

BALLANTRAE CONDOMINIUM ASSOCIATION, INC.
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2021
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

Opinion

We have audited the accompanying financial statements of Ballantrae Condominium Association, Inc. which comprise the balance sheet as of December 31, 2021, 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.

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, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ballantrae Condominium Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Future Major Repairs and Replacements

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 is not modified with respect to that matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and

presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ballantrae Condominium Association, Inc. ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ballantrae Condominium Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ballantrae Condominium Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

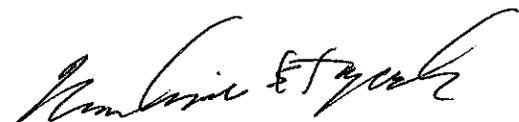
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 13 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 information of estimated remaining lives and replacement costs of the common property on page 14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which 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.



Menchinger & Tyack CPAs, LLC
Ringling Office, Sarasota, Florida
February 7, 2022

Ballantrae Condominium Association, Inc.
Balance Sheet
December 31, 2021

| | Operating Fund | Replacement Fund | Total |
|--|-------------------|---------------------|------------|
| <u>Assets</u> | | | |
| Cash and cash equivalents | \$ 31,881 | \$ 854,477 | \$ 886,358 |
| Accounts receivable | 3,548 | - | 3,548 |
| Prepaid insurance | 11,485 | - | 11,485 |
| Total Assets | \$ 46,914 | \$ 854,477 | \$ 901,391 |
| <u>Liabilities</u> | | | |
| Accounts payable | \$ 4,950 | \$ - | \$ 4,950 |
| Prepaid assessments | 50,301 | - | 50,301 |
| Income tax liability | 701 | - | 701 |
| Contract liabilities | - | 854,477 | 854,477 |
| Total Liabilities | 55,952 | 854,477 | 910,429 |
| <u>Fund Balance (Deficit)</u> | (9,038) | - | (9,038) |
| Total Liabilities and Fund Balances | \$ 46,914 | \$ 854,477 | \$ 901,391 |

Read Accompanying Notes to Financial Statements

Ballentrae Condominium Association, Inc.
Statement of Revenues, Expenses and Changes in Fund Balance
December 31, 2021

| | <u>Operating Fund</u> | <u>Replacement Fund</u> | <u>Total</u> |
|--|---------------------------|-----------------------------|-----------------------|
| <u>Revenues</u> | | | |
| Member assessments | \$ 397,108 | \$ 34,353 | \$ 431,461 |
| Special assessment | 30,600 | - | 30,600 |
| Interest earned | - | 5,238 | 5,238 |
| Late fees & other | <u>2,286</u> | <u>-</u> | <u>2,286</u> |
| Total Revenues | <u>429,994</u> | <u>39,591</u> | <u>469,585</u> |
| <u>Expenses</u> | | | |
| Administrative | 59,694 | - | 59,694 |
| Landscaping | 166,201 | - | 166,201 |
| Building maintenance | 21,489 | - | 21,489 |
| Utilities | 59,666 | - | 59,666 |
| Insurance | 136,553 | - | 136,553 |
| Reserve expenditures | <u>-</u> | <u>39,591</u> | <u>39,591</u> |
| Total Expenses | <u>443,603</u> | <u>39,591</u> | <u>483,194</u> |
| Excess (Deficiency) of Revenues over Expenses | (13,609) | - | (13,609) |
| Beginning Fund Balance | <u>4,571</u> | <u>-</u> | <u>4,571</u> |
| Ending Fund Balance (Deficit) | <u>\$ (9,038)</u> | <u>\$ -</u> | <u>\$ (9,038)</u> |

