

**POLYNESIAN ASSOCIATION, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2015**

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CERTIFIED PUBLIC ACCOUNTANTS  
677 NORTH WASHINGTON BLVD.  
SARASOTA, FLORIDA 34236  
941-467-3130  
www.CONDOCPA.COM

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Polynesian Association, Inc.

We have audited the accompanying financial statements of Polynesian Association, Inc., which comprise the balance sheet as of December 31, 2015, and the related statements of revenues, expenses and 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 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 Polynesian 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.

*Condo CPA, Inc.*  
Certified Public Accountants

Sarasota, Florida  
February 19, 2016

POLYNESIAN ASSOCIATION, INC.  
**BALANCE SHEET**  
 DECEMBER 31, 2015

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<b>ASSETS</b>			
Cash Accounts	\$ 83,670	\$ 360,168	\$ 443,838
Accounts Receivable	560	-	560
Prepaid Insurance	33,712	-	33,712
Prepaid Expenses	3,423	-	3,423
Prepaid Payroll	1,500	-	1,500
Interfund (Payable) Receivable	187,210	(187,210)	-
<b>TOTAL ASSETS</b>	<b>\$ 310,075</b>	<b>\$ 172,958</b>	<b>\$ 483,033</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Prepaid Maintenance Fees	\$ 11,366	\$ -	\$ 11,366
Assessment Overpayment Refund	557	-	557
Security Deposits	750	-	750
<b>TOTAL LIABILITIES</b>	12,673	-	12,673
<b>FUND BALANCES</b>	297,402	172,958	470,360
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 310,075</b>	<b>\$ 172,958</b>	<b>\$ 483,033</b>

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

POLYNESIAN ASSOCIATION, INC.  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES**  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTAL</b>
<b>REVENUES</b>			
Maintenance Assessments	\$ 284,904	\$ 33,661	\$ 318,565
Sales & Lease Fees	550	-	550
Interest	1	916	917
Rental Program	9,000	-	9,000
Common Expenses	<u>87,287</u>	<u>-</u>	<u>87,287</u>
<b>TOTAL REVENUES</b>	<u>381,742</u>	<u>34,577</u>	<u>416,319</u>
<b>EXPENSES</b>			
Grounds	42,660	-	42,660
Building Maintenance	25,417	-	25,417
Payroll	63,208	-	63,208
Utilities	99,033	-	99,033
Administrative	125,797	-	125,797
Other	7,163	-	7,163
Reserve Expenses	<u>-</u>	<u>30,843</u>	<u>30,843</u>
<b>TOTAL EXPENSES</b>	<u>363,278</u>	<u>30,843</u>	<u>394,121</u>
<b>EXCESS REVENUES (EXPENSES)</b>	18,464	3,734	22,198
<b>BEGINNING FUND BALANCES</b>	<u>278,938</u>	<u>169,224</u>	<u>448,162</u>
<b>ENDING FUND BALANCES</b>	<u>\$ 297,402</u>	<u>\$ 172,958</u>	<u>\$ 470,360</u>

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

POLYNESIAN ASSOCIATION, INC.  
**STATEMENT OF CASH FLOWS**  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess Revenues (Expenses)	\$ 18,464	\$ 3,734	\$ 22,198
<b>ADJUSTMENTS TO RECONCILE EXCESS REVENUES (EXPENSES) PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
<b>ALLOWANCE FOR DOUBTFUL ACCOUNTS</b>	(8,320)	-	(8,320)
<b>(INCREASE) DECREASE IN:</b>			
Accounts Receivable	1,498	-	1,498
Prepaid Expenses	151	-	151
<b>INCREASE (DECREASE) IN:</b>			
Accounts Payable	(162)	-	(162)
Assessment Overpayment Refund	557	-	557
Prepaid Maintenance Fees	(857)	-	(857)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>11,331</u>	<u>3,734</u>	<u>15,065</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interfund Transfers	(87,092)	87,092	-
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>(87,092)</u>	<u>87,092</u>	<u>-</u>
<b>NET INCREASE IN CASH</b>	(75,761)	90,826	15,065
<b>CASH AT THE BEGINNING OF THE PERIOD</b>	<u>159,431</u>	<u>269,342</u>	<u>428,773</u>
<b>CASH AT THE END OF THE PERIOD</b>	<u>\$ 83,670</u>	<u>\$ 360,168</u>	<u>\$ 443,838</u>

