

The Islander Owners Association, Inc.

Financial Statements and Supplementary Information

December 31, 2018



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The Islander Owners Association, Inc.
Financial Statements and Supplementary Information
Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Balance Sheet	3
Statement of Revenues, Expenses, and Changes in Fund Balance	4
Statement of Cash Flows	5
Notes to Financial Statements	7
Supplementary Information:	
Schedule of Changes in Replacement Fund Balance	15
Supplementary Information on Future Major Repairs and Replacements	17



Carr, Riggs & Ingram, LLC
Certified Public Accountants
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Independent Auditors' Report

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

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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, 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.

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, 2018, 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

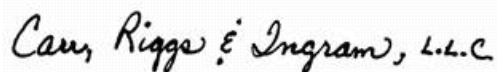
We have previously audited The Islander Owners Association, Inc.'s 2017 financial statements, and our report dated May 2, 2018 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 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.



CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
May 14, 2019

The Islander Owners Association, Inc.
Balance Sheet

<i>December 31,</i>	2018				2017
	Operating Fund	Rental Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Assets					
Cash	\$ 88,462	\$ 241,727	\$ 378,542	\$ 708,731	\$ 420,478
Certificates of deposit	-	-	975,389	975,389	957,687
Accounts receivable	55,854	12,924	-	68,778	88,217
Other receivables	3,818	-	133	3,951	35,832
Prepaid expenses	52,534	33,109	-	85,643	40,971
Other current assets	-	14,626	-	14,626	18,681
Property and equipment, net	24,774	-	-	24,774	32,726
Interfund balances	24,029	-	(24,029)	-	-
Total assets	\$ 249,471	\$ 302,386	\$ 1,330,035	\$ 1,881,892	\$ 1,594,592
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 50,274	\$ 42,048	\$ -	\$ 92,322	\$ 449,380
Other current liabilities	-	47,439	-	47,439	34,540
Income tax payable	-	21,799	-	21,799	1,881
Advance deposits	-	145,797	-	145,797	129,787
Short-term borrowings	45,050	-	-	45,050	58,903
Note payable	195,719	-	-	195,719	228,339
Total liabilities	291,043	257,083	-	548,126	902,830
Fund balance (deficit)	(41,572)	45,303	1,330,035	1,333,766	691,762
Total liabilities and fund balance	\$ 249,471	\$ 302,386	\$ 1,330,035	\$ 1,881,892	\$ 1,594,592

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>	2018				2017	
	Operating Fund	Rental Fund	Replacement Fund	Total	Total (For Comparative Purposes)	
Revenues						
Regular assessments	\$ 632,602	\$ -	\$ 323,830	\$ 956,432	\$ 956,432	
Special assessments	-	-	-	-	444,900	
Special parcel assessments	-	-	-	-	32,629	
Rental management commissions	-	602,227	-	602,227	549,460	
Housekeeping services	-	344,555	-	344,555	317,255	
Amenities	-	108,527	-	108,527	85,386	
BP oil spill income	429,992	269,171	533,333	1,232,496	-	
Interest income	106	819	19,243	20,168	5,455	
Other revenues	58,173	325,671	-	383,844	295,968	
Total revenues	1,120,873	1,650,970	876,406	3,648,249	2,687,485	
Expenses						
Administrative	33,200	195,024	-	228,224	160,843	
Courtesy patrol/security supplies	3,015	-	-	3,015	500	
Depreciation	7,582	3,005	-	10,587	13,809	
Income tax	-	110,955	-	110,955	1,881	
Insurance	107,436	-	-	107,436	121,993	
Interest expense	6,260	-	-	6,260	19,905	
Maintenance, repairs, and supplies	233,924	309,232	394,029	937,185	1,371,498	
Personnel	185,160	434,794	-	619,954	582,318	
Professional fees - oil spill	107,498	67,293	133,333	308,124	-	
Rental housekeeping and amenities	-	431,894	-	431,894	349,929	
Utilities	167,855	74,756	-	242,611	238,512	
Total expenses	851,930	1,626,953	527,362	3,006,245	2,861,188	
Excess (deficit) of revenues over expenses	268,943	24,017	349,044	642,004	(173,703)	
Beginning fund balance (deficit)	(313,150)	21,286	983,626	691,762	865,465	
Interfund transfers	2,635	-	(2,635)	-	-	
Ending fund balance (deficit)	\$ (41,572)	\$ 45,303	\$ 1,330,035	\$ 1,333,766	\$ 691,762	

