

TANGERINE BAY CLUB ASSOCIATION, INC.

**FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION**

DECEMBER 31, 2020

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

TANGERINE BAY CLUB ASSOCIATION, INC.
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Members: American Institute of Certified Public Accountants • Florida Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tangerine Bay Club Association, Inc.
Longboat Key, Florida

We have audited the accompanying financial statements of Tangerine Bay Club Association, Inc. which comprise the balance sheet as of December 31, 2020, 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.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 have 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 Tangerine Bay Club Association, Inc. as of December 31, 2020, 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.

Emphasis of Matter

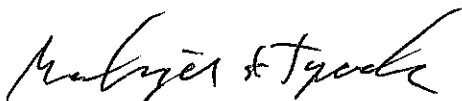
Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 4 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion on the financial statements is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of expenses on pages 12 and 13 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 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 supplementary information of estimated remaining lives and replacement costs of the common property on page 14 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 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.



MENCHINGER & TYACK, CPAs, LLC
Ringling Office, Sarasota, FL
September 1, 2021

TANGERINE BAY CLUB ASSOCIATION, INC.

Balance Sheet

December 31, 2020

	Operating Fund	Replacement Fund	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 237,722	\$ 454,191	\$ 691,913
Certificates of deposit not cash equivalents	-	315,784	315,784
Marketable securities	-	102,850	102,850
Accounts receivable-other	45,218	-	45,218
Prepaid expenses	127,252	-	127,252
Utility deposits and other	1,351	-	1,351
Due from other fund	-	168,788	168,788
Total Assets	<u>\$ 411,543</u>	<u>\$ 1,041,613</u>	<u>\$ 1,453,156</u>
<u>Liabilities</u>			
Accounts payable-operating	\$ 53,431	\$ -	\$ 53,431
Prepaid member assessments	71,444	-	71,444
Due to other fund	168,788	-	168,788
Contract liabilities (Assessments received in advance-replacement fund)	-	1,041,613	1,041,613
Total Liabilities	<u>293,663</u>	<u>1,041,613</u>	<u>1,335,276</u>
<u>Fund Balance</u>			
Fund balance	<u>117,880</u>	<u>-</u>	<u>117,880</u>
Total Fund Balance			
Total Liabilities and Fund Balance	<u>\$ 411,543</u>	<u>\$ 1,041,613</u>	<u>\$ 1,453,156</u>

Read Accompanying Notes to Financial Statements

TANGERINE BAY CLUB ASSOCIATION, INC.
Statement of Revenue, Expenses, and Changes in Fund Balance
For the Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
<u>Revenue</u>			
Member assessments	\$ 1,201,320	\$ 379,137	\$ 1,580,457
Interest	4	7,043	7,047
Investment income	-	3,407	3,407
Late fees & other	371	635	1,006
	<u>1,201,695</u>	<u>390,222</u>	<u>1,591,917</u>
<u>Expenses</u>			
Administrative	354,915	-	354,915
Grounds	122,309	-	122,309
Maintenance	221,382	-	221,382
Pool & recreation	57,147	-	57,147
Utilities	108,225	-	108,225
Salaries	206,789	-	206,789
Other	157,739	-	157,739
Unrealized loss on investments	-	1,733	1,733
Replacement	-	388,489	388,489
	<u>1,228,506</u>	<u>390,222</u>	<u>1,618,728</u>
Excess of Revenues Over Expenses	(26,811)	-	(26,811)
Beginning Fund Balance	<u>144,691</u>	<u>-</u>	<u>144,691</u>
Ending Fund Balance	<u>\$ 117,880</u>	<u>\$ -</u>	<u>\$ 117,880</u>

Read Accompanying Notes to Financial Statements

TANGERINE BAY CLUB ASSOCIATION, INC.**Statement of Cash Flows****For the Year Ended December 31, 2020**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Cash received from members	\$ 1,123,499	\$ 598,644	\$ 1,722,143
Cash paid to suppliers and contract servicers	(1,304,848)	(388,489)	(1,693,337)
Interest received	4	7,043	7,047
Investment income	-	3,407	3,407
Other cash receipts	371	635	1,006
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>(180,974)</u>	<u>221,240</u>	<u>40,266</u>
Cash Flows From Investing Activities:			
Divestment of certificate of deposits	-	197,023	197,023
Divestment of marketable securities	-	166,221	166,221
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by investing activities	<u>-</u>	<u>363,244</u>	<u>363,244</u>
Cash Flows From Financing Activities:			
Interfund borrowings	251,402	(251,402)	-
	<u> </u>	<u> </u>	<u> </u>
Net cash provided (used) by financing activities	<u>251,402</u>	<u>(251,402)</u>	<u>-</u>
Net increase in cash and cash equivalents	70,428	333,082	403,510
Cash and cash equivalents at beginning of year	<u>167,294</u>	<u>121,109</u>	<u>288,403</u>
Cash and cash equivalents at end of year	<u>\$ 237,722</u>	<u>\$ 454,191</u>	<u>\$ 691,913</u>

