

Grand Isles Master Homeowners Association, Inc.

Audited Financial Statements

Year Ended December 31, 2023



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Certified Public Accountants. Count on us.

Independent Auditor's Report

To the Board of Directors and Members
Grand Isles Master Homeowners Association, Inc.

Opinion

We have audited the accompanying financial statements of Grand Isles Master Homeowners 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 Grand Isles Master Homeowners 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 Grand Isles Master Homeowners 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 Grand Isles Master Homeowners 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 Grand Isles Master Homeowners 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 Grand Isles Master Homeowners 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.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Feldman, Feldman & Baratz, P.A.

Boca Raton, FL

March 15, 2024

Grand Isles Master Homeowners Association, Inc.

Balance Sheet

December 31, 2023

	Operating Fund	Replacement Fund	Total
Assets			
Cash	\$ 167,798	\$ 560,342	\$ 728,140
Maintenance assessments receivable, net of \$7,317 allowance for credit losses	23,799	-	23,799
Prepaid insurance	112,118	-	112,118
Prepaid expenses	17,560	-	17,560
Total assets	\$ 321,275	\$ 560,342	\$ 881,617
Liabilities & fund balances			
Accounts payable	\$ 35,645	\$ -	\$ 35,645
Insurance payable	101,855	-	101,855
Prepaid maintenance assessments	83,215	-	83,215
Contract liabilities (deferred revenue - replacement fund)	-	552,514	552,514
Total liabilities	220,715	552,514	773,229
Fund balances (deficit)	100,560	7,828	108,388
Total liabilities & fund balances	\$ 321,275	\$ 560,342	\$ 881,617

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

Grand Isles Master Homeowners Association, Inc.
Statement of Revenues, Expenses, and Changes in Fund Balances
For the year ended December 31, 2023

	Operating Fund			Replacement Fund			Combined
	Master	Carmel	Total	Master	Carmel	Total	Total
Revenues							
Maintenance assessments	\$1,138,900	\$ 90,150	\$1,229,050	\$ 59,827	\$ 35,500	\$ 95,327	\$1,324,377
Median maintenance income	7,885	-	7,885	-	-	-	7,885
Late fees and other owner income	15,755	-	15,755	-	-	-	15,755
Gate card income and pool key income	10,616	-	10,616	-	-	-	10,616
Orientation fee income	7,700	-	7,700	-	-	-	7,700
Other income	6,354	-	6,354	-	-	-	6,354
Interest income	19	-	19	2,450	218	2,668	2,687
Total revenues	1,187,229	90,150	1,277,379	62,277	35,718	97,995	1,375,374
Expenses							
Administrative	18,546	-	18,546	-	-	-	18,546
Community activities	21,752	-	21,752	-	-	-	21,752
Gate maintenance	36,701	-	36,701	-	-	-	36,701
Gatehouse attendants	195,232	-	195,232	-	-	-	195,232
Holiday lighting	12,269	-	12,269	-	-	-	12,269
Insurance	90,112	-	90,112	-	-	-	90,112
Janitorial	52,411	-	52,411	-	-	-	52,411
Lake maintenance	30,818	-	30,818	-	-	-	30,818
Landscaping and irrigation	234,930	73,781	308,711	-	-	-	308,711
Management	112,602	-	112,602	-	-	-	112,602
Pest control	1,375	660	2,035	-	-	-	2,035
Pool maintenance	20,851	15,744	36,595	-	-	-	36,595
Professional fees	30,000	-	30,000	-	-	-	30,000
Repairs and maintenance	62,376	-	62,376	59,827	35,500	95,327	157,703
Sheriff patrol/evening rover	58,301	-	58,301	-	-	-	58,301
Telephone	24,181	-	24,181	-	-	-	24,181
Tree trimming	16,289	-	16,289	-	-	-	16,289
Utilities	79,721	9,453	89,174	-	-	-	89,174
Total expenses	1,098,467	99,638	1,198,105	59,827	35,500	95,327	1,293,432
Excess (deficiency) of revenues over expenses	88,762	(9,488)	79,274	2,450	218	2,668	81,942
Beginning fund balances (deficit)	28,644	(5,829)	22,815	4,184	976	5,160	27,975
Prior period adjustment	(1,529)	-	(1,529)	-	-	-	(1,529)
Ending fund balances (deficit)	\$115,877	\$(15,317)	\$100,560	\$ 6,634	\$ 1,194	\$ 7,828	\$108,388

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

Grand Isles Master Homeowners Association, Inc.

