

GULF HARBOR MARINA CONDOMINIUM
ASSOCIATION, INC.
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2021

GULF HARBOR MARINA CONDOMINIUM ASSOCIATION, INC.
YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Gulf Harbor Marina Condominium Association, Inc.
Nokomis, Florida

Opinion

We have audited the accompanying financial statements of Gulf Harbor Marina Condominium Association, Inc., which comprise the balance sheet as of December 31, 2021, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gulf Harbor Marina Condominium Association, Inc. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Gulf Harbor Marina Condominium Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gulf Harbor Marina Condominium Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gulf Harbor Marina Condominium Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gulf Harbor Marina Condominium Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Future Major Repairs and Replacements schedule on page 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Mercurio & Maxwell, CPAs, LLC

Sarasota, Florida
July 15, 2022

BALANCE SHEET

DECEMBER 31, 2021

ASSETS

	Operating Funds	Replacement Funds	Total
Cash	\$ 86,592	\$ 1,833,422	\$ 1,920,014
Accounts receivable, net	33,451	-	33,451
Due from reserve	502,771	-	502,771
Fuel inventory	10,857	-	10,857
Rack inventory	240,056	-	240,056
Prepaid expenses	3,128	-	3,128
Property and equipment (net of accumulated of \$355,946)	120,855	-	120,855
Loan costs (net of accumulated amortization of \$2,103)	832	-	832
	<u>\$ 998,542</u>	<u>\$ 1,833,422</u>	<u>\$ 2,831,964</u>

LIABILITIES AND FUND BALANCES

Accounts payable	\$ 31,264	\$ -	\$ 31,264
Income tax payable	168,966	-	168,966
Owner payable	46,353	-	46,353
Due to operating		502,771	502,771
Sales tax payable	3,300	-	3,300
Deferred income	28,706	-	28,706
Contract Liability	-	1,329,831	1,329,831
Capital lease obligation	2,687	-	2,687
Note payable	93,696	-	93,696
	<u>374,972</u>	<u>1,832,602</u>	<u>2,207,574</u>
Members' Equity			
Capital contributions	46,200	-	46,200
Fund balances	577,370	820	578,190
	<u>623,570</u>	<u>820</u>	<u>624,390</u>
	<u>\$ 998,542</u>	<u>\$ 1,833,422</u>	<u>\$ 2,831,964</u>

See independent auditors' report and notes to the financial statements.

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Replacement Fund	Total
Revenues:			
Dry slip maintenance fees	\$ 541,859	32,666	\$ 574,525
Management fees	22,022	-	22,022
Gain on rack sales	982,778	-	982,778
Fuel revenue	938,339	-	938,339
Interest income	28	550	578
Other income	57,566	-	57,566
	<u>2,542,592</u>	<u>33,216</u>	<u>2,575,808</u>
Common element expenses:			
Advertising	442	-	442
Bank fees	398	140	538
Credit card fees	52,010	-	52,010
Depreciation and amortization	76,939	-	76,939
Equipment rental	1,722	-	1,722
Fuel purchases	696,086	-	696,086
Insurance	117,049	-	117,049
Interest expense	6,500	-	6,500
Licenses and taxes	21,838	-	21,838
Miscellaneous expense	5,269	-	5,269
Office expense	12,862	-	12,862
Payroll expenses	237,318	-	237,318
Professional fees	63,347	-	63,347
Repairs and maintenance - buildings	30,538	-	30,538
Repairs and maintenance - equipment	33,167	-	33,167
Repairs and maintenance - grounds	7,648	-	7,648
Supplies	14,675	-	14,675
Telephone expense	14,093	-	14,093
Utilities	17,918	-	17,918
	<u>1,409,819</u>	<u>140</u>	<u>1,409,959</u>
Income (loss) from common and limited common elements	<u>1,132,773</u>	<u>33,076</u>	<u>1,165,849</u>

See independent auditors' report and notes to the financial statements.

