

# HAFER

*Certified Public Accountants and Consultants*

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January 4, 2021

To the Board of Directors  
Bayshore Club Management Association, Inc.

## **Communication with Those Charged with Governance (AU-C 260)**

We have audited the financial statements of Bayshore Club Management Association, Inc. ("the Association") for the year ended December 31, 2019 and we will issue our report thereon. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter signed by you prior to commencement of this audit engagement. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 2 to the financial statements. As described in Note 2, the Association changed accounting policies by adopting:

FASB Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, effective January 1, 2019.

We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The following is the most sensitive estimate affecting the financial statements:

Management's estimate of the allowance for uncollectible accounts is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of reports amounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. You have corrected all such misstatements. A copy of the proposed adjusting journal entries, subsequently approved by management, have been provided to the Association.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations of management that are included in the management representation letter signed by the Association.

*Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Supplementary Information Accompanying the Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. Except as marked "unaudited," we compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Required Supplementary Information

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

This information is intended solely for the use of the Board of Directors and management of the Association and is not intended to be and should not be used by anyone other than those specified parties.



Hafer LLC d/b/a  
Hafer Certified Public Accountants and Consultants  
Palm Beach, Florida

**BAYSHORE CLUB MANAGEMENT  
ASSOCIATION, INC.**

***Financial Statements***

***For the year ended  
December 31, 2019***

**HAFER**

***Certified Public Accountants and Consultants***

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Bayshore Club Management Association, Inc.

We have audited the accompanying financial statements of Bayshore Club Management Association, Inc. ("the Association"), which comprise the balance sheet as of December 31, 2019, and the related statement of revenues and 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 of 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.

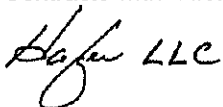
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bayshore Club Management Association, Inc. as of December 31, 2019, 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.

### Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Association changed its method of accounting related to revenue recognition in 2019 as required by the provisions of FASB Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to that matter.



Palm Beach, Florida  
January 4, 2021

**BAYSHORE CLUB MANAGEMENT ASSOCIATION, INC.**  
**BALANCE SHEET**  
*December 31, 2019*

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Special Assessment Fund</u>	<u>Total Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 117,632	\$ 951,679	\$ 299,070	\$ 1,368,381
Certificates of deposit	-	315,362	255,391	570,753
Assessments receivable, net (Note 3)	697	-	-	697
Other receivable (Note 4)	53,250	-	-	53,250
Prepaid expenses	99,030	-	-	99,030
Utility deposits	1,300	-	-	1,300
Due (to) from funds (Note 10)	(89,123)	(5,080)	94,203	-
<b>Total assets</b>	<u>\$ 182,786</u>	<u>\$ 1,261,961</u>	<u>\$ 648,664</u>	<u>\$ 2,093,411</u>
<b>Liabilities and fund balances</b>				
Accounts payable and accruals	\$ 31,348	\$ 7,603	\$ 227,423	\$ 266,374
Prepaid assessments	7,722	-	5,159	12,881
Deferred cable revenue (Note 7)	49,792	-	-	49,792
Deferred special assessment (Note 8)	-	-	416,082	416,082
Contract liabilities	-	1,112,113	-	1,112,113
<b>Total liabilities</b>	88,862	1,119,716	648,664	1,857,242
<b>Fund balances</b>	<u>93,924</u>	<u>142,245</u>	<u>-</u>	<u>236,169</u>
<b>Total liabilities and fund balances</b>	<u>\$ 182,786</u>	<u>\$ 1,261,961</u>	<u>\$ 648,664</u>	<u>\$ 2,093,411</u>

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

**BAYSHORE CLUB MANAGEMENT ASSOCIATION, INC.**  
**STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES**  
*For the year ended December 31, 2019*

