

SANIBEL MOORINGS CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

September 30, 2019 and 2018



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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Members
Sanibel Moorings Condominium Association, Inc.
Sanibel, Florida

We have reviewed the accompanying financial statements of Sanibel Moorings Condominium Association, Inc. which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of assessments, revenues and expenses and statements of changes in fund balances and statements of cash flows for the years 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 Associations 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 the 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' 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 State of America. We believe that the results of our procedures provide reasonable basis for our conclusion.

Accountants' 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 conformity with accounting principles generally accepted in the United States of America.

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 13 be presented to supplement the basic financial statements. Such information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not audited, reviewed or compiled the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

WELKER HARRIS & COMPANY

Certified Public Accountants
Fort Myers, Florida

November 27, 2019

Sanibel Moorings Condominium Association, Inc

Balance Sheets

September 30, 2019 and 2018

	2019		2018	
	Operating Fund	Replacement Fund	Total	Total
ASSETS				
Cash and cash equivalents	\$ 288,121	\$ 18,986	\$ 307,107	\$ 229,074
Investments - available-for-sale	-	1,963,833	1,963,833	1,864,238
Investments - held-to-maturity	-	301,199	301,199	273,834
Accounts receivable – members	94,259	-	94,259	84,749
Deferred tax asset	18,110	-	18,110	16,033
Other receivables	6,187	-	6,187	33,787
Inventories	42,718	-	42,718	44,247
Prepaid expenses	138,635	-	138,635	64,103
Property and equipment, (net of accumulated depreciation)	753,941	-	753,941	604,297
Deposits	17,865	-	17,865	17,865
Due from replacement fund	1,152,651	-	1,152,651	1,064,163
Total Assets	\$ 2,512,487	\$ 2,284,018	\$ 4,796,505	\$ 4,296,390
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Advance deposits	\$ 1,360,331	\$ -	\$ 1,360,331	\$ 1,298,121
Accounts payable and accrued expenses	444,762	-	444,762	130,210
Deferred tax liability	50,995	82,316	133,311	93,881
Notes payable	-	-	-	201,955
Due to operating fund	-	1,152,651	1,152,651	1,064,163
Total Liabilities	1,856,088	1,234,967	3,091,055	2,788,330
FUND BALANCES				
Accumulated excess of revenues over (under) expenses	656,399	739,381	1,395,780	1,214,936
Cumulative unrealized gain/(loss) on investments (net of \$82,317 and \$77,919 income taxes)	-	309,670	309,670	293,124
Total Fund Balances	656,399	1,049,051	1,705,450	1,508,060
Total Liabilities and Fund Balances	\$ 2,512,487	\$ 2,284,018	\$ 4,796,505	\$ 4,296,390

Read accompanying notes and accountants' review report.

Sanibel Moorings Condominium Association, Inc
 Statements of Assessments, Revenues and Expenses
 For the years ended September 30, 2019 and 2018

	2019			2018
	Operating Fund	Replacement Fund	Total	Total
ASSESSMENTS AND REVENUES				
Owner assessments	\$ 625,494	\$ 179,706	\$ 805,200	\$ 805,200
Rental recovery fees	1,432,223	-	1,432,223	1,411,043
Other rental program income	845,348	-	845,348	834,175
Gain / (Loss) on sale of investments	-	(11,021)	(11,021)	12,611
Interest and dividends	440	53,465	53,905	55,395
Total Assessments and Revenues	<u>2,903,505</u>	<u>222,150</u>	<u>3,125,655</u>	<u>3,118,424</u>
EXPENSES				
Administrative	1,171,951	22,535	1,194,486	1,166,565
Net hurricane cost	-	-	-	163,637
Major repair and replacement	-	269,401	269,401	479,997
Building and grounds maintenance	586,813	-	586,813	618,031
Insurance and taxes	313,579	-	313,579	283,042
Maintenance services	80,477	-	80,477	79,486
Retail sales	12,226	-	12,226	9,954
Housekeeping	454,873	-	454,873	488,470
Total Expenses	<u>2,619,919</u>	<u>291,936</u>	<u>2,911,855</u>	<u>3,289,182</u>
INCOME (LOSS) BEFORE INCOME TAXES	283,586	(69,786)	213,800	(170,758)
Income tax expense (benefit)	32,956	-	32,956	(12,147)
Excess of Assessments and Revenue Over/(Under) Expenses	<u>\$ 250,630</u>	<u>\$ (69,786)</u>	<u>\$ 180,844</u>	<u>\$ (158,611)</u>

Read accompanying notes and accountants' review report.

