

BALLANTRAE CONDOMINIUM ASSOCIATION, INC.
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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Members: American Institute of Certified Public Accountants • Florida Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ballantrae Condominium
Association, Inc.
Sarasota, Florida

We have audited the accompanying financial statements of Ballantrae Condominium Association, Inc. which comprise the balance sheet as of December 31, 2020, 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 Ballantrae Condominium 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 9 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion on the financial statements is not modified with respect to this matter.

Report on Supplementary Information

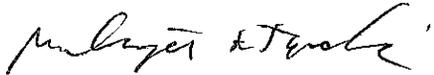
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the 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 supplementary information of estimated remaining lives and replacement costs of the common property 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

Board of Directors
Ballantrae Condominium
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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.



Menchinger & Tyack CPAs, LLC
Ringling Office, Sarasota, Florida
February 2, 2021

Ballantrae Condominium Association, Inc.
Balance Sheet
December 31, 2020

	Operating Fund	Replacement Fund	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 52,006	\$ 218,618	\$ 270,624
Certificates of deposit not cash equivalent	-	541,000	541,000
Accounts receivable	1,795	-	1,795
Prepaid insurance	10,203	-	10,203
Total Assets	\$ 64,004	\$ 759,618	\$ 823,622
<u>Liabilities</u>			
Accounts payable	\$ 1,064	\$ -	\$ 1,064
Prepaid assessments	56,982	-	56,982
Income tax liability	1,387	-	1,387
Contract liabilities	-	759,618	759,618
Total Liabilities	59,433	759,618	819,051
<u>Fund Balance</u>	4,571	-	4,571
Total Liabilities and Fund Balances	\$ 64,004	\$ 759,618	\$ 823,622

Read Accompanying Notes to Financial Statements

Ballentrae Condominium Association, Inc.
Statement of Revenues, Expenses and Changes in Fund Balance
December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>Revenues</u>			
Member assessments	\$ 387,449	\$ 20,876	\$ 408,325
Interest earned	1	6,614	6,615
Late fees & other	<u>3,056</u>	<u>-</u>	<u>3,056</u>
 Total Revenues	 <u>390,506</u>	 <u>27,490</u>	 <u>417,996</u>
<u>Expenses</u>			
Administrative	42,493	-	42,493
Landscaping	163,560	-	163,560
Building maintenance	14,770	-	14,770
Utilities	56,698	-	56,698
Insurance	116,090	-	116,090
Reserve expenditures	<u>-</u>	<u>51,720</u>	<u>51,720</u>
 Total Expenses	 <u>393,611</u>	 <u>51,720</u>	 <u>445,331</u>
 Excess (Deficiency) of Revenues over Expenses	 (3,105)	 (24,230)	 (27,335)
 Beginning Fund Balance	 <u>7,676</u>	 <u>24,230</u>	 <u>31,906</u>
 Ending Fund Balance	 <u>\$ 4,571</u>	 <u>\$ -</u>	 <u>\$ 4,571</u>

Read Accompanying Notes to Financial Statements

Ballantrae Condominium Association, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash received from members	\$ 388,811	\$ 138,871	\$ 527,682
Cash paid to suppliers, and contract servicers	(397,632)	(51,720)	(449,352)
Interest earned	1	6,614	6,615
Income taxes paid	(2,984)	-	(2,984)
Other receipts	<u>3,056</u>	<u>-</u>	<u>3,056</u>
Net Cash Provided (Used) By Operating Activities	(8,748)	93,765	85,017
Cash Flows From Investing Activities:			
Investment in Certificates of Deposit not cash equivalents	-	(391,000)	(391,000)
Cash Flows From Financing Activities:			
Interfund Borrowings	<u>(9,910)</u>	<u>9,910</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(18,658)	(287,325)	(305,983)
Cash and Cash Equivalents At Beginning of Year	<u>70,664</u>	<u>505,943</u>	<u>576,607</u>
Cash and Cash Equivalents At End of Year	<u>\$ 52,006</u>	<u>\$ 218,618</u>	<u>\$ 270,624</u>

Read Accompanying Notes to Financial Statements

Ballantrae Condominium Association, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Cash Provided (Used) By Operating Activities:			
Excess (Deficiency) of Revenues Over Expenses	\$ (3,105)	\$ (24,230)	\$ (27,335)
Adjustments to Reconcile:			
Decrease (Increase) in Operating Assets:			
Accounts receivable	3,855	-	3,855
Prepaid insurance	(4,863)	-	(4,863)
Increase (Decrease) in Operating Liabilities:			
Accounts payable	(335)	-	(335)
Social committee	(210)	-	(210)
Income tax liability	(1,597)	-	(1,597)
Prepaid assessments	(2,493)	-	(2,493)
Contract liabilities	-	117,995	117,995
Total Adjustments	(5,643)	117,995	112,352
Net Cash Provided (Used) By Operating Activities	\$ (8,748)	\$ 93,765	\$ 85,017

Read Accompanying Notes to Financial Statements

Ballantrae Condominium Association, Inc.
Notes to Financial Statements
December 31, 2020

ORGANIZATION

Ballantrae Condominium Association, Inc. is a not-for-profit corporation, incorporated in the State of Florida on February 21, 1980, organized to provide an entity under Florida Statute 718 for the administration, maintenance, operation, and management of Ballantrae Condominium which consists of 102 residential condominium units located in Sarasota, Florida. Assessments against the owners of the condominium units, which are the principal source of revenue, are based upon the estimated amounts required to maintain and operate the common property owned by the unit owners.

