

The Islander Owners Association, Inc.

**Financial Statements and
Supplementary Information**

December 31, 2014



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

Independent Auditors' Report	1
Financial Statements:	
Balance Sheet	4
Statement of Revenues, Expenses, and Changes in Fund Balance	5
Statement of Cash Flows	6
Notes to Financial Statements	8
Supplementary Information:	
Schedule of Changes in Replacement Fund Balance	15
Supplementary Information on Future Major Repairs and Replacements	17



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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, 2014, 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, 2014, 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 Summarized Comparative Information

We have previously audited the December 31, 2013 financial statements of The Islander Owners Association, Inc., and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 11, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 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, 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.

Cam, Riggs & Ingram, L.L.C.

Miramar Beach, Florida
April 10, 2015

The Islander Owners Association, Inc.
Balance Sheet

<i>December 31,</i>	2014			2013	
	Operating Fund	Rental Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Assets					
Cash	\$ 1,896	\$ 159,382	\$ 109,176	\$ 270,454	\$ 411,675
Certificates of deposit	-	-	483,711	483,711	155,211
Accounts receivable, net	34,334	17,371	-	51,705	57,870
Other receivables	-	-	826	826	7,610
Prepaid expenses	51,070	4,609	-	55,679	70,852
Property and equipment, net	58,678	15,476	-	74,154	86,660
Other assets	-	11,341	-	11,341	6,041
Interfund balances	1,233	(128)	(1,105)	-	-
Total assets	\$ 147,211	\$ 208,051	\$ 592,608	\$ 947,870	\$ 795,919
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 12,634	\$ 64,871	\$ -	\$ 77,505	\$ 95,711
Other current liabilities	-	29,658	-	29,658	10,544
Income tax payable	-	3,246	-	3,246	13,708
Advance deposits	-	102,800	-	102,800	101,932
Short-term borrowings	42,144	-	-	42,144	56,924
Note payable	305,389	-	-	305,389	330,475
Total liabilities	360,167	200,575	-	560,742	609,294
Fund balance (deficit)	(212,956)	7,476	592,608	387,128	186,625
Total liabilities and fund balance	\$ 147,211	\$ 208,051	\$ 592,608	\$ 947,870	\$ 795,919

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>	2014				2013
	Operating Fund	Rental Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Revenues					
Regular assessments	\$ 603,377	\$ -	\$ 189,423	\$ 792,800	\$ 792,800
Special assessments	-	-	-	-	80,471
Rental management commissions	-	562,554	-	562,554	621,627
Housekeeping services	-	268,926	-	268,926	287,116
Amenities	-	78,707	-	78,707	86,309
Interest income	16	352	4,133	4,501	6,233
Other revenue	70,856	159,466	-	230,322	50,214
Total revenues	674,249	1,070,005	193,556	1,937,810	1,924,770
Expenses					
Administrative	32,381	131,210	-	163,591	142,558
Bad debt provision (credit)	(3,394)	-	-	(3,394)	8,610
Courtesy patrol	-	-	-	-	196
Depreciation	9,610	4,157	-	13,767	7,756
Income tax	-	3,246	-	3,246	13,708
Insurance	143,675	-	-	143,675	132,862
Interest expense	14,223	-	-	14,223	20,220
Maintenance, repairs, and supplies	155,944	206,190	14,521	376,655	282,084
Personnel	153,105	312,794	-	465,899	510,038
Rental housekeeping and amenities	-	330,187	-	330,187	344,470
Utilities	155,914	73,544	-	229,458	224,929
Loss on disposal of assets	-	-	-	-	1,197
Total expenses	661,458	1,061,328	14,521	1,737,307	1,688,628
Excess of revenues over expenses	12,791	8,677	179,035	200,503	236,142
Beginning fund balance (deficit)					
As previously reported	(255,901)	(1,201)	419,521	162,419	1,181
Prior period adjustment	24,206	-	-	24,206	(50,698)
Restated	(231,695)	(1,201)	419,521	186,625	(49,517)
Interfund transfers	5,948	-	(5,948)	-	-
Ending fund balance (deficit)	\$ (212,956)	\$ 7,476	\$ 592,608	\$ 387,128	\$ 186,625