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>	2018			2017	
	Operating Fund	Rental Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Operating activities					
Revenues collected	\$ 1,042,637	\$ 1,591,628	\$ 723,830	\$ 3,358,095	\$ 2,643,634
Interest income received	106	819	19,242	20,167	5,454
Cash paid for income taxes	-	(116,755)	-	(116,755)	(7,538)
Cash paid for interest expense	(6,260)	-	-	(6,260)	(19,905)
Cash paid for other expenses	(1,112,639)	(1,431,383)	(394,029)	(2,938,051)	(2,429,780)
Balances due to owners	-	28,189	-	28,189	-
Advance deposits	-	16,010	-	16,010	13,647
Net cash provided (used) by operating activities	(76,156)	88,508	349,043	361,395	205,512
Investing activities					
Purchase certificates of deposit	-	-	(1,213,702)	(1,213,702)	(166,431)
Redeem certificates of deposit	-	-	1,196,000	1,196,000	-
Purchase property and equipment	(2,635)	-	-	(2,635)	-
Net cash provided (used) by investing activities	(2,635)	-	(17,702)	(20,337)	(166,431)
Financing activities					
Payments on debt	(52,805)	-	-	(52,805)	(37,265)
Interfund transfers and balances	(17,649)	4,219	13,430	-	-
Net cash provided (used) by financing activities	(70,454)	4,219	13,430	(52,805)	(37,265)
Net increase (decrease) in cash	(149,245)	92,727	344,771	288,253	1,816
Cash at beginning of year	237,707	149,000	33,771	420,478	418,662
Cash at end of year	\$ 88,462	\$ 241,727	\$ 378,542	\$ 708,731	\$ 420,478

(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>	2018				2017
	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	\$ 268,943	\$ 24,017	\$ 349,044	\$ 642,004	\$ (173,703)
Adjustments to reconcile excess (deficit) of revenues over expenses:					
Depreciation	7,582	3,005	-	10,587	13,809
Changes in operating assets and liabilities:					
Accounts receivable	10,669	8,770	-	19,439	(15,063)
Other receivables	31,882	-	(1)	31,881	(35,701)
Prepaid expenses	(19,520)	(25,152)	-	(44,672)	7,559
Other current assets	-	4,055	-	4,055	(3,774)
Accounts payable	(365,043)	7,985	-	(357,058)	401,433
Other current liabilities	(17,001)	29,900	-	12,899	11,938
Income tax payable	-	19,918	-	19,918	(5,657)
Deferred revenue	-	-	-	-	(4,634)
Advance deposits	-	16,010	-	16,010	13,647
Insurance financing liability	6,332	-	-	6,332	(4,342)
Net cash provided (used) by operating activities	\$ (76,156)	\$ 88,508	\$ 349,043	\$ 361,395	\$ 205,512

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. Also, certain prior year disclosures are not included. 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, 2017, 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 2018 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 14, 2019, 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 included in other current liabilities of the Rental Fund 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, 2018 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 that has not been capitalized is described in Note 1. 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 and Marketing Costs

Advertising and marketing costs are expensed as incurred. Advertising and marketing expense for 2018 was \$108,701, 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 2018. Regular assessments for the year ended December 31, 2018 totaled \$956,432, of which \$36,732 was designated for the repayment of a loan from the U.S. Small Business Administration and \$323,830 was allocated to the Replacement Fund.

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 in 2018 to a professional reserve study performed in 2015. The budgeted funding amount for 2018 of \$323,830 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>	2018
Computer software and equipment	\$ 9,933
Equipment	40,613
Furniture and fixtures	35,521
Maintenance building	40,934
<hr/>	
Total property and equipment	127,001
Less accumulated depreciation	(102,227)
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Property and equipment, net	\$ 24,774
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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 no outstanding balance at December 31, 2018. The LOC is renewed annually.

