

**THE FOUR SEASONS CONDOMINIUM
ASSOCIATION OF COCOA BEACH, INC.**

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

December 31, 2019

**THE FOUR SEASONS CONDOMINIUM
ASSOCIATION OF COCOA BEACH, INC.**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Four Seasons Condominium Association of Cocoa Beach, Inc.
Cocoa Beach, FL 32931

We have audited the accompanying financial statements of The Four Seasons Condominium Association of Cocoa Beach, Inc., which comprise the balance sheet as of December 31, 2019, and the related statement of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Four Seasons Condominium Association of Cocoa Beach, Inc., as of December 31, 2019 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of operating fund revenues and expenses – budget and actual is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association’s management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information (except for the budget information, which was compiled without audit or review from information that is the representation of management, on which we do not express an opinion or any other form of assurance) has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information about future major repairs and replacements on page twelve 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, who 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 auditing 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, 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.

Taylor & Lockard, PA
Certified Public Accountants

Cocoa Beach, Florida

March 12, 2020

**THE FOUR SEASONS CONDOMINIUM
ASSOCIATION OF COCOA BEACH, INC.**

BALANCE SHEET
December 31, 2019

ASSETS

	Operating Fund	Replacement Fund	Special Assessment Fund	Total
Current Assets				
Cash and cash equivalents including interest bearing deposits	\$ 257,248	\$ 382,599	\$ -	\$ 639,847
Certificate of deposit	-	218,076	-	218,076
Assessments receivable (net of allowance of \$6,217)	17,558	-	-	17,558
Interfund receivable/payable	(69,568)	-	69,568	-
Prepaid expenses	54,918	-	-	54,918
Total Current Assets	260,156	600,675	69,568	930,399
Utility Deposits	1,771	-	-	1,771
Total Assets	<u>\$ 261,927</u>	<u>\$ 600,675</u>	<u>\$ 69,568</u>	<u>\$ 932,170</u>

LIABILITIES AND FUND BALANCES

	Operating Fund	Replacement Fund	Special Assessment Fund	Total
Current Liabilities				
Accounts payable	\$ 229	\$ -	\$ -	\$ 229
Prepaid assessment	10,312	-	-	10,312
Insurance note	41,105	-	-	41,105
Accrued expenses	1,940	-	-	1,940
Contract liabilities (assessments received in advance)	-	600,675	69,568	670,243
Total Current Liabilities	53,586	600,675	69,568	723,829
Fund Balances	208,341	-	-	208,341
Total Liabilities and Fund Balances	<u>\$ 261,927</u>	<u>\$ 600,675</u>	<u>\$ 69,568</u>	<u>\$ 932,170</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITORS' REPORT.

**THE FOUR SEASONS CONDOMINIUM
ASSOCIATION OF COCOA BEACH, INC.**

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCES
For the year ended December 31, 2019

	Operating Fund	Replacement Fund	Special Assessment Fund	Total
Revenues				
Regular assessments	\$ 699,480	\$ 70,249	\$ -	\$ 769,729
Insurance proceeds	1,504	-	-	1,504
Other Income	1,088	-	-	1,088
Interest income	-	9,773	-	9,773
Total Revenues	702,072	80,022	-	782,094
Operating Expenses				
Insurance	201,163	-	-	201,163
Payroll	136,555	-	-	136,555
Utilities	110,124	-	-	110,124
Reserve expense	-	105,116	-	105,116
General repairs & maintenance	48,546	-	27,870	76,416
Cable	69,750	-	-	69,750
Landscaping maintenance	38,130	-	-	38,130
Fire systems	24,849	-	-	24,849
Office and administration	15,341	-	-	15,341
Pool maintenance	12,071	-	-	12,071
Pest control	11,695	-	-	11,695
Employee benefits	9,515	-	-	9,515
Elevator maintenance	9,458	-	-	9,458
Professional services	6,390	-	-	6,390
Waste management	6,338	-	-	6,338
Bad debt	6,217	-	-	6,217
Taxes and licenses	1,282	-	-	1,282
Total Operating Expenses	707,424	105,116	27,870	840,410
(Deficit) of Revenues Over Expenses	(5,352)	(25,094)	(27,870)	(58,316)
Fund Balances, Beginning of Year	125,357	-	141,300	266,657
Fund Balance Transfer	(25,094)	25,094	-	-
Fund Balance Transfer	113,430	-	(113,430)	-
Fund Balances, End of Year	<u>\$ 208,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,341</u>

