

**LANTANA OCEANFRONT CONDOMINIUM
ASSOCIATION, INC.**

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

December 31, 2021
(With Comparative Totals for 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

Opinion

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

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, 2021, 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.

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 Lantana Oceanfront 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.

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 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, including omissions, 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.

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

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 statement
- 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 Lantana Oceanfront 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 Lantana Oceanfront Condominium Association, Inc. 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 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 13-14 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.

Report on Summarized Comparative Information

We previously reviewed Lantana Oceanfront Condominium Association's 2020 financial statements and in our report dated September 23, 2021, stated that based on our procedures, we were not aware of any material modifications that should be made to the 2020 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. We are not aware of any modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2021, for it to be consistent with the reviewed financial statements from which it has been derived.



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

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 16 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

June 29, 2022



Lantana Oceanfront Condominium Association, Inc.
 Balance Sheet
 December 31, 2021
 (With comparative totals for 2020)

	2021			2020
	Operating Fund	Replacement Fund	Total	Total (memo only)
Assets				
Cash	\$ 117,822	\$ 298,941	\$ 416,763	\$ 301,388
Assessments receivable	5,983	-	5,983	7,046
Prepaid insurance	111,935	-	111,935	92,894
Prepaid expenses	-	-	-	1,246
Interfund borrowings	(2,900)	2,900	-	-
	\$ 232,840	\$ 301,841	\$ 534,681	\$ 402,574
Liabilities and Fund Balance				
Accounts payable	\$ 8,497	\$ -	\$ 8,497	\$ 11,436
Prepaid assessments	21,116	-	21,116	19,053
Note payable-insurance	79,094	-	79,094	62,563
Deferred insurance claim income	5,262	-	5,262	8,406
Contract Liabilities (assessments in advance of expenses)	-	301,841	301,841	189,435
	113,969	301,841	415,810	290,893
Fund Balance	118,871	-	118,871	111,681
	\$ 232,840	\$ 301,841	\$ 534,681	\$ 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, 2021
(With comparative totals for 2020)

	2021			2020
	Operating Fund	Replacement Fund	Total	Total (memo only)
Revenues				
Regular assessments	\$ 449,820	\$ 96,041	\$ 545,861	\$ 627,946
Special assessments	(9)	-	(9)	158,400
Interest and other income	1,388	18,489	19,877	2,225
	451,199	114,530	565,729	788,571
Expenses				
General and administrative	129,063	-	129,063	130,465
Building operations	166,453	-	166,453	179,768
Landscape and grounds	39,428	-	39,428	40,824
Utilities	99,436	-	99,436	94,245
Recreational	9,629	-	9,629	11,169
Reserve expenses	-	114,530	114,530	208,566
	444,009	114,530	558,539	665,037
Excess of revenues over expenses	7,190	-	7,190	123,534
Fund Balance (Deficit), beginning of year	111,681	-	111,681	(11,853)
Fund Balance, end of year	\$ 118,871	\$ -	\$ 118,871	\$ 111,681

See accompanying notes to financial statements.



Lantana Oceanfront Condominium Association, Inc.
Statement of Cash Flows
Year ended December 31, 2021
(With comparative totals for 2020)