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES
(CONTINUED)

YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Replacement Fund	Total
Replacements	-	32,666	32,666
Income before taxes	1,132,773	410	1,133,183
Income tax expense	276,751	-	276,751
Excess of revenue over expenses	856,022	410	856,432
Fund balances - beginning of year	421,348	410	421,758
Fund balance adjustments			
Equity transfer to reserve	(700,000)	-	(700,000)
Fund balances - end of year	<u>\$ 577,370</u>	<u>\$ 820</u>	<u>\$ 578,190</u>

See independent auditors' report and notes to the financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities:			
Excess of revenue over expenses	\$ 856,022	\$ 410	\$ 856,432
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:			
Depreciation and amortization	76,939	-	76,939
Due to/from reserves	(532,663)	532,663	-
Decrease (increase) in:			
Accounts receivable	(16,091)	-	(16,091)
Fuel inventory	1,456	-	1,456
Rack inventory	211,200	-	211,200
Prepaid expenses	13,903	-	13,903
Increase (decrease) in:			
Accounts payable	11,653	-	11,653
Income tax payable	120,424	-	120,424
Owner payable	(1,863)	-	(1,863)
Sales tax payable	(243)	-	(243)
Security deposits	-	-	-
Deferred income	12,373	-	12,373
Contract Liability	(700,000)	667,334	(32,666)
Net cash provided by operating	<u>53,110</u>	<u>1,200,407</u>	<u>1,253,517</u>
Cash flows from financing activities:			
Payments on note payable	(58,615)	-	(58,615)
Payments on capital lease obligation	(5,299)	-	(5,299)
Net cash used by financing activities	<u>(63,914)</u>	<u>-</u>	<u>(63,914)</u>
Net increase (decrease) in cash	(10,804)	1,200,407	1,189,603
Cash, beginning of year	<u>97,396</u>	<u>633,015</u>	<u>730,411</u>
Cash, end of year	<u><u>86,592</u></u>	<u><u>1,833,422</u></u>	<u><u>1,920,014</u></u>

Supplemental disclosure of cash flow information:

Cash paid during the year for

Income tax	\$ 157,381
Interest	\$ 6,500

Supplemental disclosure of non-cash investing and financing activity:

Accounts payable for property and equipment	\$ -
Equipment financed through capital lease arrangement	\$ -

See independent auditors' report and notes to the financial statements.

Notes to Financial Statements
December 31, 2021

Note 1 - Organization and nature of operations:

Gulf Harbor Marina Condominium Association, Inc. (the "Association") is a statutory condominium association incorporated under the laws of the State of Florida. Located in Nokomis, Florida, the Association was created for the purpose of maintaining and preserving the common property of the condominium in accordance with the terms of Chapter 718 of the Florida Statutes, and the provisions of the Declaration of Condominium, and therefore, shall not be operated for profit and shall make no distribution of income to its members, directors or officers. The Association is comprised of four (4) buildings consisting of two hundred sixty-nine (269) dry slip units and nineteen (19) commercial units for the storage of seaworthy vessels.

Note 2 - Summary of significant accounting policies:

Basis of accounting:

These financial statements have been prepared on the accrual basis of accounting which recognizes revenues when assessed and expenses when incurred.

Recently Adopted Accounting Pronouncements:

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASS ASC 972-605, Real Estate-Common Interest Realty Associations, 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 Customer expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities related to the replacement fund, as previously described.

Notes to Financial Statements
December 31, 2021

Recently Adopted Accounting Pronouncements (continued):

The effect of the adoption is an addition of a contract liability (assessments received in advance-replacement fund) at December 31, 2021, of \$1,329,831. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

Fund accounting:

To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purposes:

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.

Cash:

The Association considers all unrestricted highly liquid investments having a maturity of twelve months or less when purchased to be cash equivalents. The Association maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. The Association believes it is not exposed to any significant credit risk on cash.

Accounts receivable and allowance for doubtful accounts:

Accounts receivable is comprised of amounts due from members and non-members for monthly maintenance fees (members only), slip rentals and fuel sales. Accounts receivable are presented in the balance sheet net of the allowance for doubtful accounts.

