Sunset Marina Residences of Key West Condominium Association, Inc.

FINANCIAL STATEMENTS

December 31, 2021



REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of Sunset Marina Residences of Key West Condominium Association, Inc. Key West, Florida Carr, Riggs & Ingram, LLC Certified Public Accountants 500 Grand Boulevard Suite 210 Miramar Beach, Florida 32550

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Opinion

We have audited the accompanying financial statements of Sunset Marina Residences of Key West Condominium Association, Inc., which comprise the balance sheet as of December 31, 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunset Marina Residences of Key West Condominium Association, Inc. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further describe in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sunset Marina Residences of Key West Condominium Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunset Marina Residences of Key West Condominium Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to
 fraud or error, and design and perform audit procedures responsive to those risks. Such procedures
 include examining, on a test basis, evidence regarding the amounts and disclosures in the financial
 statements.
- Obtain an understanding of internal control relevant to the audit 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 Sunset Marina Residences of Key West Condominium Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sunset Marina Residences of Key West Condominium Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Summarized Comparative Information

We have previously audited Sunset Marina Residences of Key West Condominium Association, Inc.'s 2020 financial statements, and our report dated February 10, 2021, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of changes in accumulated funds for future major repairs and replacements and schedule of operating fund revenue and expenses – budget and actual are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures

in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements on page 19 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 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.

CARR, RIGGS & INGRAM, LLC

Can, Rigge & Ingram, L.L.C.

Miramar Beach, Florida April 29, 2022

Sunset Marina Residences of Key West Condominium Association, Inc. Balance Sheet

December 31,	2021					2020		
			_					otal (For
	C	perating	Re	placement				mparative
		Fund		Fund		Total	P	urposes)
Assets								
Cash	\$	292,783	\$	145,178	\$	437,961	\$	356,836
Accounts receivable		7,954		-		7,954		585
Special assessments receivable - unbilled		398,254		=		398,254		-
Property and equipment, net		-		-		-		320
Other assets		15,830		-		15,830		15,830
Interfund balance		11,596		(11,596)		-		
Total assets	\$	726,417	\$	133,582	\$	859,999	\$	373,571
Liabilities and Fund Balance								
Liabilities								
Accounts payable	\$	28,526	\$	-	\$	28,526	\$	13,816
Note payable		469,265		-		469,265		-
Performance obligation		8,036		125,379		133,415		170,299
Prepaid assessments		121,664		-		121,664		79,857
Total liabilities		627,491		125,379		752,870		263,972
Fund balance		98,926		8,203		107,129		109,599
Total liabilities and fund balance	\$	726,417	\$	133,582	\$	859,999	\$	373,571

Sunset Marina Residences of Key West Condominium Association, Inc. Statement of Revenue, Expenses and Changes in Fund Balance

For the year ended December 31,				2021			2020
						Т	otal (For
	C	Operating	Re	placement		Со	mparative
		Fund		Fund	Total	Р	urposes)
Revenue							
Regular assessments	\$	536,691	\$	225,920	\$ 762,611	\$	751,986
Special assessments		750,000		-	750,000		-
Cable assessments		29,886		-	29,886		28,465
Interest income		6,700		74	6,774		395
Miscellaneous income		1,465		-	1,465		750
Total revenue		1,324,742		225,994	1,550,736		781,596
Expenses							
Administrative		24,009		_	24,009		21,270
Cable		33,135		_	33,135		26,602
Interest		6,324		-	6,324		-
Depreciation		320		-	320		766
Insurance		200,143		-	200,143		215,957
Management fees and							
personnel costs		178,856		-	178,856		186,728
Maintenance and repairs		107,610		90,542	198,152		293,315
Boardwalk renovation project		878,771			878,771		451
Utilities		33,496		-	33,496		32,116
Total expenses		1,462,664		90,542	1,553,206		777,205
Excess (deficit) of revenue							
over expenses		(137,922)		135,452	(2,470)		4,391
Beginning fund balance		101,470		8,129	109,599		105,208
Interfund transfer		135,378		(135,378)	-		-
Ending fund balance	\$	98,926	\$	8,203	\$ 107,129	\$	109,599

Sunset Marina Residences of Key West Condominium Association, Inc. Statement of Cash Flows