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Special Assessment Fund</u>	<u>Total Funds</u>
<b>Revenues</b>				
Maintenance assessments	\$ 704,553	\$ 413,532	\$ -	\$ 1,118,085
Special assessment revenue (Note 8)	-	-	344,628	344,628
Laundry income	8,510	-	-	8,510
Interest income	-	14,427	2,132	16,559
Other income	62,246	-	-	62,246
<b>Total revenues</b>	<u>775,309</u>	<u>427,959</u>	<u>346,760</u>	<u>1,550,028</u>
<b>Expenses</b>				
Administrative	57,251	-	-	57,251
Contract expenses	81,716	-	-	81,716
Insurance	140,943	-	-	140,943
Payroll and related	197,926	-	-	197,926
Repairs and maintenance	63,236	-	-	63,236
Utilities	217,614	-	-	217,614
Special assessment (Note 8)	-	-	346,760	346,760
Major repairs and replacements	-	454,958	-	454,958
<b>Total expenses</b>	<u>758,686</u>	<u>454,958</u>	<u>346,760</u>	<u>1,560,404</u>
<b>Excess (deficiency) of revenues over expenses</b>	16,623	(26,999)	-	(10,376)
Fund balances, beginning	<u>77,301</u>	<u>169,244</u>	<u>-</u>	<u>246,545</u>
<b>Fund balances, ending</b>	<u>\$ 93,924</u>	<u>\$ 142,245</u>	<u>\$ -</u>	<u>\$ 236,169</u>

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

**BAYSHORE CLUB MANAGEMENT ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
*For the year ended December 31, 2019*

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Special Assessment Fund</u>	<u>Total Funds</u>
<b>Cash flows from operating activities</b>				
Excess (deficiency) of revenues over expenses	\$ 16,623	\$ (26,999)	\$ -	\$ (10,376)
<b><u>Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:</u></b>				
Provision for bad debt	17,572	-	(30,888)	(13,316)
<b><u>Changes in assets and liabilities:</u></b>				
Assessments receivable	(3,233)	-	30,888	27,655
Other receivable	(53,250)	-	-	(53,250)
Prepaid expenses	(14,176)	-	-	(14,176)
Accounts payable and accruals	725	(128,351)	227,423	99,797
Prepaid assessments	(7,090)	-	5,159	(1,931)
Deferred cable revenue	49,792	-	-	49,792
Deferred special assessment	-	-	(344,629)	(344,629)
Contract liabilities	-	40,838	-	40,838
Net cash provided (used) by operating activities	6,963	(114,512)	(112,047)	(219,596)
<b>Cash flows (to) investing activities</b>				
Purchases of certificates of deposit	-	(7,834)	(255,391)	(263,225)
<b>Cash flows from financing activities</b>				
Interfund borrowings	(4,451)	208,819	(204,368)	-
<b>Net increase (decrease) in cash and cash equivalents</b>	2,512	86,473	(571,806)	(482,821)
Cash and cash equivalents, beginning	115,120	865,206	870,876	1,851,202
<b>Cash and cash equivalents, ending</b>	<u>\$ 117,632</u>	<u>\$ 951,679</u>	<u>\$ 299,070</u>	<u>\$ 1,368,381</u>

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



**BAYSHORE CLUB MANAGEMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 2019*

**NOTE 1: Organization**

Bayshore Club Management Association, Inc. ("the Association") was incorporated under the laws of the State of Florida as a not-for-profit corporation on September 6, 1972. The Association is responsible for maintaining and preserving the common property of the Association in accordance with the terms of Chapter 718, Florida Statutes ("FS §718") and the provisions of its governing documents. The Association consists of 213 residential units, including one Association owned unit used for the management office, located in Daytona, Florida.

**NOTE 2: Summary of significant accounting policies**

Fund accounting

The Association prepares its financial statements on the accrual basis of accounting and presents them using fund accounting, using separate funds for operations, future major repairs and replacements and special assessments. Disbursements from the operating fund are generally for the day-to-day operations and non-recurring unanticipated expenditures of the Association and are made at the discretion of the Board of Directors. Disbursements from the replacement fund generally are made only for designated purposes.

Change in accounting principle

The Association changed its method of accounting related to revenue recognition as required by FASB ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This new guidance created Topic 606 in the Accounting Standards Codification (ASC).

