Tower Pointe at Arbor Trace Condominium Association, Inc.

Financial Statements and Required Supplementary Information

Year Ended December 31, 2023

TOWER POINTE AT ARBOR TRACE
CONDOMINIUM ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT - DRAFT

June 30, 2024

Board of Directors
Tower Pointe at Arbor Trace Condominium Association, Inc.
Naples, Florida

Opinion

We have audited the accompanying financial statements of Tower Pointe at Arbor Trace Condominium Association, Inc. (the "Association") a Florida corporation, which comprise the balance sheet as of December 31, 2023, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tower Pointe at Arbor Trace Condominium Association , Inc. as of December 31, 2023, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association 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 conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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 the 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 auditor's 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 GAAS 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 are considered material if there is a substantial likelihood that individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit associated with GAAS we:

- Exercise professional judgement 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 for the purpose of expressing an opinion on the effectiveness of Tower Pointe at Arbor Trace Condominium 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 overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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.

Disclaimer of Opinion 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 16 be presented by the Association 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.

More & Company, LLC
North Fort Myers, Florida

TOWER POINTE AT ARBOR TRACE CONDOMINIUM ASSOCIATION, INC.

Balance Sheet
December 31, 2023

ASSETS	Operating Fund	Replacement Fund	Total
Current assets			
Cash and cash equivalents	$ 163,807	269,539	$ 433,346
Investments - certificates of deposit	305,000	1,024,063	1,329,063
Accrued interest receivable	1,956	14,627	16,583
Prepaid expenses and other assets	251,295	-	251,295
Due from operating fund	-	46,000	46,000
Total current assets	722,058	1,354,229	2,076,287
Investment in Tower Trace, LLC, equity method	2,241,150	-	2,241,150
Total assets	**$ 2,963,208**	**$ 1,354,229**	**$ 4,317,437**
LIABILITIES AND FUND BALANCES			
Current liabilities			
Accounts payable and accrued expenses	$ 18,700	$ -	$ 18,700
Deferred 2023 special assessment	68,497	-	68,497
Deferred special assessment - insurance	159,762	-	159,762
Deferred revenue - Hotwire contract	2,900	-	2,900
Due to replacement fund	46,000	-	46,000
Contract liabilities - assessments received in advance	-	1,247,644	1,247,644
Total current liabilities	**295,859**	**1,247,644**	**1,543,503**
Deferred revenue - Hotwire contract	22,475	-	22,475
Total liabilities	**318,334**	**1,247,644**	**1,565,978**
Commitments - Note 9			
Fund balances			
Fund balance - Investment in Tower Trace, LLC	2,241,150	-	2,241,150
Fund balance - designated for insurance deductible	125,000	-	125,000
Fund balances	278,724	106,585	385,309
Fund balances	**2,644,874**	**106,585**	**2,751,459**
Total liabilities and fund balances	**$ 2,963,208**	**$ 1,354,229**	**$ 4,317,437**

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

TOWER POINTE AT ARBOR TRACE CONDOMINIUM ASSOCIATION, INC.

Statements of Revenues, Expenses and Changes in Fund Balances
Year Ended December 31, 2023

	Operating Fund	Replacement Fund	Total
Revenues			
Unit owner assessments	$ 1,338,384	$ -	$ 1,338,384
Special assessments - insurance	211,428	-	211,428
Special assessments - Hurricane Ian	153,013	46,000	199,013
Interest income	7,779	33,539	41,318
Guest suite income	50,025	-	50,025
Insurance claim proceeds - Hurricane Ian	-	54,000	54,000
Other income	4,009	-	4,009
Total revenues	**1,764,638**	**133,539**	**1,898,177**
Expenses			
Salaries and benefits	484,208	-	484,208
Insurance	341,066	-	341,066
Utilities	270,709	-	270,709
Special assessments - Hurricane Ian	153,013	-	153,013
Repairs and maintenance	116,017	-	116,017
Grounds maintenance	86,747	-	86,747
Shared facilities	47,176	-	47,176
Office and administrative	26,391	-	26,391
Professional fees	15,080	-	15,080
Replacement fund expenditures	-	26,954	26,954
Total expenses	**1,540,407**	**26,954**	**1,567,361**
Revenues in excess of expenses before non-operating items	224,231	106,585	330,816
Equity in income of Tower Trace, LLC	57,412	-	57,412
Revenues in excess of expenses	281,643	106,585	388,228
Fund balances, December 31, 2022	2,363,231	-	2,363,231
Fund balances, December 31, 2023	**$ 2,644,874**	**$ 106,585**	**$ 2,751,459**

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

TOWER POINTE AT ARBOR TRACE CONDOMINIUM ASSOCIATION, INC.

