

LANTANA OCEANFRONT CONDOMINIUM ASSOCIATION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2023

WILLIAM A. JACKSON & CO.
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lantana Oceanfront Condominium Association, Inc.

Opinion

We have audited the accompanying financial statements of Lantana Oceanfront Condominium Association, Inc. which comprise the balance sheet as of December 31, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lantana Oceanfront 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. 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 Lantana Oceanfront Condominium 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; 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.

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 Lantana Oceanfront Condominium Association, Inc.'s ability to continue as a going concern within one year after the date of the financial statements are available to be used.

Auditor's 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 the audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting the 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 aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 amount 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 Lantana Oceanfront 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 Lantana Oceanfront Condominium 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.

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 on page 11 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.

March 15, 2025

A handwritten signature in cursive script that reads "William A. Jackson, CPA".

William A. Jackson & Company, C.P.A.s
Melbourne, Florida

LANTANA OCEANFRONT CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2023

| | Operating Fund | Replacement Fund | Total |
|---|-------------------|---------------------|------------|
| Assets: | | | |
| Cash, including interest-bearing deposits | \$ 72,618 | \$ 467,043 | \$ 539,661 |
| Assessments Receivable | 34,032 | - | 34,032 |
| Due From Operating Fund | - | 101,042 | 101,042 |
| Total Assets | \$ 106,650 | \$ 568,085 | \$ 674,735 |
| Liabilities and Fund Balance: | | | |
| Liabilities | | | |
| Accounts Payable | \$ 10,784 | \$ - | \$ 10,784 |
| Insurance Note Payable | - | - | - |
| Prepaid Assessments | 13,682 | - | 13,682 |
| Federal Income Tax Payable | 1,935 | - | 1,935 |
| Due to Reserve Fund | 101,042 | - | 101,042 |
| Total Liabilities | 127,443 | - | 127,443 |
| Fund balance | (20,793) | 568,085 | 547,292 |
| Total Liabilities and Fund Balance | \$ 106,650 | \$ 568,085 | \$ 674,735 |

See accompanying notes and accountants' report.

LANTANA OCEANFRONT CONDOMINIUM ASSOCIATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

| | Operating Fund | Replacement Fund | Total |
|---|-------------------|---------------------|------------|
| Revenues | | | |
| Assessments | \$ 648,207 | \$ 254,961 | \$ 903,168 |
| Special assessments | 288,000 | | 288,000 |
| Insurance Reimbursement | 29,211 | | 29,211 |
| Late Fee Income | 1,210 | | 1,210 |
| Other Income | 192 | | 192 |
| Interest Income | | 8,321 | 8,321 |
| Total Revenues | 966,820 | 263,282 | 1,230,102 |
| Expenses | | | |
| Maintenance - Labor | 75,940 | | 75,940 |
| Maintenance - Building | 154,847 | | 154,847 |
| Maintenance - Elevators | 17,113 | | 17,113 |
| Maintenance - Pool & Spa | 8,470 | | 8,470 |
| Maintenance - Lawn & Grounds | 68,701 | | 68,701 |
| Maintenance - Pest Control | 7,679 | | 7,679 |
| Maintenance - Roofs | 74,360 | | 74,360 |
| Maintenance - Fire System | 24,763 | | 24,763 |
| Maintenance - Other | 3,255 | | 3,255 |
| Major Repairs & Replacements | | 139,370 | 139,370 |
| General & Administrative | 4,279 | | 4,279 |
| Insurance | 214,364 | | 214,364 |
| Insured Damage Expense | 49,211 | | 49,211 |
| Management Fees | 24,000 | | 24,000 |
| Legal & Professional Fees | 10,200 | | 10,200 |
| Federal Income Taxes | 1,935 | | 1,935 |
| Special Assessment Expenses | 457,896 | | 457,896 |
| Utilities - Water & Sewer | 52,141 | | 52,141 |
| Utilities - Gas | 966 | | 966 |
| Utilities - Electric | 27,945 | | 27,945 |
| Utilities - Trash Removal | 18,579 | | 18,579 |
| Utilities - Telephone | 3,101 | | 3,101 |
| Total Expenses | 1,299,745 | 139,370 | 1,439,115 |
| Excess (Deficit) of Revenues Over Expenses | (332,925) | 123,912 | (209,013) |
| Fund Balance at January 1, 2023 | 312,132 | 444,173 | 756,305 |
| Fund Balance at December 31, 2023 | \$ (20,793) | \$ 568,085 | \$ 547,292 |

