

CABANA CLUB CONDOMINIUM ASSOCIATION, INC.

**FINANCIAL STATEMENTS,
INDEPENDENT ACCOUNTANT'S REVIEW
REPORT AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2020



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Cabana Club Condominium Association, Inc.

We have reviewed the accompanying financial statements of Cabana Club Condominium Association, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses, and changes in fund balances 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.

Accountant's 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.

Accountant's 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.

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 required part of the basic financial statements, is required by the Financial Accounting Standards Board, who 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 not audited, reviewed, or compiled the required supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

A handwritten signature in blue ink that reads "Affinity CPA P.A." in a cursive, stylized font.

Tampa, Florida
March 22, 2021

CABANA CLUB CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2020

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and cash equivalents	\$ 357,009	\$ -	\$ 357,009
Certificate of deposit	-	403,274	403,274
Accounts receivable	20,718	-	20,718
Prepaid expenses	71,626	-	71,626
Equipment	90,524	-	90,524
Other assets	4,583	-	4,583
Total assets	\$ 544,460	\$ 403,274	\$ 947,734
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 12,064	\$ -	\$ 12,064
Prepaid assessments	4,720	-	4,720
Total liabilities	16,784	-	16,784
FUND BALANCES			
	527,676	403,274	930,950
Total liabilities and fund balances	\$ 544,460	\$ 403,274	\$ 947,734

See accompanying independent accountant's review report and notes to the financial statements.

**CABANA CLUB CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Operating Fund	Replacement Fund	Total
REVENUES			
Member assessments	\$ 643,001	\$ -	\$ 643,001
Interest	4,858	6,657	11,515
Other	2,974	-	2,974
Total revenues	<u>650,833</u>	<u>6,657</u>	<u>657,490</u>
 EXPENSES			
Repairs & maintenance	514,599	-	514,599
Utilities	169,260	-	169,260
Insurance	123,104	-	123,104
Landscaping	31,918	-	31,918
Professional	25,145	-	25,145
General & administrative	4,903	-	4,903
Total expenses	<u>868,929</u>	<u>-</u>	<u>868,929</u>
 EXCESS (DEFICIT) OF REVENUES OVER EXPENSES			
	(218,096)	6,657	(211,439)
Fund Balances - beginning of year	779,549	362,840	1,142,389
Fund transfer	(33,777)	33,777	-
FUND BALANCES - END OF YEAR	<u>\$ 527,676</u>	<u>\$ 403,274</u>	<u>\$ 930,950</u>

See accompanying independent accountant's review report and notes to the financial statements.

**CABANA CLUB CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Operating Fund	Replacement Fund	Total
	<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess (Deficit) of revenues over expenses	\$ (218,096)	\$ 6,657	\$ (211,439)
Change in:			
Prepaid expenses	(23,281)	-	(23,281)
Accounts payable and accrued expenses	4,872	-	4,872
Income taxes payable	(1,189)	-	(1,189)
Prepaid assessments	4,720	-	4,720
	<u> </u>	<u> </u>	<u> </u>
Net cash from operating activities	(232,974)	6,657	(226,317)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of equipment	(90,524)	-	(90,524)
Investment in certificates of deposit, net	207,767	(40,434)	167,333
	<u> </u>	<u> </u>	<u> </u>
Net cash from investing activities	117,243	(40,434)	76,809
CASH FLOWS FROM FINANCING ACTIVITIES:			
Fund transfer	(33,777)	33,777	-
	<u> </u>	<u> </u>	<u> </u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(149,508)	-	(149,508)
Cash and cash equivalents - beginning of year	506,517	-	506,517
	<u> </u>	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 357,009	\$ -	\$ 357,009
	<u> </u>	<u> </u>	<u> </u>

See accompanying independent accountant's review report and notes to the financial statements.

CABANA CLUB CONDOMINIUM ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 NATURE OF ORGANIZATION

Cabana Club Condominium Association, Inc. (the "Association") was incorporated on September 17, 1982 as a corporation, not-for-profit, under the terms and provisions of Chapter 617, Florida Statutes. The Association which operates under Florida Statute 718 is responsible for operating and maintaining the common property within the two and one-half (2½) acre development, which consists of 90 residential condominium units located in Pinellas County, Florida.

