

BERMUDA GREENS CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2024

DRAFT - for discussion purposes only

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Independent Auditors' Report

To the Board of Directors and Members
Bermuda Greens Condominium Association, Inc.

Opinion

We have audited the accompanying financial statements of Bermuda Greens Condominium Association, Inc. (the "Association"), which comprise the balance sheet as of December 31, 2024, 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 the Association as of December 31, 2024, 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 the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 GAAS, 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 the Association'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 the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 Operating Fund Revenues and Expenses to Budget on pages 15 and 16 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 information on future major repairs and replacements of common property on page 14 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.

Capital Accounting Group, LLC

Capital Accounting Group, LLC
Certified Public Accountants
Bonita Springs, Florida
xxxx

Bermuda Greens Condominium Association, Inc.
Balance Sheet
December 31, 2024

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 455,847	\$ 493,165	\$ 949,012
Certificate of deposit	-	210,367	210,367
Assessments receivable	10,626	-	10,626
Prepaid insurance	381,725	-	381,725
Prepaid expenses	22,535	-	22,535
TOTAL ASSETS	<u>\$ 870,733</u>	<u>\$ 703,532</u>	<u>\$ 1,574,265</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 25,694	\$ -	\$ 25,694
Note payable	-	811,581	811,581
Insurance note payable	410,216	-	410,216
Deferred maintenance and capital expenditures	-	(137,539)	(137,539)
Prepaid assessments	115,960	-	115,960
Total Liabilities	551,870	674,042	1,225,912
Fund Balances	318,863	-	318,863
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 870,733</u>	<u>\$ 674,042</u>	<u>\$ 1,544,775</u>

Bermuda Greens Condominium Association, Inc.
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2024

	Operating Fund	Reserve Fund	Total
REVENUES			
Assessments	1,500,754	\$ 700,044	\$ 2,200,798
Collection and late fees	5,964	-	5,964
Other	3,151	-	3,151
Interest income	904	-	904
Total Revenues	<u>1,510,773</u>	<u>700,044</u>	<u>2,210,817</u>
EXPENSES			
Administration	547,090	-	547,090
Landscaping	200,039	-	200,039
Repairs and maintenance	230,982	-	230,982
Utilities	455,069	-	455,069
Replacement expenses	-	729,534	729,534
Interest	-	48,758	48,758
Total Expenses	<u>1,433,180</u>	<u>778,292</u>	<u>2,211,472</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	77,593	(78,248)	(655)
BEGINNING FUND BALANCES	<u>319,518</u>	<u>-</u>	<u>319,518</u>
Interfund Transfer	(78,248)	78,248	-
ENDING FUND BALANCES	<u><u>318,863</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 318,863</u></u>

Bermuda Greens Condominium Association, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2024

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (Deficiency) of Revenues Over Expenses	\$ 77,593	\$ (78,248)	\$ (655)
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided By (Used In) Operating Activities:			
(Increase) Decrease in:			
Assessments receivable	(3,472)	-	(3,472)
Prepaid insurance	(52,903)	-	(52,903)
Increase (Decrease) in:			
Accounts payable	17,907	-	17,907
Deferred maintenance and capital expenditures	-	(552,399)	(552,399)
Prepaid expenses	(22,535)	-	(22,535)
Deferred revenue	103,762	-	103,762
Net Cash Provided By (Used In) Operating Activities	120,352	(630,647)	(510,295)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of certificates of deposit	-		-
Sale of certificates of deposit	-		-
Net Cash Provided By (Used In) Investing Activities	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on long term debt	(24,774)	(35,419)	(60,193)
Proceeds from issuance of long term debt	-	847,000	847,000
Net change in insurance note payable	52,067	-	52,067
Interfund transfers	(78,248)	78,248	-
Net Cash Provided By (Used In) Financing Activities	(50,955)	889,829	838,874
CASH AT BEGINNING OF PERIOD	386,450	233,983	620,433
CASH AT END OF PERIOD	<u>\$ 455,847</u>	<u>\$ 493,165</u>	<u>\$ 949,012</u>
Cash paid for interest during the year ended December 31, 2024 is:	<u>\$ 20,040</u>	<u>\$ 48,758</u>	<u>\$ 68,798</u>

