

**SEA WINDS CONDOMINIUM
ASSOCIATION OF ST. AUGUSTINE
BEACH, INC.**

**Financial Statements
Supplementary Information
and
Independent Auditors' Report
For the Year Ended June 30, 2018**

SEA WINDS CONDOMINIUM ASSOCIATION OF ST. AUGUSTINE BEACH, INC.
June 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sea Winds Condominium Association of St. Augustine Beach, Inc.
St. Augustine, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Sea Winds Condominium Association of St. Augustine Beach, Inc. (the "Association"), which comprise the balance sheet as of June 30, 2018, 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.

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 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 of material misstatement.

An audit includes 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.

SEA WINDS CONDOMINIUM ASSOCIATION OF ST. AUGUSTINE BEACH, INC.
June 30, 2018

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sea Winds Condominium Association of St. Augustine Beach, Inc. as of June 30, 2018, 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 financial statements as a whole. The "Comparison of Operating Fund Revenues and Expenses to Budget" on pages 12-13 and the "Comparison of Rental Fund Revenues and Expenses to Budget" on page 14 are presented for purposes of additional analysis and are 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 that portion marked "unaudited," 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. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the "Supplementary Information on Future Major Repairs and Replacements" on page 15 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.

Lake Brown Williams CPAs and Consultants, Inc.

St. Augustine, Florida
October 12, 2018

SEA WINDS CONDOMINIUM ASSOCIATION OF ST. AUGUSTINE BEACH, INC.
At June 30, 2018

Balance Sheet

	Operating Fund	Replacement Fund	Rental Fund	Total
Assets				
Current assets:				
Cash and cash equivalents:				
Unrestricted	\$35,823		\$35,650	\$71,473
Restricted			128,860	128,860
Designated		\$259,413		259,413
Total cash and cash equivalents	35,823	259,413	164,510	459,746
Fees and assessments receivable	5,828			5,828
Employee advances	649			649
Due from rental fund to operating fund	3,437		(3,437)	
Inventory (linens, at cost)			2,000	2,000
Prepaid expenses	3,657		729	4,386
Prepaid insurance	40,745			40,745
Total current assets	90,139	259,413	163,802	513,354
Property and equipment, less accumulated depreciation of \$5,832			1,456	1,456
Utility deposits	2,400			2,400
Total assets	\$92,539	\$259,413	\$165,258	\$517,210
 Liabilities and Fund Balances				
Current liabilities:				
Accounts payable and accrued expenses	\$2,359		\$8,917	\$11,276
Prepaid fees and assessments	18,866			18,866
Prepaid special assessment		\$67,802		67,802
Refundable deposits			8,200	8,200
Prepaid rents			120,660	120,660
Total current liabilities	21,225	67,802	137,777	226,804
Fund balances	71,314	191,611	27,481	290,406
Total liabilities and fund balances	\$92,539	\$259,413	\$165,258	\$517,210

SEA WINDS CONDOMINIUM ASSOCIATION OF ST. AUGUSTINE BEACH, INC.
For the Year Ended June 30, 2018

Statement of Revenues, Expenses and Changes in Fund Balances

	Operating Fund	Replacement Fund	Rental Fund	Total
Revenues				
Regular assessments	\$395,820	\$113,643		\$509,463
Finance charges	38			38
Rental income	12,440		\$132,860	145,300
Insurance proceeds	27,402			27,402
Other income	1,207			1,207
Interest income		496		496
Total revenues	<u>436,907</u>	<u>114,139</u>	<u>132,860</u>	<u>683,906</u>
Expenses				
General and administrative	132,229		12,250	144,479
Payroll, taxes and contract services	106,346		50,856	157,202
Repairs, maintenance and cleaning	76,730	158,566	38,469	273,765
Utilities	111,958			111,958
Total expenses	<u>427,263</u>	<u>158,566</u>	<u>101,575</u>	<u>687,404</u>
Surplus/(deficit) of revenues over expenses	9,644	(44,427)	31,285	(3,498)
Fund balances, beginning of year, restated	45,470	236,038	12,396	293,904
Interfund transfers	<u>16,200</u>		<u>(16,200)</u>	
Fund balances, end of year	<u><u>\$71,314</u></u>	<u><u>\$191,611</u></u>	<u><u>\$27,481</u></u>	<u><u>\$290,406</u></u>

