

**Tamarind Gulf and Bay
Condominium Association, Inc.**

Financial Statements

December 31, 2022

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CAVANAUGH & CO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Tamarind Gulf and Bay Condominium Association, Inc.

Opinion

We have audited the accompanying financial statements of Tamarind Gulf and Bay Condominium Association, Inc., which comprise the balance sheet as of December 31, 2022, 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 Tamarind Gulf and Bay Condominium Association, Inc. as of December 31, 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 Tamarind Gulf and Bay 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 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 Tamarind Gulf and Bay 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 Tamarind Gulf and Bay 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 Tamarind Gulf and Bay 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of replacement fund activity is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited Tamarind Gulf and Bay Condominium Association, Inc.'s 2021 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated May 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Campbell & Co. LLP

Sarasota, Florida

June 7, 2023

Tamarind Gulf and Bay Condominium Association, Inc.

Balance Sheet
December 31, 2022

| | <u>ASSETS</u> | | | 2021 Total (For Comparative Purposes Only) |
|---|-----------------------|------------------------|------------------------|---|
| | Operating Fund | Replacement Fund | Total | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 226,912 | 238,847 | 465,759 | 244,015 |
| Assessments receivable | - | - | - | 10,535 |
| Due from other fund | - | 50,592 | 50,592 | 22,809 |
| Prepaid expenses | <u>206,722</u> | <u>-</u> | <u>206,722</u> | <u>219,345</u> |
| Total assets | <u>\$ 433,634</u> | <u>289,439</u> | <u>723,073</u> | <u>496,704</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 65,083 | - | 65,083 | 312,098 |
| Insurance note payable | 144,803 | - | 144,803 | 193,238 |
| Prepaid assessments | 155,891 | - | 155,891 | 154,804 |
| Security deposits | 500 | - | 500 | 500 |
| Payroll taxes payable | - | - | - | 126 |
| Due to other fund | 50,592 | - | 50,592 | 22,809 |
| Note payable | <u>-</u> | <u>1,980,775</u> | <u>1,980,775</u> | <u>635,401</u> |
| Total liabilities | 416,869 | 1,980,775 | 2,397,644 | 1,318,976 |
| Fund Balance (Deficit) | <u>16,765</u> | <u>(1,691,336)</u> | <u>(1,674,571)</u> | <u>(822,272)</u> |
| Total liabilities and fund balances | <u>\$ 433,634</u> | <u>289,439</u> | <u>723,073</u> | <u>496,704</u> |

See accompanying notes to financial statements.

Tamarind Gulf and Bay Condominium Association, Inc.

Statement of Revenues, Expenses, and Changes in Fund Balances
Year Ended December 31, 2022

| | Operating Fund | Replacement Fund | Total | 2021 Total (For Comparative Purposes Only) |
|--------------------------------------|-------------------|---------------------|-------------|---|
| Revenues: | | | | |
| Maintenance assessments | \$ 1,018,293 | 315,707 | 1,334,000 | 1,480,367 |
| Interest | 27 | 12 | 39 | 114 |
| Laundry | 8,812 | - | 8,812 | 3,750 |
| Other | 17,501 | - | 17,501 | 18,800 |
| Total revenues | 1,044,633 | 315,719 | 1,360,352 | 1,503,031 |
| Expenses: | | | | |
| Replacement | - | 1,080,964 | 1,080,964 | 1,388,258 |
| Accounting and audit | 7,000 | - | 7,000 | 2,089 |
| Cable TV | 85,686 | - | 85,686 | 80,972 |
| Electricity | 18,796 | - | 18,796 | 14,001 |
| Insurance | 421,757 | - | 421,757 | 455,129 |
| Interest | 57,162 | - | 57,162 | 12,973 |
| Laundry room | 156 | - | 156 | 3,426 |
| Legal-general | 6,405 | - | 6,405 | 4,496 |
| Licenses, permits and dues | 1,810 | - | 1,810 | 2,376 |
| Management fees | 34,497 | - | 34,497 | 33,492 |
| Miscellaneous | 5,504 | - | 5,504 | (1,084) |
| Office | 3,010 | - | 3,010 | 4,560 |
| Payroll | 68,656 | - | 68,656 | 64,616 |
| Pest control | 15,044 | - | 15,044 | 18,104 |
| Repairs and maintenance: | | | | |
| Building maintenance | 42,350 | - | 42,350 | 34,114 |
| Elevator | 14,723 | - | 14,723 | 13,518 |
| Grounds contract | 40,342 | - | 40,342 | 47,123 |
| Grounds maintenance | 10,751 | - | 10,751 | 12,399 |
| Pool repairs | 7,642 | - | 7,642 | 18,571 |
| Storm clean up and repairs | 167,416 | - | 167,416 | - |
| State condominium fee | 580 | - | 580 | 580 |
| Telephone | 6,127 | - | 6,127 | 5,907 |
| Water and sewer | 116,273 | - | 116,273 | 121,906 |
| Total expenses | 1,131,687 | 1,080,964 | 2,212,651 | 2,337,526 |
| Deficiency of revenues over expenses | (87,054) | (765,245) | (852,299) | (834,495) |
| Fund balance, January 1 | 103,819 | (926,091) | (822,272) | 12,223 |
| Fund balance, December 31 | \$ 16,765 | (1,691,336) | (1,674,571) | (822,272) |

