

**TORTUGA CLUB, INC.**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2018**  
**(TOGETHER WITH INDEPENDENT REVIEWER'S REPORT)**

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**FLANAGAN & JASON, INC.**  
CERTIFIED PUBLIC ACCOUNTANT AND ASSOCIATE

INDEPENDENT REVIEWER'S REPORT

To The Board of Directors  
Tortuga Club, Inc.  
Sarasota, FL

We have reviewed the accompanying financial statements of Tortuga Club, Inc., which comprise the balance sheet as of December 31, 2018, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an 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.

**Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountant's Conclusion on the Financial Statements**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

We have not applied procedures to determine whether the funds designated for major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our review. As further explained in Footnote III, the Association is not funding the replacement fund adequately to meet future needs. Accordingly, the Association has the right to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available.


**Supplementary Information**

The supplementary schedule of operating expenses and the supplementary schedule of changes in replacement fund balances on pages 12 - 13 are presented for purposes of

additional analysis and are not a required part of the basic financial statements. The information is the representation of management. We have compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We have not audited or reviewed the supplementary information and, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on it.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the information about 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.



John R. Flanagan, CPA

President

Flanagan & Jason, Inc.

Sarasota, Florida

June 27, 2019

**Tortuga Club, Inc.**  
**Balance Sheet**  
**December 31, 2018**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash	\$ 167,794	\$ 494,643	\$ 662,437
Assessments receivable	541	-	541
Prepaid insurance	35,417	-	35,417
Prepaid expenses - other	368	-	368
Deposit - payroll company	3,389	-	3,389
Interfund receivable/(payable)	<u>(132,733)</u>	<u>132,733</u>	<u>-</u>
 Total Assets	 <u>\$ 74,776</u>	 <u>\$ 627,376</u>	 <u>\$ 702,152</u>
 <b><u>Liabilities and Fund Balances</u></b>			
Accounts payable	\$ 5,654	\$ -	\$ 5,654
Prepaid assessments	<u>66,476</u>	<u>-</u>	<u>66,476</u>
 Total Liabilities	 72,130	 -	 72,130
 Fund Balances	 <u>2,646</u>	 <u>627,376</u>	 <u>630,022</u>
 Total Liabilities and Fund Balances	 <u>\$ 74,776</u>	 <u>\$ 627,376</u>	 <u>\$ 702,152</u>

Read accountant's review report.

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

**Tortuga Club, Inc.**  
**Statement of Revenues, Expenses and Changes in Fund Balances**  
**For the Year Ended December 31, 2018**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b><u>Revenues</u></b>			
Member assessments	\$ 506,723	\$ 147,208	\$ 653,931
Interest earned	-	2,697	2,697
Miscellaneous	4,135	-	4,135
Total Revenues	<u>510,858</u>	<u>149,905</u>	<u>660,763</u>
<b><u>Expenses</u></b>			
Grounds maintenance	31,857	-	31,857
Building maintenance	82,703	-	82,703
Swimming pool	12,088	-	12,088
Utilities	84,698	-	84,698
Administration	296,383	-	296,383
Replacements	-	364,569	364,569
Total Expenses	<u>507,729</u>	<u>364,569</u>	<u>872,298</u>
Excess (Deficit) of Revenues Over Expenses	3,129	(214,664)	(211,535)
Beginning Fund Balances	<u>(483)</u>	<u>842,040</u>	<u>841,557</u>
Ending Fund Balances (Deficits)	<u>\$ 2,646</u>	<u>\$ 627,376</u>	<u>\$ 630,022</u>

Read accountant's review report.

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

**Tortuga Club, Inc.**  
**Statement of Cash Flows**  
**For the Year 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			
- quarterly assessments	\$ 514,969	\$ 147,208	\$ 662,177
Cash received from members			
- special assessments	-	87,334	87,334
Interest received	-	2,697	2,697
Miscellaneous receipts	4,135	-	4,135
Cash paid to suppliers & contractors	<u>(507,852)</u>	<u>(362,056)</u>	<u>(869,908)</u>
 Net Cash Provided (Used) by Operating Activities	 <u>11,252</u>	 <u>(124,817)</u>	 <u>(113,565)</u>
<b>Cash Flows From Financing Activities:</b>			
Interfund receivable	<u>109,852</u>	<u>(109,852)</u>	<u>-</u>
 Net Cash Provided (Used) by Financing Activities	 <u>109,852</u>	 <u>(109,852)</u>	 <u>-</u>
 Net Increase (Decrease) in Cash	 121,104	 (234,669)	 (113,565)
 <b>Cash at Beginning of Year</b>	 <u>46,690</u>	 <u>729,312</u>	 <u>776,002</u>
 <b>Cash at End of Year</b>	 <u>\$ 167,794</u>	 <u>\$ 494,643</u>	 <u>\$ 662,437</u>

Read accountant's review report.