SEA WINDS CONDOMINIUM ASSOCIATION OF ST. AUGUSTINE BEACH, INC.
For the Year Ended June 30, 2018

Statement of Cash Flows

	Operating Fund	Replacement Fund	Rental Fund	Total
Cash flows from operating activities:				
Regular and special assessments received	\$385,882	\$181,445		\$567,327
Interest and other income received	43,187	496	\$128,832	172,515
Cash paid for goods and services	(436,527)	(158,566)	(94,411)	(689,504)
Net cash provided by/(used in) operating activities	(7,458)	23,375	34,421	50,338
Cash flows from investing activities:				
Interfund transfers	16,200		(16,200)	
Net cash provided by/(used in) investing activities	16,200		(16,200)	
Increase/(decrease) in cash	8,742	23,375	18,221	50,338
Cash and cash equivalents,				
Beginning of year	27,081	236,038	146,289	409,408
End of year	<u>\$35,823</u>	<u>\$259,413</u>	<u>\$164,510</u>	<u>\$459,746</u>
Adjustments to reconcile surplus/(deficit) of revenues over expenses to net cash provided by/(used in) operating activities:				
Surplus/(deficit) of revenues over expenses	\$9,644	(\$44,427)	\$31,285	(\$3,498)
Add back: depreciation expense			1,458	1,458
<i>(Increase)/decrease in:</i>				
Fees and assessments receivable	(5,279)			(5,279)
Employee advances	3,600			3,600
Interfund receivable/(payable)	(3,437)		3,437	
Inventory			(359)	(359)
Prepaid expenses	(1,324)		(729)	(2,053)
Prepaid insurance	(10,745)			(10,745)
<i>Increase/(decrease) in:</i>				
Accounts payable and accrued expenses	(1,773)		3,357	1,584
Prepaid fees and assessments	4,600			4,600
Prepaid special assessment		67,802		67,802
Refundable deposits	(1,500)		3,800	2,300
Prepaid rents			(7,828)	(7,828)
Payroll taxes liability	(1,244)			(1,244)
Net cash provided by/(used in) operating activities	<u>(\$7,458)</u>	<u>\$23,375</u>	<u>\$34,421</u>	<u>\$50,338</u>
Supplemental disclosures of cash flow information:				
Cash paid for interest				<u>\$2,074</u>
Cash paid for taxes				<u>None</u>

SEA WINDS CONDOMINIUM ASSOCIATION OF ST. AUGUSTINE BEACH, INC.
For the Year Ended June 30, 2018

Notes to the Financial Statements

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Sea Winds Condominium Association of St. Augustine Beach, Inc. (the "Association") is a statutory condominium association organized on July 15, 1983 as a not-for-profit corporation under the laws of the State of Florida, for the purposes of maintaining and preserving the common property of the Sea Winds Condominium located in St. Augustine Beach, St. Johns County, Florida. The condominium was developed by Seawinds Developers, a Florida general partnership. The community consists of 11 buildings with a total of 80 units in an area of approximately 10 acres. Common area includes: clubhouse, swimming pool, hot tub, tennis courts, roads, landscaping, lagoons and fountains, entranceways, and signage.

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting. The accrual basis of accounting means that revenues are recorded when they are earned and expenses are recorded when they are incurred. Assessments are considered earned during the year for which they are levied by the Board of Directors. The owners are assessed their share of the cost of maintaining and operating the common property. Many owners pay the assessments early. Early collections of assessments are shown as prepaid assessments on the balance sheet.

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, which requires that funds such as operating funds and funds designated for future major repairs and replacements be classified separately for accounting and reporting purposes. The assets, liabilities and fund balances of the Association are reported in three self-balancing fund groups.

The operating fund reflects the operating assessments paid by owners to meet the regular, recurring costs of operation. Expenditures from this fund are limited to those connected with the day-to-day operations.

The replacement fund is composed of assessments paid by owners to fund future major repairs and replacements. Interest earned on the replacement fund is retained in the fund net of applicable income taxes. These funds may be used only for authorized reserve expenditures unless their use for other purposes is approved in advance by a majority of owners.

The rental fund reflects the operating activity of the rental management provided by the Association to unit owners. Expenditures from this fund are limited to those connected with the operation of the rental management activity.

