

TEQUESTA GARDEN CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

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FINANCIAL STATEMENTS

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& COMPANY**

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To the Board of Directors
of Tequesta Garden Condominium Association, Inc.
Tequesta, Florida

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of Tequesta Garden Condominium Association, Inc., 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 Tequesta Garden 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 Tequesta Garden 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.

Future Major Repairs and Replacements

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note B are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

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 Tequesta Garden 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 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 Tequesta Garden 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 Tequesta Garden 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.

Leonardo & Company

Leonardo & Company
Certified Public Accountants
Boca Raton, Florida
September 12, 2024

TEQUESTA GARDEN CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
December 31, 2023

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 113,253	\$ 1,063,174	\$ 1,176,427
Prepaid Insurance	39,910	-	39,910
Assessments Receivable	5,380	-	5,380
Interfund Borrowings	(31,236)	31,236	-
Total Assets	\$ 127,307	\$ 1,094,410	\$ 1,221,717
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 833	\$ -	\$ 833
Prepaid Assessments	86,862	-	86,862
Payroll Tax Liabilities	6,439	-	6,439
Deferred Cable Income	17,007	-	17,007
Contract Liabilities (Assessments Received in Advance-Replacement Fund)	-	1,094,410	1,094,410
Total Liabilities	111,141	1,094,410	1,205,551
FUND BALANCES			
	16,166	-	16,166
Total Liabilities and Fund Balances	\$ 127,307	\$ 1,094,410	\$ 1,221,717

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

TEQUESTA GARDEN CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2023

	Operating Fund	Replacement Fund	Total
REVENUES			
Regular Assessments	\$ 1,107,013	\$ 47,804	\$ 1,154,817
Special Assessments	57,784	-	57,784
Fees Income	11,484	-	11,484
Cable Income	4,251	-	4,251
Interest Income	-	11,523	11,523
	<u>1,180,532</u>	<u>59,327</u>	<u>1,239,859</u>
Total Revenues			
EXPENSES			
Payroll and Benefits	154,162	-	154,162
Insurance	459,601	-	459,601
Building and Grounds	111,376	-	111,376
Utilities	340,732	-	340,732
Office, Professional and Administrative	75,640	-	75,640
Reserve Expenses	-	47,804	47,804
	<u>1,141,511</u>	<u>47,804</u>	<u>1,189,315</u>
Total Expenses			
EXCESS OF REVENUES OVER EXPENSES	39,021	11,523	50,544
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(22,855)	847	(22,008)
Reclassification	<u>-</u>	<u>(12,370)</u>	<u>(12,370)</u>
FUND BALANCES - END OF YEAR	<u>\$ 16,166</u>	<u>\$ -</u>	<u>\$ 16,166</u>

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

TEQUESTA GARDEN 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	\$ 39,021	\$ 11,523	\$ 50,544
Adjustments to Reconcile Excess of Revenues over Expenses to Net Cash Provided by Operating Activities:			
(Increase) Decrease in:			
Prepaid Expenses	7,241	-	7,241
Assessments Receivable	(3,638)	-	(3,638)
Increase (Decrease) in:			
Accounts Payable	(2,696)	-	(2,696)
Payroll Tax Liabilities	1,992	-	1,992
Deferred Cable Income	(4,251)	-	(4,251)
Prepaid Assessments	13,176	-	13,176
Contract Liabilities (Assessments Received in Advance-Replacement Fund)	-	57,355	57,355
Net Cash Provided by Operating Activities	50,845	57,355	119,723
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund Borrowings	(5,357)	5,357	-
Net Cash Provided by (Used in) Financing Activities	(5,357)	5,357	-
Net Increase in Cash and Cash Equivalents	45,488	62,712	119,723
Cash and Cash Equivalents - Beginning of Year	67,765	1,000,462	1,068,227
Cash and Cash Equivalents - End of Year	\$ 113,253	\$ 1,063,174	\$ 1,176,427
Supplemental Disclosure of Cash Flow Information:			
Income Taxes Paid	\$ -	\$ -	\$ -
Interest Paid	\$ -	\$ -	\$ -

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

TEQUESTA GARDEN CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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

1. Organization – Tequesta Garden Condominium Association, Inc. (the “Association”) was incorporated as a condominium association under Florida Statute 718 in the State of Florida on December 11, 1968. The Association is responsible for the operation, maintenance and preservation of the common property of the condominium community known as Tequesta Garden, a 248-unit residential condominium community located in Tequesta, Florida.
2. Basis of Accounting – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.
3. Fund Accounting – The Association uses fund accounting which requires that funds, such as the operating fund and the fund designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors and property manager. Disbursements from the replacement fund may be made only for their designated purposes.
4. Use of Estimates in the Preparation of Financial Statements – 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 reporting period. Actual results could differ from those estimates.
5. Member Assessments and Allowance of Credit Losses – Association members are subject to quarterly assessments to provide funds for the Association’s operating expenses and major repairs and replacements. Income and expenses are allocated to each unit owner based on the approved budget. 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 are 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’s policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are 30 days or more delinquent. As of December 31, 2023, the allowance for credit losses was \$0. The Association provides for credit losses 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 credit losses. 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 \$1,742 and \$5,380, respectively.
6. Interest Income – The Association’s policy is to allocate to the operating and replacement funds all interest earned on their respective cash accounts.
7. Income Taxes – The Association’s policy is to record interest expense or penalties related to income tax in operating expenses. For the year ended December 31, 2023, no interest or penalties were paid or accrued.