Sanibel Moorings Condominium Association, Inc
 Statements of Changes in Fund Balances
 For the years ended September 30, 2019 and 2018

	2019		2018	
	Operating Fund	Replacement Fund	Total	Total
Fund Balances – Beginning	\$ 405,769	\$ 1,102,291	\$ 1,508,060	\$ 1,618,333
Excess of Assessments and Revenue Over/(Under) Expenses	250,630	(69,786)	180,844	(158,611)
COMPREHENSIVE INCOME:				
Net unrealized holding gains arising during the period	-	16,546	16,546	48,338
Total Comprehensive Income/(Loss)	250,630	(53,240)	197,390	(110,273)
Fund Balances – Ending	<u>\$ 656,399</u>	<u>\$ 1,049,051</u>	<u>\$ 1,705,450</u>	<u>\$ 1,508,060</u>

Read accompanying notes and accountants' review report.

Sanibel Moorings Condominium Association, Inc
Statements of Cash Flows

For the years ended September 30, 2019 and 2018

	2019		2018	
	Operating Fund	Replacement Fund	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from member assessments	\$ 615,984	\$ 179,706	\$ 795,690	\$ 804,107
Cash received from rental program	2,278,011	-	2,278,011	2,520,580
Cash paid for operating and replacement costs	(2,187,942)	(288,751)	(2,476,693)	(3,407,158)
Investment income received	-	61,786	61,786	52,028
Interest paid	(6,493)	-	(6,493)	(8,616)
Net cash provided (required) by operating activities	<u>699,560</u>	<u>(47,259)</u>	<u>652,301</u>	<u>(39,059)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property and equipment	(243,770)	-	(243,770)	(79,989)
Proceeds from sale of securities	-	233,356	233,356	234,418
Purchase of securities	-	(361,899)	(361,899)	(211,228)
Net cash (used) by investing activities	<u>(243,770)</u>	<u>(128,543)</u>	<u>(372,313)</u>	<u>(56,799)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Interfund transfers	(88,487)	88,487	-	-
Repayment of debt	(201,955)	-	(201,955)	(128,515)
Net cash (used) provided by financing activities	<u>(290,442)</u>	<u>88,487</u>	<u>(201,955)</u>	<u>(128,515)</u>
Net increase (decrease) in cash	165,348	(87,315)	78,033	(224,373)
Cash and cash equivalents-Oct 1	<u>122,773</u>	<u>106,301</u>	<u>229,074</u>	<u>453,447</u>
Cash and cash equivalents-Sept 30	<u>\$ 288,121</u>	<u>\$ 18,986</u>	<u>\$ 307,107</u>	<u>\$ 229,074</u>

Read accompanying notes and accountants' review report.

Sanibel Moorings Condominium Association, Inc
Statements of Cash Flows

For the years ended September 30, 2019 and 2018

	2019			2018
	Operating Fund	Replacement Fund	Total	Total
RECONCILIATION OF EXCESS OF ASSESSMENTS AND REVENUES OVER (UNDER) EXPENSES:				
Excess of assessments and revenues over expenses	\$ 250,630	\$ (69,786)	\$ 180,844	\$ (158,611)
ADJUSTMENTS TO RECONCILE EXCESS OF ASSESSMENTS AND REVENUES OVER (UNDER) EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Depreciation and Amortization	94,125	3,184	97,309	99,384
Loss on asset disposal	-	19,343	19,343	16,221
Deferred income tax	32,956	-	32,956	(12,147)
Decrease (increase) in:				
Due from unit owners	(9,510)	-	(9,510)	7,123
Other receivables	27,600	-	27,600	(29,240)
Inventories	1,529	-	1,529	4,581
Prepaid expenses	(74,532)	-	(74,532)	(5,257)
Deposits	-	-	-	400
Increase (decrease) in:				
Advance deposits	62,210	-	62,210	52,386
Accounts payable and accrued expenses	314,552	-	314,552	(13,899)
Total adjustments	448,930	22,527	471,457	119,552
Net Cash Provided (Required) by Operating activities	\$ 699,560	\$ (47,259)	\$ 652,301	\$ (39,059)

Read accompanying notes and accountants' review report.

SANIBEL MOORINGS CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Sanibel Moorings Condominium Association, Inc. (the "Association") was incorporated on November 3, 1971, under the laws of Florida as a corporation not-for-profit, to operate and manage the Sanibel Moorings Condominium, a condominium consisting of 122 units, located at 845 East Gulf Drive, Sanibel Island, Florida. The owners of the units are the only members. The Association provides for the operation and maintenance of the condominium and also administers a rental program. The Association obtains tenants, collects rents, and pays expenses on behalf of owners who are members of the rental program. The average number of units participating in the rental program was 114 of the 122 units for the year ended September 30, 2019.

