

# The Islander Owners Association, Inc.

## Financial Statements and Supplementary Information

December 31, 2015



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

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of The Islander Owners Association, Inc., which comprise the Balance Sheet as of December 31, 2015, 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, 2015, 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, 2014 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 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 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.

*Carly Riggs & Ingram, L.L.C.*

Miramar Beach, Florida

April 4, 2016

**The Islander Owners Association, Inc.**  
**Balance Sheet**

<i>December 31,</i>	<b>2015</b>				<b>2014</b>	
	<b>Operating Fund</b>	<b>Rental Fund</b>	<b>Replacement Fund</b>	<b>Total</b>	<b>Total (For Comparative Purposes)</b>	
<b>Assets</b>						
Cash	\$ 74,062	\$ 120,298	\$ 378,615	\$ 572,975	\$ 270,454	
Certificates of deposit	-	-	385,693	385,693	483,711	
Accounts receivable, net	42,089	10,872	-	52,961	51,705	
Other receivables	-	-	131	131	826	
Prepaid expenses	42,230	8,813	-	51,043	55,679	
Property and equipment, net	49,026	11,319	-	60,345	74,154	
Other assets	-	14,222	-	14,222	11,341	
Interfund balances	(5,097)	5,097	-	-	-	
<b>Total assets</b>	<b>\$ 202,310</b>	<b>\$ 170,621</b>	<b>\$ 764,439</b>	<b>\$1,137,370</b>	<b>\$ 947,870</b>	
<b>Liabilities and fund balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ 12,356	\$ 17,951	\$ -	\$ 30,307	\$ 77,505	
Other current liabilities	-	18,871	-	18,871	29,658	
Income tax payable	-	9,659	-	9,659	3,246	
Deferred revenue	28,956	-	-	28,956	-	
Advance deposits	-	96,723	-	96,723	102,800	
Short-term borrowings	103,899	-	-	103,899	42,144	
Note payable	281,335	-	-	281,335	305,389	
<b>Total liabilities</b>	<b>426,546</b>	<b>143,204</b>	<b>-</b>	<b>569,750</b>	<b>560,742</b>	
<b>Fund balance (deficit)</b>	<b>(224,236)</b>	<b>27,417</b>	<b>764,439</b>	<b>567,620</b>	<b>387,128</b>	
<b>Total liabilities and fund balance</b>	<b>\$ 202,310</b>	<b>\$ 170,621</b>	<b>\$ 764,439</b>	<b>\$1,137,370</b>	<b>\$ 947,870</b>	

*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>	<b>2015</b>			<b>2014</b>	
	<b>Operating Fund</b>	<b>Rental Fund</b>	<b>Replacement Fund</b>	<b>Total</b>	<b>Total (For Comparative Purposes)</b>
<b>Revenues</b>					
Regular assessments	\$ 623,850	\$ -	\$ 272,338	<b>\$ 896,188</b>	\$ 792,800
Special assessments	281,868	-	-	<b>281,868</b>	-
Rental management commissions	-	528,108	-	<b>528,108</b>	562,554
Housekeeping services	-	310,398	-	<b>310,398</b>	268,926
Amenities	-	82,963	-	<b>82,963</b>	78,707
Interest income	68	389	2,643	<b>3,100</b>	4,501
Other revenues	74,633	259,371	-	<b>334,004</b>	230,322
<b>Total revenues</b>	<b>980,419</b>	<b>1,181,229</b>	<b>274,981</b>	<b>2,436,629</b>	<b>1,937,810</b>
<b>Expenses</b>					
Administrative	25,823	138,942	-	<b>164,765</b>	163,591
Bad debt provision (credit)	-	-	-	-	(3,394)
Courtesy patrol/security supplies	903	-	-	<b>903</b>	-
Depreciation	9,652	4,157	-	<b>13,809</b>	13,767
Income tax	-	9,659	-	<b>9,659</b>	3,246
Insurance	141,636	-	-	<b>141,636</b>	143,675
Interest expense	15,553	35	-	<b>15,588</b>	14,223
Maintenance, repairs, and supplies	492,286	220,053	103,150	<b>815,489</b>	376,655
Personnel	147,270	329,364	-	<b>476,634</b>	465,899
Rental housekeeping and amenities	-	384,131	-	<b>384,131</b>	330,187
Utilities	158,576	74,947	-	<b>233,523</b>	229,458
<b>Total expenses</b>	<b>991,699</b>	<b>1,161,288</b>	<b>103,150</b>	<b>2,256,137</b>	<b>1,737,307</b>
Excess (deficit) of revenues over expenses	(11,280)	19,941	171,831	<b>180,492</b>	200,503
Beginning fund balance (deficit)	(212,956)	7,476	592,608	<b>387,128</b>	186,625
<b>Ending fund balance (deficit)</b>	<b>\$ (224,236)</b>	<b>\$ 27,417</b>	<b>\$ 764,439</b>	<b>\$ 567,620</b>	<b>\$ 387,128</b>