For the year ended December 31,	2021					2020	
							otal (For
	C	perating	Re	placement			mparative
		Fund		Fund	Total	P	urposes)
Operating Activities							
Excess (deficit) of revenue over expenses	\$	(137,922)	\$	135,452 \$	(2,470)	\$	4,391
Adjustments to reconcile excess (deficit) of revenue over expenses to net cash provided by operating activities:							
Depreciation Changes in operating assets and liabilities:		320		-	320		766
Accounts receivable		(7,369)		-	(7,369)		6,582
Special assessments receivable - unbilled		(398,254)		-	(398,254)		-
Accounts payable		14,710		-	14,710		(3,291)
Performance obligation		8,036		(44,920)	(36,884)		(32,874)
Prepaid assessments		41,807		-	41,807		6,634
Interfund balance		(15,000)		15,000	-		
Net cash provided (used) by							
operating activities		(493,672)		105,532	(388,140)		(17,792)
Investing activities							
Proceeds from note payable		500,000		-	500,000		-
Payments made on note		(30,735)		-	(30,735)		-
Net cash provided							
by investing activities		469,265		-	469,265		
Net increase (decrease) in cash		110,971		(29,846)	81,125		(17,792)
Cash at beginning of year		181,812		175,024	356,836		374,628
Cash at end of year	\$	292,783	\$	145,178 \$	437,961	\$	356,836
Interest expense paid	\$	6,324	\$	- \$	6,324	\$	<u>-</u>

NOTE 1: DESCRIPTION OF THE ORGANIZATION

Sunset Marina Residences of Key West Condominium Association, Inc. ("Association"), is a Florida not-for-profit corporation formed on October 20, 1998. Membership in the Association consists of the 60 residential unit owners and 45 boat slips. The condominium is located on approximately 15 acres in Key West, Florida.

The Association was organized for the purpose of maintaining and protecting the elements owned by the unit owners in common, including building exteriors, roofs, elevators, parking areas, recreational areas, etc. Disposition of common area property requires consent of the members in accordance with the governing documents and Florida Statutes.

All policy decisions, including the annual budget and owners' assessments, 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. Also, certain prior year disclosures are not included. 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, 2020, 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 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 as a separate component in the replacement fund.

The replacement fund provided a \$135,378 interfund transfer to the operating fund to reimburse the operating fund for boardwalk/dock repair expenses incurred for the year ended December 31, 2021.

Cash and 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, 2021, no allowance has been established at this time.

Prepaid Expense

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 period.

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.

Personal property acquired by the Association is capitalized at cost. It is depreciated over its estimated useful life using the straight-line method of depreciation.

Reclassifications

Certain items for the prior year have been reclassified in the financial statements in order to conform with the current year presentation.

Contract Assets and Liabilities

Contract assets represent revenue recognized in excess of amounts billed. The assets are reported on the balance sheet as special assessments receivable — unbilled. 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, April 29, 2022, 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 residential unit owners based on the ratio of each unit's square footage to the total square footage of all units, and accordingly, assessment rates are established using this formula. The rates for 2021 ranged from \$1,711 to \$3,051 for condominium units per quarter and \$727 to \$2,076 for boat slips per quarter. Budgeted assessments, including cable assessments, for the year ended December 31, 2021 totaled \$747,577, of which \$181,000 was allocated to the replacement fund. Participating condominium owners were assessed approximately \$42 per month for cable fees, which totaled \$29,886 for 2021.

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 y	ear ended	December	31,
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า	n	7	
_	u	Z	

	0	perating Fund	Re	placement Fund	Total
Budgeted regular and cable assessments Less: cable assessments Add releases from performance obligation	\$	566,577 (29,886) -		181,000 - 44.920	\$ 747,577 (29,886) 44,920
Total assessments	\$	536,691	\$	225,920	\$ 762,611

In January 2021, the Association levied a special assessment totaling \$250,000 to fund a boardwalk restoration project. The special assessment was due January 12, 2021. Individual owner's special assessments ranged from \$2,289 to \$4,081 for residential units and \$972 to \$2,777 for boat slips.

In addition, the Association also levied a special assessment totaling \$500,000 to fund the repayment of the line of credit, which was drawn on in August 2021 to fund the boardwalk restoration project. The special assessment was due July 1, 2021, or owners could elect to pay their special assessment over 5 years (i.e., 20 payments along with interest). Individual owner's special assessment quarterly installment payments ranged from \$254 to \$454 for residential units and \$108 to \$309 for boat slips. If any owner elected to pay the entire special assessment as of July 1, 2021, the special assessments ranged from \$5,089 to \$9,075 for residential units and \$2,161 to \$6,174 for boat slips. The owners who decided to pay their special assessment over time are charged an additional interest assessment charge that is equivalent to the interest rate of 4.25% that the Association's bank is charging the Association for advanced funding on this project.

In 2021, the Association incurred boardwalk renovation expenses of \$878,771. Thus, the entire \$750,000 of special assessment revenue has been recognized by the Association in the operating fund on the accompanying statement of revenue, expenses and changes in fund balance.