	2021			2020
	Operating Fund	Replacement Fund	Total	Total (memo only)
Cash flows from operating activities:				
Assessments collected	\$ 452,937	\$ 208,447	\$ 661,384	\$ 843,475
Interest and other income received	1,388	18,489	19,877	10,631
Cash paid for expenditures	(451,356)	(114,530)	(565,886)	(660,196)
Net cash provided by operating activities	2,969	112,406	115,375	193,910
Cash flows from financing activities:				
Line of credit	-	-	-	(129,991)
Interfund borrowings	(8,197)	8,197	-	-
Net cash provided by (used for) financing activities	(8,197)	8,197	-	(129,991)
Net increase in cash	(5,228)	120,603	115,375	63,919
Cash, beginning of year	123,050	178,338	301,388	237,469
Cash, end of year	\$ 117,822	\$ 298,941	\$ 416,763	\$ 301,388
Reconciliation of excess of revenues over expenses to net cash provided by operating activities:				
Excess of revenues over expenses	\$ 7,190	\$ -	\$ 7,190	\$ 123,534
Adjustments:				
(Increase) decrease in:				
Assessments receivable	1,063	-	1,063	(2,653)
Prepaid insurance	(19,041)	-	(19,041)	(5,502)
Prepaid expenses	1,246	-	1,246	(1,246)
Increase (decrease) in:				
Accounts payable	(2,939)	-	(2,939)	7,151
Prepaid assessments	2,063	-	2,063	2,288
Insurance payable	16,531	-	16,531	4,438
Deferred insurance claim income	(3,144)	-	(3,144)	8,406
Contract Liabilities	-	112,406	112,406	57,494
Net cash provided by operating activities	\$ 2,969	\$ 112,406	\$ 115,375	\$ 193,910

See accompanying notes to financial statements.



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.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of property owners whose assessments are ninety days or more delinquent. Any excess operating funds at year-end are retained by the Association for use in future operating periods.

Common Property and Equipment

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 reflected in the Association's financial statements. The Association's policy is to expense property in the year it is purchased.

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.

Note 2 – Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The financial position of the Association at December 31, 2021, 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, 2021.

Subsequent Events

Management has evaluated subsequent events through June 29, 2022, 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, 2021, 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 2018, 2019, 2020 and 2021 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.

Note 5 – Note Payable

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 \$62,563 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 interest incurred in 2021 was \$1,493, and was included in the insurance expense.

On December 17, 2021, the Association incurred a short term note payable to First Insurance Funding Corporation to finance its annual insurance coverage for 2022. The total financed coverage was equal to \$86,456 at a 4.04% annual rate of interest. This note required a down payment of \$7,362, and 11 monthly installments equal to \$7,362. In December 2021, the Association made the down payment of principal, and the remaining 11 payments were due beginning January 31, 2022. The total amount outstanding at December 31, 2021 was \$79,094.

Note 6 – 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 \$242,689 has been included in the 2022 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 7 - 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 February 16, 2022, meeting the Board approved a special assessment in the amount of \$576,000 for increasing the reserve account to fund the upcoming balcony remediation project. This amounts to \$6,000 per unit which can either be paid in full due April 1, 2022, or the owners may elect to pay \$500/month over 12 months with the first payment due April 1, 2022 and the final payment due March 1, 2023.

Note 8 – Contingencies

The Association is a 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 the opinion of management, would not be material to the future financial condition of the Association.

Note 9 – Risks and Uncertainties

In March 2020, a global pandemic was declared by the World Health Organization as a result of the rapidly growing outbreak of the coronavirus, COVID-19. The pandemic has significantly impacted the economic conditions in the United States, including disrupting supply chains and affecting production and sales across a range of industries. The extent of the ultimate effects of COVID-19 on the Organization's operating and financial performance cannot be predicted at this time, as they are dependent on many factors, including, but not limited to: (i) the duration and spread of the outbreak, (ii) the impact on owners and vendors, and (iii) the impact on the local, state, national and global economies.

Note 10 – Revenue Recognition

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 \$189,435 and \$301,841 respectively. The effects of the performance obligation approach under ASC 606 results in the following adjustments to income, expenses, and cash flows:

	Amounts That Would Have Been Reported		Effects of Applying New Guidance		As Reported
Revenue					
Reserve assessments	\$ 235,620	\$	(139,579)	\$	96,041
Excess (deficit) of revenues over expenses	\$ 139,579	\$	(139,579)	\$	-
Cash Flows					
Excess (deficit) of revenues over expenses	\$ 139,579	\$	(139,579)	\$	-
Increase (decrease) in contract liabilities	\$ -	\$	139,579	\$	112,406

