

The Islander Owners
Association, Inc.

Financial Statements and
Supplementary Information

December 31, 2013

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

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Independent Auditor's 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, 2013, 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.

Auditor's Responsibility

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

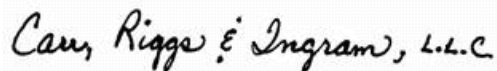
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Islander Owners Association, Inc. as of December 31, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, which is the responsibility of the Association's management, is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information 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.



Miramar Beach, Florida
April 11, 2014

The Islander Owners Association, Inc.

Balance Sheet

<i>December 31,</i>	2013			
	Operating Fund	Rental Fund	Replacement Fund	Total
Assets				
Cash	\$ 25,333	\$ 122,819	\$ 263,523	\$ 411,675
Certificate of deposit	-	-	155,211	155,211
Accounts receivable, net	45,851	-	-	45,851
Other receivables	-	6,802	808	7,610
Prepaid expenses	66,763	4,089	-	70,852
Property and equipment, net	67,026	19,634	-	86,660
Other assets	-	6,041	-	6,041
Interfund balances	(10,160)	10,181	(21)	-
Total assets	\$ 194,813	\$ 169,566	\$ 419,521	\$ 783,900
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 51,128	\$ 44,583	\$ -	\$ 95,711
Other current liabilities	-	10,544	-	10,544
Income tax payable	-	13,708	-	13,708
Prepaid assessments	12,187	-	-	12,187
Advance deposits	-	101,932	-	101,932
Short-term borrowings	56,924	-	-	56,924
Note payable	330,475	-	-	330,475
Total liabilities	450,714	170,767	-	621,481
Fund balance (deficit)	(255,901)	(1,201)	419,521	162,419
Total liabilities and fund balance	\$ 194,813	\$ 169,566	\$ 419,521	\$ 783,900

See accompanying notes to financial statements.

The Islander Owners Association, Inc.

Statement of Revenues, Expenses,
and Changes in Fund Balance

<i>Year ended December 31,</i>	2013			
	Operating Fund	Rental Fund	Replacement Fund	Total
Revenues				
Regular assessments	\$ 604,108	\$ -	\$ 188,692	\$ 792,800
Special assessments	80,471	-	-	80,471
Rental management commissions	-	621,627	-	621,627
Housekeeping services	-	287,116	-	287,116
Amenities	-	86,309	-	86,309
Interest income	39	724	5,470	6,233
Other revenue	26,249	21,475	2,490	50,214
Total revenues	710,867	1,017,251	196,652	1,924,770
Expenses				
Administrative	30,985	111,573	-	142,558
Bad debt provision	8,610	-	-	8,610
Courtesy patrol	-	196	-	196
Depreciation	6,367	1,389	-	7,756
Income tax	-	13,708	-	13,708
Insurance	132,862	-	-	132,862
Interest expense	18,686	1,534	-	20,220
Maintenance, repairs, and supplies	196,854	40,547	44,683	282,084
Personnel	160,708	349,330	-	510,038
Rental housekeeping and amenities	-	344,470	-	344,470
Utilities	154,810	70,119	-	224,929
Loss on disposal of assets	761	436	-	1,197
Total expenses	710,643	933,302	44,683	1,688,628
Excess (deficit) of revenues over expenses	224	83,949	151,969	236,142
Beginning fund balance (deficit)				
As previously reported	(214,967)	(58,879)	275,027	1,181
Prior period adjustment	(48,633)	(26,271)	-	(74,904)
Restated	(263,600)	(85,150)	275,027	(73,723)
Interfund transfers	7,475	-	(7,475)	-
Ending fund balance (deficit)	\$ (255,901)	\$ (1,201)	\$ 419,521	\$ 162,419

See accompanying notes to financial statements.

The Islander Owners Association, Inc.

