

The Islander Owners Association, Inc.

Financial Statements and Supplementary Information

December 31, 2017



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The Islander Owners Association, Inc.
Financial Statements and Supplementary Information
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Independent Auditors' Report

To the Board of Directors and Members
The Islander Owners Association, Inc.
Destin, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of The Islander Owners Association, Inc., which comprise the Balance Sheet as of December 31, 2017, 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.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Islander Owners Association, Inc. as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the The Islander Owners Association, Inc.'s 2016 financial statements, and our report dated March 30, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information contained in the Schedule of Changes in Replacement Fund Balance 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. That 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, that 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 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.

Carly Riggs & Ingram, L.L.C.

Miramar Beach, Florida
May 2, 2018

The Islander Owners Association, Inc.
Balance Sheet

<i>December 31,</i>	2017			2016	
	Operating Fund	Rental Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Assets					
Cash	\$ 237,707	\$ 149,000	\$ 33,771	\$ 420,478	\$ 418,662
Certificates of deposit	-	-	957,687	957,687	791,256
Accounts receivable, net	66,523	21,694	-	88,217	73,154
Other receivables	35,700	-	132	35,832	131
Prepaid expenses	33,014	7,957	-	40,971	48,530
Other current assets	-	18,681	-	18,681	14,907
Property and equipment, net	29,721	3,005	-	32,726	46,535
Interfund balances	3,745	4,219	(7,964)	-	-
Total assets	\$ 406,410	\$ 204,556	\$ 983,626	\$ 1,594,592	\$ 1,393,175
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 415,317	\$ 34,063	\$ -	\$ 449,380	\$ 47,947
Other current liabilities	17,001	17,539	-	34,540	22,602
Income tax payable	-	1,881	-	1,881	7,538
Deferred revenue	-	-	-	-	4,634
Advance deposits	-	129,787	-	129,787	116,140
Short-term borrowings	58,903	-	-	58,903	77,971
Note payable	228,339	-	-	228,339	250,878
Total liabilities	719,560	183,270	-	902,830	527,710
Fund balance (deficit)	(313,150)	21,286	983,626	691,762	865,465
Total liabilities and fund balance	\$ 406,410	\$ 204,556	\$ 983,626	\$ 1,594,592	\$ 1,393,175

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

The Islander Owners Association, Inc.
Statement of Revenues, Expenses, and Changes in Fund Balance

<i>Year ended December 31,</i>	2017				2016	
	Operating Fund	Rental Fund	Replacement Fund	Total	Total (For Comparative Purposes)	
Revenues						
Regular assessments	\$ 641,482	\$ -	\$ 314,950	\$ 956,432	\$ 922,096	
Special assessments	444,900	-	-	444,900	28,956	
Special parcel assessments	32,629	-	-	32,629	476,913	
Insurance recovery	-	-	-	-	32,893	
Rental management commissions	-	549,460	-	549,460	543,197	
Housekeeping services	-	317,255	-	317,255	321,595	
Amenities	-	85,386	-	85,386	89,290	
Interest income	168	434	4,853	5,455	5,330	
Other revenues	74,914	221,054	-	295,968	302,970	
Total revenues	1,194,093	1,173,589	319,803	2,687,485	2,723,240	
Expenses						
Administrative	28,648	132,195	-	160,843	147,251	
Courtesy patrol/security supplies	500	-	-	500	-	
Depreciation	9,652	4,157	-	13,809	13,810	
Income tax	-	1,881	-	1,881	7,978	
Insurance	121,993	-	-	121,993	125,145	
Interest expense	19,905	-	-	19,905	9,951	
Maintenance, repairs, and supplies	832,966	225,254	313,278	1,371,498	951,530	
Personnel	197,201	385,117	-	582,318	515,210	
Rental housekeeping and amenities	-	349,929	-	349,929	419,732	
Utilities	157,053	81,459	-	238,512	234,788	
Total expenses	1,367,918	1,179,992	313,278	2,861,188	2,425,395	
Excess (deficit) of revenues over expenses	(173,825)	(6,403)	6,525	(173,703)	297,845	
Beginning fund balance (deficit)	(139,325)	27,689	977,101	865,465	567,620	
Ending fund balance (deficit)	\$ (313,150)	\$ 21,286	\$ 983,626	\$ 691,762	\$ 865,465	