Bermuda Greens Condominium Association, Inc.
Notes to Financial Statements
December 31, 2024

NOTE A – NATURE OF ORGANIZATION

Bermuda Greens Condominium Association, Inc. (the Association) was incorporated on November 1, 1991 under Chapter 617 of the Florida Statutes as a corporation not for profit to administer the operation and management of the common property the Association. The Declaration of Condominium (the "Declaration") was recorded in the official records of Collier County, Florida, on November 12, 1991 as a condominium pursuant to Chapter 718 of the Florida Statutes. The Association consists of 230 residential units, located in Naples, Florida.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Replacement Fund – This fund is used to accumulate financial resources designated for paying the estimated costs of future major repairs and replacements.

The Association prepares its financial statements on the accrual basis of accounting in accordance with Topic 972 of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), "Real Estate - Common Interest Realty Associations"

Member 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. The Association's assessment receivables at December 31, 2024 are \$10,626 with no allowance for uncollectable accounts.

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

Bermuda Greens Condominium Association, Inc.
Notes to Financial Statements
December 31, 2024

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and equipment

The Association follows prevalent industry practice in accounting for the common property of the Association. Property is capitalized only if the Association has title or other evidence of ownership of the property, and either the Association can dispose of the property or the property is used by the Association to generate significant cash flows from members on the basis of usage or from nonmembers.

Property directly associated with the units is not capitalized.

Property not directly associated with the units consists of buildings, equipment and roadways. These items are not capitalized as they do not meet the capitalization criteria.

Should the Association capitalize assets, it would record the assets at cost and depreciate them using the straight-line method over the assets estimated useful lives.

Estimates

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 the 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.

Cash and cash equivalents

For the purposes of the statement of cash flows, the Association considers cash in operating and replacement fund bank accounts, cash on hand, money market and certificate of deposit accounts with original maturities of three months or less as cash and cash equivalents.

Concentration of Risk

The Association maintains cash in demand deposit accounts with federally insured banks. At times, the balances in these accounts may exceed the federally insured limits of \$250,000. The Association does not believe it is exposed to any significant credit risk in connection with cash and cash equivalents. At December 31, 2024, the cash balance was \$949,012.

Revenue recognition

The following is a description of principal activities from which the Association generates its revenue and their respective treatment under ASC 606.

Bermuda Greens Condominium Association, Inc.
Notes to Financial Statements
December 31, 2024

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue recognition, continued

Operating assessments

The Association's annual budget is the basis for establishing the annual assessment required from each unit owner to cover the Association's operating expenses. Each unit owner is an Association member and an equal portion of the assessment is assessed and payable quarterly. The performance obligation for operating assessments is the maintenance and management of the common area property of the Association. The Association recognizes revenue from operating assessments on a daily pro-rata basis using the input method to the extent that collection of the assessments is probable.

Replacement reserve assessments

The Association's annual budget is the basis for establishing the annual assessment required from each unit owner to cover the Association's estimated future major repairs and replacements. Each unit owner is an Association member, and an equal portion of the assessment is assessed and payable quarterly. The performance obligation for replacement reserve assessments is the expenditure of the assessed funds for the intended purpose. The Association recognizes revenue from replacement reserve assessments when or as the related expenditures are made (generally at a point in time) to the extent that collection of the assessments is probable. Unspent replacement reserve assessments are presented as a contract liability on the balance sheet (deferred maintenance and capital expenditures).

Ancillary operations

Ancillary operations describe any Association activities other than the ordinary maintenance, security, governance, and administrative activities common to most associations. The Association's ancillary operations include:

- Debt service assessments
- Other income

The Association recognizes revenues from these ancillary operations as the Association's performance obligation for those operations is satisfied. Generally, this is at a point in time when the goods or services are provided.

