

WIGGINS BAY FOUNDATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Scullin & Associates, P.A.

Certified Public Accountants

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WIGGINS BAY FOUNDATION, INC.

DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wiggins Bay Foundation, Inc.
Naples, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Wiggins bay Foundation, Inc., which comprise the balance sheet as of December 31, 2018, and the related statements of revenues, expenses, and changes in fund balances 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.

Auditor's 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 Association'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 Association'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 that we obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wiggins bay Foundation, Inc. as of December 31, 2018, 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.

Scullin & Associates, P.A.

Scullin & Associates, P.A.
April 21, 2019

Wiggins Bay Foundation, Inc.
Balance Sheet
December 31, 2018

ASSETS

	Operating Fund	Replacement Fund	Totals
<u>Assets</u>			
Cash	\$ 604,420.87	\$ 155,707.31	\$ 760,128.18
Investments	-	109,630.88	109,630.88
Assessments Receivable	11,907.80	-	11,907.80
Allowanace for Bad Debts	-	-	-
Due from Operating Fund	-	136.50	136.50
Prepaid Insurance	1,348.00	-	1,348.00
Deposit - Utility	310.00	-	310.00
Total Assets	\$ 617,986.67	\$ 265,474.69	\$ 883,461.36

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>			
Accounts Payable	\$ 7,251.52	\$ -	\$ 7,251.52
Accrued Expenses	27,724.17	-	27,724.17
Prepaid Assessments	511,546.20	-	511,546.20
DueTo Replacement Fund	136.50	-	136.50
Security Deposits	1,100.00	-	1,100.00
Total Liabilities	547,758.39	-	547,758.39
Fund Balance	70,228.28	265,474.69	335,702.97
Total Liabilities and Fund Balance	\$ 617,986.67	\$ 265,474.69	\$ 883,461.36

See accompanying auditor's report and notes.

Wiggins Bay Foundation, Inc.
Statements of Revenue and Expenses
Year Ended December 31, 2018

	Operating Fund	Replacement Fund	Totals
<u>Revenues</u>			
Assessments	\$ 832,395.00	\$ 35,000.00	\$ 867,395.00
Special Assessment	-	60,900.00	60,900.00
Dock Owners	1,410.00	-	1,410.00
Tarpon Club	6,146.00	-	6,146.00
Bar Code / Key Access	3,610.00	-	3,610.00
Other Income	5,229.82	-	5,229.82
Interest Income	192.46	2,999.93	3,192.39
Total Revenues	848,983.28	98,899.93	947,883.21
<u>Expenses</u>			
Utilities	473,211.37	-	473,211.37
Maintenance	227,376.39	-	227,376.39
Grounds Care	67,829.67	-	67,829.67
Administrative Expense	77,774.42	-	77,774.42
Replacement Expenses	-	69,463.00	69,463.00
Total Expenses	846,191.85	69,463.00	915,654.85
Excess Revenues (Expenses)	2,791.43	29,436.93	32,228.36
Transfers	61,000.00	(61,000.00)	-
Fund Balances - Beginning	6,436.85	297,037.76	303,474.61
Fund Balances - Ending	\$ 70,228.28	\$ 265,474.69	\$ 335,702.97

See accompanying auditor's report and notes.

Wiggins Bay Foundation, Inc.
Statement of Cash Flows
Year Ended December 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Totals</u>
<u>Cash Flows from Operating Activities:</u>			
Member Assessments Collected	\$ 1,083,445.09	\$ 35,000.00	\$ 1,118,445.09
Special Assessment	-	60,900.00	60,900.00
Interest Received	192.46	2,999.93	3,192.39
Other Cash Received	16,395.82	-	16,395.82
Cash Paid for Operating Expenses	(819,569.25)	-	(819,569.25)
Cash Paid for Replacement Expenses	-	(69,463.00)	(69,463.00)
Net Cash Provided by (Used in) Operating Activities:	<u>280,464.12</u>	<u>29,436.93</u>	<u>309,901.05</u>
<u>Cash Flows from Investing Activities:</u>			
Purchases of Certificates of Deposit	-	(109,630.88)	(109,630.88)
Redemption of Certificates of Deposit	-	107,700.10	107,700.10
Interfund Transfers	136.50	(136.50)	-
Net Cash Provided by (Used in) Investing Activities	<u>136.50</u>	<u>(2,067.28)</u>	<u>(1,930.78)</u>
Net Change in Cash & Cash Equivalents	280,600.62	27,369.65	307,970.27
Cash and Cash Equivalents - Beginning	<u>323,820.25</u>	<u>128,337.66</u>	<u>452,157.91</u>
Cash and Cash Equivalents - Ending	<u>\$ 604,420.87</u>	<u>\$ 155,707.31</u>	<u>\$ 760,128.18</u>

