



COCONUT PALMS BEACH RESORT II OWNER'S ASSOCIATION, INC.
Financial Statements
December 31, 2018
With Independent Auditor's Report

**Coconut Palms Beach Resort II Owner's Association, Inc.
December 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Coconut Palms Beach Resort II
Owner's Association, Inc.
New Smyrna Beach, Florida

We have audited the accompanying financial statements of Coconut Palms Beach Resort II Owner's Association, Inc. (the "Association"), which comprise the balance sheet as of December 31, 2018, and the related statements of revenue, expenses, and changes in fund balance (deficit) 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 auditors' 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 auditors consider 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 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 Coconut Palms Beach Resort II Owner's Association, Inc. as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Interfund Receivable

As discussed in Note 6 of the financial statements, the Association's operating fund owed the replacement fund \$134,916 at December 31, 2018. The repayment of the interfund receivable due from the operating fund is dependent on the operating fund generating sufficient income to both cover the current expenses of the Association and to repay the replacement fund. Our opinion is not modified with respect to this matter.

Future Major Repairs and Replacements

Our audit was conducted for the purposes of forming an opinion on the basic financial statements as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 6 are adequate to meet such future costs because that determination is outside the scope of our audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenue and expenses – operating fund on pages 12 and 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that portion marked "unaudited," 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, except for that portion marked "unaudited," on which we express no opinion or any assurance, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of future major repairs and replacements on page 14 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 our 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.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

May 13, 2019

Coconut Palms Beach Resort II Owner's Association, Inc.
Balance Sheet
December 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 578,825	\$ 7,817	\$ 586,642
Restricted cash	3,543	-	3,543
Assessments receivable, net of allowance for doubtful accounts of \$4,006,766	-	-	-
Special assessments receivable, net of allowance for doubtful accounts of \$673,737	1,226,668	-	1,226,668
Prepaid expenses and other assets	73,792	-	73,792
Inventory	3,070	-	3,070
Due from developer	36,586	-	36,586
Due (to) from other fund	(134,916)	134,916	-
	<u>\$ 1,787,568</u>	<u>\$ 142,733</u>	<u>\$ 1,930,301</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable and accrued expenses	\$ 157,703	\$ -	\$ 157,703
Prepaid assessments	1,231,815	-	1,231,815
Real estate taxes payable	390,422	-	390,422
Due to management company	6,058	-	6,058
Due to affiliate	1,570	-	1,570
Total liabilities	<u>1,787,568</u>	<u>-</u>	<u>1,787,568</u>
Fund balance	<u>-</u>	<u>142,733</u>	<u>142,733</u>
Total liabilities and fund balance	<u>\$ 1,787,568</u>	<u>\$ 142,733</u>	<u>\$ 1,930,301</u>

The Notes to Financial Statements are an integral part of these statements.

Coconut Palms Beach Resort II Owner's Association, Inc.
Statement of Revenue, Expenses, and Changes in Fund Balance (Deficit)
Year Ended December 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Revenue			
Maintenance assessments	\$ 2,725,562	\$ 596,625	\$ 3,322,187
Special assessments	2,406,203	-	2,406,203
Rental income	204,651	-	204,651
Interest income	-	250	250
Late charges	20,026	-	20,026
Casualty loss reimbursements	-	112,859	112,859
Other income	82,826	-	82,826
	<u>5,439,268</u>	<u>709,734</u>	<u>6,149,002</u>
Expenses			
Administration	1,198,002	-	1,198,002
Utilities	502,945	-	502,945
Maintenance, grounds and replacements	534,864	1,318,107	1,852,971
Housekeeping and laundry	899,138	-	899,138
Activities	116,143	-	116,143
Bad debt, net of recoveries	1,258,336	-	1,258,336
	<u>4,509,428</u>	<u>1,318,107</u>	<u>5,827,535</u>
Excess (deficiency) of revenue over expenses	929,840	(608,373)	321,467
Fund balance (deficit)			
Beginning of year	<u>(266,653)</u>	<u>87,919</u>	<u>(178,734)</u>
Transfer between funds	<u>(663,187)</u>	<u>663,187</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ 142,733</u>	<u>\$ 142,733</u>

The Notes to Financial Statements are an integral part of these statements.

