

**Blue Cypress Golf & RV
Resort Condominium
Association, Inc.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

December 31, 2017



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Blue Cypress Golf & RV Resort Condominium Association, Inc.

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December 31, 2017**

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Carr, Riggs & Ingram, LLC
Certified Public Accountants
500 Grand Boulevard
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of
Blue Cypress Golf & RV Resort Condominium Association, Inc.
Okeechobee, Florida

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Report on the Financial Statements

We have audited the accompanying financial statements of Blue Cypress Golf & RV Resort Condominium Association, Inc., which comprise the Balance Sheet as of December 31, 2017, 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.

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.

Auditors' 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 Blue Cypress Golf & RV Resort Condominium Association, Inc. as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Blue Cypress Golf & RV Resort Condominium Association, Inc.'s 2016 financial statements, and our report dated March 14, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information contained in the Schedule of Changes in Replacement Fund Balance and Schedule of Operating Fund Revenues and Expenses – Budget and Actual, 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 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
March 26, 2018

Blue Cypress Golf & RV Resort Condominium Association, Inc.
Balance Sheet

<i>December 31,</i>	2017			2016	
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)	
Assets					
Cash and cash equivalents	\$ 80,034	\$ 248,467	\$ 328,501	\$	489,083
Certificates of deposit	-	294,960	294,960		231,348
Accounts receivable	1,119	-	1,119		20
Prepaid expenses	1,372	-	1,372		1,372
Property and equipment, net	17,425	-	17,425		22,975
Utility deposit	40	-	40		40
Total assets	\$ 99,990	\$ 543,427	\$ 643,417	\$	744,838
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 6,239	\$ -	\$ 6,239	\$	7,857
Prepaid assessments	24,203	-	24,203		31,340
Prepaid golf membership dues	7,924	-	7,924		10,108
Total liabilities	38,366	-	38,366		49,305
Fund balance					
Designated for deferred capital maintenance	43,754	-	43,754		58,131
Reserved for future major repairs and replacements	-	543,427	543,427		593,033
Undesignated	17,870	-	17,870		44,369
Total fund balance	61,624	543,427	605,051		695,533
Total liabilities and fund balance	\$ 99,990	\$ 543,427	\$ 643,417	\$	744,838

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

Blue Cypress Golf & RV Resort Condominium Association, Inc.
Statement of Revenues, Expenses and Changes in Fund Balance

<i>Year ended December 31,</i>	2017			2016
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Revenues				
Regular assessments	\$ 397,183	\$ 107,141	\$ 504,324	\$ 504,324
Golf membership fees	19,674	-	19,674	18,390
Interest income	5	5,342	5,347	4,974
Miscellaneous income	10,747	-	10,747	9,739
Total revenues	427,609	112,483	540,092	537,427
Expenses				
Administrative	24,257	-	24,257	16,541
Depreciation	5,550	-	5,550	7,260
Golf course maintenance	20,362	-	20,362	16,466
Insurance	34,040	-	34,040	31,173
Maintenance and repairs	193,319	162,089	355,408	300,133
Personnel	132,977	-	132,977	118,263
Utilities	57,980	-	57,980	58,859
Total expenses	468,485	162,089	630,574	548,695
Excess (deficit) of revenues over expenses	(40,876)	(49,606)	(90,482)	(11,268)
Beginning fund balance	102,500	593,033	695,533	706,801
Ending fund balance	\$ 61,624	\$ 543,427	\$ 605,051	\$ 695,533

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

Blue Cypress Golf & RV Resort Condominium Association, Inc.
Statement of Cash Flows