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>	2014			2013	
	Operating Fund	Rental Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Operating activities					
Revenues collected	\$ 701,163	\$ 1,059,084	\$ 189,423	\$ 1,949,670	\$ 1,949,742
Interest income received	16	352	4,115	4,483	6,213
Cash paid for income taxes	-	(13,708)	-	(13,708)	(7,687)
Cash paid for interest expense	(14,223)	-	-	(14,223)	(20,220)
Cash paid for other expenses	(668,328)	(1,020,342)	(14,521)	(1,703,191)	(1,607,903)
Owner reimbursements, net	-	-	-	-	(23,054)
Advance deposits, net	-	868	-	868	18,483
Net cash provided (used) by operating activities	18,628	26,254	179,017	223,899	315,574
Investing activities					
Purchase certificates of deposit	-	-	(328,500)	(328,500)	(3,421)
Purchase property and equipment	(1,262)	-	-	(1,262)	(52,218)
Net cash provided (used) by investing activities	(1,262)	-	(328,500)	(329,762)	(55,639)
Financing activities					
Cash from issuance of debt	-	-	-	-	66,888
Payments on notes payable	(35,358)	-	-	(35,358)	(128,942)
Interfund transfers and balances	(5,445)	10,309	(4,864)	-	-
Net cash provided (used) by financing activities	(40,803)	10,309	(4,864)	(35,358)	(62,054)
Net increase (decrease) in cash	(23,437)	36,563	(154,347)	(141,221)	197,881
Cash at beginning of year	25,333	122,819	263,523	411,675	213,794
Cash at end of year	\$ 1,896	\$ 159,382	\$ 109,176	\$ 270,454	\$ 411,675

(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>	2014			2013	
	Operating Fund	Rental Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Reconciliation of excess of revenues over expenses to net cash provided (used) by operating activities					
Excess of revenues over expenses	\$ 12,791	\$ 8,677	\$ 179,035	\$ 200,503	\$ 236,142
Adjustments to reconcile excess of revenues over expenses:					
Bad debt provision (credit)	(3,394)	-	-	(3,394)	8,610
Depreciation	9,610	4,157	-	13,767	7,756
(Gain) loss on disposal of assets	-	-	-	-	1,197
Changes in operating assets and liabilities:					
Accounts receivable	26,930	(10,569)	-	16,361	39,356
Other receivables	-	-	(18)	(18)	(23,074)
Prepaid expenses	15,693	(520)	-	15,173	(14,076)
Other assets	-	(5,299)	-	(5,299)	(1,703)
Accounts payable	(38,494)	20,288	-	(18,206)	42,459
Other current liabilities	-	19,114	-	19,114	(3,638)
Income tax payable	-	(10,462)	-	(10,462)	6,021
Deferred revenue	-	-	-	-	(2,078)
Advance deposits	-	868	-	868	18,483
Insurance financing liability	(4,508)	-	-	(4,508)	119
Net cash provided (used) by operating activities	\$ 18,628	\$ 26,254	\$ 179,017	\$ 223,899	\$ 315,574

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 conformity 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, 2013, 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. A portion of the interest income earned in the Replacement Fund during 2014 was 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 10, 2015, 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, 2014 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 2014 was \$55,022, 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 \$520 for 2014. Regular assessments for the year ended December 31, 2014 totaled \$792,800, of which \$36,732 was designated for the repayment of a loan from the U.S. Small Business Administration and \$189,423 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 a professional reserve study conducted in 2014. 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>	2014
Computer software and equipment	\$ 9,933
Equipment	37,978
Furniture and fixtures	35,521
Maintenance building	40,934
Total property and equipment	124,366
Less accumulated depreciation	(50,212)
Property and equipment, net	\$ 74,154

The Islander Owners Association, Inc.
Notes to Financial Statements

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, 2014. Subsequent to year-end, the LOC was renewed and is available through March 12, 2016.

The Association obtained short-term insurance financing from U.S. Premium Finance during 2014 that requires monthly payments of \$8,429 through May 1, 2015. The loan has an interest rate of 3.15% and an outstanding balance of \$42,144 at December 31, 2014.

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.

Years ending December 31,

2015	\$	24,946
2016		25,962
2017		27,020
2018		28,121
2019		29,266
Thereafter		170,074
Total	\$	305,389

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, 2014, the Association’s net nonmembership income was \$21,641, which resulted in income tax of \$3,246.



The Islander Owners Association, Inc.
Notes to Financial Statements

NOTE 8 – INCOME TAXES (CONTINUED)

The Association is not aware of any uncertain tax positions that would require accrual or disclosure in the financial statements.

NOTE 9 – 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 2014 was \$5,863.