See accompanying notes to financial statements.

Tamarind Gulf and Bay Condominium Association, Inc.

Statement of Cash Flows
Year Ended December 31, 2022

| | Operating Fund | Replacement Fund | Total | 2021 Total (For Comparative Purposes Only) |
|--|--------------------|---------------------|--------------------|---|
| Cash flows from operating activities: | | | | |
| Maintenance assessments collected | \$ 1,029,915 | 315,707 | 1,345,622 | 1,332,615 |
| Interest received | 27 | 12 | 39 | 114 |
| Other income received | 26,313 | - | 26,313 | 22,550 |
| Operating expenses paid | <u>(1,024,662)</u> | <u>(1,422,507)</u> | <u>(2,447,169)</u> | <u>(2,189,356)</u> |
| Cash flows from operating activities | <u>31,593</u> | <u>(1,106,788)</u> | <u>(1,075,195)</u> | <u>(834,077)</u> |
| Cash flows from investing activities: | | | | |
| Reinvestment of interest earned | - | - | - | (93) |
| Redemption (purchase) of certificates of deposit | - | - | - | 126 |
| Cash flows from investing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>33</u> |
| Cash flows from financing activities: | | | | |
| Proceeds from notes payable | - | 1,345,374 | 1,345,374 | 982,213 |
| Payments on notes payable | <u>(48,435)</u> | <u>-</u> | <u>(48,435)</u> | <u>(153,574)</u> |
| Cash flows from financing activities | <u>(48,435)</u> | <u>1,345,374</u> | <u>1,296,939</u> | <u>828,639</u> |
| Increase (Decrease) in cash and cash equivalents | (16,842) | 238,586 | 221,744 | (5,405) |
| Cash and cash equivalents, January 1 | <u>243,754</u> | <u>261</u> | <u>244,015</u> | <u>249,420</u> |
| Cash and cash equivalents, December 31 | <u>\$ 226,912</u> | <u>238,847</u> | <u>465,759</u> | <u>244,015</u> |
| Reconciliation of deficiency of revenues over expenses to cash flows from operating activities: | | | | |
| Deficiency of revenues over expenses | \$ (87,054) | (765,245) | (852,299) | (834,495) |
| Adjustments: | | | | |
| (Increase) decrease in: | | | | |
| Assessments receivable | 10,535 | - | 10,535 | (735) |
| Due (to) from other fund | 73,401 | (73,401) | - | - |
| Prepaid expenses | 12,623 | - | 12,623 | (141,504) |
| Increase (decrease) in: | | | | |
| Accounts payable | 21,127 | (268,142) | (247,015) | 289,674 |
| Prepaid assessments | 1,087 | - | 1,087 | 28,350 |
| Payroll taxes payable | (126) | - | (126) | - |
| Contract liability | - | - | - | (175,367) |
| Total adjustments | <u>118,647</u> | <u>(341,543)</u> | <u>(222,896)</u> | <u>418</u> |
| Net cash flows from operating activities | <u>\$ 31,593</u> | <u>(1,106,788)</u> | <u>(1,075,195)</u> | <u>(834,077)</u> |

See accompanying notes to financial statements.

Tamarind Gulf and Bay Condominium Association, Inc.