Reconciliation of Net Income to Net Cash Provided by (Used in) Operating Activities

Excess Revenues (Expenses)	\$ 2,791.43	\$ 29,436.93	\$ 32,228.36
Adjustments to Reconcile Excess Revenues (Expenses) to Cash Provided by (Used in) Operating Activities:			
(Increase) Decrease in Assets:			
Assessments Receivable	2,413.73	-	2,413.73
Prepaid Expenses	5,509.00	-	5,509.00
Increase (Decrease) in Liabilities:			
Accounts Payable	7,251.52	-	7,251.52
Accrued Expenses	13,862.08	-	13,862.08
Prepaid Assessments	248,636.36	-	248,636.36
Net Cash Provided by (Used in) Operating Activities	<u>\$ 280,464.12</u>	<u>\$ 29,436.93</u>	<u>\$ 309,901.05</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Net cash paid (received) during the year for:

Income taxes	\$ -
Interest	\$ -

See accompanying auditor's report and notes.

WIGGINS BAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 - Organization

Wiggins Bay Foundation, Inc., a not for profit Florida Corporation, is a statutory condominium association which filed its articles of incorporation on October 10, 1983. The Association was formed to provide an entity pursuant to the Florida Homeowners Act for the operation of Wiggins bay, a condominium. Wiggins Bay consists of six-hundred-thirteen (613) residential units located in Naples, Collier County, Florida.

Note 2 - Summary of Significant Accounting Policies

Accrual Basis - The Association prepares its financial statements using the accrual reporting framework and presents them as separate funds based on its different funding policies for operations, replacement expenditures, or other specific purposes. The accrual method of accounting recognizes revenues when earned and expenses as 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, this 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - For the purpose of the Statement of Cash Flows, the Association considers all bank and similar deposits, demand accounts, money market funds and short term investments with an original maturity of three months or less to be cash.

Assessments Receivable - The Association carries its receivables at cost less an allowance for doubtful accounts. On a periodic basis, the Association evaluates its receivables and establishes an allowance for doubtful accounts, based on a history of past write-offs, collections, and current credit conditions. At that time, the Association determines if a receivable should be written-off. As of December 31, 2018, no allowance for uncollectible accounts was established.

WIGGINS BAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 2 - Summary of Significant Accounting Policies- continued

Property and Equipment – The Association recognizes personal property assets, if any, at cost, and depreciates that personal property using the straight-line method over the estimated useful lives of the assets. Real property and common areas acquired from the Developer and related improvements to such property, are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

Taxes - Condominium associations may be taxed either as homeowners associations or as regular corporations. For the year ended December 31, 2018, the Association elected to be taxed as a homeowners association. As such, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest earnings net of expenses, specific deductions and exemptions.

Under federal income tax laws, the Association's income tax returns are subject to examination by the applicable taxing authorities. As of December 31, 2018, the Association's tax years that remain subject to examination are 2015 – 2018.

Subsequent Events – Subsequent events have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

Note 3 – Revenue - Owner Assessments

The annual budget and owners' quarterly assessments are determined and approved by the Board of Directors for operating expenses, major repairs and replacements, or other specific purposes. The total and annual assessments were as follows:

# Units	613
Operating Assessments	\$832,395.00
Replacement Assessments	35,000.00
	\$867,395.00
Annual Per Unit:	
Operating Assessments	\$ 1,357.90
Replacement Assessments	57.10
	\$ 1,415.00

Assessments for 2019 of \$ 511,546.20 were received in advance as of December 31, 2018. These funds will be included in income in 2019 and are reported as Prepaid Assessments on the Balance Sheet.