Statement of Cash Flows

<i>Year ended December 31,</i>	2013			
	Operating Fund	Rental Fund	Replacement Fund	Total
Operating activities				
Revenues collected	\$ 750,184	\$ 1,016,527	\$ 183,031	\$ 1,949,742
Interest income received	39	724	5,450	6,213
Cash paid for income taxes	-	(7,687)	-	(7,687)
Cash paid for interest expense	(18,686)	(1,534)	-	(20,220)
Cash paid for other expenses	(669,004)	(894,216)	(44,683)	(1,607,903)
Owner reimbursements, net	-	(23,054)	-	(23,054)
Advance deposits, net	-	18,483	-	18,483
Net cash provided (used) by operating activities	62,533	109,243	143,798	315,574
Investing activities				
Purchase of certificate of deposit	-	-	(3,421)	(3,421)
Purchase of property and equipment	(31,432)	(20,786)	-	(52,218)
Net cash provided (used) by investing activities	(31,432)	(20,786)	(3,421)	(55,639)
Financing activities				
Cash received from issuance of debt	66,888	-	-	66,888
Payments on notes payable	(128,942)	-	-	(128,942)
Interfund transfers and balances	52,693	(41,664)	(11,029)	-
Net cash provided (used) by financing activities	(9,361)	(41,664)	(11,029)	(62,054)
Net increase (decrease) in cash	21,740	46,793	129,348	197,881
Cash at beginning of year	3,593	76,026	134,175	213,794
Cash at end of year	\$ 25,333	\$ 122,819	\$ 263,523	\$ 411,675

(continued)

See accompanying notes to financial statements.

The Islander Owners Association, Inc.

Statement of Cash Flows (Continued)

<i>Year ended December 31,</i>	2013			
	Operating Fund	Rental Fund	Replacement Fund	Total
Reconciliation of excess (deficit) of revenues over expenses to net cash provided (used) by operating activities				
Excess (deficit) of revenues over expenses	\$ 224	\$ 83,949	\$ 151,969	\$ 236,142
Adjustments to reconcile excess (deficit) of revenues over expenses:				
Bad debt provision	8,610	-	-	8,610
Depreciation	6,367	1,389	-	7,756
(Gain) loss on disposal of assets	761	436	-	1,197
Changes in operating assets and liabilities:				
Accounts receivable	27,169	-	-	27,169
Other receivables	-	(23,054)	(20)	(23,074)
Prepaid expenses	(14,714)	638	-	(14,076)
Other assets	-	(1,703)	-	(1,703)
Accounts payable	21,810	20,649	-	42,459
Other current liabilities	-	2,435	(6,073)	(3,638)
Income tax payable	-	6,021	-	6,021
Prepaid assessments	12,187	-	-	12,187
Deferred revenue	-	-	(2,078)	(2,078)
Advance deposits	-	18,483	-	18,483
Insurance financing liability	119	-	-	119
Net cash provided (used) by operating activities	\$ 62,533	\$ 109,243	\$ 143,798	\$ 315,574

See accompanying 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.

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 either Operating, Rental, or Replacement Funds. At the end of the year, excess funds are retained by the fund generating such excess during the year.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is allocated to each of the fund's components.

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 April 11, 2014, 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.

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. At December 31, 2013, the allowance for doubtful accounts was \$8,610.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2013 was \$51,934 and is included in administrative expense of the Rental Fund in the accompanying 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 \$520 for 2013. Regular assessments for the year ended December 31, 2013 totaled \$792,800, of which \$36,732 was designated for the repayment of a loan from the U.S. Small Business Administration and \$188,692 was allocated to the Replacement Fund.

The Association levied two special assessments in 2013. During 2013, the Association borrowed money to pay for the replacement of the beach boardwalk. A special assessment of \$66,858 was levied to repay the loan. A second special assessment of \$13,613 was levied to pay for pool furniture that was purchased in 2013. Both special assessments were recognized as revenue in 2013.

Notes to Financial Statements

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 are based on a professional reserve study conducted in 2012. This information is presented in the unaudited Supplementary Information on Future Major Repairs and Replacements accompanying these financial statements. Management has reallocated reserve balances from the prior general components to the detail components based on the reserve study. The Association is funding 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.