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STATEMENT OF CASH FLOW
For the year ended December 31, 2019

	Operating Fund	Replacement Fund	Special Assessment Fund	Total
Cash Flow From Operating Activities				
(Deficit) of revenues over expenses	\$ (5,352)	\$ (25,094)	\$ (27,870)	\$ (58,316)
Adjustments to reconcile deficit of revenues over expenses to net cash provided by operating activities:				
Decrease in assets:				
Receivables	4,620	-	12,678	17,298
Prepaid expense	2,215	-	-	2,215
Increase (decrease) in liabilities:				
Accounts payable	(9,947)	-	-	(9,947)
Insurance note	18,039	-	-	18,039
Prepaid assessments	3,619	-	-	3,619
Accrued liabilities	267	-	-	267
Contract liabilities (assessments received in advance)	-	55,031	-	55,031
Net Cash Provided (Used) by Operating Activities	13,461	29,937	(15,192)	28,206
Cash Flow From Investing Activities				
Interest earned from Certificate of Deposit	-	(4,961)	-	(4,961)
Net Cash Used by Investing Activities	-	(4,961)	-	(4,961)
Cash Flow From Financing Activities				
Interfund loan	(128,622)	-	128,622	-
Fund transfer	88,336	25,094	(113,430)	-
Net Cash Flow From Financing Activities	(40,286)	25,094	15,192	-
Net (Decrease) Increase in Cash	(26,825)	50,070	-	23,245
Cash and Cash Equivalents, Beginning of Year	284,073	332,529	-	616,602
Cash and Cash Equivalents, End of Year	<u>\$257,248</u>	<u>\$ 382,599</u>	<u>\$ -</u>	<u>\$639,847</u>

**THE FOUR SEASONS CONDOMINIUM
ASSOCIATION OF COCOA BEACH, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2019**

NOTE A – NATURE OF ORGANIZATION

The Four Seasons Condominium Association of Cocoa Beach, Inc. (the “Association”) is a statutory condominium association incorporated in the State of Florida in 1979. The Association is responsible for the operation and maintenance of the common property of Four Seasons Condominium Complex. The Four Seasons Condominium Association of Cocoa Beach, Inc. consists of 174 residential units located in Cocoa Beach, Florida.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Fund accounting - 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 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 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.

Special Assessments Fund – This fund is used to accumulate financial resources designated for specific, Association approved major repairs and replacements.

2. Member assessments - Association members are subject to monthly assessments to provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represents fees due from unit owners. The Association’s policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year.

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 experience and susceptibility to factors outside the Association's control.

3. Interest Income – Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.
4. Contract Liabilities (Assessments received in advance) – The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) are recorded when the Association has the right to receive payment in advance

**THE FOUR SEASONS CONDOMINIUM
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of the satisfaction of performance obligations related to replacement reserve. The balances of contract liabilities (assessments received in advance-replacement and special) was \$600,675 and \$69,568, respectively.

5. Income taxes – The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2019. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government. The Association adopted the provisions of FASB ASC 740-10, Accounting for Uncertainty in Income Taxes – An interpretation of FASB Statement 109, (formerly FASB issued Interpretation 48 – FIN 48). Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not that the positions will be sustained upon examination by the tax authorities. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

As of December 31, 2019, the Association had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Additionally, the Association had no interest and penalties related to income taxes. The Association's Income Tax return forms 1120 H for the periods ended December 31, 2016, 2017, and 2018 are subject to examination by the IRS.

