Phoenix V Association, Inc. **FINANCIAL STATEMENTS (AND SUPPLEMENTARY INFORMATION)** December 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of Phoenix V Association, Inc.

Opinion

We have audited the accompanying financial statements of Phoenix V Association, Inc., which comprise the Balance Sheet as of December 31, 2021, and the related statements of Revenue, Expenses and Changes in Fund Balance and Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Phoenix V Association, Inc. as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Phoenix V Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are condition or events, considered in the aggregate, that raise substantial doubt about Phoenix V Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether
 due to fraud or error, and design and perform audit procedures responsive to those risks.
 Such procedures include examining, on a test basis, evidence regarding the amounts and
 disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit
 procedures that are appropriate in the circumstances, but not the purpose of expressing an
 opinion on the effectiveness of Phoenix V Association, Inc.'s internal control. Accordingly, no
 such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the over presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about Phoenix V Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Phoenix V Association, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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 Accumulated Funds for Future Major Repairs and Replacements and Schedule of Operating Fund Revenue 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which 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, LLC

Can, Rigge & Ingram, L.L.C.

Oneonta, AL June 6, 2022

Phoenix V Association, Inc. Balance Sheet

December 31,				2021			2020
		Operating Fund	R	eplacement Fund		Total	Total (For Comparative Purposes)
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Assets							
Cash and cash equivalents	\$	435,238	\$	2,482,582	\$	2,917,820	\$ 1,945,067
Accounts receivable, net		5,191		7,946		13,137	2,389
Insurance proceeds receivable		12,270		-		12,270	-
Prepaid insurance		177,445		-		177,445	154,771
Prepaid expenses		1,413		-		1,413	14,464
Property and equipment, net		3,909		17,229		21,138	16,735
Interfund balance		(473,470)		473,470		-	-
Total assets	\$	161,996	\$	2,981,227	\$	3,143,223	\$ 2,133,426
Liabilities and Fund Balance							
Liabilities							
Accounts payable	\$	104,060	\$	99,074	\$	203,134	\$ 198,422
Accounts payable-related		6,307		-		6,307	56,870
Notes payable		-		-		-	24,302
Prepaid assessments		61,913		60,546		122,459	28,863
Rent received in advance		425,918		-		425,918	434,655
Performance obligation		-		2,821,607		2,821,607	1,785,228
Total liabilities		598,198		2,981,227		3,579,425	2,528,340
Fund balance (deficit)		(436,202)		-		(436,202)	(394,914)
Tara 115 15 15 15 15 15 15 15 15 15 15 15 15							
Total liabilities and	_	464.000		2 004 227	<u>,</u>	2 4 42 222	¢ 2422425
fund balance	\$	161,996	\$	2,981,227	\$	3,143,223	\$ 2,133,426

Phoenix V Association, Inc. Statement of Revenue, Expenses and Changes in Fund Balance