NOTE 5 – PROPERTY AND EQUIPMENT

<i>December 31,</i>	2013
Computer software and equipment	\$ 9,933
Equipment	36,717
Furniture and fixtures	35,521
Maintenance building	40,934
Total property and equipment	123,105
Less accumulated depreciation	(36,445)
Property and equipment, net	\$ 86,660

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%. Principal is due at March 4, 2014, the LOC's maturity date. The LOC is secured by the Association's accounts, contract rights, assessments, and assignment of insurance proceeds. The LOC had an outstanding balance of \$10,272 at December 31, 2013.

The Association obtained short-term insurance financing from U.S. Premium Finance during 2013 that requires monthly payments of \$9,437 through May 1, 2014. The loan has an interest rate of 4.55% and an outstanding balance of \$46,652 at December 31, 2013.

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 one year prior to its original maturity date of February 1, 2026. The following table presents information on the future maturity of this loan.

<i>Years ending December 31,</i>	
2014	\$ 24,562
2015	24,946
2016	25,962
2017	27,020
2018	28,121
Thereafter	199,864
Total	\$ 330,475

NOTE 8 – 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, 2013, the Association's net nonmembership income was \$75,890, which resulted in federal and state income taxes of \$12,201 and \$1,507, respectively. Federal income tax is reported net of a general business credit of \$1,852 for small employer health insurance premiums.

Under federal and state income tax laws, an entity's income tax returns are subject to examination by the applicable taxing authorities. The time period during which a return may be selected for examination generally ends at the later of three years after the initial due date of the return or three years after the return is filed. As of December 31, 2013, tax returns that have been filed for the years 2010 through 2012 remain subject to examination.

NOTE 9 – RETIREMENT PLAN

The Association has a defined contribution retirement plan under which it makes matching contributions (limited to 2% of the participating employee's gross pay). Total contribution expense for 2013 was \$7,427.

NOTE 10 – RELATED PARTY

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 general manager and his wife. During 2013, Emerald Green Cleaners charged the Association \$259,480 for these services.

NOTE 11 – 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 through Citizens Property Insurance Corporation that provides coverage of \$2,356,000 and has a named windstorm deductible of 3%. The Association has obtained excess windstorm insurance from Rockhill Insurance Company that provides coverage of \$17,311,348 and has a 3% deductible for named windstorms.

The Association maintains depository accounts at Regions Bank and Trustmark Bank, which are insured by the Federal Deposit Insurance Corporation ("FDIC"). Bank balances on December 31, 2013 at Trustmark Bank exceeded the FDIC coverage limit of \$250,000 per depositor by \$143,948.

The Association has filed a Deepwater Horizon Economic Damages claim against British Petroleum for lost business income resulting from the Deepwater Horizon oil spill that occurred in 2010. This claim is still pending and no accrual has been made in the financial statements for any potential recovery.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

Note 1 describes the Association's accounting policy for the capitalization of real property. The prior year's financial statements have been restated to remove real property assets that did not meet the capitalization guidelines. This restatement has resulted in a reduction of \$48,633 to net property and equipment and fund balance reported in the Operating Fund at December 31, 2012. The Association purchases unit replacement supplies that are kept in stock until placed in units, at which time they are charged to the unit owners. A prior period adjustment of \$26,271 to reduce the fund balance reported in the Rental Fund at December 31, 2012 has been made for the estimated loss resulting from unbilled usage and obsolete items.

Supplementary Information

The Islander Owners Association, Inc.