Read Accompanying Notes to Financial Statements

TANGERINE BAY CLUB ASSOCIATION, INC.
Statement of Cash Flows
For the Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
Reconciliation of (deficiency) revenues over expenses to net cash (used) by operating activities:			
(Deficiency) of revenues over expenses	\$ (26,811)	\$ -	\$ (26,811)
Adjustments to reconcile			
Unrealized loss on investments	-	1,733	1,733
(Increase) in Operating Assets:			
Assessments receivable	(45,133)	-	(45,133)
Prepays and other	(25,744)	-	(25,744)
Increase (Decrease) in Operating Liabilities:			
Accounts payable & accrued expenses	(50,598)	-	(50,598)
Prepaid member assessments	(32,688)	-	(32,688)
Contract liabilities Assessments received in advance-replacement fund	-	219,507	219,507
Total Adjustments	(154,163)	221,240	67,077
Cash provided (used) by operating activities	\$ (180,974)	\$ 221,240	\$ 40,266

Read Accompanying Notes to Financial Statements

Tangerine Bay Club Association, Inc.
Notes to Financial Statements
December 31, 2020

ORGANIZATION

Tangerine Bay Club Association, Inc. is a not-for-profit corporation organized April 19, 1990 to provide an entity pursuant to Section 718.111 of the Florida Condominium Act for the administration, maintenance, operation, and management of the 90 residential condominium units located on Longboat Key, Florida. Assessments against the owners of the condominium units, which are the principal source of revenue, are based on the estimated amounts required to protect and maintain the property owned by the owners in common of Tangerine Bay Club Association.

Assessments against the members of the Association, which are the principal source of revenue, are based upon estimated amounts to maintain the common property.

All policy decisions are formulated by the Board of Directors. Certain major decisions are referred to the general membership before action is taken.

Management Review

The Association has evaluated events and transactions for potential recognition or disclosure through September 1, 2021 the date the financial statements were available to be issued.

NOTE 1: - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared using the fund method of accounting on the accrual basis.

The fund method of accounting requires funds, such as operating funds and funds for future major repairs and replacements, to be classified separately for accounting and reporting 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 composed of assessments paid by unit owners to fund future replacements, major repairs and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied.

Interest Earned on Reserves

Florida Statutes require interest earned on reserves to remain in the reserve fund unless this requirement is waived by the general membership. For 2020 income from all sources earned on the reserve funds amounted to \$11,085.

Tangerine Bay Club Association, Inc.
Notes to Financial Statements
December 31, 2020

NOTE 1: - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from these estimates and assumptions.

Income Taxes

The Association has the option for income tax purposes to elect on an annual basis to be taxed as a regular corporation under Section 277 of the Internal Revenue Code, whereby non-exempt function income and net membership income are taxed at regular corporate rates, or to be taxed at a special corporate rate of 30% on its net, non-function income, less \$100 exclusion, in accordance with Section 528 of the Internal Revenue Code. For 2020 the Association intends to file its tax return under Section 528 resulting in no tax liability.

Commonly Owned Assets

The Association has the responsibility to preserve and maintain the commonly owned assets. The Association's commonly owned assets include all portions of the building exterior, tennis and pickle ball courts, swimming pool and paved areas. The commonly owned assets include property that is directly associated with the unit which includes property without which the units could not be occupied and exterior property that is normally part of freestanding units. Commonly owned assets also include the property that is not directly associated with the unit and is not necessary for the primary use of the unit, although individual unit owners may benefit from its use.

The Association's policy is not to capitalize and depreciate the commonly owned real property as ownership is vested directly or indirectly in the unit owners and these assets are not deemed to be severable.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all, if any, highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Contract Liabilities (Assessments received in advance-replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is (are) recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balance of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year are \$822,106 and \$1,041,613 respectively.

Tangerine Bay Club Association, Inc.
Notes to Financial Statements
December 31, 2020

NOTE 1: - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fair Value Measurements

Fair value is the price the Association would receive to sell an asset or pay to transfer a liability in an orderly transaction. The hierarchy below lists three levels of fair value based on the extent to which inputs used in measuring fair value are observable in the market. The Association categorizes each of its fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety.

