

**Renaissance I Association, Inc.**

**Independent Auditor's Report,  
Financial Statements  
and  
Supplementary Information**

**December 31, 2018**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Renaissance I Association, Inc.

We have audited the accompanying financial statements of Renaissance I Association, Inc., which comprise the balance sheet as of December 31, 2018, and the related statements of revenues, expenses and changes in fund balances and of 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 qualified audit opinion.

### ***Basis for Qualified Opinion***

As discussed in note 2 to the financial statements, the Association does not capitalize furniture and equipment which would otherwise be capitalized and depreciated in accordance with accounting principles generally accepted in the United States of America. The effect of this departure on the financial statements of the preceding practice has not been determined as it is not practical.

**Qualified Opinion**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Renaissance I Association, Inc. as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in note 4 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.

**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 replacement fund activity on page eleven (11) 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, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, 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 the supplementary information on future major repairs and replacements on page twelve (12) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our 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.

*Mendinger & Tyack CPAs, LLC*

February 15, 2019  
Curtiss Office  
Sarasota, Florida

**Renaissance I Association, Inc.**

Sarasota, Florida

**Balance Sheet**

December 31, 2018

**ASSETS**

<b>Assets</b>	Operating Fund	Replacement Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents	\$ 247,810	\$ 1,281,890	\$ 1,529,700
Certificates of deposits	-	255,366	255,366
Due from other fund	-	132,705	132,705
Assessments receivable, net of allowance of \$3,800	-	-	-
Prepays and other	<u>148,421</u>	<u>-</u>	<u>148,421</u>
Total Assets	<u>\$ 396,231</u>	<u>\$ 1,669,961</u>	<u>\$ 2,066,192</u>

**LIABILITIES AND FUND BALANCES****Liabilities**

Accounts payable	\$ 22,607	\$ -	\$ 22,607
Accrued expenses	15,084	-	15,084
Income tax payable	2,358	-	2,358
Due to other fund	132,705	-	132,705
Deposits	20,000	-	20,000
Prepaid assessments	<u>65,901</u>	<u>-</u>	<u>65,901</u>
Total Liabilities	<u>258,655</u>	<u>-</u>	<u>258,655</u>

**Fund Balances**

Charging station fund	23,000	-	23,000
Operating fund	114,576	-	114,576
Replacement fund	<u>-</u>	<u>1,669,961</u>	<u>1,669,961</u>
Total Fund Balances	<u>137,576</u>	<u>1,669,961</u>	<u>1,807,537</u>
Total Liabilities and Fund Balances	<u>\$ 396,231</u>	<u>\$ 1,669,961</u>	<u>\$ 2,066,192</u>

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

**Renaissance I Association, Inc.**

Sarasota, Florida

**Statement of Revenues, Expenses and Changes in Fund Balances**

Year Ended December 31, 2018

	Operating Fund	Replacement Fund	Total
<b>Revenues</b>			
Member assessments	\$ 1,434,136	\$ 415,000	\$ 1,849,136
Rentals	20,234	-	20,234
Interest	635	15,369	16,004
Late fees and other	<u>18,675</u>	<u>17,793</u>	<u>36,468</u>
Total Revenues	<u>1,473,680</u>	<u>448,162</u>	<u>1,921,842</u>
<b>Expenses</b>			
General administration	22,789	-	22,789
Bad debt	2,865	-	2,865
Insurance	151,371	-	151,371
Janitorial	4,692	-	4,692
Labor costs	274,409	-	274,409
Grounds	11,384	-	11,384
Management	19,800	-	19,800
Master association assessments	36,250	-	36,250
Pool and recreation	11,228	-	11,228
Professional fees	13,388	-	13,388
Repairs and maintenance	220,101	-	220,101
Security	177,731	-	177,731
Utilities	453,115	-	453,115
Income tax	2,692	-	2,692
Replacement	<u>-</u>	<u>369,556</u>	<u>369,556</u>
Total Expenses	<u>1,401,815</u>	<u>369,556</u>	<u>1,771,371</u>
Excess revenues over expenses	<u>71,865</u>	<u>78,606</u>	<u>150,471</u>
Fund Balances - beginning	165,878	1,472,060	1,637,938
Transfer	(100,167)	100,167	-
Capital contributions	<u>-</u>	<u>19,128</u>	<u>19,128</u>
Fund Balances - ending	<u>\$ 137,576</u>	<u>\$ 1,669,961</u>	<u>\$ 1,807,537</u>