For the year ended December 31,			2021			2020
						Total (For
		Operating	Replacement			Comparative
		Fund	Fund		Total	Purposes)
Revenue						
Regular assessments	\$	1,973,916	\$ -	\$	1,973,916	\$ 1,775,000
Special assessments	,	-,-:-,	929,618	-	929,618	426,207
Service fee and guest registration		429,147	-		429,147	232,863
Beach concession and vending		68,026	-		68,026	53,421
Insurance proceeds		12,270	-		12,270	25,351
Antenna space rental		8,737	_		8,737	22,209
Interest income		638	4,686		5,324	9,645
Miscellaneous income		18,781	,		18,781	1,890
Total revenue		2,511,515	934,304		3,445,819	2,546,586
					-, ,	
Expenses Panairs and maintanance		104 574			104 574	220 467
Repairs and maintenance		194,574	- 272 F04		194,574	229,467
Parking garage		1 710	372,581		372,581	289,656
Hurricane & tropical storm repairs		1,716	169,603		171,319	482,727
General maintenance		77,444	- 62.540		77,444	82,151
Outdoor pool and splash pad		6,763	63,549		70,312	-
Lobby enhancements		-	68,376		68,376	30,932
All in/ insurance claims		66,113	-		66,113	42,050
Stairwell painting		-	49,525		49,525	-
Elevator maintenance		45,205	-		45,205	31,819
Atrium investigation and repair		-	39,366		39,366	-
Lawn maintenance		37,492	-		37,492	39,674
Indoor pool		-	26,054		26,054	20,840
HVAC water pumps and controls		-	25,000		25,000	-
Window/glass door		11,313	10,919		22,232	21,016
Water supply main		-	19,174		19,174	-
Balcony closet and unit entry doors		_	14,862		14,862	-
South wall stucco		_	1,290		1,290	_
Resurfacing of tennis court		_	-,		_,	22,375
Turtle lighting		_	_		_	20,903
Hot tub project		_	_		_	18,309
Rooftop exhaust fans		_	_		_	15,000
Contract labor (salaries/payroll taxes)		700,216			700,216	389,636
Insurance		449,674	_		449,674	388,131
Utilities		268,577	_		268,577	265,344
			-			
Security		220,416	-		220,416	212,395
Television and internet services		222,660	-		222,660	220,560
Professional services		111,806	-		111,806	49,498
Management fees		91,977	-		91,977	53,352
Garbage service		48,165	-		48,165	48,166
Administrative		33,582	10,745		44,327	39,779
Pest control		22,011	-		22,011	22,062
Interest		367	-		367	3,460
Depreciation		1,702	4,290		5,992	5,668
Total expenses		2,611,773	875,334		3,487,107	3,044,970
Excess (deficit) of revenue over expenses		(100,258)	58,970		(41,288)	(498,384)
Beginning Fund Balance (deficit)		(394,914)	-		(394,914)	103,470
Interfund transfer		58,970	(58,970)		-	-
Ending Fund Balance (deficit)	\$	(436,202)	\$ -	\$	(436,202)	\$ (394,914)

Phoenix V Association, Inc. Statement of Cash Flows

(241,573)

1,075,223

869,844

(2,713)

(24,302)

(24,302)

972,753

1,945,067

435,238 \$ 2,482,582 \$ 2,917,820 \$ 1,945,067

(58,970)

626,580

1,856,002

For the year ended December 31,		2021							
	C	Operating Fund	Replacement Fund	Total	Comparative Purposes)				
Operating Activities									
Excess (deficit) of revenue over expenses	\$	(100,258)	\$ 58,970	\$ (41,288)	\$ (498,384)				
Adjustments to reconcile excess (deficit)									
of revenue over expenses to net cash									
provided by operating activities:									
Depreciation		1,702	4,290	5,992	5,668				
Changes in operating assets and liabilities:									
Accounts receivable		(2,802)	(7,946)	(10,748)	(235)				
Insurance proceeds receivable		(12,270)	-	(12,270)	-				
Prepaid insurance		(22,674)	-	(22,674)	(13,148)				
Prepaid expenses		13,051	-	13,051	(12,600)				
Accounts payable		(26,425)	(19,426)	(45,851)	147,668				
Prepaid assessments		38,150	55,446	93,596	(88,235)				
Rent received in advance		(8,737)	-	(8,737)	432,430				
Performance obligation		-	1,036,379	1,036,379	1,120,292				
Interfund balance		435,663	(435,663)	-	-				
Net cash provided by operating activities		315,400	692,050	1,007,450	1,093,456				
Investing Activities									
Purchase of equipment		(3,895)	(6,500)	(10,395)	(15,520)				
Net cash provided by investing activities		(3,895)	(6,500)	(10,395)	(15,520)				
Financing Activities									
Interfund transfer		58,970	(58,970)	-	-				
Borrowings on notes payable		-	-	-	238,860				

Principal and interest payments on notes payable

Net cash provided (used) by financing activities

Net increase in cash

Cash at end of year

Cash at beginning of year

Interest paid \$ 367 \$ - \$ 367 \$ 3,460

(24,302)

34,668

346,173

89,065

NOTE 1: DESCRIPTION OF THE ORGANIZATION

Phoenix V Association, Inc., ("Association") an Alabama not-for-profit Corporation, was formed on April 19, 1996. Membership in the Association consists of the 247 residential unit owners of this Alabama condominium. The condominium complex is located on approximately 9 acres in Orange Beach, Alabama.

