MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.

Financial Statements
Supplementary Information
and
Independent Auditors' Report
For the Year Ended December 31, 2023

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
December 31, 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Montreux at Deerwood Lake Condominium Association, Inc.
Jacksonville, Florida

Opinion

We have audited the accompanying financial statements of Montreux at Deerwood Lake Condominium Association, Inc., which comprise the balance sheet as of December 31, 2023, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montreux at Deerwood Lake Condominium Association, Inc. as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montreux at Deerwood Lake 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 Montreux at Deerwood Lake 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 Montreux at Deerwood Lake 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 Montreux at Deerwood Lake 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.

INDEPENDENT AUDITORS' REPORT

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The "Comparison of Operating Fund Revenues and Expenses to Budget" on pages 16-17 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, except for that portion marked "unaudited," 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. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the "Supplementary Information on Future Major Repairs and Replacements" on page 18 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.

LBW CPAs and Associates, Inc.

St. Augustine, Florida
April 15, 2024

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
At December 31, 2023

Balance Sheet

	Operating Fund	Replacement Fund	Total
Assets			
Current assets:			
Cash and cash equivalents:			
Unrestricted	$40,955		$40,955
Designated		$340,145	340,145
Total cash and cash equivalents	40,955	340,145	381,100
Fees and assessments receivable, less allowance for credit losses of $629	7,671		7,671
Other receivables	15,146		15,146
Interfund receivable/(payable)	(95,541)	95,541	
Prepaid expenses	5,975		5,975
Prepaid insurance	53,851		53,851
Total current assets	28,057	435,686	463,743
Property and equipment, less accumulated depreciation of $172,020	11,227		11,227
Total assets	$39,284	$435,686	$474,970
Liabilities and Fund Balances			
Current liabilities:			
Accounts payable and accrued expenses	$110,116		$110,116
Prepaid fees and assessments	39,880		39,880
Deferred revenue	35,125		35,125
Loan payable, current portion	34,243		34,243
Total current liabilities	219,364		219,364
Loan payable, less current portion	271,748		271,748
Contract liabilities		$104,496	104,496
Total liabilities	491,112	104,496	595,608
Fund balances	(451,828)	331,190	(120,638)
Total liabilities and fund balances	$39,284	$435,686	$474,970

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2023

Statement of Revenues, Expenses, and Changes in Fund Balances

	Operating Fund	Replacement Fund	Total
Revenues			
Regular assessments (billed)	$1,725,706	$375,000	$2,100,706
Less: prior contract asset		(270,504)	(270,504)
Less: reserve assessments deferral		(104,496)	(104,496)
Net assessments recognized	1,725,706	-0-	1,725,706
Finance charges	5,069		5,069
Owner reimbursements	1,181		1,181
Cost share revenue	192,026		192,026
Cable incentive income	7,664		7,664
Interest and other income	8,091	5,259	13,350
Total revenues	1,939,737	5,259	1,944,996
Expenses			
General and administrative	132,689		132,689
Insurance	332,822		332,822
Utilities	271,477		271,477
Contracts and services	718,918		718,918
Repairs and maintenance	387,551	49,069	436,620
Total expenses	1,843,457	49,069	1,892,526
Surplus/(deficit) of revenues over expenses	96,280	(43,810)	52,470
Fund balances, beginning of year	(173,108)		(173,108)
Interfund transfers	(375,000)	375,000	
Fund balances, end of year	($451,828)	$331,190	($120,638)

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2023

Statement of Cash Flows

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities:			
Regular assessments received	$2,091,939	$1,750	$2,093,689
Interest and other cash receipts	191,222	5,259	196,481
Cash paid for goods and services	(1,868,104)	(49,069)	(1,917,173)
Net cash provided by/(used in) operating activities	415,057	(42,060)	372,997
Cash flows from investing activities:			
Interfund transfers	(375,000)	375,000	
Net cash provided by/(used in) investing activities	(375,000)	375,000	
Cash flows from financing activities:			
Loan repayments	(32,738)		(32,738)
Net cash used in financing activities	(32,738)		(32,738)
Increase/(decrease) in cash	7,319	332,940	340,259
Cash and cash equivalents,			
Beginning of year	33,636	7,205	40,841
End of year	$40,955	$340,145	$381,100
Adjustments to reconcile surplus/(deficit) of revenues over expenses to net cash provided by/(used in) operating activities:			
Surplus/(deficit) of revenues over expenses	$96,280	($43,810)	$52,470
Add back: depreciation expense	9,292		9,292
(Increase)/decrease in:			
Fees and assessments receivable	8,452		8,452
Other receivables	(15,146)		(15,146)
Interfund receivable/(payable)	373,250	(373,250)	
Prepaid expenses	(3,833)		(3,833)
Prepaid insurance	(23,244)		(23,244)
Contract assets (spent reserve assessments)		270,504	270,504
Increase/(decrease) in:			
Accounts payable and accrued expenses	(10,853)		(10,853)
Prepaid fees and assessments	(11,478)		(11,478)
Deferred revenue	(7,663)		(7,663)
Contract liabilities (unspent reserve assessments)		104,496	104,496
Net cash provided by/(used in) operating activities	$415,057	($42,060)	$372,997