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

**Renaissance I Association, Inc.**

Sarasota, Florida

**Statement of Cash Flows**

Year Ended December 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities:</b>			
Cash received from members	\$ 1,329,277	\$ 415,000	\$ 1,744,277
Rentals received	20,234	-	20,234
Interest received	635	15,369	16,004
Late fees and other receipts	22,675	17,793	40,468
Cash paid to suppliers and contractors	<u>(1,537,562)</u>	<u>(369,556)</u>	<u>(1,907,118)</u>
Net Cash Provided (Used) by Operating Activities	<u>(164,741)</u>	<u>78,606</u>	<u>(86,135)</u>
<b>Cash Flows From Investing Activities:</b>			
Change in certificates of deposits	<u>-</u>	<u>490,565</u>	<u>490,565</u>
Net Cash Provided by Investing Activities	<u>-</u>	<u>490,565</u>	<u>490,565</u>
<b>Cash Flows From Financing Activities:</b>			
Capital contributions	-	19,128	19,128
Transfer	(100,167)	100,167	-
Change in due (to) from other fund	<u>(122,390)</u>	<u>122,390</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>(222,557)</u>	<u>241,685</u>	<u>19,128</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(387,298)	810,856	423,558
Cash and Cash Equivalents - Beginning of Year	<u>635,108</u>	<u>471,034</u>	<u>1,106,142</u>
Cash and Cash Equivalents - End of Year	<u>\$ 247,810</u>	<u>\$ 1,281,890</u>	<u>\$ 1,529,700</u>

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

**Renaissance I Association, Inc.**

Sarasota, Florida

**Statement of Cash Flows**

Year Ended December 31, 2018

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<b>Reconciliation of excess</b>			
<b>revenues over expenses to net cash provided</b>			
<b>(used) by operating activities</b>			
Excess revenues over expenses	\$ 71,865	\$ 78,606	\$ 150,471
Adjustments to reconcile excess			
revenues over expenses to net cash provided			
(used) by operating activities:			
Bad debt	2,865	-	2,865
Decrease (increase) in operating assets:			
Assessments receivable	(705)	-	(705)
Prepays and other	(129,035)	-	(129,035)
Increase (decrease) in operating liabilities			
Accounts payable	(10,455)	-	(10,455)
Accrued expenses	(1,480)	-	(1,480)
Income tax payable	2,358	-	2,358
Deposits	4,000	-	4,000
Prepaid assessments	(104,154)	-	(104,154)
Total Adjustments	<u>(236,606)</u>	<u>-</u>	<u>(236,606)</u>
Net cash provided (used) by operating activities	<u>\$ (164,741)</u>	<u>\$ 78,606</u>	<u>\$ (86,135)</u>

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



**Renaissance I Association, Inc.**  
Sarasota, Florida

**Notes to the Financial Statements**  
December 31, 2018

**Note 1 – Nature of Organization and Management Review**

Nature of Organization

Renaissance I Association, Inc. (the “Association”) is a not-for-profit corporation organized on October 17, 2000, under the laws of the State of Florida, pursuant to Section 718 of the Florida Condominium Act for the management, maintenance, operation, repair and replacement of Renaissance I, a Condominium (the “Condominium”), located in Sarasota, Florida. The Association members are owners of the 244 residential units. Assessments against the owners of the Condominium units, which are the principal source of revenue, are based on the total estimated amounts required to protect and maintain the property owned by the unit owners in common of the Association.

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 15, 2019, the date the financial statements were available to be issued.