6. Cash and Cash Equivalents – Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase.
7. Estimates – The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE C – PROPERTY AND EQUIPMENT

Real property and common areas and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

**THE FOUR SEASONS CONDOMINIUM
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019

NOTE D – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds are held in separate accounts and are generally not available for operating purposes.

Actual cash funding of the replacement fund at December 31, 2019, was \$600,675, including interest earned of \$2,686. This represents the amount of funds that are set aside for future repairs and replacements.

As of the balance sheet date, no formal study had been performed to determine the estimated remaining useful lives or the estimated current replacement cost of the components of common property, therefore the adequacy of the replacement fund cannot be estimated. When replacement funds are needed, the Association has the right to increase the monthly assessments, pass special assessments, or delay replacement until such funds are available.

Reserve accounts have been established to specifically identify the purpose for which the assets are restricted. The following schedule represents the components of the contract liabilities as of December 31, 2019.

	<u>12/31/2018</u>	<u>Additions</u>	<u>Interest</u>	<u>Transfer</u>	<u>Disbursements</u>	<u>12/31/2019</u>
Roof-5 Story Bldgs.	\$ 179,989	\$ 4,800	\$3,376	\$ -	\$ -	\$ 188,165
Concrete/Restoration	101,700	47,400	1,906	15,932	15,900	151,038
Pool	49,308	14,400	927	-	-	64,635
Painting/Waterproofing	43,075	14,400	352	9,162	14,450	52,539
Paving	41,192	7,800	774	-	-	49,766
Screen Enclosures	18,798	4,800	353	-	-	23,951
Elevators	17,152	2,880	319	-	-	20,351
Garages	66,543	14,400	1,269	-	64,721	17,491
Roof-2 Story Bldgs.	11,113	4,800	208	-	-	16,121
Riverbank/Docks	7,796	4,800	120	-	5,200	7,516
Club House	5,001	1,200	94	-	-	6,295
Insurance Deductible	1,280	1,200	25	-	-	2,505
Fire Systems	2,697	2,400	50	-	4,845	302
	<u>\$ 545,644</u>	<u>\$ 125,280</u>	<u>\$9,773</u>	<u>\$ 25,094</u>	<u>\$ 105,116</u>	<u>\$ 600,675</u>

**THE FOUR SEASONS CONDOMINIUM
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019

NOTE E - FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

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 FASB 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 CIRA 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 assessments revenue and contract liabilities related to the replacement fund, as previously described.

The adoption of the new revenue recognition guidance resulted in the following change to fund balance as of January 1, 2019:

	<u>Replacement</u>	<u>Special</u>
Fund Balance as previously reported January 1, 2019	\$ 545,644	\$ 210,868
Adjustment	<u>(545,644)</u>	<u>(69,568)</u>
Fund Balance as adjusted and reported January 1, 2019	<u>\$ -</u>	<u>\$ 141,300</u>

The effect of the adoption is a decrease in 2019 replacement assessments by \$58,001, and a recording of a contract liability (assessments received in advance) at December 31, 2019, of \$600,675 for the replacement fund and \$69,568 for the special assessment fund. The adjusted balance of the special assessment fund on January first was due to the fact that the fund had no assessments and a fund balance transfer. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

**THE FOUR SEASONS CONDOMINIUM
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019

NOTE E - FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION (CONTINUED)

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our 2019 financial statements. Following are the line items from our balance sheet as of December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	Replacement			Special		
	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
Liabilities						
Contract liabilities (assessments received in advance - replacement)	\$ -	\$ 600,675	\$ 600,675	\$ -	\$ 69,568	\$ 69,568
Total liabilities	-	600,675	600,675	-	69,568	69,568
Fund Balance	\$ 600,675	\$ (600,675)	-	\$ 69,568	\$ (69,568)	-

