

**TORTUGA CLUB, INC.**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2016**  
**(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)**

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**FLANAGAN & JASON, INC.**  
CERTIFIED PUBLIC ACCOUNTANT AND ASSOCIATE

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Tortuga Club, Inc.  
8730 Midnight Pass Road  
Sarasota, FL 34242

We have audited the accompanying financial statements of Tortuga Club, Inc. which comprise the balance sheet as of December 31, 2016, 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 Tortuga Club, Inc. as of December 31, 2016, 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***

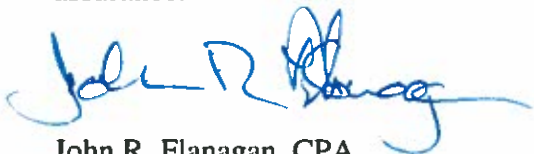
Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note III are adequate to meet such future costs because that determination is outside the scope of our audit. However, as further explained in Note III, the Association is not funding the replacement fund in accordance with the Association's estimated future replacement costs. Accordingly, the Association has the right to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available. Our opinion is not modified with respect to that matter.

### ***Disclaimer of Opinion 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 operating expenses and the supplementary schedule of changes in replacement fund balances on pages 11-12 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information 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 about future repairs and replacements on page 13 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.



John R. Flanagan, CPA  
President  
Flanagan & Jason, Inc.  
Sarasota, Florida  
July 18, 2017

**Tortuga Club, Inc.**  
**Balance Sheet**  
**December 31, 2016**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash	\$ 63,133	\$ 722,691	\$ 785,824
Special assessments receivable	-	174,812	174,812
Prepaid insurance	36,573	-	36,573
Prepaid expenses - other	1,067	-	1,067
Deposit - payroll company	3,389	-	3,389
Interfund receivable/(payable)	<u>(14,564)</u>	<u>14,564</u>	<u>-</u>
 Total Assets	 <u>\$ 89,598</u>	 <u>\$ 912,067</u>	 <u>\$ 1,001,665</u>
 <b><u>Liabilities and Fund Balances</u></b>			
Accounts payable	\$ 8,438	\$ 2,993	\$ 11,431
Prepaid assessments	<u>85,717</u>	<u>-</u>	<u>85,717</u>
 Total Liabilities	 94,155	 2,993	 97,148
 Fund Balances (Deficits)	 <u>(4,557)</u>	 <u>909,074</u>	 <u>904,517</u>
 Total Liabilities and Fund Balances	 <u>\$ 89,598</u>	 <u>\$ 912,067</u>	 <u>\$ 1,001,665</u>

Read accountant's audit report.

The accompanying notes are an integral part of these financial statements.

**Tortuga Club, Inc.**  
**Statement of Revenues, Expenses and Changes in Fund Balances**  
**For the Year Ended December 31, 2016**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b><u>Revenues</u></b>			
Member assessments	\$ 483,619	\$ 170,350	\$ 653,969
Special assessment	-	262,002	262,002
Interest earned	-	2,741	2,741
Miscellaneous	5,024	-	5,024
Total Revenues	<u>488,643</u>	<u>435,093</u>	<u>923,736</u>
<b><u>Expenses</u></b>			
Grounds maintenance	33,529	-	33,529
Building maintenance	84,677	-	84,677
Swimming pool	9,393	-	9,393
Utilities	73,864	-	73,864
Administration	323,103	-	323,103
Replacements	-	586,233	586,233
Total Expenses	<u>524,566</u>	<u>586,233</u>	<u>1,110,799</u>
Excess (Deficit) of Revenues Over Expenses	(35,923)	(151,140)	(187,063)
Transfers	324	(324)	-
Beginning Fund Balances	<u>31,042</u>	<u>1,060,538</u>	<u>1,091,580</u>
Ending Fund Balances (Deficits)	<u>\$ (4,557)</u>	<u>\$ 909,074</u>	<u>\$ 904,517</u>

Read accountant's audit report.

The accompanying notes are an integral part of these financial statements.

