

Grand Isles Master Homeowners Association, Inc.

Audited Financial Statements
and Supplementary Information

Year Ended December 31, 2024



Table of Contents

Independent Auditor's Report	2
Balance Sheet	4
Statement of Revenues, Expenses, and Changes in Fund Balances	5
Statement of Cash Flows	6
Notes to the Financial Statements	8
Required Supplementary Information	15

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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, 2024, 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, 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 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.

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 15 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.

Feldman, Feldman & Baratz, P.A.

Boca Raton, FL

April 28, 2025

Grand Isles Master Homeowners Association, Inc.

Balance Sheet

December 31, 2024

	Operating Fund		Replacement Fund		Total
Assets					
Cash	\$	169,664	\$	899,712	\$ 1,069,376
Maintenance assessments receivable, net of \$7,317 allowance for credit losses		27,290		-	27,290
Prepaid insurance		128,561		-	128,561
Prepaid expenses		21,343		-	21,343
Due (to) from funds		4,694		(4,694)	-
Total assets	\$	351,552	\$	895,018	\$ 1,246,570
Liabilities & fund balances					
Accounts payable	\$	21,085	\$	-	\$ 21,085
Insurance payable		127,708		-	127,708
Prepaid maintenance assessments		64,562		-	64,562
Contract liabilities (deferred revenue - replacement fund)		-		880,885	880,885
Total liabilities		213,355		880,885	1,094,240
Fund balances (deficit)		138,197		14,133	152,330
Total liabilities & fund balances	\$	351,552	\$	895,018	\$ 1,246,570

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, 2024

	Operating Fund			Replacement Fund			Combined
	Master	Carmel	Total	Master	Carmel	Total	Total
Revenues							
Maintenance assessments	\$1,277,871	\$ 77,840	\$1,355,711	\$ 16,629	\$ -	\$ 16,629	\$1,372,340
Median maintenance income	9,930	-	9,930	-	-	-	9,930
Late fees and other owner income	24,014	-	24,014	-	-	-	24,014
Gate card income and pool key income	10,634	-	10,634	-	-	-	10,634
Orientation fee income	8,100	-	8,100	-	-	-	8,100
Other income	3,756	-	3,756	-	-	-	3,756
Interest income	27	-	27	6,147	158	6,305	6,332
Rental income	4,900	-	4,900	-	-	-	4,900
Total revenues	1,339,232	77,840	1,417,072	22,776	158	22,934	1,440,006
Expenses							
Administrative	25,640	-	25,640	-	-	-	25,640
Community activities	12,716	-	12,716	-	-	-	12,716
Credit Losses	445	-	445	-	-	-	445
Gate maintenance	34,121	-	34,121	-	-	-	34,121
Gatehouse attendants	212,113	-	212,113	-	-	-	212,113
Holiday lighting	12,108	-	12,108	-	-	-	12,108
Insurance	113,566	-	113,566	-	-	-	113,566
Janitorial	56,852	-	56,852	-	-	-	56,852
Lake maintenance	31,743	-	31,743	-	-	-	31,743
Landscaping and irrigation	329,066	44,996	374,062	-	-	-	374,062
Management	132,318	-	132,318	-	-	-	132,318
Pest control	3,240	2,205	5,445	-	-	-	5,445
Pool maintenance	19,741	18,143	37,884	-	-	-	37,884
Professional fees	74,566	-	74,566	-	-	-	74,566
Repairs and maintenance	98,615	-	98,615	-	-	-	98,615
Sheriff patrol/evening rover	56,722	-	56,722	-	-	-	56,722
Reserve expenditures	-	-	-	16,629	-	16,629	16,629
Telephone	23,424	-	23,424	-	-	-	23,424
Utilities	67,948	12,877	80,825	-	-	-	80,825
Total expenses	1,304,944	78,221	1,383,165	16,629	-	16,629	1,399,794
Excess (deficiency) of revenues over expenses	34,288	(381)	33,907	6,147	158	6,305	40,212
Beginning fund balances (deficit)	115,877	(15,317)	100,560	6,634	1,194	7,828	108,388
Prior period adjustment	3,730	-	3,730	-	-	-	3,730
Ending fund balances (deficit)	\$ 153,895	\$ (15,698)	\$ 138,197	\$ 12,781	\$ 1,352	\$ 14,133	\$ 152,330

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, 2024

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities			
Excess (deficiency) of revenues over expenses	\$ 33,907	\$ 6,305	\$ 40,212
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:			
Prior period adjustment	3,730	-	3,730
Decrease (increase) in assets:			
Maintenance assessments receivable	(3,491)	-	(3,491)
Prepaid insurance	(16,443)	-	(16,443)
Prepaid expenses	(3,783)	-	(3,783)
Increase (decrease) in liabilities:			
Accounts payable	(14,560)	-	(14,560)
Insurance payable	25,853	-	25,853
Prepaid maintenance assessments	(18,653)	-	(18,653)
Contract liabilities (deferred revenue - replacement fund)	-	328,371	328,371
Net cash provided (used) by operating activities	6,560	334,676	341,236
Cash flows from financing activities			
Interfund borrowing	(4,694)	4,694	-
Net cash provided (used) by financing activities	(4,694)	4,694	-
Net increase (decrease) in cash	1,866	339,370	341,236
Cash at beginning of year	167,798	560,342	728,140
Cash at end of year	\$ 169,664	\$ 899,712	\$ 1,069,376

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, 2024

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, and irrigation that are for the sole benefit of Carmel owners.

