

**Bay Tree Club Association, Inc.**

**Independent Auditor's Report,  
Financial Statements  
and  
Supplementary Information**

**December 31, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Bay Tree Club Association, Inc.

We have audited the accompanying financial statements of Bay Tree Club Association, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***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 Bay Tree Club Association, Inc. as of December 31, 2020, 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 4 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of operating fund expenses and of replacement fund activity on pages eleven (11) through thirteen (13) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page fourteen (14) 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.

*Murdinger & Tyack CPAs, PC.*

April 7, 2021  
Curtiss Office  
Sarasota, Florida

**Bay Tree Club Association, Inc.**

Sarasota, Florida

**Balance Sheet**

December 31, 2020

**ASSETS**

	Operating Fund	Replacement Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 28,583	\$ 575,490	\$ 604,073
Accounts receivable	1,110	-	1,110
Special assessment receivable	54,389	-	54,389
Due from other fund	107,554	-	107,554
Prepays and other	94,536	-	94,536
Property and equipment, net of accumulated depreciation of \$60,382	<u>45,528</u>	<u>-</u>	<u>45,528</u>
<b>Total Assets</b>	<u>\$ 331,700</u>	<u>\$ 575,490</u>	<u>\$ 907,190</u>

**LIABILITIES AND FUND BALANCES**

<b>Liabilities</b>			
Accrued expenses	\$ 9,708	\$ -	\$ 9,708
Due to other fund	-	107,554	107,554
Deposits	2,325	-	2,325
Deferred special assessment	148,516	-	148,516
Prepaid member assessments	52,637	-	52,637
Contract liabilities (assessments received in advance - replacement fund)	<u>-</u>	<u>467,936</u>	<u>467,936</u>
<b>Total Liabilities</b>	213,186	575,490	788,676
<b>Fund Balances</b>	<u>118,514</u>	<u>-</u>	<u>118,514</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 331,700</u>	<u>\$ 575,490</u>	<u>\$ 907,190</u>

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

**Bay Tree Club Association, Inc.**

Sarasota, Florida

**Statement of Revenues, Expenses and Changes in Fund Balances**

Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
<b>Revenues</b>			
Member assessments	\$ 667,560	\$ 28,706	\$ 696,266
Special assessment	1,826,020	-	1,826,020
Special assessment interest	11,656	-	11,656
Interest	117	3,690	3,807
Application fees	13,100	-	13,100
Laundry	10,598	-	10,598
Total Revenues	2,529,051	32,396	2,561,447
<b>Expenses</b>			
Administration	347,446	-	347,446
Common area maintenance	125,239	-	125,239
Grounds maintenance	55,683	-	55,683
Utilities	170,017	-	170,017
Special assessment	1,826,020	-	1,826,020
Replacement	-	32,396	32,396
Total Expenses	2,524,405	32,396	2,556,801
Excess Revenues over Expenses	4,646	-	4,646
Beginning Fund Balances	113,868	-	113,868
Ending Fund Balances	\$ 118,514	\$ -	\$ 118,514

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

**Bay Tree Club Association, Inc.**

Sarasota, Florida

**Statement of Cash Flows**

Year Ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities:</b>			
Member assessments received	\$ 621,584	\$ 161,000	\$ 782,584
Special assessments collected	1,920,147	-	1,920,147
Special assessment interest collected	11,656	-	11,656
Interest received	117	3,690	3,807
Other receipts	22,698	-	22,698
Cash paid to suppliers and contractors	<u>(2,535,372)</u>	<u>(32,396)</u>	<u>(2,567,768)</u>
Net Cash Provided by Operating Activities	<u>40,830</u>	<u>132,294</u>	<u>173,124</u>
<b>Cash Flows From Investing Activities:</b>			
Purchase of equipment	<u>(19,709)</u>	<u>-</u>	<u>(19,709)</u>
Net Cash Provided (Used) by Investing Activities	<u>(19,709)</u>	<u>-</u>	<u>(19,709)</u>
<b>Cash Flows From Financing Activities:</b>			
Change in due (to) from other fund	<u>(127,341)</u>	<u>127,341</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>(127,341)</u>	<u>127,341</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(106,220)	259,635	153,415
Cash and Cash Equivalents - Beginning of Year	<u>134,803</u>	<u>315,855</u>	<u>450,658</u>
Cash and Cash Equivalents - End of Year	<u>\$ 28,583</u>	<u>\$ 575,490</u>	<u>\$ 604,073</u>

