



**Railway Condominium Association, Inc.**

**FINANCIAL STATEMENTS**

**December 31, 2021**

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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, 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 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 2020 financial statements, and in our conclusion dated April 5, 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 comparative 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 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 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 10, 2022

**Railway Condominium Association, Inc.**  
**Balance Sheet**

<i>December 31,</i>	<b>2021</b>			<b>2020</b>	
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>	<b>Total (For Comparative Purposes)</b>	
<b>Assets</b>					
Cash	\$ 68,575	\$ 129,187	\$ 197,762	\$	182,609
Certificates of deposit	32,955	23,373	56,328	\$	55,809
Accounts receivable	2,591	-	2,591	\$	1,195
Prepaid expenses	20,490	-	20,490	\$	19,811
Deposits	3,468	-	3,468	\$	3,468
Interfund balance	460	(460)	-	\$	-
<b>Total assets</b>	<b>\$ 128,539</b>	<b>\$ 152,100</b>	<b>\$ 280,639</b>	<b>\$</b>	<b>262,892</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts payable	\$ 2,445	\$ -	\$ 2,445	\$	2,512
Performance obligation	-	152,100	152,100	\$	142,092
Prepaid assessments	6,114	-	6,114	\$	5,985
<b>Total liabilities</b>	<b>8,559</b>	<b>152,100</b>	<b>160,659</b>	<b>\$</b>	<b>150,589</b>
<b>Fund balance</b>	<b>119,980</b>	<b>-</b>	<b>119,980</b>	<b>\$</b>	<b>112,303</b>
<b>Total liabilities and fund balance</b>	<b>\$ 128,539</b>	<b>\$ 152,100</b>	<b>\$ 280,639</b>	<b>\$</b>	<b>262,892</b>

*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>	<b>2021</b>			<b>2020</b>	
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>	<b>Total (For Comparative Purposes)</b>	
<b>Revenue</b>					
Regular assessments	\$ 148,008	\$ 1,584	\$ 149,592	\$	130,242
Interest income	28	616	644		2,153
Miscellaneous income	632	-	632		799
<b>Total revenue</b>	<b>148,668</b>	<b>2,200</b>	<b>150,868</b>		<b>133,194</b>
<b>Expenses</b>					
Administrative	608	-	608		1,056
Contracted services	27,117	-	27,117		36,668
Insurance	52,551	-	52,551		50,416
Maintenance and repairs	17,536	2,200	19,736		10,294
Professional fees	36,567	-	36,567		35,123
Utilities	6,612	-	6,612		5,712
<b>Total expenses</b>	<b>140,991</b>	<b>2,200</b>	<b>143,191</b>		<b>139,269</b>
Excess (deficit) of revenue over expenses	7,677	-	7,677		(6,075)
Beginning fund balance	112,303	-	112,303		118,378
Ending fund balance	\$ 119,980	\$ -	\$ 119,980	\$	112,303

*See accompanying notes and independent accountants' review report.*

**Railway Condominium Association, Inc.**  
**Statement of Cash Flows**

<i>For the year ended December 31,</i>	<b>2021</b>			<b>2020</b>	
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>	<b>Total (For Comparative Purposes)</b>	
<b>Operating activities</b>					
Excess (deficit) of revenue over expenses	\$ 7,677	\$ -	\$ 7,677	\$	(6,075)
Changes in operating assets and liabilities:					
Accounts receivable	(1,396)	-	(1,396)		1,005
Prepaid expenses	(679)	-	(679)		(1,180)
Accounts payable	(67)	-	(67)		1,474
Performance obligation	-	10,008	10,008		11,118
Prepaid assessments	129	-	129		(4,851)
Interfund balance	(460)	460	-		-
Net cash provided by operating activities	5,204	10,468	15,672		1,491
<b>Investing activities</b>					
Purchase of certificates of deposit	-	(519)	(519)		(1,924)
Net cash used in investing activities	-	(519)	(519)		(1,924)
Net increase (decrease) in cash	5,204	9,949	15,153		(433)
Cash at beginning of year	63,371	119,238	182,609		183,042
Cash at end of year	\$ 68,575	\$ 129,187	\$ 197,762	\$	182,609

*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, 2020, 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, 2021, 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, 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 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 10, 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.