Basis of Accounting

The Association prepares its financial statements on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America and presents them as separate funds based on its different funding policies for operations and major repairs and replacement.

The operating fund reflects the operating portion of the monthly assessments billed to members to meet the various day-to-day expenditures incurred in the administration, maintenance and operation of the Condominium and recreational facilities.

The replacement fund is composed of the portion of the monthly assessments designated in the budget to fund future major repair and replacements, as further described in Note 7.

Cash and Cash Equivalents

The Association considers all short-term debt securities with a maturity of three months or less to be cash equivalents.

Use of 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.

Investments

The Association classifies its debt and marketable equity securities into held-to-maturity or available-for-sale categories. Debt securities are classified as held-to-maturity when the Association has the positive intent and ability to hold the securities to maturity. Debt securities for which the Association does not have the intent or ability to hold to maturity and marketable equity securities are classified as available-for-sale. Held-to-maturity securities are recorded at amortized cost. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, included in the determination of other comprehensive income and reported as a separate component of the fund balance. See note 3 to these financial statements

Accounts Receivable - Members

The Association collects rents and pays expenses on behalf of members who participate in the rental program. The accounts are maintained on an individual unit basis. When expenses paid exceed rents collected, the amount due is shown as an account receivable. Additionally, maintenance fees owed by unit owners are also reflected as accounts receivable. Revenue from the rental program represents commissions earned and other rentals.

SANIBEL MOORINGS CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable - Members (Continued)

Accounts receivable are generally considered delinquent when the payment is not received on or before the due date. Association management has reviewed accounts receivable outstanding as of September 30, 2018 and considers them fully collectible. Based on this and the Association's prior history of insignificant bad debt on accounts receivable, no allowance for uncollectible accounts is considered necessary. Expense is recognized during the period in which a specific account is determined to be uncollectible. There was no bad debt expense for the years ended September 30, 2019 and 2018.

Inventories

Inventories consist of maintenance and linen supplies for use in the rental program and merchandise held for resale. These inventories are stated at cost, which approximates fair market value.

Fair Value Measurements

Effective October 1, 2018, the Association adopted Statement of Financial Accounting Standards ("SFAS") ASC 820 "Fair Value Measurements and Disclosures," for assets and liabilities measured at fair value on a recurring basis. The adoption of ASC 820 has no effect on the financial statements.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level "Valuation Hierarchy for fair value measurements, requires consideration of the Association's creditworthiness when valuing liabilities, and expands disclosure about instruments measured at fair value. The Valuation Hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels of the Valuation Hierarchy and the distribution of the financial assets within it are as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology included quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, to substantially the full term of the financial instrument. At September 30, 2019 the Association held no such assets.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurements. At September 30, 2019 the Association held no such assets.

Certain financial instruments are carried at cost on the balance sheet, which approximates fair value due to their short-term, highly liquid nature. These instruments include cash and cash equivalents, accounts receivable, other receivables, and accounts payable and accrued expenses.

Common Property

The Association is responsible to preserve and maintain the common property of the Condominium. Ownership of the commonly owned assets is vested directly or indirectly in the members. Those assets are not titled in the Association's name and disposition of those assets by the Board of Directors (the "Board") is restricted. As a result, commonly owned assets are not presented in the Association's financial statements. Common property not capitalized consists of swimming pools, laundry facility building, exercise room, gardens, landscaping, parking lot and other common areas. Additions and improvements to common property are accounted for as major repair and replacement expenditures in the replacement fund.

SANIBEL MOORINGS CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

It is the Association's policy to capitalize certain personal property acquisitions with a useful life longer than one year. These assets are recorded at cost and are being depreciated over their useful life using the straight-line method, as further described in Note 5.

Compensated Absences

The Association does not accrue compensated absences as a liability since neither vacation time nor sick leave accrues beyond the end of the year.

Deferred Income Taxes

The Association is incorporated as a not-for-profit corporation under the laws of the State of Florida, as contained in Chapter 718 of the Florida Statutes. However, the Association is not exempt for income taxes. For income tax purposes, the Association is required to segregate the results of its member activities from its non-member activities and is separately taxed on each element. Non-member activity losses may only be used to offset non-member activity profits in current and future periods. Member activity losses are referred to as deferred expense carry-forwards and cannot be used to offset non-member activity profits. The Association believes non-member loss carry-forwards may be utilized. As a result, it is the Association's policy to record the deferred tax asset associated with non-member loss carry-forwards. Additionally, the tax effect related to unrealized gain or loss in comprehensive income and temporary depreciation differences between book to tax depreciation is reflected in the balance sheet.

