

Tortuga Club, Inc.

Financial Statements and Supplementary Information

December 31, 2022

Miller & Company, LLP  
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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, 2022, 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  
August 31, 2023

Tortuga Club, Inc.  
Balance Sheet  
December 31, 2022

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Assets			
Cash	\$ 171,214	\$ 403,607	\$ 574,821
Assessments receivable	72,988	-	72,988
Prepaid insurance	73,457	-	73,457
Interfund receivable (payable)	<u>(32,504)</u>	<u>32,504</u>	<u>-</u>
 Total assets	 <u><u>\$ 285,155</u></u>	 <u><u>\$ 436,111</u></u>	 <u><u>\$ 721,266</u></u>
Liabilities and Fund Balance (Deficit)			
Accounts payable	\$ 21,078	\$ -	\$ 21,078
Accrued expenses	15,007	-	15,007
Assessments received in advance	3,388	-	3,388
Line of credit	337,225	-	337,225
Contract liabilities - replacement fund	<u>-</u>	<u>428,284</u>	<u>428,284</u>
	376,698	428,284	804,982
 Fund balance (deficit)	 <u>(91,543)</u>	 <u>7,827</u>	 <u>(83,716)</u>
 Total liabilities and fund balance (deficit)	 <u><u>\$ 285,155</u></u>	 <u><u>\$ 436,111</u></u>	 <u><u>\$ 721,266</u></u>

See accountant's review report and accompanying notes.

Tortuga Club, Inc.  
Statement of Revenues, Expenses and Changes in Fund Balances  
Year Ended December 31, 2022

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Revenues			
Member assessments	\$ 633,940	\$ 105,023	\$ 738,963
Interest income	-	582	582
Laundry income	6,813	-	6,813
Other income	28,211	-	28,211
Total revenues	<u>668,964</u>	<u>105,605</u>	<u>774,569</u>
Expenses			
Administration	413,896	-	413,896
Building maintenance	141,624	-	141,624
Utilities	105,781	-	105,781
Grounds maintenance	34,447	-	34,447
Recreation	21,067	-	21,067
Replacements	-	105,023	105,023
Total expenses	<u>716,815</u>	<u>105,023</u>	<u>821,838</u>
Excess (deficiency) of revenues over expenses	(47,851)	582	(47,269)
Fund balances (deficit), beginning of year	<u>(43,692)</u>	<u>7,245</u>	<u>(36,447)</u>
Fund balances (deficit), end of year	<u><u>\$ (91,543)</u></u>	<u><u>\$ 7,827</u></u>	<u><u>\$ (83,716)</u></u>

See accountant's review report and accompanying notes.

Tortuga Club, Inc.  
Statement of Cash Flows  
Year Ended December 31, 2022

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash flows from operating activities			
Excess (deficiency) of revenues over expenses	\$ (47,851)	\$ 582	\$ (47,269)
Changes in operating assets and liabilities			
Assessments receivable	65,664	-	65,664
Prepaid insurance	(24,611)	-	(24,611)
Prepaid expenses	3,757	-	3,757
Accounts payable	21,078	-	21,078
Accrued expenses	13,012	-	13,012
Assessments received in advance	(72,919)	-	(72,919)
Contract liabilities - replacement fund	-	134,979	134,979
Net cash provided by (used in) operating activities	<u>(41,870)</u>	<u>135,561</u>	<u>93,691</u>
Cash flows from financing activities			
Line of credit principal payments	(90,757)	-	(90,757)
Interfund borrowing	<u>175,568</u>	<u>(175,568)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>84,811</u>	<u>(175,568)</u>	<u>(90,757)</u>
Net increase (decrease) in cash	42,941	(40,007)	2,934
Cash, beginning of year	<u>128,273</u>	<u>443,614</u>	<u>571,887</u>
Cash, end of year	<u><u>\$ 171,214</u></u>	<u><u>\$ 403,607</u></u>	<u><u>\$ 574,821</u></u>
Cash paid during the year for:			
Interest expense	<u><u>\$ 14,465</u></u>		

See accountant's review report and accompanying notes.

Tortuga Club, Inc.  
Notes to Financial Statements  
Year Ended December 31, 2022

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 financials 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.



Tortuga Club, Inc.  
Notes to Financial Statements  
Year Ended December 31, 2022

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, 2022.

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, 2022

Note 2-Summary of Significant Accounting Policies (Continued)

During the current period, the Association assessed and received \$240,002 for the replacement fund. The balances of contract liabilities-replacement fund as of the beginning and end of the year are \$293,305 and \$428,284, 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 2023 were \$3,388.

Quarterly assessments to unit owners ranged from \$1,748 to \$5,681 in 2022. Of that amount, \$480 to \$1,560 was designated to the replacement fund.

