



**Oceanside Residential Condominium
Association, Inc.**

**FINANCIAL STATEMENTS (AND
SUPPLEMENTARY INFORMATION)**

December 31, 2021



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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

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We have reviewed the accompanying financial statements of Oceanside Residential 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. 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 2020 financial statements and in our report dated June 18, 2021, stated that based on our review, we were not aware of any material modifications that should be made to the 2020 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, 2020, for it to be consistent with the reviewed financial statements from which it was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements.

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 and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

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

February 18, 2022

Oceanside Residential Condominium Association, Inc.
Balance Sheet

<i>December 31,</i>	2021			2020	
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)	
Assets					
Cash	\$ 107,390	\$ 82,217	\$ 189,607	\$	212,068
Accounts receivable	5,183	-	5,183	\$	1,548
Prepaid expenses	64,970	-	64,970	\$	60,119
Deposits	1,690	-	1,690	\$	1,690
Interfund balance	7,144	(7,144)	-	\$	-
Total assets	\$ 186,377	\$ 75,073	\$ 261,450	\$	275,425
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 11,367	\$ -	\$ 11,367	\$	4,847
Insurance finance agreement	35,937	-	35,937	\$	-
Prepaid assessments	18,463	-	18,463	\$	14,127
Note payable	-	-	-	\$	76,000
Performance obligation	-	75,073	75,073	\$	71,046
Total liabilities	65,767	75,073	140,840	\$	166,020
Fund balance	120,610	-	120,610	\$	109,405
Total liabilities and fund balance	\$ 186,377	\$ 75,073	\$ 261,450	\$	275,425

See accompanying notes and independent accountants' review report.

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

<i>For the year ended December 31,</i>	2021			2020
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Revenue				
Regular assessments	\$ 276,800	\$ 35,973	\$ 312,773	\$ 272,711
Settlement income	-	-	-	36,000
Interest and late fees	783	-	783	746
Total revenue	277,583	35,973	313,556	309,457
Expenses				
Administrative	6,079	-	6,079	3,306
Contract services	70,941	-	70,941	50,218
Insurance	108,588	-	108,588	74,861
Maintenance and repairs	7,968	35,973	43,941	50,521
Professional fees	35,240	-	35,240	37,189
Utilities	37,562	-	37,562	34,005
Total expenses	266,378	35,973	302,351	250,100
Excess revenue over expenses	11,205	-	11,205	59,357
Beginning fund balance	109,405	-	109,405	50,048
Ending fund balance	\$ 120,610	\$ -	\$ 120,610	\$ 109,405

See accompanying notes and independent accountants' review report.

Oceanside Residential Condominium Association, Inc.
Statement of Cash Flows

<i>For the year ended December 31,</i>	2021		2020	
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Operating activities				
Excess of revenue over expenses	\$ 11,205	\$ -	\$ 11,205	\$ 59,357
Changes in operating assets and liabilities:				
Accounts receivable	(3,635)	-	(3,635)	101
Prepaid expenses	(4,851)	-	(4,851)	(25,587)
Accounts payable	6,520	-	6,520	(7,062)
Insurance finance agreement	35,937	-	35,937	(34,481)
Prepaid assessments	4,336	-	4,336	(5,243)
Performance obligation	-	4,027	4,027	(10,031)
Interfund balance	(5,956)	5,956	-	-
Net cash provided by operating activities	43,556	9,983	53,539	(22,946)
Financing activities				
Proceeds on notes payable	(76,000)	-	(76,000)	76,000
Net cash provided (used) by financing activities	(76,000)	-	(76,000)	76,000
Net change in cash	(32,444)	9,983	(22,461)	53,054
Cash at beginning of year	139,834	72,234	212,068	159,014
Cash at end of year	\$ 107,390	\$ 82,217	\$ 189,607	\$ 212,068

See accompanying notes and independent accountants' review report.

Oceanside Residential Condominium Association, Inc. Notes to Financial Statements

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, 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.

Oceanside Residential Condominium Association, Inc. Notes to Financial Statements

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, 2021, 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.

Oceanside Residential Condominium Association, Inc. Notes to Financial Statements

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, 2021. 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, February 18, 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.

