

Tortuga Club, Inc.

Financial Statements and Supplementary Information

December 31, 2021

Miller & Company, LLP  
2831 Ringling Boulevard Suite 204-B  
Sarasota, Florida 34237

Tortuga Club, Inc.

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**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

We have reviewed the accompanying financial statements of Tortuga Club, Inc., which comprise the balance sheet as of December 31, 2021, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

**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.

**Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Tortuga Club, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.




We have not applied procedures to determine whether the funds designated for major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our review. As further explained in Footnote 4, the Association is not funding the replacement fund adequately to meet future needs. Accordingly, the Association has the right to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available.

#### Supplementary Information

The supplementary schedule of operating fund expenses and the supplementary schedule of replacement fund activity on pages 12 through 14 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information is the representation of management. We have compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We have not audited or reviewed the supplementary information and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on it.

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property 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. Such information is the responsibility of management. We have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.

  
Miller & Company, LLP  
Certified Public Accountants  
Sarasota, Florida  
June 8, 2022

Tortuga Club, Inc.  
Balance Sheet  
December 31, 2021

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Assets			
Cash	\$ 128,273	\$ 443,614	\$ 571,887
Assessments receivable	138,652	-	138,652
Prepaid insurance	48,846	-	48,846
Prepaid expenses	3,757	-	3,757
Interfund receivable (payable)	<u>143,064</u>	<u>(143,064)</u>	<u>-</u>
Total assets	<u>\$ 462,592</u>	<u>\$ 300,550</u>	<u>\$ 763,142</u>
Liabilities and Fund Balance (Deficit)			
Accrued expenses	\$ 1,995	\$ -	\$ 1,995
Assessments received in advance	76,307	-	76,307
Line of credit	427,982	-	427,982
Deferred special assessments	-	-	-
Contract liabilities	<u>-</u>	<u>293,305</u>	<u>293,305</u>
	506,284	293,305	799,589
Fund balance (deficit)	<u>(43,692)</u>	<u>7,245</u>	<u>(36,447)</u>
Total liabilities and fund balance (deficit)	<u>\$ 462,592</u>	<u>\$ 300,550</u>	<u>\$ 763,142</u>

See accountant's audit report and accompanying notes.



Tortuga Club, Inc.  
Statement of Revenues, Expenses and Changes in Fund Balances  
Year Ended December 31, 2021

	Operating Fund	Replacement Fund	Total
Revenues			
Member assessments	\$ 566,344	\$ 233,536	\$ 799,880
Special assessment income	-	65,927	65,927
Interest income	-	435	435
Laundry income	3,476	-	3,476
Other income	2,943	-	2,943
Total revenues	<u>572,763</u>	<u>299,898</u>	<u>872,661</u>
Expenses			
Administration	352,909	-	352,909
Utilities	102,163	-	102,163
Building maintenance	100,786	-	100,786
Grounds maintenance	40,134	-	40,134
Recreation	11,911	-	11,911
Replacements	-	233,536	233,536
Special assessment expenses	-	65,927	65,927
Total expenses	<u>607,903</u>	<u>299,463</u>	<u>907,366</u>
Excess (deficiency) of revenues over expenses	(35,140)	435	(34,705)
Fund balances (deficit), beginning of year	<u>(8,552)</u>	<u>6,810</u>	<u>(1,742)</u>
Fund balances (deficit), end of year	<u><u>\$ (43,692)</u></u>	<u><u>\$ 7,245</u></u>	<u><u>\$ (36,447)</u></u>

See accountant's audit report and accompanying notes.

Tortuga Club, Inc.  
Statement of Cash Flows  
Year Ended December 31, 2021

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash flows from operating activities			
Excess (deficiency) of revenues over expenses	\$ (35,140)	\$ 435	\$ (34,705)
Changes in operating assets and liabilities			
Assessments receivable	(134,905)	428,111	293,206
Prepaid and other assets	(9,348)	-	(9,348)
Accounts payable and accrued expenses	(1,442)	-	(1,442)
Assessments received in advance	3,100	-	3,100
Contract liabilities	-	(13,528)	(13,528)
Net cash provided by (used in) operating activities	<u>(177,735)</u>	<u>415,018</u>	<u>237,283</u>
Cash flows from financing activities			
Line of credit principal payments	(150,985)	-	(150,985)
Interfund borrowing	<u>405,359</u>	<u>(405,359)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>254,374</u>	<u>(405,359)</u>	<u>(150,985)</u>
Net increase in cash	76,639	9,659	86,298
Cash, beginning of year	<u>51,634</u>	<u>433,955</u>	<u>485,589</u>
Cash, end of year	<u><u>\$ 128,273</u></u>	<u><u>\$ 443,614</u></u>	<u><u>\$ 571,887</u></u>
Cash paid during the year for:			
Interest expense	<u><u>\$ 19,398</u></u>		

See accountant's audit report and accompanying notes.