Read Accompanying Notes to Financial Statements

Ballantrae Condominium Association, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021

| | <u>Operating Fund</u> | <u>Replacement Fund</u> | <u>Total</u> |
|---|---------------------------|-----------------------------|-------------------|
| Cash Flows From Operating Activities: | | | |
| Cash received from members | \$ 419,274 | \$ 129,212 | \$ 548,486 |
| Cash paid to suppliers, and contract servicers | (440,298) | (39,591) | (479,889) |
| Interest earned | - | 5,238 | 5,238 |
| Income taxes paid | (1,387) | - | (1,387) |
| Other receipts | <u>2,286</u> | <u>-</u> | <u>2,286</u> |
| Net Cash Provided (Used) By Operating Activities | (20,125) | 94,859 | 74,734 |
| Cash Flows From Investing Activities: | | | |
| Divestment in Certificates of Deposit not cash equivalents | <u>-</u> | <u>541,000</u> | <u>541,000</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (20,125) | 635,859 | 615,734 |
| Cash and Cash Equivalents At Beginning of Year | <u>52,006</u> | <u>218,618</u> | <u>270,624</u> |
| Cash and Cash Equivalents At End of Year | <u>\$ 31,881</u> | <u>\$ 854,477</u> | <u>\$ 886,358</u> |

Read Accompanying Notes to Financial Statements

Ballantrae Condominium Association, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021

| | <u>Operating Fund</u> | <u>Replacement Fund</u> | <u>Total</u> |
|---|---------------------------|-----------------------------|------------------|
| Reconciliation of Excess (Deficiency) of Revenues Over Expenses to Cash Provided (Used) By Operating Activities: | | | |
| Excess (Deficiency) of Revenues Over Expenses | \$ (13,609) | \$ - | \$ (13,609) |
| Adjustments to Reconcile: | | | |
| Decrease (Increase) in Operating Assets: | | | |
| Accounts receivable | (1,753) | - | (1,753) |
| Prepaid insurance | (1,282) | - | (1,282) |
| Increase (Decrease) in Operating Liabilities: | | | |
| Accounts payable | 3,886 | - | 3,886 |
| Income tax liability | (686) | - | (686) |
| Prepaid assessments | (6,681) | - | (6,681) |
| Contract liabilities | <u>-</u> | <u>94,859</u> | <u>94,859</u> |
| Total Adjustments | <u>(6,516)</u> | <u>94,859</u> | <u>88,343</u> |
| Net Cash Provided (Used) By Operating Activities | <u>\$ (20,125)</u> | <u>\$ 94,859</u> | <u>\$ 74,734</u> |

Read Accompanying Notes to Financial Statements

Ballantrae Condominium Association, Inc.
Notes to Financial Statements
December 31, 2021

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 7, 2022 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, 2021

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 2021, the corporation has elected to file under Section 528, resulting in a \$701 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 \$5,238 for 2021.

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.

Revenue Recognition

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.

Ballantrae Condominium Association, Inc.
Notes to Financial Statements
December 31, 2021

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 \$759,618 and \$854,477.

NOTE 2- MEMBER ASSESSMENTS

Quarterly assessments to members were \$1,290 per unit for a total of \$526,320 of which \$129,212 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, 2021 the Association had \$3,548 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, 2021 prepaid assessments for 2022 totaled \$50,301.

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. Uninsured cash balances as of December 31, 2021 totaled \$90,527.

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. The Association also has a 10% sink hole deductible clause per building per occurrence.

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 2021 amounted to \$1,396.

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, 2021.

As of the date of the financial statements, the Association's federal income tax returns for 2019, 2020 and 2021 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, 2021

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 |
|-------------------------|------------|
| 2022 | \$ 52,168 |
| 2023 | 52,168 |
| 2024 | 52,168 |
| | \$ 156,504 |

NOTE 8 - SPECIAL ASSESSMENT

The Association's Board of Directors at their meeting July 27, 2021 levied a special assessment of \$300 per unit for a total of \$30,600 to provide funding for an operating budget shortfall for 2021.

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 2021.