NOTE 3: OWNERS' ASSESSMENTS (Continued)

Approximately 95% of the Association's owners elected to finance the special assessment. At December 31, 2021, accounts receivable includes \$428,733 due on this 2021 special assessment project. The Association recognized \$6,386 of interest income on these remaining owners' unpaid special assessment fee balances. The owner's interest and payment are being amortized by the Association over the same remaining 5-year period of time that the Association has left on its related line of credit payable to its Bank that financed the special assessment project (See Note 9). The \$6,386 of interest charged to these owners is presented in the operating fund under interest income in the accompanying statement of revenue, expenses and changes in fund balance.

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 development. 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 and special assessments, which are being recognized at a point in time. As of December 31, 2021, the Association has reported a performance obligation liability totaling \$125,379, 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.

Significant Judgements

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 the operating fund amounts, excluding the special assessments, revenue is recognized as time elapses and the Association performs routine maintenance, protection and management of the common area property. For the reserve and special assessments, the Association recognizes revenue at point in time when the reserve or special assessment project expenses are incurred.

NOTE 4: REVENUE RECOGNITION (Continued)

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 revenue and cash flows. The following chart contains disaggregated revenue information that reflects these qualitative factors.

For the year ended December 31,	2021			
Recognized over time				
Operating fund assessments	\$	536,691		
Cable assessments		29,886		
Miscellaneous income		1,465		
Recognized at a point in time				
Replacement fund assessments		225,920		
Special assessments		750,000		
Not subject to ASC Topic 606				
Interest income		6,774		
Total revenue	\$	1,550,736		

NOTE 4: REVENUE RECOGNITION (Continued)

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

For the year ended December 31,	2021
Accounts receivable - beginning balance	\$ 585
Accounts receivable - ending balance	7,954
Contract assets	
Special assessments receivable - unbilled - beginning balance	_
Special assessments receivable - unbilled - ending balance*	398,254
Special assessments receivable anomea chang balance	330,234
Contract liabilities	
Prepaid assessments - beginning balance	79,857
Prepaid assessments - ending balance	121,664
Performance obligation liabilities - beginning balance	170,299
Performance obligation liabilities - ending balance	133,415

^{*} Unbilled special assessment receivable of \$428,733 netted against prepaid amounts of \$30,479

NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and Florida Statutes require the Association to accumulate funds for future major repairs and replacements, unless otherwise decided by the voting membership. The Association has adopted the pooling method to accumulate funds for estimated future major repairs and replacements through regular assessments. Accumulated funds are held in separate bank accounts and generally are not available for expenses for normal operations.

The Board of Directors annually reviews the major components of common property. 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. Where applicable, licensed contractors and architects are consulted regarding useful lives and replacement costs. The Board of Directors last performed a review of the estimated replacement costs, remaining lives, and funding requirements for the reserve components in 2021.

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 \$181,000, based on a full funding plan, was included in the 2021 budget.

NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

Actual expenditures 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 2021 as a regular corporation on Form 1120. As such, the Association must comply with Internal Revenue Code (IRC) Section 277, which applies to certain membership organizations. Under IRC Section 277, the Association is required to separate membership income and expenses from non-membership income and expenses. Each component is taxed separately; however, net membership income is exempt from taxation if certain elections are made. For the year ended December 31, 2021, the Association has net nonmembership income of \$0, which resulted in no federal or state income taxes due for 2021.

The Association has a net nonmebership loss carryforward from years prior to 2018 totaling \$5,249. This amount can be used to offset future net nonmembership income, if needed, and will expire in 2033. This net operating loss carryforward represents a deferred tax asset of approximately \$1,102. However, since the Association does not expect to have significant non-membership income in the future and since it is more likely than not this deferred tax asset will not be realized in the future, a valuation allowance of \$1,102 was used to reduce this deferred tax asset.

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, 2021, 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, 2021, 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 2018.

NOTE 7: WINDSTORM DEDUCTIBLE

The insurance policy for windstorm coverage renewed January 2022. The deductible amount for named hurricane storms is estimated at \$1,441,200, which represents approximately 5% of the insured value of the residential buildings and the recreation building. The policy also has deductible amount for other windstorm or hail estimated at \$288,240, which represents 1% of the insured value of the residential buildings and the recreation building.

In addition, the Association's windstorm policy is underwritten by the State of Florida's Citizens Property Insurance Corporation (Citizens). In the event Citizens incurs a deficit that exceeds the amount collected via regular premiums, an emergency assessment may be levied. The Association may be required to pay substantially more in insurance premiums relating to the year for which the emergency assessment is levied.

For the year ended December 31, 2021, the Association has decided to waive insurance coverage for windstorm damage on the docks. The Association's decision to self-insure for windstorm coverage on the docks is due to several insurance providers being unwilling to provide this type of insurance coverage, viewing the docks as uninsurable for major storms risk. Management and the Board believe that the decision to self-insure the docks results in less costs to the Association over time.