Tortuga Club, Inc.  
Notes to Financial Statements  
Year Ended December 31, 2021

Note 1-Nature of Organization

The Association is a not-for-profit corporation organized in 1972 to provide an entity pursuant to Florida Statute 718 for the administration, maintenance, operation, and management of Tortuga Beach, a condominium located in Sarasota, Florida. Tortuga Club, Inc. consists of 77 residential condominium units.

Assessments against the owners of the 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 Tortuga Club, Inc. and are allocated to owners based on unit type. Common property includes grounds, building exteriors, pool, recreational areas, drainage facilities, and paved areas.

All policy decisions are formulated by the Board of Directors. Certain major decisions are referred to the general membership before action is taken. Assessments are determined annually by the Board of Directors based upon maintenance and other operating requirements of the Association.

Note 2-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 accrual basis of accounting recognizes revenues when earned, and expenses when the obligations are incurred.

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.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the operating fund are generally made at the discretion of the Board of Directors. Disbursements from the replacement fund may be made only for the repairs and replacements of the common elements.

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 account for financial resources, including 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. In 2021, special assessment activity is recorded in the operating fund.



Tortuga Club, Inc.  
Notes to Financial Statements  
Year Ended December 31, 2021

Note 2-Summary of Significant Accounting Policies (Continued)

Commonly Owned Assets

The Association has the responsibility to preserve and maintain the commonly owned assets. 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 assets as ownership is vested directly or indirectly to the unit owners and these assets are not deemed to be severable. In addition, the Association directly expenses any purchases of personal property such as furnishings.

Member Assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessments revenue is recognized as the related performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when the funds are expended for their designated purpose. Any excess operating fund assessments at year end are retained by the Association for use in the succeeding year.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from owners. 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 past experience and susceptibility to factors outside the Association's control. The Association's policy is to retain legal counsel to collect delinquent assessments. A provision for doubtful accounts was not deemed necessary at December 31, 2021.

Revenue from member assessments is reported net of amounts deemed uncollectible from owners.

Contract Liabilities – 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 the replacement fund assessments.

Tortuga Club, Inc.  
Notes to Financial Statements  
Year Ended December 31, 2021

Note 2-Summary of Significant Accounting Policies (Continued)

During the current period, the Association assessed and received \$220,008 for the replacement fund. The balances of contract liabilities-replacement fund as of the beginning and end of the year are \$306,833 and \$293,305, respectively.

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.

Estimates and assumptions include the valuation of Association's commonly owned assets for obtaining insurance coverage and the estimated costs, useful lives, and the timing of repairs and replacement for components in replacement fund.

Fair Value of Financial Instruments

Professional standards require disclosure of an estimate of fair value of certain financial instruments. The Association's significant financial instruments are cash, assessments receivable and accrued expenses, for which carrying value approximate fair value.

Note 3-Member Assessments

The Association bills its maintenance assessments in advance on a quarterly basis. Assessments received in advance for 2022 were \$76,307.

Quarterly assessments to unit owners ranged from \$1,573 to \$5,111 in 2021. Of that amount, \$440 to \$1,430 was designated to the replacement fund.

Note 4-Future Major Repairs and Replacements

The Board of Directors conducted a study while preparing the 2022 budget to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the supplementary information about future major repairs and replacements is based on this study.

Accumulated funds are held in a separate bank account and generally are not available for expenditures for normal operations.



Tortuga Club, Inc.  
Notes to Financial Statements  
Year Ended December 31, 2021

Note 4-Future Major Repairs and Replacements (Continued)

The Association is computing the funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund utilizing the cash flow method. The study indicated a funding requirement of \$654,842, however, the membership voted to waive fully funded reserves and included a partial reserve funding \$240,000 in the 2022 budget.

Funds are not currently 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. Amounts are based on normal operations and without the effect of potential catastrophic occurrences.