The Association was organized for the purpose of maintaining and protecting the elements owned by the unit owners in common, including the lobby, parking garage, and recreational facilities, such as a pool, splash pad and tennis court. Disposition of common area property requires consent of the members in accordance with the Association's governing documents and Alabama Statutes. The Association also provides television, internet, water, sewer, and garbage for the individual units

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

Management and accounting services are currently provided to the Association by Coastline Management, LLC. Brett Robinson Gulf Corporation previously provided those services, until the service agreement was terminated in May 2021. The Association does not operate a rental program; instead, individual unit owners have contracted with Brett Robinson Gulf Corporation or various other real estate companies to lease their individual rental units.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs). The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does 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, 2020, from which the summarized information was derived.

Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Alabama Statute. The financial statements segregate the accounting for such funds as Operating or Replacement Funds. At the end of the year, excess funds are retained by the fund generating such excess during the year.

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.

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 Alabama Statutes and the purposes established by the Board of Directors and the Association membership. Interest income earned in the Replacement Fund is allocated to the pooled components.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid debt instruments with an original maturity of 90 days or less.

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 an allowance for doubtful accounts based on experience and analysis of individual accounts. When specific accounts are determined to be uncollectible, they are written off by charging the allowance and crediting the receivable. Since management considers all receivables to be collectible at December 31, 2021, no allowance has been established at this time.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the Balance Sheet. These items will be expensed over the applicable usage period.

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 does not meet the criteria to be capitalized is identified in Note 1. Capitalized property is measured at cost and is depreciated over its estimated useful life using the straight-line method. See Note 9 for further details.

Contract Assets and Liabilities

Contract assets represent revenue recognized in excess of amounts billed. No such amounts are reported on the Balance Sheet as of December 31, 2021. Contract liabilities represent revenue collected in advance of the contract period or amounts billed in excess of revenue recognized. These liabilities are reported on the Balance Sheet as prepaid assessments and performance obligation liabilities.

Revenue Recognition

The Association recognizes revenue when performance obligations under the terms of the contracts with customers are satisfied. Revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. For purposes of this Association, the definition of customers includes the Association's members.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 6, 2022. See Note 13 for relevant disclosure.

929,618 \$ 2,903,534

NOTE 3: OWNERS' ASSESSMENTS

Total assessments

Revenue and expenses are allocated to the unit owners based on the number of bedrooms per unit or location of unit, and accordingly, assessment rates are established using this formula. The rates for 2021 ranged from \$463 to \$829 per month. Other areas of the complex, such as maintenance, sales office, front desk, and housekeeping spaces, also are charged monthly assessment rates. These rates are billed to the entity that uses that area. Budgeted regular assessments and levied special assessments for the year ended December 31, 2021 totaling \$3,224,371; of which \$1,245,880 was allocated to the replacement fund.

The following table reconciles budgeted regular assessments to the amounts recognized as assessment revenue in the Statement of Revenues, Expenses, and Changes in Fund Balance:

		2021		
Operating	R	eplacement		
Fund		Fund		Total
\$ 1,978,491	\$	1,245,880	\$	3,224,371
(9,125)		-		(9,125)
4,550		-		4,550
-		720,116		720,116
-		(1,036,378)		(1,036,378)
\$	\$ 1,978,491 (9,125)	Fund \$ 1,978,491 \$ (9,125)	Operating Fund Replacement Fund \$ 1,978,491 \$ 1,245,880 (9,125) - 4,550 - 720,116	Operating Fund Replacement Fund \$ 1,978,491 \$ 1,245,880 \$ (9,125) 4,550 - -