WIGGINS BAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 4 – Special Assessment – Hurricane IRMA

During September 2017, the Association was affected by a weather event, Hurricane IRMA. The process of recovery and restoration was completed as of December 31, 2017. On January 17, 2018, the Board of Directors approved a special assessment of \$100.00 per owner to offset those costs. The transactions related to the special assessment were recorded in the Replacement Fund.

Note 5 – Management Services

The Association uses a management company on a contract basis for its management and administrative services.

Note 6 - Future Major Repairs and Replacement Costs

The Association's governing documents require that funds be accumulated for future major repairs and replacement costs. Accumulated funds are held in checking accounts, money market accounts, and certificates of deposit and are normally unavailable for general operating expenses.

The property manager and Board of Directors obtained estimates of the remaining useful lives and the replacement costs of the components of common property during the year. The table included in the Supplementary Information on Future Major Repairs and Replacement Costs is based on these estimates. All interest earned on these funds is kept in the Replacement Fund.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the estimates of future replacement costs and considering amounts accumulated in the Replacement Fund. Accordingly, the funding requirement for 2019 of \$47,827.00 has been included in the 2019 budget.

Funds are being accumulated in the Replacement Fund based on estimates of future costs for repairs and replacements of common property components. An independent study has not been made to determine the adequacy of the funding program. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet all future major repairs and replacement costs. If additional funds are needed, the Association has the right, in certain circumstances subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacement costs until funds are available.

WIGGINS BAY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 7 – Changes in Replacement Fund Balances

Changes in Replacement Fund balances for the year ended December 31, 2018 are as follows:

Common Area Component	Beginning Fund Balance 2018	Allocations to Fund	Special Assessment	Interest	Expenses / Transfers	Ending Fund Balance 2018
Deferred Maintenance Reserve	\$ 4,139.08	\$ 3,207.12	\$ -	\$ -	\$ -	\$ 7,346.20
Entry System	4,050.00	-	-	-	-	4,050.00
Gate House Expense	5,924.56	2,962.56	-	-	(168.00)	8,719.12
General Fund Expense	259,287.61	-	-	-	(28,150.00)	231,137.61
Infrastructure Repairs	(8,863.63)	8,333.52	-	-	-	(530.11)
Irrigation System Expense	1,251.80	416.80	-	-	-	1,668.60
Roadway	13,605.00	5,318.00	-	-	(13,685.00)	5,238.00
Street Lighting Expense	(16,030.65)	4,560.00	-	-	-	(11,470.65)
Wall Restoration Expense	16,988.56	10,202.00	-	-	(27,460.00)	(269.44)
Interest Income	16,685.43	-	-	2,999.93	-	19,685.36
Subtotal	297,037.76	35,000.00	-	2,999.93	(69,463.00)	265,574.69
Special Assessment	-	-	60,900.00	-	(61,000.00)	(100.00)
	<u>\$ 297,037.76</u>	<u>\$ 35,000.00</u>	<u>\$ 60,900.00</u>	<u>\$ 2,999.93</u>	<u>\$ (130,463.00)</u>	<u>\$ 265,474.69</u>

Note 8 - Uninsured Cash Balances

The Association maintains its cash balances at various U.S. federally insured banks and financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000.00. There were approximately \$276,000.00 of uninsured balances at December 31, 2018.

Note 9 – Fair Value Measurement

The Association adopted Financial Accounting Standard ASC 820, “Fair Value Measurements” as it relates to their financial assets and liabilities, which establishes a framework for measuring fair value for GAAP and expands disclosures about fair value measurements.

The following methods and assumptions were used by the Association in estimating the fair value of its financial instruments:

The carrying amount for cash and cash equivalents reported in the Balance Sheet approximates its fair value.

The carrying amounts and fair values of these financial instruments at December 31, 2018 are as follows:

	Carrying Amount	Fair Value
Cash and cash equivalents - Operating Fund	\$ 604,420.87	\$ 604,420.87
Cash, cash equivalents, certificates of deposit - Replacement Fund	\$ 265,338.19	\$ 265,338.19

SUPPLEMENTARY INFORMATION

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Certified Public Accountants

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Independent Accountant's Report on Supplementary Information

To the Board of Directors
Wiggins Bay Foundation, Inc.
Naples, Florida

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying supplementary information on Future Major Repairs and Replacement Costs on page 10 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 the 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.