Schedule of Changes in Replacement Fund Balance

Year ended December 31,

2013

Component	Beginning Fund Balance	Revenues	Expenses	Transfers	Ending Fund Balance
West pool building	\$ -	\$ 411	\$ -	\$ 1,354	\$ 1,765
East pool building	-	411	-	1,354	1,765
Model unit 119	-	365	-	1,083	1,448
Maintenance building	-	658	-	2,166	2,824
Entrance sign/flagpole/shuffleboard	-	249	398	1,083	934
Tennis court surface	-	1,324	-	1,625	2,949
Lighting	-	248	-	1,083	1,331
Gate openers	-	2,872	1,479	4,548	5,941
Beach walkover structure/electrical	-	1,788	-	1,082	2,870
Beach walkover deck/rails/gates	-	697	-	1,299	1,996
Sidewalk pavers	-	1,065	-	5,414	6,479
Landscape and irrigation	-	2,196	-	2,166	4,362
Fencing	-	1,143	-	3,384	4,527
Parking lot seal/stripe/signs/curb	-	4,392	7,134	4,331	1,589
Parking lot lighting	-	496	-	2,166	2,662
Parking lot storm drain pump	-	499	-	1,083	1,582
West pool shell/pavers	-	1,954	-	8,934	10,888
West pool marcite surface	-	1,743	-	1,083	2,826
West pool filters/heater/lights	-	1,147	-	1,408	2,555
West pool furniture	-	1,098	-	(763)	335
West pool spa	-	1,647	1,765	1,624	1,506
East pool shell/pavers	-	3,617	-	8,664	12,281
East pool marcite surface	-	1,743	-	1,083	2,826
East pool filters/heater/lights	-	1,147	2,335	1,408	220
East pool furniture	-	1,098	-	(763)	335
East pool spa	-	1,647	2,768	1,625	504
Pavilion roof	-	403	-	1,191	1,594
Pavilion structure/light	-	3,788	-	3,736	7,524
Concrete restoration	-	5,130	-	8,122	13,252
Entrance awning	-	1,324	-	1,625	2,949
Common service doors	-	1,115	-	2,924	4,039
Doors trash/automatic/store	-	1,885	-	2,762	4,647
Doors storefront and glass	-	617	-	2,166	2,783
Windows unit paint	-	3,294	2,804	3,248	3,738
Windows common paint	-	549	-	541	1,090
Unit doors trim and paint	-	3,488	-	2,166	5,654
Unit sliding glass doors paint	-	4,392	-	4,332	8,724
Palm room upgrades	-	2,392	395	2,272	4,269
Lobby/office/break room upgrades	-	1,808	696	5,413	6,525
Walkway railings paint	-	1,808	2,231	4,332	3,909
Balcony railings paint	-	1,130	1,149	2,707	2,688
Stairwell and interior railings paint	-	565	-	1,353	1,918

(continued)

The Islander Owners Association, Inc.

Schedule of Changes in Replacement Fund Balance
(Continued)

<i>Year ended December 31,</i>		2013			
Component	Beginning Fund Balance	Revenues	Expenses	Transfers	Ending Fund Balance
Flat roofs	-	12,321	-	16,450	28,771
Flat roofs	-	26,871	8,975	27,331	45,227
Trash room roofs	-	12,949	-	1,625	14,574
Core roofs	-	4,826	-	6,498	11,324
Stucco wall coatings	-	17,621	-	18,951	36,572
Caulking and patching	-	9,783	-	10,830	20,613
Balcony and walkway soffits	-	2,934	-	3,249	6,183
Walkway soffits	-	5,231	-	3,249	8,480
Balcony tile	-	1,508	-	8,122	9,630
Walkway tile	-	1,508	-	8,122	9,630
Domestic water system/backflow	-	4,011	-	2,491	6,502
Roof hatch/gutters/exit ladders	-	499	-	1,083	1,582
Trash and linen chutes and doors	-	2,627	-	7,202	9,829
Building graphic signs	-	594	-	1,625	2,219
Computers and software	-	2,616	-	(376)	2,240
Security system	-	882	1,656	1,083	309
Air conditioners	-	1,647	1,920	1,625	1,352
Commercial washers and dryers	-	1,967	-	(321)	1,646
Coin washers and dryers	-	1,456	-	1,083	2,539
Electrical system	-	915	-	2,707	3,622
Building lighting	-	1,525	-	3,303	4,828
Elevator doors in shaft	-	1,464	-	4,332	5,796
Elevator cabs	-	2,261	-	5,414	7,675
Elevator controller modernization	-	5,123	5,000	15,161	15,284
Fire pump and fire room equipment	-	1,787	3,710	3,248	1,325
Fire monitoring equipment	-	370	-	1,300	1,670
Prior general components	275,027	2,013	268	(271,276)	5,496
Total	\$275,027	\$196,652	\$ 44,683	\$ (7,475)	\$419,521