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

The Islander Owners Association, Inc.
Statement of Cash Flows

<i>Year ended December 31,</i>	2017			2016	
	Operating Fund	Rental Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Operating activities					
Revenues collected	\$ 1,154,599	\$ 1,174,085	\$ 314,950	\$ 2,643,634	\$ 2,673,395
Interest income received	168	434	4,852	5,454	5,330
Cash paid for income taxes	-	(7,538)	-	(7,538)	(10,099)
Cash paid for interest expense	(19,905)	-	-	(19,905)	(9,951)
Cash paid for other expenses	(928,607)	(1,187,895)	(313,278)	(2,429,780)	(2,376,404)
Advance deposits, net	-	13,647	-	13,647	19,417
Net cash provided (used) by operating activities	206,255	(7,267)	6,524	205,512	301,688
Investing activities					
Purchase certificates of deposit	-	-	(166,431)	(166,431)	(405,563)
Net cash provided (used) by investing activities	-	-	(166,431)	(166,431)	(405,563)
Financing activities					
Payments on debt	(37,265)	-	-	(37,265)	(50,438)
Interfund transfers and balances	(3,745)	(4,219)	7,964	-	-
Net cash provided (used) by financing activities	(41,010)	(4,219)	7,964	(37,265)	(50,438)
Net increase (decrease) in cash	165,245	(11,486)	(151,943)	1,816	(154,313)
Cash at beginning of year	72,462	160,486	185,714	418,662	572,975
Cash at end of year	\$ 237,707	\$ 149,000	\$ 33,771	\$ 420,478	\$ 418,662

(continued)

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

The Islander Owners Association, Inc.
Statement of Cash Flows (Continued)

<i>Year ended December 31,</i>	2017			2016	
	Operating Fund	Rental Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Reconciliation of excess (deficit) of revenues over expenses to net cash provided (used) by operating activities					
Excess (deficit) of revenues over expenses	\$ (173,825)	\$ (6,403)	\$ 6,525	\$ (173,703)	\$ 297,845
Adjustments to reconcile excess (deficit) of revenues over expenses:					
Depreciation	9,652	4,157	-	13,809	13,810
Changes in operating assets and liabilities:					
Accounts receivable	(15,993)	930	-	(15,063)	(20,193)
Other receivables	(35,700)	-	(1)	(35,701)	-
Prepaid expenses	4,900	2,659	-	7,559	2,513
Other current assets	-	(3,774)	-	(3,774)	(685)
Accounts payable	409,196	(7,763)	-	401,433	17,640
Other current liabilities	17,001	(5,063)	-	11,938	3,731
Income tax payable	-	(5,657)	-	(5,657)	(2,121)
Deferred revenue	(4,634)	-	-	(4,634)	(24,322)
Advance deposits	-	13,647	-	13,647	19,417
Insurance financing liability	(4,342)	-	-	(4,342)	(5,947)
Net cash provided (used) by operating activities	\$ 206,255	\$ (7,267)	\$ 6,524	\$ 205,512	\$ 301,688

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



The Islander Owners Association, Inc. Notes to Financial Statements

NOTE 1 – ORGANIZATION

The Islander Owners Association, Inc. (“Association”), a Florida not-for-profit corporation, was incorporated on May 22, 1981. Membership in the Association consists of the 127 residential unit owners of this Florida condominium. The condominium is located in Destin, Florida.

The Association was organized for the purpose of maintaining and protecting the elements owned by the unit owners in common, including land, building exteriors, foundations, roofs, elevators, lobbies, stairwells, rooms used for administrative, laundry, maintenance, and storage purposes, parking lot, and recreational areas (pools, tennis courts, shuffleboard courts, and pavilion). Disposition of common area property is governed by the Association’s declaration of condominium and Florida Statutes. The Association also provides utility services for the individual units.

All policy decisions, including the annual budget and owners’ assessments, are formulated by the Board of Directors. Major decisions are referred to the general Association membership before action is taken.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Association’s significant accounting policies applied in the preparation of the accompanying financial statements is as follows.