2. Date of management's review

The Association has evaluated subsequent events through April 28, 2025, the date which 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.

Grand Isles Master Homeowners Association, Inc.

Notes to the Financial Statements

For the year ended December 31, 2024

3. Summary of significant accounting policies (continued)

d. Interest income

The Association recognizes interest income in the operating fund and the replacement fund when earned.

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. Maintenance 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. Maintenance 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 the beginning of the year, maintenance assessments receivable, net totaled \$23,799. As of December 31, 2024, maintenance assessments receivable totaled \$34,607, less an allowance for credit losses in the amount of \$7,317, for a net receivable of \$27,290.

The Association treats uncollectible assessments as credit losses. The Association evaluates the collectability of assessments receivable based on current conditions, past experience, and forecasts of future events. Maintenance Assessments receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. The Association had the no activity for its allowance for credit losses for maintenance assessments receivable for the year ended December 31, 2024.

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.

Grand Isles Master Homeowners Association, Inc.

Notes to the Financial Statements

For the year ended December 31, 2024

3. Summary of significant accounting policies (continued)

g. 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.

h. Prepaid maintenance assessments

Prepaid maintenance assessments represent amounts collected from members prior to the end of the reporting period that are attributable to subsequent periods. At December 31, 2024, the balance of prepaid maintenance assessments has been recorded as a liability in the accompanying financial statements. Revenue from these assessments is recognized as earned over the period to which they relate. The balances of prepaid maintenance assessments as of the beginning and end of the year are \$83,215 and \$64,562, respectively.

i. 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 \$345,000 in the replacement fund. The balances of contract liabilities (deferred revenue - replacement fund) as of December 31, 2024, was \$880,885.

j. 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.

Grand Isles Master Homeowners Association, Inc.

Notes to the Financial Statements

For the year ended December 31, 2024

3. Summary of significant accounting policies (continued)

k. 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.

l. 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, 2024.

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.

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.

Grand Isles Master Homeowners Association, Inc.

Notes to the Financial Statements

For the year ended December 31, 2024

6. 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 \$895,018 and are presented on the accompanying balance sheet at December 31, 2024, 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 for 2024. During 2024, the Association engaged an independent reserve specialist to conduct a study for use in future budgets. 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 1/1/24	Maintenance Assessments	Interest Income	Expenditures	Balance 12/31/24
Contract liabilities - deferred revenue					
Master - general	\$ 552,667	\$ 335,000	\$ -	\$ (16,629)	\$ 871,038
Carmel - general	(153)	10,000	-	-	9,847
Sub-total contract liabilities - deferred revenue	552,514	345,000	-	(16,629)	880,885
Fund balances					
Master - interest	6,634	-	6,147	-	12,781
Carmel - interest	1,194	-	158	-	1,352
Sub-total fund balances	7,828	-	6,305	-	14,133
Total contract liabilities and fund balances	\$ 560,342	\$ 345,000	\$ 6,305	\$ (16,629)	\$ 895,018

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.

As of December 31, 2024, the replacement fund has borrowed \$4,694 from the operating fund; therefore, the Association's financial statements contain \$4,694 as Due (to) from funds on the Balance Sheet.

Grand Isles Master Homeowners Association, Inc.

Notes to the Financial Statements

For the year ended December 31, 2024

7. 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, 2024, 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.

8. Insurance premiums financed

The Association's insurance premiums are financed under an agreement that requires monthly installments of approximately \$10,643, including interest. The financing company has security interests in the unearned premiums of the related insurance policy. Finance charges over the term of the note are included in insurance expense on the Statement of Revenues, Expenses, and Changes in Fund Balances. At December 31, 2024, the unpaid balance of this note agreement was \$127,708.

9. 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 \$126,238, which represents 5% of the insured value of residential buildings and is estimated to be \$2,524,762. 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.

10. 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 transactions not included in the prior accounting period.

Supplementary Information

Grand Isles Master Homeowners Association, Inc.
Supplementary Information on Future Major Repairs and Replacements (Unaudited)
December 31, 2024

An independent reserve specialist conducted a study in 2024 to estimate the remaining useful lives and the replacement costs of the common property components. Replacements costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the estimates and the date that the components will require repair or replacement.

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

Components	Estimated Remaining Useful Life	Estimated Current Replacement Cost	2025 Estimated Required Funding Per Study	2025 Approved Funding	Replacement Fund Balances 12/31/24
Site and grounds	0-27	\$ 1,733,765	\$ -	\$ -	\$ -
Clubhouse, guardhouse	0-36	387,667	-	-	-
Mechanical/electrical/plumbing	0-11	164,850	-	-	-
Exterior amenities	0-27	353,062	-	-	-
Per Reserve Study		-	171,700	-	-
General - Master		-	-	335,000	871,038
General - Carmel		-	-	12,000	9,847
Interest - Master		-	-	-	12,781
Interest - Carmel		-	-	-	1,352
Total		\$ 2,639,344	\$ 171,700	\$ 347,000	\$ 895,018

The reserve study recommended a \$900,000 special assessment or loan to bring the reserve balances to the recommended levels. For a complete understanding of the information, please refer to the full reserve study, which contains all additional details and disclosures.

See independent auditor's report.