Ballantrae Condominium Association, Inc.
Notes to Financial Statements
December 31, 2021

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 2021 budget included funding of reserves under the pooling or cash flow method by \$129,212. A summary of the reserve follows:

| | Contract Liabilities | Fund Balance | Total |
|--------------------------|-------------------------|-----------------|------------|
| Beginning Balance 1/1/21 | \$ 759,618 | \$ - | \$ 759,618 |
| Member Funding | 129,212 | - | 129,212 |
| Interest Earned | - | 5,238 | 5,238 |
| Expenditures | (34,353) | (5,238) | (39,591) |
| Ending Balance 12/31/21 | \$ 854,477 | \$ - | \$ 854,477 |

Expenditures were for the following

| | |
|-----------------------------|-----------|
| Painting | \$ 26,250 |
| Landscaping & Tree Trimming | 9,268 |
| Cedar Beam Repairs | 2,075 |
| Bulletin Boards | 1,328 |
| Miscellaneous | 670 |
| Total Expenditures | \$ 39,591 |

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, 2021

| | <u>Operating Fund</u> | <u>Replacement Fund</u> | <u>Total</u> |
|------------------------------------|---------------------------|-----------------------------|-------------------|
| <u>Administrative</u> | | | |
| Management fees | \$ 15,000 | \$ - | \$ 15,000 |
| Postage & office supplies | 4,481 | - | 4,481 |
| Legal & accounting | 36,579 | - | 36,579 |
| Licenses & fees | 469 | - | 469 |
| Provision for income taxes | 701 | - | 701 |
| Miscellaneous | <u>2,464</u> | - | <u>2,464</u> |
| | <u>59,694</u> | - | <u>59,694</u> |
| <u>Landscaping</u> | | | |
| Payroll | 46,548 | - | 46,548 |
| Payroll-simple IRA match | 1,396 | - | 1,396 |
| Payroll taxes & insurance | 9,158 | - | 9,158 |
| Grounds maintenance | 84,164 | - | 84,164 |
| Equipment maintenance | 1,504 | - | 1,504 |
| Irrigation maintenance | 365 | - | 365 |
| Fertilizer & mulch | 12,280 | - | 12,280 |
| Plant & shrub replacement | 5,126 | - | 5,126 |
| Lake maintenance | <u>5,660</u> | - | <u>5,660</u> |
| | <u>166,201</u> | - | <u>166,201</u> |
| <u>Building Maintenance</u> | | | |
| Buildings & sidewalks | 9,856 | - | 9,856 |
| Roof repairs & chimney cap | 5,757 | - | 5,757 |
| Gate & other | <u>5,876</u> | - | <u>5,876</u> |
| | <u>21,489</u> | - | <u>21,489</u> |
| <u>Utilities</u> | | | |
| Electric | 7,594 | - | 7,594 |
| Cable | 50,173 | - | 50,173 |
| Telephone | <u>1,899</u> | - | <u>1,899</u> |
| | <u>59,666</u> | - | <u>59,666</u> |
| <u>Insurance</u> | | | |
| | <u>136,553</u> | - | <u>136,553</u> |
| <u>Reserve Expenditures</u> | | | |
| | <u>-</u> | <u>39,591</u> | <u>39,591</u> |
| Total Expenses | <u>\$ 443,603</u> | <u>\$ 39,591</u> | <u>\$ 483,194</u> |

Read Independent Auditor's Report

Ballantrae Condominium Association, Inc.
Supplementary Information of Future
Major Repairs and Replacements
December 31, 2021

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 2021. 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>2022 Funding Requirement</u> | <u>Balance As Of 12/31/2021</u> |
|-----------------------------|---------------------------------------|--|------------------------------------|---------------------------------|---------------------------------|
| Roofs | 23 | 1-18 | \$ 2,319,075 | \$ 231,078 | \$ - |
| Painting/Waterproofing | 10 | 1-10 | 143,600 | 17,758 | - |
| Paving | 2-24 | 1-5 | 157,942 | 23,587 | - |
| Misc. Building Components | 16-28 | 1-21 | 45,499 | 1,881 | - |
| Misc. Site Improvements | 2-45 | 1-26 | 267,237 | 26,473 | - |
| Furniture, Fixtures & Equip | 15 | 10 | 10,640 | 1,064 | - |
| Reserve Pool | N/A | N/A | - | - | <u>854,477</u> |
| Total | | | <u>\$ 2,943,993</u> | <u>\$ 301,841</u> | <u>\$ 854,477</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 2022 was \$234,287. The Association membership waived the statutory required funding and instead elected to fund the reserves by \$134,735 for 2022.

Read Independent Auditor's Report