Statement of Cash Flows

For the year ended December 31, 2023

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities			
Excess (deficiency) of revenues over expenses	\$ 79,274	\$ 2,668	\$ 81,942
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:			
Decrease (increase) in assets:			
Maintenance assessments receivable	(7,829)	-	(7,829)
Prepaid insurance	(21,766)	-	(21,766)
Prepaid expenses	(13,701)	-	(13,701)
Increase (decrease) in liabilities:			
Accounts payable	(12,448)	(22,680)	(35,128)
Insurance payable	20,841	-	20,841
Prepaid maintenance assessments	2,263	-	2,263
Contract liabilities (deferred revenue - replacement fund)	-	242,736	242,736
Net cash provided (used) by operating activities	46,634	222,724	269,358
Cash flows from investing activities			
Net redemption (purchase) of certificates of deposit	-	102,588	102,588
Net cash provided (used) by investing activities	-	102,588	102,588
Net increase (decrease) in cash	46,634	325,312	371,946
Cash at beginning of year	121,164	235,030	356,194
Cash at end of year	\$ 167,798	\$ 560,342	\$ 728,140

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

Notes to the Financial Statements

Grand Isles Master Homeowners Association, Inc.

Notes to the Financial Statements

For the year ended December 31, 2023

1. Nature of organization

Grand Isles Master Homeowners Association, Inc. (“the Association”) was incorporated as a not-for-profit corporation in the State of Florida on March 22, 1996. The Association consists of 611 residential units and is responsible for the operation and maintenance of the common property located in Wellington, Florida.

The community of Carmel, consisting of 183 residential units, is a subdivision within the Association. Their monthly maintenance assessments include specific recreation area amenities, landscaping, and irrigation that are for the sole benefit of Carmel owners.

2. Date of management's review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 15, 2024, the date that the financial statements were available to be issued.

3. Summary of significant accounting policies

a. Basis of presentation

The accompanying financial statements include the assets, liabilities, fund balances, revenue, and expenses as determined using the accrual basis of accounting.

b. Fund accounting

The Association is a not-for-profit organization which employs the fund method of accounting in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors, the Association voting membership, or applicable Florida Statutes. The financial statements segregate the accounting for such funds as either operating or replacement funds.

The operating fund is used to account for financial resources available for the general operations of the Association. Disbursements from the operating fund are generally at the discretion of the Board of Directors.

The replacement fund is generally used to account for assessments made for major repair and replacement of common property, and related expenses. Disbursements from the replacement fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association membership.

c. Cash

The Association’s cash balance consists of checking and money market accounts.

d. Interest income

Interest income is recognized when earned and allocated to the appropriate funds in proportion to the interest-bearing deposits of each fund.

Grand Isles Master Homeowners Association, Inc.

Notes to the Financial Statements

For the year ended December 31, 2023

3. Summary of significant accounting policies (continued)

e. Maintenance assessments and allowance for credit losses

Association members are subject to monthly maintenance 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 are 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 owners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. As of December 31, 2023, maintenance assessments receivable totaled \$31,116, less an allowance for credit losses in the amount of \$7,317, for a net receivable of \$23,799.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include closely monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association's control. Maintenance Assessments receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. The Association had the following activity for its allowance for credit losses for maintenance assessments receivable for the year ended December 31, 2023:

Beginning balances	\$	4,817
Provision for expected credit losses		2,500
Ending balances	\$	7,317

f. Property & equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

g. Contract liabilities (deferred revenue - replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (deferred revenue - 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. During the current year, the Association assessed and received \$338,062 in the replacement fund. The balances of contract liabilities (deferred revenue - replacement fund) as of December 31, 2023, was \$552,514.

Grand Isles Master Homeowners Association, Inc.

Notes to the Financial Statements

For the year ended December 31, 2023

3. Summary of significant accounting policies (continued)

h. Revenue recognition

The Financial Accounting Standards Board (FASB) created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate-Common Interest Realty Associations (CIRA), Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services. The Association'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 are satisfied when these funds are expended for their designated purpose. The performance obligations related to ancillary revenues is delivery of the underlying services. In instances where the Association's collection of fees is not probable, it cannot recognize revenue.

i. 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, 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.

j. Fair value of financial instruments

The carrying amounts of the Association's financial instruments, which primarily consist of cash, maintenance assessments receivable, accounts payable, and insurance payable, approximate their fair values due to their short-term maturities.

k. Income taxes

The Association filed its income tax return as a homeowners' association in accordance with Internal Revenue Code Section 528 for the current year. Under that Section, the Association is not taxed on uniform assessments to members and other income received from association members 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 and revenue received from nonmembers.

The Association's policy is to expense interest and penalties related to income taxes when they are assessed. The Association had no such expenses for the year ended December 31, 2023.

4. Litigation

The Association is from time-to-time a party to various legal actions normally associated with homeowner associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

Grand Isles Master Homeowners Association, Inc.

Notes to the Financial Statements

For the year ended December 31, 2023

4. Litigation (continued)

The Association was involved in litigation seeking declaratory and injunctive relief concerning the enforcement of the Association's commercial vehicle restriction. The Association vigorously contested the matter which was scheduled for a non-jury trial in February 2023. The matter resolved by settlement before trial and an agreed order dismissing the case with prejudice and confirming settlement was entered by the court on January 10, 2023.

The Association has reported issues with the Village of Wellington's proposal to construct and operate a water facility adjacent to the Association's northern boundary. The Association had discussions with the Village. The Association has not reported any monetary losses, has not authorized the filing of any claims, and has not reported the receipt of any claims. The Association is unable to determine the effects, if any, that the resolution of this matter would have on their financial statements.