The Association obtained short-term insurance financing from U.S. Premium Finance during 2018 that requires monthly payments of \$9,010 through May 2019. The loan has an interest rate of 4.72% and an outstanding balance of \$45,050 at December 31, 2018. It is secured by unearned insurance premiums. The prepaid insurance balance for financed premiums was \$44,092 at December 31, 2018.

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 balance on note payable at December 31, 2018 totaled \$195,719. The following table presents information on the future maturity of this loan.

<i>Years ending December 31,</i>	
2019	\$ 29,826
2020	30,654
2021	31,903
2022	33,203
2023	34,556
Thereafter	35,577
Total	\$ 195,719

NOTE 8: BP OIL SPILL INCOME

The Association settled its claim with BP related to the Deepwater Horizon Oil Spill that occurred in April 2010. The Association was awarded \$1,232,496, which is reported as BP oil spill income in the accompanying financial statements. Legal and accounting fees totaling \$308,124 were deducted from the gross award and are reported as professional fees in the accompanying financial statements. The net settlement amount of \$924,372 was received in January 2018.

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, 2018, the Association's net nonmembership income was \$424,551, which resulted in federal and state income tax expense of \$89,156 and \$21,799, respectively. The Association is not aware of any uncertain tax positions that would require accrual or disclosure in the financial statements.



The Islander Owners Association, Inc.
Notes to 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 2018 was \$6,119.

NOTE 11: RELATED PARTIES

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 general manager. The cost incurred for services provided in 2018 was \$16,058 and the outstanding accounts payable balance at December 31, 2018 was \$1,200.

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 \$22,013,911 and has a hurricane deductible of 3% or \$660,417.

The Association maintains depository accounts at multiple banks that are insured by the Federal Deposit Insurance Corporation ("FDIC"). Bank balances on December 31, 2018 at Trustmark National Bank exceeded the FDIC coverage limit of \$250,000 per depositor by \$492,875.

NOTE 13: 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.

The Islander Owners Association, Inc.
Notes to Financial Statements

NOTE 14: COMMITMENTS

The Association had three contracts in progress at December 31, 2018 for major projects. The following table presents information regarding these contracts.

Project Description	Contract Amount	Incurred Through 12/31/18	Remaining Commitment
Tennis court repairs, resurfacing, and lighting	\$ 117,062	\$ 58,531	\$ 58,531
Parking lot paving and striping, concrete curb	156,000	136,000	20,000
Paver replacement	167,379	123,690	43,689
Total	\$ 440,441	\$ 318,221	\$ 122,220

NOTE 15: LITIGATION

A lawsuit has been filed by the owners of an Association unit. The lawsuit alleges the Association has breached its governing documents and fiduciary duty. The plaintiff is claiming damages in excess of \$15,000. The Association intends on contesting the lawsuit. The likelihood of a favorable versus unfavorable outcome cannot be determined at this time. No accrual for any potential unfavorable outcome has been made in the accompanying financial statements.

NOTE 16: SUBSEQUENT EVENTS

In February 2019, the Association received \$20,765 from Halliburton Company as an additional settlement related to the Deep Horizon oil spill.

Subsequent to year-end, the Association entered into a contract for window sealing. The contract price was \$30,240 and the work was completed in March 2019.