Statement of Cash Flows
Year Ended December 31, 2023

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities			
Owner assessments collected	$ 1,338,384	$ 445,080	$ 1,783,464
Special assessments	592,700	-	592,700
Cash paid for expenses	(1,650,412)	(26,954)	(1,677,366)
Interest and other income	85,232	118,912	204,144
Due to / from other funds	46,000	(46,000)	-
Net cash provided by operating activities	**411,904**	**491,038**	**902,942**
Cash flows from investing activities			
Redemption of certificates of deposit	(305,000)	375,454	70,454
Purchases of certificates of deposit	-	(1,024,063)	(1,024,063)
Net cash used in investing activities	**(305,000)**	**(648,609)**	**(953,609)**
Net increase (decrease) in cash and cash equivalents	**106,904**	**(157,571)**	**(50,667)**
Cash and cash equivalents, December 31, 2022	56,903	427,110	484,013
Cash and cash equivalents, December 31, 2023	**$ 163,807**	**$ 269,539**	**$ 433,346**
Reconciliation of revenues in excess of expenses to net cash provided by operating activities			
Revenues in excess of expenses	$ 281,643	$ 106,585	$ 388,228
Adjustments to reconcile revenues in excess of expenses to net cash (used in) provided by operating activities			
Equity in income of Tower Trace, LLC	(57,412)	-	(57,412)
Changes in operating assets and liabilities which provided (used) cash:			
Accrued interest receivable	(1,956)	(14,627)	(16,583)
Prepaid expenses and other assets	(100,059)	-	(100,059)
Prepaid special assessment expenses	41,046	-	41,046
Accounts payable and accrued expenses	(22,715)	-	(22,715)
Deferred 2023 special assessment	65,596	-	65,596
Deferred special assessment - insurance	159,761	-	159,761
Contract liabilities - assessments received in advance	-	445,080	445,080
Due to / from other funds	46,000	(46,000)	-
Net cash provided by operating activities	**$ 411,904**	**$ 491,038**	**$ 902,942**

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

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Tower Pointe at Arbor Trace Condominium Association, Inc. (the "Association") is a common interest realty association consisting of 120 residential condominium units occupying a site of approximately 6.46 acres located in Naples, Florida. The Association, part of Arbor Trace Development, was incorporated under the laws of the State of Florida as a not-for-profit organization in September 2001 for the purpose of administering and operating the property, in accordance with the terms of Florida Statute Chapter 718 and the provisions of the Declaration of Condominium filed in the official records of Collier County.

Basis of Presentation

The Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in funds established according to their nature and purpose. The operating fund is used to account for financial resources available for the general operations. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

The Association prepares its financial statements using the accrual basis of accounting in accordance with accounting principles commonly applied to common interest realty associations. The provisions of applicable Florida statutes are also considered.

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 year. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Members' assessments, including operating fund and replacement fund assessments, are billed quarterly and recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Assessments are determined by the annual budget approved by the Association's Board of Directors. Each unit owner is an Association member and is assessed regular, and when applicable, special fees for an equal proportionate share of common expense. Amounts billed in the current year for future periods but not received by year end are not recorded as assessments receivable because the services the assessments relate to have not been rendered. Prepaid owner assessments, where recorded, represents fees from unit owners paid in advance.

NOTES TO FINANCIAL STATEMENTS

Assessment Receivable

Assessments receivable, which consist principally of assessments and fees due from residents, are stated at the amounts expected to be collected from outstanding assessments from unit owners. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Assessments receivable are written off when deemed uncollectible. Recoveries of assessments receivable previously written off are recorded when received. The Association treats uncollectible assessments as variable consideration. Methods inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside of the Association's control.

An assessment receivable is considered to be past due if any portion of the receivable balance is outstanding for more than one month. A late fee is charged on assessments receivable that are outstanding for more than one month and is recognized as income as it is charged.

Management believes accounts receivable are fully collectable, therefore no allowance for doubtful accounts has been recorded.

Cash and cash equivalents

Cash and cash equivalents include cash in operating and replacement fund bank accounts, money market accounts, certificate of deposits in banks, as well as cash on hand. For purposes of reporting cash flows, the Association considers all short-term highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Marketable Securities - Investments

Debt securities are classified as "held-to-maturity" as defined by Financial Accounting Standards ASC 320 "*Accounting for certain Investments in Debt and Equity Securities*".