The Association had been in discussions with the Palm Beach County School District seeking to have the District accept title to "frontage" tracts and to resolve traffic issues created by stacking of idling cars. The Association has not reported any monetary losses, has not authorized the filing of any claims, and has not reported receipt of any claims. The Association is unable to determine the effects, if any, that the resolution of this matter would have on their financial statements.

The Association has reported issues with the Village of Wellington's proposal to construct and operate a sports and park facility adjacent to the Association's northern boundary. The Association is starting discussions with the Village. The Association has not reported any monetary losses, has not authorized the filing of any claims, and has not reported the receipt of any claims. The Association is unable to determine the effects, if any, that the resolution of this matter would have on their financial statements.

5. Commitments

The Association has various contract services to maintain the common property including management services, maintenance services, building operations, security, lawn maintenance, and pest control. These contracts have different expiration dates and renewal terms.

6. Concentration of credit risk

The Association maintains its cash balances at various financial institutions, including insured cash sweep accounts. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2023, the Association did not have any uninsured deposits.

The Association assesses regular and special assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual unit owners. Should the collection of any such liens be enforced by the sale of the unit, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens that have priority. Market value may be influenced by the real estate market in the Association's geographic area.

Grand Isles Master Homeowners Association, Inc.

Notes to the Financial Statements

For the year ended December 31, 2023

7. Future major repairs and replacements

The Association's governing documents do not require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$560,342 and are presented on the accompanying balance sheet at December 31, 2023, are held in separate accounts and are generally not available for operating purposes.

The amount put into the reserves is voted upon by the board each year. The Association has not prepared a study to estimate the remaining lives and replacement costs of the common property. Amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, levy special assessments, or it may delay major repairs and replacements until funds are available.

The replacement fund designated for future major repairs and replacements has been allocated by the Board of Directors to the components of common property as follows:

Components	Balance 1/1/23	Maintenance Assessments	Interest Income	Expenditures	Balance 12/31/23
Contract liabilities - deferred revenue					
Master - general	\$ 287,494	\$ 325,000	\$ -	\$ (59,827)	\$ 552,667
Carmel - general	22,285	13,062	-	(35,500)	(153)
Sub-total contract liabilities - deferred revenue	309,779	338,062	-	(95,327)	552,514
Fund balances					
Master - interest	4,184	-	2,450	-	6,634
Carmel - interest	976	-	218	-	1,194
Sub-total fund balances	5,160	-	2,668	-	7,828
Total contract liabilities and fund balances	\$ 314,939	\$ 338,062	\$ 2,668	\$ (95,327)	\$ 560,342

Florida Statutes §720.303(6)(c)(2) requires the following statement:

THE BUDGET OF THE ASSOCIATION PROVIDES FOR LIMITED VOLUNTARY DEFERRED EXPENDITURE ACCOUNTS, INCLUDING CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE, SUBJECT TO LIMITS ON FUNDING CONTAINED IN OUR GOVERNING DOCUMENTS. BECAUSE THE OWNERS HAVE NOT ELECTED TO PROVIDE FOR RESERVE ACCOUNTS UNDER SECTION 720.303(6), FLORIDA STATUTES, THESE FUNDS ARE NOT SUBJECT TO THE RESTRICTIONS ON USE OF SUCH FUNDS SET FORTH IN THAT STATUTE, NOR ARE RESERVES CALCULATED IN ACCORDANCE WITH THAT STATUTE.

8. Prior period adjustments

Prior period adjustments are transactions and corrections relating to prior accounting periods and are made in order to reflect the current year without distortion. This prior period adjustment is to reconcile fund balance due to prior year expenses not included in the prior accounting period.

Grand Isles Master Homeowners Association, Inc.

Notes to the Financial Statements

For the year ended December 31, 2023

9. Insurance premiums financed

The Association's insurance premiums are financed under an agreement that requires monthly installments of approximately \$9,260, including interest at 8.822% per annum, payable through November 2024. The financing company has security interests in the unearned premiums of the related insurance policy. Finance charges amounted to \$4,693 over the term of the note and are included in insurance expense on the Statement of Revenues, Expenses, and Changes in Fund Balances. At December 31, 2023, the unpaid balance of this note agreement was \$101,855.

10. Insurance contingencies

In the event of a loss due to a hurricane, the Association would be responsible for a deductible under the provisions of the hurricane loss insurance contract. The deductible is estimated at \$125,620, which represents 5% of the insured value of residential buildings and is estimated to be \$2,512,392. Should the Association incur an uninsured loss, the Association has the right to increase maintenance fees, pass a special assessment, or delay repairs until funds are available.

11. Adoption of FASB ASU 2016-13 and related standards

At the beginning of 2023, the Association adopted FASB ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Association adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Association's financial statements but did change how the allowance for credit losses is determined.

12. Subsequent events

a. Carmel 2024 budget changes

In 2024, the Association will not budget for landscaping of Carmel homes, but will continue to maintain the irrigation system. This treatment aligns with the governing documents of the Association.