Coconut Palms Beach Resort II Owner's Association, Inc.
Statement of Cash Flows
Year Ended December 31, 2018

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash flows from operating activities			
Excess (deficiency) of revenue over expenses	\$ 929,840	\$ (608,373)	\$ 321,467
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by (used in) operating activities			
Bad debt expense	1,447,145	-	1,447,145
Changes in			
Assessments receivable	(1,443,970)	-	(1,443,970)
Special assessment receivable	(1,226,668)	-	(1,226,668)
Inventory	(69)	-	(69)
Prepaid expenses and other assets	(2,283)	-	(2,283)
Accounts payable and accrued expenses	(75,380)	-	(75,380)
Prepaid assessments	476,944	-	476,944
Due to or from developer	(19,141)	-	(19,141)
Due to or from affiliates	3,051	-	3,051
Due to or from management company	(15,551)	-	(15,551)
Real estate taxes payable	390,422	-	390,422
Net cash provided by (used in) operating activities	<u>464,340</u>	<u>(608,373)</u>	<u>(144,033)</u>
Cash flows from financing activities			
Interfund borrowings, net	254,568	(254,568)	-
Interfund transfers	(663,187)	663,187	-
Net cash provided by (used in) financing activities	<u>(408,619)</u>	<u>408,619</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	55,721	(199,754)	(144,033)
Cash and cash equivalents			
Beginning of year	<u>523,104</u>	<u>207,571</u>	<u>730,675</u>
End of year	<u>\$ 578,825</u>	<u>\$ 7,817</u>	<u>\$ 586,642</u>

Coconut Palms Beach Resort II Owner's Association, Inc.
Notes to Financial Statements
December 31, 2018

1. ORGANIZATION AND PURPOSE

Coconut Palms Beach Resort II Owner's Association, Inc. (the "Association") was incorporated under the laws of the state of Florida as a not-for-profit corporation in November 1995 for the purpose of managing, operating, and maintaining a timeshare condominium located in New Smyrna Beach, Florida. Operations of the Association commenced on March 26, 1996. At December 31, 2018, the Association consists of 5,616 weekly interval units, of which 107 were owned by the Association and 1,099 were owned by Festiva Resorts Adventure Club Member's Association, Inc. (the "Club"), 14 whole ownership residential units, of which the Club owns 5, and 2 commercial units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

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.

Cash and Cash Equivalents

The Association considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted Cash

Restricted cash consists of funds held in escrow for real estate taxes.

Assessments Receivable and Allowance for Doubtful Accounts

Assessments receivable represent amounts due from interval owners for maintenance and taxes and special assessments. The budgeted amount of the annual assessment for the replacement fund is funded from annual cash receipts. All assessments receivable are presented in the operating fund.

The Association provides for estimated future losses to be incurred due to uncollectible assessments. The allowance is based on past collection and industry experience at amounts deemed to be sufficient to sustain any material losses that may result from unpaid accounts. Receivables are considered delinquent when they are 30 days past due. When all collection efforts have been exhausted, delinquent receivables are charged against the allowance. Factors which influence management's judgment in determining the appropriate allowance for doubtful accounts, and for charging off uncollectible accounts, include past collection experience and industry standards. For the year ended December 31, 2018, bad debt expense, net of recoveries, was \$1,258,336 and is recorded in the operating fund.

Coconut Palms Beach Resort II Owner's Association, Inc.
Notes to Financial Statements
December 31, 2018

Inventory

Inventory represents beer, wine, and food located at the Association's resort bar. Such inventory is carried at the lower of cost or net realizable value.

Inventory of Timeshare Intervals

The Association has acquired weekly interval units as a result of foreclosure, quit claim deed, or other circumstances. At December 31, 2018, the Association had 107 weekly interval units for sale. Inventory of weekly interval units is valued at the lower of cost or estimated net realizable value. The Association's management has estimated the net realizable value to be zero.

Property and Equipment

Common property acquired from the developer and others and related improvements to such property are not recognized in the Association's financial statements. Those properties are owned by the individual interval owners in common and not by the Association. Replacements, major repairs, and the purchase of additional commonly owned assets are accounted for as expenditures in the replacement fund.

Tangible property acquired for the maintenance and operation of the Association is capitalized in the financial statements.