Basis of Presentation

The accompanying financial statements include the assets, liabilities, fund balances, revenues, and expenses as determined using the accrual basis of accounting. The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association’s financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Funds

The Association is a not-for-profit organization that employs the fund method of accounting in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors, the Association voting membership, or applicable Florida Statute. The financial statements segregate the accounting for such funds as Operating, Rental, and Replacement Funds. At the end of the year, excess funds are retained by the fund generating such excess during the year.



The Islander Owners Association, Inc.
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Operating Fund is used to account for the financial resources available for the general operation of the Association. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors and the Association’s Manager.

The Association acts as rental agent for unit owners who have entered into agreements with the Association for this service. The Rental Fund is used to account for the rental commissions, housekeeping services, and other revenues earned by the Association as rental agent and the Association’s expenses incurred to operate the rental program. This fund does not include the gross rents from the rental of participating units, as these rents belong to the individual unit owners.

The Replacement Fund is used to account for assessments made for the major repair and replacement of common property, and related expenses. Disbursements from the Replacement Fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association membership. Interest income earned in the Replacement Fund during 2017 was retained in an unallocated component.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management’s Review

In preparing the financial statements, the Association’s management has evaluated events and transactions for potential recognition or disclosure through May 2, 2018, which is the date the financial statements were available to be issued.

Revenue Recognition

Regular assessments to members are recognized as revenue during the period for which they are assessed. Assessments received in advance of this period are reported as prepaid assessments on the Balance Sheet. Special assessments are recognized as revenue when the corresponding liabilities and expenses are incurred, with any excess revenue reported as deferred revenue on the Balance Sheet. All other revenues are recognized using the accrual method of accounting.

The Islander Owners Association, Inc.
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are reported at the outstanding balance due from owners and others, net of any allowance for doubtful accounts. The Association provides for doubtful accounts based on experience and analyses of individual accounts. When the collectibility of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific amounts are deemed to be uncollectible, they are written off by charging the allowance and crediting the receivable. There was no allowance for doubtful accounts at December 31, 2017 because management believes all receivables are fully collectible.

Financial Instruments

Financial instruments are reported at cost, which approximates their fair value.

Capitalization and Depreciation of Property

Real property directly associated with the condominium units is not capitalized. Real property acquired by the Association that is not directly associated with the condominium units is only capitalized when it (a) is used to generate significant cash flows from members on the basis of usage or from nonmembers or (b) can be disposed of for cash with the Association retaining the proceeds. Real property acquired by the Association that does not meet these guidelines is not capitalized, and accordingly, replacements, major repairs, and improvements to this property are not capitalized; instead, they are reported as expenses of the fund making the expenditure. Real property not directly associated with the units described in Note 1 has not been capitalized. Real property that has been capitalized includes a maintenance building. Personal property acquired by the Association is capitalized at cost.

Capitalized assets are depreciated over their estimated useful lives using the straight-line method.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for 2017 was \$64,254, and is included in administrative expense of the Rental Fund in the accompanying financial statements.



The Islander Owners Association, Inc.
Notes to Financial Statements

NOTE 3 – OWNERS’ ASSESSMENTS

Revenues and expenses are allocated to unit owners equally, and accordingly, assessment rates are established using this formula. The Association’s regular monthly assessment rate was \$628 for 2017. Regular assessments for the year ended December 31, 2017 totaled \$956,432, of which \$36,732 was designated for the repayment of a loan from the U.S. Small Business Administration and \$314,950 was allocated to the Replacement Fund.

During 2016, the Association levied a special parcel assessment to 110 unit owners in the amount of \$4,353 per unit for the purpose of replacing the sliding glass doors for each of these units. An additional assessment of \$280 per participating unit was charged in January 2017 to cover the additional costs of this project. This project, which was started in 2016, was completed in 2017. Revenues from the special parcel assessment were recognized as follows: \$476,913 in 2016 and \$32,629 in 2017.

During 2017, the Association levied a special assessment for the purpose of front window replacement, waterproofing, east wall repair, and related costs for project management and construction cleaning. The original special assessment of \$5,625 per unit had a variable monthly payment schedule with \$3,200 due in 2017 and \$2,425 due in 2018. In February 2018, the Board of Directors approved a reduction in the special assessment, resulting in a final rate of \$3,500 per unit. The entire special assessment of \$444,900 has been recognized as revenue in 2017. See Note 15 for additional information regarding the cost of the project.

NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association’s governing documents and Florida Statutes require the Association to accumulate funds for future major repairs and replacements, unless otherwise decided by the voting membership. The Association has adopted a program to accumulate funds for future major repairs and replacements through regular assessments based on a full funding plan. The estimated replacement costs and remaining useful lives of the components of common property presented in the unaudited Supplementary Information on Future Major Repairs and Replacements accompanying these financial statements are based on updates made by management in 2017 to a professional reserve study performed in 2015. The budgeted funding amount for 2017 of \$314,950 is based on a plan to fully fund such major repairs and replacements over the estimated useful lives of the components, considering amounts previously accumulated in the Replacement Fund. Actual expenditures may vary from the estimated replacement costs presented in the supplementary information and the variances may be significant. If additional funds are needed, the Association may increase its regular assessments, levy a special assessment, or delay the repairs and replacements until funds are available.

The Islander Owners Association, Inc.
Notes to Financial Statements

NOTE 5 – PROPERTY AND EQUIPMENT

<i>December 31,</i>	2017
Computer software and equipment	\$ 9,933
Equipment	37,978
Furniture and fixtures	35,521
Maintenance building	40,934
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Total property and equipment	124,366
Less accumulated depreciation	(91,640)
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Property and equipment, net	\$ 32,726
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NOTE 6 – SHORT-TERM BORROWINGS

The Association has a line of credit (“LOC”) with Trustmark National Bank that has a maximum borrowing potential of \$125,000. The LOC agreement requires the Association to pay interest monthly at the bank’s prime rate plus 1% and principal is due at maturity. The LOC is secured by the Association’s accounts, contract rights, assessments, and assignment of insurance proceeds. The LOC had an outstanding balance of \$20,185 at December 31, 2017. The LOC is renewed annually.

The Association obtained short-term insurance financing from U.S. Premium Finance during 2017 that requires monthly payments of \$7,744 through May 2018. The loan has an interest rate of 5.3% and an outstanding balance of \$38,718 at December 31, 2017. It is secured by unearned insurance premiums.

The Islander Owners Association, Inc.
Notes to Financial Statements

NOTE 7 – NOTE PAYABLE

In 1996, the Association obtained a 30-year loan from the U.S. Small Business Administration. The loan has an interest rate of 4% and is secured by an assignment of assessments. Principal and interest of \$3,061 is paid monthly. It is anticipated the loan will be paid in full approximately one year prior to its original maturity date of February 1, 2026. The following table presents information on the future maturity of this loan.

Years ending December 31,

2018	\$	28,562
2019		29,274
2020		30,466
2021		31,708
2022		32,999
Thereafter		75,330
Total		\$ 228,339

NOTE 8 – OTHER REVENUES

Other revenues for 2017 include \$117,899 in charges to owners for unit replacement items, work orders, and other vendor services and \$115,220 in damage waiver fees charged to unit rental guests. The remaining \$62,849 in other revenues is comprised of real estate brokerage commissions, washer/dryer income, Palm Room rents, and other miscellaneous sales and fees.

NOTE 9 – INCOME TAXES

The Association is taxed as a regular corporation and must comply with Internal Revenue Code (IRC) Section 277, which applies to certain membership organizations. Under IRC Section 277, the Association is required to separate membership income and expenses from nonmembership income and expenses. Each component is taxed separately; however, net membership income is exempt from taxation if certain elections are made. For the year ended December 31, 2017, the Association's net nonmembership income was \$12,542, which resulted in income tax of \$1,881. The Association is not aware of any uncertain tax positions that would require accrual or disclosure in the financial statements.

NOTE 10 – RETIREMENT PLAN

The Association has a defined contribution retirement plan under which it makes contributions of 2% of the eligible employee's gross pay. Total contribution expense for 2017 was \$7,269.

The Islander Owners Association, Inc. Notes to Financial Statements

NOTE 11 – RELATED PARTIES

The Association engaged Emerald Green Cleaners LLC to provide housekeeping services for the Association's rental management program. This entity is owned by the Association's former general manager and his wife. During 2017, Emerald Green Cleaners charged the Association \$199,675 for these services. The contract with Emerald Green Cleaners was terminated in 2017.