SEA WINDS CONDOMINIUM ASSOCIATION OF ST. AUGUSTINE BEACH, INC.
For the Year Ended June 30, 2018

Notes to the Financial Statements

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of reporting cash flows, the Association considers all monies deposited with financial institutions in checking and money market accounts and certificates of deposit to be cash and cash equivalents.

Concentration of Credit Risk

The Association's primary source of income is assessments paid by unit owners.

Recognition of Assets and Depreciation Policy

The Association's policy for recognizing common property as assets in its balance sheet is to recognize (a) common personal property and (b) real property to which it has title and that it can dispose of for cash while retaining the proceeds. Tangible personal property acquired by using the Association's funds, which consists of a storage shed, is recorded at cost and depreciated over its estimated useful life using the straight-line method of depreciation. Depreciation expense for the year ended June 30, 2018 was \$1,458. Real property and common areas acquired from the developer 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.

Owners' Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. Prepaid assessments at the balance sheet date represent fees paid in advance by unit owners. The Association's policy is to retain legal counsel and place liens on the properties of condominium owners whose assessments become past due. The Association provides for bad debt based on experience and analysis of individual accounts. When the collectability of a receivable becomes questionable, an allowance for uncollectible accounts is established. When specific accounts are determined to be uncollectible, they are written off by charging the allowance and crediting the receivable. The annual budget and assessments of owners are determined by the Board of Directors. The Association retains excess operating funds at the end of the fiscal year, if any, for use in future periods.

Interest Income

Interest income earned by the replacement fund is retained in that fund. Other interest income earned by the operating and rental funds is credited to that respective fund account.

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 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.

SEA WINDS CONDOMINIUM ASSOCIATION OF ST. AUGUSTINE BEACH, INC.
For the Year Ended June 30, 2018

Notes to the Financial Statements

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

The Association's Board of Directors and its officers serve without compensation. The value of these services is not recorded in the financial statements.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities that represent financial instruments (none of which are held for trading purposes) approximate the value of such assets and liabilities.

NOTE 2 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 12, 2018, the date that the financial statements were available to be issued.

NOTE 3 - OWNERS' ASSESSMENTS

Regular Assessments

Pursuant to the Declaration of Condominium, regular assessments are allocated to the unit owners in proportion to the size of the unit and the total number of units. For the year ended June 30, 2018, regular monthly assessments to unit owners ranged from \$487.39 to \$638.10. Of these monthly amounts, funds designated to the replacement fund ranged from \$108.72 to \$142.34. Delinquent assessments totaled \$5,828 at year end. As of June 30, 2018, no allowance for uncollectible accounts has been recorded since delinquent accounts and related expenses are deemed collectible.

Special Assessment

On April 30, 2018, the Board of Directors approved a special assessment in amounts ranging from \$1,419.19 to \$1,858.05 per owner for the purpose of funding repairs for damage caused by Hurricane Irma in the fall of 2017. The Association incurred expenses for hurricane damage repairs totaling \$151,025 (paid from both the operating and replacement funds). Insurance proceeds totaling \$27,402 were received and deposited to the operating fund. The total amount of the special assessment is \$123,623 and will be divided between the operating and replacement funds based on remaining paid expenses (operating fund - \$32,672, replacement fund - \$90,951). The special assessment is due on July 15, 2018. At June 30, 2018, certain owners had paid their portion of the special assessment in advance. These prepaid special assessments total \$67,802.

NOTE 4 - CONCENTRATION OF CREDIT RISK

Effective January 1, 2013, Federal Deposit Insurance Corporation ("FDIC") insurance covers up to \$250,000 (per tax identification number) for cash accounts. At June 30, 2018, the Association had \$209,445 in uninsured cash accounts, but has experienced no losses to date.