Equipment is stated at cost. Repairs and maintenance are charged to expense as incurred, and betterments and renewals are capitalized. Gains or losses on disposal are credited or charged to operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is 3 to 5 years.

The assets were fully depreciated in a previous year; therefore, no depreciation expense has been recorded for the year ended December 31, 2018.

Prepaid Assessments

Prepaid assessments consist of 2019 and future maintenance and tax assessments received by the Association as of December 31, 2018.

Income Taxes

For the year ended December 31, 2018, the Association elected to be taxed as a homeowners association in accordance with Internal Revenue Code Section 528. Under that election, the Association is taxed only on its nonexempt function income, such as interest earnings, at a flat federal rate of 32%. Exempt function income, which consists primarily of members' assessments, is not taxable. When applicable, interest and penalties will be reported as administration expenses.

Casualty Loss Reimbursements

For the year ended December 31, 2018, reimbursements totaling \$112,589 related to damages sustained on the common property of the Association resulting from Hurricane Matthew in 2016 were received and recognized in the replacement fund in the statement of revenue, expenses, and changes in fund balance (deficit).

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09 (Revenue from Contracts with Customers (Topic 606)), which requires an entity to recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Coconut Palms Beach Resort II Owner’s Association, Inc.
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December 31, 2018

The guidance addresses, in particular, contracts with more than one performance obligation, as well as the accounting for some costs to obtain or fulfill a contract with a customer; and provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 for all entities by one year. With respect to non-public entities, this update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, and early adoption is permitted for fiscal years beginning after December 15, 2016. The effect of this guidance on the financial statements of the Association has not been determined.

Subsequent Events

The Association has evaluated subsequent events through May 13, 2019, the date which the financial statements were available to be issued. Based upon this evaluation, the Association has determined that no subsequent events have occurred which require adjustment to or disclosure in the financial statements.

3. OWNER ASSESSMENTS

Pursuant to the Declaration of Condominium and By-Laws of the Association, assessments (both regular and special) are allocated to the interval owners in the proportions or percentages provided in the Declaration. The annual budget and owner assessments are determined by the Board of Directors.

The 2018 assessments to unit owners were as follows:

	<u>Timeshare and Commercial</u>	<u>Wholly-Owned</u>
Maintenance	\$ 507	\$ 517
Replacement fund	78	112
Real estate taxes, as agent	69	-
	<u>\$ 654</u>	<u>\$ 629</u>

The Association is collecting assessments for and remitting real estate taxes on behalf of individual and commercial unit owners. Therefore, the real estate tax assessments and the related expenses are not presented on the Association’s statement of revenue, expenses, and changes in fund balance. Wholly-owned unit owners are responsible for paying real estate taxes on their respective units.

4. INVENTORY OF TIMESHARE INTERVALS

For the year ended December 31, 2018, operating assessments on the Association-owned intervals totaled approximately \$54,300. The reserve and real estate tax assessments for these intervals totaled approximately \$8,300 and \$7,300, respectively. The Association was not billed for these assessments and, accordingly, the related revenues and expenses have not been recognized.

5. MANAGEMENT AGREEMENT

The property and affairs of the Association are managed by Resort Management Services, Inc. (the “Management Company”), an affiliate of the developer. The management agreement is automatically renewed every three years unless terminated under provisions of the agreement. The term of the agreement was renewed under this provision.

Coconut Palms Beach Resort II Owner's Association, Inc.
Notes to Financial Statements
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Under the terms of the management agreement, the Association must pay a management fee of \$64 per unit week for timeshare intervals and \$29 per week for whole ownership units. Management fees incurred under this agreement during 2018 totaled \$362,952.

6. REPLACEMENT FUND

The Association's governing documents and Florida Statutes require the Association to accumulate funds for future major repairs and replacements. The funds are held in segregated accounts and are generally not available for expenditures for normal operations. All interest income earned on these accounts is allocated to the replacement fund.

The Association's Board of Directors conducted a study in 2018 to estimate the remaining useful lives and the current replacement costs of the components of common property. The table included in the supplementary information on future major repairs and replacements, which is unaudited, is based on that study.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the estimates of current replacement costs and considering the amounts previously accumulated in the replacement fund. Accordingly, funding of \$600,000 has been included in the 2019 budget.