The Association adopted the new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes in accounting policies for revenue recognition and contract liabilities (see below). As of January 1, 2019, previously existing contracts with customers were not complete; as such, the cumulative effect of the change was \$1,071,275.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Accordingly, actual results could differ from those estimates.

Short-term financial instruments

The carrying amount of the Association's financial instruments, which include cash and cash equivalents, assessments receivable, prepaid expenses, accounts payable and accrued expenses, and other assets and liabilities, approximate their fair values due to their short-term maturities.

Cash and cash equivalents

Cash and cash equivalents include all monies in banks including money market funds. Cash equivalents include highly liquid securities, including certificates of deposit, with original maturities of 90 days or less.

Certificates of deposit

Certificates of deposit consist of those certificates with original maturities of more than 90 days. The certificates are carried at cost plus any interest earned and reinvested. The Association, at least annually, assesses for any other-than-temporary impairment, and as of the date of these financial statements, the Association does not believe any impairment exists. The certificates have varying maturity dates and varying interest rates.

**BAYSHORE CLUB MANAGEMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 2019*

**NOTE 2: Summary of significant accounting policies (continued)**

Owners' assessments and allowance for uncollectible accounts

Monthly assessments to owners are based upon a share of the budgeted operating expenses and future major repairs and replacements. The Association retains excess operating funds at the end of the year for use in future operating periods. Assessments receivable at the balance sheet date represent fees due from owners. Assessments paid in advance are included on the balance sheet as prepaid assessments. The Association's policy is to retain legal counsel and place liens or foreclose on units of members whose assessments are delinquent. The Association's estimate of the allowance for uncollectible accounts is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of reported amounts.

Property and equipment

Common property of the Association is accounted for in accordance with ASC 972-360 and prevalent industry practices. As such, real property and common area acquired from the developer and related improvements to such property are not reflected on the Association financial statements because those assets are owned by the unit owners in common, and not by the Association. The Association capitalizes, at cost, certain personal and real property which it purchases. Capitalized property and equipment are depreciated over the estimated useful lives of the assets using the straight-line methods of depreciation.

Revenue recognition

Under Topic 606, revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the considerations we expect to be entitled to in exchange for those goods or services. The Association derives its revenue from operating assessments, reserve assessments, special assessments, and other ancillary sources. The Association has applied FASB ASC 606-10-10-4 since all contracts with its customers have similar characteristics and the Association expects that the effects on the financial statements of applying this guidance would not differ materially from applying the guidance to the individual contracts.

The Association has identified the following performance obligations:

- *Operating assessments* – the performance obligation is the maintenance and management of the common area property and is met on a periodic basis throughout the year. Operating assessments revenue is recognized on a periodic basis, as billed, and it is probable it will be collected.
- *Reserve assessments* – the performance obligation is the expenditure of the assessed funds for the intended purpose. Reserve assessments revenue is recognized when the related expenditures are made.
- *Special assessment revenue* – the performance obligation is the purpose for which the special assessment was levied. Special assessment revenue is recognized as the purpose of the special assessment is satisfied.
- *Other ancillary revenues* – the performance obligation is delivery of the underlying services. Revenue is recognized as the services are rendered.

In evaluating whether collectability of an amount of consideration is probable, the Association must consider the customer's (owner's) ability and intention to pay that amount of consideration when it is due. In instances where the Association's collection of fees is not probable (delinquent owners, foreclosures, etc.), it cannot recognize revenue.

Contract liabilities (deferred assessments)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of the performance obligations.

**BAYSHORE CLUB MANAGEMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 2019*

**NOTE 2: Summary of significant accounting policies (continued)**

Interest earned

Interest earned by each fund is allocated to the appropriate fund. Income taxes on the interest earned are paid from the operating fund.

Compensated absences

Employees of the Association are entitled to paid vacations, sick days, and other time off depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Association's policy is to recognize the costs of compensated absences when paid to employees.