Interest Earned

Interest income earned in the operating fund or the replacement fund is recorded in its respective fund.

Property and Equipment

Real property and related improvements are not reflected in the Association's financial statements since such properties are owned by the individual unit owners in common and not by the Association.

The Association's policy is to expense property in the year purchased. Such property is generally of insignificant unit value and is acquired on behalf of the unit owners in common by the Association acting as an agent.

NOTES TO FINANCIAL STATEMENTS

Investment in Tower Trace, LLC

The Association's Investment in Tower Trace, LLC is accounted for using the equity method, noting the original investment is recorded at cost and subsequently adjusted annually to reflect the Association's share of the net profit or loss on the investment.

Contract Liabilities (Assessments received in advance - Replacement Fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance - replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments.

Income Taxes

The Association is incorporated as a not-for-profit corporation under the laws of the State of Florida, as contained in Chapter 718 of the Florida Statutes. Condominium associations may elect to be taxed as regular corporations or as homeowners' associations, and the Association elected to be taxed as a homeowners' association for the year.

The Association is taxed under Internal Revenue Code 528. Under that section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association. However, the Association is taxed on nonexempt function income, which includes interest income, less a portion of allocated Association expenses. As of and for the year ended December 31, 2023, no tax was due. Prepaid expenses at December 31, 2023 include $1,098 of income taxes receivable.

Uncertain Tax Positions

The Association analyzes its income tax filing positions in the federal jurisdictions where it is required to file income tax returns, as well as all open tax years in the jurisdiction, to identify potential uncertain tax positions. The Association treats interest and penalties attributable to income taxes to the extent they arise, as a component of its operating expenses.

The Association has evaluated its income tax filing positions for years 2020 through 2023, the years which remain subject to examination as of December 31, 2023. The Association concluded that there are no significant uncertain tax positions requiring recognition in the Association's financial statements. The Association does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Association does not have any amounts accrued for interest and penalties related to UTBs at December 31, 2023, and is not aware of any claims for such amounts by federal income tax authorities.

NOTES TO FINANCIAL STATEMENTS

Subsequent Events

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to December 31, 2023, the most recent balance sheet presented herein, through June 30, 2024, the date these financial statements were available to be issued. No significant such events or transactions were identified, except as noted in Note 6.

2. MANAGEMENT SERVICES AND RELATED PARTY TRANSACTIONS

The Association entered into an agreement with Arbor Pointe Management, LLC for its management and administrative services. The Association is billed a fixed rate each month for administration, maintenance, housekeeping, transportation personnel, and concierge services. At the end of the quarter the expenses are calculated and billings adjusted to actual costs. The management fee for the year ended December 31, 2023 was $484,208.

3. MEMBER ASSESSMENTS AND FEES

Association members are assessed quarterly to provide funds for the Association's operating and future major repairs and replacements. Assessments are determined by the Board of Directors and approved by the members as part of the annual budget.

For the year ended December 31, 2023, the regular quarterly assessments were as follows:

Unit Type	Operating Fund	Replacement Fund	Total
1 & 8	$ 3,305	$ 1,099	$ 4,404
2 & 7	$ 2,523	$ 839	$ 3,362
3 & 6	$ 2,411	$ 802	$ 3,213
4 & 5	$ 2,914	$ 969	$ 3,883

Amounts received before the date due are reflected as prepaid owner assessments. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. The Association recognized operating fund assessments of $1,338,384 and replacement fund assessments of $0 for the year ended December 31, 2023. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

4. INVESTMENTS - CERTIFICATES OF DEPOSIT

The Association primarily invests in certificates of deposit classified as held-to-maturity. The Association categorizes its fair value measurements within the fair value hierarchy established by ASC 820 "*Fair Value Measurements".* The Hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The carrying amounts of the certificates of deposit approximate their fair values and are categorized as Level 1 as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Association has the ability to access.