Revenue Recognition

Maintenance fee revenue is recorded monthly in the amount of the membership assessment allocation, specified for current period operations based on the annual budget as determined and approved by the Board. A proportionate share of maintenance fees is assessed per unit.

Cash Flows

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

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Association maintains almost all its cash and cash equivalents' accounts at two related financial institutions. Accounts at the commercial banking institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At September 30, 2019 the balance was not in excess of the FDIC limit.

At September 30, 2019, the balances of securities accounts held with a financial services company was \$2,284,651 at fair market value, consisting of cash accounts, government and corporate notes, stocks, and mutual funds. Accounts at the financial service companies are protected by the Securities Investor Protection Corporation ("SIPC") up to a maximum of \$500,000.

NOTE 3 – INVESTMENTS

The Association invests idle cash balances in various debt and equity securities. Management has determined that none of its investment securities can be categorized as trading securities. The amortized historical cost, aggregate fair market value, and gross unrealized gain (loss), summarized by major security type as of September 30, 2019 consisted of:

SANIBEL MOORINGS CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018

NOTE 3 – INVESTMENTS (Continued)

	Amortized Historical Cost	Aggregate Fair Value	Unrealized Holding Gain/(Loss)
Available-for-sale			
Stocks and mutual funds	\$ 1,571,845	\$ 1,963,833	\$ 391,988
Held-to-maturity			
Treasury notes	\$ 45,842	\$ 45,988	\$ 146
Agencies	64,792	64,237	\$ (555)
Corporate bonds	190,565	191,607	\$ 1,042
Net unrealized gain or loss	\$ 301,199	\$ 301,832	\$ 633

Future maturities of debt securities held as of September 30, 2019 consisted of:

	Amortized Historical Cost	Aggregate Fair Value	Unrealized Holding Gain/(Loss)
Less than 1 year	\$ 60,885	\$ 60,301	\$ (584)
1 - 5 years	149,375	149,795	\$ 420
5 - 10 years	90,939	91,736	\$ 797
	\$ 301,199	\$ 301,832	\$ 633

NOTE 4 – FAIR VALUE HIERARCHY

The table below summarizes the fair values of financial assets that are measured at fair value on September 30, 2019.

	September 30, 2019	Fair Value Measurements		
		Quoted price in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Investments - available-for-sale				
Common Stock	\$ 805,203	805,203	-	-
Mutual Funds	1,158,630	1,158,630	-	-
Investments - held-to-maturity				
Fixed Income Securities	301,199	301,832	-	-
Total Assets	\$ 2,265,032	2,265,665	-	-

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2019:

	Useful Lives	2019
Land	N/A	\$ 115,004
Buildings	5-39 years	370,551
Equipment and furniture	5-15 years	1,358,525
Tennis courts	7-10 years	24,771
Autos and trucks	5 years	17,206
		<u>1,886,057</u>

SANIBEL MOORINGS CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018

NOTE 5 - PROPERTY AND EQUIPMENT (Continued)

Less: accumulated depreciation	(1,132,116)
	\$ 753,941
Depreciation expense	\$ 94,125

NOTE 6 - ADVANCE DEPOSITS

Advance deposits are deposits on future rentals, which will be credited to apartment owners as earned. These funds are subject to return should the reservation be cancelled and therefore are not the property of unit owners. Advance deposits at September 30, 2019 and 2018 were \$1,360,331 and \$1,298,121, respectively.

NOTE 7 - NOTES PAYABLE

Notes payable as of September 30, 2019 consisted of the following:

	2019	2018
A revolving line of credit to a financial institution collateralized by investments with interest at the U.S. Prime Rate which is currently 5.25% and interest only payments until maturity on April 16, 2019.	\$ -	\$ 201,955
Outstanding principal balance:	\$ -	\$ 201,955

Principal maturities of the notes payable during the next five years are as follows:

Year Ending

2020	\$ -
Thereafter	-
	\$ -

Interest expense included in operating expense for the years ended September 30, 2019 and 2018 was \$6,493 and \$8,616, respectively.

NOTE 8 - REPLACEMENT FUND

The Association's replacement fund is utilized to accumulate funds for future major repairs and replacements by an allocation of the maintenance fee assessments charged to each owner specifically designated for the fund in the annual budget in accordance with Florida Statutes. Deductions from the fund are recorded as costs, as incurred, which are determined by the Board, to meet the objective for which the fund was established.