SEA WINDS CONDOMINIUM ASSOCIATION OF ST. AUGUSTINE BEACH, INC.
For the Year Ended June 30, 2018

Notes to the Financial Statements

NOTE 5 - COMMITMENTS AND CONTINGENCIES

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. The financial statements do not include any adjustments for such actions. The Association also has entered into various contracts including property management, accounting services, landscaping, pest control, lawn care and other services. On July 1, 2017, the Association entered into an agreement with Premium Assignment Corporation to finance its property and flood insurance premiums. The amount financed was \$70,626 at an annual interest rate of 5.14%. Eleven monthly payments of principal and interest in the amount of \$6,587 were due, beginning August 1, 2017. At June 30, 2018, this obligation had been paid in full. On July 1, 2018, the Association entered into another agreement with Premium Assignment Corporation to finance its property and flood insurance premiums. The amount financed was \$84,943 at an annual interest rate of 5.12%. Eleven monthly payments of principal and interest in the amount of \$7,921 are due, beginning August 1, 2018. At June 30, 2018, the required cash down payment for this agreement of \$40,000 had been prepaid.

NOTE 6 - FEDERAL AND STATE INCOME TAXES

Condominium associations may elect to be taxed as a regular corporation or as a homeowners association. The Association elected to be taxed as a regular corporation for the year ended June 30, 2018. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as investment earnings and net rental proceeds, at regular federal and state corporate rates. The Association's investment income and other nonexempt income were subject to tax. After the allocation of common expenses, there was no remaining federal or state taxable income.

NOTE 7 - UNCERTAIN TAX POSITION

The Association has adopted FASB ASC 740-10, *Accounting for Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Based on analyses of various federal and state filing positions of the Association, management believes that its income tax filing positions and deductions are well documented and supported. As of June 30, 2018, the Association had no temporary differences relating to the recognition of income and expenses for financial and tax reporting purposes. Accordingly, no deferred tax assets or liabilities are recorded. Additionally, as of June 30, 2018, the Association had no uncertain tax positions that would qualify for either recognition or disclosure in the financial statements. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FASB ASC 740-10. In addition, no cumulative effect adjustment related to the adoption of FASB ASC 740-10 was recorded. There have been no increases or decreases in unrecognized tax benefits for current or prior years since the date of adoption. Furthermore, no interest or penalties have been included since no reserves were recorded and no significant increases or decreases are expected to occur within the next twelve months. When applicable, such interest and penalties will be reported as income tax expense.

SEA WINDS CONDOMINIUM ASSOCIATION OF ST. AUGUSTINE BEACH, INC.
For the Year Ended June 30, 2018

Notes to the Financial Statements

NOTE 7 - UNCERTAIN TAX POSITION (CONTINUED)

Since the tax matters are subject to some degree of uncertainty, there can be no assurance that the Association's tax returns will not be challenged by the taxing authorities and that the Association will not be subject to additional tax, penalties, and interest as a result of such challenge. At June 30, 2018, the periods that remain open to examination under federal statute are for the fiscal years ended June 30, 2015 through 2017.

NOTE 8 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and Florida Statutes require that funds be presented in the proposed operating budget for future major repairs and replacements. Accumulated funds, which total \$191,611 at June 30, 2018, consist of cash in two interest-bearing bank accounts totaling \$259,413, less prepaid special assessments totaling \$67,802. These funds generally are not available for expenditures for normal operations.

The Association engaged an independent reserve analyst to conduct a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. That study was updated July 5, 2018 and recommended that the Association include reserve funding of \$116,484 in the 2018-2019 budget. Accordingly, the Association included reserve funding in that amount in its 2018-2019 budget.

The table included in the unaudited "Supplementary Information on Future Major Repairs and Replacements" provides an analysis of the funding as of June 30, 2018. Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. 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, levy special assessments, or delay major repairs and replacements.

NOTE 9 - WINDSTORM INSURANCE

The Association is responsible for losses incurred by a named hurricane based upon a 2.00% deductible per building per calendar year as defined in its property insurance policy.

NOTE 10 - FORECLOSED UNIT

The Association took possession of a unit through a foreclosure action. The unit was subject to a first mortgage which exceeded the estimated fair value of the unit. Therefore, the Association did not record any value for this asset on the balance sheet. The unit was sold at auction during March, 2018. The unit was available for rent during 2017 and 2018 and the Association received rental income of \$12,440. Rental unit expenses totaled \$254.

