

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

For the Year Ended February 28, 2022

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FINANCIAL STATEMENTS

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To the Board of Directors  
Water Glades 300 Condominium Association, Inc.  
Singer Island, Florida

## INDEPENDENT AUDITOR'S REPORT

### Opinion

We have audited the accompanying financial statements of Water Glades 300 Condominium Association, Inc. which comprise the balance sheet as of February 28, 2022, 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 Water Glades 300 Condominium Association, Inc. as of February 28, 2022, 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 Water Glades 300 Condominium Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the 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 Water Glades 300 Condominium 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.

### 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 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 for the purpose of expressing an opinion on the effectiveness of Water Glades 300 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Water Glades 300 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 future major repairs and replacements of common property on page 12 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.

*Leonardo & Company*

Leonardo & Company  
Certified Public Accountants  
Boca Raton, Florida  
June 24, 2022

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
BALANCE SHEET  
February 28, 2022

	Operating Fund	Special Assessment Fund	Replacement Fund	Total
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,065	\$ 254,002	\$ 220,752	\$ 478,819
Restricted Cash - Security Deposits	48,138	-	-	48,138
Assessments Receivable	9,234	-	-	9,234
Unbilled Special Assessment Receivable	-	2,852,500	-	2,852,500
Prepaid Insurance	204,847	-	-	204,847
Prepaid Expense	400	-	-	400
Furniture and Fixtures, at cost (Net of Accumulated Depreciation \$87,281)	3,893	-	-	3,893
Land	398,976	-	-	398,976
Utility Deposits	1,877	-	-	1,877
Interfund Borrowings	6,801	-	(6,801)	-
Total Assets	<u>\$ 678,231</u>	<u>\$ 3,106,502</u>	<u>\$ 213,951</u>	<u>\$ 3,998,684</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 16,835	\$ -	\$ -	\$ 16,835
Prepaid Assessments	65,966	-	-	65,966
Note Payable	-	2,192,050	-	2,192,050
Deferred Cable Television	10,000	-	-	10,000
Security Deposits	48,138	-	-	48,138
Unbilled Deferred Special Assessment	-	914,452	-	914,452
Contract Liabilities (Special Assessments Paid in Advance - Replacement Fund)	-	-	32,327	32,327
Contract Liabilities (Assessments Received in Advance - Replacement Fund)	-	-	181,578	181,578
Total Liabilities	140,939	3,106,502	213,905	3,461,346
<b>FUND BALANCES</b>				
	537,292	-	46	537,338
Total Liabilities and Fund Balances	<u>\$ 678,231</u>	<u>\$ 3,106,502</u>	<u>\$ 213,951</u>	<u>\$ 3,998,684</u>

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

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES  
For the Year Ended February 28, 2022

	Operating Fund	Special Assessment Fund	Replacement Fund	Total
<b>REVENUES</b>				
Members Assessments	\$ 836,280	\$ -	\$ 153,457	\$ 989,737
Insurance Assessment	181,570	-	-	181,570
Bank Loan Allocation	-	203,750	-	203,750
Special Assessment - Seawall	-	679,227	-	679,227
Cable Income	2,500	-	-	2,500
Interest	53	-	46	99
Other Income	2,800	-	-	2,800
Total Revenues	1,023,203	882,977	153,503	2,059,683
<b>EXPENSES</b>				
Air Conditioning Repairs and Maintenance	8,394	-	-	8,394
Appliance Repairs and Maintenance	5,163	-	-	5,163
Building	32,437	-	-	32,437
Cable Television	106,451	-	-	106,451
Cameras and Entry System Repairs and Maintenance	1,546	-	-	1,546
Contingency	8,901	-	-	8,901
Depreciation	3,893	-	-	3,893
Drywall Repair	2,965	-	-	2,965
Electrical Repairs and Maintenance	1,340	-	-	1,340
Electricity	49,317	-	-	49,317
Elevator	21,069	-	-	21,069
Fire System, Sprinklers and Safety	13,621	-	-	13,621
Gas	481	-	-	481
Generator	2,457	-	-	2,457
Insurance	181,119	-	-	181,119
Interest Expense - Seawall	-	68,159	-	68,159
Licenses, Dues and Subscriptions	400	-	-	400
Miscellaneous	12	-	-	12
Office Supplies	543	-	-	543
Painting Repairs and Maintenance	18,240	-	-	18,240
Pest Control	2,398	-	-	2,398
Plumbing Repairs and Maintenance	9,055	-	-	9,055
Professional Fees	13,848	-	-	13,848
Property Association Fees	462,576	-	-	462,576
Seawall Project	-	814,818	-	814,818
Telephone	220	-	-	220
Water Treatment	3,345	-	-	3,345
Water, Sewer and Trash	80,788	-	-	80,788
Replacement Fund Expenditures	-	-	153,479	153,479
Total Expenses	1,030,579	882,977	153,479	2,067,035
Excess (Deficiency) of Revenues over Expenses	(7,376)	-	24	(7,352)
Fund Balances - Beginning of Year, restated	544,668	-	22	544,690
Fund Balances - End of Year	\$ 537,292	\$ -	\$ 46	\$ 537,338

