

**ISLAND INN CONDOMINIUM
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS, SUPPLEMENTAL
INFORMATION, AND INDEPENDENT AUDITORS' REPORT**

JULY 31, 2024



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Island Inn Condominium Association, Inc.

Opinion

We have audited the accompanying financial statements of Island Inn Condominium Association, Inc., which comprise the balance sheet as of July 31, 2024, 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 Island Inn Condominium Association, Inc. as of July 31, 2024, 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 Island Inn 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.

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 Island Inn 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 Island Inn 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 Island Inn 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.

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 12 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.

Accell CPA & Associates

September 13, 2024

ISLAND INN CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
JULY 31, 2024

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and cash equivalents	\$ 461,608	\$ 63,495	\$ 525,103
Certificates of deposit	-	77,577	77,577
Assessments receivable	70,330	-	70,330
Due to operating	14,537	(14,537)	-
Prepaid insurance and other	127,597	-	127,597
Total assets	\$ 674,072	\$ 126,535	\$ 800,607
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 140,362	\$ -	\$ 140,362
Prepaid assessments	4,407	-	4,407
Deferred revenue - special assessment	325,837	-	325,837
Contract liability - Assessments received in advance replacement reserves	-	123,550	123,550
Total liabilities	470,606	123,550	594,156
FUND BALANCES			
	203,466	2,985	206,451
Total liabilities and fund balances	\$ 674,072	\$ 126,535	\$ 800,607

See Independent auditors' Report and Notes to Financial Statements.

**ISLAND INN CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JULY 31, 2024**

	Operating Fund	Replacement Fund	Total
REVENUES			
Assessments	\$ 856,845	\$ 108,185	\$ 965,030
Interest income	27,145	1,489	28,634
Office and storage rent	5,432	-	5,432
Reserved parking fees	11,996	-	11,996
Tiki bar rent	14,953	-	14,953
Special assessment income	2,655,684	-	2,655,684
Other income	1,906	-	1,906
Total revenues	<u>3,573,961</u>	<u>109,674</u>	<u>3,683,635</u>
EXPENSES			
Payroll expense	332,150	-	332,150
Utilities	269,831	-	269,831
Insurance	158,101	-	158,101
Repairs and maintenance	44,880	-	44,880
Administrative	33,506	-	33,506
Special assessment expense	2,655,684	-	2,655,684
Reserve expenses	-	108,185	108,185
Total expenses	<u>3,494,152</u>	<u>108,185</u>	<u>3,602,337</u>
EXCESS OF REVENUES OVER EXPENSES	79,809	1,489	81,298
Fund balances - beginning of year	123,657	1,496	125,153
FUND BALANCES - END OF YEAR	<u>\$ 203,466</u>	<u>\$ 2,985</u>	<u>\$ 206,451</u>

See Independent auditors' Report and Notes to Financial Statements.

**ISLAND INN CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2024**

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ 79,809	\$ 1,489	\$ 81,298
Changes in:			
Assessments receivable	(55,795)	-	(55,795)
Prepaid insurance and other	(4,703)	-	(4,703)
Accounts payable and accrued expenses	120,559	-	120,559
Prepaid assessments	(6,119)	-	(6,119)
Deferred revenue - special assessment	(1,860,717)	-	(1,860,717)
Deferred expenditures	(69,975)	-	(69,975)
Retainage payable	(25,837)	-	(25,837)
Contract liability - assessments received in-advance replacement reserves	-	(38,585)	(38,585)
Net cash from operating activities	<u>(1,822,778)</u>	<u>(37,096)</u>	<u>(1,859,874)</u>
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of certificate of deposits	1,269,029	-	1,269,029
Change in certificates of deposit	-	(997)	(997)
Net cash from investing activities	<u>1,269,029</u>	<u>(997)</u>	<u>1,268,032</u>
CASH FLOW FROM FINANCING ACTIVITIES:			
Interfund transfers	(14,537)	14,537	-
Net cash from investing activities	<u>(14,537)</u>	<u>14,537</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(568,286)	(23,556)	(591,842)
Cash and cash equivalents - beginning of year	<u>1,029,894</u>	<u>87,051</u>	<u>1,116,945</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 461,608</u>	<u>\$ 63,495</u>	<u>\$ 525,103</u>

See Independent auditors' Report and Notes to Financial Statements.

ISLAND INN CONDOMINIUM ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

NOTE 1 NATURE OF ORGANIZATION

Island Inn Condominium Association, Inc. ("Association") which is located in Treasure Island, Florida was incorporated on August 26, 1980, under Chapter 617 of the Florida Statutes as a not-for-profit organization. The Association is responsible for the preservation and maintenance of the common property in accordance with the terms of Florida Statute, Chapter 718, and the provisions of the Declaration. The Association consists of 100 residential units and 3 office units.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The financial statements of the Association are prepared on the accrual basis of accounting and in accordance with the "Real Estate – Common Interest Realty Associations" topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

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

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

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

Liquidity

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents is defined as demand deposits with banks and other institutions, and money market funds with original maturities of three months or less.

Commonly Owned Assets

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.

Interest Earned

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

ISLAND INN CONDOMINIUM ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

Estimates

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

Concentration of Credit Risk

Financial instruments which potentially subject the Association to concentrations of credit risk are primarily cash and cash equivalents and assessments receivable. The Association maintains its cash balances at financial institutions and the carrying value approximates market value. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. The Association's deposits exceed the federally insured limits by approximately \$212,000 as of July 31, 2024.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, receivables, and accounts payable approximate fair value due to the short term maturity of these financial instruments.

