

**TOWNHOMES OF BAYSHORE CONDOMINIUM
OWNERS ASSOCIATION, INC.**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION, INC.
FOR THE YEAR ENDED DECEMBER 31, 2020

INDEX

	<u>Page</u>
Independent Accountant's Review Report	1
Financial Statements	
Balance Sheet December 31, 2020	2
Statement of Revenues, Expenses, and Changes in Fund Balances Year Ended December 31, 2020	3
Statement of Cash Flows Year Ended December 31, 2020	4
Notes to Financial Statements	5 - 7
Supplemental Information	
Independent Accountant's Review Report on Supplemental Information	8
Schedule of Information on Future Major Repairs And Replacements (Unaudited)	9

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Sombar & Company, CPAs, P.A.

*Certified Public Accountants
109 South Bedford Street
P.O. Box 127
Georgetown, Delaware 19947*

*S. Thomas Sombar, C.P.A.
Janice L. Smith, C.P.A. - Retired*

*(302) 856-6712
Fax (302) 856-6844
E-Mail: stsombar@sombar.com*

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Townhomes of Bayshore Condominium Owners Association, Inc.
Millsboro, Delaware

We have reviewed the accompanying statement of financial position of Townhomes of Bayshore Condominium Owners Association, Inc as of December 31, 2020 and 2019 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our report.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The supplementary information for the years ended December 31, 2020 included in the accompanying schedules is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Sombar & Company CPAs, P.A.
Certified Public Accountants

Georgetown, Delaware
January 31, 2021

FINANCIAL STATEMENTS

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION, INC. -2-

BALANCE SHEET
DECEMBER 31, 2020

ASSETS

<u>Current Assets</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>2020 Total</u>	<u>2019 Total</u>
Cash - operating	\$ 59,277	\$ -	\$ 59,277	\$ 49,922
Cash - replacement fund	-	30,439	30,439	84,290
Certificate of deposit	-	751,986	751,986	582,959
Accrued interest receivable	-	604	604	950
Assessments receivable	5,826	-	5,826	3,603
Prepaid insurance	2,940	-	2,940	2,495
Prepaid expenses	1,898	-	1,898	2,598
Due from other fund	-	3,850	3,850	184
<u>TOTAL ASSETS</u>	<u>69,941</u>	<u>786,879</u>	<u>856,820</u>	<u>727,001</u>

LIABILITIES AND FUND BALANCES

Current Liabilities

Accounts payable	605	-	605	1,039
Income tax payable	-	1,682	1,682	
Prepaid assessments	19,815	-	19,815	20,295
Due to other fund	3,850	-	3,850	184
<u>TOTAL LIABILITIES</u>	<u>24,270</u>	<u>1,682</u>	<u>25,952</u>	<u>21,518</u>

Fund Balances

Working Capital Fund Balance	26,050	-	26,050	13,441
Operating Fund Balance	19,621	-	19,621	23,843
Capital Reserve Fund Balance	-	785,197	785,197	668,199
<u>TOTAL FUND BALANCE</u>	<u>45,671</u>	<u>785,197</u>	<u>830,868</u>	<u>705,483</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 69,941</u>	<u>\$ 786,879</u>	<u>\$ 856,820</u>	<u>\$ 727,001</u>

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

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION, INC. - 3 -
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2020

<u>Revenues</u>	Operating Fund	Capital Reserve Fund	2020 Total	2019 Total
Member assessments	\$ 128,480	\$ 160,599	\$ 289,079	\$251,746
Interest, late fees, and other income	2,142	15,182	17,324	13,352
<u>Total Revenues</u>	<u>130,622</u>	<u>175,781</u>	<u>306,403</u>	<u>265,098</u>
<u>Expenses</u>				
Administrative	55,301	-	55,301	59,865
Income tax expense	-	1,682	1,682	
Capital improvements		57,725	57,725	
Utilities	943	-	943	794
Maintenance	65,367	-	65,367	79,192
<u>Total Expenses</u>	<u>121,611</u>	<u>59,407</u>	<u>181,018</u>	<u>139,851</u>
<u>Excess Of Revenue Over Expenses</u>	9,011	116,374	125,385	125,247
<u>Fund Balance At January 1st</u>	37,284	668,199	705,483	580,236
<u>Inter fund transfer</u>	(624)	624	-	-
<u>Fund Balance At December 31st</u>	<u>\$ 45,671</u>	<u>\$ 785,197</u>	<u>\$ 830,868</u>	<u>\$705,483</u>