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, 2013
West pool building	27	\$ 12,500	\$ 1,765
East pool building	27	12,500	1,765
Model unit 119	24	10,000	1,448
Maintenance building	27	20,000	2,824
Entrance sign/flagpole/shuffleboard	37	10,000	934
Tennis court surface	9	15,000	2,949
Lighting	37	10,000	1,331
Gate openers	12	42,000	5,941
Beach walkover structure/electrical	22	50,359	2,870
Beach walkover deck/rails/gates	9	12,000	1,996
Sidewalk pavers	44	50,000	6,479
Landscape and irrigation	7	20,000	4,362
Fencing	24	31,250	4,527
Parking lot seal/stripe/signs/curb	7	40,000	1,589
Parking lot lighting	37	20,000	2,662
Parking lot storm drain pump	17	10,000	1,582
West pool shell/pavers	39	82,500	10,888
West pool marcite surface	4	10,000	2,826
West pool filters/heater/lights	9	13,000	2,555
West pool furniture	7	10,000	335
West pool spa	7	15,000	1,506
East pool shell/pavers	19	80,000	12,281
East pool marcite surface	4	10,000	2,826
East pool filters/heater/lights	9	13,000	220
East pool furniture	7	10,000	335
East pool spa	7	15,000	504
Pavilion roof	24	11,000	1,594
Pavilion structure/light	7	34,500	7,524
Concrete restoration	12	75,000	13,252
Entrance awning	9	15,000	2,949
Common service doors	21	27,000	4,039
Doors trash/automatic/store	11	25,500	4,647
Doors storefront and glass	29	20,000	2,783
Windows unit paint	7	30,000	3,738
Windows common paint	7	5,000	1,090
Unit doors trim and paint	4	20,000	5,654
Unit sliding glass doors paint	7	40,000	8,724
Palm room upgrades	3	11,000	4,269
Lobby/office/break room upgrades	19	40,000	6,525
Walkway railings paint	19	40,000	3,909
Balcony railings paint	19	25,000	2,688
Stairwell and interior railings paint	19	12,500	1,918

(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, 2013
Flat roofs	16	225,000	28,771
Flat roofs	6	225,000	45,227
Trash room roofs	0	15,000	14,574
Core roofs	10	60,000	11,324
Stucco wall coatings	8	175,000	36,572
Caulking and patching	8	100,000	20,613
Balcony and walkway soffits	8	30,000	6,183
Walkway soffits	4	30,000	8,480
Balcony tile	47	75,000	9,630
Walkway tile	47	75,000	9,630
Domestic water system/backflow	4	23,000	6,502
Roof hatch/gutters/exit ladders	17	10,000	1,582
Trash and linen chutes and doors	14	46,500	9,829
Building graphic signs	22	15,000	2,219
Computers and software	4	15,000	2,240
Security system	9	10,000	309
Air conditioners	7	15,000	1,352
Commercial washers and dryers	5	13,500	1,646
Coin washers and dryers	5	10,000	2,539
Electrical system	24	25,000	3,622
Building lighting	17	30,500	4,828
Elevator doors in shaft	24	40,000	5,796
Elevator cabs	19	50,000	7,675
Elevator controller modernization	24	140,000	15,284
Fire pump and fire room equipment	14	30,000	1,325
Fire monitoring equipment	29	12,000	1,670
Prior general components	N/A	N/A	5,496
Total		\$ 2,551,109	\$ 419,521