Member Assessments

Member assessments are billed monthly based upon their proportionate share of ownership and based upon estimates of amounts necessary to provide funds for the Association's operating expenses and future major repairs and replacements. Maintenance assessment income 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 maintenance fees are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement reserve fund assessments are satisfied when these funds are expended for their designated purpose. Any excess assessments at year end are retained by the Association for reduction of member assessments in future years. Assessments received in advance of the period for which they are assessed are reported as prepaid assessments on the balance sheet. Assessments receivable represents the outstanding balance due from the unit owners and are stated at the amounts expected to be collected. It is the Association's policy to retain legal counsel and place liens on the units of members whose assessments are delinquent. As of July 31, 2024, no allowance for doubtful accounts has been established.

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 recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year are approximately \$162,000 and \$124,000, respectively. The Board budgeted replacement assessments in 2024 of \$69,600. They spent a total of approximately \$108,000 in 2024 on replacement items. The Association recognized an

ISLAND INN CONDOMINIUM ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

additional \$38,585 from prior year budgeted reserves reducing the contract liability by that amount.

NOTE 3 CERTIFICATES OF DEPOSIT

The Association is invested in a certificate of deposit as of July 31, 2024, in the amount of \$77,577 which has an interest rate of 4.88% and matures May 3, 2025.

NOTE 4 FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and Florida statutes require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations.

The Board of Directors had a reserve study update conducted by professional engineers in July 2021 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on the study.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of future replacement costs and considering amounts previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on estimated future costs for repairs and replacements of common property components. Actual expenditures and investment income may vary from the estimated amounts, 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. The Association adopted the pooling method to accumulate funds for future major repairs and replacements.

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

	August 1, 2023	Additions	Charges	Transfers	July 31, 2024
Pooled	\$ 163,631	\$ 69,600	\$ (108,185)	\$ 1,489	\$ 126,535
Interest	-	1,489	-	(1,489)	-
	<u>\$ 163,631</u>	<u>\$ 71,089</u>	<u>\$ (108,185)</u>	<u>\$ -</u>	<u>\$ 126,535</u>

NOTE 5 INCOME TAXES

The Association has elected to file as a homeowner's association in accordance with Internal Revenue Code 528, using Form 1120-H. The Association's investment income and other nonexempt income are subject to tax. The Association has evaluated its tax position and concluded that the Association has taken no uncertain tax positions that require

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NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

adjustment to the financial statements to comply with the provisions of the Income Tax Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification. With few exceptions, the Association is subject to income tax examinations by the U.S. federal or state tax authorities for three years after filing the tax returns.

NOTE 6 RELATED PARTIES AND TRANSACTIONS

Island Resort, LLC., a private company that manages rentals within the Association, owns 5 units within the Association. The private company is contracted to provide front desk services to guests, and hospitality services including managing parking and access cards to rooms. The Association paid Island Resort, LLC approximately \$92,000 in fiscal year ended July 31, 2024, for those services.

NOTE 7 COMMITMENTS

Insurance

Common property of the Association is located in Florida, an area proven geographically prone to hurricanes. The Association's insurance policies define deductibles and exclusions which will yield uncovered costs if common property damage claims occur. If additional funds are needed to replace or repair association property, the Association has the right, subject to governing documents, to increase regular assessments, pass special assessments, borrow funds or delay repairs and replacements until funds are available.

Legal

The Association is periodically subject to complaints and claims, including litigation, arising in the ordinary course of business. Management believes that none of the claims and complaints of which it is currently aware will materially affect its business, financial position, or future operating results.

NOTE 8 SPECIAL ASSESSMENT

In December 2022, the Board approved a special assessment to fund several projects to include concrete repair & modernization, additional engineering costs, seawall repair, plumbing renewal, luggage carts, lobby floor, lobby ceiling, pool solar heating, door-lock upgrade, pool furniture, elevator cab modernization, EV charging stations, property signage, and landscaping. The assessment amounted to \$2,576,267, payable (i) in full within ninety days or (ii) in six equal monthly installment payments beginning February 1, 2023, with no penalty for prepayment.

In March 2024, the Association approved another special assessment to cover the shortfall of the building remediation project in the amount of \$635,529 of which unit owners can pay in full before March 31, 2024, or pay over 12 months starting April 1, 2024, with a 9.5% interest rate.

As of July 31, 2024, all of the expenditures have been incurred related to these two assessments except for approximately \$326,000 which shows as a deferred revenue liability on the balance sheet as of July 31, 2024.

ISLAND INN CONDOMINIUM ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

NOTE 9 SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 13, 2024, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

ISLAND INN CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS FOR THE YEAR ENDED JULY 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

The Board of Directors had a reserve study conducted by professional engineers in July 2021 to estimate the remaining useful lives and the replacement cost of the components of common property. The study excludes any interest or inflation adjustments. The following table is based on those estimates and presents significant information about the components of common property:

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Balance at July 31, 2024</u>	<u>2024-2025 Funding Recommendation Per Reserve Study</u>	<u>2024-2025 Board Approved Funding</u>
Building service components	24	\$ 392,610			
Exterior building components	0-44	558,341			
Interior building components	7-21	235,404			
Pool facility components	0-21	96,532			
Property site components	0-20	144,570			
Pooled			126,535	69,600	78,000
		<u>\$ 1,427,457</u>	<u>\$ 126,535</u>	<u>\$ 69,600</u>	<u>\$ 78,000</u>