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, subject to Florida Statutes, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Note 5-Income Taxes

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended December 31, 2021. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, non-membership transactions, and capital transactions.

The Association has an 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 is 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 2021, the Association has elected to file under section 528, and incurred no income tax expense.

The Association's income tax returns are subject to examination, by the applicable taxing authorities, generally for three years after the returns are filed. Currently, there are no audits in progress for any tax periods.

Tortuga Club, Inc.  
Notes to Financial Statements  
Year Ended December 31, 2021

Note 6-Contingent Liability

The Association's current windstorm insurance policy contains a 3% hurricane deductible clause. Based on the \$22.6 insured valuation of the property, the first \$676,790 in damages caused by a named storm would be the responsibility of the Association.

Note 7-Commitments - Cable Services

The Association entered into a bulk service agreement, effective September 21, 2018, with a local cable communications provider to provide television and internet service for the condominium. The initial term of the agreement is for ten years. The agreement automatically renews for successive periods of one year and may be terminated with a 60-day notice. The service provider is entitled to increase the bulk services fees 5% per year. Based on current costs, future annual minimum payments under this agreement, excluding any annual increases, are as follows:

2022	\$ 44,444
2023	44,444
2024	44,444
2025	44,444
2026-2028	<u>122,222</u>
	<u>\$ 299,998</u>

Note 8-Interfund Receivable (Payable)

As of December 31, 2021, the Association's replacement fund owed \$143,064 to the operating fund. The funds are commingled for investment purposes.

Note 9-Concentrations of Credit Risk for Cash Deposits

The Association maintains its cash balances at a financial institution located in southwest Florida. Accounts at commercial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of December 31, 2021, the bank balances exceed the FDIC limit by \$333,403 and are at risk.

Note 10-Special Assessment

In April, 2020 the Board of Directors approved a special assessment for installation of new doors and windows. The owners have voted that each unit will be assessed a unique amount based on the actual replacement cost for each unit. The assessment to the owners range from \$1,952 to \$47,023 is due upon completion. The owners also have the option to finance the assessment over 5 years. In 2021, the project was completed.



Tortuga Club, Inc.  
Notes to Financial Statements  
Year Ended December 31, 2021

Note 11-Line of Credit

In May 2020, the Association secured a \$900,000 line of credit from a local banking institution. During the initial draw period, the note requires monthly payments of interest only at 3.7%. The note will then convert to monthly payments of principal and interest until the maturity date of May 2026. The line of credit is collateralized by all operating fund assets and regular assessments not designated for reserves. At December 31, 2021, the outstanding balance on the line of credit was \$427,982. Interest costs in 2021 were \$19,398.

Note 12-Covid-19 Impact

The United States is presently in the midst of a national health emergency related to a virus commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Association and its future financial position and results of operations is not presently determinable.

Note 13-Subsequent Events

Management has evaluated the events and transactions that have occurred through June 8, 2022, the date the financial statements were available to be issued and noted no items requiring adjustment of the financial statements or additional disclosure.

## Supplementary Information



Tortuga Club, Inc.  
Supplementary Schedule of Operating Fund Expenses  
Year Ended December 31, 2021

Administration	
Insurance	\$ 145,932
Legal and professional	17,134
Accounting services	7,200
Division fees	308
Fees, dues and licenses	1,512
Social committee	127
Payroll	149,964
Telephone	4,906
Contingencies	327
Interest expense	19,398
Office supplies	6,101
	<u>352,909</u>
Utilities	
Water and sewer	42,271
Electric	13,491
Cable television	22,146
Internet service	24,255
	<u>102,163</u>
Building Maintenance	
Repairs and maintenance	21,328
Maintenance	3,408
Pest control	6,792
Janitorial service	32,742
Building supplies	8,412
Laundry service	1,483
Window service and repairs	1,975
Plumbing service	2,320
Fire services	11,542
Elevator contract and service	8,275
Elevator repairs	2,509
	<u>100,786</u>

Tortuga Club, Inc.  
Supplementary Schedule of Operating Fund Expenses  
Year Ended December 31, 2021

Grounds Maintenance	
Grounds contract	18,840
Grounds expense	20,994
Docks	300
	<u>40,134</u>
Swimming Pool	
Pool contract	5,330
Pool repairs	3,033
Pool heat	3,548
	<u>11,911</u>
Total operating fund expenses	<u><u>\$ 607,903</u></u>