Bermuda Greens Condominium Association, Inc.
Notes to Financial Statements
December 31, 2024

NOTE C – INCOME TAXES

The Association has selected a December 31 year-end and files its income tax return as a homeowners' association in accordance with the Internal Revenue Code Section 528 using form 1120H. Under that Section, the Association is not taxed on uniform assessments to unit owners and other income received from Association unit owners solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income, which includes interest income, less a portion of allocated Association expenses. The Association had no tax due for the year ended December 31, 2024.

NOTE D – FAIR VALUE MEASUREMENTS

The Fair Value Measurements Topic of the FASB Accounting Standards Codification defines fair value, established a consistent framework for measuring fair value, and expands disclosure requirements for fair value measurements.

The Association measures the fair value of assets and liabilities, as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included with Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable level 1 or 2 inputs are not available. Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments.

The Association's Level 1 financial instruments are cash, accounts receivable, accounts payable, and other short term assets and liabilities.

NOTE E – CONTRACT LIABILITIES

The Association recognizes revenue from members as the related performance obligations are satisfied. Deferred maintenance and capital expenditures are recorded when the Association has the right to receive payment in

Bermuda Greens Condominium Association, Inc.
Notes to Financial Statements
December 31, 2024

NOTE E – CONTRACT LIABILITIES, Continued

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 \$433,983 and (\$137,539) respectively.

Changes in contract liabilities during the year ended December 31, 2024 were as follows:

Deferred maintenance and capital expenditures at beginning of year	\$ 433,983
Additions (replacement reserve assessments)	206,770
Expenses recognized	(778,281)
Deferred maintenance and capital expenditures at end of year	<u>\$ (137,539)</u>

NOTE F – FUTURE MAJOR REPAIRS AND REPLACEMENTS

During the year ended December 31, 2024, the Association was in compliance with Chapter 718.112(2)(f)2 of the Florida Statutes which requires the Association's budget to include assessments for future major repairs and replacements, unless waived by an annual vote of the unit owners. Such assessments shall be for items including, but not limited to, roof replacement, building painting, pavement resurfacing and any other item for which the deferred maintenance expense or replacement cost exceeds \$10,000. The Association conducted a study to estimate the remaining useful lives and the replacement costs of the common property components.

During the year ended December 31, 2024, the Association was in compliance with their funding policy for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement cost, considering amounts previously accumulated in the replacement fund. Funding for such major repairs and replacements is based on a pooled analysis of two or more of the components, commonly referred to as the pooling method. 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 option to increase regular assessments, levy special assessments, borrow, or delay major repairs and replacements until funds are available.

NOTE G – PREPAID ASSESSMENTS

Prepaid assessments totaling \$115,960 consists of assessments received by the Association that will be earned subsequent to December 31, 2024.

Bermuda Greens Condominium Association, Inc.
Notes to Financial Statements
December 31, 2024

NOTE H – NOTES PAYABLE

Insurance Note Payable – Short Term

In November 2024, the Association entered into an agreement with a financing company to finance insurance premiums. The note calls for monthly payments of \$42,867 with a final payment due in October 2025 and an interest rate of 9.70%. As of December 31, 2024, the principal balance remaining was \$410,216. The financing company has a security interest in the unearned premiums or other sums which may become payable under the related insurance policies.

The Association had an agreement with a financing company to finance insurance premiums. The note was payable in monthly payments of \$37,294 with an interest rate of 7.60%. The final payment was due and paid in full in October 2024.

First Horizon Note Payable – Long Term

Note payable with monthly payments of \$16,916 including interest at 7.26%, maturing on September 18, 2029, collateralized by all receivables due to the Association. Included in the 2025 budget are debt service assessments of \$202,987 to fund both interest and principal payments. As of December 31, 2024 there was \$811,581 outstanding.