LANTANA OCEANFRONT CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

| | Operating Fund | Replacement Fund | Total |
|---|-------------------|---------------------|--------------|
| Cash flows from operating activities: | | | |
| Excess of revenues over expenses: | \$ (332,925) | \$ 123,912 | \$ (209,013) |
| Adjustments to reconcile excess of revenues over expenses to net cash provided by (used) in operating activities: | | | |
| (Increase) Decrease in: | | | |
| Increase in accounts receivable | 200,669 | - | 200,669 |
| Increase in prepaid expenses | | - | - |
| Increase in prepaid insurance | (833) | - | (833) |
| Change in interfund balances | (48,614) | 48,614 | - |
| Increase (Decrease) in: | | | |
| Decrease in accounts payable | (10,600) | - | (10,600) |
| Decrease in insurance note payable | 7,303 | - | 7,303 |
| Increase in federal income taxes payable | 1,935 | - | 1,935 |
| Decrease in prepaid assessments | 2,163 | - | 2,163 |
| Net cash provided (used) by operating activities: | (180,902) | 172,526 | (8,376) |
| Cash at January 1, 2023 | 253,520 | 294,517 | 548,037 |
| Cash at December 31, 2023 | \$ 72,618 | \$ 467,043 | \$ 539,661 |

Supplemental Disclosure:

No interest or Federal income taxes were paid in 2023.

See accompanying notes and accountants' report.

LANTANA OCEANFRONT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 – NATURE OF ORGANIZATION

Lantana Oceanfront Condominium Association Inc. (the “Association”), was incorporated on July 16, 1997 under Chapter 617 of the Florida Statutes as a not-for-profit organization. The Association is responsible for the preservation and maintenance of the common property in accordance with the terms of Florida Statutes in Chapter 718. The Association is located in Indian Harbour Beach, Florida and consists of 96 residential units.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund accounting

The Association’s documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using the principles of fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – this fund is used to account for the day-to-day activities of the Association, including the general management and upkeep of the common property.

Replacement Fund - this fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Association considers all unrestricted highly liquid investments to be cash equivalents, including time deposits and certificates of deposit.

Member Assessments

Association members are subject to assessments to provide funds for the Association’s operating expenses and general maintenance. For the year ended December 31, 2023, the regular membership assessment was \$784 per unit per month, of which \$221 was allocated to the Reserve fund. For 2024, the membership assessment will be \$830 per unit per month, of which \$250 will be allocated to the Reserve fund.

Property & Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association’s financial statements because those properties are owned by the individual unit owners in common and not by the Association. As a result, improvements to the real property and common areas are expensed as incurred. The association capitalizes any property and equipment to which it holds title or has other evidence of ownership at cost.

LANTANA OCEANFRONT CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Late Fee Policy

The Association's policy is to apply a late fee of \$25 on the properties of unit owners whose assessments are 10 days or more delinquent. Regarding assessments that are delinquent 30 or more days, the Association may also charge interest at the rate of 18% per year, until the assessments are paid in full. Any excess assessments at year-end are retained by the Association for use in future years.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Actual results may differ from estimated amounts.

Income Taxes

The Association may be taxed either as a homeowner's association or as a regular corporation. For the year ended December 31, 2023, the Association elected to be taxed as a homeowner's association. Under that election, the Association is taxed only on its non-membership income, such as interest earnings, at a flat rate of 30%. No Federal income tax was paid for the year ended December 31, 2023. Federal income tax in the amount of \$1,935 was due for the year ended December 31, 2023.

NOTE 3 – COVID-19 PANDEMIC

Subsequent to December 31, 2019, markets have been negatively impacted by a novel strain of coronavirus (COVID-19), which was declared a pandemic by the World Health Organization (WHO) on March 11, 2020. The continued spread of COVID-19 and the actions being taken by governments, businesses, and individuals to limit this pandemic may adversely impact operations, including, among others, increasing the credit risk of owners and collectability of owner assessments. This has resulted in significant economic uncertainty, of which the potential impact to the Association's future financial results is difficult to measure.