Funds are being accumulated in the replacement fund based on the estimated current costs for repairs and replacements of common property components. Actual expenditures may vary from the estimated amounts, and the variation may be material. Consequently, the amounts accumulated in the replacement fund may not be adequate to meet future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to Board of Directors approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

During 2018, the operating fund transferred \$663,187 to the replacement fund for future major repairs and replacements.

At December 31, 2018, the operating fund owed the replacement fund \$134,916. The repayment of the interfund receivable due from the operating fund is dependent on the operating fund generating sufficient income to both cover the current expenses of the Association and to repay the replacement fund.

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2018:

Computers	\$ 42,382
Furniture and fixtures	18,232
Total	<u>60,614</u>
Less accumulated depreciation	<u>(60,614)</u>
Property and equipment, net	<u>\$ -</u>

Coconut Palms Beach Resort II Owner's Association, Inc.
Notes to Financial Statements
December 31, 2018

8. SPECIAL ASSESSMENTS

In 2018, the Board of Directors approved a special assessment to eliminate the Associations operating fund deficit and build reserves for future renovations. The assessment, which is accounted for in the operating fund, is to be paid in two equal installments of \$225 per unit owner, due on January 31, 2019 and April 30, 2019.

9. RELATED PARTY TRANSACTIONS

The Association is affiliated through common ownership and management with other owners associations and entities through its relationship with the developer and the Management Company. In addition to the fees paid to the Management Company (see Note 5), the Association pays Patton Hospitality Management, LLC ("Patton") a monthly resort and owner services fee to cover the cost of customer and member services, website, reservations, and marketing. Fees incurred under this arrangement totaled \$120,000 and are included in administration expenses for the year ended December 31, 2018. In addition, Patton charges accounting and data processing fees to the Association through corporate reimbursement. Fees for these services amounted to \$116,796 for the year ended December 31, 2018.

The Association has a contract with CRM of the Carolinas, LLC, an affiliate of Patton, to provide monthly maintenance and repairs to the Association as well as unit refurbishments as needed. Total expenses under this arrangement totaled \$565,236 and are recorded as \$217,447 in the operating fund and \$347,789 in the replacement fund.

Weekly intervals or wholly-owned units that are foreclosed for unpaid maintenance fees are owned by the Association. These intervals or units can be purchased as needed and seeded to the Club, an entity related to the Association by common management. At that time, the Club becomes the owner of the weekly interval or unit and is responsible for the maintenance assessments. During the year ended December 31, 2018, the Association derived approximately 20% of its assessments from the Club.

Due from the developer, and due to the Management Company and affiliate at December 31, 2018, consist of informal, noninterest bearing advances, which are in the nature of trade receivables and payables, due on demand.

10. INCOME TAXES

For the year ended December 31, 2018, nonexempt function income did not exceed the related expenses. Therefore, no federal income tax expense has been recorded.

The Association has no temporary differences relating to the recognition of income and expenses for financial and tax reporting purposes. Accordingly, no deferred tax assets or liabilities are recorded.

Management analyzed its various federal and state income tax filing positions and believes that no accruals for tax liabilities related to uncertain income tax positions are required at December 31, 2018. Therefore, no reserves for uncertain income tax positions have been recorded. During 2018, there were no increases or decreases in unrecognized tax benefits for current or prior years and no significant increases or decreases in unrecognized tax benefits are expected to occur within the next 12 months.

11. COMMITMENTS AND CONTINGENCIES

Concentrations of Credit Risk

Financial instruments which potentially subject the Association to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, consist primarily of bank accounts with balances, at times, in excess of amounts insured by the Federal Deposit Insurance Corporation and assessments receivable. Management of the Association evaluates the financial stability of its depositories and considers the risk of loss to be remote. The Association's assessments receivable and amounts due from the developer are related to billed assessments. The Association monitors the collectibility of these assessments receivable and pursues collection. Management routinely assesses the uncollectibility of the Association's assessments receivable and provides for allowances for doubtful accounts based on this assessment.

Insurance Matters

Management discusses and presents insurance valuations to the Board of Directors for review and approval. The Board of Directors authorizes the Management Company to acquire the insurance. In the event of a disaster, the Association could be exposed to losses for damages in excess of insurance coverage limits. Management considers this risk of loss to be remote and its insurance coverage adequate.