The following table sets forth by level, within the fair value hierarchy, the recorded amount of assets measured at fair value on a recurring basis as of December 31, 2023:

		Level 1	Level 2	Level 3	Total
Operating Fund:					
Certificates of deposit by					
Maturity Date	2/16/2024	$ 40,000	$ -	$ -	$ 40,000
	4/26/2024	90,000	-	-	90,000
	7/24/2024	125,000	-	-	125,000
	10/25/2024	50,000	-	-	50,000
		$ 305,000	**$ -**	**$ -**	**$ 305,000**
Replacement Fund:					
Certificates of deposit by					
Maturity Date	3/5/2024	$ 100,000	$ -	$ -	$ 100,000
	3/8/2024	104,281	-	-	104,281
	3/17/2024	40,782	-	-	40,782
	3/20/2024	103,000	-	-	103,000
	3/21/2024	103,000	-	-	103,000
	4/26/2024	55,000	-	-	55,000
	5/23/2024	112,000	-	-	112,000
	7/18/2024	111,000	-	-	111,000
	10/7/2024	139,000	-	-	139,000
	11/1/2024	56,000	-	-	56,000
	11/6/2024	100,000	-	-	100,000
		$ 1,024,063	**$ -**	**$ -**	**$ 1,024,063**

NOTES TO FINANCIAL STATEMENTS

5. REPLACEMENT FUND

Florida statutes require the Association to accumulate funds for future major repairs and replacements, unless funding is waived or modified by the unit owners. These funds are held in separate accounts and are generally not available for expenditures for normal operations. Accumulated funds, which aggregate $1,354,229, are presented on the accompanying balance sheet a contract liability (assessments received in advance - replacement fund) and replacement fund balance at December 31, 2023. The Association uses the pooled method for funding and maintaining its future major repairs and replacements.

The Association engaged an independent capital reserve analyst to perform an analysis in 2021, which was revised in 2023 by the Board of Directors, of the remaining useful lives and future replacement costs. The Association is accumulating funding for such major repairs and replacements over the estimated useful lives of the components of the pooled replacement fund based on the study's estimates of current replacement costs, anticipated earnings, future projected cash outflows and amounts previously accumulated in the replacement fund. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on this study.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of $475,320, based on a full funding plan, has been included in the 2024 budget.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, levy special assessments, or delay repairs and replacement until funds are available.

The changes in the replacement fund during 2023 are as follows:

Beginning Fund Balance	Additions To Fund*	Expenditures	Ending Fund Balance
$ -	$ 133,539	$ (26,954)	$ 106,585

* Includes special assessments - Hurricane Ian of $46,000, interest income of $33,539, and insurance claim proceeds of $54,000.

Pooled expenditures:	
Mechanical / electrical	17,324
Roofs	9,630
	$ 26,954

NOTES TO FINANCIAL STATEMENTS

Contract Liabilities 12/31/2022	Budgeted Assessments	Less Assessments Recognized	Contract Liabilities 12/31/2023
$ 802,564	$ 445,080	$ -	$ 1,247,644

6. INVESTMENT IN TOWER TRACE, LLC

In 2007 the Association and Arbor Trace Condominium Association, Inc. formed two limited liability companies, Tower Trace, LLC and its wholly owned subsidiary Arbor Pointe Management, LLC with equity interests of 56.872% and 43.128% respectively, and purchased the clubhouse and assisted living facility. In 2012 Tower Trace, LLC added an additional wholly owned subsidiary Tower Trace Realty, LLC. Subsequent to year-end, the name was changed to Arbor Trace Realty, LLC.

The Association's investment in Tower Trace, LLC at December 31, 2023 was valued at $2,241,150 as follows:

Total assets	$ 4,570,329
Total liabilities	$ 629,644
Equity:	
Arbor Trace Condominium Association, Inc.	1,699,535
Tower Pointe at Arbor Trace Condominium Association, Inc.	2,241,150
Total equity	3,940,685
Total liabilities and equity	$ 4,570,329
Revenues	$ 6,836,255
Expenses	6,734,654
Net income	$ 101,601

Management annually reviews this investment for impairment. No indications of impairment were present at December 31, 2023.

NOTES TO FINANCIAL STATEMENTS

7. SHARED FACILITIES

The Association in 2000, while under the control of the Developer, entered into an agreement with Arbor Trace Condominium Association, Inc., Naples Development Group (the Developer) Arbor Trace Services Center, Inc. and Arbor Trace Management Corporation. The agreement provides for certain rights to cross for mutual use of certain roads, easements and facilities among the parties. This agreement lists shared facilities as Arbor Lake Drive, the Vanderbilt Drive access gate, guardhouse, front wall, security personnel, utility lines, water management facilities, and irrigation system.