Operation of the Association is administered by its duly elected Board of Directors (the "Board").

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The financial statements of the Association are prepared on the accrual basis of accounting, which recognizes revenue when earned, regardless of when received, and expenses when incurred, regardless of when paid.

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the financial statements have been prepared using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements of the Association.

Liquidity

Assets are presented in the accompanying Balance Sheet according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Association considers all investments with a maturity date of three months or less when purchased to be cash equivalents.

CABANA CLUB CONDOMINIUM ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Concentrations of Credit Risk

The Association's primary source of income is assessments paid by owners. Risk of loss is limited by the Association's ability to foreclose on property when assessments are not being paid.

Accounts are insured by the Federal Deposit Insurance Corporation, up to certain limits. The Association has not experienced any losses on such accounts, and believes it is not exposed to significant risk on bank deposit accounts.

Commonly Owned Assets

In conformity with industry practice, the Association's policy for recognizing common property on its Balance Sheet is to recognize common property to which it has title and the Board can dispose of for cash while retaining the proceeds for the Association or that is used to generate significant cash flows from members on the basis of usage or from nonmembers.

Each unit owner has an undivided interest in the real property and improvements which cannot be conveyed except together with the unit. The percentage of such undivided interest is stated in the condominium documents. Accordingly, this property is treated as being owned by the individual condominium unit owners and is not capitalized because its use and disposition by the Association's Board is restricted.

Personal Property and Equipment

The Association capitalizes common personal property owned and used by the Association in operating, preserving, maintaining, repairing, and replacing common property, or providing other services, when the cost of the property exceeds a predetermined threshold and its useful life exceeds one year.

Depreciation

The Association depreciates its equipment using the straight-line method over the estimated useful life of the assets. No depreciation expense recorded in 2020.

Owner Assessments

Association owners are subject to monthly assessments, as determined in the Association's annual budget, to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily, pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when the Association has incurred the expenses related to the fund's designated purpose.

CABANA CLUB CONDOMINIUM ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Assessments receivable at the Balance Sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are past due.

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control.

The annual budget and assessments of owners are determined by the Board. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

Interest Earned

The Board's policy is to allocate interest earned to the operating and replacement fund in proportion to the interest-bearing deposits of each fund.

Donated Services

The Board and its officers serve without compensation. The value of such services is not recorded in the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the "FASB") issued new guidance ASU No. 2014-09 that created Topic 606, "Revenue from Contracts with Customers" in the Accounting Standards Codification ("ASC"). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, "Real Estate – Common Interest Realty Associations ("CIRAs"), Revenue Recognition," and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods and services.

The Association early adopted the new guidance for the year ended December 31, 2019. It used the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to the beginning fund balance as of January 1, 2019.

CABANA CLUB CONDOMINIUM ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Subsequent events

Subsequent events have been evaluated through March 22, 2021, which is the date the financial statements were available to be issued.

NOTE 3 OWNERS' ASSESSMENTS

The average monthly assessments to owners was \$595 in 2020. All of these assessments were to be used to cover operating expenses of the Association.

NOTE 4 FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and Florida Statutes offer specific rules and requirements regarding the Association's accumulation funds for future major repairs and replacements unless the members determine by majority vote to fund no reserves or less than adequate reserves. The replacement fund is utilized to accumulate funds for capital expenditures and deferred maintenance by transferring excess operating funds to the replacement fund. The timing and amount of these transfers are determined by the Board. Deductions from the fund are recorded as costs as incurred to meet the objective for which the fund was established. Replacement funds are held in separate bank accounts and generally are not available for expenditures for normal operations.

In August 2020, received a professional reserve study that was conducted to estimate the remaining useful lives and replacement costs of the common property. The table, included in the Supplementary information on Future Major Repairs and Replacements, represents updated estimates based on that study.

Funds have not been accumulated in the replacement fund based on the recommendation from the reserve study. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, borrow (with certain restrictions), or delay major repairs and replacement until funds are available.