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

POLYNESIAN ASSOCIATION, INC.  
**SCHEDULE OF RESERVE FUND ACTIVITY**  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	BEGINNING FUND BALANCE	ASSESSMENTS AND INTEREST	CHARGES TO FUND	TRANSFERS	ENDING FUND BALANCE
Pool	\$ 816	\$ 575	\$ -	\$ -	\$ 1,391
Clubhouse, Signs & Lights	12,600	-	-	-	12,600
Roofs	87,128	23,818	(30,843)	-	80,103
Fence	1,467	1,431	-	-	2,898
Paving	20,740	5,337	-	-	26,077
Painting	9,750	-	-	-	9,750
Fishing	16,756	-	-	-	16,756
Plumbing Stacks	-	2,500	-	-	2,500
Reserve Interest	<u>19,967</u>	<u>916</u>	<u>-</u>	<u>-</u>	<u>20,883</u>
<b>TOTAL RESERVE</b>	<u>\$ 169,224</u>	<u>\$ 34,577</u>	<u>\$ (30,843)</u>	<u>\$ -</u>	<u>\$ 172,958</u>

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

POLYNESIAN ASSOCIATION, INC.  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2015

**Note 1 - Nature of Organization**

Polynesian Association, Inc. was incorporated under the laws of the State of Florida as a not-for-profit corporation with its purpose being to operate in accordance with the Florida Condominium Act. Polynesian Association, Inc., a condominium located in Sarasota County, Florida, was organized on June 3, 1970. Polynesian Association, Inc. comprises of 74 condominium units. The Polynesian Association, Inc. is subject to Chapter 718 (the "Condominium Act") of the Florida Statutes. Operations of the Polynesian Association, Inc. are administered by its duly elected Board Members.

**Note 2 - Summary of Significant Accounting Policies**

**Accrual Basis 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 on the accrual basis. 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.

**Owner Fees**

Each unit owner is liable for a share of the common expenses. Annual assessments were charged monthly during 2015. Each unit's percentage of the total fee due is stated in the condominium documents. The fees are calculated as part of the annual budgeting process.

**Real Property and Improvements**

Each unit owner has an undivided interest in the real property and improvements, which cannot be conveyed except together with the unit. The percentage of such undivided interest is stated in the condominium documents. Accordingly, this property is treated as being owned by the individual condominium unit owners and is not being recognized on the financial statements.



POLYNESIAN ASSOCIATION, INC.  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2015

**Note 2 - Summary of Significant Accounting Policies – Continued**

**Personal Property and Equipment**

The Association's policy is to expense immaterial acquisitions of personal property and equipment at the time the acquisition occurs. Acquisitions of material personal property and equipment may be capitalized.

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Association considers all demand deposit accounts, money market accounts, and certificates of deposit purchased to be cash equivalents. Certificates of deposit often are not subject to withdrawal limitations although withdrawal before maturity may result in a loss of a portion of the interest earned.

**Interest Income**

All interest income is allocated to the Reserve Fund.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**Income Taxes**

Condominium associations may elect to be taxed either as homeowner associations (Form 1120-H) or as regular corporations (Form 1120). Polynesian Association, Inc. has elected to file as a homeowners' association using Form 1120-H.

**Date of Management's Review**

The Association has evaluated events and transactions that occurred between December 31, 2015 and February 19, 2016, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

**Note 3 - Commitments**

The Association has entered into various contracts for the performance of services as a part of the routine and ongoing activities of operating and maintaining the property.

**Note 4 - Accounts Receivable - Members**

As of December 31, 2015, accounts receivable was \$560. This consists of assessments and other fees owed by unit owners to the Association.

POLYNESIAN ASSOCIATION, INC.  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended December 31, 2015

**Note 5 - Future Major Repairs and Replacements**

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$172,958 at December 31, 2015, are held in separate interest bearing accounts and generally are not available for expenses for normal operations.

The Association is currently funding for such major repairs and replacements over the estimated useful lives of the components based on information secured from contractors and experience from similar replacements and an independent study of the remaining useful lives and the replacement cost of common property components was not performed during 2015. The funding of major repairs and replacements is as stated in the estimated operating budgets. Actual expenses may vary from the estimated future expenses that have been funded and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available.

The budget required statutory full funding amount of \$33,661 for the year ending December 31, 2015 and \$30,396 for the year ending December 31, 2016 is being funded by the Association.

**Note 6 - Uninsured Cash Balances**

The Association maintains its cash in several financial institutions in the United States. Cash balances are insured under the FDIC for up to \$250,000 per institution.

As of December 31, 2015, the Association held \$90,549 in excess of the FDIC insured limit.

**Note 7 - Management Fee Contract**

The Association has a management contract with Argus Property Management to conduct the daily operations of the Association. Management fees for 2015 were \$15,875.

Under this agreement the management company provides full accounting and bookkeeping services, including check signature. In addition the management company provides employees for the Association at cost plus overhead. The management company is also reimbursed by the Association for direct out-of-pocket office expenses.

**SUPPLEMENTARY INFORMATION**



CERTIFIED PUBLIC ACCOUNTANTS  
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## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of Polynesian Association, Inc.

We have audited the financial statements of Polynesian Association, Inc., as of and for the year ended December 31, 2015, and our report thereon dated February 19, 2016, which contained an unmodified opinion on those financial statements appears on page 1. Our audit was performed for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary schedule of operating revenues and expenses on pages 10 and 11, 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, the 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.