**Note 2 – Summary of Significant Accounting Policies**

Financial Statements

The financial statements and notes are the representations of the Association’s management, who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The Association’s governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Board of Directors and the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association. The operating fund reflects the operating assessments paid by unit owners to meet the regular costs of operation. Expenditures of this fund are limited to those connected with the day-to-day operations and non-recurring unanticipated expenditures.

Replacement Fund – This fund is used to account for financial resources designated for future major repairs and replacements. The replacement fund is composed of all capital assessments paid by unit owners to fund future replacements, major repairs and purchases of additional commonly-owned assets. Disbursements from the reserve fund may generally be made only for designated purposes.

Interest Earned on Reserves

The Association’s policy is to include in the replacement fund any interest earned on the replacement fund investments.

Allocation of Income and Expenses

The allocation of income and expenses to Association members is based on the condominium documents, which state that the Association members share income and expenses based on the square footage of units.

Notes to the Financial Statements  
December 31, 2018

**Note 2 – Summary of Significant Accounting Policies - continued**

Member Assessments

Revenue from member assessments are recognized in the period to which they apply, and payments in advance are deferred to the appropriate future period. These advanced payments are recorded as prepaid assessments as of the balance sheet date. Association members are subject to quarterly assessments to provide for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. The average quarterly assessment to members was \$1,895 for 2018. Of this amount, approximately 22%, or an average of approximately \$417, was designated for the replacement fund.

Assessments Receivable

The Association records assessments and other receivables at their net realizable value. An allowance for doubtful accounts is established based on amounts expected to be uncollectible at the balance sheet date. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. The Association's management has provided an allowance for uncollectible assessments of \$3,800 as of December 31, 2018. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are delinquent.

Income Taxes

The Association has the 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 is 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 2018 the Association will file its tax return under Section 528.

FASB ASC 740, *Income Taxes*, sets forth standards for financial presentation and disclosure of income tax liabilities and expenses and clarifies the accounting for uncertainty in income taxes recognized. In accordance with FASB ASC 740, *Income Taxes*, the Association has evaluated its tax positions and determined that the Association has no uncertain income tax positions that could have a material effect on the financial statements.

As of the date of the financial statements, the Association's federal income tax returns for 2015, 2016, 2017, and 2018 are subject to examination by the Internal Revenue Service. These returns are open to examination generally for three years after they were filed.

Cash and Cash Equivalents

For purposes of the balance sheet and the statement of cash flows, the Association considers demand deposits with banks, money market funds and all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Property and Equipment

The Association has the responsibility to preserve and maintain the commonly owned assets. 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. The Association does not capitalize furniture and equipment which would otherwise be capitalized and depreciated in accordance with accounting principles generally accepted in the United States of America. The effect of this departure on the financial statements of the preceding practice has not been determined as it is not practical.

**Renaissance I Association, Inc.**  
Sarasota, Florida

**Notes to the Financial Statements**  
December 31, 2018

**Note 2 – Summary of Significant Accounting Policies - continued**

**Compensated Absences**

Compensated absences for vacation, sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Association's policy is to recognize these costs in the period that they are paid. Management believes that this policy does not materially affect the accompanying financial statements.

**Capital Contributions**

The Association assesses a capital contribution equal to one quarter's assessment upon the purchase of any unit. These capital contributions are designated for the replacement fund.

**Note 3 – Charging Station Fund**

The Association Board of Directors have designated \$23,000 of the operating fund for four electric vehicle charging stations to be installed.

**Note 4 – Future Major Repairs and Replacements**

Florida statutes and the Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in a separate bank account and generally are not available for expenditures for normal operations.

The Board of Directors commissioned a formal study in 2018 to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information on Future Major Repairs and Replacements found on page 12 is based on this study. The Board is calculating funding for major repairs and replacements over the remaining useful lives of the replacement fund components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. The study indicates a funding requirement of \$411,835 for 2019. The 2019 budget includes funding of \$396,835 and the balance of \$15,000 is expected to be funded through capital contributions.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. 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, borrow funds or delay major repairs and replacements until funds are available.

