



Shipyards Condominium Association, Inc.

**FINANCIAL STATEMENTS
(AND SUPPLEMENTARY INFORMATION)**

December 31, 2022



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Carr, Riggs & Ingram, LLC
Certified Public Accountants
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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

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We have reviewed the accompanying financial statements of Shipyards 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 Shipyards Condominium Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

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 audited Shipyards Condominium Association, Inc.'s 2021 financial statements, in our report dated February 25, 2022 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited 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.

The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We have not audited or reviewed such information and 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 17, 2023

Shipyard Condominium Association, Inc.
Balance Sheet

<i>December 31,</i>	2022			2021
	(Reviewed)			(Audited)
	Operating	Replacement	Total	Total (For
	Fund	Fund		Comparative
				Purposes)
Assets				
Cash	\$ 934,238	\$ 1,669,591	\$ 2,603,829	\$ 1,827,094
Certificates of deposit	49,489	92,436	141,925	274,971
Accounts receivable	18,718	-	18,718	3,176
Prepaid expenses	300,062	-	300,062	300,062
Utility deposits	1,767	-	1,767	1,767
Interfund balance	7,814	(7,814)	-	-
Total assets	\$ 1,312,088	\$ 1,754,213	\$ 3,066,301	\$ 2,407,070
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 78,444	\$ -	\$ 78,444	\$ 3,880
Prepaid assessments	80,924	-	80,924	97,438
Performance obligation	-	1,754,213	1,754,213	1,541,308
Total liabilities	159,368	1,754,213	1,913,581	1,642,626
Fund balance	1,152,720	-	1,152,720	764,444
Total liabilities and fund balance	\$ 1,312,088	\$ 1,754,213	\$ 3,066,301	\$ 2,407,070

See accompanying notes and independent accountants' review report.

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

<i>For the years ended December 31,</i>	2022			2021
	(Reviewed)			(Audited)
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Revenue				
Regular assessments	\$ 1,704,340	\$ 147,095	\$ 1,851,435	\$ 1,451,248
Interest income	4,469	19,136	23,605	727
Miscellaneous income	8,475	-	8,475	9,175
Total revenue	1,717,284	166,231	1,883,515	1,461,150
Expenses				
Administrative	474,150	-	474,150	433,248
Insurance	686,631	-	686,631	614,030
Maintenance and repairs	128,403	166,231	294,634	181,634
Utilities	39,824	-	39,824	137,777
Total expenses	1,329,008	166,231	1,495,239	1,366,689
Excess of revenue over expenses	388,276	-	388,276	94,461
Beginning fund balance	764,444	-	764,444	669,983
Ending fund balance	\$ 1,152,720	\$ -	\$ 1,152,720	\$ 764,444

See accompanying notes and independent accountants' review report.

Shipyard Condominium Association, Inc.
Statement of Cash Flows

<i>For the years ended December 31,</i>	2022			2021
	(Reviewed)			(Audited)
	Operating	Replacement	Total	Total (For
	Fund	Fund		Comparative
				Purposes)
Operating activities				
Excess of revenue over expenses	\$ 388,276	\$ -	\$ 388,276	\$ 94,461
Changes in operating assets and liabilities:				
Accounts receivable	(15,542)	-	(15,542)	84
Prepaid expenses	-	-	-	(42,222)
Accounts payable	74,564	-	74,564	(23,512)
Performance obligation	-	212,905	212,905	272,612
Prepaid assessments	(16,514)	-	(16,514)	36,376
Interfund balance	(90,045)	90,045	-	-
Net cash provided by operating activities	340,739	302,950	643,689	337,799
Investing activities				
Maturity of certificates of deposit	86,149	46,897	133,046	-
Sale of certificates of deposit	-	-	-	240,000
Net cash provided by investing activities	86,149	46,897	133,046	240,000
Net change in cash	426,888	349,847	776,735	577,799
Cash at beginning of year	507,350	1,319,744	1,827,094	1,249,295
Cash at end of year	\$ 934,238	\$ 1,669,591	\$ 2,603,829	\$ 1,827,094

See accompanying notes and independent accountants' review report.

Shipyards Condominium Association, Inc.