The following is a table of the current year's activity in the replacement fund:

	January 1, 2020	Additions	Charges	Transfers	December 31, 2020
Pooled reserves	\$ 362,840	\$ -	\$ -	\$ 40,434	\$ 403,274
Interest	-	6,657	-	(6,657)	-
	<u>\$ 362,840</u>	<u>\$ 6,657</u>	<u>\$ -</u>	<u>\$ 33,777</u>	<u>\$ 403,274</u>

CABANA CLUB CONDOMINIUM ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Association assessed the guidelines for measuring fair value. These guidelines provide a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. FASB ASC 820 establishes three levels of fair value hierarchy that are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

- Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in inactive markets. Inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data are also included. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Association's investments were as follows as of December 31, 2020:

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
Certificate of Deposit	\$ -	\$ 403,274	\$ -	\$ 403,274

NOTE 6 ACCOUNTS RECEIVABLE

As of December 31, 2020, the Association had approximately \$21,000 of accounts receivable recorded on its Balance Sheet. This amount relates to a secured claim the Association was awarded in a 2016 bankruptcy court decision for the assessment receivable balance from a previous owner. It is opinion of the Board that the entire amount will be collected.

NOTE 7 PREPAID ASSESSMENTS

Prepaid assessments totaling approximately \$5,000 at December 31, 2020 consist of 2021 owner assessments received by the Association prior to January 1, 2021.

CABANA CLUB CONDOMINIUM ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 EQUIPMENT

The following is a summary of equipment at cost:

<u>Asset Description</u>	<u>Useful Life (Years)</u>	<u>Cost</u>
Generator	7	<u>\$ 90,524</u>

NOTE 9 INCOME TAXES

The Association may be taxed either as a homeowner association or as a regular corporation. The Association has elected to file as a homeowner's association in accordance with Internal Revenue Code 528, using Form 1120-H. The Association's investment income and other nonexempt income are subject to tax. Management has evaluated the Association's tax position and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Income Tax Topic of the FASB ASC. With few exceptions, the Association is subject to income tax examinations by the U.S. federal or state tax authorities for three years after the tax returns are filed.

The Association recorded approximately \$2,000 of income tax expense in 2020. During 2020, the Association made estimated tax prepayments of approximately \$2,000, resulting in no tax liability at year-end.

NOTE 10 RELATED PARTY TRANSACTIONS

During the year ended December 31, 2020, the Association's Board had given the approval for one of its Board members to have the ability to pay, and be subsequently reimbursed, for various Association expenses, as deemed necessary in the normal course of operation. In 2020, such payments and subsequent reimbursements approximated \$7,000.

NOTE 11 COMMITMENTS

The Association has entered into several contractual agreements, generally cancelable upon 30 days written notice, with outside vendors and service providers to maintain the building and grounds and to help with the Association's administration.

CABANA CLUB CONDOMINIUM ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 12 CONTINGENCIES

In March 2020, the World Health Organization declared a novel strain of coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. These measures could negatively impact the Association’s operations, vendors, and owners’ ability to pay their assessments. The Association cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Association’s operations or cash flows.

The Association has obtained insurance coverage for the potential damages encountered from hurricanes; however, the Association must meet a 2% deductible of the insured value of the property. Therefore, the Association would be responsible for losses up to that amount and has the right to increase regular assessments, pass special assessments, borrow (with certain restrictions), or delay major repairs and replacements until funds become available.

The Association may be periodically involved in legal actions and claims that arise as a result of events that occur in the normal course of operations.

SUPPLEMENTARY INFORMATION

CABANA CLUB CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2020

In August 2020, the Association obtained a professional reserve study to estimate the remaining useful lives and the future replacement costs of components of the common property. Estimated current replacement costs were based on the estimated costs to repair or replace the common property components. The table below shows significant information about the components of common property based on the reserve study.

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs
Roofs	1-13	\$ 1,236,008
Miscellaneous building components	1-30	1,206,844
Mechanical and electrical	1-38	1,010,962
Elevators	7-10	608,178
Painting/waterproofing	1-10	413,375
Miscellaneous site improvements	1-23	209,190
Furniture, fixtures, and equipment	1-15	53,803
Paving	2-9	44,623
		<u>\$ 4,782,983</u>

See accompanying independent accountant's review report.