The Association engaged Virtualize IT, LLC to create virtual tours of the rental units for the Association's website and provide other marketing services. This company is owned by the husband of the Association's current general manager. The cost incurred for services provided in 2017 was \$15,492.

NOTE 12 – RISKS AND UNCERTAINTIES

The Association assesses regular and special assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual condominium units. Should the collection of any such liens be enforced by the sale of the unit, the collectibility of the receivable is dependent on the quick sale market value of the unit, and the amount of any other liens that have priority. Market value may be influenced by the real estate market in Destin, Florida.

The Association has a windstorm insurance policy that provides an aggregate coverage of \$18,611,175 on the buildings, their contents, and other structures. The policy has a named windstorm deductible of 3% per building or structure, with a minimum deductible of \$25,000 per building or structure. Windstorm deductible amounts range from \$25,000 to \$271,287, with an aggregate deductible amount of \$764,484 for all covered properties.

The Association maintains depository accounts at Regions Bank and Trustmark National Bank, which are insured by the Federal Deposit Insurance Corporation ("FDIC"). Bank balances on December 31, 2017 at Trustmark Bank exceeded the FDIC coverage limit of \$250,000 per depositor by \$398,553.

NOTE 13 – CLAIM SETTLEMENT

The Association received \$81,028 in 2017 from a claim against the original contractor engaged in 2015 to install unit front doors. That contractor was not properly licensed in Florida and did not obtain the proper permits for the project. Due to problems related to the installation, the original contractor was replaced in 2016 and a claim was made against the original contractor for additional project costs incurred by the Association to complete the project. The recovery from the original contractor was applied against the costs of the project, which are included in maintenance, repairs, and supplies expenses in the accompanying financial statements.



The Islander Owners Association, Inc.
Notes to Financial Statements

NOTE 14 – LETTER OF CREDIT

The Association has obtained an irrevocable standby letter of credit from Trustmark National Bank. The amount of the letter of credit is \$21,600 and the beneficiary is Gulf Power Company. The letter of credit was obtained in lieu of maintaining a security deposit with Gulf Power Company.

NOTE 15 – COMMITMENTS AND SUBSEQUENT EVENTS

At December 31, 2017, the Association had a renovation project in progress for the replacement of front windows, waterproofing, and wall repairs. The Association engaged a general contractor to perform most of the work. The price of the contract with the general contractor, including change orders, is \$867,001. Costs incurred under this contract in 2017 were \$828,638, leaving a remaining commitment of \$38,363. Additional costs incurred in 2017 related to this renovation project included \$67,236 for project management and construction cleaning. The total 2017 cost of this project of \$895,874 is reported as maintenance, repairs, and supplies expenses in the following funds: \$659,507 reported in the Operating Fund and \$236,367 reported in the Replacement Fund. The expense reported in the Operating Fund was partially funded by a special assessment of \$444,900. The Association plans to use a portion of the settlement proceeds described in the following paragraph to also pay for the project.

The Association filed a Deepwater Horizon Economic Damages claim against British Petroleum (“BP”) for lost business income resulting from the Deepwater Horizon oil spill that occurred in 2010. In 2017, the Association received an eligibility notice for a settlement in the amount of \$1.2 million; however, BP challenged the settlement and the claim was still under review at December 31, 2017. Subsequent to year-end, final settlement was reached and the Association received \$924,373. This amount is net of attorneys’ fees of \$308,124. No accrual has been made in the accompanying financial statements for this gain contingency; instead, the amount received will be recognized as revenue in 2018.

Supplementary Information

The Islander Owners Association, Inc.
Schedule of Changes in Replacement Fund Balance