Future maturities on long term debt are as follows:

<u>Year ending December 31,</u>	
2025	\$ 147,574
2026	158,652
2027	170,561
2028	183,364
2029	151,430
	<u>\$ 811,581</u>

NOTE I – COMMITMENTS AND CONTINGENCIES

Insurance coverage

The Association maintains insurance coverage for damage sustained by the condominium building. The insurance policy contains a deductible clause which would require the Association to pay a certain amount of expenses prior to the insurance company covering the remaining costs. In addition, as certain other expenses may be incurred by the Association in the event of a hurricane, the ultimate extent of any such losses in excess of the deductible cannot be determined.

Bermuda Greens Condominium Association, Inc.
Notes to Financial Statements
December 31, 2024

NOTE I – COMMITMENTS AND CONTINGENCIES, Continued

Bulk cable agreement

The Association has a 12-year agreement with a cable television provider ending in March 2030. The contract renews for successive 2-year periods until terminated by either party providing the other party with a minimum of 60 days notice of its intention not to renew at the end of the then current term.

Estimated future expenses of the Association under this agreement are as follows:

Year ending December 31,

2025	\$ 270,630
2026	281,455
2027	292,714
2028	304,422
2029 and thereafter	426,353
	<u>\$ 1,575,574</u>

NOTE J – SUBSEQUENT EVENTS

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

SUPPLEMENTARY INFORMATION

DRAFT - for discussion purposes only

Bermuda Greens Condominium Association, Inc.
Supplementary Information about Future Major Repairs and Replacements
December 31, 2024

The Board hired an independent reserve analyst to conduct a study in September 2020 to estimate the remaining useful lives and the replacement costs of the common property shown below. Funding requirements consider an annual inflation rate of 3%.

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

Components	Remaining Life (Years)	Estimated Replacement Cost	Estimated 2025 Funding Requirement
Exterior building elements	0-18	\$ 5,738,450	
Property site elements	0-26	6,062,480	
Clubhouse elements	0-10	121,200	
Pool elements	0-9	152,030	
Totals		<u>\$ 12,074,160</u>	<u>\$ 579,000</u>

Reserve Account	Beginning Balance	Additions	Transfers/ Expenditures	Ending Deficit
Future deferred mainenance and capital expenditures	\$ 433,983	\$ 206,770	\$ (778,292)	\$ (137,539)

Replacement fund expenditures during the year ended December 31, 2024 were as follows:

Paving	\$ 729,534
Interest	48,758
	<u>\$ 778,292</u>

Bermuda Greens Condominium Association, Inc.
Schedule of Operating Fund Revenues and Expenses
For the Year Ended December 31, 2024

	<u>Amount</u>
<u>REVENUES</u>	
Assessments	\$ 1,500,754
Collection and late fees	5,964
Other	3,151
Interest income	904
Total Revenues	<u>1,510,773</u>
<u>EXPENSES</u>	
ADMINISTRATION	
Website	1,350
Insurance	413,398
Accounting fees	5,050
Legal fees	5,535
Licenses, permits and fees	61
Management fees	29,550
Professional fees	3,546
Master association fees	62,100
Insurance interest expense	20,040
Office and supplies	6,460
Total Administration	<u>547,090</u>
LANDSCAPING	
Landscape contract	130,412
Landscape improvement/remediation	29,112
Tree trimming	21,350
Lake maintenance	8,723
Irrigation pump maintenance	10,442
Total Landscaping	<u>200,039</u>
REPAIR AND MAINTENANCE	
Pest and rodent control	10,821
General maintenance & supplies	103,661
Pool/pool house maintenance	15,438
Pressure washing	16,643
Janitorial	28,771
Fire and life safety	55,648
Total Repairs and Maintenance	<u>230,982</u>

Bridgewater at Bonita Beach Condominium Association, Inc.
Schedule of Operating Fund Revenues and Expenses
For the Year Ended December 31, 2024

	<u>Amount</u>
EXPENSES, Continued	
UTILITIES	
Trash removal	12,946
Cable TV	269,953
Telephone	6,531
Electricity	20,997
Water/sewer	144,642
Total Utilities	<u>455,069</u>
TOTAL EXPENSES	<u>1,433,180</u>
EXCESS/(DEFICIENCY) OF REVENUE OVER EXPENSES	<u><u>\$ 77,593</u></u>