Notes to Financial Statements

December 31, 2022

Note 1 – Organization and Summary of Significant Accounting Policies:

Organization

Tamarind Gulf and Bay Condominium Association, Inc. (the “Association”) was incorporated under the Laws of the State of Florida as a not-for-profit corporation for the purpose of administering and operating the property located at 2955 North Beach Road in Englewood, Florida. The members of the Association consist of 145 condominium unit owners.

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, and prepares its financial statements on the accrual basis of 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 day to day operations of the Association.

Replacement Fund

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

Regular Assessments

Association members are subject to annual assessments to provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association’s policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year.

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. 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 homeowners whose assessments are thirty days or more delinquent.

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.

Common Property

The Association’s policy is to not capitalize the commonly owned real property as ownership is vested directly or indirectly in the unit owners and these assets are not deemed to be severable.

Tamarind Gulf and Bay Condominium Association, Inc.

Notes to Financial Statements – Continued

December 31, 2022

Note 1 – Organization and Summary of Significant Accounting Policies – Continued:

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.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, nonmembership transactions, and capital transactions.

For Federal tax purposes, the Association is taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses, and any net membership losses may only be carried forward to offset membership income of future tax periods. Any net membership income not applied to the subsequent tax year is subject to taxation. There was no income tax expense for 2022.

Management has evaluated the effect of an accounting standard relating to accounting for uncertainty in income taxes. Management has determined that the Association had no uncertain income tax positions that could have a significant effect on the financial statements for the year ended December 31, 2022. The Association's federal income tax returns are subject to examination by the Internal Revenue Service, generally for three years after the federal income tax returns were filed.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Association considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Common Expenses

The common expenses are borne equally by the 145 condominium unit owners and the unit owners share equally in the common surplus, such equal share being a 1/145 share.

Note 2 – Uninsured Cash Balances:

The Association maintains its cash balances at several financial institutions. Accounts at each institution are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2022, there were deposits of \$228,814 in excess of FDIC limits.

Tamarind Gulf and Bay Condominium Association, Inc.

Notes to Financial Statements – Continued

December 31, 2022

Note 3 – Insurance Loan:

The Association financed the certain insurance premiums that were due in June 2022. The total amount financed was \$258,903. Terms call for eleven payments of \$24,134 including interest at 5.04%. The balance of the loan at December 31, 2022 is \$144,803.

Note 4 – Note Payable:

In April 2021, the Association obtained a \$2,000,000 loan to assist in providing funds for a roofing project. Draws on the loan were available until November 2022 (the “draw period”). During the draw period, the terms call for monthly payments of interest only on any outstanding balance at 3.75%. Following the draw period, the principal and interest (at 3.75%) are due in 162 monthly payments of \$15,806 with a maturity date of April 2036. The loan is collateralized by particular assets of the Association except for reserve and special assessment funds. The balance of the loan at December 31, 2022 is \$1,980,775. Future minimum principal payments required if the loan were drawn in full are shown below.

| <u>Year</u> | |
|-------------|---------------------|
| 2023 | \$ 117,025 |
| 2024 | 121,489 |
| 2025 | 126,124 |
| 2026 | 130,936 |
| 2027 | 135,932 |
| Thereafter | <u>1,349,269</u> |
| Total | <u>\$ 1,980,775</u> |

Note 5 – Future Major Repairs and Replacements:

The Association’s bylaws and Florida Statutes require that the Association prepare its annual budget with calculations of estimates of future costs for the repair and/or replacement of certain common property. These calculations provide the basis for the establishment and ratable funding of reserves over a period of time. The budget must include amounts representing full funding of reserves, however, the membership may vote to reduce or eliminate the funding of these amounts as called for in the budget. This vote must be at a duly called meeting before the budget is in place and is valid for one year only.

The Board of Directors annually reviews the major components of common property. As part of the review, a study was conducted by a third party in 2020 to estimate the remaining useful lives and the estimated current replacement costs of each of the components of the Replacement Fund. That study anticipates earnings on invested funds of .75% in the first year and up to 3% in later years. That study also uses an inflation rate of 3% and increases assessments annually by 3%. In 2022, the Association obtained another study to use in the preparation of the 2023 budget. The 2022 study anticipates earnings on invested funds of 1.00% in the first year and up to 3% in later years. That study also uses an inflation rate of 3% and increases assessments annually by 3%. The table included in the unaudited supplementary information on future major repairs and replacements is based on this study.

