

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION INC.
FOR THE YEAR ENDED DECEMBER 31, 2021

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Sombar & Company, CPAs, P.A.'s - 1 -

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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, 2021 and 2020 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 year ended December 31, 2021 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
February 3, 2022

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

BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

ASSETS

<u>Current Assets</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>2021 Total</u>	<u>2020 Total</u>
Cash - operating	\$ 62,149	\$ -	\$ 62,149	\$ 59,277
Cash - replacement fund		519,901	519,901	30,439
Certificate of deposit	-	330,911	330,911	751,986
Accrued interest receivable	-	454	454	604
Assessments receivable	44	-	44	5,826
Prepaid insurance	5,845	-	5,845	2,940
Prepaid expenses	4,202	-	4,202	1,898
Due from other fund	-	-	-	3,850
<u>TOTAL ASSETS</u>	<u>72,240</u>	<u>851,266</u>	<u>923,506</u>	<u>856,820</u>

LIABILITIES AND FUND BALANCES

Current Liabilities

Accounts payable	240	-	240	605
Income tax payable	-	1,387	1,387	1,682
Prepaid assessments	30,785	-	30,785	19,815
Due to other fund	-	-	-	3,850
<u>TOTAL LIABILITIES</u>	<u>31,025</u>	<u>1,387</u>	<u>32,412</u>	<u>25,952</u>

Fund Balances

Working Capital Fund Balance	26,050	-	26,050	26,050
Operating Fund Balance	15,165	-	15,165	19,621
Capital Reserve Fund Balance	-	849,879	849,879	785,197
<u>TOTAL FUND BALANCE</u>	<u>41,215</u>	<u>849,879</u>	<u>891,094</u>	<u>830,868</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 72,240</u>	<u>\$ 851,266</u>	<u>\$ 923,506</u>	<u>\$ 856,820</u>

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION, INC. - 3 -
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2021 AND 2020

<u>Revenues</u>	<u>Operating Fund</u>	<u>Capital Reserve Fund</u>	<u>2021 Total</u>	<u>2020 Total</u>
Member assessments	\$ 110,174	\$ 161,386	\$ 271,560	\$289,079
Interest, late fees, and other income	2,199	13,651	15,850	17,324
<u>Total Revenues</u>	<u>112,373</u>	<u>175,037</u>	<u>287,410</u>	<u>306,403</u>
<u>Expenses</u>				
Administrative	57,025	2,000	59,025	55,301
Income tax expense	-	1,387	1,387	1,682
Capital improvements	-	106,968	106,968	57,725
Utilities	-	-	-	943
Maintenance	59,804	-	59,804	65,367
<u>Total Expenses</u>	<u>116,829</u>	<u>110,355</u>	<u>227,184</u>	<u>181,018</u>
<u>Excess Of Revenue Over Expenses</u>	(4,456)	64,682	60,226	125,385
<u>Fund Balance At January 1st</u>	45,671	785,197	830,868	705,483
<u>Inter fund transfer</u>	-	-	-	-
<u>Fund Balance At December 31st</u>	<u>\$ 41,215</u>	<u>\$ 849,879</u>	<u>\$ 891,094</u>	<u>\$830,868</u>

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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>2021</u> <u>Total</u>	<u>2020</u> <u>Total</u>
<u>Operating Activities</u>				
Revenues over expenses	\$ (4,456)	\$ 64,682	\$ 60,226	\$ 125,385
Add items not affecting cash:				
Increase (decrease)				
Assessment receivable	5,793	-	5,793	2,408
Income tax liability	-	(295)	(295)	1,682
Accrued interest receivable	-	150	150	346
Insurance claim receivable	-	-	-	-
Due from other fund	(3,850)	3,850	-	-
Accounts payable	(365)	-	(365)	(435)
Prepaid expenses	(2,004)	-	(2,004)	(701)
Prepaid assessments	10,970	-	10,970	(483)
Prepaid insurance	(3,216)	-	(3,216)	(445)
<u>Net Cash Provided By (Used In) Operating Activities</u>	<u>2,872</u>	<u>68,387</u>	<u>71,259</u>	<u>127,757</u>
<u>Investing Activities</u>				
(Investment) redemption in certificates of deposit	-	421,075	421,075	(172,253)
<u>Total Cash Provided (Used) In:</u>	<u>2,872</u>	<u>489,462</u>	<u>492,334</u>	<u>(44,496)</u>
<u>Cash And Cash Equivalents At January 1</u>	<u>59,277</u>	<u>30,439</u>	<u>89,716</u>	<u>134,212</u>
<u>Cash And Cash Equivalents At December 31</u>	<u>\$ 62,149</u>	<u>\$ 519,901</u>	<u>\$ 582,050</u>	<u>\$ 89,716</u>

Supplemental Information:

Interest Paid	\$	-
Income Tax Paid	\$	-

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 3, 2022, 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, 2021

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. A significant amount was considered uncollectible at December 31, 2021. Prepaid assessments at the balance sheet date represent subsequent year's assessments paid prior to current year end. At December 31, 2021, the Association had prepaid assessments of \$30,785.

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, 2021. Non-membership net income, such as interest, is taxable at a 29.7% tax rate. For the year ended December 31, 2021 there was \$1,387 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 2021 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, 2021 the capital reserve cash fund balance was \$850,812

NOTE F RELATED PARTY

During the calendar year of 2021, the spouse of the Association's president of the Board of Directors worked as the bookkeeper for the Association. As of December 31, 2021, she was not paid for her services.

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

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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 2021, and our report thereon dated February 3, 2022, which contained a review on those financial statements and appears on Page 2. 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 not 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. The information marked "unaudited" has not been subjected to the auditing procedures applied in the review 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 3, 2022
Georgetown, Delaware

TOWNHOMES OF BAYSHORE CONDOMINIUM OWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS (UNAUDITED)
DECEMBER 31, 2021

The Board of Directors conducted a study in October of 2021 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</u> <u>Replacements</u>	<u>Estimated Future</u> <u>Replacement Costs</u>
2022	\$ 94,750
2023	33,312
2024	34,145
2025	230,068
2026	179,690
2027	134,638
2028	138,004
2029	115,897
2030	41,231
2031	42,262
2032	43,318
2033	66,431
2034	45,511
2035	485,490
2036	305,231
2037	334,586
2038	320,683
2039	328,700
2040	33,425
2041	103,912
2042	53,255
2043	54,586
2044	55,951
2045	847,917
2046	766,017
2047	755,115
2048	742,087
<u>Total:</u>	<u>\$ 6,386,212</u>

The Capital Replacement Fund Balance on December 31, 2021 is \$849,879.