Income taxes (Form 1120-H)

The Association makes a yearly election to be taxed either under Internal Revenue Code ("IRC") §528 as a homeowners' association or under IRC §277 as a regular corporation. For 2019, the Association elected to be taxed under §528. Under this election, the Association is generally taxed only on non-exempt function income, such as interest earnings, at applicable rates. From time to time, certain temporary differences may arise between financial and taxable income, the overall effects of which are not material to the financial statements taken as whole. As such, the Association has not recorded deferred income taxes at the balance sheet date. The Association's policy on income statement classification of interest and penalties related to income tax obligations is to include such items as part of income tax expense. The Association's tax filings are generally subject to examination by taxing authorities for three years after the returns are filed.

Recently issued accounting pronouncements, not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard will affect all entities that lease assets and will require lessees to recognize a lease liability and a right-of-use asset for all leases (except short-term leases that have a duration of less than one year) as of the date on which the lessor makes the underlying asset available to the lessee. Upon the issuance of ASU No. 2020-05, for non-public entities, such as the Association, the new standard is effective for annual periods beginning after December 15, 2021. While the Association expects the adoption of this standard to result in an increase to its reported assets and liabilities, the Association has not yet determined the full impact that the adoption of this standard will have on its financial statements and related disclosures.

**NOTE 3: Assessments receivable, net**

The Association's assessments receivable was as follows at December 31, 2019:

	Operating Fund	Special Assessment Fund
Assessments receivable	\$ 697	\$ 19,447
Less: allowance for uncollectible accounts	-	(19,447)
	<u>\$ 697</u>	<u>\$ -</u>

**NOTE 4: Other receivable**

The Association's other receivable was as follows at December 31, 2019:

Cable incentive receivable	<u>\$ 53,250</u>
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**BAYSHORE CLUB MANAGEMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 2019*

**NOTE 5: Concentration of credit risk**

The Association maintains its cash and cash equivalents at various financial institutions whereby deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At December 31, 2019, the Association had uninsured deposits in the amount of \$789,710.

**NOTE 6: Commitments and contingencies**

Insurance windstorm deductible

In the event of a loss due to a hurricane the Association would be responsible for a deductible of 2% of the total insured value of the property under the provisions of the hurricane loss insurance contract.

Litigation

The Association, from time-to-time, may become party to various legal actions normally associated with condominium associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

Other commitments and contingencies

The Association has contracted with various vendors for various services to maintain the common property related to certain administrative, contract, and repairs and maintenance expenses. These contracts are approved, as necessary, by the Board of Directors and have varying expiration dates and renewal terms.

**NOTE 7: Deferred cable revenue**

On August 1, 2019, the Association entered into a bulk cable contract with a cable provider. As consideration for entering into a seventy-seven-month contract, the cable provider agreed to pay the Association \$53,250. The Association, in accordance with accounting principles generally accepted in the United States of America, is amortizing the revenue over the life of the contract. For the year ended December 31, 2019, the Association recognized \$3,458 as other income. At December 31, 2019, the remaining balance of \$49,792 was recorded as deferred cable revenue and will be recognized over the remaining life of the contract.

**NOTE 8: Special assessments**

On October 18, 2017, the Association approved a special assessment in the amount of \$1,737,925 (\$1,737,913 was billed due to rounding) to be used for reserve replacement, completion of the painting project, plaza deck replacement, sauna floor replacement, repairs for both men's and women's bath areas, sprinkler system repairs and replacement, construction overruns, and estimate bad debt. The Board of Directors approved the payment schedule in two phases and provided owners various payment options, as more fully discussed in the minutes detailing the passage of the special assessment. The total special assessment on a per unit basis is as follows: one-bedroom units: \$6,233; two-bedroom units: \$9,175; three-bedroom units: \$12,466. During the year ended December 31, 2017, the Association expended \$600,489 towards its designated purposes. During the year ended December 31, 2018, the Association expended \$109,674 towards its designated purposes and recognized reserve transfers in the amount of \$267,040. During the year ended December 31, 2019, the Association expended \$346,760 towards its designated purposes and earned interest income of \$2,132. At December 31, 2019, the remaining unrecognized and unexpended balance of \$416,082 is recorded as deferred special assessment in the special assessment fund until expended for its designated purposes.