Note 4-Future Major Repairs and Replacements

The Board of Directors conducted a study while preparing the 2023 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, 2022

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 members waived statutory funding, but approved partial funding of \$150,000 which was included in the 2023 budget. The study indicated a funding requirement of \$409,347.

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, 2022. 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 2022, 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, 2022

Note 6-Contingent Liability

The Association's current windstorm insurance policy contains a 5% hurricane deductible clause. Based on the \$25.3 insured valuation of the property, approximately the first \$1.3 million 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:

2023	\$	46,403
2024		46,403
2025		46,403
2026		46,403
2027-2028		<u>81,205</u>
		<u>\$ 266,817</u>

Note 8-Interfund Receivable (Payable)

As of December 31, 2022, the Association's operating fund owed \$32,504 to the replacement 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, 2022, the bank balances exceed the FDIC limit and may be at risk. The Association has not experienced any losses on such accounts.

Note 10-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, 2022, the outstanding balance on the line of credit was \$337,225. Interest costs in 2022 were \$14,465.

Tortuga Club, Inc.  
Notes to Financial Statements  
Year Ended December 31, 2022

Note 11-Subsequent Events

Management has evaluated the events and transactions that have occurred through August 31, 2023, the date the financial statements were available to be issued and noted no items requiring adjustment of the financial statements or additional disclosure.

On August 6, 2023, the Association approved a special assessment in the amount of \$5,000,000 to cover costs related to roof replacement, building restoration, boat dock reconstruction, garage and pool ceiling refurbishing, unit window and door hardening, engineering fees, and a contingency for any unforeseen costs related to these repairs.

## Supplementary Information

Tortuga Club, Inc.  
Supplementary Schedule of Operating Fund Expenses  
Year Ended December 31, 2022

Administration

Insurance	\$ 202,639
Legal and professional	6,505
Accounting services	3,500
Management fees	9,340
Dues and subscriptions	60
Social committee	429
Payroll	163,225
Telephone	5,565
Fees, dues and licenses	1,018
Interest expense	14,465
Bureau of condo fees	533
Office supplies	6,617
	<u>413,896</u>

Building Maintenance

Irrigation repairs	621
Pest control	7,968
Building cleaning	32,742
Building supplies	16,053
Building repairs	40,947
Laundry repairs	1,139
Minor painting	1,264
Window service and repairs	1,115
Plumbing repairs	4,587
Fire equipment	26,650
Fire alarms	503
Elevator contract and service	7,594
Elevator repairs	441
	<u>141,624</u>

Utilities

Water and sewer	44,719
Electric	14,756
Cable television	26,191
Internet service	20,115
	<u>105,781</u>

Tortuga Club, Inc.  
Supplementary Schedule of Operating Fund Expenses Continued  
Year Ended December 31, 2022

Grounds Maintenance	
Grounds contract	19,290
Grounds expense	15,157
	<u>34,447</u>
Swimming Pool	
Pool contract	6,606
Pool repairs	5,081
Pool heat	9,380
	<u>21,067</u>
Total operating fund expenses	<u><u>\$ 716,815</u></u>



Tortuga Club, Inc.  
Supplementary Schedule of Replacement Fund Activity  
Year Ended December 31, 2022

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, 2022:

	Contract Liabilities	Fund Balance	Total
Pooled balance, beginning of year	\$ 293,305	\$ 7,245	\$ 300,550
Additions	240,002	582	240,584
Charges	<u>(105,023)</u>	<u>-</u>	<u>(105,023)</u>
Pooled balance, end of year	<u>\$ 428,284</u>	<u>\$ 7,827</u>	<u>\$ 436,111</u>

Tortuga Club, Inc.  
Supplementary Information About Future Major Repairs and Replacement  
Year Ended December 31, 2022

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 2023 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>2023 Funding Requirement</u>
Swimming pool	6	\$ 80,000	
Building restoration	10	350,000	
Roofs	30	800,000	
Walkways	9	350,000	
Pavement	18	350,000	
Social area	6	130,000	
Washers & dryers	-	26,000	
Generator	9	75,000	
Elevator reserve	10	300,000	
Lanai screen enclosures	13	185,000	
Enter phones	6	18,000	
Fire pumps	9	12,000	
Water pumps	-	50,000	
Docks	-	26,000	
Tennis courts	-	12,000	
Fire alarm	-	75,000	
Penthouse lanais	-	160,000	
Fireplaces	-	40,000	
Exterior doors	-	195,000	
Windows & patio doors	28	800,000	
AC roofs	-	150,000	
Cash flow funding		-	\$ 409,347
		<u>\$ 4,184,000</u>	<u>\$ 409,347</u>