Notes to Financial Statements
December 31, 2021

Accounts receivable and allowance for doubtful accounts (continued):

The Association provides for estimated future losses to be incurred due to uncollectible maintenance fees, slip rentals and fuel sales in an amount that it believes is sufficient to provide adequate protection against future losses. The allowance for doubtful accounts is based on prior experience and management's assessment of the collectability of existing specific accounts. Receivables are considered delinquent when they are ten days past due. When all collection efforts have been exhausted, delinquent receivables are charged against the allowance.

Inventory:

Inventory consists of gasoline and diesel fuel on hand at year end. Gasoline and diesel fuel inventories are recorded using the lower of cost or net realizable value.

Inventory also consists of racks that were accepted as payment for back maintenance fees from the developer and are being sold to new owners. The board of Directors has elected to transfer all proceeds from the sales to help fund the reserves.

Property and equipment:

Common property acquired from the developer and others and related improvements to such property are not recognized in the Association's financial statements. Those properties are owned by the individual unit owners in common and not by the Association. Replacements, major repairs and the purchase of additional commonly owned assets are accounted for as expenditures in the replacement fund.

Property to which the Association has direct title to and control over the disposition of is capitalized. Capitalized property and equipment are accounted for and capitalized at cost and depreciated over the asset's estimated useful life using the straight-line depreciation method. Profit or loss on the retirement of capitalized property and equipment, if any, is reflected in the statement of revenue and expenses.

Deferred income:

Monthly maintenance fees billed and collected in advance and prepaid slip rentals and fuel purchases are deferred and recognized in the year in which the related services are rendered. Any such billings collected prior to the beginning of the succeeding year are included in deferred income on the balance sheet.

Notes to Financial Statements
December 31, 2021

Capital stock:

Members were charged an initial capital contribution of \$200 per unit purchased from the developer. In accordance with the Florida Statutes and Declaration of Condominium, these contributions cannot be used for payment of common expenses; therefore, these amounts have been included as capital contributions on the balance sheet in the accompanying financial statements.

Replacement fund:

Assets in the replacement fund are reserved for future capital additions, improvements and replacements in accordance with the Declaration of Condominium and generally may be disbursed only for designated purposes. The Board of Directors approves amounts allocated to and from this fund.

Maintenance fees:

Association members are subject to monthly maintenance fees as determined by the Board of Directors to provide funds for the Association's operating expenses and major repairs and replacements. Any excess maintenance fees at year end are retained by the Association for use in future years.

Monthly maintenance fees for dry slip units were \$175 per unit and commercial unit maintenance fees ranged from \$113 to \$282.

Common and limited common elements:

Included under common and limited common elements are income and expenses related to the operations, maintenance, repair, replacement and protection of the dry slip units and commercial slip units, as defined in the Declaration of Condominium.

Fuel revenue:

Fuel revenue from both association members and the public are used to support the Association's operations. Fuel revenue is recognized as income when earned.

Notes to Financial Statements
December 31, 2021

Management fees:

Members can elect to make their units available for rental to non-members, but not on a shared basis. The Association manages these rentals and charges a management fee to the unit owner. Members receive rental income only when the unit is rented and remain responsible for the unit's direct expenses. Any costs, including monthly maintenance fees, sales tax and the Association's management fee, are deducted from the rental income paid to the unitowner.

Income taxes:

For Federal income tax purposes, the Association may elect annually to be treated as a homeowners' association in accordance with Internal Revenue Code 528 or as a C-Corporation in accordance with Internal Revenue Code 277. For the year ended December 31, 2021, the Association elected to be treated as a C-Corporation for tax purposes. As a C-Corporation, the Association may be taxed on both net membership and net non-membership income.

Certain tax elections are available under Internal Revenue Code 277 to treat membership income as non-taxable. Accordingly, the Association must segregate membership and non-membership income and expenses if these elections are made.

Use of 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Property and equipment:

Furniture and equipment	\$	476,801
Less accumulated depreciation	(<u>355,946)</u>
	\$	<u><u>120,855</u></u>

Depreciation expense totaled \$76,352 for the year ended.