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

**Bay Tree Club Association, Inc.**  
Sarasota, Florida

**Statement of Cash Flows**  
Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
Reconciliation of excess revenues over expenses to net cash provided by operating activities			
Excess Revenues over Expenses	\$ 4,646	\$ -	\$ 4,646
Adjustments to reconcile excess (deficit) revenues over expenses to net cash provided by operating activities:			
Depreciation	11,863	-	11,863
Decrease (increase) in operating assets:			
Assessments receivable	(1,015)	-	(1,015)
Special assessments receiveable	1,920,147	-	1,920,147
Prepays and other	(21,052)	-	(21,052)
Increase (decrease) in operating liabilities			
Accrued expenses	(1,778)	-	(1,778)
Deposits	(1,000)	-	(1,000)
Deferred special assessments	(1,826,020)	-	(1,826,020)
Prepaid member assessments	(44,961)	-	(44,961)
Contract liabilities	-	132,294	132,294
Total Adjustments	36,184	132,294	168,478
Net cash provided by operating activities	\$ 40,830	\$ 132,294	\$ 173,124

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



**Bay Tree Club Association, Inc.**  
Sarasota, Florida

**Notes to the Financial Statements**  
December 31, 2020

**Note 1 – Nature of Organization and Management Review**

Nature of Organization

Bay Tree Club Association, Inc. (“the Association”) is a not-for-profit corporation organized to provide an entity pursuant to Section 718 of the Florida Condominium Act for the administration, maintenance, operation, and management of 120 residential units of Bay Tree Club Association located on Siesta Key, Florida. Assessments against the owners of the condominium units, which are the principal source of revenue, are based on the total estimated amounts required to protect and maintain the property owned by the unit owners in common of the Association.

All policy decisions are formulated by the Board of Directors. Certain major decisions are referred to the general membership before action is taken.

Management Review

The Association has evaluated events and transactions for potential recognition or disclosure through April 7, 2021, the date the financial statements were available to be issued.

**Note 2 – Summary of Significant Accounting Policies**

Financial Statements

The financial statements and notes are the representations of the Association’s management, who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The Association’s governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Board of Directors and the Association maintains its accounts 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. The operating fund reflects the operating assessments paid by unit owners to meet the regular costs of operation. Expenditures of this fund are limited to those connected with the day-to-day operations and non-recurring unanticipated expenditures.

Replacement Fund – This fund is used to account for financial resources designated for future major repairs and replacements. The replacement fund is composed of all capital assessments paid by unit owners to fund future replacements, major repairs and purchases of additional commonly-owned assets. Disbursements from the reserve fund may generally be made only for designated purposes.

Interest Earned on Reserves

The Association’s policy is to include in the replacement fund any interest earned on the replacement fund investments.

Allocation of Income and Expenses

The allocation of income and expenses to Association members is based on the condominium documents, which state that the Association members share the income and expenses based on the size of the unit.

Cash Equivalents

For purposes of the balance sheet and the statement of cash flows, the Association considers demand deposits with banks, money market funds and all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Bay Tree Club Association, Inc.**  
Sarasota, Florida

**Notes to the Financial Statements**  
December 31, 2020

**Note 2 – Summary of Significant Accounting Policies - continued**

**Member Assessments**

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue 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 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 these funds are expended for their designated purpose. The quarterly assessments for 2020 ranged from \$1,554 to \$1,906, of which \$302 to \$370 was designated for the replacement fund. Excess assessments at year end are retained by the association for use in the succeeding year.

Assessments receivable as of December 31, 2020 are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are delinquent. As of December 31, 2020, the Association had outstanding assessments and special assessment receivables of \$55,499. It is the opinion of the Board of Directors that the Association will ultimately prevail against all the unit owners with delinquent assessments and, accordingly, an allowance for uncollectible accounts was deemed unnecessary.

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 experience and susceptibility to factors outside the Association's control. The balances of assessments receivable and special assessment receivable as of the beginning and end of the year are \$1,974,631 and \$55,499, respectively.

**Income Taxes**

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-member 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 2020, the Association has elected to file under Section 528.

FASB ASC 740, *Income Taxes*, sets forth standards for financial presentation and disclosure of income tax liabilities and expenses and clarifies the accounting for uncertainty in income taxes recognized. In accordance with FASB ASC 740, *Income Taxes*, the Association has evaluated its tax positions and determined that the Association has no uncertain income tax positions that could have a material effect on the financial statements.