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 February 2, 2021 the date the financial statements were available to be issued.

NOTE 1- 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 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.

Operating Fund

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

Replacement Fund

This fund is used to accumulate financial resources designated for future major repairs and replacements. Expenditures from this fund are restricted to those items for which the assessments were levied.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from these estimates and assumptions.

Ballantrae Condominium Association, Inc.
Notes to Financial Statements
December 31, 2020

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

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-exempt function income and net membership income are 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 corporation has elected to file under Section 528, resulting in a \$1,387 tax liability.

Interest Earned on Replacement Fund

The Association's policy is to include, as additional funding to the reserve fund, any interest earned on reserve fund investments. The amount of interest earned on the reserve fund investment was \$6,614 for 2020.

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 units 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.

Recognition of Assets and Depreciation Policy

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.

Statements of Cash Flows

For the purpose of the statements of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

Allocation of Income and Expenses

The allocation of the general operating income and expense to the unit owners, as indicated in the documents, is based on an equal share per unit.

Contract Liabilities (Assessments received in advance-replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is (are) recorded when the Association has the right to receive payments in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balance of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of year are \$641,623 and \$759,618.

Ballantrae Condominium Association, Inc.
Notes to Financial Statements
December 31, 2020

NOTE 2- 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 are satisfied over time on a daily pro-rata basis. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

Quarterly assessments to members were \$1,290 per unit for a total of \$526,320 of which \$138,871 was designated for funding the Association's replacement fund. The Association's policy is to retain legal counsel and place liens on the units whose assessments are delinquent. As of December 31, 2020 the Association had \$1,795 in delinquent assessments which were all considered collectible. The Association treats uncollectible assessments as variable consideration which is not recognized as revenue in accordance with generally accepted accounting principle. 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.

As of December 31, 2020 prepaid assessments for 2021 totaled \$56,982.

NOTE 3 – CONCENTRATION OF CREDIT RISK

The Association maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. All cash balances were insured as of December 31, 2020.

NOTE 4 – CONTINGENT LOSS

The Association's current windstorm insurance policy contains a 5% deductible clause per building per calendar year. Based upon current insurance values of approximately \$23 million, the Association could be responsible for up to approximately \$1,156,000 in damages caused by a named hurricane.

NOTE 5 – RETIREMENT PLAN FOR EMPLOYEES

The Association has set up SIMPLE IRA plans for each qualifying employee and contributes to those plans 3% of the employee's gross wages. Total amount contributed during 2020 amounted to \$1,408.

NOTE 6 – INCOME TAXES

Management has evaluated the effect of an accounting standard relating to accounting for uncertainty in income taxes. Management has determined that the Association had no uncertain income tax positions that could have a significant effect on the financial statements for the year ended December 31, 2020.

As of the date of the financial statements, the Association's federal 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 are filed.

Ballantrae Condominium Association, Inc.
Notes to Financial Statements
December 31, 2020

NOTE 7 - COMMITMENTS

On November 1, 2019 the Association entered into a bulk services agreement with a local cable service provider. The term of the agreement was for 5 years ending December 31, 2024. The agreement shall automatically renew for successive periods of 2 years unless either party provides the other a 90 day notice of termination at the end of the then current term. The service provider may increase the monthly fees upon 30 days written notice and such increase shall not exceed 4% per year. Based upon current costs future minimum payments under this agreement excluding any annual increase are as follows.

Year Ended December 31,	Amount
2021	\$ 50,148
2022	50,148
2023	50,148
2024	50,148
	\$ 200,592

NOTE 8 - INVESTMENT IN MARKETABLE SECURITIES

The Association has purchased marketable certificates of deposit with various maturity dates. The Association has the positive intent and ability to hold these securities to maturity and has classified these securities as held-to-maturity in accordance with FASB Accounting Standards Codification 320. The various certificates of deposit have been reported on the Association's balance sheet at cost. The fair value of the various certificates as of December 31, 2020 were \$545,348. As of December 31, 2020 the Association has an unrecognized holding gain \$4,348.

