

**LANTANA OCEANFRONT CONDOMINIUM
ASSOCIATION, INC.**

**Financial Statements and Supplementary Information
with
Independent Auditors' Report**

December 31, 2020

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KMETZ • ELWELL • GRAHAM & ASSOCIATES, PLLC
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Lantana Oceanfront Condominium Association, Inc.
Indian Harbour Beach, Florida

We have audited the accompanying financial statements of Lantana Oceanfront Condominium Association, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements 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 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 Lantana Oceanfront 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.

To the Board of Directors
Lantana Oceanfront Condominium Association, Inc.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of operating fund revenues and expenses and the schedule of changes in contract liabilities and replacement fund balances on pages 11-13, 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”, 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. 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 any assurance on it.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements of common property on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of the 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.

Kmetz, Elwell, Graham & Associates

Kmetz, Elwell, Graham & Associates, PLLC
Certified Public Accountants
Vero Beach, Florida

September 23, 2021



Lantana Oceanfront Condominium Association, Inc.
 Balance Sheet
 December 31, 2020

	2020		
	Operating Fund	Replacement Fund	Total
Assets			
Cash	\$ 123,050	\$ 178,338	\$ 301,388
Assessments receivable	7,046	-	7,046
Prepaid insurance	92,894	-	92,894
Prepaid expenses	1,246	-	1,246
Interfund borrowings	(11,097)	11,097	-
	\$ 213,139	\$ 189,435	\$ 402,574
Liabilities and Fund Balance			
Accounts payable	\$ 11,436	\$ -	\$ 11,436
Prepaid assessments	19,053	-	19,053
Note payable-insurance	62,563	-	62,563
Deferred insurance claim income	8,406	-	8,406
Contract Liabilities (assessments in advance of expenses)	-	189,435	189,435
	101,458	189,435	290,893
Fund Balance (Deficit)	111,681	-	111,681
	\$ 213,139	\$ 189,435	\$ 402,574

See accompanying notes to financial statements.



Lantana Oceanfront Condominium Association, Inc.
Statement of Revenues and Expenses and Changes in Fund Balances
Year ended December 31, 2020

	2020		
	Operating Fund	Replacement Fund	Total
Revenues			
Regular assessments	\$ 449,815	\$ 178,131	\$ 627,946
Special assessments	130,000	28,400	158,400
Interest and other income	1,904	321	2,225
	581,719	206,852	788,571
Expenses			
General and administrative	130,465	-	130,465
Building operations	179,768	-	179,768
Landscape and grounds	40,824	-	40,824
Utilities	94,245	-	94,245
Recreational	11,169	-	11,169
Reserve expenses	-	208,566	208,566
	456,471	208,566	665,037
Excess (deficit) of revenues over expenses	125,248	(1,714)	123,534
Fund Balance, beginning of year	(13,567)	1,714	(11,853)
Fund Balance (Deficit), end of year	\$ 111,681	\$ -	\$ 111,681

See accompanying notes to financial statements.

Lantana Oceanfront Condominium Association, Inc.
Statement of Cash Flows
Year ended December 31, 2020

	2020		
	Operating Fund	Replacement Fund	Total
Cash flows from operating activities:			
Assessments collected	\$ 579,450	\$ 264,025	\$ 843,475
Interest and other income received	10,310	321	10,631
Cash paid for expenditures	(451,630)	(208,566)	(660,196)
Net cash provided by operating activities	138,130	55,780	193,910
Cash flows from financing activities:			
Line of credit	(129,991)	-	(129,991)
Interfund borrowings	(6,967)	6,967	-
Net cash provided by (used for) financing activities	(136,958)	6,967	(129,991)
Net increase in cash	1,172	62,747	63,919
Cash, beginning of year	121,878	115,591	237,469
Cash, end of year	\$ 123,050	\$ 178,338	\$ 301,388
Reconciliation of excess (deficit) of revenues over expenses to net cash provided by (used for) operating activities:			
Excess (deficit) of revenues over expenses	\$ 125,248	\$ (1,714)	\$ 123,534
Adjustments:			
(Increase) decrease in:			
Assessments receivable	(2,653)	-	(2,653)
Prepaid insurance	(5,502)	-	(5,502)
Prepaid expenses	(1,246)	-	(1,246)
Increase (decrease) in:			
Accounts payable	7,151	-	7,151
Prepaid assessments	2,288	-	2,288
Insurance payable	4,438	-	4,438
Deferred insurance claim income	8,406	-	8,406
Contract Liabilities	-	57,494	57,494
Net cash provided by operating activities	\$ 138,130	\$ 55,780	\$ 193,910

See accompanying notes to financial statements.



Lantana Oceanfront Condominium Association, Inc.
Notes to Financial Statements
For the year ended December 31, 2020

Note 1 – Nature of Organization

Lantana Oceanfront Condominium Association, Inc. (the Association) was incorporated under the laws of the State of Florida on July 16, 1997 under Chapter 617 of the Florida Statutes as a not-for-profit organization. The Association is responsible for the preservation and maintenance of the common property in accordance with the terms of the Florida Statutes in Chapter 718. The Association is located in Indian Harbour Beach, Florida and consists of 96 residential units.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Association prepares its financial statements on the accrual basis of accounting.