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

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
For the Year Ended February 28, 2022

	Operating Fund	Special Assessment Fund	Replacement Fund	Total
Reconciliation of Excess (Deficiency) of Revenues over Expenses to Net Cash Provided by (Used in) Operating Activities:				
Excess (Deficiency) of Revenues over Expenses	\$ (7,376)	\$ -	\$ 24	\$ (7,352)
Adjustments to Reconcile Excess (Deficiency) of Revenues over Expenses to Net Cash Provided by (Used in) Operating Activities:				
Depreciation	3,893	-	-	3,893
Prior Period Adjustment	540	-	-	540
(Increase) Decrease in Assets:				
Assessments Receivable	(7,290)	-	-	(7,290)
Unbilled Special Assessment Receivable	-	203,750	-	203,750
Due from POA	1,445	-	-	1,445
Prepaid Insurance	(29,225)	-	-	(29,225)
Increase (Decrease) in Liabilities:				
Accounts Payable and Accrued Expenses	5,128	-	-	5,128
Prepaid Assessments	37,306	-	-	37,306
Security Deposits	8,000	-	-	8,000
Deferred Cable Income	(2,500)	-	-	(2,500)
Unbilled Deferred Special Assessment Income	-	(882,977)	-	(882,977)
Contract Liabilities (Special Assessments Received in Advance - Replaement Fund)	-	-	(31,057)	(31,057)
Net Cash Provided by (Used in) Operating Activities	<u>9,921</u>	<u>(679,227)</u>	<u>(31,033)</u>	<u>(700,339)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Interfund Borrowings	(6,801)	-	6,801	-
Loan Proceeds	-	889,426	-	889,426
Net Cash Provided by (Used in) Financing Activities	<u>(6,801)</u>	<u>889,426</u>	<u>6,801</u>	<u>889,426</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,120	210,199	(24,232)	189,087
Cash and Cash Equivalents - Beginning of Year	<u>49,083</u>	<u>43,803</u>	<u>244,984</u>	<u>337,870</u>
Cash and Cash Equivalents - End of Year	<u>\$ 52,203</u>	<u>\$ 254,002</u>	<u>\$ 220,752</u>	<u>\$ 526,957</u>
Supplemental Disclosure of Cash Flow Information:				
Interest Paid	<u>\$ -</u>	<u>\$ 68,159</u>	<u>\$ -</u>	<u>\$ 68,159</u>

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

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
February 28, 2022

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization - Water Glades 300 Condominium Association, Inc. (Association) is a statutory condominium association incorporated as a not-for-profit corporation in the State of Florida on December 30, 1975 for the purposes of maintaining and preserving the common property of the Water Glades 300 Condominium. Water Glades 300 Condominium consists of 100 residential units located in Singer Island, Florida.

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

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Special Assessment Fund - This fund is used is to account for financial resources to be used for the specific purpose for which the assessments were approved.

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

3. Member Assessments - Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. 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 and special assessments are satisfied when these funds are expended for their designated purposes. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association has retained legal counsel to place liens on the properties of unit owners whose assessments are notably delinquent. As of February 28, 2022, an allowance for doubtful accounts has not been established. The Association provides for doubtful accounts based on experience and analysis of individual accounts. Any excess assessments at year end are retained by the Association for use in the succeeding year.

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 the Association's control. The balances of assessments receivable as of the beginning and end of the year are \$1,944 and \$9,234, respectively.

4. Cash and Cash Equivalents - For purposes of the February 28, 2022 balance sheet and statement of cash flows for the year ended February 28, 2022, the Association considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

5. Interest Earned - The Association's policy is to allocate operating interest to the operating fund. The special assessment and replacement fund interest is retained in the replacement fund.



WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
February 28, 2022

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
7. Recognition of Assets and Depreciation Policy - 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. The Association capitalizes personal property to which it has title at cost and depreciates it using the straight-line method over the estimated useful lives of the assets of seven years.
8. Concentration of Credit Risk - Financial instruments which potentially subject the Association to concentrations of credit risk are primarily cash and cash equivalents and assessments receivable. The Association invests its excess cash and cash equivalents in both deposits and high quality short-term liquid money market instruments with major financial institutions and the carrying value approximates market value. The Association has not experienced losses related to these investments. The Association believes it is not exposed to any significant credit risk on cash and cash equivalents and assessments receivable.
9. Income Taxes - The Association's policy is to record interest expense or penalties related to income tax in operating expenses. For the year ended February 28, 2022, no interest or penalties were paid or accrued.
10. Comprehensive Income - ASC 220 (formerly SFAS No. 130) requires "a full set of general-purpose financial statements to be expanded to include the reporting of comprehensive income." Comprehensive income is comprised of two components, net income and other comprehensive income. For the year ended February 28, 2022, there were no items that qualify as comprehensive income.
11. Fair Value of Financial Instruments - The carrying amounts of cash, receivables and payables approximate their fair values due to their short-term maturities.
12. Prepaid Assessments - Assessments received in advance for the subsequent year are reported as prepaid assessments on the balance sheet.
13. 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. The balance of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year are \$212,635 and \$181,578, respectively.

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 February 28, 2022

**NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

14. Contract Assets (Expenses paid in advance-replacement fund) - A contract asset is the Association's right to payment for goods and resources already transferred. A contract asset is recognized when it has fulfilled a contract obligation before being entitled to payment. The balances of contract assets (expenses paid in advance-replacement fund) as of the beginning and end of the year are \$0, respectively.

15. Contract Liabilities (Special Assessments received in advance - replacement fund) - The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (special assessments received in advance-special assessment fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to special assessments. The balance of contract liabilities (special assessments received in advance-special assessment fund) as of the beginning and end of the year is \$32,327.

**NOTE B - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents and Florida statutes require that funds be accumulated for future major repairs and replacements. Accumulated funds, which aggregate to \$213,951, are presented on the accompanying February 28, 2022 balance sheet as contract liabilities and replacement fund total balance. These "Assessments and Special Assessments Paid in Advance - Replacement Fund" and Replacement Fund Balance are held in separate accounts and are generally not available for operating purposes.

The Association has not conducted a reserve study to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on management's estimates of current replacement costs, including amounts previously accumulated in the replacement fund. For the year ending February 28, 2023, the unit owners voted to partially fund the replacement fund.

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, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available. The activity was as follows:

Component	Balance 3/1/2021	Assessments	Interest	Intrafund Transfer	Expenditures	Balance 2/28/2022
Pooled	\$ 244,962	\$ 122,400	\$ -	\$ 22	\$ (153,479)	\$ 213,905
Interest	<u>22</u>	<u>-</u>	<u>46</u>	<u>(22)</u>	<u>-</u>	<u>46</u>
Total	<u>\$ 244,984</u>	<u>\$ 122,400</u>	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ (153,479)</u>	<u>\$ 213,951</u>

At February 28, 2022, the replacement fund owes the operating fund \$6,801.

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
February 28, 2022

NOTE B - FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

Pooled expenditures are comprised of the following:

Capital Improvements and Betterments	\$ 153,479
	<u>\$ 153,479</u>

On January 18, 2019, the Board of Directors approved a special assessment in the amount of \$200,000 for the purpose of funding the building maintenance projects. The amount was due by April 30, 2019. As of February 29, 2020, total related expenses were \$267,673 and the remaining \$32,327 is recognized as contract liabilities (special assessments received in advance-replacement fund). The prior year left over balance of \$100,000 was used towards some of the related special assessment expenses.

NOTE C - UNINSURED CASH BALANCES

The Association maintains its cash balances at one financial institution. Accounts at this institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. At February 28, 2022, the Association's uninsured cash balance totals \$497,686. The Association has never incurred losses related to these investments. The Association paid its annual insurance premium of \$193,849 on February 25, 2022.