**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 2021 was \$350 per unit per month. Budgeted assessments for the year ended December 31, 2021 totaled \$159,600, of which \$11,592 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>	<b>2021</b>		
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
Budgeted regular assessments	\$ 148,008	\$ 11,592	\$ 159,600
Amounts released from performance obligation	-	1,584	1,584
Less additions to performance obligation	-	(11,592)	(11,592)
<b>Total assessments</b>	<b>\$ 148,008</b>	<b>\$ 1,584</b>	<b>\$ 149,592</b>

**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 \$152,100, 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.

**Railway 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 fund amounts, revenue is recognized as time elapses and the Association performs routine maintenance, protection and management of the common area property. For replacement fund amounts, the Association recognizes revenue at the point in time when reserve expenses are incurred.

***Disaggregated Revenue***

The Association derives its revenue from various activities and sources having different qualitative factors that may affect the amount, timing, or uncertainty of revenues and cash flows. The following chart contains disaggregated revenue information that reflects these qualitative factors:

<i>For the year ended December 31,</i>	<b>2021</b>
<b><i>Recognized over time</i></b>	
Operating fund assessments	\$ 148,008
Other revenue	632
<b><i>Recognized at a point in time</i></b>	
Replacement fund assessments	1,584
<b><i>Not subject to ASC Topic 606</i></b>	
Interest income	644
Total revenue	\$ 150,868

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

<i>For the year ended December 31,</i>	<b>2021</b>
Accounts receivable - beginning balance	\$ 1,195
Accounts receivable - ending balance	2,591
Contract assets - no beginning or ending balance for the year	
Contract liabilities:	
Prepaid assessments - beginning balance	5,985
Prepaid assessments - ending balance	6,114
Performance obligation liabilities - beginning balance	142,092
Performance obligation liabilities - ending balance	152,100

## **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 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 based on an independent study prepared in 2015 and updated by the Board 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 \$11,592, 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. Therefore, no provision for federal income has been recorded 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 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

**Railway Condominium Association, Inc.**  
**Notes to Financial Statements**

**NOTE 6: INCOME TAXES (Continued)**

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: WINDSTORM DEDUCTIBLE**

The insurance policies for windstorm coverage renewed July 2021 and April 2021. The deductible amount for named hurricane storms is estimated at \$177,300, 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 Weston Insurance Company (Weston) and Citizens Property Insurance Corporation (Citizens). In the event Weston and/or 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, 2021, the Association had \$32,955 of operating fund monies and \$23,373 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 2.25% and mature July 2022.

## **Supplementary Information**

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

*For the year ended December 31,*

**2021**

<b>Component</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Subtractions</b>	<b>Ending Balance</b>
Painting			\$ 2,200	
Total pooled	\$ 142,092	\$ 12,208	\$ 2,200	\$ 152,100

*December 31,*

**2021**

Performance obligation liability	\$ 152,100
Replacement fund balance	-
Total	\$ 152,100

*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,*

**2021**

	<b>Actual</b>	<b>Budget</b>	<b>Variance - Favorable (Unfavorable)</b>
<b>Revenue</b>			
Regular assessments	\$ 148,008	\$ 148,008	\$ -
Interest income	28	120	(92)
Miscellaneous income	632	42,474	(41,842)
<b>Total revenue</b>	<b>148,668</b>	<b>190,602</b>	<b>(41,934)</b>
<b>Expenses</b>			
Administrative	608	900	292
Bad debt and operating reserve	-	48,060	48,060
Contingency	-	37	37
Contracted services	27,117	33,000	5,883
Insurance	52,551	54,287	1,736
Maintenance and repairs	17,536	10,200	(7,336)
Professional fees	36,567	36,918	351
Utilities	6,612	7,200	588
<b>Total expenses</b>	<b>140,991</b>	<b>190,602</b>	<b>49,611</b>
<b>Excess of revenue over expenses</b>	<b>\$ 7,677</b>	<b>\$ -</b>	<b>\$ 7,677</b>

*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:

<b>Component</b>	<b>Estimated Remaining Life (Years)</b>	<b>Estimated Replacement Cost</b>	<b>Accumulated Funds at 12/31/21</b>
Mechanical and electric	5 -17	\$ 40,210	
Painting	3	57,000	
Roads	7	19,025	
Roof	12	59,395	
Site improvements	12	14,822	
<b>Total</b>		<b>\$ 190,452</b>	<b>\$ 152,100</b>

*See independent accountants’ review report.*