*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>	<b>2015</b>			<b>2014</b>	
	<b>Operating Fund</b>	<b>Rental Fund</b>	<b>Replacement Fund</b>	<b>Total</b>	<b>Total (For Comparative Purposes)</b>
<b>Operating activities</b>					
Revenues collected	\$ 1,001,552	\$ 1,187,339	\$ 272,338	<b>\$2,461,229</b>	\$ 1,949,670
Interest income received	68	389	3,338	<b>3,795</b>	4,483
Cash paid for income taxes	-	(3,246)	-	<b>(3,246)</b>	(13,708)
Cash paid for interest expense	(15,553)	(35)	-	<b>(15,588)</b>	(14,223)
Cash paid for other expenses	(951,069)	(1,212,229)	(103,150)	<b>(2,266,448)</b>	(1,703,191)
Advance deposits, net	-	(6,077)	-	<b>(6,077)</b>	868
Net cash provided (used) by operating activities	34,998	(33,859)	172,526	<b>173,665</b>	223,899
<b>Investing activities</b>					
Purchase certificates of deposit	-	-	(226,982)	<b>(226,982)</b>	(328,500)
Redeem certificates of deposit	-	-	325,000	<b>325,000</b>	-
Purchase property and equipment	-	-	-	-	(1,262)
Net cash provided (used) by investing activities	-	-	98,018	<b>98,018</b>	(329,762)
<b>Financing activities</b>					
Cash from issuance of debt	179,892	-	-	<b>179,892</b>	-
Payments on debt	(149,054)	-	-	<b>(149,054)</b>	(35,358)
Interfund transfers and balances	6,330	(5,225)	(1,105)	-	-
Net cash provided (used) by financing activities	37,168	(5,225)	(1,105)	<b>30,838</b>	(35,358)
Net increase (decrease) in cash	72,166	(39,084)	269,439	<b>302,521</b>	(141,221)
Cash at beginning of year	1,896	159,382	109,176	<b>270,454</b>	411,675
Cash at end of year	\$ 74,062	\$ 120,298	\$ 378,615	<b>\$ 572,975</b>	\$ 270,454

(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>	<b>2015</b>			<b>2014</b>	
	<b>Operating Fund</b>	<b>Rental Fund</b>	<b>Replacement Fund</b>	<b>Total</b>	<b>Total (For Comparative Purposes)</b>
<b>Reconciliation of excess (deficit) of revenues over expenses to net cash provided (used) by operating activities</b>					
Excess (deficit) of revenues over expenses	\$ (11,280)	\$ 19,941	\$ 171,831	\$ <b>180,492</b>	\$ 200,503
Adjustments to reconcile excess (deficit) of revenues over expenses:					
Bad debt provision (credit)	-	-	-	-	(3,394)
Depreciation	9,652	4,157	-	<b>13,809</b>	13,767
Changes in operating assets and liabilities:					
Accounts receivable	(7,755)	6,499	-	<b>(1,256)</b>	16,361
Other receivables	-	-	695	<b>695</b>	(18)
Prepaid expenses	8,840	(4,204)	-	<b>4,636</b>	15,173
Other assets	-	(2,881)	-	<b>(2,881)</b>	(5,299)
Accounts payable	(278)	(46,920)	-	<b>(47,198)</b>	(18,206)
Other current liabilities	-	(10,787)	-	<b>(10,787)</b>	19,114
Income tax payable	-	6,413	-	<b>6,413</b>	(10,462)
Deferred revenue	28,956	-	-	<b>28,956</b>	-
Advance deposits	-	(6,077)	-	<b>(6,077)</b>	868
Insurance financing liability	6,863	-	-	<b>6,863</b>	(4,508)
 Net cash provided (used) by operating activities	 \$ 34,998	 \$ (33,859)	 \$ 172,526	 \$ <b>173,665</b>	 \$ 223,899

*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, 2014, 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 2015 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 April 4, 2016, 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, 2015 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 2015 was \$69,814, 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 \$588 for 2015. Regular assessments for the year ended December 31, 2015 totaled \$896,188, of which \$36,732 was designated for the repayment of a loan from the U.S. Small Business Administration and \$272,338 was allocated to the Replacement Fund.