**BAYSHORE CLUB MANAGEMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 2019*

**NOTE 9: Future major repairs and replacements**

The Association's governing documents and FS §718 require that the Association's annual budget include budgeted assessments for future major repairs and replacements (reserves), unless waived in whole or in part by a vote of the owners in accordance with the governing documents and Florida law. Accumulated funds are held in separate interest-bearing accounts and are generally not available for operating purposes.

Reserve funds are accumulated based on estimated current costs of the components of common property. Actual expenditures may vary from the estimated amounts 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 may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

During 2018, and updated during 2019, the Board of Directors contracted with a reserve specialist to conduct an independent study to estimate the useful lives, the remaining useful lives, and replacement costs of the common property components. The schedule included in the required supplementary information on future major repairs and replacements is based upon this study.

For the year ended December 31, 2019, the Association's unit owners voted to partially fund reserves in the amount of \$400,000. For the year ending December 31, 2020, the Association's unit owners voted to partially fund reserves in the amount of \$425,500.

Components of the replacement fund are as follows:

	Contract Liabilities and Fund Balance, January 1, 2019	Additions	Interest Income	Expenses	Transfers	Contract Liabilities and Fund Balance, December 31, 2019
Roof	\$ 125,795	\$ 34,994	\$ -	\$ 26,175	\$ -	\$ 134,614
Painting	11,090	75,370 <sup>1</sup>	-	26,336	-	60,124
Paving	77,622	17,005	-	-	-	94,627
Decorating	187,475	24,996	-	27,207	-	185,264
Tennis courts	30,815	-	-	270	-	30,545
Heating and A/C	32,828	2,004	-	4,843	-	29,989
Pool	56,438	997	-	13,480	-	43,955
Pumps	79,340	57,000	-	58,063	-	78,277
Common glass	41,269	80,004	-	51,000	-	70,273
Elevators	113,241	75,000	-	32,900	-	155,341
Safety & security	67,767	24,996	-	4,583	-	88,180
Equipment	51,931	2,004	-	5,077	-	48,858
Structural	258,932	30,000	-	165,721	-	123,211
Landscaping	5,010	-	-	2,189	-	2,821
Garage renovation	33,574	30,000	-	-	-	63,574
Deferred maint.	45,209	-	-	36,000	-	9,209
Other	17,577	-	-	1,114	-	16,463
Interest	4,606	-	14,427	-	-	19,033
	<u>\$ 1,240,519</u>	<u>\$ 454,370</u>	<u>\$ 14,427</u>	<u>\$ 454,958</u>	<u>\$ -</u>	<u>\$ 1,254,358</u>

<sup>1</sup> Additions of \$75,370 is composed of budgeted assessments of \$21,000 and a voided expense from the prior year in the amount of \$54,370.

**BAYSHORE CLUB MANAGEMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 2019*

**NOTE 9: Future major repairs and replacements (continued)**

A reconciliation of the table above to the balance sheet replacement fund reporting is as follows:

Contract liabilities	\$ 1,112,113
Fund balance	142,245
	\$ 1,254,358

**NOTE 10: Interfund borrowings**

At December 31, 2019, the Association's special assessment fund is owed \$89,123 from its operating fund and \$5,080 from its replacement fund. These interfund borrowings were for investment purposes and were therefore permitted under FS §718.

**NOTE 11: Topic 606 implementation**

The Association adopted the new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to the accounting policies for revenue recognition and contract liabilities (as previously described). The adoption of the new revenue recognition guidance resulted in the following change to fund balance at January 1, 2019:

Fund balances, as previously reported, at January 1, 2019	\$ 1,317,820
Adjustment	(1,071,275)
	\$ 246,545

The effect of the adoption is an increase in 2019 maintenance assessments by \$13,532, a decrease in 2019 other income of \$54,370, and a recording of a contract liability at December 31, 2019 of \$1,112,113. The Association has no customer contract modifications that have an effect on the Association's transition to the new guidance.