NOTE 8: 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 other liens that have priority. Market value may be influenced by the real estate market in Key West, Florida.

The Association places its cash and certificates of deposit with federally insured financial institutions. At times, the balances at these financial institutions may exceed the FDIC insured limit.

NOTE 9: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

December 31,	2021
Machinery and equipment	\$ 4,822
Less accumulated depreciation	(4,822)
Property and equipment, net	\$ -

Depreciation expense for the year ended December 31, 2021 was \$320.

NOTE 10: NOTE PAYABLE

In August 2021, the Association drew on the \$500,000 line of credit that was secured with a financial institution in 2018 to fund the boardwalk renovation project for damages caused by Hurricane Irma. Upon drawing on the line of credit, an installment loan agreement was created (i.e., the line of credit was convertible to an installment note payable upon completion of the project). The note is payable in monthly installments of \$9,265, bears interest at Wall Street Journal prime plus 1% with a floor of 4.25% and matures in August 2026. The agreement is collateralized by Association property and owner assessments. The balance of the note at December 31, 2021 totaled \$469,265. A schedule of maturities of long-term debt is as follows:

31,	,
	31,

2022	\$	93,006
2023		97,037
2024		101,242
2025		105,630
2026		72,350
	·	
Total	\$	469,265

The Association is in compliance with key debt covenants related to this debt, which include providing the annual audit to the financial institution by April 30, 2022.

SUPPLEMENTARY INFORM	ATION

Sunset Marina Residences of Key West Condominium Association, Inc. Schedule of Changes in Accumulated Funds for Future Major Repairs and Replacements

For the year ended Decer	nŁ					2021			
Component	Beginning Balance		Additions		Su	btractions	Transfers	Ending Balance	
Pooled items: Boardwalk/docks Concrete Pool and spa Roofing Storage room doors Total pooled items	\$	170,299	\$	181,000	\$	(14,285) (30,395) (44,120) (1,742) (90,542)	\$ (135,378) \$	s 125,379	
Non-pooled items: Interest		8,129		74		-	-	8,203	
Total	\$	178,428	\$	181,074	\$	(90,542)	\$ (135,378) \$	133,582	
December 31,								2021	
Performance obligation I Replacement fund balance							ç	125,379 8,203	
Total							Ç	133,582	

Sunset Marina Residences of Key West Condominium Association, Inc. Schedule of Operating Fund Revenue and Expenses – Budget and Actual

For the year ear ended December 31, 2021

For the year ear ended December 31,			2021		
					Variance -
					Favorable
		Budget (Unaudited)*		(Unfavorable) (Unaudited)	
	Actual				
Revenue					
Regular assessments	\$ 536,691	\$	536,691	\$	-
Special assessments	750,000		-		750,000
Cable assessments	29,886		29,886		-
Interest income	6,700		150		6,550
Miscellaneous income	1,465		460		1,005
Total revenue	1,324,742		567,187		757,555
Expenses					
Administrative	24,009		13,450		(10,559)
Bad debt expense	-		37,397		37,397
Cable	33,135		29,886		(3,249)
Interest	6,324		-		(6,324)
Depreciation	320		-		(320)
Insurance	200,143		230,664		30,521
Management fees and					
personnel costs	178,856		184,743		5,887
Maintenance and repairs	107,610		135,176		27,566
Boardwalk renovation project	878,771		-		(878,771)
Utilities	33,496		23,360		(10,136)
Total expenses	1,462,664		654,676		(807,988)
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Excess (deficit) of revenue over expenses	\$ (137,922)	\$	(87,489)	\$	(50,433)

^{*} The Association included \$87,489 excess funds from prior year in the 2021 budget.

Sunset Marina Residences of Key West Condominium Association, Inc. Supplementary Information on Future Major Repairs and Replacements (Unaudited)

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

	Estimated Remaining	Estimated			Accumulated		
	Useful Life	ı	Replacement		Funds at		
Component	(Years)		Cost		12/31/21		
Pooled items:							
Awnings	6	\$	60,476				
Boardwalk/docks	0 - 25		705,867				
Concrete	1		45,907				
Elevators	12		447,392				
Lighting	8		28,515				
Pool and spa	0		50,000				
Pavers, pool deck	8		35,074				
Paving	8 - 12		213,138				
Pilings, wood	11		58,891				
Roofing	12 - 21		772,237				
Storage room doors	0		31,129				
Total pooled items				\$	125,379		
Non-pooled items:							
Wind deductible	24		725,000		-		
Interest	n/a		n/a		8,203		
Total		\$	3,173,626	\$	133,582		