The Association levied a special assessment in 2015 of \$2,296 per unit for the purpose of replacing unit front doors. An additional special assessment of \$151 per unit was charged in 2015 for the purpose of installing pool lifts. Both projects were in progress at December 31, 2015. As a result, \$281,868 of the special assessments was recognized as revenue in 2015 and \$28,956 was deferred at December 31, 2015.

**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 the 2015 update of a professional reserve study. The budgeted funding amount for 2015 of \$272,338 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>	<b>2015</b>
Computer software and equipment	\$ 9,933
Equipment	37,978
Furniture and fixtures	35,521
Maintenance building	40,934
<hr/>	
Total property and equipment	124,366
Less accumulated depreciation	(64,021)
<hr/>	
Property and equipment, net	\$ 60,345

**NOTE 6 – SHORT-TERM BORROWINGS**

The Association has a line of credit (“LOC”) with Trustmark National Bank that has a maximum borrowing potential of \$125,000. The LOC agreement requires the Association to pay interest monthly at the bank’s prime rate plus 1% and principal is due at maturity. The LOC is secured by the Association’s accounts, contract rights, assessments, and assignment of insurance proceeds. The LOC had an outstanding balance of \$54,892 at December 31, 2015. The LOC is renewed annually.

The Association obtained short-term insurance financing from U.S. Premium Finance during 2015 that requires monthly payments of \$9,801 through May 1, 2016. The loan has an interest rate of 3.15% and an outstanding balance of \$49,007 at December 31, 2015.

**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 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,*

2016	\$	25,962
2017		27,020
2018		28,121
2019		29,267
2020		30,459
Thereafter		140,506
Total		\$ 281,335

**NOTE 8 – OTHER REVENUES**

Other revenues for 2015 include \$150,887 in charges to owners for unit replacement items, work orders, and other vendor services and \$108,775 in damage waiver fees charged to unit rental guests. The remaining \$74,232 in other revenues is comprised of real estate brokerage commissions, washer/dryer income, Palm Room rents, and other miscellaneous sales.

**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, 2015, the Association's net nonmembership income was \$57,005, which resulted in income tax of \$9,659.

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 2015 was \$6,093.

**NOTE 11 – RELATED PARTIES**

The Association engaged Emerald Green Cleaners LLC to provide housekeeping services for the Association's rental management program. This entity is owned by the Association's general manager and his wife. During 2015, Emerald Green Cleaners charged the Association \$301,220 for these services. Accounts payable includes \$1,170 due to this vendor at December 31, 2015.

The Association engaged Virtualize IT, LLC to create new virtual tours of the rental units for the Association's website. This company is owned by the husband of the Association's assistant general manager. The cost incurred for services provided in 2015 was \$18,291.

**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 coverage of \$18,551,175 and has a named windstorm deductible of 3% or \$556,535 (with a minimum deductible of \$25,000).

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, 2015 at Trustmark Bank exceeded the FDIC coverage limit of \$250,000 per depositor by \$166,753.

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.





**The Islander Owners Association, Inc.**  
**Notes to Financial Statements**

**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.

**NOTE 14 – SUBSEQUENT EVENT**

A special assessment for 2016 has been approved for the purpose of replacing the sliding glass doors for each unit. The project was originally expected to cost \$552,770 and each unit owner will be charged approximately \$4,353 in 2016 for this special assessment (payable in twelve monthly installments of \$363). Due to unforeseen problems when the original cost estimate was determined, the replacement of the sliding glass doors may cost an additional \$35,519. This additional cost will likely result in an additional charge of \$280 to each owner.

In February 2016, a wind and rain storm caused damage to one of the condominium buildings. As a result, the Association will have to replace the wall on one side of the building. The Association has hired an engineer to oversee the repair project. The engineer is currently getting bids from contractors to perform the repair work. The Association has also filed an insurance claim for the damage. The deductible for this claim is expected to be \$25,000.