**Tortuga Club, Inc.**  
**Statement of Cash Flows**  
**For the Year December 31, 2016**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities:</b>			
Cash received from members	\$ 509,357	\$ 257,540	\$ 766,897
Interest received	-	2,741	2,741
Miscellaneous receipts	5,024	-	5,024
Cash paid to suppliers & contractors	<u>(522,822)</u>	<u>(583,240)</u>	<u>(1,106,062)</u>
Net Cash Provided (Used) by Operating Activities	<u>(8,441)</u>	<u>(322,959)</u>	<u>(331,400)</u>
<b>Cash Flows From Financing Activities:</b>			
Interfund transfer	324	(324)	-
Interfund receivable	<u>(136)</u>	<u>136</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>188</u>	<u>(188)</u>	<u>-</u>
Net Increase (Decrease) in Cash	(8,253)	(323,147)	(331,400)
Cash at Beginning of Year	<u>71,386</u>	<u>1,045,838</u>	<u>1,117,224</u>
Cash at End of Year	<u>\$ 63,133</u>	<u>\$ 722,691</u>	<u>\$ 785,824</u>

Read accountant's audit report.

The accompanying notes are an integral part of these financial statements.

**Tortuga Club, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2016**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Reconciliation of Excess (Deficit) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:</b>			
Excess (Deficit) of Revenues Over Expenses	\$ (35,923)	\$ (151,140)	\$ (187,063)
<b>Decrease (increase) in operating assets:</b>			
Assessments receivable	4,820	-	4,820
Special assessments receivable	-	(174,812)	(174,812)
Prepaid insurance	(5,267)	-	(5,267)
Other prepaid expenses	(699)	-	(699)
<b>Increase (decrease) in operating liabilities:</b>			
Accounts payable	7,710	2,993	10,703
Prepaid assessments	20,918	-	20,918
Total Adjustments	<u>27,482</u>	<u>(171,819)</u>	<u>(144,337)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (8,441)</u>	<u>\$ (322,959)</u>	<u>\$ (331,400)</u>

Read accountant's audit report.

The accompanying notes are an integral part of these financial statements.



# **Tortuga Club, Inc.**

## **Notes to Financial Statements**

### **ORGANIZATION**

Tortuga Club, Inc. (the Association), is a not-for profit corporation organized November 16, 1972 to provide an entity pursuant to Section 718.111 of the Florida Condominium Act for the administration, maintenance, operation, and management of Tortuga Club, Inc., located in Sarasota, Florida. The Association consists of 77 residential condominium units. 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 the Association. This includes building exteriors, pool, tennis courts, boat docks, irrigation, landscaping and paved areas. The allocation of operating income and expense to the unit owners, as indicated in the documents, is based on square footage per unit.

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 I - 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 element.

#### **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.

#### **Cash and Cash Equivalents**

For the purposes of the statement of cash flows, the Association considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

## **Tortuga Club, Inc.**

### **Notes to Financial Statements**

#### **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.

#### **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 a freestanding unit. 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 in 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 and recreation equipment.

#### **Assessments Receivable**

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of the homeowners whose assessments are delinquent.

#### **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 and assessments receivable. For these financial instruments, carrying values approximate fair value.

### **NOTE II - MEMBER ASSESSMENTS**

Quarterly member assessments for 2016 were: \$1,308 for A units, \$1,799 for B units, \$2,288 for C units, \$3,270 for D units and \$4,251 for E units. Of these amounts, \$341, \$469, \$596, \$852 and \$1,107 were designated to the replacement fund, respectively.

Tortuga Club, Inc. bills its maintenance fees in advance on a quarterly basis. The amount received in advance for 2017 was \$85,717.

Maintenance fees assessed in excess of the expenditures reduce amounts assessed to members for maintenance in the subsequent year. Accumulated deficits will be recovered through future increases in assessments.

**Tortuga Club, Inc.**  
**Notes to Financial Statements**

**NOTE III - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association engaged an independent engineer who conducted a study in 2013 to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study and Board estimates. Accumulated funds are held in a separate bank account and generally are not available for expenditures for normal operations.