The Association levied a special replacement fund assessment totaling \$1,245,880 during the year ended December 31, 2021 to fund capital improvements and future major repairs and replacements. The special assessment was allowed to be paid in two payments during the year, and individual owner assessments ranged from \$3,551 to \$6,354. The Association also levied two special parcel assessments, related to Hurricane Sally related expenses, totaling \$720,116. These assessments were issues to reimburse expenses paid by the Association that exceeded insurance proceeds and were legally required to be paid by owners based on condo association documents.

\$ 1,973,916 \$

During the year ended December 31, 2021, the Association had incurred special assessment fee and replacement fund project expenses totaling \$875,334, including depreciation. Accordingly, the Association recognized a similar amount of revenue and interfund transfers in the accompanying statement of revenue, expenses, and changes in fund balance. The remaining balance of the 2021 special replacement and parcel assessments is approximately \$1,036,378, which is included in the replacement fund performance obligation liability in the accompanying financial statements. The remaining portion of this performance obligation related to these special assessments will be recognized as revenue when the related special assessment expenses are incurred. The Association expects the projects to be completed at various times in the future.

NOTE 4: REVENUE RECOGNITION

As disclosed in Note 2 to the financial statements, the Association's customers consist of its members, which are unit owners within the condominium complex. The contracts between these customers and the Association primarily relate to maintaining, managing, and providing access to the property and amenities owned in common by the unit owners. In addition, the Association's customers include individuals or entities who utilize certain areas of the complex, such as maintenance area, front desk space, sales office, and housekeeping areas.

Performance Obligations

The Association's revenue is derived primarily from assessments to its members and designated complex areas for certain departments, as previously mentioned. The Association generally recognizes its revenue from contracts with customers over time with the exception of reserve assessments, which are being recognized at a point in time. As of December 31, 2021, the Association has a performance obligation liability totaling \$2,821,607 for future major repairs and/or replacements of specific components of common property. The assessments related to this performance obligation are generally reported in the Replacement Fund and will be recognized as revenue at the point in time when the funds are expended for their designated purpose.

Financial Accounting Standards Board (FASB) Topic 606, Revenue from Contracts with Customers, does not apply to the income earned from antenna lease, interest income, and insurance proceeds. The guaranteed annual antenna lease payments under the long-term lease agreement are recognized as revenue on a straight-line basis over the lease term, and any variable lease payments under this agreement are recognized as revenue in the period in which the changes in the facts and circumstances on which the variable lease payments are based occur.

Significant Judgments

For those revenue items recognized over time, the Association generally utilizes the input method of measurement, where revenue is recognized based on the Association's efforts towards the satisfaction of a performance obligation. For operating fund amounts, revenue is recognized as time elapses and the Association performs routine maintenance, protection, and management of the common area property. For replacement fund amounts, the Association recognizes revenue at the point in time when reserve expenses of special assessment projects expenses are incurred.

NOTE 4: REVENUE RECOGNITION (Continued)

Disaggregated Revenue

The Association derives its revenue from various activities and sources having different qualitative factors that may affect the amount, timing, or uncertainty of revenues and cash flows. The following chart contains disaggregated revenue information that reflects these qualitative factors.

For the year ended December 31,	2021
Recognized over time	
Operating fund assessments	\$ 1,973,916
Recognized at a point in time	
Special replacement assessments	209,501
Special parcel assessments	720,117
Service fee and guest registration income	429,147
Beach concession and vending income	68,026
Miscellaneous income	18,781
Not subject to ASC Topic 606	
Insurance proceeds	12,270
Antenna rent	8,737
Interest income	5,324
Total revenue	\$ 3,445,819

The following table presents information about accounts receivable, contract assets, and contract liabilities:

For the year ended December 31,	2021
Accounts receivable, net - beginning balance	\$ 2,389
Accounts receivable, net - ending balance	13,137
Contract assets - no beginning or ending balance for the year	-
Contract liabilities	
Prepaid assessments - beginning balance	28,863
Prepaid assessments - ending balance	122,459
Performance obligation liabilities - beginning balance	1,785,228
Performance obligation liabilities - ending balance	2,821,607

NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, and Alabama 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 and special assessments.