## **Supplementary Information**

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

*Year ended December 31,*

**2015**

<b>Component</b>	<b>Beginning Fund Balance</b>	<b>Revenues</b>	<b>Expenses and Transfers</b>	<b>Ending Fund Balance</b>
West pool building	\$ 2,178	\$ 396	\$ -	\$ 2,574
East pool building	2,178	396	-	2,574
Model unit 119	1,818	355	-	2,173
Maintenance building	3,486	633	-	4,119
Entrance sign/flagpole/shuffleboard	1,188	244	-	1,432
Tennis court surface	3,084	1,485	3,200	1,369
Lighting	1,578	560	-	2,138
Gate openers	8,996	2,741	-	11,737
Beach walkover structure/electrical	4,796	876	-	5,672
Beach walkover deck/rails/gates	3,013	4,288	-	7,301
Sidewalk pavers	7,528	985	-	8,513
Landscape and irrigation system	6,630	2,656	-	9,286
Landscape plant replacement	-	3,511	-	3,511
Fencing	5,682	2,548	-	8,230
Parking lot asphalt overlay	-	10,000	-	10,000
Parking lot lighting	3,155	600	-	3,755
Parking lot storm drain pump	2,091	3,941	-	6,032
Parking lot seal & stripe	4,888	8,349	-	13,237
West pool shell/pavers	12,825	2,780	5,673	9,932
West pool marcite surface	4,638	1,185	4,934	889
West pool filters/heater/lights	3,737	1,152	4,025	864
West pool furniture	1,304	964	-	2,268
West pool spa	2,432	2,088	-	4,520
East pool shell/pavers	15,954	3,193	7,272	11,875
East pool marcite surface	4,637	662	4,803	496
East pool filters/heater/lights	1,642	2,834	1,760	2,716
East pool furniture	1,304	964	-	2,268
East pool spa	346	2,442	-	2,788
Pavilion roof	2,000	390	-	2,390
Pavilion structure/light	11,437	3,818	-	15,255
Concrete restoration	18,510	5,113	-	23,623
Entrance awning	4,178	-	4,178	-
Common service doors	5,169	1,088	-	6,257
Doors trash/automatic/store	6,581	1,883	-	8,464
Doors storefront and glass	3,402	590	-	3,992
Windows unit paint	3,201	3,350	1,325	5,226
Windows common paint	1,657	418	-	2,075
Unit doors trim and paint	6,174	24,929	(3,828)	34,931
Unit sliding glass doors paint	13,259	3,343	-	16,602
Unit doors replacement	-	-	-	-
Palm room upgrades	8,532	5,452	12,621	1,363

(continued)

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

<i>Year ended December 31,</i>	<b>2015</b>			
<b>Component</b>	<b>Beginning Fund Balance</b>	<b>Revenues</b>	<b>Expenses and Transfers</b>	<b>Ending Fund Balance</b>
Lobby/office/break room upgrades	8,392	1,969	-	10,361
Exercise equipment and space	-	2,778	-	2,778
Walkway railings paint	5,948	2,123	-	8,071
Balcony railings paint	3,951	1,312	-	5,263
Stairwell and interior railings paint	2,523	622	-	3,145
Flat roofs	41,288	12,212	-	53,500
Flat roofs	75,524	29,699	47,880	57,343
Trash room roofs	14,950	2	-	14,952
Core roofs	16,286	4,833	-	21,119
Stucco wall coatings	54,167	24,025	-	78,192
Caulking and patching	30,700	13,780	-	44,480
Balcony and walkway soffits	9,209	4,134	-	13,343
Walkway soffits	14,818	2,998	-	17,816
Balcony tile	11,110	1,386	-	12,496
Walkway tile	11,110	1,386	-	12,496
Domestic water system/backflow	10,667	7	-	10,674
Roof hatch/gutters/exit ladders	2,091	493	2,461	123
Trash and linen chutes and doors	10,736	13,906	-	24,642
Building graphic signs	2,820	758	-	3,578
Computers and software	5,444	3,162	-	8,606
Security system	693	1,033	786	940
Air conditioners	3,312	1,940	3,380	1,872
Commercial washers and dryers	4,028	11,460	-	15,488
Coin washers and dryers	2,788	6,088	2,680	6,196
Electrical system	4,546	887	-	5,433
Building lighting	6,380	1,502	-	7,882
Elevator doors in shaft	7,273	1,554	-	8,827
Elevator cabs	9,970	5,000	-	14,970
Elevator controller modernization	20,618	5,672	-	26,290
Fire pump and fire room equipment	3,152	2,062	-	5,214
Fire monitoring equipment	2,041	353	-	2,394
Unallocated interest	865	2,643	-	3,508
<b>Total</b>	<b>\$ 592,608</b>	<b>\$ 274,981</b>	<b>\$ 103,150</b>	<b>\$ 764,439</b>