<i>Year ended December 31,</i>	2017			2016
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Operating activities				
Assessments collected	\$ 388,947	\$ 107,141	\$496,088	\$ 510,394
Golf membership fees collected	17,490	-	17,490	19,127
Interest income received	5	5,342	5,347	4,974
Miscellaneous income received	10,747	-	10,747	9,739
Cash paid for expenses	(464,553)	(162,089)	(626,642)	(532,702)
Interfund balance	-	-	-	-
Net cash provided (used) by operating activities	(47,364)	(49,606)	(96,970)	11,532
Investing activities				
Purchase of certificates of deposit	-	(63,612)	(63,612)	(4,551)
Net cash provided (used) by investing activities	-	(63,612)	(63,612)	(4,551)
Net increase (decrease) in cash and cash equivalents	(47,364)	(113,218)	(160,582)	6,981
Cash and cash equivalents at beginning of year	127,398	361,685	489,083	482,102
Cash and cash equivalents at end of year	\$ 80,034	\$ 248,467	\$328,501	\$ 489,083

(continued)

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

Blue Cypress Golf & RV Resort Condominium Association, Inc.
Statement of Cash Flows (Continued)

<i>Year ended December 31,</i>	2017			2016
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Reconciliation of excess (deficit) of revenues over expenses to net cash provided (used) by operating activities:				
Excess (deficit) of revenues over expenses	\$ (40,876)	\$ (49,606)	\$ (90,482)	\$ (11,268)
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash provided (used) by operating activities:				
Depreciation	5,550	-	5,550	7,260
Changes in operating assets and liabilities:				
Accounts receivable	(1,099)	-	(1,099)	318
Prepaid expenses	-	-	-	1,518
Accounts payable	(1,618)	-	(1,618)	7,215
Prepaid assessments	(7,137)	-	(7,137)	5,752
Prepaid golf membership dues	(2,184)	-	(2,184)	737
Net cash provided (used) by operating activities	\$ (47,364)	\$ (49,606)	\$ (96,970)	\$ 11,532

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

Blue Cypress Golf & RV Resort Condominium Association, Inc.
Notes to Financial Statements

NOTE 1: ORGANIZATION

Blue Cypress Golf & RV Resort Condominium Association, Inc. (the "Association"), a Florida not-for-profit corporation, was formed on March 1, 1991. Membership in the Association consists of the 248 residential unit owners of this Florida condominium. The condominium is located in Okeechobee, Florida.

The Association was organized for the purpose of maintaining and protecting the elements owned by the unit owners in common, including roadways, greenways, clubhouse, association office, a golf course, utility plant, covered spaces and recreational areas. Disposition of common area property requires consent of the members in accordance with the governing documents and Florida Statutes. The Association also provides water and sewer services for the individual units.

All policy decisions, including the annual budget and owners' assessments, are formulated by the Board of Directors. Major decisions are referred to the general Association membership before action is taken.

Management and accounting services are provided to the Association by their Board and an in house office manager.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Association's significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements include the assets, liabilities, fund balances, revenues, and expenses as determined using the accrual basis of accounting. The financial statements include certain prior year summarized comparative information; however, certain prior year disclosures have not been included. The presented disclosures do not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Funds

The Association is a not-for-profit organization which employs the fund method of accounting in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors, the Association voting membership, or applicable Florida Statute. The financial statements segregate the accounting for such funds as Operating or Replacement. At the end of the year, excess funds are retained by the fund generating such excess during the year.

Blue Cypress Golf & RV Resort Condominium Association, Inc.
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds (Continued)

The Operating Fund is used to account for financial resources available for the general operation of the Association. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors and the Association's Manager.

The Replacement Fund is generally used to account for assessments made for major repair and replacement of common property, and related expenses. Disbursements from the Replacement Fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association membership. Interest income earned in the Replacement Fund is maintained in the Replacement Fund.

The Association has designated \$43,754 of its Operating Fund balance to a deferred capital maintenance account. A designation of fund balance represents management and the Board's tentative plans and use of this money. The Association has set up a separate bank account for these funds to be segregated for this purpose. However, management and the Board can use these funds at any time for any purpose since these funds are not restricted by the membership or by Florida Statutes as replacement funds are restricted.