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 2014, Emerald Green Cleaners charged the Association \$269,370 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 \$18,551,175 and has a deductible of \$1 million per building from Citizens (for those buildings with a total insured value over \$1 million) and full insured value for those buildings with a total insured value less than \$1 million.

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, 2014 at Trustmark Bank exceeded the FDIC coverage limit of \$250,000 per depositor by \$14,582.



The Islander Owners Association, Inc.
Notes to Financial Statements

NOTE 11 – RISKS AND UNCERTAINTIES (CONTINUED)

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 – 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 13 – PRIOR PERIOD ADJUSTMENT

The prior year financial statements have been restated to reverse a 2012 journal entry that represents a duplicate application of payments to owners' accounts for assessments. The effect of this prior period adjustment was to increase accounts receivable and fund balance and decrease prepaid assessments.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent to year-end, the Association approved a special assessment of \$2,296 per unit for the purpose of paying for the replacement of unit doors.

Supplementary Information

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

<i>Year ended December 31,</i>	2014			
Component	Beginning Fund Balance	Revenues	Expenses and Transfers	Ending Fund Balance
West pool building	\$ 1,765	\$ 413	\$ -	\$ 2,178
East pool building	1,765	413	-	2,178
Model unit 119	1,448	370	-	1,818
Maintenance building	2,824	662	-	3,486
Entrance sign/flagpole/shuffleboard	934	254	-	1,188
Tennis court surface	2,949	1,363	1,228	3,084
Lighting	1,331	247	-	1,578
Gate openers	5,941	3,055	-	8,996
Beach walkover structure/electrical	2,870	1,926	-	4,796
Beach walkover deck/rails/gates	1,996	1,017	-	3,013
Sidewalk pavers	6,479	1,049	-	7,528
Landscape and irrigation system	4,362	2,268	-	6,630
Landscape plant replacement	-	-	-	-
Fencing	4,527	1,155	-	5,682
Parking lot asphalt overlay	1,589	3,299	-	4,888
Parking lot lighting	2,662	493	-	3,155
Parking lot storm drain pump	1,582	509	-	2,091
Parking lot seal & stripe	-	-	-	-
West pool shell/pavers	10,888	1,937	-	12,825
West pool marcite surface	2,826	1,812	-	4,638
West pool filters/heater/lights	2,555	1,182	-	3,737
West pool furniture	335	969	-	1,304
West pool spa	1,506	1,940	1,014	2,432
East pool shell/pavers	12,281	3,673	-	15,954
East pool marcite surface	2,826	1,811	-	4,637
East pool filters/heater/lights	220	1,422	-	1,642
East pool furniture	335	969	-	1,304
East pool spa	504	2,074	2,232	346
Pavilion roof	1,594	406	-	2,000
Pavilion structure/light	7,524	3,913	-	11,437
Concrete restoration	13,252	5,258	-	18,510
Entrance awning	2,949	1,229	-	4,178
Common service doors	4,039	1,130	-	5,169
Doors trash/automatic/store	4,647	1,934	-	6,581
Doors storefront and glass	2,783	619	-	3,402
Windows unit paint	3,738	3,781	4,318	3,201
Windows common paint	1,090	567	-	1,657
Unit doors trim and paint	5,654	3,622	3,102	6,174
Unit sliding glass doors paint	8,724	4,535	-	13,259
Palm room upgrades	4,269	4,263	-	8,532

(continued)

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

<i>Year ended December 31,</i>	2014			
Component	Beginning Fund Balance	Revenues	Expenses and Transfers	Ending Fund Balance
Lobby/office/break room upgrades	6,525	1,867	-	8,392
Exercise equipment and space	-	-	-	-
Walkway railings paint	3,909	2,039	-	5,948
Balcony railings paint	2,688	1,263	-	3,951
Stairwell and interior railings paint	1,918	605	-	2,523
Flat roofs	28,771	12,517	-	41,288
Flat roofs	45,227	30,297	-	75,524
Trash room roofs	14,574	376	-	14,950
Core roofs	11,324	4,962	-	16,286
Stucco wall coatings	36,572	17,595	-	54,167
Caulking and patching	20,613	10,087	-	30,700
Balcony and walkway soffits	6,183	3,026	-	9,209
Walkway soffits	8,480	6,338	-	14,818
Balcony tile	9,630	1,480	-	11,110
Walkway tile	9,630	1,480	-	11,110
Domestic water system/backflow	6,502	4,165	-	10,667
Roof hatch/gutters/exit ladders	1,582	509	-	2,091
Trash and linen chutes and doors	9,829	2,838	1,931	10,736
Building graphic signs	2,219	601	-	2,820
Computers and software	2,240	3,204	-	5,444
Security system	309	1,079	695	693
Air conditioners	1,352	1,960	-	3,312
Commercial washers and dryers	1,646	2,382	-	4,028
Coin washers and dryers	2,539	1,511	1,262	2,788
Electrical system	3,622	924	-	4,546
Building lighting	4,828	1,552	-	6,380
Elevator doors in shaft	5,796	1,477	-	7,273
Elevator cabs	7,675	2,295	-	9,970
Elevator controller modernization	15,284	5,334	-	20,618
Fire pump and fire room equipment	1,325	1,827	-	3,152
Fire monitoring equipment	1,670	371	-	2,041
Prior general components	5,496	18	4,687	827
Unallocated interest	-	38	-	38
Total	\$ 419,521	\$ 193,556	\$ 20,469	\$ 592,608