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

<b>Component</b>	<b>Estimated Remaining Life (Years)</b>	<b>Estimated Replacement Cost</b>	<b>Replacement Fund Balance at December 31, 2015</b>
West pool building	25	\$ 12,500	\$ 2,574
East pool building	25	12,500	2,574
Model unit 119	22	10,000	2,173
Maintenance building	25	20,000	4,119
Entrance sign/flagpole/shuffleboard	35	10,000	1,432
Tennis court surface	1	15,000	1,369
Lighting	1	10,000	2,138
Gate openers	11	42,000	11,737
Beach walkover structure/electrical	22	25,000	5,672
Beach walkover deck/rails/gates	7	37,359	7,301
Sidewalk pavers	10	70,000	8,513
Landscape and irrigation system	4	20,000	9,286
Landscape plant replacement	6	20,000	3,511
Fencing	9	31,250	8,230
Parking lot asphalt overlay	9	100,000	10,000
Parking lot lighting	27	20,000	3,755
Parking lot storm drain pump	1	10,000	6,032
Parking lot seal & stripe	2	30,000	13,237
West pool shell/pavers	24	82,500	9,932
West pool marcite surface	10	13,000	889
West pool filters/heater/lights	7	13,000	864
West pool furniture	8	9,000	2,268
West pool spa	5	15,000	4,520
East pool shell/pavers	19	80,000	11,875
East pool marcite surface	10	10,000	496
East pool filters/heater/lights	3	13,000	2,716
East pool furniture	8	10,000	2,268
East pool spa	5	15,000	2,788
Pavilion roof	22	11,000	2,390
Pavilion structure/light	5	34,500	15,255
Concrete restoration	10	75,000	23,623
Common service doors	19	27,000	6,257
Doors trash/automatic/store	9	25,500	8,464
Doors storefront and glass	27	20,000	3,992
Windows unit paint	8	30,000	5,226
Windows common paint	8	5,000	2,075
Unit doors trim and paint	5	135,000	34,931
Unit sliding glass doors paint	8	40,000	16,602
Unit doors replacement	25	225,000	-
Palm room upgrades	8	25,000	1,363

(continued)

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

<b>Component</b>	<b>Estimated Remaining Life (Years)</b>	<b>Estimated Replacement Cost</b>	<b>Replacement Fund Balance at December 31, 2015</b>
Lobby/office/break room upgrades	15	40,000	10,361
Exercise equipment and space	8	25,000	2,778
Walkway railings paint	15	40,000	8,071
Balcony railings paint	15	25,000	5,263
Stairwell and interior railings paint	15	12,500	3,145
Flat roofs	14	212,500	53,500
Flat roofs	14	212,500	57,343
Trash room roofs	14	15,175	14,952
Core roofs	14	47,500	21,119
Stucco wall coatings	3	175,000	78,192
Caulking and patching	4	100,000	44,480
Balcony and walkway soffits	4	30,000	13,343
Walkway soffits	4	30,000	17,816
Balcony tile	45	75,000	12,496
Walkway tile	45	75,000	12,496
Domestic water system/backflow	2	10,825	10,674
Roof hatch/gutters/exit ladders	20	10,000	123
Trash and linen chutes and doors	4	66,500	24,642
Building graphic signs	15	15,000	3,578
Computers and software	2	15,000	8,606
Security system	8	10,000	940
Air conditioners	4	15,000	1,872
Commercial washers and dryers	3	27,000	15,488
Coin washers and dryers	2	15,000	6,196
Electrical system	22	25,000	5,433
Building lighting	15	30,500	7,882
Elevator doors in shaft	20	40,000	8,827
Elevator cabs	7	50,000	14,970
Elevator controller modernization	20	140,000	26,290
Fire pump and fire room equipment	12	30,000	5,214
Fire monitoring equipment	27	12,000	2,394
Unallocated interest	N/A	N/A	3,508
<b>Total</b>		<b>\$ 3,036,109</b>	<b>\$ 764,439</b>