Fund Accounting

The Association presents separate funds based on its different funding policies for operations and capital replacements.

The operating fund reflects the operating assessments paid by unit owners to meet the regular, recurring costs of operations. Expenditures of this fund are limited to those connected with the day-to-day operations and the replacements, major repairs and the purchase of additional commonly owned assets for which no replacement fund component has been established. Assessments are calculated equally for each unit owner.

The replacement fund is composed of all capital assessments paid by unit owners to fund future replacements and major repairs of certain commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied.

All assessments receivable and prepaid assessments are deemed due to or from the operating fund. The Association's policy is to fund fully within the replacement funds each month without regard to underpayments or overpayments by members to the operating fund.

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 recorded when the Association has the right to receive payment in advance of the satisfaction of the performance obligations related to replacement reserve assessments. The balances of contract liabilities as of the beginning and end of the year are \$131,941 and \$189,435 respectively.

Excess Operating Funds

The Association retains excess operating funds, if any, at the end of the operating year for use in future operating periods.

Common Property

Ownership of commonly owned assets is vested directly or indirectly in the unit owners and these assets are not deemed to be severable. As a result, commonly owned assets are not capitalized in the Association's financial statements.

Accounting 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. Actual results could differ from those estimates.

Lantana Oceanfront Condominium Association, Inc.

Notes to Financial Statements (continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The financial position of the Association at December 31, 2020, includes certain financial instruments that may have a fair value that is different from the value currently reflected in the financial statements. In reviewing the financial statements of the Association, certain assumptions and methods were used to determine the fair value of each category of financial instruments for which it is practicable to estimate that value.

The carrying amounts of the Association’s financial instruments generally approximate their fair values at December 31, 2020.

Subsequent Events

Management has evaluated subsequent events through September 23, 2021, the date the financial statements were available to be issued.

Note 3 – Cash Balances

Financial instruments which potentially subject the Association to a concentration of credit risk include cash held at financial institutions, which may exceed FDIC insurance limits or be subject to risks associated within the underlying securities. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to its cash balances.

Note 4 – Income Taxes

Associations may elect to be taxed under Internal Revenue Code (“IRC”) Section 277, which applies to certain membership organizations, or under IRC Section 528, which applies specifically to homeowner associations as that term is defined for tax purposes. For the year ended December 31, 2020, the Association was taxed under the provisions of IRC Section 528 (Federal Form 1120-H). Under IRC Section 277, the Association is required to separate membership income and expenses from non-membership income and expenses. Each component is taxed separately; however, net membership income is exempt from taxation if certain elections are made.

The Association’s federal income tax returns for 2017, 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they were filed. In evaluating the Association’s tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.



Lantana Oceanfront Condominium Association, Inc.

Notes to Financial Statements (continued)

Note 5 – Note Payable

On December 6, 2019, the Association incurred a short term note payable to First Insurance Funding Corporation to finance its annual insurance coverage for 2020. The total financed coverage was equal to \$68,557 at a 5.52% annual rate of interest. This note required a down payment of \$5,432, and 11 monthly installments equal to \$5,432. In December 2019, the Association made the down payment of principal, and the remaining 11 payments were due beginning January 31, 2020. The total interest incurred in 2020 was \$1,616, and was included in the insurance expense.

On December 16, 2020, the Association incurred a short term note payable to First Insurance Funding Corporation to finance its annual insurance coverage for 2021. The total financed coverage was equal to \$68,386 at a 4.74% annual rate of interest. This note required a down payment of \$5,823, and 11 monthly installments equal to \$5,823. In December 2020, the Association made the down payment of principal, and the remaining 11 payments were due beginning January 31, 2021. The total amount outstanding at December 31, 2020 was \$62,563.

Note 6 –Line of Credit

On July 26, 2019, The Association obtained a line of credit from Valley Bank in the amount of \$250,000 to finance roof repairs. As of December 31, 2020, the balance due on this line of credit was \$0. The interest rate on the line of credit was 5.25% at December 31, 2020. The note is secured by the Association's rights to collect assessments, an assignment of lien rights, and a security agreement. The maturity date is December 31, 2039, or until such time as the parties agree in writing to terminate the agreement. Total interest paid on the line of credit in 2020 was \$2,729.

Note 7 – Future Major Repairs and Replacements

The Association is accumulating funds for future major repairs and replacements. Accumulated funds are held in separate interest bearing accounts and generally are not available for expenditures for normal operations.

In connection with preparing the budget, the Board of Directors contracted with Sedgwick Valuation Services to conduct a study to estimate the remaining useful lives and the replacement costs of the components of common property. The reserve study report was issued September 25, 2018. When applicable, estimates were obtained from licensed contractors who inspected the property. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study.

The Board is funding for major repairs and replacements. Accordingly, the funding requirement of \$235,620 has been included in the 2021 budget. 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 8 - Special Assessment

Occasionally, the Association undertakes projects that have not been adequately provided for in the operating budget or by accumulated replacement funds. Such projects are funded by special assessments adopted by the Association's Board of Directors.

