

**TOWNHOMES OF BAYSHORE CONDOMINIUM
OWNERS ASSOCIATION, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION, INC.
FOR THE YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Sombar & Company, CPAs, P.A.'s

- A Division of the Godwin Firm -

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheet of Townhomes of Bayshore Condominium Owners Association as of December 31, 2019, 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. These financial statements are the responsibility of the Association's management.

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 those financial statements based on our audits 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 judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making these 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. According, we express no such opinion. An audit also includes evaluating the appropriateness of accounting polices 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 to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Townhomes of Bayshore Condominium Owners Association as of December 31, 2019 and changes in its net assets and its cash flows for the year the ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements for the year ended December 31, 2018 were audited by another accounting firm, PKS & Company, P.A. In their report dated April 1, 2019 they expressed an opinion that the Townhomes of Bayshore Condominium Owners Association appeared to present fairly, in all material aspects and changes in its net assets and its cash flows for the year end was in accordance with accounting principles generally accepted in the United States of America.

The supplementary information on future major repairs and replacements on page 8 is not a required part of the basic financial statements of Townhomes of Bayshore Condominium Owners Association but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.

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

February 4, 2020

Georgetown, Delaware

FINANCIAL STATEMENTS

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION, INC. -3-

BALANCE SHEET
DECEMBER 31, 2019

ASSETS

<u>Current Assets</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>2019 Total</u>	<u>2018 Total</u>
Cash - operating	\$ 49,922	\$ -	\$ 49,922	\$ 21,221
Cash - replacement fund	-	84,290	84,290	240,088
Certificate of deposit	-	582,959	582,959	311,861
Accrued interest receivable	-	950	950	-
Assessments receivable	3,603	-	3,603	2,564
Prepaid insurance	2,495	-	2,495	9,058
Insurance claim receivable	-	-	-	6,604
Prepaid expenses	2,598	-	2,598	-
Due from other fund	184	-	184	16,646
<u>TOTAL ASSETS</u>	<u>58,802</u>	<u>668,199</u>	<u>727,001</u>	<u>608,042</u>

LIABILITIES AND FUND BALANCES

Current Liabilities

Accounts payable	1,040	-	1,040	4,605
Prepaid assessments	20,295	-	20,295	6,555
Due to other fund	184	-	184	16,646
<u>TOTAL LIABILITIES</u>	<u>21,518</u>	<u>-</u>	<u>21,518</u>	<u>27,806</u>

Fund Balances

Working Capital Fund Balance	13,441	-	13,441	-
Operating Fund Balance	23,843	-	23,843	13,323
Capital Reserve Fund Balance	-	668,199	668,199	566,913
<u>TOTAL FUND BALANCE</u>	<u>37,284</u>	<u>668,199</u>	<u>705,483</u>	<u>580,236</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 58,802</u>	<u>\$ 668,199</u>	<u>\$ 727,001</u>	<u>\$ 608,042</u>

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

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION, INC. - 4 -
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019

<u>Revenues</u>	<u>Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>2019 Total</u>	<u>2018 Total</u>
Member assessments	\$ 127,257	\$ 124,489	\$ 251,746	\$201,488
Interest, late fees, and other income	1,039	12,313	13,352	4,104
<u>Total Revenues</u>	<u>128,296</u>	<u>136,802</u>	<u>265,098</u>	<u>205,592</u>
<u>Expenses</u>				
Administrative	59,834	31	59,865	82,062
Utilities	794	-	794	940
Maintenance	43,706	35,485	79,191	72,857
<u>Total Expenses</u>	<u>104,335</u>	<u>35,516</u>	<u>139,851</u>	<u>155,859</u>
<u>Excess Of Revenue Over Expenses</u>	23,961	101,286	125,247	49,733
<u>Fund Balance At January 1st</u>	<u>13,323</u>	<u>566,913</u>	<u>580,236</u>	<u>530,503</u>
<u>Fund Balance At December 31st</u>	<u>\$ 37,284</u>	<u>\$ 668,199</u>	<u>\$ 705,483</u>	<u>\$580,236</u>

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

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION, INC.

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STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>2019</u> <u>Total</u>	<u>2018</u> <u>Total</u>
<u>Operating Activities</u>				
Revenues over expenses	\$ 23,961	\$ 101,286	\$ 125,247	\$ 49,733
Add items not affecting cash:				
Increase (decrease)				
Assessment receivable	(2,128)	726	(1,402)	5,967
Accrued interest receivable	-	(950)	(950)	-
Insurance claim receivable	6,604	-	6,604	(6,604)
Accounts payable	(3,203)	-	(3,203)	4,593
Prepaid expenses	(2,598)	-	(2,598)	(154)
Prepaid assessments	16,148	(2,408)	13,740	2,020
Prepaid insurance	6,563	-	6,563	340
<u>Net Cash Provided By (Used In) Operating Activities</u>	<u>45,347</u>	<u>98,654</u>	<u>144,001</u>	<u>55,895</u>
<u>Investing Activities</u>				
Investment in certificates of deposit	<u>-</u>	<u>(271,098)</u>	<u>(271,098)</u>	<u>(3,297)</u>
<u>Financing Activities</u>				
Interfund Borrowings	<u>(16,646)</u>	<u>16,646</u>	<u>-</u>	<u>-</u>
<u>Total Cash Provided (Used) In:</u>	<u>28,701</u>	<u>(155,798)</u>	<u>(127,097)</u>	<u>52,598</u>
<u>Cash And Cash Equivalents At January 1</u>	<u>21,221</u>	<u>240,088</u>	<u>261,309</u>	<u>208,711</u>
<u>Cash And Cash Equivalents At December 31</u>	<u>\$ 49,922</u>	<u>\$ 84,290</u>	<u>\$ 134,212</u>	<u>\$ 261,309</u>

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, 2019

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 February 4, 2020, 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, 2019

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, 2019. Prepaid assessments at the balance sheet date represent subsequent year's assessments paid prior to current year end. At December 31, 2019, the Association had prepaid assessments of \$20,295.

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, 2019. Non-membership net income, such as interest, is taxable at a 29.7% tax rate. For the year ended December 31, 2019 there were no 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, 2019 the capital reserve cash fund balance was \$668,199.

NOTE F RELATED PARTY

During the fiscal year 2019, the spouse of the Association's president of the Board of Directors worked as the bookkeeper for the Association. As of December 31, 2019, she was not paid for her services.

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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.

SUPPLEMENTAL INFORMATION

Sombar & Company, CPAs, P.A.'s

- A Division of the Godwin Firm -

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

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

We have audited the financial statements of Townhomes of Bayshore Condominium Owners Association as of and for the Year ended 2019, and our report thereon dated February 4, 2020, 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

February 4th, 2020
Georgetown, Delaware

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)
DECEMBER 31, 2019

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>
2019	-
2020	39,508
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>\$ 7,265,193</u>

The Capital Replacement Fund Balance on December 31, 2019 was \$668,199.