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 June 2019.

The Association is funding for future major repairs and replacements over the estimated remaining useful lives of the components based on their study's estimates of current replacement costs and considering amounts previously accumulated in the Replacement Fund. During the year ended December 31, 2019, the Association had a reserve study performed, which led to future special assessments. The owners voted not to fully fund the Replacement Fund at one time. Accordingly, a special assessment funding requirement of \$1,245,880 for the current year was based on a partial funding plan. This was approved during the 2019 Owner's Association annual meeting. The Association levied this special assessment in 2021 and \$720,116 of this special assessment is included in performance obligation liability at December 31, 2021. The Replacement Fund is not being funded at the recommended level sufficient to prevent the need for a special assessment.

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 6: INCOME TAXES

The Association elected to file its tax return for 2021 as a homeowner association on Form 1120H. As such, the Association must comply with Internal Revenue Code (IRC) Section 528, which applies specifically to homeowner associations. Under IRC Section 528, the Association is not taxed on income and expenses directly related to its exempt purpose, which is the management, maintenance and protection of Association property. However, net nonexempt function income, such as interest income and revenues from nonmembers, is taxed for federal purposes at a flat 30% rate. Nonexempt function income is reduced, for tax purposes, by expenses directly connected for the production of nonexempt income. In instances where the Association uses facilities for both exempt and nonexempt income, expenses may be allocated between the two uses on a reasonable basis per Internal Revenue Code Section 1.528-10. For the year ended December 31, 2021, the Association's net nonexempt function loss was \$90,545 that resulted in no federal income tax expense. Alabama state income taxes do not apply to associations that qualify under IRC Section 528.

NOTE 6: INCOME TAXES (Continued)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association's policy is to record interest expense or penalties related to income tax in (operating) expense. For the year ended December 31, 2021, no interest or penalties were paid or accrued. The Association is subject to routine audits by taxing jurisdictions; however, there are no audits for any tax periods in progress. The Association's management believes it is no longer subject to income tax examinations for years prior to 2018.

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 Orange Beach, Alabama.

The Association places its cash and certificates of deposit with federally insured financial institutions. At times, the balances at these financial institutions may exceed the FDIC insured limit. The Association has cash deposits with financial institutions at December 31, 2021, in excess of federally insured limits by approximately \$1,350,000.

NOTE 8: CONTINGENCIES & WINDSTORM INSURANCE

The insurance policy for flood, coverage renewed May 1, 2021. The deductible amount for named hurricane storms is estimated at \$2,512,974, which represents 3% of the insured value of the residential building.

Risk Management

The Association is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; natural disasters; and health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Outstanding claims are not believed to exceed commercial coverage in 2021.

NOTE 9: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

December 31,	2021
Furniture and décor	\$ 54,330
Fitness Equipment	16,027
Dehumidifiers	15,520
Pool Furniture	14,742
Floor scrubber and carpet cleaner	6,490
Luggage carts	2,351
Total cost	109,460
Accumulated depreciation	(88,322)
	<u> </u>
Property and equipment, net	\$ 21,138

NOTE 10: RENTAL INCOME

During 2020, the Association earned cell tower rental income totaling \$22,209, which was included on the accompanying Statement of Revenues, Expenses, and Changes in Fund Balance. The Association provided a cellphone company use of the Association's rooftops. This cellphone company must maintain their own utilities, insurance, and taxes associated with operations. The cellphone lease had an original lease term of 5 years dated April 1997, and was subject to four automatically renewed additional 5-year term extensions. The lease amount was amended for the remainder of the term in August 2018. The current lease term was set to expire in April 2022, but was terminated in May 2020, with payments continuing until September 2020.