As of the date of the financial statements, the Association's federal and state income tax returns for 2018, 2019 and 2020 are subject to examination by the Internal Revenue Service. These returns are open to examination generally for three years after they were filed.

**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 certain 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Commonly Owned Assets**

The Association has the responsibility to preserve and maintain the commonly owned assets. Commonly owned assets include building exteriors, pool, cabana, docks, landscaping and paved areas. The Association's policy is not to capitalize and depreciate the commonly owned real property as ownership is vested directly or indirectly in the unit owners and these assets are not deemed to be severable.

**Bay Tree Club Association, Inc.**  
Sarasota, Florida

**Notes to the Financial Statements**  
December 31, 2020

**Note 2 – Summary of Significant Accounting Policies - continued**

**Property and Equipment**

The Association capitalizes personal property to which it has title at cost greater than \$1,000 and with an estimated useful life greater than one year. The Association's property and equipment are depreciated using the straight-line method over the estimated useful lives of five (5) to ten (10) years. Depreciation expenses was \$11,863 for the year ended December 31, 2020.

**Note 3 – Property and Equipment**

Property and equipment consists of the following:

Furniture	\$ 13,107
Machinery and equipment	<u>92,803</u>
Total cost	105,910
Accumulated depreciation	<u>(60,382)</u>
Net property and equipment	<u>\$ 45,528</u>

**Note 4 – Future Major Repairs and Replacements**

Florida Statutes and the Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$467,936 are presented as contract liabilities on the accompanying balance sheet. These funds are held in a separate bank account and generally are not available for expenditures for normal operations.

The Association's Board of Directors and management updated the replacement fund study as part of the annual budgeting process. The replacement fund study was based off a formal 2015 study, actual recent expenditures, bids from licensed contractors and estimates by the Board of Directors and management. The Association is funding for major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously designated for future repairs and replacements. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on the study. The 2021 budget includes full funding of \$91,786. The study includes a 2021 funding contribution of \$91,786. The members waived full funding of the replacement fund for 2020.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**Note 5 – Concentrations**

The Association maintains its cash balances at local financial institutions. Accounts at each financial institution are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 in aggregate. At times, cash balances may be in excess of FDIC insured limits. As of December 31, 2020 there was \$0 above FDIC insured limits.

All revenues are generated from residences of a single condominium located in a small geographic area. A loss of revenue could disrupt operations and have a severe impact on the Association.

**Bay Tree Club Association, Inc.**  
Sarasota, Florida

**Notes to the Financial Statements**  
December 31, 2020

**Note 6 – Contingencies**

The Association's current windstorm policy contains a 5% deductible clause. Based upon an insured value of the buildings and contents of approximately \$25.9 million, the first 5% or approximately \$1.3 million in damages caused by a named windstorm as further defined in the insurance policy would be the responsibility of the Association.

At times, the Association is involved in disputes or litigation with owners, suppliers and others in the normal course of operations. In the opinion of the Board of Directors, the ultimate disposition of these matters will not have a material adverse effect on the Association's financial position, liquidity or results of operations.

**Note 7 – Commitment**

Cable

During 2014, the Association entered into a bulk services agreement with a local cable service provider. The term of the contract is for seven (7) years. This agreement will automatically renew for successive one (1) year periods, unless either party provides ninety days written notice of their intent not to renew. The service provider has the right to increase the fee as further defined in the agreement.

Elevator

Effective May 30, 2017, the Association entered into an agreement with a local service provider for elevator services with an initial term of five (5) years. The contract includes automatic extensions unless either party provides notice as further defined in the agreement. The initial contract price was \$456 per month. The service provider has the right to increase the fee as further defined in the agreement.

Based upon current costs, future minimum payments under these agreements are as follows:

December 31,	
2021	\$ 105,384
2022	2,395
Thereafter	_____ -
Total	<u>\$ 107,779</u>

**Note 9 – Special Assessment**

During December 2019, the Board of Directors passed a special assessment for \$2,000,000 for replacing the roofs and related work. Subsequently, during January 2020, the Board of Directors revised the assessment amount to \$1,974,536. The special assessment cost per unit ranges from \$14,834 to \$18,130 based on the size of the unit with various payment options. During the year ended December 31, 2020, \$1,826,020 of the special assessment had been spent. The balance of \$148,516 has been recognized as deferred revenue in the accompanying balance sheet. As part of the project, the Association has entered into contracts with local vendors.

