



Railway Condominium Association, Inc.

FINANCIAL STATEMENTS

December 31, 2022

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements of Railway 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 Railway 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 have previously reviewed the Railway Condominium Association, Inc.'s 2021 financial statements, and in our conclusion dated February 10, 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 comparative 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. The supplementary information included in schedule of changes in accumulated funds for future major repairs and replacements, schedule of operating fund revenue and expenses – budget and actual, and supplementary information on future major repairs and replacements are presented for purposes of additional analysis and are 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 27, 2023

Railway Condominium Association, Inc.
Balance Sheet

<i>December 31,</i>	2022			2021
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Assets				
Cash	\$ 44,181	\$ 134,108	\$ 178,289	\$ 197,762
Certificates of deposit	33,523	23,904	57,427	56,328
Accounts receivable	7,355	-	7,355	2,591
Prepaid expenses	29,098	-	29,098	20,490
Deposits	3,468	-	3,468	3,468
Interfund balance	460	(460)	-	-
Total assets	\$ 118,085	\$ 157,552	\$ 275,637	\$ 280,639
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 7,294	\$ -	\$ 7,294	\$ 2,445
Performance obligation	-	157,552	157,552	152,100
Prepaid assessments	4,898	-	4,898	6,114
Total liabilities	12,192	157,552	169,744	160,659
Fund balance	105,893	-	105,893	119,980
Total liabilities and fund balance	\$ 118,085	\$ 157,552	\$ 275,637	\$ 280,639

See accompanying notes and independent accountants' review report.

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

<i>For the year ended December 31,</i>	2022			2021
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Revenue				
Regular assessments	\$ 143,568	\$ 10,580	\$ 154,148	\$ 149,592
Interest income	602	770	1,372	644
Miscellaneous income	901	-	901	632
Total revenue	145,071	11,350	156,421	150,868
Expenses				
Administrative	554	-	554	608
Contracted services	32,124	-	32,124	27,117
Insurance	59,103	-	59,103	52,551
Maintenance and repairs	21,605	11,350	32,955	19,736
Professional fees	37,992	-	37,992	36,567
Utilities	7,780	-	7,780	6,612
Total expenses	159,158	11,350	170,508	143,191
Excess (deficit) of revenue over expenses	(14,087)	-	(14,087)	7,677
Beginning fund balance	119,980	-	119,980	112,303
Ending fund balance	\$ 105,893	\$ -	\$ 105,893	\$ 119,980

See accompanying notes and independent accountants' review report.

Railway Condominium Association, Inc.
Statement of Cash Flows

<i>For the year ended December 31,</i>	2022			2021
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Operating activities				
Excess (deficit) of revenue over expenses	\$ (14,087)	\$ -	\$ (14,087)	\$ 7,677
Changes in operating assets and liabilities:				
Accounts receivable	(4,764)	-	(4,764)	(1,396)
Prepaid expenses	(8,608)	-	(8,608)	(679)
Accounts payable	4,849	-	4,849	(67)
Performance obligation	-	5,452	5,452	10,008
Prepaid assessments	(1,216)	-	(1,216)	129
Net cash provided (used) by operating activities	(23,826)	5,452	(18,374)	15,672
Investing activities				
Purchase of certificates of deposit	(568)	(531)	(1,099)	(519)
Net cash used in investing activities	(568)	(531)	(1,099)	(519)
Net increase (decrease) in cash	(24,394)	4,921	(19,473)	15,153
Cash at beginning of year	68,575	129,187	197,762	182,609
Cash at end of year	\$ 44,181	\$ 134,108	\$ 178,289	\$ 197,762

See accompanying notes and independent accountants' review report.

Railway Condominium Association, Inc.

Notes to Financial Statements

NOTE 1: DESCRIPTION OF THE ORGANIZATION

Railway Condominium Association, Inc., a Florida not-for-profit corporation, was formed on November 30, 2007. Membership in the Association consists of the 38 residential unit owners of the condominium. The development is located on approximately .38 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 recreational areas, green areas, parking garage, etc. 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.