In June 2020, the Association signed a 50-year lease agreement with a telecom company (tenant) to provide use of the Association's rooftops. The terms of the lease also provide potential rental income of 50% of net revenue attributable to any subtenants of the tenant. This cellphone company must maintain their own utilities, insurance, and taxes associated with operations. The tenant agreed to an initial and total payment of \$475,000, which was reduced by various titles, government charges, and fees. The net amount paid to the Association was \$436,839, with revenue recognized on a straight-line basis over the lease term, of which \$2,184 was recognized in the year ending December 31, 2020 and \$8,737 recognized in the year ending December 31, 2021, resulting in rent received in advance of \$425,918 at December 31, 2021.

NOTE 10: RENTAL INCOME (continued)

Future minimum rentals to be received on non-cancelable leases as of December 31, 2021 for the remaining term are as follows:

For the year ending December 31,	2021
2022	\$ 8,737
2023	8,737
2024	8,737
2025	8,737
2026	8,737
Thereafter	382,233
Total future minimum rentals	\$ 425,918

NOTE 11: INTERFUND BALANCES

As of December 31, 2021, the operating fund owes \$473,470 to the replacement fund due to insufficient transfers of special assessments deposited into operating funds. The use of the reserve funds in this manner has not been approved by the members of the Association. Management intends to have the operating fund repay the replacement fund this interfund loan in 2022.

NOTE 12: HURRICANE SALLY AND OTHER NAMED STORMS

The Association sustained significant damage to its common property as a result of Hurricane Sally, which made landfall in Orange Beach on September 16, 2020. As a result of the damage, the Association filed an insurance claim with its carrier and received proceeds totaling \$25,351. This amount is reported as insurance proceeds on the accompanying statement of revenue, expenses, and changes in fund balance for the year ended December 31, 2020.

The Association has approved and incurred repairs of \$171,319 and \$482,727, which are reported as expenses on the accompanying statement of revenue, expenses and changes in fund balance, for the years ended December 31, 2021 and 2020, respectively. The Association's management believes that all material hurricane expenses are recorded, however, management is continuing to evaluate with engineers and other contractors for any additional repairs unknown as of the date of this report. There are no expected additional proceeds from the related insurance claim at this time.

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated all events or transactions that occurred after December 31, 2021 through June 6, 2022, the date the Association's financial statements were available to be issued. The following item occurred:

The operating fund has transferred \$306,892 of the total \$473,470 due to the replacement funds subsequent to the year ended December 31, 2021. These subsequent transfers reflect assessments collected by the operating fund and due to the replacement fund for the months September through December 2021. These transfers occurred during January and February of 2022. The operating fund would still owe the replacement fund \$166,578 of the balance due at the conclusion of these transfers.



Phoenix V Association, Inc. Schedule of Changes in Accumulated Funds for Future Major Repairs and Replacements

For the year ended December 31,	2021							
Component	I	Beginning Balance		Additions	Su	btractions	Ending Balance	
Pooled items								
Repairs and replacements	\$	664,936	\$	4,686	\$	(4,686) \$	664,936	
Total pooled		664,936		4,686		(4,686)	664,936	
Nonpooled items Special assessment		1,120,292		1,965,997		(929,618)	2,156,671	
Special assessment		1,120,292		1,905,997		(929,010)	2,130,071	
Total	\$	1,785,228	\$	1,970,683	\$	(934,304) \$	2,821,607	
For the year ended December 31,							2021	
Performance obligation liability						\$	2,821,607	
Total						\$	2,821,607	

Phoenix V Association, Inc. Schedule of Operating Fund Revenue and Expenses - Budget to Actual