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

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

- 4 -

	Operating Fund	Replacement Fund	2020 Total	2019 Total
<u>Operating Activities</u>				
Revenues over expenses	\$ 9,011	\$ 116,374	\$ 125,385	\$ 125,247
Add items not affecting cash:				
Increase (decrease)				
Assessment receivable	2,408	-	2,408	(1,402)
Income tax liability	-	1,682	1,682	
Accrued interest receivable	-	346	346	(950)
Insurance claim receivable	-	-	-	6,604
Due from other fund	-	-		
Accounts payable	(435)	-	(435)	(3,203)
Prepaid expenses	(701)	-	(701)	(2,598)
Prepaid assessments	(483)	-	(483)	13,740
Prepaid insurance	(445)	-	(445)	6,563
<u>Net Cash Provided By (Used In) Operating Activities</u>	9,355	118,402	123,266	144,001
<u>Investing Activities</u>				
Investment in certificates of deposit	-	(172,253)	(172,877)	(271,098)
<u>Total Cash Provided (Used) In:</u>	9,355	(53,851)	(44,496)	(127,097)
<u>Cash And Cash Equivalents At January 1</u>	49,922	84,290	134,212	261,309
<u>Cash And Cash Equivalents At December 31</u>	\$ 59,277	\$ 30,439	\$ 89,716	\$ 134,212

Supplemental Information:

Interest Paid	\$ -
Income Tax Paid	\$ -

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

NOTES TO FINANCIAL STATEMENTS

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE A NATURE OF ORGANIZATION

The Townhomes of Bayshore Condominium Owners Association was organized in the State of Delaware on November, 2003. The Association is responsible for the operation and maintenance of the common property of Townhomes of Bayshore Condominium. The Townhomes of Bayshore Condominium consists of 146 residential units located in Millsboro, Delaware.

NOTE B DATE OF MANAGERMENTS'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosures through January 31, 2021, the date that the financial statements were available to be issued.

NOTE C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are presented using the accrual method of accounting. Revenues are recognized when earned, and expenses are recognized when the product or service has been received and the liability incurred.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Member Assessments

Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's bylaws provide for various collection remedies for delinquent assessments including filing and claiming a lien for such assessments. Any excess assessments at year end are retained by the Association for use in the succeeding year. No amounts are considered uncollectible at December 31, 2020. Prepaid assessments at the balance sheet date represent subsequent year's assessments paid prior to current year end. At December 31, 2020, the Association had prepaid assessments of \$19,815.

NOTE D INCOME TAXES

The Association has elected to file as a homeowners' association under Code Section 528 for the tax year ended December 31, 2020. Non-membership net income, such as interest, is taxable at a 29.7% tax rate. For the year ended December 31, 2020 there was \$1,682 in taxes due.

NOTE E FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association is accumulating funds in a Capital Reserve Fund to finance estimated future major repairs and replacements. In 2019 the Association engaged Whayland Consulting Group to determine the remaining useful lives of the components of common property and estimates the costs of major repairs and replacements that may be required in the future in order to develop a plan to fund those needs. The Association may borrow, increase maintenance assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined. On December 31, 2020 the capital reserve cash fund balance was \$782,225.

NOTE F RELATED PARTY

During the fiscal year 2020, the spouse of the Association's president of the Board of Directors worked as the assistant Treasurer for the Association. As of December 31, 2020, she was not paid for her services.

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE G SUBSEQUENT EVENTS

The Associations policy is to evaluate events and transactions subsequent to year end for potential recognition in the financial statements or disclosures in the notes to the financial statements. Management has evaluated all events through the date of the report, which is the date the financial statements were available to be issued.

Sombar & Company, CPAs, P.A.

*Certified Public Accountants
109 South Bedford Street
P.O. Box 127
Georgetown, Delaware 19947*

*S. Thomas Sombar, C.P.A.
Janice L. Smith, C.P.A. - Retired*

*(302) 856-6712
Fax (302) 856-6844
E-Mail: stsombar@sombar.com*

INDEPENDENT ACCOUNTANT'S REVIEW REPORT **ON SUPPLEMENTAL INFORMATION**

To the Board of Directors of
Townhomes of Bayshore Condominium Owners Association

We have reviewed the financial statements of Townhomes of Bayshore Condominium Owners Association as of and for the Year ended 2020, and our report thereon dated January 31, 2021, which contained an unqualified opinion on those financial statements and appears on Page 2. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information, 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, except for the portion marked "unaudited" 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. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sombar & Company CPAs, P.A.
Certified Public Accountants

January 31, 2021
Georgetown, Delaware

SUPPLEMENTAL INFORMATION

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)
DECEMBER 31, 2020

The Board of Directors conducted a study in 2019 to estimate the remaining useful lives and the replacement costs of the components of common property. Funding requirements do consider interest and inflation. The estimates were obtained from Whayland Consulting Group who inspected the property.

The following is extracted from this study and presents significant information about the components of common property. The following information is unaudited.

<u>Date of Scheduled Replacements</u>	<u>Estimated Future Replacement Costs</u>
2021	-
2022	-
2023	-
2024	-
2025	314,977
2026	240,685
2027	246,702
2028	252,870
2029	259,192
2030	77,340
2031	33,380
2032	34,215
2033	35,070
2034	35,947
2035	470,366
2036	319,905
2037	327,903
2038	336,100
2039	344,503
2040	57,314
2041	-
2042	-
2043	-
2044	-
2045	1,024,275
2046	915,242
2047	938,123
2048	961,576
<u>Total:</u>	<u>\$ 7,225,685</u>

The Capital Replacement Fund Balance on December 31, 2020 is \$785,197.