The following are the line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

	Replacement			Special		
	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
Revenues						
Regular Assessments	\$ 128,280	\$ (58,031)	\$ 70,249	\$ -	\$ -	\$ -
Excess of Revenue over expenses	29,937	(55,031)	(25,094)	(27,870)	-	(27,870)
Cash Flows						
Excess of Revenue over expenses	29,937	(55,031)	(25,094)	(27,870)	-	(27,870)
Increase Contract liabilities (assessments received in advance - replacement)	\$ -	\$ 55,031	\$ 55,031	\$ -	\$ -	\$ -

**THE FOUR SEASONS CONDOMINIUM
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2019

NOTE F – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition and disclosure through March 12, 2020, the date that the financial statements were available to be issued.

NOTE G – CONCENTRATION OF CREDIT RISK

The Association maintains its cash and cash equivalents in bank and investment deposit accounts at a single bank. These funds, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents. Federal Deposit Insurance Corporation has a federally insured limit of \$250,000. Uninsured balances are approximately \$479,717.

NOTE H – DELINQUENT ASSESSMENTS

At December 31, 2019, the Association had delinquent assessments of \$23,774. It is the opinion of the Board of Directors that the Association will ultimately prevail against the owners with delinquent assessments with the exception of one owner. An allowance has been established for \$6,217 for that owner.

NOTE I – SPECIAL ASSESSMENT

The board approved a special assessment for \$1,433 per unit owner, totaling \$249,392 in 2018, to cover roof and other repairs needed as the result of damages from hurricanes. The fund has a contract liability of \$69,568 as of December 31, 2020 for the final hurricane repairs to the elevators and dock in 2020.

SUPPLEMENTARY INFORMATION

SCHEDULE I

**THE FOUR SEASONS CONDOMINIUM
ASSOCIATION OF COCOA BEACH, INC.**

SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS (COMPILED)

December 31, 2019

The Association's Board of Directors conducts an informal study annually to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study.

The following information is based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost
Concrete Restoration	0	\$ 3,000,000
Painting/Waterproofing	0	500,000
Elevator	16	225,000
Roof – (5 story)	0	200,000
Club House	12	150,000
Garages	2	150,000
Paving	12	150,000
Roof – (2 story)	21	450,000
Fire Systems	4	100,000
Screen Enclosures	0	100,000
Insurance Deductible	0	100,000
Riverbank/Dock	17	70,000
Pool	0	50,000
 Total		 \$ 5,245,000

SCHEDULE II

**THE FOUR SEASONS CONDOMINIUM
ASSOCIATION OF COCOA BEACH, INC.**

SCHEDULE OF OPERATING FUND REVENUE AND EXPENSES
BUDGET (COMPILED) AND ACTUAL (AUDITED)
For the year ended December 31, 2019

	Budget	Actual	Variance
Revenues			
Regular assessments	\$ 699,480	\$ 699,480	\$ -
Insurance proceeds	-	1,504	1,504
Other income	-	1,088	1,088
Total Revenues	699,480	702,072	2,592
Operating Expenses			
Insurance	216,000	201,163	14,837
Payroll	108,000	136,555	(28,555)
Utilities	100,000	110,124	(10,124)
Cable	106,820	69,750	37,070
General repairs & maintenance	42,520	48,546	(6,026)
Landscaping maintenance	44,000	38,130	5,870
Fire systems	7,000	24,849	(17,849)
Office and administration	15,200	15,341	(141)
Pool maintenance	14,200	12,071	2,129
Pest control	10,300	11,695	(1,395)
Employee benefits	8,240	9,515	(1,275)
Elevator maintenance	11,500	9,458	2,042
Professional services	7,000	6,390	610
Waste management	6,800	6,338	462
Bad debt	-	6,217	(6,217)
Taxes and licenses	1,900	1,282	618
Total Operating Expenses	699,480	707,424	(7,944)
(Deficit) Excess of Revenues			
Over Expenses	\$ -	\$ (5,352)	\$ (5,352)