For the year ended December 31,				2021		
				Budget	F	/ariance - avorable nfavorable)
		Actual	(۱	Jnaudited)	(Unaudited)	
Revenue						
Regular assessments	\$	1,973,916	\$	1,978,491	\$	(4,575)
Service fee and guest registration		429,147		319,724		109,423
Beach concession and vending		68,026		54,700		13,326
Insurance proceeds		12,270		-		12,270
Antenna space rental		8,737		8,736		1
Interest income		638		9,500		(8,862)
Miscellaneous income		18,781		3,500		15,281
Total revenue		2,511,515		2,374,651		136,864
Expenses						
Repairs and maintenance		194,574		98,520		(96,054)
Hurricane & tropical storm repairs		1,716		20,000		18,284
General maintenance		77,444		60,000		(17,444)
Outdoor pool and splash pad		6,763		5,000		(1,763)
All in/ insurance claims		66,113		90,000		23,887
Elevator maintenance		45,205		34,606		(10,599)
Lawn maintenance		37,492		35,653		(1,839)
Window/glass door		11,313		10,000		(1,313)
Contract labor (salaries/payroll taxes)		700,216		571,773		(128,443)
Insurance		449,674		483,800		34,126
Utilities		268,577		275,000		6,423
Security		220,416		259,996		39,580
Television and internet services		222,660		222,300		(360)
Professional services		111,806		40,000		(71,806)
Management fees		91,977		53,352		(38,625)
Garbage service		48,165		48,165		-
Administrative		33,582		39,230		5,648
Pest control		22,011		22,256		245
Interest		367		-		(367)
Depreciation		1,702		5,000		3,298
Total expenses		2,611,773		2,374,651		(237,122)
Deficit of revenue over expenses	\$	(100,258)	ć		\$	(100.250)
Deficit of Teveride over expenses	Ą	(100,236)	ڔ		ڔ	(100,258)

The following table is based on the Board's review and presents significant information about the components of common property. The funding policy is to fund future major repairs and replacements by special assessments and capital reserves. Funds are being accumulated based on estimated future costs and actual expenditures may vary from those estimates and the variations may be material. A reserve study was completed and reported on June 25, 2019, with an update from a previous study, including a site visit and on-site review.

Component	Estimated Remaining Useful Life (Years)	Estimated Replacement Cost	Accumulated Funds at December 31, 2021
Pooled items			
Building Exteriors			
Door locks/hardware, unit entires	4	\$ 87,685	
Doors/frames, unit balconies	0	189,420	
Doors/frames, unit entries	0	273,182	
Expansion joint, parking deck	7	4,170	
Railings/handrails	8	894,700	
Seal/resurface exterior walkways	5	147,680	
Sliding Glass doors/frames 2021	0	904,800	
Sliding Glass doors/frames 2022	0	904,800	
Sliding Glass doors/frames 2023	1	904,800	
Sliding Glass doors/frames 2024	2	904,800	
Sliding Glass doors/frames 2025	3	904,800	
Trash room roll up door east	1	2,070	
Trash room roll up door west	1	2,070	
Common Area Interiors			
Elevator cab interiors	12	36,800	
Exercise room, carpeting	1	3,163	
Exercise room, cardio equipment	2	20,000	
Exercise room, strength equipment	6	11,500	
Exercise room, interior painting	5	949	
Exercise room, restrooms/sauna	11	35,014	
Hallways, basement level-interior painting	9	11,010	
Hallways, basement level-tile flooring	0	73,440	
Hallways, floors 2-3 -carpeting	3	15,775	
Hallways, floors 2-3 -interior painting	3	3,080	
Lobby, furnishings allowance	5	29,355	
Lobby, interior painting	5	10,220	
Lobby, tile flooring	11	53,922	