Oceanside Residential Condominium Association, Inc.
Notes to 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 2021 was \$1,200 per unit per month. Budgeted assessment fees for the year ended December 31, 2021 totaled \$316,800, of which \$40,000 was allocated to the replacement fund. 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:

<i>For the year ended December 31,</i>	2021		
	Operating Fund	Replacement Fund	Total
Budgeted regular assessments	\$ 276,800	\$ 40,000	\$ 316,800
Amounts released from performance obligation	-	(4,027)	(4,027)
Total assessments	\$ 276,800	\$ 35,973	\$ 312,773

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, 2021, the Association has reported a performance obligation liability totaling \$75,073, 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 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

Oceanside Residential Condominium Association, Inc.
Notes to Financial Statements

NOTE 4: REVENUE RECOGNITION (Continued)

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:

<i>For the year ended December 31,</i>	2021
<i>Recognized over time</i>	
Operating fund assessments	\$ 276,800
<i>Recognized at a point in time</i>	
Replacement fund assessments	35,973
<i>Not subject to ASC Topic 606</i>	
Interest and late fees	783
Total revenue	\$ 313,556

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

<i>For the year ended December 31,</i>	2021
Accounts receivable - beginning balance	\$ 1,548
Accounts receivable - ending balance	5,183
Contract assets - no beginning or ending balance for the year	
Contract liabilities:	
Prepaid assessments - beginning balance	14,127
Prepaid assessments - ending balance	18,463
Performance obligation liabilities - beginning balance	71,046
Performance obligation liabilities - ending balance	75,073

Oceanside Residential Condominium Association, Inc.

Notes to Financial Statements

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 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 estimated replacements costs, remaining lives, and funding requirements for the reserve components in 2021 based on an independent study conducted in 2015.

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 \$40,000 based on a full funding plan, was included in the 2021 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 2021 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 taxed 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, 2021, the Association had no net nonexempt income. Thus, the Association had no federal income tax for the year ended December 31, 2021. 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

Oceanside Residential Condominium Association, Inc.
Notes to Financial Statements

NOTE 6: INCOME TAXES (Continued)

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: 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 8: LINE OF CREDIT

The Association has secured a line of credit with a financial institution with a maximum borrowing potential of \$100,000 and a variable interest rate based on the bank's prime lending rate. The line will expire July 15, 2022. As of December 31, 2021, the Association had no outstanding balance on the line of credit.

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 \$7,187, bears interest at 5.5% and matures in May 2022. As of December 31, 2021, the outstanding balance of this insurance finance agreement is \$35,937.

NOTE 10: WINDSTORM DEDUCTIBLE

The insurance policy for windstorm coverage renewed August 13, 2021. The deductible amount for named hurricane storms is approximately \$437,714, which represents 5% of the insured value of the residential building.

Supplementary Information

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

<i>For the year ended December 31,</i>		2021		
Component	Beginning Balance	Additions	Subtractions	Ending Balance
Elevator			\$ 3,800	
Painting			20,000	
Pool			1,617	
Miscellaneous			10,556	
Total	\$ 71,046	\$ 40,000	\$ 35,973	\$ 75,073

<i>December 31,</i>		2021	
Performance obligation liability		\$	75,073
Replacement fund balance			-
Total		\$	75,073

See independent accountants' review report.

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

For the year ended December 31,

2021

	Actual	Budget	Variance - Favorable (Unfavorable)
Revenue			
Regular assessments	\$ 276,800	\$ 276,800	\$ -
Interest and late fees	783	780	3
Total revenue	277,583	277,580	3
Expenses			
Administrative	6,079	3,075	(3,004)
Bad debt/contingency	-	38,226	38,226
Contract services	70,941	65,100	(5,841)
Insurance	108,588	110,929	2,341
Maintenance and repairs	7,968	8,100	132
Professional fees	35,240	37,856	2,616
Utilities	37,562	38,880	1,318
Total expenses	266,378	302,166	35,788
Excess (deficit) of revenue over expenses	\$ 11,205	\$ (24,586)	\$ 35,791

See independent accountants' review report.

**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 Replacement Cost	Accumulated Funds at 12/31/21
Infrastructure	14-16	\$ 45,000	
Painting	1	80,000	
Paving	26	100,000	
Pool and equipment	1-17	55,000	
Roof	16	250,000	
Total		\$ 530,000	\$ 75,073

See independent accountants’ review report.