Notes to Financial Statements

NOTE 1: DESCRIPTION OF THE ORGANIZATION

Shipyards Condominium Association, Inc. ("Association"), a Florida not-for-profit corporation, was formed on August 13, 1990. Membership in the Association consists of the 183 residential unit owners of this Florida condominium. The condominium is located on approximately six 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 buildings, roads and parking areas, pools, landscaping, fencing, recreational areas and facilities. 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 Presentation

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 (ASU). 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.

Shipyard Condominium Association, Inc.
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds

The Association is a not-for-profit organization that 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 Statutes. 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 used to account for assessments made for the 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 and Cash Equivalents

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

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are reported at the outstanding balance due from members and others, net of any allowance for doubtful accounts. The Association provides for doubtful accounts based on experience and analysis of individual accounts. When specific accounts are determined to be uncollectible, 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

Expenses paid in advance of the period they benefit are reported as prepaid expenses on the balance sheet. Prepaid expenses are charged to expenses during the periods they benefit.

Shipyards 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 has not been capitalized is described 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.

Financial Instruments

Financial instruments such as money market funds and certificates of deposit are reported at cost, which approximates their fair value.

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. The definition of customers includes the Association's members.

In the current year, the Association received a reimbursement check from Hotwire for TV services.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, March 17, 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.

Shipyard Condominium Association, Inc.
Notes to Financial Statements

NOTE 3: OWNERS' ASSESSMENTS

Revenue and expenses are allocated to the unit owners equally. The rates for 2022 were \$875 per month for seven months and \$1,030 per month for five months. Budgeted assessment fees for the year ended December 31, 2022 totaled \$2,064,340 of which \$360,000 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>	2022		
	Operating Fund	Replacement Fund	Total
Budgeted regular assessments	\$ 1,704,340	\$ 360,000	\$ 2,064,340
Less additions to performance obligation	-	(212,905)	(212,905)
Total assessments	\$ 1,704,340	\$ 147,095	\$ 1,851,435

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.

In the current year, the Associations received a reimbursement check from Hotwire for TV services previously provided.

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 \$1,754,213, 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.

Shipyards Condominium Association, Inc.
Notes to Financial Statements

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 assessments, 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 the related project 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 revenue and cash flows. The following table 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	\$ 1,704,340
Miscellaneous income	8,475
<i>Recognized at a point in time</i>	
Replacement fund assessments	147,095
<i>Not subject to ASC Topic 606</i>	
Interest income	23,605
Total revenue	\$ 1,883,515

Shipyard Condominium Association, Inc.
Notes to Financial Statements

NOTE 4: REVENUE RECOGNITION (Continued)

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	\$ 3,176
Accounts receivable - ending balance	18,718
Contract assets - no beginning or ending balance for the year	
Contract liabilities	
Prepaid assessments - beginning balance	97,438
Prepaid assessments - ending balance	80,924
Performance obligation liabilities - beginning balance	1,541,308
Performance obligation liabilities - ending balance	1,754,213

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 a program to accumulate funds for estimated future major repairs and replacements through regular assessments. The Association is using 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 the estimated replacement costs, remaining lives, and funding requirements for the reserve components in 2022 based on a professional study performed in 2018.

The Association is funding for future major repairs and replacements over the estimated useful lives of the components based on the study's estimates of replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding amount of \$360,000, based on a full funding plan, was included in the 2022 budget.

Shipyard Condominium Association, Inc.
Notes to Financial Statements

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 2022 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, 2022, the Association had no net non-membership income. Thus, the Association had no federal or state income taxes for the year ended December 31, 2022. The Association has a total net operating loss carryforward totaling \$7,929, which can be carried forward to offset a portion of future net non-membership income annually.

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 condominium 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.

Shipyard Condominium Association, Inc.
Notes to Financial Statements

NOTE 7: CREDIT RISK (Continued)

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. The Association has cash deposits with financial institutions at December 31, 2022, in excess of federally insured limits.

NOTE 8: CERTIFICATES OF DEPOSIT

At December 31, 2022, the Association had \$49,489 of operating fund monies and \$92,436 of replacement fund monies in certificates of deposit at a local financial institution. The carrying value of these certificates of deposit is cost plus accrued interest, which approximates fair value. These certificates mature at various times in 2023.