TEQUESTA GARDEN CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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

8. Concentrations 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. Recognition of Assets – 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.
10. Cash and Cash Equivalents – For purposes of the December 31, 2023 balance sheet and the statement of cash flows for the year ended December 31, 2023, the Association considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.
11. Prepaid Assessments – Assessments received in advance for the subsequent year are recognized as prepaid assessments on the accompanying balance sheet.
12. Fair Value of Financial Instruments – The carrying amounts of cash and cash equivalents, receivables, and payables approximate their fair values due to their short-term maturities.
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 balances of contract liabilities (assessments received in advance - replacement fund) as of the beginning and end of the year are \$1,036,208 and \$1,094,410, respectively.
14. New Accounting Pronouncement Adopted – In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13 or “ASC 326”). ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires associations to measure all expected credit losses to financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. During 2019, the FASB issued additional ASUs amending certain aspects of ASU 2016-13.

On January 1, 2023 the Association adopted the new accounting standard. The standard did not have a significant impact on the Club’s financial condition or results of operations.

TEQUESTA GARDEN CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE B—FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association’s governing documents and Florida law require funds to be accumulated for future major repairs and replacements. Accumulated funds are held in separate bank accounts and are generally not available for operating purposes. The Association records interest earned on reserve funds to the total reserve balance as required by Florida State statute.

In 2023, the Association updated an informal reserve study that estimated the remaining useful lives and replacement costs of the common property components. Using the component reserve funding method, the Association is funding for future major repairs and replacements over the estimated useful lives of the components based on the study’s estimates of current replacement costs, considering amounts previously designated for future repairs and replacements. Actual expenditures will vary from the estimated amounts and the variations may be material. As a result, amounts designated for future repairs and replacements may not be adequate to meet future needs. When additional funds are needed the Association has the right to increase regular assessments, levy special assessments, borrow funds, or it may delay major repairs and replacements until funds are available.

The activity was as follows:

<u>Component</u>	Balance at December 31, 2022	Assessments	Intrafund Transfers	Interest	Expenditures	Balance at December 31, 2023
Roofs	\$ 631,496	\$ 46,623	\$ 5,351	\$ -	\$ -	\$ 683,470
Paving	130,535	10,650	1,195	-	-	142,380
Painting	123,989	7,344	761	-	-	132,094
Building Repair	35,638	12,048	1,222	-	(16,796)	32,112
Equipment	29,646	-	-	-	(840)	28,806
Common Elements	27,593	8,568	2,018	-	(22,727)	15,452
Clubhouse	10,634	1,560	217	-	-	12,411
Big Pool	10,042	1,395	108	-	(4,246)	7,299
Small Pool	10,273	456	108	-	(695)	10,142
Hurricane	-	4,992	543	-	(2,500)	3,035
Reserve for Bad Debt	26,362	-	847	-	-	27,209
Interest	847	-	(12,370)	11,523	-	-
Totals	<u>\$ 1,037,055</u>	<u>\$ 93,636</u>	<u>\$ -</u>	<u>\$ 11,523</u>	<u>\$ (47,804)</u>	<u>\$ 1,094,410</u>

At December 31, 2023, the operating fund owed the replacement fund \$31,236.

NOTE C—HURRICANE INSURANCE DEDUCTIBLE

The insurance policy covering damages from hurricanes renewed on January 1, 2024 and expires January 1, 2025. The deductible amount for named hurricanes is currently estimated to be \$1,755,581 (approximately \$7,079 per unit), which represents 5% of the insured value of the buildings. The Association has not established an insurance deductible reserve and therefore, any future deductibles will be funded using special assessments or borrowed funds.

TEQUESTA GARDEN CONDOMINIUM ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023

NOTE D – UNINSURED CASH BALANCES

The Association maintains its cash balances at various major financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. At December 31, 2023, the Association had \$32,466 of uninsured cash balances. The Association has not incurred losses related to these investments.

NOTE E—LINE OF CREDIT

On May 14, 2014, the Association entered into a line of credit agreement with a bank in the amount of \$200,000. The principal balance of this line of credit must reset at zero for a period of thirty (30) consecutive days at least annually. The line of credit, which expired on February 14, 2024 has been renewed until February 14, 2025. At a minimum, interest payments on the outstanding balance are due monthly at a variable interest rate of 1.0% per annum over the Wall Street Journal Prime Rate. For the year ended December 31, 2023, no amount was drawn on the line of credit.

NOTE F—RECREATIONAL FACILITIES LEASE

In January 1969, the Association entered into a 99-year lease agreement covering the recreational facilities. This agreement was amended in 1980, whereby the rent was set at a flat rate of \$14.50 per month per unit, and the Association waived its right to either void this agreement in the future or to acquire the recreational facilities. The annual lease payment of \$43,152 is made in quarterly payments for the life of the lease. As this lease was in existence before the Association’s adoption of Topic 842, the Association is electing a practical expedient not to report the lease on the balance sheet as a “right-to-use asset” under Topic 842.