	Estimated		
	Remaining	Estimated	Accumulated
	Useful Life	Replacement	Funds at
Component	(Years)	Cost	December 31, 2021
Natatorium, interior painting	5	5,722	
Natatorium, tile flooring/wall finishes	0	24,480	
Restroom renovation	15	54,290	
Social/meeting room, carpeting	5	6,401	
Social/meeting room, furnishings	15	9,486	
Social/meeting room, interior painting	9	1,550	
Social/meeting room, kitchen	15	20,175	
Social/meeting room, tile flooring	0	6,120	
Mechanical/Electrical			
Air handler, elevator room	14	3,264	
Automatic door, pool/lobby access	3	4,890	
Automatic doors, garage access	3	9,096	
Automatic doors, lobby access	3	9,096	
Automatic doors, lobby access	3	9,096	
Barrier gates/operator entry	0	3,704	
Barrier gates/operator exit	0	3,704	
Condenser, elevator room	3	2,905	
Cooling tower pumps/motors/drive 1	5	4,328	
Cooling tower pumps/motors/drive 2	5	4,328	
Cooling tower/equipment	0	90,654	
Domestic water pumps/ equipment	13	39,735	
Elevator mechanical modernization	3	811,600	
Fire alarm system modernization	21	134,615	
Fire pump/equipment	13	51,400	
Generator/equipment	13	102,690	
Heat pump # 1, basement west	13	6,202	
Heat pump # 2, basement level center	13	4,206	
Heat pump # 3, basement level east	13	6,202	
Heat pump #4, racquetball court	13	3,833	
Heat pump #5, basement level RRs	13	6,202	
Heat pump #6, social meeting room	13	6,202	
Heat pump #7, exercise room	13	6,202	
Heat pump #8, lobby	13	10,634	
Heat pump #9, lobby	13	10,634	
Heat pump #10, lobby	13	10,634	
Heat pump #11, lobby/ check in	13	4,578	
Heat pump #12, offices	13	4,959	

	Estimated		
	Remaining	Estimated	Accumulated
	Useful Life	Replacement	Funds at
Component	(Years)	Cost	December 31, 2021
Heat pump #13, elevator lobby floor 1	13	4,815	
Heat pump #14, elevator lobby floor 2	13	4,637	
Heat pump #15, elevator lobby floor 3	13	4,815	
Lighting, bollards	0	12,730	
Lighting, parking/drives	6	30,163	
Lighting, porte cochere	0	7,151	
Pool & spa equipment fund	6	20,000	
Trash chutes	13	93,800	
Painting & Waterproofing			
Paint/waterproof building exterior	5	987,506	
Pavement			
Asphalt paving	15	133,153	
Pool & Spa			
Kid's water feature	4	60,000	
Pool deck furniture	5	34,800	
Pool fencing & gates	0	30,825	
Pool interiors (natatorium)	11	27,081	
Pool interiors (outdoor)	0	57,178	
Spa interiors 1	6	3,155	
Spa interiors 2	6	3,155	
Spa interiors 3	6	3,155	
Roofing			
Roofing, gate house	0	4,845	
Roofing, lobby level	14	130,284	
Roofing, porte cochere	3	50,976	
Roofing, tower	14	774,300	
Site Improvements			
Dune crossover/ boardwalk	16	117,400	
Gazebos restoration	13	11,460	
Pavers, lobby entry/walkways	3	9,300	
Tennis Courts		•	
Tennis court fencing & gates	2	20,140	
Tennis court lighting	2	47,617	
Tennis/basketball court resurfacing	0	11,020	
	ŭ	11,020	

Commonweat	Estimated Remaining Useful Life		Estimated eplacement	Accumulated Funds at		
Component	(Years)		Cost	December 31, 2021		
Other (outside of reserve study)						
Parking Garage Repairs and Waterproofing (2 Phases, see below)						
Phase 1, Repair/retrofitting of precast concrete	0		205,000			
Phase 2, Concrete Repair	0		592,000			
Garage LED lighting	0		50,000			
Other garage repairs/costs	0		350,000			
Turtle lighting (government required)	0		13,000			
Lobby Enhancements (condition based)	0		11,000			
Total items		\$	11,839,482	\$ 2,821,607		