NOTE D - WINDSTORM INSURANCE

The Association maintains insurance coverage for damage sustained by the common elements. The insurance coverage in force includes substantial deductible amounts, which the Association would be required to fund. In addition, in as much as certain other expenses may be incurred by the Association in the event of a hurricane, the ultimate extent of any such loss in excess of the aforementioned maximum deductible cannot be determined.

NOTE E - WATER GLADES POA

The Association is a member of the Water Glades Property Owners Association, Inc., ("POA"). The Property Owners Association assessments are allocated among the member associations based on the percentage of total number of units in each respective association to the total number of units in all member associations. The amount paid to the POA of \$462,576 is used for expenses such as salaries, pool maintenance, security, landscaping, and all other common area expenses. In 2021, the Association contributed \$814,818 of its share towards the POA's seawall project.

NOTE F - PROPERTY AND EQUIPMENT

Furniture, fixtures and equipment consist of the following at February 28, 2022:

Furniture, Equipment and Improvements	\$ 91,174
Land	<u>398,976</u>
	490,150
Accumulated depreciation	<u>(87,281)</u>
	<u>\$ 402,869</u>

Depreciation expense was \$3,893 for the year ended February 28, 2022.

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
February 28, 2022

NOTE G - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 24, 2022, the date that the financial statements were available to be issued.

NOTE H - NOTE PAYABLE

On April 16, 2018, the Association entered into a loan agreement for \$626,500 with a bank. The purpose of the loan was to fund the hallway and support column repair projects. Commencing on May 16, 2018 interest payments only at the rate of 4.25% were due until December 16, 2018. Subsequently, on January 16, 2019, principal and interest in the amount of \$9,436 were due monthly with the final payment due on April 16, 2025. The interest was a fixed rate of 4.25% per annum. The note was collateralized by an assignment of general and special assessments. As of February 28, 2021, the note payable balance was rolled into the new seawall loan and interest expense totaled \$9,993.

On September 3, 2020, the Association entered into a new loan agreement for \$2,314,121 with a bank to fund the Association's portion of the seawall project, related professional fees and payoff the balance of the previous loan. Commencing on October 10, 2020, six monthly consecutive interest only payments at the rate of 3.45% were due until March 10, 2021. Subsequently, on April 10, 2021, principal and interest in the amount of \$16,979 were due monthly with the final payment due on September 10, 2035. The interest shall bear at a fixed rate of 3.45% per annum. The note is collateralized by an assignment of general and special assessments. As of February 28, 2022, the principal balance payable is \$2,192,050. Interest expense totaled \$68,159 for the year ended February 28, 2022. The Association has budgeted \$212,400 for the bank loan allocation for the 2022-2023 fiscal year end.

Maturities of the debt for the next five years and thereafter are as follows:

2022	\$ 130,169
2023	134,732
2024	139,454
2025	144,342
2026	149,401
Thereafter	<u>1,493,952</u>
	<u>\$ 2,192,050</u>

NOTE I - CABLE TELEVISION

On November 1, 2018, the Association renegotiated their cable contract for seven years. This Agreement shall automatically renew for a maximum of 3 successive periods of 30 days unless either party shall provide the other with a minimum 30 days' notice of its intention not to renew at the end of the then current term. The cost per unit that is included in the monthly maintenance fee assessment will be \$40.50 per unit(s) plus a broadcast TV fee equal to \$5.00 per unit and all applicable taxes and fees. The Association shall pay the Company a monthly per unit service fee for Internet Bulk Service equal to \$28.00 per unit plus all applicable taxes and fees. On or after every anniversary of this Bulk Addendum, the total of the monthly per unit(s) service fee and broadcast TV fee may be increased by the Company upon 30 days written notice and such increase shall not exceed 4% once per year. In addition, the Association received cable compensation in the amount of \$17,500 which was paid within ninety days after the execution of the agreement. Therefore, the Association will recognize cable television revenue in the amount of \$2,500 annually for seven years beginning in March 2019. As of February 28, 2022, the \$10,000 is recorded as deferred cable television income for future recognition purposes.

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS (Continued)  
February 28, 2022

**NOTE J - CONTINGENCY**

During the course of normal operations of the Association, lawsuits, claims, and other contingent liabilities may arise. Based upon information currently available with respect to the aforementioned contingencies, management believes that any resulting liability will not materially affect the financial position or operations of the Association.