Components	Balance 10/01/18	Additions to Fund	Charges to Fund	Fund Balance 09/30/19
Painting buildings	\$ 49,135	\$ -	\$ 19,951	\$ 29,184
Window/door replacement	-	-	-	-
Roof replacement	71,585	168,411	249,450	(9,454)
Pool/pool deck	-	-	-	-
Steel beams	83,839	-	-	83,839
Porch renovation	62,590	-	-	62,590
Plumbing	2,924	-	-	2,924
Insurance	832,218	70,285	22,535	879,968
	\$ 1,102,291	\$ 238,696	\$ 291,936	\$ 1,049,051

SANIBEL MOORINGS CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018

NOTE 8 - REPLACEMENT FUND - Continued)

For the year ended September 30, 2019, additions to fund include interest and dividends of \$53,465, a net unrealized gain of \$16,546, and a net realized capital loss of (\$11,021). The Association's policy is to retain net investment earnings in the replacement fund.

The Association has established an Insurance Reserve category to provide for uninsured losses, insurance deductibles and catastrophic losses. These funds are maintained in separate reserve investment accounts.

Major repair and replacements are funded based on an independent appraiser's estimates of current replacement costs. For the year ending September 30, 2020 the proposed budgeted funding is \$37,500, as shown in the compiled supplementary information. The components' actual replacement costs, useful lives, and investment income may vary from estimated amounts and the variation may be material. Therefore, the Association's replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board, on behalf of the Association, has the power to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 9 – RETIREMENT PLAN

The Association has established a Savings Incentive Match Plan (the "Plan") that covers employees that receive at least \$5,000 in annual compensation. The Plan allows employees to make pre-tax elective contributions to a SIMPLE IRA. These employee contributions may be any percentage of compensation, but cannot exceed \$12,500 per year. The Association can make annual matching Plan contributions of up to 3% of each participating employee's compensation. The amount of pension cost recognized during the years ended September 30, 2019 and 2018 was \$9,060 and \$9,618, respectively. The Association follows the policy of funding the plan

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Section 7D-23.04(5)-(12) of the Florida Administrative Code, requires an annual audit to be performed and delivered to the unit owners within a specific time period. This requirement does not apply to Associations when a majority of the voting interest present at a duly called meeting of the Association has determined for a fiscal year to waive this requirement. This meeting may be held at any time during the fiscal year.

In addition, the Florida Administrative Code requires the annual financial statements to be delivered to the Division of Florida Land Sales, Condominiums and Mobile Homes.

NOTE 11 - INCOME TAX

Homeowners' associations may be taxed either as a homeowners' association or as a regular corporation. For the years ended September 30, 2019 and 2018 the Association was taxed as a regular corporation. As a regular corporation, membership income is exempt from taxation, if certain elections are made, and the Association is taxed only on its non-membership income, such as the rental program, interest and dividends, and gain on the sale of securities. This income is taxed at regular federal and state corporate tax rates. Net membership income excluded from income taxes was \$67,889 and \$50,445 for the years ended September 30, 2019 and 2018.

The provision (benefit) for income taxes consists of the following components:

	2019
Current	\$ -
Deferred	32,956
	<u>\$ 32,956</u>

The federal income tax returns of the Association for the years ended September 30, 2019, 2018, 2017 and 2016 are subject to examination by the Internal Revenue Service, generally for three years after the date they are filed.

SANIBEL MOORINGS CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

For the years ended September 30, 2019 and 2018

NOTE 12 - NET HURRICANE COSTS

The cost of damage incurred from Hurricane Irma in September of 2017 is reported net of a \$244,000 special assessment charged at \$2,000 per unit owner.

NOTE 13 - SUBSEQUENT EVENTS

With regard to these financial statements and the notes to these financial statements, the Association has evaluated all subsequent events through November 27, 2019 (the date the financial statements were available to be issued).

SUPPLEMENTARY INFORMATION

SANIBEL MOORINGS CONDOMINIUM ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS (COMPILED)

September 30, 2018

A study was performed by the Board during 2008, to estimate the remaining useful lives and replacement costs of the components of common property. The study has been updated by management throughout the years to no longer include some components that were determined to be operating and to adjust the replacement costs and lives according to ongoing spending. The following table is based on study and represents significant information about components of common property. Amounts are based on normal operation and without the effect of potential catastrophic occurrences.

Components	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2020 Budgeted Funding
Paint Buildings	0 – 4 years	\$ -	-
Roof replacement	3 – 18 years	822,760	-
Pool/pool deck	13 years	60,000	-
Steel beams	0 – 45 years	625,000	-
Plumbing	22 – 25 years	140,740	-
		<u>\$ 1,648,500</u>	<u>\$ -</u>