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, 2014
West pool building	26	\$ 12,500	\$ 2,178
East pool building	26	12,500	2,178
Model unit 119	23	10,000	1,818
Maintenance building	26	20,000	3,486
Entrance sign/flagpole/shuffleboard	36	10,000	1,188
Tennis court surface	8	15,000	3,084
Lighting	15	10,000	1,578
Gate openers	12	42,000	8,996
Beach walkover structure/electrical	23	25,000	4,796
Beach walkover deck/rails/gates	8	37,359	3,013
Sidewalk pavers	43	50,000	7,528
Landscape and irrigation system	5	20,000	6,630
Landscape plant replacement	7	25,000	-
Fencing	10	31,250	5,682
Parking lot asphalt overlay	10	100,000	4,888
Parking lot lighting	28	20,000	3,155
Parking lot storm drain pump	2	10,000	2,091
Parking lot seal & stripe	3	30,000	-
West pool shell/pavers	25	82,500	12,825
West pool marcite surface	10	13,000	4,638
West pool filters/heater/lights	8	13,000	3,737
West pool furniture	9	10,000	1,304
West pool spa	6	15,000	2,432
East pool shell/pavers	20	80,000	15,954
East pool marcite surface	10	10,000	4,637
East pool filters/heater/lights	4	13,000	1,642
East pool furniture	9	10,000	1,304
East pool spa	6	15,000	346
Pavilion roof	23	11,000	2,000
Pavilion structure/light	6	34,500	11,437
Concrete restoration	11	75,000	18,510
Entrance awning	N/A	N/A	4,178
Common service doors	20	27,000	5,169
Doors trash/automatic/store	10	25,500	6,581
Doors storefront and glass	28	20,000	3,402
Windows unit paint	8	30,000	3,201
Windows common paint	8	5,000	1,657
Unit doors trim and paint	5	135,000	6,174
Unit sliding glass doors paint	8	40,000	13,259
Palm room upgrades	3	25,000	8,532

(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, 2014
Lobby/office/break room upgrades	16	40,000	8,392
Exercise equipment and space	9	25,000	-
Walkway railings paint	16	40,000	5,948
Balcony railings paint	16	25,000	3,951
Stairwell and interior railings paint	16	12,500	2,523
Flat roofs	15	225,000	41,288
Flat roofs	5	225,000	75,524
Trash room roofs	19	15,175	14,950
Core roofs	9	60,000	16,286
Stucco wall coatings	5	175,000	54,167
Caulking and patching	5	100,000	30,700
Balcony and walkway soffits	5	30,000	9,209
Walkway soffits	5	30,000	14,818
Balcony tile	46	75,000	11,110
Walkway tile	46	75,000	11,110
Domestic water system/backflow	3	10,825	10,667
Roof hatch/gutters/exit ladders	16	10,000	2,091
Trash and linen chutes and doors	4	66,500	10,736
Building graphic signs	16	15,000	2,820
Computers and software	3	15,000	5,444
Security system	9	10,000	693
Air conditioners	6	15,000	3,312
Commercial washers and dryers	2	27,000	4,028
Coin washers and dryers	2	15,000	2,788
Electrical system	23	25,000	4,546
Building lighting	16	30,500	6,380
Elevator doors in shaft	21	40,000	7,273
Elevator cabs	8	50,000	9,970
Elevator controller modernization	21	140,000	20,618
Fire pump and fire room equipment	13	30,000	3,152
Fire monitoring equipment	28	12,000	2,041
Prior general components	N/A	N/A	827
Unallocated interest	N/A	N/A	38
Total		\$ 2,834,609	\$ 592,608