**Note 10 – Risks and Uncertainties**

The financial impact of the novel coronavirus ("COVID 19"), on the operations and cash flows of the Association is uncertain. The spread of COVID 19 and the continuing developments surrounding the global pandemic continue to have negative impacts on the economy and may have an impact on member's ability to meet future assessment obligations.

## **SUPPLEMENTARY INFORMATION**

Bay Tree Club Association, Inc.

Sarasota, Florida

Supplementary Schedule of Operating Fund Expenses

Year Ended December 31, 2020

	<u>Operating Fund</u>
<b>Administration</b>	
Insurance	\$ 193,126
Payroll	116,533
Legal and accounting	9,965
Management fee	14,404
Office supplies	5,637
Licences and permits	3,268
Telephone	2,775
Miscellaneous	<u>1,738</u>
Total Administration	<u>347,446</u>
<b>Common Area Maintenance</b>	
Elevator telephone	558
Fire alarm	11,832
Elevator maintenance contract	6,202
Elevator repairs	13,042
Interior pest control	3,613
Maintenance and building supplies	7,272
Pool maintenance contract	8,757
Pool supplies and repairs	510
Pool fuel	7,083
Building maintenance and repairs	20,129
A/C contract	7,727
Plumbing stacks and inspection	1,103
Janitorial	24,760
Depreciation	11,863
Other	<u>788</u>
Total Common Area Maintenance	<u>125,239</u>
<b>Grounds Maintenance</b>	
Landscape maintenance	24,000
Sprinkler and irrigation	4,636
Grounds furniture	2,797
Grounds repairs and fertilizer	5,649
Landscape beautification	3,991
Tree maintenance	8,013
Grounds supplies	<u>6,597</u>
Total Grounds Maintenance	<u>55,683</u>

Continued page 12

**Bay Tree Club Association, Inc.**

Sarasota, Florida

**Supplementary Schedule of Operating Fund Expenses**

Year Ended December 31, 2020

	<u>Operating Fund</u>
<b>Utilities</b>	
Water and sewer	54,648
Electricity	13,467
Cable	99,617
Trash	<u>2,285</u>
Total Utilities	<u>170,017</u>
Total Operating Fund Expenses	<u>\$ 698,385</u>

Bay Tree Club Association, Inc.  
Sarasota, Florida

Supplementary Schedule of Replacement Fund Activity  
Year Ended December 31, 2020

	1/1/20	Member Assessment	Revenue Recognized	Interest	Expenses	12/31/20
Contract liability	\$ 335,642	\$ 161,000	\$ (28,706)	\$ -	\$ -	\$ 467,936
Fund balance	\$ -	\$ -	\$ 28,706	\$ 3,690	\$ (32,396)	\$ -

2020 replacement fund expenses consist of the following:

Paving	\$ 25,470
Plumbing	6,675
Roofs	<u>251</u>
Total expenses	\$ <u>32,396</u>



**Bay Tree Club Association, Inc.**  
Sarasota, Florida

**Supplementary Information on Future Major Repairs and Replacements**  
December 31, 2020  
**(Unaudited)**

The following is the estimated remaining life and estimated cost to replace the components of the replacement fund. This information is based on the replacement fund study prepared as part of the annual budgeting process. These estimates are based off a formal 2015 study, actual recent expenditures, bids from licensed contractors and estimates of the Board of Directors and management.

<u>Reserve Component</u>	<u>Estimated Remaining Life In Years</u>	<u>Estimated Cost to Replace</u>	<u>2021 Funding Requirement</u>
Roofs	19	\$ 420,000	
Painting and concrete restoration	4	288,400	
Paving and resurfacing	14	153,600	
Building walkways	19	185,400	
Cabana roofs and doors	1-4	128,500	
Kitchen stacks	38	159,135	
Bathroom stacks	7	247,200	
Docks	20	123,600	
Docks access fingers	1-5	20,000	
Pool equipment and resurfacing	1-5	86,000	
Security equipment	4	30,000	
Elevator cabins and hydraulics	9	<u>200,000</u>	
		<u>\$ 2,041,835</u>	<u>\$ 91,786</u>

Read note 4

Read independent auditor's report