The modified retrospective method of transition requires disclosure of the effect of applying the new guidance on each item included in the 2019 financial statements. The following are line items from the balance sheet as of December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balance reported under the new guidance:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
<u>Liabilities:</u>			
Contract liabilities	\$ -	\$ 1,112,113	\$ 1,112,113
Total liabilities	\$ 745,129	\$ 1,112,113	\$ 1,857,242
<u>Fund balances:</u>			
Ending fund balances	\$ 1,348,282	\$ (1,112,113)	\$ 236,169

**BAYSHORE CLUB MANAGEMENT ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 2019*

**NOTE 11: Topic 606 implementation (continued)**

The following are the line items from the statement of revenues and expenses and changes in fund balances and the statement of cash flows for the year ended December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balance reported under the new guidance:

	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
<u>Revenue:</u>			
Maintenance assessments	\$ 1,104,553	\$ 13,532	\$ 1,118,085
Other income	\$ 54,370	\$ (54,370)	\$ -
Excess (deficiency) of revenues over expenses	\$ 30,462	\$ (40,838)	\$ (10,376)
<u>Cash flows:</u>			
Excess (deficiency) of revenues over expenses	\$ 30,462	\$ (40,838)	\$ (10,376)
Increase in contract liabilities	\$ -	\$ 40,838	\$ 40,838

**NOTE 12: Subsequent events**

Management has evaluated subsequent events through January 4, 2021, the date the financial statements were available to be issued.

# HAFER

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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Bayshore Club Management Association, Inc.

### Report on the Financial Statements

We have audited the financial statements of Bayshore Club Management Association, Inc. ("the Association") as of and for the year ended December 31, 2019, and our report thereon dated January 4, 2021, which expressed an unmodified opinion on those financial statements, appears on Page 1.

### Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating expenses compared to budget on Pages 13 and 14, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked "unaudited," 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. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide assurance on it.

### Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Future Major Repairs and Replacements 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, 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.



Palm Beach, Florida  
January 4, 2021



**BAYSHORE CLUB MANAGEMENT ASSOCIATION, INC.**  
**SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET**  
*For the year ended December 31, 2019*

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Administrative</b>			
Accounting and annual audit	\$ 6,850	\$ 9,000	\$ 2,150
Association administrative	50	600	550
Background check	1,415	1,440	25
Bad debt expense	-	8,000	8,000
Bank service charges	454	150	(304)
Computer equipment and supplies	395	500	105
Computer repair and service	1,783	500	(1,283)
Computer software and website	1,078	700	(378)
Division fees	35	913	878
Legal expenses	33,717	20,000	(13,717)
Licensing, certifications and education	1,860	600	(1,260)
Office supplies and toner	5,476	3,500	(1,976)
Other expenses	1,704	-	(1,704)
Postage	2,019	3,500	1,481
Reserve study	-	650	650
Tax return	415	350	(65)
	<u>57,251</u>	<u>50,403</u>	<u>(6,848)</u>
<b>Contract expenses</b>			
Copier lease	7,336	2,400	(4,936)
Copier maintenance	-	300	300
Elevators	16,879	18,000	1,121
Emergency generator maintenance	-	1,900	1,900
Emergency steam generator	1,300	500	(800)
Fire alarm annual test and inspection	-	560	560
Fire alarm panel monitoring	-	780	780
Fire equipment and pump	3,681	800	(2,881)
Fire extinguisher annual certificate	1,207	930	(277)
Housekeeping	33,236	31,000	(2,236)
Interior pest control	3,387	3,228	(159)
Lawn maintenance service	9,750	9,600	(150)
Lawn treatment service	3,353	2,874	(479)
Postage meter lease	1,302	652	(650)
Security and answering service	-	2,100	2,100
Soft warm stream generators	285	455	170
	<u>81,716</u>	<u>76,079</u>	<u>(5,637)</u>
<b>Insurance</b>			
Flood	37,964	43,379	5,415
General liability and others	16,205	14,625	(1,580)
Property and wind	86,774	88,319	1,545
	<u>\$ 140,943</u>	<u>\$ 146,323</u>	<u>\$ 5,380</u>

See auditor's report on supplementary information.