SEA WINDS CONDOMINIUM ASSOCIATION OF ST. AUGUSTINE BEACH, INC.
For the Year Ended June 30, 2018

Notes to the Financial Statements

NOTE 11 - EMPLOYEE ADVANCES AND RELATED PARTY GUARANTEE

During June of 2017, the Board of Directors approved a payroll advance to an employee of the Association in the amount of \$4,249. Repayment terms include regular payroll deductions beginning in August of 2017 and the advance is scheduled to be repaid in full within thirteen months. Repayment of this advance has been guaranteed by a member of the Board of Directors. The remaining balance of employee advances totaled \$649 at year end.

NOTE 12 - PRIOR PERIOD ADJUSTMENTS

Prior period adjustments of \$4,812 have been recorded to the operating fund balance as of June 30, 2017. These include certain assets and liabilities identified during 2017-2018 that related to prior years. These items have been recorded as a restatement of the beginning fund balance rather than in the current year revenues and expenses in order to avoid overstating the current year activities.

NOTE 13 - RENTAL FUND

The Association operates a rental program under Chapter 509 of the Florida Statutes. The Association serves as the non-exclusive rental agent of the condominium units owned by members of the Association. As of June 30, 2018, the program was responsible for the rental management of 27 units. Operating revenues consist of management fees assessed on rentals collected on behalf of unit owners, cleaning and other fees charged to renters. Management fee rates vary based on the nature of the rental. Rental management fees for the current period consist of the following:

Gross rental proceeds	\$466,851
Less: payments to owners	<u>(403,736)</u>
Net proceeds (rental management fees)	<u>\$ 63,115</u>

At June 30, 2018, the rental fund had received \$128,860 from guests paying in advance (to be applied to future rental activity) and as security deposits. This amount of cash is held on deposit in a separate bank account and the liability for these prepaid rents and security deposits is included on the balance sheet. For the year ended June 30, 2018, the rental fund transferred \$16,200 to the operating fund.

SEA WINDS CONDOMINIUM ASSOCIATION OF ST. AUGUSTINE BEACH, INC.
For the Year Ended June 30, 2018

Comparison of Operating Fund Revenues and Expenses to Budget

	Operating Fund	Unaudited Budget	Variance Over/(Under)
Revenues			
Regular assessments	\$395,820	\$395,820	
Finance charges	38	500	(\$462)
Rental income	12,440	14,400	(1,960)
Insurance proceeds	27,402		27,402
Other income	1,207	600	607
Total revenues	436,907	411,320	25,587
Expenses			
<i>General and administrative</i>			
Audit and tax return preparation	4,346	6,000	(1,654)
Bad debt expense	9,259	7,000	2,259
Bank charges	431	400	31
Fees to the Division (DBPR)	480	480	
Insurance	104,762	107,000	(2,238)
Legal and collections	5,641	3,000	2,641
Licenses and fees	1,250	720	530
Office and administrative	4,959	3,000	1,959
Website and internet	1,101	500	601
Total general and administrative	132,229	128,100	4,129
<i>Payroll, taxes and contract services</i>			
Contract accounting	17,757	17,100	657
Contract Association management	35,751	34,200	1,551
On-site maintenance and taxes	35,980	35,500	480
On-site office administration and taxes	16,603	14,900	1,703
Other payroll tax expense	255		255
Total payroll, taxes and contract services	106,346	101,700	4,646

SEA WINDS CONDOMINIUM ASSOCIATION OF ST. AUGUSTINE BEACH, INC.
For the Year Ended June 30, 2018

Comparison of Operating Fund Revenues and Expenses to Budget (Continued)

Expenses (Continued)	<u>Operating Fund</u>	<u>Unaudited Budget</u>	<u>Variance Over/(Under)</u>
<i>Repairs, maintenance and cleaning</i>			
Association unit expenses	\$254		\$254
Building maintenance	18,761	\$15,000	3,761
Grounds repairs	6,391	1,200	5,191
Lake contract	1,620	1,620	
Landscape	21,868	22,000	(132)
Landscape - mulch	958		958
Landscape - tree trimming		5,000	(5,000)
Lift station maintenance	2,227	2,100	127
Other repairs	8,474	25,000	(16,526)
Pest control - interior	1,920	2,000	(80)
Pool chemicals and supplies	5,706	5,000	706
Pool cleaning contract	4,650	5,400	(750)
Termite bond	3,901	4,000	(99)
Total repairs, maintenance and cleaning	<u>76,730</u>	<u>88,320</u>	<u>(11,590)</u>
<i>Utilities</i>			
Cable	48,040	46,900	1,140
Electricity	11,532	11,000	532
Telephone	100	300	(200)
Trash pickup	3,987	3,200	787
Water and sewer	48,299	48,000	299
Total utilities	<u>111,958</u>	<u>109,400</u>	<u>2,558</u>
Total expenses	<u>427,263</u>	<u>427,520</u>	<u>(257)</u>
Surplus/(deficit) of revenues over expenses	9,644	(16,200)	25,844
Interfund transfer (from rental fund)	<u>16,200</u>	<u>16,200</u>	
Surplus of revenues over expenses after interfund transfer	<u><u>\$25,844</u></u>	<u><u></u></u>	<u><u>\$25,844</u></u>