Revenue Recognition

Regular assessments to members and golf membership fees are recognized as revenue during the period for which they are assessed or earned. Assessments and golf membership fees received in advance for the subsequent period are reported as prepaid assessments or prepaid golf membership fees on the Balance Sheet.

Accounts Receivable from Owners and Allowance for Doubtful Accounts

Accounts receivable from owners are reported at the outstanding balance due from owners, net of any allowance for doubtful accounts. The Association provides for doubtful accounts based on experience and analysis of individual accounts. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific accounts are determined to be uncollectable, they are written off by charging the allowance and crediting the receivable. Since management considers all receivables to be collectable at December 31, 2017, no allowance has been established at this time.

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.

Blue Cypress Golf & RV Resort Condominium Association, Inc.
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalization and Depreciation

Real property acquired by the Association is capitalized when it (a) is used to generate significant cash flows from members on the basis of usage or from nonmembers or (b) can be disposed of for cash with the Association retaining the proceeds. Real property acquired by the Association that does not meet these guidelines is not capitalized, and accordingly, replacements, major repairs, and improvements to this property are not capitalized; instead, they are reported as expenses in the fund making the expenditure. Real property that has not been capitalized includes roadways, greenways, clubhouse, association office, a golf course, utility plant, covered spaces and recreational areas. The golf course has not been capitalized since its operation does not provide significant cash flows from its members based upon their usage.

Personal property acquired by the Association is capitalized at cost. It is depreciated over its estimated useful life using the straight-line method of depreciation.

Cash Equivalents

For the purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less, such as money market accounts, to be cash equivalents.

Date of Management's Review

In preparing the financial statements, the Association's management has evaluated events and transactions for potential recognition or disclosure through March 26, 2018, which is the date the financial statements were available to be issued.

NOTE 3: OWNERS' ASSESSMENTS

Revenues and expenses are allocated to the unit owners equally, and accordingly, assessment rates are established using this formula. The rate for 2017 was approximately \$169 per month. Regular assessments for the year ended December 31, 2017 totaled \$504,324, of which \$107,141 was allocated to the Replacement Fund.

NOTE 4: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and Florida Statutes require the Association to accumulate funds for future major repairs and replacements, unless otherwise decided by the voting membership. The Association has adopted a program to accumulate funds for estimated future major repairs and replacements through regular assessments.

Blue Cypress Golf & RV Resort Condominium Association, Inc.
Notes to Financial Statements

NOTE 4: FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

The Association uses the cash flow method (i.e. pooled reserve method) of funding the Replacement Fund which pools the reserve components.

The Board of Directors annually reviews the major components of common property. As a part of this review, the Board re-evaluates the estimated remaining useful lives and the estimated replacement costs of each of the components of the Replacement Fund. Where applicable, licensed contractors and architects are consulted regarding useful lives and replacement costs. The Board of Directors last performed a review of the estimated replacement costs, remaining lives, and funding requirements for the reserve components in 2017, based on professional reserve study performed in 2017.

The Association is funding for future repairs and replacements over the estimated useful lives of the components based on their study's estimates of replacement costs and considering amount previously accumulated in the Replacement Fund. Accordingly, the funding amount of \$107,141, based on a full funding plan, was included in the 2017 budget.

Actual expenditures may vary from the estimated amounts and the variations may be significant; therefore, amounts accumulated in the Replacement Fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE 5: INCOME TAXES

The Association elected to file its tax return for 2017 as a regular corporation on Form 1120. As such, the Association must comply with Internal Revenue Code (IRC) Section 277, which applies to certain membership organizations. Under IRC Section 277, the Association is required to separate membership income and expenses from nonmembership income and expenses. Each component is taxed separately; however, net membership income is exempt from taxation if certain elections are made. For the year ended December 31, 2017, the Association had a net nonmembership loss of \$9,761. No federal or state income taxes are due for 2017.

The Association's cumulative net operating losses of \$81,269 can be carried forward to offset future net nonmembership income, if needed and will expire in the years 2032 through 2037. This net operating loss represents a deferred tax asset of approximately \$17,066. However, since the Association does not expect to have significant nonmembership income in the future and since it is more likely than not that this deferred tax asset will not be realized in the future, a valuation allowance of \$17,066 was used to reduce this deferred tax asset.