These levels are:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The Association has categorized its marketable equity securities using level 1 prices. The Association's other financial assets and liabilities have fair values that approximate fair value due to their liquid or short- term nature.

NOTE 2: - CONCENTRATIONS OF CREDIT RISK FOR CASH DEPOSITS

The Association maintains cash balances at local financial institutions. Accounts at each financial institution are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in the aggregate. As of December 31, 2020, cash balances exceeded FDIC insurance \$76,578.

NOTE 3: - CONTINGENT LOSSES

The Association's current windstorm insurance policy contains a 3% deductible clause. Based on insured values, the first 3% or approximately \$1,586,000 in damages caused by a named hurricane would be the responsibility of the Association.

TANGERINE BAY CLUB ASSOCIATION, INC.

Notes to Financial Statements

December 31, 2020

NOTE 4: - RESERVES FOR REPLACEMENTS AND REPAIRS

Florida Statutes require the Association to fund reserves for future major repairs and replacements computed by means of a formula which is based upon estimated life and replacement costs of the reserve components. Florida Statutes also provide that the majority of the unit owners, at a duly called meeting of the Association, may vote to adopt a budget with reserve funding's less adequate than what is required by law or to vote to provide no reserve.

The Board of Directors periodically reviews the major components of common property and establishes remaining useful lives and replacement costs. An outside independent analysis of remaining useful lives and future replacement costs had been conducted by the Association in 2020.

The Association has funded reserves, based upon approved budgets, to be used for the future repair and replacement of the commonly owned assets.

The Association uses the cash flow method of funding for repair and replacement of the common property. Funding calculations under this method are similar to those under the straight-line method except that, rather than calculate a specific reserve amount for each reserve component, the cash flow method considers all items in the "reserve pool," and the reserve requirements are based upon weighted average of all the reserve components of the "reserve pool".

The Association reserves were funded by the membership during 2020 by \$598,644. A summary of the reserve is as follows:

	<u>Contract Liabilities</u>	<u>Fund Balance</u>	<u>Total</u>
Beginning balance January 1, 2020	\$ 822,106	\$ -	\$ 822,106
Member contributions	598,644	-	598,644
Interest	-	7,043	7,043
Investment income	-	3,407	3,407
Insurance loan interest	-	635	635
Unrealized loss on investments for 2020	-	(1,733)	(1,733)
Expenditures	<u>(379,137)</u>	<u>(9,352)</u>	<u>(388,489)</u>
Ending Balance December 31, 2020	<u>\$ 1,041,613</u>	<u>-</u>	<u>\$ 1,041,613</u>
Cabana	\$ 18,974		
Roof	31,490		
Stucco Project	9,186		
Painting	11,285		
Mechanical	49,952		
Elevators	9,143		
Miss Bldg. Components	65,224		
Site Components	85,280		
Moat project	2,283		
Furnish/Finish/Equipment	49,767		
Pool	1,871		
Water Intrusion	54,034		
	<u>\$ 388,489</u>		

Funds accumulated in the replacement fund are based upon current estimates of future needs. Actual expenditures may vary from the estimated future expenditures and the variations may be material. 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, or delay major repairs and replacements until funds are available.

TANGERINE BAY CLUB ASSOCIATION, INC.

Notes to Financial Statements

December 31, 2020

NOTE 5: - MEMBER ASSESSMENTS

Association members are subject to quarterly assessments 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 is satisfied over time on a daily pro-rata basis. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

The Association bills its members in advance, on a quarterly basis, assessments based upon approved budgets which estimate the amount of funds needed to provide for the administration, operation and management of the Association. The quarterly assessments for 2020 were \$5,000 per unit of which \$1,663 was to fund the Association's reserves.

NOTE 6: - INCOME TAXES

Management has evaluated the effect of an accounting standard relating to accounting for uncertainty in income taxes. Management has determined that the Association had no uncertain income tax positions that could have significant effect on the financial statements for the year ended December 31, 2020.

As of the date of the financial statements, the Association's federal income tax returns for the years ended December 31, 2018, 2019 and 2020 are subject to examination by the Internal Revenue Service. These returns are open to examination generally for three years after they are filed.

NOTE 7: - INVESTMENTS IN MARKETABLE SECURITIES

The Association has investments in the following marketable securities as of December 31, 2020.

