments Less additions to performance obligtion	\$	283,500	\$	33,300 (33,145)	\$	316,800 (33,145)	
Total assessments	\$	283,500	\$	155	\$	283,655	

In March 2022, the Association levied a special assessment totaling \$264,000 to fund painting, spalling repairs, and landscaping/hardscaping. The special assessment was due in April 2022, and individual owner assessments were \$12,000. As of December 31, 2022, the Association had incurred project expenses totaling \$271,135, which is included in maintenance and repairs expense on the accompanying statement of revenue, expenses and changes in fund balance. The Association completed the related projects in 2022.

NOTE 4: REVENUE RECOGNITION

As disclosed in Note 2 to the financial statements, the Association's customers consist of its members, which are unit owners within the condominium. The contracts between these customers and the Association primarily relate to maintaining, managing and providing access to the property and amenities owned in common by the unit owners.

Performance Obligations

The Association's revenue is derived primarily from assessments to its members. The Association generally recognizes its revenue from contracts with customers over time with the exception of reserve assessments, which are being recognized at a point in time. As of December 31, 2022, the Association has reported a performance obligation liability totaling \$108,218, relating to the future major repair and/or replacement of specific components of common property. The assessments related to this performance obligation are generally reported in the replacement fund and will be recognized as revenue at the point in time when the funds are expended for their designated purpose.

NOTE 4: REVENUE RECOGNITION (Continued)

Significant Judgments

For those revenue items recognized over time, the Association generally utilizes the input method of measurement, where revenue is recognized based on the Association's efforts towards the satisfaction of a performance obligation. For operating fund amounts, revenue is recognized as time elapses and the Association performs routine maintenance, protection and management of the common area property. For replacement fund amounts, the Association recognizes revenue at the point in time when reserve expenses are incurred.

Disaggregated Revenue

The Association derives its revenue from various activities and sources having different qualitative factors that may affect the amount, timing, or uncertainty of revenues and cash flows.

The following chart contains disaggregated revenue information that reflects these qualitative factors:

For the year ended December 31,		2022
Recognized over time		
Operating fund assessments	\$	283,500
Operating rand assessments	Ţ	203,300
Recognized at a point in time		
Special assessments		264,000
Replacement fund assessments		155
Not subject to ASC Topic 606		
Interest and late fees		408
Total revenue	\$	548,063

NOTE 4: REVENUE RECOGNITION (Continued)

The following table presents information about accounts receivable, contract assets, and contract liabilities:

For the year ended December 31,	 2022
Accounts receivable - beginning balance Accounts receivable - ending balance Contract assets - no beginning or ending balance for the year	\$ 5,183 3,709
Contract liabilities:	
Prepaid assessments - beginning balance	18,463
Prepaid assessments - ending balance	25,545
Performance obligation liabilities - beginning balance	75,073
Performance obligation liabilities - ending balance	108,218

NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require the Association to accumulate funds for future major repairs and replacements, unless otherwise decided by the voting membership. The Association has adopted a program to accumulate funds for future major repairs and replacements through regular assessments. The Association uses the cash flow method of funding the replacement fund, which pools the reserve components.

The Association conducted a study in 2021 to estimate the remaining useful lives and replacement costs of the major components of common property. The Board of Directors annually reviews this information as part of its budgeting process. As a part of this review, the Board re-evaluates the estimated remaining useful lives and the estimated replacement costs of each of the components of the replacement fund. The Board of Directors last performed a review of estimated replacements costs, remaining lives, and funding requirements for the reserve components in 2022.

The Association is funding for future major repairs and replacements over the estimated useful lives of the components based on their study's estimates of replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding amount of \$33,300 based on a full funding plan, was included in the 2022 budget.

Actual expenditures, however, may vary from the estimated amounts and the variations may be significant. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE 6: INCOME TAXES

The Association elected to file its tax return for 2022 as a homeowner association on Form 1120-H. As such, the Association must comply with Internal Revenue Code (IRC) Section 528, which applies specifically to homeowner associations. Under IRC Section 528, the Association is not taxes on income and expenses directly related to its exempt purpose, which is the management, maintenance and protection of Association property. However, net nonexempt function income such as interest income and revenues from nonmembers, is taxed for federal purposes at a flat 30% rate. For the year ended December 31, 2022, the Association had no net nonexempt income. Thus, the Association had no federal income tax for the year ended December 31, 2022. State income taxes do not apply to associations that qualify under IRC Section 528.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association's policy is to record interest expense or penalties related to income tax in (operating) expense. For the year ended December 31, 2022, no interest or penalties were paid or accrued. The Association is subject to routine audits by taxing jurisdictions; however, there are no audits for any tax periods in progress. The Association's management believes it is no longer subject to income tax examinations for years prior to 2019.

NOTE 7: CREDIT RISK

The Association assesses regular and special assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual units. Should the collection of any such liens be enforced by the sale of the unit, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens that have priority. Market value may be influenced by the real estate market in Key West, Florida.

NOTE 9: INSURANCE FINANCE AGREEMENT

The Association has obtained a short-term note payable with a financial institution to finance its annual insurance premiums. The note is payable in monthly installments of \$7,231, bears interest at 7.75% and matures in May 2023. As of December 31, 2022, the outstanding balance of this insurance finance agreement is \$36,157.

NOTE 10: WINDSTORM DEDUCTIBLE

The insurance policy for windstorm coverage renewed August 2022. The deductible amount for named hurricane storms is approximately \$438,000, which represents 5% of the insured value of the residential building.



Oceanside Residential Condominium Association, Inc. Schedule of Changes in Accumulated Funds for Future Major Repairs and Replacements

For the year ended December 31,				20	22			
	Beginning						Ending	
Component	В	Balance	Α	dditions	Subt	ractions	E	Balance
Roof					\$	(155)		
Total	\$	75,073	\$	33,300	\$	(155) \$	<u>;</u>	108,218
December 31,								2022
Performance obligation liability Replacement fund balance						Ç	\$	108,218
Total						9		108,218

Oceanside Residential Condominium Association, Inc. Schedule of Operating Fund Revenue and Expenses – Budget and Actual

For the year ended December 31,				2022			
		Actual		Budget*	Variance - Favorable (Unfavorable)		
Revenue							
Regular assessments	\$	283,500	\$	283,500	\$	_	
Special assessments	Ą	264,000	۲	203,300	Ţ	264,000	
Interest and late fees		408		780		•	
interest and late rees		406		780		(372)	
Total revenue		547,908		284,280		263,628	
Expenses							
Administrative		1,666		3,075		1,409	
Bad debt/contingency		-		65,865		65,865	
Contract services		113,459		65,100		(48,359)	
Insurance		118,146		129,212		11,066	
Maintenance and repairs		243,955		8,100		(235,855)	
Professional fees		37,390		39,401		2,011	
Utilities		46,546		38,880		(7,666)	
Total expenses		561,162		349,633		(211,529)	
Excess (deficit) of revenue over expenses	\$	(13,254)	\$	(65,353)	\$	52,099	

^{*} Budget deficit represents budget for excess funds from prior year of \$65,353.

Oceanside Residential Condominium Association, Inc. Supplementary Information on Future Major Repairs and Replacements

The following table is based on the Board's review and presents significant information about the components of common property:

Pooled component	Estimated Remaining Life (Years)	_	Estimated eplacement Cost	I	cumulated Funds at 2/31/22
Infrastructure	13-15	\$	45,000		
Painting	0	Ţ	80,000		
Paving	25		100,000		
Pool and equipment	0-16		55,000		
Roof	15		250,000		
				•	
Total		\$	530,000	\$	108,218