NOTE 9: WINDSTORM DEDUCTIBLE

The insurance policy for windstorm coverage renewed June 2022. The deductible amount for named hurricane storms is estimated at \$900,000, which represents 5% of the insured value of the residential building.

NOTE 10: UNUSED LINE OF CREDIT

The Association has secured a line of credit with a financial institution with a maximum borrowing potential of \$150,000 and a variable interest rate of approximately 1.75% plus prime; which was approximately 9.25% at December 31, 2022. The line will expire on August 31, 2024, requires monthly payments of interest, and is secured by assessment fees. There was no outstanding balance on the line of credit at December 31, 2022.

NOTE 11: SHARED USE AGREEMENT FOR SECURITY PERSONNEL EXPENSE REIMBURSEMENT

The Association currently shares a portion of the security personnel expense with the Truman Annex Master Property Owners' Association, Inc. through a shared use agreement. The Association reimbursed the Truman Annex Master Property Owners' Association, Inc. \$147,548 for their share of security personnel expenses for the year ended December 31, 2022. The security personnel expense is included in the administrative expenses in the accompanying statement of revenue, expenses and changes in fund balance for the year ended December 31, 2022. As of December 31, 2022, the shared use agreement with Truman Annex Master Property Owners' Association, Inc. was effectively cancelled.

Shipyard Condominium Association, Inc.
Notes to Financial Statements

NOTE 12: INTERFUND BALANCES

Florida Statutes section 718.112(2)(f)3 states that reserves accumulated for capital expenditures and deferred maintenance “shall be used only for authorized reserve expenditures unless their use for other purposes is approved in advance by a majority vote of the members at a duly called meeting of the association.” As of December 31, 2022, the replacement fund owes \$7,814 to the operating fund due to the use of operating funds to pay for the reserve expenses of the Association. The use of the operating funds in this manner has not been approved by the members of the Association. The Association intends to repay this interfund loan in the first quarter of 2023.

Supplementary Information

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

<i>For the year ended December 31,</i>		2022		
Component	Beginning Balance	Additions	Subtractions	Ending Balance
Pooled items:				
Painting			\$ (4,625)	
Painting - Surface Repairs			(65,339)	
Roof			(4,400)	
Infrastructure - Insurance			(26,000)	
Pool			(18,062)	
Miscellaneous			(28,669)	
Total pooled items	\$ 1,541,308	\$ 360,000	(147,095)	\$ 1,754,213
Non-pooled items:				
Interest	-	19,136	(19,136)	-
Total	\$ 1,541,308	\$ 379,136	\$ (166,231)	\$ 1,754,213

<i>December 31,</i>		2022	
Performance obligation liability		\$	1,754,213
Replacement fund balance			-
Total		\$	1,754,213

See independent accountants' review report.

Shipyard 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	\$ 1,704,340	\$ 1,561,500	\$ 142,840
Interest income	4,469	300	4,169
Miscellaneous income	8,475	59,509	(51,034)
Total revenue	1,717,284	1,621,309	95,975
Expenses			
Administrative	474,150	567,793	93,643
Insurance	686,631	717,414	30,783
Maintenance and repairs	128,403	85,100	(43,303)
Utilities	39,824	138,593	98,769
Total expenses	1,329,008	1,508,900	179,892
Excess of revenue over expenses	\$ 388,276	\$ 112,409	\$ 275,867

Note: Association levied an additional regular assessment fee in July 2022 to fund insurance expense increases which is the reason the Association has \$142,840 variance for regular assessment fees.

See independent accountants' review report.

Shipyards 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 Useful Life (Years)	Estimated Replacement Cost	Accumulated Funds at 12/31/2022
Pooled items:			
Infrastructure	0-50	\$ 878,003	
Painting	1	321,464	
Paving	1-33	162,388	
Pool	0-45	75,246	
Roof	2-25	1,963,760	
Total pooled items			\$ 1,754,213
Non-pooled items:			
Interest	N/A	N/A	-
Total		\$ 3,400,861	\$ 1,754,213

See independent accountants' review report.