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

**Tortuga Club, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2018**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Reconciliation of Excess (Deficit) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:</b>			
Excess (Deficit) of Revenues Over Expenses	\$ 3,129	\$ (214,664)	\$ (211,535)
<b>Decrease (increase) in operating assets:</b>			
Assessments receivable	6,480	-	6,480
Special assessments receivable	-	87,334	87,334
Other receivable - Paving Crew, Inc.	-	5,084	5,084
Prepaid insurance	(2,203)	-	(2,203)
Other prepaid expenses	4,759	-	4,759
<b>Increase (decrease) in operating liabilities:</b>			
Accounts payable	(2,679)	(2,571)	(5,250)
Prepaid assessments	1,766	-	1,766
Total Adjustments	<u>8,123</u>	<u>89,847</u>	<u>97,970</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 11,252</u>	<u>\$ (124,817)</u>	<u>\$ (113,565)</u>

Read accountant's review report.

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



# **Tortuga Club, Inc.**

## **Notes to Financial Statements**

### **ORGANIZATION**

Tortuga Club, Inc. (the Association), is a not-for profit corporation organized November 16, 1972 to provide an entity pursuant to Section 718.111 of the Florida Condominium Act for the administration, maintenance, operation, and management of Tortuga Club, Inc., located in Sarasota, Florida. The Association consists of 77 residential condominium units. Assessments against the owners of the condominium units, which are the principal source of revenue, are based on the estimated amounts required to protect and maintain the property owned by the owners in common of the Association. This includes building exteriors, pool, tennis courts, boat docks, irrigation, landscaping and paved areas. The allocation of operating income and expense to the unit owners, as indicated in the documents, is based on square footage per unit.

All policy decisions are formulated by the Board of Directors. Certain major decisions are referred to the general membership before action is taken. Assessments are determined annually by the Board of Directors based upon maintenance and other operating requirements of the Association.

### **NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of Accounting**

The accompanying financial statements have been prepared using the fund method of accounting on the accrual basis. The accrual basis of accounting recognizes revenues when earned and expenses when the obligations are incurred.

The fund method of accounting requires funds, such as operating funds and funds for future major repairs and replacements, to be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the operating fund are generally made at the discretion of the Board of Directors. Disbursements from the replacement fund may be made only for the repairs and replacements of the common element.

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund - This fund is composed of assessments paid by unit owners to fund future replacements, major repairs and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied.

#### **Cash and Cash Equivalents**

For the purposes of the statement of cash flows, the Association considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

# **Tortuga Club, Inc.**

## **Notes to Financial Statements**

### 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 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.

### Commonly Owned Assets

The Association has the responsibility to preserve and maintain the commonly owned assets. The commonly owned assets include property that is directly associated with the unit which includes property without which the units could not be occupied and exterior property that is normally part of a freestanding unit. Commonly owned assets also include the property that is not directly associated with the unit and is not necessary for the primary use of the unit, although individual unit owners may benefit from its use.

The Association's policy is not to capitalize and depreciate the commonly owned assets as ownership is vested directly or indirectly in the unit owners and these assets are not deemed to be severable. In addition, the Association directly expenses any purchases of personal property such as furnishings and recreation equipment.

### Assessments Receivable

Association members are subject to quarterly 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 the homeowners whose assessments are delinquent.

### Fair Value of Financial Instruments

Professional standards require disclosure of an estimate of fair value of certain financial instruments. The Association's significant financial instruments are cash and assessments receivable. For these financial instruments, carrying values approximate fair value.

## **NOTE II - MEMBER ASSESSMENTS**

Quarterly member assessments for 2018 were: \$1,307 for A units, \$1,798 for B units, \$2,288 for C units, \$3,268 for D units and \$4,249 for E units. Of these amounts, \$294, \$404, \$514, \$735 and \$955 were designated to the replacement fund, respectively.

Tortuga Club, Inc. bills its maintenance fees in advance on a quarterly basis. The amount received in advance for 2019 was \$66,476.

Maintenance fees assessed in excess of the expenditures reduce amounts assessed to members for maintenance in the subsequent year. Accumulated deficits will be recovered through future increases in assessments.