NOTE 9 - RESERVES FOR MAJOR REPAIRS AND REPLACEMENTS

Florida Statutes require the Association to fund reserves for future major repairs and replacements computed by means of a formula which is based upon estimated life and replacement costs of the reserve components. Florida Statutes also provide that the majority of the unit owners, at a duly called meeting of the Association, may vote to adopt a budget with reserve funding less adequate than what is required by law or to vote to provide no reserve. The Association membership voted to waive the Florida statutory requirement. The Board of Directors periodically reviews the major components of common property and establish remaining useful lives and replacement costs. An outside independent analysis of remaining useful lives and future replacement costs had been conducted by the Association in 2020.

Ballantrae Condominium Association, Inc.
Notes to Financial Statements
December 31, 2020

NOTE 9 - RESERVES FOR MAJOR REPAIRS AND REPLACEMENTS - Continued

The membership elected to fund for future major repairs and replacements using the pooling, or cash flow method. Funding calculations under this method are similar to those under the straight-line segregated method except that, rather than calculate a specific reserve amount for each component, the pooling, or cash flow method considers all item's in the "pool" and reserve requirements are based on a weighted average of all components of the "pool." The approved 2020 budget included funding of reserves under the pooling or cash flow method by \$138,871. A summary of the reserve follows:

	Contract Liabilities	Fund Balance	Total
Beginning Balance 1/1/20	\$ 641,623	\$ 24,230	\$ 665,853
Member Funding	138,871	-	138,871
Interest Earned	-	6,614	6,614
Expenditures	(20,876)	(30,844)	(51,720)
Ending Balance 12/31/20	\$ 759,618	\$ -	\$ 759,618

Expenditures were for the following

Painting	\$ 21,000
Roofing	19,519
Driveway, Sidewalk & Poly Pebble	6,300
Gate Telephone Entry System	4,901
Total Expenditures	\$ 51,720

Funds accumulated in the replacement fund are based upon current estimates of future needs. 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 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

Ballantrae Condominium Association, Inc.
Supplementary Schedule of Expenses
December 31, 2020

	Operating Fund	Replacement Fund	Total
<u>Administrative</u>			
Management fees	\$ 15,000	\$ -	\$ 15,000
Postage & office supplies	3,883	-	3,883
Legal & accounting	18,972	-	18,972
Licenses & fees	469	-	469
Provision for income taxes	1,387	-	1,387
Miscellaneous	2,782	-	2,782
	<u>42,493</u>	<u>-</u>	<u>42,493</u>
<u>Landscaping</u>			
Payroll	46,930	-	46,930
Payroll-simple IRA match	1,408	-	1,408
Payroll taxes & insurance	10,010	-	10,010
Grounds maintenance	82,778	-	82,778
Equipment maintenance	4,419	-	4,419
Tree trimming & replacement	5,690	-	5,690
Irrigation maintenance	2,086	-	2,086
Fertilizer & mulch	1,086	-	1,086
Plant & shrub replacement	2,783	-	2,783
Lake maintenance	6,370	-	6,370
	<u>163,560</u>	<u>-</u>	<u>163,560</u>
<u>Building Maintenance</u>			
Buildings & sidewalks	5,196	-	5,196
Roof repairs & chimney cap	8,128	-	8,128
Gate & other	1,446	-	1,446
	<u>14,770</u>	<u>-</u>	<u>14,770</u>
<u>Utilities</u>			
Electric	6,634	-	6,634
Cable	48,217	-	48,217
Telephone	1,847	-	1,847
	<u>56,698</u>	<u>-</u>	<u>56,698</u>
<u>Insurance</u>			
	<u>116,090</u>	<u>-</u>	<u>116,090</u>
<u>Reserve Expenditures</u>			
	<u>-</u>	<u>51,720</u>	<u>51,720</u>
Total Expenses	<u>\$ 393,611</u>	<u>\$ 51,720</u>	<u>\$ 445,331</u>

Read Independent Auditor's Report

Ballantrae Condominium Association, Inc.
Supplementary Information of 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 statutory reserves. A formal reserve study by an outside independent engineering firm was completed during 2020. The following information is based upon that study.

<u>Reserve Component</u>	<u>Estimated Useful life in years</u>	<u>Estimated Remaining Life in years</u>	<u>Estimated Replacement Costs</u>	<u>2021 Funding Requirement</u>	<u>Balance As Of 12/31/2020</u>
Roofs	20	2-19	\$ 1,622,325	\$ 148,736	\$ -
Painting/Waterproofing	10	1-10	130,672	12,238	-
Paving	2-24	2-3	152,781	-	-
Misc Building Components	16-28	1-22	28,401	1,601	-
Misc Site Improvements	2-40	1-24	322,156	14,155	-
Furniture, Fixtures & Equip	15	11	10,365	942	-
	N/A	N/A	-	-	756,618
Total			<u>\$ 2,266,700</u>	<u>\$ 177,672</u>	<u>\$ 756,618</u>

The above funding requirement is based upon a straight line component method of funding the reserve. However, the Association uses the cash flow method of funding and under this method the required funding for 2021 was \$129,212.

Read Independent Auditor's Report