	Cost	Fair Value	Unrealized Gain (Loss)
Mutual Funds	<u>\$ 101,828</u>	<u>\$ 102,851</u>	<u>\$ 1,023</u>
Prior year unrealized gain on investments			<u>(2,756)</u>
Current year unrealized loss on investments			<u>\$ (1,733)</u>

NOTE 8- RISKS AND UNCERTAINTIES

The financial impact of the novel coronavirus ("COVID 19"), on the operations and the cash flows of the Association is uncertain. The spread of the COVID 19 and continuing developments surrounding the global pandemic continue to have negative impacts on the economy and may have an impact on the members' ability to meet future assessment obligations.

SUPPLEMENTARY INFORMATION

TANGERINE BAY CLUB ASSOCIATION, INC.
Supplementary Schedule of Expenses
For the Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
<u>Administrative</u>			
Dues, licenses & permits	\$ 1,740	\$ -	\$ 1,740
Insurance	299,067	-	299,067
Professional fees	17,958	-	17,958
Management fees	18,720	-	18,720
Telephone	5,405	-	5,405
Postage & printing	100	-	100
Office supplies & services	5,356	-	5,356
Social expense	6,569	-	6,569
	<u>354,915</u>	<u>-</u>	<u>354,915</u>
<u>Grounds</u>			
Lake maintenance	1,348	-	1,348
Maintenance grounds	93,060	-	93,060
Landscaping replacement/other	27,901	-	27,901
	<u>122,309</u>	<u>-</u>	<u>122,309</u>
<u>Maintenance</u>			
Repairs, services & supplies	26,831	-	26,831
Cabana Common	6,811	-	6,811
Elevator	19,394	-	19,394
Fire Alarm	8,637	-	8,637
Janitorial	126,384	-	126,384
Generator fuel & maintenance	3,651	-	3,651
Pest control	7,935	-	7,935
Pressure cleaning	99	-	99
Security System	13,771	-	13,771
Window washing	7,869	-	7,869
	<u>221,382</u>	<u>-</u>	<u>221,382</u>
<u>Pool and Recreation</u>			
Pool contract & repairs	33,551	-	33,551
Pool heat	20,287	-	20,287
Janitorial Supplies	3,309	-	3,309
	<u>57,147</u>	<u>-</u>	<u>57,147</u>

Read Independent Auditor's Report

TANGERINE BAY CLUB ASSOCIATION, INC.
Supplementary Schedule of Expenses
For the Year Ended December 31, 2020

Utilities

Electric	\$ 34,211	\$ -	\$ 34,211
Cable TV and Internet	4,079	-	4,079
Refuse removal	13,533	-	13,533
Water & Sewer	<u>56,402</u>	-	<u>56,402</u>
	<u>108,225</u>	-	<u>108,225</u>

Salaries & Related

Salaries & payroll related	<u>206,789</u>	-	<u>206,789</u>
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Other

Replacement	-	388,489	388,489
Unrealized loss on investments	-	1,733	1,733
Guard service	131,642	-	131,642
Covid 19 expenses	24,759	-	24,759
Contingency	<u>1,338</u>	-	<u>1,338</u>
	<u>157,739</u>	<u>390,222</u>	<u>547,961</u>

Total Expenses	<u>\$ 1,228,506</u>	<u>\$ 390,222</u>	<u>\$ 1,618,728</u>
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TANGERINE BAY CLUB ASSOCIATION, INC.
Supplementary Information on Future
Major Repairs and Replacements
December 31, 2020

Unaudited

The following is the estimated remaining life and estimated cost to replace the components of the statutory reserves. A formal reserve study by an outside independent engineering firm was completed during 2020. The following information is based upon that study.

<u>Reserve Component</u>	<u>Estimated Remaining Life</u>		<u>Estimated Replacement Cost</u>	<u>2021 Funding Requirement</u>	<u>Contract Liabilities 12/31/2020</u>
Roofs	2-29	years	\$ 2,074,740	\$ -	\$ -
Painting / Waterproofing	1-7	years	654,578	-	-
Paving	3-30	years	380,746	-	-
Mechanical & Electrical	1-27	years	843,378	-	-
Elevators	8-29	years	728,880	-	-
Misc. Building Components	1-30	years	2,419,206	-	-
Misc Site Improvements	1-32	years	1,016,908	-	-
Furnishings, Finishes & Equipmen	4-22	years	69,572	-	-
Reserve Pool	N/A	N/A	-	616,603	1,041,613
			<u>\$ 8,188,008</u>	<u>\$ 616,603</u>	<u>\$ 1,041,613</u>

Read Independent Auditor's Report