At the March 9, 2020, meeting the Board approved a special assessment in the amount of \$158,400 for paying off the line of credit with an approximate balance of \$130,000, as well as post tension cable for a balcony for approximately \$28,400. The Association used the full amount of \$158,400 in 2020.

SUPPLEMENTARY INFORMATION



Lantana Oceanfront Condominium Association, Inc.
Schedule of Operating Fund Revenues and Expenses

Year ended December 31,	2020		
	Actual	Budget	Variance Favorable (Unfavorable)
		(Unaudited)	(Unaudited)
Revenues			
Regular assessments	\$ 449,815	\$ 449,815	\$ -
Special assessments	130,000	-	130,000
Interest and other income	1,904	1,618	286
	581,719	451,433	130,286
Expenses			
General and Administrative:			
Professional fees	12,393	15,000	2,607
Licenses and fees	1,603	4,150	2,547
Insurance	89,015	89,015	-
Management fees	19,800	19,800	-
Office supplies and expenses	2,361	5,640	3,279
Interest expense - line of credit	2,729	-	(2,729)
Other misc expense	2,564	-	(2,564)
	130,465	133,605	3,140
Building Operations:			
Repairs and maintenance	68,717	80,000	11,283
Roof repairs	5,175	1,500	(3,675)
Building cleaning	46,335	35,000	(11,335)
Elevator Maintenance	19,423	12,600	(6,823)
Fire prevention systems	26,939	24,747	(2,192)
Maintenance supplies	13,179	10,000	(3,179)
	179,768	163,847	(15,921)
Landscape and Grounds:			
Grounds maintenance	18,540	17,916	(624)
Dune trimming	12,200	14,000	1,800
Pest control-grounds	4,363	2,820	(1,543)
Fertilization	4,056	4,500	444
Plants, shrubs, trees	1,665	3,500	1,835
	40,824	42,736	1,912

Lantana Oceanfront Condominium Association, Inc.
Schedule of Operating Fund Revenues and Expenses (continued)

Year ended December 31,	2020		
	Actual	Budget	Variance Favorable (Unfavorable)
		(Unaudited)	(Unaudited)
Recreational:			
Pool service	10,550	9,300	(1,250)
Pool supplies	619	1,750	1,131
	11,169	11,050	(119)
Utilities:			
Electricity	16,925	19,200	2,275
Gas	3,824	2,445	(1,379)
Trash removal	15,470	17,100	1,630
Water and sewer	55,282	55,800	518
Phone lines	2,744	5,650	2,906
	94,245	100,195	5,950
	456,471	451,433	(5,038)
Excess (deficit) of revenues over expenses	\$ 125,248	\$ -	\$ 125,248

Lantana Oceanfront Condominium Association, Inc.
 Schedule of Changes in Contract Liabilities & Replacement Fund Balances
 Year ended December 31, 2020

Component	Beginning Contract Liabilities	Increases	Decreases	Transfers	Ending Contract Liabilities
Pooled reserves	\$ 131,941	\$ 264,025	\$ 208,566	\$ 2,035	\$ 189,435
	\$ 131,941	\$ 264,025	\$ 208,566	\$ 2,035	\$ 189,435

Component	Beginning Fund Balance	Increases	Decreases	Transfers	Ending Fund Balance
Unallocated interest	\$ 1,714	\$ 321	\$ -	\$ (2,035)	\$ -
	\$ 1,714	\$ 321	\$ -	\$ (2,035)	\$ -

Total Contract Liabilities and Fund Balance	\$ 133,655	\$ 264,346	\$ 208,566	\$ -	\$ 189,435
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Lantana Oceanfront Condominium Association, Inc.
 Supplementary Information on Future Major
 Repairs and Replacements (Unaudited)

In connection with preparing the budget, the Board of Directors conducted a study to estimate the remaining useful lives and the replacement costs of the components of common property. When applicable, estimates were obtained from licensed contractors who inspected the property. The following table is based on the study and presents significant information about the components of common property:

Component	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2021 Funding Requirement	Components of Contract Liabilities & Fund Balance 12/31/2020
Pooled reserves	n/a	\$ -	\$ 235,620	\$ 189,435
Landscape/Irrigation	3-10 years	50,000	-	-
A/C Units	1-6 years	24,880	-	-
Building exteriors	1-15 years	906,504	-	-
Common area interiors	4-13 years	70,252	-	-
Doors	1-10 years	15,000	-	-
Dune crossover repair	10-12 years	22,837	-	-
Elevator	4-28 years	360,000	-	-
Entry system	4-10 years	25,000	-	-
Fire system	6-20 years	161,700	-	-
Painting	2-10 years	241,529	-	-
Pavement	1-10 years	89,608	-	-
Pool	1-16 years	55,078	-	-
Roofs	3-26 years	568,992	-	-
Other	4-20 years	47,414	-	-
Unallocated interest	n/a	-	-	-
		\$ 2,638,794	\$ 235,620	\$ 189,435