Tortuga Club, Inc.  
Supplementary Schedule of Replacement Fund Activity  
Year Ended December 31, 2021

The Association's policy is to retain any replacement fund interest earned in the replacement fund and to recognize interest income as received. Expenditures from replacement fund interest are made at the discretion of the Board of Directors.  
The following is the activity in the replacement fund by component for the year ended December 31, 2021:

	Contract Liabilities					Fund		Total 12/31/21
	Balance 1/1/21	Member Assessments	Special Assessments	Expenditures	Balance 12/31/21	Balance 12/31/21		
	\$	\$	\$	\$	\$	\$	\$	\$
Swimming pool	4,713	3,459	-	-	8,172	-	-	8,172
Building restoration	(49,705)	72,290	-	(1,223)	21,362	-	-	21,362
Roofs	55,252	23,619	-	(1,600)	77,271	-	-	77,271
Walkways	75,536	8,824	-	(1,692)	82,668	-	-	82,668
Asphalt resurfacing	182,228	2,697	-	(26,195)	158,730	-	-	158,730
Plumbing	(74,387)	3,496	-	(34,793)	(105,684)	-	-	(105,684)
Social area renovation	17,380	5,172	-	-	22,552	-	-	22,552
Washers & dryers	12,688	4,280	-	-	16,968	-	-	16,968
Generator	(625)	2,431	-	-	1,806	-	-	1,806
Elevator pistons	19,720	9,012	-	-	28,732	-	-	28,732
Elevator reserve	(66,937)	8,240	-	-	(58,697)	-	-	(58,697)
Lanai screen enclosures	(75,190)	5,975	-	-	(69,215)	-	-	(69,215)
Enter phones	10,812	330	-	-	11,142	-	-	11,142
Fire pumps	(146)	390	-	(30,962)	(30,718)	-	-	(30,718)
Water pumps	2,015	1,028	-	-	3,043	-	-	3,043
Docks	5,808	2,164	-	-	7,972	-	-	7,972
Tennis courts	(12,952)	573	-	-	(12,379)	-	-	(12,379)
Fire alarm	63,578	525	-	-	64,103	-	-	64,103
Penthouse	30,566	20,806	-	(10,228)	41,144	-	-	41,144
Fire places	5,340	3,714	-	-	9,054	-	-	9,054
Exterior doors	4,546	24,673	-	(141,186)	(111,967)	-	-	(111,967)
Windows & patio doors	98,430	6,196	65,927	(51,584)	118,969	-	-	118,969
Electrical	(1,837)	10,114	-	-	8,277	-	-	8,277
Unallocated interest	-	-	-	-	-	7,245	7,245	7,245
	\$ 306,833	\$ 220,008	\$ 65,927	\$ (299,463)	\$ 293,305	\$ 7,245	\$ 7,245	\$ 300,550

Tortuga Club, Inc.  
Supplementary Information About Future Major Repairs and Replacement  
Year Ended December 31, 2021

The Board of Directors conducted a study to estimate the remaining useful lives and the replacement costs of the components of common property during the preparation of the 2022 budget.

Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

<u>Components</u>	<u>Estimated Remaining Lives (Years)</u>	<u>Estimated Cost to Replace</u>	<u>2022 Funding Requirement</u>
Swimming pool	6	\$ 80,000	\$ 10,755
Building restoration	2	400,000	224,853
Roofs	4	500,000	73,466
Walkways	9	350,000	27,446
Asphalt resurfacing	19	350,000	8,389
Plumbing	20	154,000	10,876
Social area renovation	6	130,000	16,089
Washers & dryers	-	26,000	13,312
Generator	9	75,000	7,562
Elevator pistons	10	300,000	28,028
Elevator reserve	10	215,000	25,631
Lanai screen enclosures	13	185,000	18,585
Enter phones	6	18,000	1,027
Fire pumps	9	12,000	1,215
Water pumps	14	50,000	3,199
Docks	2	26,000	6,731
Tennis courts	13	12,000	1,782
Fire alarm	6	75,000	1,632
Penthouse lanais	1	160,000	64,717
Fireplaces	4	40,000	11,553
Exterior doors	5	195,000	76,742
Windows & patio doors	29	800,000	19,271
Electrical	-	-	1,981
		<u>\$ 4,153,000</u>	<u>\$ 654,842</u>