Supplementary Information

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

Year ended December 31,

2018

Component	Beginning			Interfund Transfers	Ending Fund Balance
	Fund Balance	Revenues	Expenses		
West pool building	\$ 3,368	\$ 397	\$ -	\$ -	\$ 3,765
East pool building	3,368	397	-	-	3,765
Model unit 119	2,885	356	-	-	3,241
Maintenance building	5,389	635	-	-	6,024
Entrance sign/flagpole/shuffleboard	353	292	-	-	645
Tennis court surface	8,514	640	-	-	9,154
Tennis court lighting	10,000	-	-	-	10,000
Gate openers	6,691	2,751	-	-	9,442
Beach walkover structure/electrical	7,430	879	7,796	-	513
Beach walkover deck/rails/gates	15,888	4,294	17,246	-	2,936
Sidewalk pavers	20,810	24,595	-	-	45,405
Landscape and irrigation system	14,643	2,679	-	-	17,322
Fencing	13,346	2,558	-	-	15,904
Parking lot seal & stripe	30,000	4,164	-	-	34,164
Parking lot lighting	4,619	449	-	-	5,068
Parking lot storm drain pump	12,277	-	-	-	12,277
West pool shell/pavers	15,979	3,024	-	-	19,003
West pool marcite surface	3,311	1,211	3,295	-	1,227
West pool filters/heater/lights	596	2,480	-	-	3,076
West pool furniture	4,093	985	-	-	5,078
West pool spa	8,712	2,096	-	-	10,808
East pool shell/pavers	19,046	3,586	50	-	22,582
East pool marcite surface	2,396	951	3,345	-	2
East pool filters/heater/lights	2,709	2,572	3,286	-	1,995
East pool furniture	4,343	1,110	-	-	5,453
East pool spa	5,023	2,442	-	-	7,465
Pavilion roof	3,172	391	-	-	3,563
Pavilion structure/light	22,953	3,849	-	-	26,802
Concrete restoration	33,909	5,137	-	-	39,046
Common service doors	8,440	1,092	-	-	9,532
Doors trash/automatic/store	12,250	1,893	-	-	14,143
Doors storefront and glass	5,178	593	-	-	5,771
Windows unit paint	11,033	2,709	-	-	13,742
Windows common paint	2,867	426	-	-	3,293
Unit doors trim and paint	65,373	15,221	-	-	80,594
Unit sliding glass doors paint	22,086	2,559	-	-	24,645
Palm room upgrades	7,273	2,954	-	-	10,227
Lobby/office/break room upgrades	14,312	1,976	-	-	16,288

(continued)

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

<i>Year ended December 31,</i>		2018			
Component	Beginning Fund Balance	Revenues	Expenses	Interfund Transfers	Ending Fund Balance
Walkway railings paint	12,329	2,128	-	-	14,457
Balcony railings paint	7,895	1,316	-	-	9,211
Stairwell and interior railings paint	4,393	623	-	-	5,016
Flat roofs	51,214	11,357	-	-	62,571
Flat roofs	77,033	11,082	-	-	88,115
Trash room roofs	14,984	16	-	-	15,000
Core roofs	24,887	1,884	-	-	26,771
Stucco wall coatings	-	21,784	-	-	21,784
Caulking and patching	-	10,000	-	-	10,000
Balcony and walkway soffits	-	3,000	-	-	3,000
Walkway soffits	2	3,000	-	-	3,002
Balcony tile	15,274	1,389	-	-	16,663
Walkway tile	15,274	1,389	-	-	16,663
Domestic water system/backflow	10,825	-	-	-	10,825
Roof hatch/gutters/exit ladders	1,111	494	-	-	1,605
Trash and linen chutes and doors	45,571	10,465	-	-	56,036
Building graphic signs	5,100	762	-	-	5,862
Computers and software	13,006	-	4,706	-	8,300
Security system	3,206	1,132	-	-	4,338
Air conditioners	936	5,282	3,137	-	3,081
Commercial washers and dryers	13,892	20,808	4,126	-	30,574
Coin washers and dryers	11,295	3,705	1,609	(2,635)	10,756
Electrical system	7,211	889	-	-	8,100
Building lighting	10,898	1,508	-	-	12,406
Elevator doors in shaft	11,945	1,559	7,688	-	5,816
Elevator cabs	24,978	5,004	-	-	29,982
Elevator controller modernization	37,661	5,686	-	-	43,347
Fire pump and fire room equipment	9,346	2,065	-	-	11,411
Fire monitoring equipment	3,102	357	-	-	3,459
Landscape plant replacement	6,318	3,511	6,564	-	3,265
Parking lot asphalt overlay	31,249	11,250	-	-	42,499
Exercise equipment and space	8,334	2,777	-	-	11,111
Unit doors replacement	17,641	8,640	-	-	26,281
Master bedroom windows	28,575	28,575	-	-	57,150
Unit sliding glass doors replacement	15,222	15,222	-	-	30,444
Guest bedroom/kitchen windows	-	20,828	-	-	20,828
Automatic entrance doors	-	-	-	-	-
Palm room and gym windows	-	-	-	-	-
BP settlement funds	-	533,333	458,031	-	75,302
Unallocated interest	8,284	19,243	6,483	-	21,044
Total	\$ 983,626	\$ 876,406	\$ 527,362	\$ (2,635)	\$ 1,330,035

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

The following table is based on the Board's review and presents significant information about the components of common property.