NOTE 4 – SUBSEQUENT EVENTS

The Association has evaluated its subsequent events through March 15, 2025, which was the date that the accompanying financial statements were issued. The Association had no material subsequent events requiring disclosure.

See accountants' report.

NOTE 5 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

In accordance with Florida Statutes, the Association’s governing documents require funds to be accumulated for future major repairs and replacements if not waived at an annual meeting in which a majority of the owners agree. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations. The Association’s management periodically reviews the major components of common property and establishes estimated remaining lives and replacement costs based on historical data and recent experience.

Funds are being accumulated in the replacement fund based on estimated future costs for repairs and replacements of common property components. Actual expenditures and investment income 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 all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacement until funds are available.

The following information presents the changes that have occurred in the replacement fund during 2023:

| <u>Description</u> | <u>Balance 12/31/22</u> | <u>Member Assessments</u> | <u>Interest Income</u> | <u>Transfers Reallocations</u> | <u>Disbursements</u> | <u>Balance 12/31/23</u> |
|--------------------|-----------------------------|-------------------------------|----------------------------|------------------------------------|----------------------|-----------------------------|
| Interest | \$ 617 | \$ - | \$ 8,321 | \$ - | \$ - | \$ 8,938 |
| Pooled Reserves | 443,556 | 254,961 | - | - | 139,370 | 559,147 |
| Totals | <u>\$ 444,173</u> | <u>\$ 254,961</u> | <u>\$ 8,321</u> | <u>\$ -</u> | <u>\$ 139,370</u> | <u>\$ 568,085</u> |

NOTE 6 – FASB ASC 606

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate-Common Interest Realty Associations, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services. The Association has not adopted the new guidance. The replacement funds on December 31, 2022 were \$444,173. By December 31, 2023 they increased to \$568,085.

See accountants’ report.

SUPPLEMENTARY INFORMATION

LANTANA OCEANFRONT CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2024

The Association's Board of Directors along with management estimates the remaining useful lives and the replacement costs of the components of common property based on historical data and recent experience. In addition, licensed contractors may be consulted for more current changes to the useful lives and replacement costs. The following table is based on those estimates and updates, and presents significant information about the components of common property.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on estimates of future replacement costs and considering amounts previously accumulated in the replacement fund. Funds are being accumulated in the replacement fund based on estimated future costs for repairs and replacements of common property components. Actual expenditures and investment income 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 all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacement until funds are available.

For the supplementary information:

| <u>Description</u> | <u>Estimated Remaining Useful Life</u> | <u>Estimated Current Replacement Costs</u> | <u>Current Replacement Fund</u> | <u>2024 Proposed Budgeting Requirements</u> |
|-----------------------|--|--|---------------------------------|---|
| Pooled Reserves | - | - | \$ 559,147 | \$ 288,000 |
| Intereset | | | 8,938 | - |
| Landscape/Irrigation | 4 - 11 years | 50,000 | - | - |
| A/C Units | 1 - 7 years | 24,880 | - | - |
| Building Exteriors | 2 - 16 years | 906,504 | - | - |
| Common Area Interiors | 5 - 14 years | 70,252 | - | - |
| Doors | 1-11 years | 15,000 | - | - |
| Dune Crossover Repair | 11 - 13 years | 22,837 | - | - |
| Elevator | 5 - 29 years | 360,000 | - | - |
| Entry System | 5 - 11 years | 25,000 | - | - |
| Fire System | 7 - 21 years | 161,700 | - | - |
| Painting | 3 - 11 years | 241,529 | - | - |
| Pavement | 1 - 11 years | 89,608 | - | - |
| Pool | 2 - 17 years | 55,078 | - | - |
| Roofs | 4 - 27 years | 568,992 | - | - |
| Other | 5 - 21 years | 47,414 | - | - |
| Totals | | \$ 2,638,794 | \$ 568,085 | \$ 288,000 |

See accountants' report.