NOTE G—LONG-TERM CONTRACTS

Cable Television, Voice and Internet

In 2020, the Association entered into a seven-year non-cancelable bulk cable television, voice and internet services contract for monthly services for all unit owners to be effective February 15, 2021. The contract provided an advance commission payment totaling \$29,760 that must be repaid in the event the contract is canceled for any reason. As such the Association is accounting for the advance commission payment as revenue over the life of the contract (seven years) and has recorded a deferred revenue liability for the unamortized portion of the payment. For the year ended December 31, 2023, the Association paid \$148,210 for cable expense. The bulk cable contract allows annual increases not to exceed 4%. The estimated future costs of the contract are as follows:

Year Ended December 31,	Maximum Future Payments
2024	\$ 153,587
2025	159,731
2026	166,120
2027	172,765
Total	<u>\$ 652,203</u>

TEQUESTA GARDEN CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE H— CONTINGENCIES

The Association is from time-to-time subject to complaints and claims, including litigation, arising in the ordinary course of business. Management believes that none of the claims and complaints of which it is currently aware will materially affect its financial position or future operating results with the exception to increase legal costs which may or may not be covered by the Association's directors' and officers' insurance, although no assurance can be given with respect to the ultimate outcome of any such claims or with respect to the occurrence of any future claims.

Florida's Senate Bill SB 4-D was effective May 26, 2022 and Bill SB 154 was approved June 9, 2023, making it mandatory for all Florida condominium and cooperative buildings three stories or higher to undergo milestone inspections, structural inspections, to no longer allow for the waiver or reduction in the funding of reserves as well as submit specific building reporting information to the Division of Florida Condominiums. The full impact of the reserve funding requirement (which is effective December 31, 2024) in the new law is, as of the date of the audit report, undeterminable at this time.

NOTE I – DEFERRED CABLE INCOME

During 2022, the Association received an easement fee of \$29,760 from a cable television provider to obtain rights to exclusively offer their cable service to the unit owners. The agreement was for a seven-year period. The Association is recognizing the income over the term of the agreement. For the year ended December 31, 2023, the Association recognized \$4,251 of cable income and as of December 31, 2023 has deferred cable income totaling \$17,007 to be recognized in subsequent years.

NOTE J – SPECIAL ASSESSMENT

On January 31, 2023 the Board of Directors voted to assess each unit in Tequesta Garden a one-time amount of \$233, due by March 15, 2023. This special assessment is for the difference between the budgeted amount for the 2023 insurance cost and the actual 2023 insurance cost. The additional insurance expense of \$57,784 was divided by 248 units.

NOTE K – RECLASSIFICATION

In 2023, \$12,370 from the replacement fund balance was reclassified to the components of the replacement fund. As of December 31, 2023, this amount is included on the accompanying balance sheet as contract liabilities (assessments received in advance – replacement fund).

NOTE L – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements the Association has evaluated events and transactions for potential recognition or disclosure through September 12, 2024, the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

TEQUESTA GARDEN CONDOMINIUM ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
 December 31, 2023
 (Unaudited)

In 2023, the Association updated an informal reserve study to estimate the remaining useful lives and replacement costs of the common property components. The Association is funding for future major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously designated for future repairs and replacements. The estimated replacement costs used in the study do not take into account the effects of inflation from the date of the study to the date of the expected major repair or replacement. Actual expenditures will vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments, levy special assessments, borrow funds, or it may delay major repairs and replacements until funds are available.

The following information is based on the updated study and presents significant information about the components of common property.

Component	Estimated Remaining Useful Lives	Estimated Replacement Costs	Contract Liabilities and Fund Balances at December 31, 2023	2024 Required Funding	2024 Adopted Funding
Roof-Phase I	19 years	\$ 184,935	\$ -	\$ 3,959	\$ 3,959
Roof-Phase II	11 years	1,163,157	683,470	53,437	53,437
Paving	29 Years	384,000	142,380	8,316	8,316
Painting	3 years	164,138	132,094	10,582	10,582
Building Repairs	9 years	140,130	32,112	12,404	12,404
Equipment	0 years	28,446	28,806	-	-
Common Area	2-50 years	269,703	45,304	43,740	43,740
Hurricane Deductible	1 year	10,000	3,035	6,794	6,794
Reserve for Bad Debt	Not applicable	Not applicable	27,209	-	-
Interest	Not applicable	Not applicable	-	-	-
		<u>\$ 2,344,509</u>	<u>\$ 1,094,410</u>	<u>\$ 139,232</u>	<u>\$ 139,232</u>

The Board of Directors believes that amounts held in reserves plus the estimated future funding will be sufficient to avoid the need for future special assessments for major repairs and replacements of common property. The reserve fund does not include the full amounts related to hurricane deductibles, uninsured and underinsured property, as well as certain components of infrastructure which are either maintained on a regular basis, have such a long service life that specific reserve would not be accurately predictable, or are small relative to the long-term budget.