The Board is calculating 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. For 2017, the members waived statutory funding, but approved partial funding of \$131,465, which is included in the 2017 budget. The study indicates a statutory funding requirement of \$319,237.

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. Amounts are based on normal operations and without the effect of potential catastrophic occurrences. Presently, the Association is not funding the replacement fund adequately to meet future needs. Accordingly, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**NOTE IV - CONCENTRATIONS OF CREDIT RISK FOR CASH DEPOSITS**

The Association maintains its cash balances at financial institutions located in Sarasota, Florida. Accounts at commercial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of December 31, 2016, all cash balances were within the FDIC's insured limit.

**NOTE V - CONTINGENT LIABILITY**

The Association's current windstorm insurance policy contains a 3% deductible clause. Based on the \$20,888,000 valuation of the buildings, the first 3% or \$627,000 in damages caused by a named hurricane would be the responsibility of the Association.

**NOTE VI - INTERFUND RECEIVABLE**

As of December 31, 2016, the Association's operating fund owed the replacement fund the sum of \$14,564. The amounts are comingled for investment purposes.

**Tortuga Club, Inc.**  
**Notes to Financial Statements**

**NOTE VII – 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, 2016. 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, nonmembership 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 2016, the Association has elected to file under 528, and did not incur income tax expense.

As required by the Internal Revenue Code, the Association evaluates its uncertain tax positions annually. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. At December 31, 2016, the Association had no uncertain tax positions.

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.

**NOTE VIII – SPECIAL ASSESSMENT**

On March 11, 2016, the membership approved a \$262,000 special assessment to fund the purchase and installation of pavers. The assessment is payable in 12 quarterly installments beginning January 1, 2016 and ending October 1, 2018. The total assessment and quarterly amounts per unit type are as follows:

<u>Unit Type</u>	<u>Assessment</u>	<u>Quarterly Payment</u>
A	\$2,096	\$175
B	2,882	240
C	3,668	306
D	5,240	437
E	6,812	568

**NOTE IX – SUBSEQUENT EVENTS**

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

## **Supplementary Schedules**

**Tortuga Club, Inc.**  
**Supplementary Schedule of Operating Expenses**  
**For the Year Ended December 31, 2016**  
**Unaudited**

**Grounds Maintenance**

Grounds contract	\$ 19,620
Grounds expense	13,909
	<u>33,529</u>

**Building Maintenance**

Repairs and maintenance	34,470
Pest control	5,762
Janitorial service	24,917
Building supplies	9,964
Window service and repairs	610
Plumbing service	3,150
Miscellaneous projects	690
Elevator contract and service	5,114
	<u>84,677</u>

**Swimming Pool**

Pool contract	4,560
Pool repairs	2,250
Pool heat	2,583
	<u>9,393</u>

**Utilities**

Water and sewer	25,492
Electric	18,021
Cable television	29,306
Internet service	1,045
	<u>73,864</u>

**Administration**

Insurance	133,235
Legal and professional	21,251
Accounting services	7,200
Fees, dues and licenses	1,587
Condominium fees	308
Social committee	1,711
Payroll	143,708
Contingencies	1,086
Telephone	8,718
Office supplies	4,299
	<u>323,103</u>
<b>Total Expenses</b>	<b>\$ 524,566</b>

Read accountant's audit report.

**Tortuga Club, Inc.**  
**Supplementary Schedule of Changes in Replacement Fund Balances**  
**For the Year Ended December 31, 2016**  
**Unaudited**