The Association is regulated by the "Key West Work Force Housing Code" city code section 122-1465 etc., seq. of the City of Key West Code and subject to a 99 year land lease (at \$1 per year) to Old Town Key West Development, LLC.

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.

Railway Condominium Association, Inc.

Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 allocated to the pooled components.

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.

Railway Condominium Association, Inc.
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 27, 2023 and determined there were no events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Railway 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 2022 was \$350 per unit per month. Budgeted assessments for the year ended December 31, 2022 totaled \$159,600, of which \$16,032 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>	2022		
	Operating Fund	Replacement Fund	Total
Budgeted regular assessments	\$ 143,568	16,032	\$ 159,600
Less additions to performance obligation	-	(5,452)	(5,452)
Total assessments	\$ 143,568	\$ 10,580	\$ 154,148

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 \$157,552, 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

Railway 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>	2022
<i>Recognized over time</i>	
Operating fund assessments	\$ 143,568
Other revenue	901
<i>Recognized at a point in time</i>	
Replacement fund assessments	10,580
<i>Not subject to ASC Topic 606</i>	
Interest income	1,372
Total revenue	\$ 156,421

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

<i>For the year ended December 31,</i>	2022
Accounts receivable - beginning balance	\$ 2,591
Accounts receivable - ending balance	7,355
Contract assets - no beginning or ending balance for the year	
Contract liabilities:	
Prepaid assessments - beginning balance	6,114
Prepaid assessments - ending balance	4,898
Performance obligation liabilities - beginning balance	152,100
Performance obligation liabilities - ending balance	157,552

Railway 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 straight-line (i.e. component) method of funding the replacement fund components.

The Association conducted a study conducted in 2015 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 budget 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 the estimated replacement 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 \$16,032, 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 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, 2022, the Association had no net nonexempt income. Therefore, no provision for federal income has been recorded 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

Railway Condominium Association, Inc.
Notes to Financial Statements

NOTE 6: INCOME TAXES (Continued)

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 8: WINDSTORM DEDUCTIBLE

The insurance policies for windstorm coverage renewed April 2022 and September 2022. The deductible amount for named hurricane storms is estimated at \$204,100 which represents 3% of the insured value of the residential building. In addition, the Association's windstorm policies are 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.

NOTE 9: CERTIFICATES OF DEPOSIT

At December 31, 2022, the Association had \$33,523 of operating fund monies and \$23,904 of replacement fund monies in certificates of deposit at various financial institutions. The carrying value of these certificates of deposit is at cost plus accrued interest, which approximates fair value. These certificates bear interest at 2.75% and mature October 2023.

Supplementary Information

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

For the year ended December 31,

2022

Component	Beginning Balance	Additions	Subtractions	Ending Balance
Roof			\$ 11,350	
Total pooled	\$ 152,100	\$ 16,802	\$ 11,350	\$ 157,552

December 31,

2022

Performance obligation liability	\$ 157,552
Replacement fund balance	-
Total	\$ 157,552

See independent accountants' review report.

Railway 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	\$ 143,568	\$ 143,568	\$ -
Interest income	602	120	482
Miscellaneous income	901	68,657	(67,756)
Total revenue	145,071	212,345	(67,274)
Expenses			
Administrative	554	900	346
Bad debt and operating reserve	-	48,096	48,096
Contingency	-	20,164	20,164
Contracted services	32,124	33,000	876
Insurance	59,103	54,291	(4,812)
Maintenance and repairs	21,605	10,200	(11,405)
Professional fees	37,992	38,494	502
Utilities	7,780	7,200	(580)
Total expenses	159,158	212,345	53,187
Deficit of revenue over expenses	\$ (14,087)	\$ -	\$ (14,087)

See independent accountants' review report.

Railway 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:

Component	Estimated Remaining Life (Years)	Estimated Replacement Cost	Accumulated Funds at 12/31/22
Mechanical and electric	4 -16	\$ 40,210	
Painting	2	57,000	
Roads	6	19,025	
Roof	11	59,395	
Site improvements	11	14,822	
Total		\$ 190,452	\$ 157,552

See independent accountants' review report.