Year ended December 31,

2017

Component	Beginning Fund Balance	Revenues	Expenses	Ending Fund Balance
West pool building	\$ 2,971	\$ 397	\$ -	\$ 3,368
East pool building	2,971	397	-	3,368
Model unit 119	2,529	356	-	2,885
Maintenance building	4,754	635	-	5,389
Entrance sign/flagpole/shuffleboard	61	292	-	353
Tennis court surface	11,800	640	3,926	8,514
Tennis court lighting	9,999	1	-	10,000
Gate openers	14,488	2,751	10,548	6,691
Beach walkover structure/electrical	6,551	879	-	7,430
Beach walkover deck/rails/gates	11,594	4,294	-	15,888
Sidewalk pavers	14,661	6,149	-	20,810
Landscape and irrigation system	11,964	2,679	-	14,643
Landscape plant replacement	7,608	4,916	6,206	6,318
Fencing	10,788	2,558	-	13,346
Parking lot asphalt overlay	19,999	11,250	-	31,249
Parking lot lighting	4,004	615	-	4,619
Parking lot storm drain pump	12,277	-	-	12,277
Parking lot seal & stripe	25,221	4,779	-	30,000
West pool shell/pavers	12,955	3,024	-	15,979
West pool marcite surface	2,100	1,211	-	3,311
West pool filters/heater/lights	1,403	1,933	2,740	596
West pool furniture	3,109	984	-	4,093
West pool spa	6,616	2,096	-	8,712
East pool shell/pavers	15,460	3,586	-	19,046
East pool marcite surface	1,446	950	-	2,396
East pool filters/heater/lights	3,382	1,924	2,597	2,709
East pool furniture	3,234	1,109	-	4,343
East pool spa	5,230	2,443	2,650	5,023
Pavilion roof	2,781	391	-	3,172
Pavilion structure/light	19,104	3,849	-	22,953
Concrete restoration	28,773	5,136	-	33,909
Common service doors	7,348	1,092	-	8,440
Doors trash/automatic/store	10,357	1,893	-	12,250
Doors storefront and glass	4,585	593	-	5,178
Windows unit paint	8,323	2,710	-	11,033
Windows common paint	2,441	426	-	2,867
Master bedroom windows	-	28,575	-	28,575
Guest bedroom/kitchen windows	-	-	-	-
Unit doors trim and paint	50,152	15,221	-	65,373
Unit sliding glass doors paint	19,527	2,559	-	22,086
Unit doors replacement	9,000	8,641	-	17,641

(continued)

The Islander Owners Association, Inc.
Schedule of Changes in Replacement Fund Balance (Continued)

<i>Year ended December 31,</i>	2017			
Component	Beginning Fund Balance	Revenues	Expenses	Ending Fund Balance
Unit sliding glass doors replacement	-	15,222	-	15,222
Palm room upgrades	4,318	2,955	-	7,273
Lobby/office/break room upgrades	12,336	1,976	-	14,312
Exercise equipment and space	5,556	2,778	-	8,334
Walkway railings paint	10,200	2,129	-	12,329
Balcony railings paint	6,579	1,316	-	7,895
Stairwell and interior railings paint	3,769	624	-	4,393
Flat roofs	64,857	11,357	25,000	51,214
Flat roofs	68,426	11,083	2,476	77,033
Trash room roofs	14,968	16	-	14,984
Core roofs	23,003	1,884	-	24,887
Stucco wall coatings	55,754	62,797	118,551	-
Caulking and patching	58,359	13,880	72,239	-
Balcony and walkway soffits	17,507	4,164	21,671	-
Walkway soffits	20,861	3,046	23,905	2
Balcony tile	13,885	1,389	-	15,274
Walkway tile	13,885	1,389	-	15,274
Domestic water system/backflow	10,749	76	-	10,825
Roof hatch/gutters/exit ladders	617	494	-	1,111
Trash and linen chutes and doors	35,106	10,465	-	45,571
Building graphic signs	4,339	761	-	5,100
Computers and software	11,803	3,198	1,995	13,006
Security system	2,073	1,133	-	3,206
Air conditioners	5,154	3,282	7,500	936
Commercial washers and dryers	19,325	4,337	9,770	13,892
Coin washers and dryers	10,598	2,201	1,504	11,295
Electrical system	6,322	889	-	7,211
Building lighting	9,390	1,508	-	10,898
Elevator doors in shaft	10,386	1,559	-	11,945
Elevator cabs	19,974	5,004	-	24,978
Elevator controller modernization	31,975	5,686	-	37,661
Fire pump and fire room equipment	7,280	2,066	-	9,346
Fire monitoring equipment	2,750	352	-	3,102
Unallocated interest	3,431	4,853	-	8,284
Total	\$ 977,101	\$ 319,803	\$ 313,278	\$ 983,626