**BAYSHORE CLUB MANAGEMENT ASSOCIATION, INC.**  
**SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET (CONTINUED)**  
*For the year ended December 31, 2019*

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Payroll and related</b>			
Maintenance	\$ 38	\$ -	\$ (38)
Miscellaneous employee benefit	1,666	-	(1,666)
Payroll taxes	14,215	15,000	785
Salary and wages	174,413	196,061	21,648
Temp service cost	4,194	-	(4,194)
Travel expense	1,500	-	(1,500)
Workers comp. insurance	1,900	3,200	1,300
	<u>197,926</u>	<u>214,261</u>	<u>16,335</u>
<b>Repairs and maintenance</b>			
Annual carpet and tile cleaning	1,075	2,000	925
Elevator repair	17,147	4,000	(13,147)
General maintenance	21,538	22,000	462
Grounds and landscaping	4,956	7,000	2,044
Housekeeping and janitorial supplies	2,775	2,000	(775)
HVAC maintenance and repairs	2,691	3,600	909
Maintenance and repair - other	138	-	(138)
Plumbing maintenance	5,684	6,500	816
Pool maintenance and supplies	7,232	6,000	(1,232)
Small equipment replacement	-	1,000	1,000
Trash chute annual cleaning	-	1,400	1,400
	<u>63,236</u>	<u>55,500</u>	<u>(7,736)</u>
<b>Utilities</b>			
Electric	51,361	55,000	3,639
Fireline	1,008	1,070	62
Garbage	25,920	17,000	(8,920)
Gas for mowing	-	450	450
Generator fuel	-	600	600
Landfill	9,306	6,000	(3,306)
Phone and entrance directory	12,791	13,536	745
Recycling	4,911	4,900	(11)
Sewer	42,063	43,000	937
Solid Waste fuel adjustment	1,339	1,000	(339)
Stormwater	30,247	28,800	(1,447)
Utility taxes and surcharges	3,148	2,900	(248)
Water	35,520	32,000	(3,520)
	<u>217,614</u>	<u>206,256</u>	<u>(11,358)</u>
<b>Total budgeted expenses</b>	<u>\$ 758,686</u>	<u>\$ 748,822</u>	<u>\$ (9,864)</u>

See auditor's report on supplementary information.

**BAYSHORE CLUB MANAGEMENT ASSOCIATION, INC.**  
**SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)**  
*December 31, 2019*

The following schedule is based upon a study conducted by an independent consultant in 2018 and updated in 2019 to estimate the remaining useful lives and replacement costs of the components of common property. The schedule provides information about components of common property.

<u>Component</u>	<u>Estimated Useful Life (years)</u>	<u>Estimated Remaining Life (years)</u>	<u>Estimated Replacement Cost</u>	<u>Statutory Funding December 31, 2020</u>	<u>Approved Budgeted Funding December 31, 2020</u>
Roof	20-25	12-18	\$ 601,410	\$ 33,412	\$ 35,000
Painting	5-8	0-7	381,242	54,463	21,000
Paving	4-20	0-1	100,278	100,278	17,000
Decorating	8-25	0-20	570,975	28,549	50,000
Tennis courts	5-22	0-7	21,931	3,133	3,000
Heating and A/C	8-12	0-11	80,273	7,298	2,000
Pool	8-30	0-24	163,870	6,828	1,000
Pumps	2-45	0-23	314,648	13,680	50,000
Common glass	2-35	0-29	355,521	12,259	80,000
Elevators	15-30	9-24	630,780	26,283	80,000
Safety & security	8-40	0-29	801,492	27,638	25,000
Equipment	6-40	1-20	324,737	16,237	1,500
Structural	10-50	0-27	2,073,121	76,782	10,000
Landscaping	10	7	50,000	7,143	-
Garage renovation	6-40	5-29	424,281	14,630	50,000
Other	12-26	3-24	79,801	3,325	-
			<u>\$ 6,974,360</u>	<u>\$ 431,938</u>	<u>\$ 425,500</u>

See auditor's report on supplementary information.