SUPPLEMENTARY INFORMATION



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

Year ended December 31,	2021			2020
	Actual	Budget	Variance Favorable (Unfavorable)	Actual
		(Unaudited)	(Unaudited)	
Revenues				
Regular assessments	\$ 449,820	\$ 449,820	\$ -	\$ 449,815
Special assessments	(9)	-	(9)	130,000
Interest and other income	1,388	1,864	(476)	1,904
	451,199	451,684	(485)	581,719
Expenses				
General and Administrative:				
Professional fees	7,168	12,000	4,832	12,393
Licenses and fees	2,838	2,000	(838)	1,603
Insurance	94,389	95,584	1,195	89,015
Management fees	21,027	19,800	(1,227)	19,800
Office supplies and expenses	2,989	4,000	1,011	2,361
Interest expense - line of credit	-	-	-	2,729
Other misc expense	652	-	(652)	2,564
	129,063	133,384	4,321	130,465
Building Operations:				
Repairs and maintenance	54,553	68,000	13,447	68,717
Roof repairs	6,500	2,000	(4,500)	5,175
Building cleaning	42,394	40,000	(2,394)	46,335
Elevator Maintenance	18,081	14,000	(4,081)	19,423
Fire prevention systems	35,861	24,200	(11,661)	26,939
Maintenance supplies	9,064	13,000	3,936	13,179
	166,453	161,200	(5,253)	179,768
Landscape and Grounds:				
Grounds maintenance	20,394	29,700	9,306	18,540
Dune trimming	5,900	10,000	4,100	12,200
Pest control-grounds	4,494	4,000	(494)	4,363
Fertilization	4,192	4,500	308	4,056
Plants, shrubs, trees	4,448	2,500	(1,948)	1,665
	39,428	50,700	11,272	40,824



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

Year ended December 31,	2021			2020
	Actual	Budget	Variance Favorable (Unfavorable)	Actual
		(Unaudited)	(Unaudited)	
Recreational:				
Pool service	8,800	9,600	800	10,550
Pool supplies	829	1,000	171	619
	9,629	10,600	971	11,169
Utilities:				
Gas	-	-	-	3,824
Electricity, Gas, Phone lines	25,717	24,500	(1,217)	16,925
Trash removal	17,469	15,500	(1,969)	15,470
Water and sewer	56,250	55,800	(450)	55,282
Phone lines	-	-	-	2,744
	99,436	95,800	(3,636)	94,245
	444,009	451,684	7,675	456,471
Excess of revenues over expenses	\$ 7,190	\$ -	\$ 7,190	\$ 125,248



Lantana Oceanfront Condominium Association, Inc.
Schedule of Changes in Contract Liabilities & Replacement Fund Balances
Year ended December 31, 2021

Component	Beginning Contract Liabilities	Increases	Decreases	Transfers	Ending Contract Liabilities
Pooled Reserves	\$ 189,435	\$ 235,620	\$ 114,530	\$ (44,756)	\$ 265,769
Catastrophic Loss Reserves	-	18,000	-	18,072	36,072
	\$ 189,435	\$ 253,620	\$ 114,530	\$ (26,684)	\$ 301,841

Component	Beginning Fund Balance	Increases	Decreases	Transfers	Ending Fund Balance
Unallocated interest	\$ -	\$ 489	\$ -	\$ (489)	\$ -
	\$ -	\$ 489	\$ -	\$ (489)	\$ -

Total Contract Liabilities and Fund Balance	\$ 189,435	\$ 254,109	\$ 114,530	\$ (27,173)	\$ 301,841
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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	2022 Funding Requirement	Components of Contract Liabilities & Fund Balance 12/31/2021
Pooled reserves	0-27 years	\$ 2,638,794	\$ 242,689	\$ 265,769
Catastrophic loss reserves	n/a			36,072
Unallocated interest	n/a			
		\$ 2,638,794	\$ 242,689	\$ 301,841