**NOTE K - LEASE SECURITY DEPOSITS AND RESTRICTED CASH**

A security deposit is required to be paid to the Association when a unit is leased, and is returned at the end of the lease term. As of February 28, 2022, security deposits liability totaled \$48,138. The Association holds all security deposits in a non-interest bearing account and is restricted. These funds will be reimbursed at lease end if all conditions are met.

**NOTE L - INCOME TAXES**

In 2021, the Association elected to file as a homeowners' association in accordance with Internal Revenue Service Code section 528. Under this section, the Association excludes from taxation exempt function income, which generally consists of revenue from assessments to owners. The Association's investment income and other nonexempt income are subject to tax at a rate of 30%, net of any applicable expenses. At February 28, 2022 no income tax was paid or accrued.

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 February 28, 2022, 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 is subject to routine audits by taxing jurisdictions; however, there are currently 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 2019.

**NOTE M - SPECIAL ASSESSMENT**

On October 9, 2020, the Board of Directors approved a special assessment to repay the loan for its share of the Water Glades Property Owners Association, Inc.'s seawall project, repayment of the balance on the existing loan, and all related professional fees. The Association has included a provision in the 2022-2023 budget in the amount of \$203,750 to cover payments of the note payable (see Note H), inclusive of interest, for the year and will include this special assessment funding for the fifteen (15) year loan term. As of February 28, 2022, the Association has recorded an unbilled special assessment of \$2,852,500 and an unbilled deferred special assessment of \$914,452. The Association has applied the current year loan payback funding of \$203,750 to the current year related expenses of \$882,977.

**NOTE N - SUBSEQUENT EVENT**

On May 27, 2022, the Association entered into a new loan agreement for \$600,000 with a bank to fund the Association's elevator modernization project. Commencing on June 27, 2022, twelve monthly consecutive interest only payments at the rate of 5.250% are due until May 27, 2023. Subsequently, on June 27, 2023, principal and interest in the amount of \$5,077 are due monthly with the final payment due on May 27, 2037. The interest shall bear at a fixed rate of 5.250% per annum. The note is collateralized by an assignment of general and special assessments. The Association has paid a deposit of \$365,000 to the contractor towards the elevator modernization contract which is anticipated to begin in March 2023. The amount of the contract for the elevator modernization totals \$764,411.

SUPPLEMENTARY INFORMATION

WATER GLADES 300 CONDOMINIUM ASSOCIATION, INC.  
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
 February 28, 2022  
 (Unaudited)

In 2022, the Board of Directors conducted an informal study to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. These estimates are reviewed annually and adjusted accordingly. Actual expenditures may vary from these estimated amounts and the variations may be material. The following table is based on that study as updated by management and presents significant information about the components of common property.

Components	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	Contract Liabilities and Replacement Fund Balances February 28, 2022	2022-2023 Required Funding	2022-2023 Partial Funding*
Roof Replacement	11	\$ 300,000	\$ -	\$ 27,273	\$ -
Elevator Overhall & Modernization	1	750,000	-	750,000	-
Exterior Painting of Building	4	128,000	-	32,000	-
Interior Painting of Building	11	60,000	-	5,455	-
Air Conditioning Equipment	6	65,000	-	10,833	-
Electrical Service Panel	4	175,000	-	43,750	-
Generator	8	300,000	-	37,500	-
Mechanical Room	8	75,000	-	9,375	-
Concrete Restoration	2	600,000	-	300,000	-
Lobby Restoration	15	150,000	-	10,000	-
Lobby Doors	6	28,000	-	4,667	-
Cooling Tower	6	150,000	-	25,000	-
Trash Compactor	6	15,000	-	2,500	-
Hallway renovation	16	500,000	-	31,250	-
Exercise Room	14	50,000	-	3,571	-
Boilers	8	15,000	-	1,875	-
Painting Stairwells	4	15,000	-	3,750	-
Auto Fire Sprinkler System	24	100,000	-	4,167	-
POA Expenses (pool, clubhouse paring decks, guardhouse)	4	482,000	-	120,500	-
Interest	-	-	46	-	-
Pooled	-	-	<u>213,905</u>	-	<u>122,400</u>
		<u>\$ 3,958,000</u>	<u>\$ 213,951</u>	<u>\$ 1,423,466</u>	<u>\$ 122,400</u>

\*For the year ending February 28, 2023, the Association is partially funding the replacement fund.