Monthly shared facilities expense is calculated as a percentage based on the number of Association units, and the total number of units in the Arbor Trace development. The total amount of shared facilities paid to Arbor Trace Condominium Association, Inc. for the year ended December 31, 2023 was $47,176

8. SPECIAL ASSESSMENTS

Hurricane Ian

On September 28, 2022, Hurricane Ian, a category 4 major hurricane made landfall in Southwest Florida. The Association sustained significant major casualty losses. On January 31, 2023 the Board of Directors approved a special assessment of $267,510 (ranging from $1,928 to $2,642 per unit) due on March 1, 2023. For the year ended December 31, 2023 the Association recognized special assessment revenues and expenses of $153,013. The Board of Directors, in January 2024, approved recognizing $46,000 of the special assessment in the replacement fund for future roof replacement. This amount, combined with the $54,000 of hurricane claim proceeds with both be earmarked for future roof replacement. At December 31, 2023 the Association's balance sheet includes deferred special assessment - Hurricane Ian of $68,497.

Insurance

* On August 24, 2023, the Board of Directors approved a special assessment for insurance premiums of $371,190 (ranging from $2,675 to $3,666 per unit) due on October 1, 2023. For the year ended December 31, 2023 the Association recognized special assessment revenues and expenses of $211,428 (the insurance special assessment expenses are included in insurance). At December 31, 2023 the Association's balance sheet includes deferred special assessment - insurance of $159,762.

9. COMMITMENTS

In 2022, the Association entered into a binding installation and service agreement with Hotwire Communications, Ltd. To provide broadband services, multi-channel video, audit, and high speed internet services to the Association's residents. The contract extends from the initial anniversary date for 10 years. Based on the contract requirements, the Association received $29,000 from Hotwire Communications, Ltd. in 2022. The Association recognized revenue of $2,900 in 2023. At December 31, 2023 the Association's balance sheet included deferred revenue of $25,375 related to this contract.

NOTES TO FINANCIAL STATEMENTS

Estimated projected future cost to the Association under this contract is as follows:

Year Ending December 31:	Amount
2024	$ 115,000
2025	119,600
2026	124,400
2027	129,400
2028	134,600
2029 and beyond	586,000
	$ 1,209,000

10. INSURANCE DEDUCTIBLE

The Association maintains insurance policies subject to a 5% hurricane deductible per calendar year per structure. It is expected that the potential deductible would be funded through replacement funds and assessments.

11 FLORIDA SENATE BILL SB 4-D

In May 2022, the Florida legislature passed Senate Bill SB 4-D making it mandatory for all Florida condominium and cooperative buildings, three stories or higher, to undergo milestone inspections, structural inspections and to no longer allow for the waiver or reduction in funding of Structural Integrity reserves, as well as submit specific building reporting information to the Division of Florida Condominiums, Timeshares and Mobile Homes. The initial milestone inspection must be completed no later than December 31, 2024 if the certificate of occupancy was issued before 1992 or within 25 years after the issuance of the certificate of occupancy if issued after 1992. The bill also required Associations with buildings 3 stories or greater to have a Structural Integrity Reserve Study performed.

In June 2023 SB-154 was signed into law which addressed many of the concerns raised related to the SB-4D. The bill further defined what reserve items need to be included in structural reserves: roof, structure, including load-bearing walls, foundation, fireproofing and fire protection systems, plumbing, electrical systems, waterproofing and exterior painting, windows and exterior doors, and any other item that has a deferred maintenance expense or replacement cost that exceeds $10,000 and the failure to replace or maintain such item negatively affects the items previously listed as determined by the licensed engineer or architect performing the visual inspection portion of the structural integrity reserve study.

As noted above, funding for the Structural Integrity Reserves cannot be waived for budgets adopted on or after December 31, 2024. The Association will also have other types of reserves that need to be maintained - pool, interior painting, common areas, and some items included in Mechanical replacement (elevator, backup diesel generator, HVAC). The old laws and rules still apply to these reserves.

REQUIRED

SUPPLEMENTARY INFORMATION

Required Supplementary Schedule of Future Major Repairs and Replacements (Unaudited)

The Association hired an independent capital reserve analyst to conduct a study in 2021 to estimate the remaining useful lives and the replacement costs of the components of common property. The Board of Directors revised the study in 2023. 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 have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement. The following information is based on the study and presents significant information about the components of common property.

Common Area Components	Estimated Remaining Useful Life (years)	Estimated Current Replacement Cost	Estimated 2024 Funding Requirement	Fund Balance and Contract Liabilities December 31, 2023
Mechanical / electrical	0 - 22	2,213,240		
Common area interiors	2 - 19	715,000		
Painting and waterproofing	6	283,652		
Pavement	2 - 12	216,718		
Roofs	4 - 16	1,276,160		
Site improvements	0 - 9	45,205		
		$ 4,749,975	$ 475,320	$ 1,354,229

See independent auditors' report on required supplementary information.