**Tortuga Club, Inc.**  
**Notes to Financial Statements**

**NOTE III - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association engaged an independent engineer who conducted a study in 2013 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 is based on the study and Board estimates. Accumulated funds are held in a separate bank account and generally are not available for expenditures for normal operations.

The Board is calculating funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. For 2019, the members waived statutory funding, but approved partial funding of \$151,000, which is included in the 2019 budget. The study indicated a statutory funding requirement of \$389,674.

Funds are not 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. Amounts are based on normal operations and without the effect of potential catastrophic occurrences. Presently, the Association is not funding the replacement fund adequately to meet future needs. Accordingly, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**NOTE IV - CONCENTRATIONS OF CREDIT RISK FOR CASH DEPOSITS**

The Association maintains its cash balances at financial institutions located in Sarasota, Florida. Accounts at commercial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of December 31, 2018, all cash balances were within the FDIC's insured limit.

**NOTE V - CONTINGENT LIABILITY**

The Association's current windstorm insurance policy contains a 2% deductible clause. Based on the \$20,888,000 valuation of the buildings, the first 2% or \$418,000 in damages caused by a named hurricane would be the responsibility of the Association.

**NOTE VI - INTERFUND RECEIVABLE**

As of December 31, 2018, the Association's operating fund owed the replacement fund the sum of \$132,733.

**Tortuga Club, Inc.**  
**Notes to Financial Statements**

**NOTE VII - INCOME TAXES**

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended December 31, 2018. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, nonmembership transactions, and capital transactions.

The Association has an option for income tax purposes to elect on an annual basis to be taxed as a regular corporation under Section 277 of the Internal Revenue Code whereby non-exempt function income 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 has elected to file under 528, and did not incur income tax expense.

As required by the Internal Revenue Code, the Association evaluates its uncertain tax positions annually. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of December 31, 2018, the Association had no uncertain tax positions.

The Association's income tax returns are subject to examination, by the applicable taxing authorities, generally for three years after the returns are filed. Currently, there are no audits in progress for any tax periods.

**NOTE VIII - SPECIAL ASSESSMENTS**

Paver Project

On March 11, 2016, the membership approved a \$262,000 special assessment to fund the purchase and installation of pavers. The assessment is payable in 12 quarterly installments beginning January 1, 2016 and ending October 1, 2018. The total assessment and quarterly amounts per unit type were as follows:

<u>Unit Type</u>	<u>Assessment</u>	<u>Quarterly Payment</u>
A	\$2,096	\$175
B	2,882	240
C	3,668	306
D	5,240	437
E	6,812	568

**Tortuga Club, Inc.**  
**Notes to Financial Statements**

Windows and Doors Project

Hurricane rated windows and doors are scheduled to be installed in 2019. In May of 2018, the membership voted to be assessed for the new windows and doors based on the windows and doors in their respective units. The assessment is anticipated to occur in 2019, with financing options available through the Association.

**NOTE IX - COMMITMENTS, CABLE SERVICE**

Effective September 21, 2018 the Association entered into a bulk service agreement with a local television service provider. The term of the agreement is for five years ending September 21, 2023. The term shall automatically renew for successive one-year periods unless either party gives the other 60 days written notice. The service provider is entitled to increase the bulk services fees no more than 5% per year in any twelve-month period.

**NOTE X - SUBSEQUENT EVENTS**

Management has evaluated the events and transactions that have occurred through the date the financial statements were issued and noted no items requiring adjustment of the financial statements or additional disclosure.

**Supplementary Information**

**Tortuga Club, Inc.**  
**Supplementary Schedule of Operating Expenses**  
**For the Year Ended December 31, 2018**  
**Compiled**

**Grounds Maintenance**

Grounds contract	\$ 19,620
Grounds expense	11,540
Mulch	217
Docks	480
	<u>31,857</u>

**Building Maintenance**

Repairs and maintenance	22,765
Maintenance	4,724
Pest control	6,168
Janitorial service	28,925
Building supplies	4,870
Laundry service	181
Window service and repairs	1,869
Plumbing service	4,373
Fire services	2,188
Elevator contract and service	5,325
Elevator repairs	1,315
	<u>82,703</u>

**Swimming Pool**

Pool contract	4,560
Pool repairs	2,806
Pool heat	4,722
	<u>12,088</u>

**Utilities**

Water and sewer	35,177
Electric	16,813
Cable television	30,858
Internet service	1,850
	<u>84,698</u>

**Administration**

Insurance	117,151
Legal and professional	6,786
Accounting services	11,290
Division fees	308
Fees, dues and licenses	430
Social committee	2,017
Payroll	146,009
Contingencies	575
Telephone	7,980
Office supplies	3,837
	<u>296,383</u>

**Total Expenses** **\$ 507,729**

Read accountant's review report.