Tamarind Gulf and Bay Condominium Association, Inc.

Notes to Financial Statements – Continued

December 31, 2022

Note 5 – Future Major Repairs and Replacements - continued:

The Board is funding for future major repairs and replacements over the remaining estimated useful lives of the components based on estimates of current replacement costs. Amounts previously accumulated are considered in determining the annual funding requirement. The calculated funding requirement for 2022 from the 2020 study is \$811,626 on the pooling method. For 2022, the Board approved a budget which included funding reserve accounts for a total of \$1,038,982 with \$723,275 provided by loan proceeds and \$315,707 from member assessments. For 2023 the 2022 study called for full funding of \$334,707 and this amount was included in the 2023 budget.

Actual expenditures may vary from the estimated replacement costs. These variances could be material. Consequently, the amounts accumulated in this fund may not be adequate to fund the major repair or replacement. If additional funds are needed, the Association may increase regular assessments, pass a special assessment or delay the repair or replacement.

Note 6 – Insurance Contingency:

The Association's current windstorm insurance policy contains a deductible clause of 3% for hurricane and \$25,000 per occurrence for other wind events with minimums per building. Based on the \$36,191,122 insured valuation of the buildings, the first \$1,085,734 would be the responsibility of the Association in the event of a hurricane.

Note 7 – Recent Legislation:

In May 2022, the Florida Legislature passed Senate Bill 4-D: Building Safety ("SB4"). The main provisions of SB4 apply to condominium and cooperative associations that have buildings three stories or higher. SB4 will require the Association to have a Milestone Inspection and a Structural Integrity Reserve Study ("SIRS") performed by December 31, 2024. The Milestone Inspection is designed to identify any structural issues that need immediate attention. If issues are noted, the Association may be required to make appropriate repairs. The SIRS must be performed by a qualified third party and will determine required funding for certain replacement fund components. The Association must incorporate the results of the SIRS in its funding formulas for the Replacement Fund and funding for certain components of the Association's replacement fund cannot be waived.

The full financial impact of these requirements is unknown at this time. However, complying with the new law may result in increased replacement fund assessments and/or special assessments.

Note 8 – Subsequent Events:

Subsequent events have been evaluated through June 7, 2023, which is the date the financial statements were available to be issued.

Tamarind Gulf and Bay Condominium Association, Inc.

Schedule of Replacement Fund Activity

Year Ended December 31, 2022

| | |
|----------------------------|-----------------------|
| Beginning pooled balance | \$ (926,091) |
| Pooling assessment | 315,707 |
| Interest | 12 |
| Expenses: | |
| Roofs and carport | (884,487) |
| Painting and waterproofing | (76,408) |
| Paving | (90,876) |
| Buildings and elevators | (17,303) |
| Water/sewer | (2,450) |
| Washer, dryers and vents | <u>(9,440)</u> |
| Total expenses | <u>(1,080,964)</u> |
| Ending pooled balance | <u>\$ (1,691,336)</u> |

Tamarind Gulf and Bay Condominium Association, Inc.

Supplementary Information on Future Major Repairs and Replacements

December 31, 2022

(Unaudited)

The Board of Directors engaged Dreux Isaac & Associates, Inc. to conduct a study to estimate the remaining useful lives and the estimated current replacement costs of the components of common property.

The following table is based on that study performed during 2022 and presents significant information about the components of common property.

The pooling method considers the total beginning year reserve balance in year one along with the projected annual reserve expenditures over a thirty year period, and through pooling of all of the reserve funds and creating one general reserve fund, arrives at an annual contribution amount so as to provide a positive cash flow and adequate reserve account balance over the next thirty years.

| | <u>Remaining Estimated Useful Life</u> | <u>Estimated Replacement Costs</u> |
|----------------------------|--|--|
| Roofs and carport | 2 - 30 | \$ 2,639,855 |
| Painting and waterproofing | 4 | 521,155 |
| Paving | 2 - 16 | 447,193 |
| Swimming pool | 1 - 17 | 100,667 |
| Buildings and elevators | 4 - 20 | 1,231,952 |
| Water/Sewer | 1 | 14,000 |
| Docks/Seawall/Beachwalks | 6 - 26 | <u>816,771</u> |
| | | <u>\$ 5,771,593</u> |