The Association is not aware of any uncertain tax positions that would require accrual or disclosure in the financial statements.

Blue Cypress Golf & RV Resort Condominium Association, Inc.
Notes to Financial Statements

NOTE 6: WINDSTORM DEDUCTIBLE

The insurance policy for windstorm coverage renewed April 2017. The deductible amount for named hurricane storms is approximately \$82,500, which represents 5% of the insured value of the residential building.

NOTE 7: CREDIT RISK

The Association assesses regular and special assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual condominium units. Should the collection of any such liens be enforced by the sale of the unit, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens that have priority. Market value may be influenced by the real estate market in Okeechobee, Florida.

NOTE 8: CERTIFICATES OF DEPOSIT

At December 31, 2017, the Association had \$294,960 of Replacement Fund monies in five certificates of deposit at two local financial institutions. The carrying value of these certificates of deposit is cost plus its accrued interest.

NOTE 9: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

December 31,	2017
Furniture and fixtures	\$ 20,322
Equipment	90,110
Golf equipment	82,420
Total cost	192,852
Less accumulated depreciation	(175,427)
Property and equipment, net	\$ 17,425

Depreciation expense for the year ended December 31, 2017 was \$5,550.

Blue Cypress Golf & RV Resort Condominium Association, Inc.
Notes to Financial Statements

NOTE 10: SUBSEQUENT EVENT

In January 2018, the Association entered into a contract with Luviano Roofing Co., Inc. totaling \$41,500 for the installation of a metal roof for the clubhouse. The Association expects the project to be completed in the first quarter of 2018.



Supplementary Information

Blue Cypress Golf & RV Resort Condominium Association, Inc.
Schedule of Changes in Replacement Fund Balance

<i>Year ended December 31,</i>	2017			
Component	Beginning Balance	Revenues	Expenses	Ending Balance
Pooled items:				
Water treatment			\$ 84,145	
Sewage treatment			37,560	
Amenities			18,946	
Other mechanical			21,438	
Total	\$ 593,033	\$ 112,483	\$ 162,089	\$ 543,427

Blue Cypress Golf & RV Resort Condominium Association, Inc.
Schedule of Operating Fund Revenues and Expenses – Budget and Actual

Year ended December 31,

2017

	Actual	Budget (Unaudited)	Variance Favorable (Unfavorable) (Unaudited)
Revenues			
Regular assessments	\$ 397,183	\$ 396,647	\$ 536
Golf membership fees	19,674	20,000	(326)
Interest income	5	-	5
Miscellaneous Income	10,747	-	10,747
Total revenues	427,609	416,647	10,962
Expenses			
Administrative	24,257	38,863	14,606
Depreciation	5,550	-	(5,550)
Golf course maintenance	20,362	20,700	338
Insurance	34,040	32,764	(1,276)
Maintenance and repairs	193,319	188,760	(4,559)
Personnel	132,977	126,740	(6,237)
Utilities	57,980	50,820	(7,160)
Total expenses	468,485	458,647	(9,838)
Excess (deficit) of revenues over expenses	\$ (40,876)	\$ (42,000)	\$ 1,124

Blue Cypress Golf & RV Resort Condominium Association, Inc.
Supplementary Information on Future Major Repairs and Replacements
(Unaudited)

The following table is based on the professional reserve study obtained in 2017 and presents significant information about the components of common property:

Component	Estimated Remaining Useful Life (Years)	Estimated Replacement Cost	Replacement Fund Balance 12/31/17
Site and grounds	1 - 13	\$ 490,500	
Water treatment	0 - 13	325,560	
Sewage treatment	0 - 11	157,775	
Amenities	0 - 28	152,920	
Other mechanical	0 - 11	137,340	
Total		\$ 1,264,095	\$ 543,427