**Tortuga Club, Inc.**  
**Supplementary Schedule of Changes in Replacement Fund Balances**  
**For the Year Ended December 31, 2018**  
**Compiled**

<u>Components:</u>	<u>Balance</u> <u>1/1/18</u>	<u>Allocations</u> <u>Income</u>	<u>Interest</u> <u>Income</u>	<u>Expenses</u>	<u>Balance</u> <u>12/31/18</u>
Swimming pool	\$ 60,101	\$ 2,545	\$ -	\$ (61,504)	\$ 1,142
Building restoration	162,491	17,615	-	(17,121)	162,985
Roofs	135,430	9,472	-	(8,839)	136,063
Walkways	39,720	10,935	-	-	50,655
Asphalt resurfacing	225,627	9,003	-	(53,282)	181,348
Plumbing	18,411	2,032	-	(59,924)	(39,481)
Social area renov.	9,758	2,790	-	-	12,548
Washers & dryers	4,908	2,069	-	-	6,977
Generator	-	1,139	-	-	1,139
Elevator pistons	29,689	4,217	-	(20,700)	13,206
Elevator reserve	-	3,917	-	(983)	2,934
Lanai screen enclosures	15,494	21,384	-	(144)	36,734
Enterphones	-	5,269	-	-	5,269
Fire pumps	9,278	2,744	-	(10,693)	1,329
Water pumps	3,193	682	-	(3,393)	482
Docks	2,065	1,639	-	-	3,704
Tennis courts	6,667	120	-	(8,886)	(2,099)
Fire alarm	42,729	6,556	-	-	49,285
Penthouse lanais	13,624	7,881	-	(8,895)	12,610
Fire places	-	1,247	-	(455)	792
Exterior doors	11,413	12,166	-	(5,872)	17,707
Windows & patio doors	49,138	21,583	-	(103,078)	(32,357)
Electrical	-	203	-	(800)	(597)
Interest	2,304	-	2,697	-	5,001
<b>Totals</b>	<u>\$ 842,040</u>	<u>\$ 147,208</u>	<u>\$ 2,697</u>	<u>\$ (364,569)</u>	<u>\$ 627,376</u>

Read accountant's review report.



**Tortuga Club, Inc.**  
**Supplementary Information About Future Major Repairs and Replacements**  
**December 31, 2018**  
**Compiled**

The following is the estimated remaining life and estimated replacement costs of the components of common property. This is based upon the reserve study conducted in 2013 and estimates made by the Board during the preparation of the proposed 2019 budget.

<u>Components:</u>	<u>Estimated Remaining Life - Years</u>	<u>Estimated Current Replacement Costs</u>	<u>2019 Statutory Funding Requirement</u>	<u>Current Fund Balance 12/31/18</u>
Swimming pool	10	\$ 105,000	\$ 4,319	\$ 1,142
Building restoration	2	300,000	63,888	162,985
Roofs	18	650,000	28,491	136,063
Walkways	7	327,000	39,478	50,655
Asphalt resurfacing	22	300,000	11,409	181,348
Plumbing	23	154,000	6,225	(39,481)
Social area renov.	14	112,740	7,157	12,548
Washers & dryers	1	10,000	3,023	6,977
Generator	23	65,000	2,777	1,139
Elevator pistons	13	150,000	8,930	13,206
Elevator reserve	13	215,000	16,313	2,934
Lanai screen enclosures	3	326,000	29,707	36,734
Enterphones	1	12,546	7,277	5,269
Fire pumps	10	85,500	7,494	1,329
Water pumps	18	35,090	1,923	482
Docks	6	26,000	3,674	3,704
Tennis courts	17	12,000	829	(2,099)
Fire alarm	1	75,000	25,715	49,285
Penthouse lanais	5	130,000	21,699	12,610
Fireplaces	6	40,000	6,535	792
Exterior doors	9	315,000	32,844	17,707
Windows & patio doors	9	560,000	60,026	(32,357)
Electrical	1	144	(59)	(597)
Interest		-	-	5,001
		<u>\$ 4,006,020</u>	<u>\$ 389,674</u>	<u>\$ 627,376</u>

Read accountant's review report.