<b><u>Components:</u></b>	<b><u>Balance</u></b>	<b><u>Allocations</u></b>	<b><u>Special</u></b>	<b><u>Interest</u></b>		<b><u>Inter-Fund</u></b>	<b><u>Intra-Fund</u></b>	<b><u>Balance</u></b>
	<b><u>1/1/16</u></b>	<b><u>Income</u></b>	<b><u>Assessment</u></b>	<b><u>Income</u></b>	<b><u>Expenses</u></b>	<b><u>Transfers</u></b>	<b><u>Transfers</u></b>	<b><u>12/31/16</u></b>
Swimming pool	\$ 30,469	\$ 2,979	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,448
Building restoration	222,063	16,531	-	-	(2,330)	-	(71,955)	164,309
Roofs	252,682	26,107	-	-	(3,417)	-	(71,955)	203,417
Walkways	90,000	12,583	-	-	(1,959)	-	-	100,624
Asphalt resurfacing	33,991	1,199	262,002	-	(441,020)	-	144,260	432
Plumbing	116,715	4,940	-	-	(31,987)	-	-	89,668
Social area renov.	9,700	3,901	-	-	(6,600)	-	-	7,001
Washers & dryers	1,096	(581)	-	-	-	-	-	515
Generator	12,641	1,025	-	-	-	-	-	13,666
Elevator pistons	45,495	3,462	-	-	(47,950)	-	-	1,007
Elevator reserve	89,022	13,358	-	-	(8,824)	-	-	93,556
Lanai screen enclosures	72,530	22,399	-	-	-	-	-	94,929
Enterphones	5,085	3,879	-	-	-	-	-	8,964
Fire pumps	4,020	4,323	-	-	-	-	-	8,343
Water pumps	6,619	3,018	-	-	(15,540)	(324)	8,508	2,281
Docks	(953)	1,608	-	-	-	-	-	655
Tennis courts	6,389	150	-	-	-	-	-	6,539
Fire alarm	35,000	2,109	-	-	-	-	-	37,109
Penthouse lanais	20,224	7,150	-	-	(21,650)	-	-	5,724
Fire places	15,825	1,424	-	-	-	-	-	17,249
Exterior doors	(7,618)	14,029	-	-	(3,308)	-	-	3,103
Windows & patio doors	(6,574)	24,757	-	-	(1,648)	-	-	16,535
Interest	6,117	-	-	2,741	-	-	(8,858)	-
<b>Totals</b>	<b>\$ 1,060,538</b>	<b>\$ 170,350</b>	<b>\$ 262,002</b>	<b>\$ 2,741</b>	<b>\$ (586,233)</b>	<b>\$ (324)</b>	<b>\$ -</b>	<b>\$ 909,074</b>

Read accountant's audit report.

**Tortuga Club, Inc.**  
**Supplementary Information About Future Major Repairs and Replacements**  
**December 31, 2016**  
**Unaudited**

The following is the estimated remaining life and estimated replacement costs of the components of common property. This is based upon the reserve study conducted in 2013 and estimates made by the Board during the preparation of the proposed 2017 budget.

<u>Components:</u>	<u>Estimated Remaining Life</u>	<u>Estimated Current Replacement Costs</u>	<u>2017 Statutory Funding Requirement</u>	<u>Current Fund Balance 12/31/16</u>
Swimming pool	12 years	\$ 105,000	\$ 5,963	\$ 33,448
Building restoration	4 years	300,000	15,351	164,309
Roofs	20 years	650,000	18,582	203,417
Walkways	9 years	327,000	24,935	100,624
Asphalt resurfacing	24 years	300,000	21,540	432
Plumbing	25 years	154,000	2,492	89,668
Social area renov.	16 years	112,740	6,196	7,001
Washers & dryers	1 year	10,000	9,872	515
Generator	25 years	65,000	2,053	13,666
Elevator pistons	15 years	150,000	8,275	1,007
Elevator reserve	15 years	215,000	7,508	93,556
Lanai screen enclosures	5 years	326,000	46,214	94,929
Enterphones	1 year	12,546	3,582	8,964
Fire pumps	12 years	85,500	6,430	8,343
Water pumps	20 years	35,090	2,050	2,281
Docks	8 years	26,000	4,121	655
Tennis courts	19 years	12,000	287	6,539
Fire alarm	3 years	75,000	12,630	37,109
Penthouse lanais	7 years	130,000	17,753	5,724
Fireplaces	8 years	40,000	2,844	17,249
Exterior doors	11 years	315,000	35,673	3,103
Windows & patio doors	11 years	560,000	56,943	16,535
Electrical	1 year	-	7,943	-
		<u>\$ 4,005,876</u>	<u>\$ 319,237</u>	<u>\$ 909,074</u>

Read accountant's audit report.