Component	Estimated Remaining Life (Years)	Estimated Replacement Cost	Replacement Fund Balance at December 31, 2018
West pool building	22	\$ 12,500	\$ 3,765
East pool building	22	12,500	3,765
Model unit 119	19	10,000	3,241
Maintenance building	22	20,000	6,024
Entrance sign/flagpole/shuffleboard	32	10,000	645
Tennis court surface	10	63,000	9,154
Tennis court lighting	40	19,319	10,000
Gate openers	8	42,000	9,442
Beach walkover structure/electrical	19	25,000	513
Beach walkover deck/rails/gates	5	37,359	2,936
Sidewalk pavers	50	165,000	45,405
Landscape and irrigation system	1	20,000	17,322
Fencing	6	31,250	15,904
Parking lot seal & stripe	0	30,000	34,164
Parking lot lighting	24	20,000	5,068
Parking lot storm drain pump	0	12,277	12,277
West pool shell/pavers	21	82,500	19,003
West pool marcite surface	7	13,000	1,227
West pool filters/heater/lights	4	13,000	3,076
West pool furniture	5	10,000	5,078
West pool spa	2	15,000	10,808
East pool shell/pavers	16	80,000	22,582
East pool marcite surface	7	10,000	2
East pool filters/heater/lights	3	13,000	1,995
East pool furniture	5	11,000	5,453
East pool spa	2	15,000	7,465
Pavilion roof	19	11,000	3,563
Pavilion structure/light	2	34,500	26,802
Concrete restoration	7	75,000	39,046
Common service doors	16	27,000	9,532
Doors trash/automatic/store	6	25,500	14,143
Doors storefront and glass	34	90,600	5,771
Windows unit paint	N/A*	N/A*	13,742
Windows common paint	N/A*	N/A*	3,293
Unit doors trim and paint	3	135,000	80,594
Unit sliding glass doors paint	N/A*	N/A*	24,645
Palm room upgrades	9	25,000	10,227
Lobby/office/break room upgrades	14	40,000	16,288

(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, 2018
Walkway railings paint	12	40,000	14,457
Balcony railings paint	12	25,000	9,211
Stairwell and interior railings paint	12	12,500	5,016
Flat roofs	7	212,500	62,571
Flat roofs	7	212,500	88,115
Trash room roofs	11	15,175	15,000
Core roofs	11	47,500	26,771
Stucco wall coatings	9	186,100	21,784
Caulking and patching	9	100,000	10,000
Balcony and walkway soffits	9	30,000	3,000
Walkway soffits	9	30,000	3,002
Balcony tile	42	75,000	16,663
Walkway tile	42	75,000	16,663
Domestic water system/backflow	0	10,825	10,825
Roof hatch/gutters/exit ladders	17	10,000	1,605
Trash and linen chutes and doors	2	66,500	56,036
Building graphic signs	12	15,000	5,862
Computers and software	0	15,000	8,300
Security system	5	10,000	4,338
Air conditioners	1 - 7	38,400	3,081
Commercial washers and dryers	4	44,000	30,574
Coin washers and dryers	1	15,000	10,756
Electrical system	19	25,000	8,100
Building lighting	12	30,500	12,406
Elevator doors in shaft	17	40,000	5,816
Elevator cabs	4	50,000	29,982
Elevator controller modernization	17	140,000	43,347
Fire pump and fire room equipment	9	30,000	11,411
Fire monitoring equipment	24	12,000	3,459
Landscape plant replacement	6	20,000	3,265
Parking lot asphalt overlay	15	250,000	42,499
Exercise equipment and space	5	25,000	11,111
Unit doors replacement	23	225,000	26,281
Master bedroom windows	34	571,500	57,150
Unit sliding glass doors replacement	23	533,400	30,444
Guest bedroom/kitchen windows	39	520,700	20,828
Automatic entrance doors	19	10,500	-
Palm room and gym windows	34	18,000	-
BP settlement funds	N/A	N/A	75,302
Unallocated interest	N/A	N/A	21,044
Total		\$ 5,043,905	\$ 1,330,035

* Components are no longer needed. Accumulated balances will be reallocated in 2019.