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 12 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 historic context. We have not applied the certain limited procedures to the required supplementary information on future major repairs and replacements in accordance with standards generally accepted in the United States of America because we are not qualified engineers. Therefore, we do not express an opinion or provide any assurance on the information.

*Condo CPA, Inc.*  
Certified Public Accountants

Sarasota, Florida  
February 19, 2016

POLYNESIAN ASSOCIATION, INC.  
**SUPPLEMENTARY SCHEDULE OF OPERATING REVENUES AND EXPENSES**  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>ACTUAL</b>	<b>BUDGET</b>
		(Unaudited)
<b>OPERATING REVENUES</b>		
Maintenance Assessments (1)	\$ 284,904	\$ 283,900
Sales & Lease Fees	550	-
Interest	1	-
Rental Program	9,000	9,000
Common Expenses	<u>87,287</u>	<u>87,287</u>
<b>TOTAL OPERATING REVENUES</b>	<u>381,742</u>	<u>380,187</u>
<b>OPERATING EXPENSES</b>		
<b>GROUND</b>		
Grounds Contract	36,500	37,000
Landscaping - Fertilizer & Mulch	-	2,500
Landscaping Supplies	2,000	2,000
Landscaping Services - Replace	860	1,000
Tree Trimming	3,000	1,500
Sprinkler/Irrigation Contract	<u>300</u>	<u>1,000</u>
<b>TOTAL GROUND</b>	<u>42,660</u>	<u>45,000</u>
<b>BUILDING MAINTENANCE</b>		
Repairs & Maintenance	22,136	16,000
Roof - Maintenance & Repairs	100	1,500
Roof Cleaning	-	200
Plumbing - Maintenance & Repairs	2,482	12,000
Painting - Repairs & Maintenance	549	1,000
Pest Control	150	400
Electrical - Repairs & Maintenance	<u>-</u>	<u>800</u>
<b>TOTAL BUILDING MAINTENANCE</b>	<u>25,417</u>	<u>31,900</u>
<b>PAYROLL</b>		
Maintenance #1	63,208	58,000
Maintenance #2	<u>-</u>	<u>1,000</u>
<b>TOTAL PAYROLL</b>	<u>63,208</u>	<u>59,000</u>

(1) Does not include Replacement Fund Assessments of \$33,661 as shown on Page 3.

POLYNESIAN ASSOCIATION, INC.  
**SUPPLEMENTARY SCHEDULE OF OPERATING REVENUES AND EXPENSES**  
 (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>ACTUAL</b>	<b>BUDGET</b>
		(Unaudited)
<b>UTILITIES</b>		
Water/Sewer	49,509	62,000
Electric	7,930	7,500
Cable TV	37,393	40,400
Natural/Propane Gas	4,201	6,000
Trash Removal	-	200
	99,033	116,100
<b>TOTAL UTILITIES</b>		
<b>ADMINISTRATIVE</b>		
Insurance - Property	104,981	95,000
Legal/Professional	-	1,000
Accounting Service	220	300
Division Fees	61	62
Fees, Dues, & Licenses	1,037	700
Income Tax	-	300
Management Fee	15,875	15,875
Telephone	636	750
Office Supplies	2,987	7,000
	125,797	120,987
<b>TOTAL ADMINISTRATIVE</b>		
<b>OTHER</b>		
Other	45	-
Apartment Expense	-	200
Pool Contract	5,040	5,000
Pool Equipment Repairs	2,078	1,000
Clubhouse - Maintenance & Repairs	-	1,000
	7,163	7,200
<b>TOTAL OTHER</b>		
<b>TOTAL OPERATING EXPENSES</b>		
	363,278	380,187
<b>EXCESS REVENUES (EXPENSES)</b>		
	\$ 18,464	\$ -

POLYNESIAN ASSOCIATION, INC.  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
 DECEMBER 31, 2015  
 (UNAUDITED)

The following is the estimated remaining life and estimated cost to replace the components of the statutory reserves. This is based on information from the Board and Management obtained from experience with similar replacements the past few years. Estimated reserves were calculated using the straight line method.

COMPONENTS	ESTIMATED LIFE EXPECTANCY (YEARS)	REMAINING ESTIMATED USEFUL LIFE (YEARS)	ESTIMATED REPLACEMENT COST	2016 FUNDING REQUIREMENT
Pool	20	17	\$ 10,500	\$ 569
Clubhouse, Signs & Lights	9	1	12,600	-
Roofs	14	4	183,750	12,926
Fence	19	7	11,487	1,432
Paving	14	3	36,750	5,336
Painting	6	1	10,500	750
Fishing	24	12	33,600	216
Plumbing Stacks	24	12	<u>30,000</u>	<u>9,167</u>
			<u>\$ 329,187</u>	<u>\$ 30,396</u>
Reserve Study Recommended Annual Funding Contribution For 2015			<u>\$ 33,661</u>	
Total Reserve Fund Balance at December 31, 2015			<u>\$ 172,958</u>	