Timeshare Plan

In 2035, the timeshare plan automatically terminates and the owners become tenants in common. The members, by a majority vote, may continue the timeshare plan for an additional ten years. This process may then be repeated at the end of each successive ten-year period.



SUPPLEMENTARY INFORMATION

Coconut Palms Beach Resort II Owner's Association, Inc.
Schedule of Revenue and Expenses – Operating Fund
Year Ended December 31, 2018

	<u>Actual</u>	<u>Budget</u> <u>(Unaudited)</u>
Revenue		
Maintenance assessments	\$ 2,725,562	\$ 3,373,472
Special assessments	2,406,203	-
Rental income	204,651	248,191
Late charges	20,026	12,000
Other income	82,826	74,068
Total revenue	<u>5,439,268</u>	<u>3,707,731</u>
Expenses		
Administration		
Wages and benefits	146,298	134,525
Property and liability insurance	144,346	167,075
Audit and tax return fees	16,723	15,100
Management fees	362,952	362,944
Resort and owner services fee	120,000	91,620
Corporate reimbursement	116,796	116,794
Credit card fees	58,397	48,700
State division fees	12,688	12,700
Postage	3,916	300
Printing and administrative supplies	15,928	10,000
Contract services	52,156	35,561
Other	147,802	121,633
	<u>1,198,002</u>	<u>1,116,952</u>
Utilities		
Telephone	71,575	38,400
Electric	156,086	175,942
Gas	60,367	65,000
Water and sewer	108,761	109,500
Other	106,156	78,300
	<u>502,945</u>	<u>467,142</u>
Maintenance and grounds		
Contract services	355,857	368,299
Repairs and maintenance	130,600	118,100
Plumbing	17,966	10,500
Lighting	2,728	-
Other	27,713	8,000
	<u>534,864</u>	<u>504,899</u>

Continued

**Coconut Palms Beach Resort II Owner's Association, Inc.
Schedule of Revenue and Expenses – Operating Fund
Year Ended December 31, 2018**

	<u>Actual</u>	<u>Budget (Unaudited)</u>
Housekeeping and laundry		
Wages and benefits	173,355	225,906
Supplies and linen	111,375	105,854
Contract services	614,408	552,632
	<u>899,138</u>	<u>884,392</u>
Activities		
Wages and benefits	59,994	75,127
Supplies and other	30,138	15,500
Bar costs	26,011	8,343
	<u>116,143</u>	<u>98,970</u>
Bad debt, net of recoveries	<u>1,258,336</u>	<u>438,919</u>
Total expenses	<u>4,509,428</u>	<u>3,511,274</u>
Excess of revenue over expenses	<u>\$ 929,840</u>	<u>\$ 196,457</u>

Coconut Palms Beach Resort II Owner's Association, Inc.
Schedule of Future Major Repairs and Replacements (Unaudited)
December 31, 2018

An independent specialist conducted a study in 2018 to estimate the remaining useful lives and the current replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs do not take into account the effects of inflation between the date of the study and the date the components will require repair or replacement. On an annual basis, the Board of Directors review the estimated remaining useful lives and estimated current replacement costs and adjusts them as necessary.

The following table is based on that study and presents significant information about the components of common property:

Components	Remaining Estimated Useful Lives	Estimated Current Replacement Costs	Fund Balance (Deficit) December 31, 2017	Additions and Transfers	Expenditures	Fund Balance (Deficit) December 31, 2018
Roof	12 – 20 years	\$ 410,732	\$ 194,885	\$ 34,818	\$ 3,363	\$ 226,340
Building painting	6 – 10 years	247,808	138,178	14,921	396	152,703
Pavement resurfacing	11 – 18 years	46,463	47,818	-	-	47,818
Building and grounds	7 – 18 years	845,500	(553,887)	878,112	293,335	30,890
Unit furnishing and equipment	2 – 10 years	<u>1,728,000</u>	<u>260,925</u>	<u>445,070</u>	<u>1,021,013</u>	<u>(315,018)</u>
		<u>\$ 3,278,503</u>	<u>\$ 87,919</u>	<u>\$ 1,372,921</u>	<u>\$ 1,318,107</u>	<u>\$ 142,733</u>