Report on Supplementary Information

The audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Operating Fund is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and 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 during 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, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Scullin & Associates, P.A.

Scullin & Associates, P.A.
April 21, 2019



WIGGINS BAY FOUNDATION, INC.

SCHEDULE I – FUTURE MAJOR REPAIRS & REPLACEMENT COSTS

DECEMBER 31, 2018

(Unaudited)

The restricted assessments are based on an estimate of expected future replacement or repair costs. We did not analyze or attempt to determine the adequacy of the estimated remaining useful lives and the replacements costs of the components of common property.

A schedule of the Fund for Future Major Repairs and Replacement Costs is as follows:

Common Area Component	Estimated Future Replacement	Estimated Life	Estimated Remaining Life	2018 Ending Fund Balance	2019 Statutory Funding	2019 Budgeted Funding
Deferred Maintenance Reserve	\$ 40,000.00	10	3	\$ 7,346.20	\$10,885.00	\$10,885.00
Entry System	4,050.00	10	1	4,050.00	-	-
Gate House Expense	9,000.00	10	7	8,719.12	40.00	538.00
General Fund Expense	259,287.61	20	1	231,137.61	28,150.00	-
Infrastructure Repairs	55,133.00	1	1	(530.11)	55,663.00	8,333.00
Irrigation System Expense	10,000.00	15	5	1,668.60	1,666.00	1,666.00
Roadway	15,000.00	20	4	5,238.00	2,441.00	2,441.00
Street Lighting Expense	72,600.00	20	13	(11,470.65)	6,467.00	6,467.00
Wall Restoration Expense	29,000.00	7	7	(269.44)	4,181.00	4,143.00
Perimeter Wall	184,000.00	20	14	-	13,143.00	13,354.00
Interest Income	-	N/A	N/A	19,685.36	-	-
Special Assessment	-	N/A	N/A	(100.00)	-	-
	<u>\$ 678,070.61</u>			<u>\$ 265,474.69</u>	<u>#####</u>	<u>\$47,827.00</u>

Current estimate of replacement costs are based on the assumption that the rate of investment income earned on replacement funds will be equal to the rate of inflation.

WIGGINS BAY FOUNDATION, INC.

SCHEDULE OF OPERATING FUND EXPENSES - Continued

DECEMBER 31, 2018

<u>UTILITIES</u>	<u>2018</u>
Electric - Irrigation	\$ 215.01
Water / Sewer	787.70
Telephone	2,191.14
Television Cable	418,251.46
Electric - Gatehose	2,299.60
Irrigation Water	49,466.46
	<u>\$ 473,211.37</u>

<u>MAINTENANCE</u>	<u>2018</u>
Extermination	\$ 344.00
Security	167,261.84
Gate Access Control	3,739.69
Lake Expenses	4,320.00
Street / Accent Light Maintenance / Repair	1,981.25
Maintenance - Part Time	60.00
Janitorial - Contract	3,543.34
Special Projects	24,673.72
General Maintenance	4,286.94
Building Maintenance Supplies	6.14
Sprinkler Maintenance	3,537.00
Entry & Gate Maintenance	5,667.80
Entry & Gate Contract	2,500.00
Decorations	5,454.67
	<u>\$ 227,376.39</u>

<u>GROUNDS CARE</u>	<u>2018</u>
Mulch	\$ 7,297.50
Tree Trimming	15,986.00
Preserve Cleanup	2,200.00
Fly Treatment	2,115.00
Landscape Contract	32,700.00
Landscaping - Improvements	7,249.70
Fountain Pumps	281.47
	<u>\$ 67,829.67</u>

WIGGINS BAY FOUNDATION, INC.

SCHEDULE OF OPERATING FUND EXPENSES - Continued

DECEMBER 31, 2018

<u>ADMINISTRATIVE EXPENSES</u>	<u>2018</u>
Legal Fees	\$ 26,973.75
Legal - Delinquency	1,593.75
Auditing & accounting Fees	225.00
Office Expense	6,968.57
Office Supplies	42.55
Management Fees	25,000.80
Other Taxes, Licenses, Permits	70.00
Insurance - Appraisal	11,245.00
Contingency	5,405.00
Other Professional Fees	250.00
	<u>\$ 77,774.42</u>