Notes to Financial Statements
December 31, 2021

Note 3 - Capital lease obligation:

The Association leases equipment under an agreement which has been accounted for as a capital lease. The economic substance of the lease is that the Association is financing the acquisition of the asset through the lease, and accordingly, it is recorded in the Association's assets and liabilities.

The following is an analysis of the leased equipment:

Equipment	\$	25,896
Less accumulated depreciation	(<u>25,896</u>)
	\$	<u>-</u>

Future minimum payments under the lease at December 31, 2021 are as follows:

<u>Year ending December 31,</u>	
2022	\$ 2,687

Note 4 - Note payable:

Note payable bearing interest at 5.02%, payable in monthly installments of \$5,417, due June 2023 and collateralized by equipment.

	\$	93,696
Less current portion	(<u>56,409</u>)
	\$	<u>37,287</u>

Principal payments on the note payable of the Association are required as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2022	\$ 56,409
2023	37,287

Interest expense for the year ended December 31, 2021 amounted to \$6,500.

Notes to Financial Statements
December 31, 2021

Note 5 - Future major repairs and replacements:

The Association has established a replacement fund for future repairs and replacements in accordance with the Declaration of Condominium. The cash in the fund is maintained in non-operating accounts with a bank. It is the Association's policy to retain interest earned on such funds in the replacement fund.

The Association had a study done to estimate the remaining useful lives and the replacement costs of the components of common property by an independent engineer in February 2021. The accompanying table included as supplementary information on page 16 is based on management estimates and presents significant information about the components of common property.

In 2021, no monies were assessed in monthly maintenance fees for the replacement fund. In the event that a replacement or major repair is necessary, the Association has the authority to assess unit owners for the cost of such expenditures at the time the expenditures are made. Actual expenditures may vary from estimated future expenditures and variations may be material.

The changes in the Contract Liability during 2021 are as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Revenue Recognized</u>	<u>Ending Balance</u>
<u>\$ 662,497</u>	<u>\$ 634,668</u>	<u>\$ 32,666</u>	<u>\$ 1,329,831</u>

Replacement Fund

Beginning Balance	\$ 410
Assessment Recognized	32,666
Interest	410
Expenses	<u>(32,666)</u>
Ending Balance	<u>\$ 820</u>

Expenses:

Seawall	\$ 22,278
Reserve Study	1,400
Storage Building	<u>8,988</u>
Total	<u>\$ 32,666</u>

Notes to Financial Statements
December 31, 2021

Note 6 - Advertising:

The Association expenses advertising costs as incurred. Advertising expense was \$442 for 2021.

Note 7 - Contingencies:

The Association is a party to various legal actions normally associated with condominium associations, such as the collection of delinquent assessments, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

Note 8 - Subsequent events:

Subsequent events were evaluated through July 15, 2022, which is the date the financial statements were available to be issued.

FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2021

A study to estimate the remaining useful lives and the replacement costs of the components of common property was conducted by an independent engineer in February 2021. Replacement costs were based on estimated costs to repair and replace the common property components as of the date of the study. Actual expenditures may vary from those estimates and the variations may be material.

The information presented below does not allow for the effects of inflation or interest between the date of the study and the date the components will require repair or replacement.

The following table is based on management estimates and presents significant information about the components of common property:

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	Normal Annual Contribution	Current Reserves Required for 2021	Replacement Fund Balance 2021	Budgeted Replacement Fund Contributions 2022
Common elements	0 to 56	\$ 4,463,852	\$ 221,197	\$ 2,699,316		
Dry slip common elements	8 to 53	\$ 4,011,164	\$ 62,647	\$ 1,525,561		
Commercial slip limited common elements	10 to 50	\$ 37,249	\$ 2,380	\$ 19,332		
		<u>\$ 8,512,265</u>	<u>\$ 286,224</u>	<u>\$ 4,244,209</u>	<u>\$ 1,330,651</u>	<u>\$ 453,012</u>

The Association is funded on a pooled basis.