The Islander Owners Association, Inc.
Supplementary Information on Future Major Repairs and Replacements
(Unaudited)

Component	Estimated Remaining Life (Years)	Estimated Replacement Cost	Replacement Fund Balance at December 31, 2017
West pool building	23	\$ 12,500	\$ 3,368
East pool building	23	12,500	3,368
Model unit 119	20	10,000	2,885
Maintenance building	23	20,000	5,389
Entrance sign/flagpole/shuffleboard	33	10,000	353
Tennis court surface	4	15,000	8,514
Tennis court lighting	1	10,000	10,000
Gate openers	9	42,000	6,691
Beach walkover structure/electrical	20	25,000	7,430
Beach walkover deck/rails/gates	5	37,359	15,888
Sidewalk pavers	2	70,000	20,810
Landscape and irrigation system	2	20,000	14,643
Landscape plant replacement	7	20,000	6,318
Fencing	7	31,250	13,346
Parking lot asphalt overlay	7	110,000	31,249
Parking lot lighting	25	20,000	4,619
Parking lot storm drain pump	1	12,277	12,277
Parking lot seal & stripe	1	30,000	30,000
West pool shell/pavers	22	82,500	15,979
West pool marcite surface	8	13,000	3,311
West pool filters/heater/lights	5	13,000	596
West pool furniture	6	10,000	4,093
West pool spa	3	15,000	8,712
East pool shell/pavers	17	80,000	19,046
East pool marcite surface	8	10,000	2,396
East pool filters/heater/lights	4	13,000	2,709
East pool furniture	6	11,000	4,343
East pool spa	3	15,000	5,023
Pavilion roof	20	11,000	3,172
Pavilion structure/light	3	34,500	22,953
Concrete restoration	8	75,000	33,909
Common service doors	17	27,000	8,440
Doors trash/automatic/store	7	25,500	12,250
Doors storefront and glass	25	20,000	5,178
Windows unit paint	7	30,000	11,033
Windows common paint	5	5,000	2,867
Master bedroom windows	19	571,500	28,575
Guest bedroom/kitchen windows	25	520,700	-
Unit doors trim and paint	4	135,000	65,373
Unit sliding glass doors paint	7	40,000	22,086
Unit doors replacement	24	225,000	17,641

(continued)

The Islander Owners Association, Inc.
Supplementary Information on Future Major Repairs and Replacements
(Continued)
(Unaudited)

Component	Estimated Remaining Life (Years)	Estimated Replacement Cost	Replacement Fund Balance at December 31, 2017
Unit sliding glass doors replacement	24	533,400	15,222
Palm room upgrades	6	25,000	7,273
Lobby/office/break room upgrades	13	40,000	14,312
Exercise equipment and space	6	25,000	8,334
Walkway railings paint	13	40,000	12,329
Balcony railings paint	13	25,000	7,895
Stairwell and interior railings paint	13	12,500	4,393
Flat roofs	12	212,500	51,214
Flat roofs	12	212,500	77,033
Trash room roofs	12	15,175	14,984
Core roofs	12	47,500	24,887
Stucco wall coatings	10	186,100	-
Caulking and patching	10	100,000	-
Balcony and walkway soffits	10	30,000	-
Walkway soffits	10	30,000	2
Balcony tile	43	75,000	15,274
Walkway tile	43	75,000	15,274
Domestic water system/backflow	1	10,825	10,825
Roof hatch/gutters/exit ladders	18	10,000	1,111
Trash and linen chutes and doors	2	66,500	45,571
Building graphic signs	13	15,000	5,100
Computers and software	1	15,000	13,006
Security system	6	10,000	3,206
Air conditioners	2	15,000	936
Commercial washers and dryers	1	32,000	13,892
Coin washers and dryers	1	15,000	11,295
Electrical system	20	25,000	7,211
Building lighting	13	30,500	10,898
Elevator doors in shaft	18	40,000	11,945
Elevator cabs	5	50,000	24,978
Elevator controller modernization	18	140,000	37,661
Fire pump and fire room equipment	10	30,000	9,346
Fire monitoring equipment	25	12,000	3,102
Unallocated interest	N/A	N/A	8,284
Total		\$ 4,692,086	\$ 983,626