**Note 5 – Concentrations**

The Association maintains its cash balance at various banks. Accounts at these banks are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times, cash balances may be in excess of FDIC insured limits. As of December 31, 2018 there was \$5,366 above FDIC insured limits.

All revenues are generated from residences of a single condominium building. A loss of revenue could disrupt operations and have a severe impact on the Association.

**Note 6 – Management Agreement**

A local management company manages the property and affairs of the Association under an agreement providing for monthly fees, which are adjusted annually. Management fees paid during 2018 were \$19,800.

Renaissance I Association, Inc.  
Sarasota, Florida

Notes to the Financial Statements  
December 31, 2018

**Note 7 - Master Association**

The Association is a member of the Rosemary Place Master Association ("the Master"). During 2018, the Association paid \$36,250 in assessments to the Master.

**Note 8 – Contingent Liability**

The Association's current hurricane policy contains a 2% deductible clause. Based upon the insured value of the buildings, contents and structures of approximately \$63 million, the first 2%, or approximately \$1.3 million, in damages caused by a hurricane as further defined in the insurance policy would be the responsibility of the Association.

**Note 9 – Commitments**

Effective July 31, 2015, the Association amended its bulk services contract for voice, internet and video. The amendment is from the effective date through September 7, 2020. The term of the contract will automatically extend for additional one year terms unless either party gives the other ninety (90) days written notice. The agreement includes terms that allow the service provider to increase the costs of service on an annual basis with certain limitations as further defined in the agreement.

Effective April 1, 2012, the Association entered into an agreement with a local service provider for elevator services with an initial term of ten (10) years and an extended term for an additional ten (10) years. The contract includes automatic extensions unless either party provides notice as further defined in the agreement. The initial contract price was \$2,205 per month and can be adjusted for changes in labor and material costs.

Minimum payments under the agreements based on current pricing are as follows:

Year ending December 31,	Minimum <u>Payments</u>
2019	\$ 96,199
2020	73,291
2021	27,475
2022	6,869
hereafter	<u>-</u>
Total	<u>\$ 203,834</u>

## **SUPPLEMENTARY INFORMATION**

**Renaissance I Association, Inc.**

Sarasota, Florida

**Supplementary Schedule of Replacement Fund Activity**

Year Ended December 31, 2018

Beginning pooled balance - January 1	<u>\$ 1,472,060</u>
Revenues	
Assessments	415,000
Insurance claim	17,793
Interest	<u>15,369</u>
Total revenues	<u>448,162</u>
Expenses:	
Roofs	(8,190)
Painting and waterproofing	-
Paving	-
Elevators	(10,342)
Mechanical and electrical	(326,576)
Miscellaneous building components	(10,671)
Building service elements	-
Miscellaneous site improvements	(5,128)
Furniture, fixtures and equipment	<u>(8,649)</u>
Total expenses	<u>(369,556)</u>
Capital contributions	19,128
Transfer	<u>100,167</u>
Ending pooled balance - December 31	<u>\$ 1,669,961</u>

**Renaissance I Association, Inc.**

Sarasota, Florida

**Supplementary Information on Future Major Repairs and Replacements**

December 31, 2018

**(Unaudited)**

The Board of Directors commissioned a study by a professional engineering firm of the major components of common property to estimate the remaining useful lives and replacement costs of the components. This study was updated in 2018. The following table is based on that study and presents significant information about the components of common property.

<u>Reserve Component</u>	<u>Estimated Life In Years</u>	<u>Estimated Remaining Life In Years</u>	<u>Estimated Cost to Replace</u>
Roofs	12-24	6-18	\$ 522,104
Painting and waterproofing	5-12	1-6	519,948
Paving	30	12	41,494
Elevators	15-32	14	720,556
Mechanical and electrical	8-45	1-27	3,251,127
Miscellaneous building components	7-36	1-22	1,430,735
Miscellaneous site improvements	4-30	1-15	815,057
Furniture, fixtures and equipment	4-18	1-17	<u>237,492</u>
			<u>\$ 7,538,513</u>

Read note 4

Read independent auditor's report