SEA WINDS CONDOMINIUM ASSOCIATION OF ST. AUGUSTINE BEACH, INC.
For the Year Ended June 30, 2018

Comparison of Rental Fund Revenues and Expenses to Budget

	Rental Fund	Unaudited Budget	Variance Over/(Under)
Revenues			
Rental management fees	\$63,115	\$59,000	\$4,115
Cleaning income	38,780	40,000	(1,220)
Registration processing fees	17,035	11,000	6,035
Billable linen charges	3,338	3,500	(162)
Miscellaneous	10,592	500	10,092
Total revenues	<u>132,860</u>	<u>114,000</u>	<u>18,860</u>
Expenses			
<i>General and administrative</i>			
Advertising	3,242	500	2,742
Audit fee	1,755	2,000	(245)
Bad debt			0
Bank and credit card processing fees	263	350	(87)
Depreciation expense	1,458		1,458
Licenses and fees	555	500	55
Office and administrative	1,455	2,000	(545)
Website and internet	3,522	2,500	1,022
Total general and administrative	<u>12,250</u>	<u>7,850</u>	<u>4,400</u>
<i>Payroll, taxes and contract services</i>			
Contract accounting	11,235	9,600	1,635
Contract Association management	4,056	3,900	156
On-site maintenance and taxes	5,295	3,900	1,395
On-site office administration and taxes	30,270	28,700	1,570
Total payroll, taxes and contract services	<u>50,856</u>	<u>46,100</u>	<u>4,756</u>
<i>Repairs, maintenance and cleaning</i>			
Cleaning expenses	26,153	29,000	(2,847)
Laundry services	9,096	11,000	(1,904)
Linen and towel replacement	3,220	3,500	(280)
Maintenance and supplies		500	(500)
Total repairs, maintenance and cleaning	<u>38,469</u>	<u>44,000</u>	<u>(5,531)</u>
Total expenses	<u>101,575</u>	<u>97,950</u>	<u>3,625</u>
Surplus of revenues over expenses	31,285	16,050	15,235
Interfund transfer (to operating fund)	<u>(16,200)</u>	<u>(16,200)</u>	
Surplus of revenues over expenses, after interfund transfer	<u>\$15,085</u>	<u>(\$150)</u>	<u>\$15,235</u>

SEA WINDS CONDOMINIUM ASSOCIATION OF ST. AUGUSTINE BEACH, INC.
For the Year Ended June 30, 2018

Supplementary Information on Future Major Repairs and Replacements

The Board of Directors engaged an independent reserve analyst to conduct a study to determine the remaining useful life and the estimated replacement cost of each of the major components of common property. The following table is based upon an updated study, which was dated July 5, 2018, and presents significant information about the components of common property. The study assumes a 2.5% rate of inflation.

Components	Estimated Remaining Useful Life	Estimated Current Replacement Cost	Balance at 6/30/2017	Additions	Interest Income	Expenditures	Balance at 6/30/2018	2018-2019 Approved Funding
Building components	13-25 years	\$366,096						
Painting	6 years	111,500						
Paving	1-22 years	118,639						
Recreational areas	1-27 years	153,904						
Roofing	1-24 years	866,732						
Site components	1-21 years	118,949						
Pooled fund			\$236,038	\$113,643	\$496	(\$158,566)	\$191,611	\$116,484
Totals		<u>\$1,735,820</u>	<u>\$236,038</u>	<u>\$113,643</u>	<u>\$496</u>	<u>(\$158,566)</u>	<u>\$191,611</u>	<u>\$116,484</u>