Supplemental disclosures of cash flow information:	
Cash paid for interest	$13,739
Cash paid for taxes	None

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Montreux at Deerwood Lake Condominium Association, Inc. (the "Association") is a statutory condominium association formed on February 14, 2005 as a not-for-profit, non-stock corporation, organized pursuant to Chapter 718 of the Florida Statutes. The Association was formed for the purposes of maintaining and preserving the common property of Montreux at Deerwood Lake Condominium. The condominium is a conversion of a residential apartment complex and consists of twenty-two (22) two and three story buildings containing a total of 444 condominium units, located in Jacksonville, Duval County, Florida, in an area of approximately 40 acres. Operations of the Association commenced during 2005 under the administration of Tarragon Corporation (the "Developer"). There are certain common areas (clubhouse, fitness center, swimming pool, pool deck, spa, roads, landscaping, building exteriors and common structure components, entranceways, signage) within the community that require maintenance expenses to be shared by all the owners. On January 31, 2008, the administration of the Association was assumed by its then duly elected Board of Directors.

The condominium is located within the Deerwood Lake community, a mixed-use development with multi-family residences and retail centers. There are certain common properties within Deerwood Lake that require maintenance expenses to be shared by the owners within the community; therefore, the Deerwood Lake Property Owners Association was created to function as the Master Association (the "Master Association"). The Association is a member of the Master Association and is subject to assessments (billed quarterly) to maintain the common property.

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting and in accordance with Florida Statutes and with the "Real Estate - Common Interest Realty Associations" topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The accrual basis of accounting means that revenues are recorded when they are earned and expenses are recorded when they are incurred. The owners are assessed their share of the cost of maintaining and operating the common property. Many owners pay the assessments early. Early collections of assessments are shown as prepaid assessments on the balance sheet.

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, which requires that funds such as operating funds and funds designated for future major repairs and replacements be classified separately for accounting and reporting purposes. The assets, liabilities, and fund balances of the Association are reported in two self-balancing fund groups.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)
The operating fund reflects the operating assessments paid by owners to meet the regular, recurring costs of operation. Expenditures from this fund are limited to those connected with the day-to-day operations.

The replacement fund is composed of assessments paid by owners to fund future major repairs and replacements. Interest earned on the replacement fund is retained in the fund (net of applicable income taxes paid from the fund). These funds may be used only for authorized reserve expenditures unless their use for other purposes is approved in advance by a majority of owners.

Owners' Assessments and Allowance for Credit Losses
Association members are subject to monthly 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 obligation 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 owners. Prepaid assessments at the balance sheet date represent fees paid in advance by owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments become past due. The Association retains excess operating funds at the end of the fiscal year, if any, for use in future periods. The balances of assessments receivable as of the beginning and end of the year are $16,752 and $8,300, respectively.

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.

Cash and Cash Equivalents
For purposes of reporting cash flows, the Association considers all monies deposited with financial institutions in checking and money market accounts and certificates of deposit to be cash and cash equivalents.

Interest Income
Interest income earned by the replacement fund is retained in that fund. Other interest income earned by the operating fund is credited to that respective fund account.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract Assets (Spent Reserve Assessments)
The Association recognizes revenue from members as the related performance obligations are satisfied. A contract asset (spent reserve assessments) is recorded when the Association has spent reserve assessments not yet received for their intended purpose. The balances of contract assets as of the beginning and end of the year are $270,504 and $0, respectively.

Contract Liabilities (Unspent Reserve Assessments)
The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (unspent reserve assessments) is recorded when the Association has received but not yet spent reserve assessments for their intended purpose. The balances of contract liabilities (unspent reserve assessments) as of the beginning and end of the year are $0 and $104,496, respectively.

Recognition of Assets and Depreciation Policy
The Association's policy for recognizing common property as assets in its balance sheet is to recognize (a) common personal property and (b) real property to which it has title and that it can dispose of for cash while retaining the proceeds. Tangible personal property acquired by using the Association’s funds is recorded at cost. The property consists of golf carts, furniture, office equipment, maintenance and fitness equipment, and garbage compactors, and is depreciated over the estimated useful lives (which range from 5 to 12 years), using the straight-line method of depreciation. 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.

Donated Services
The Association’s Board of Directors and its officers serve without compensation. The value of these services is not recorded in the financial statements.

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 the reported amounts of 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.

Fair Value of Financial Instruments
Unless otherwise indicated, the fair values of all reported assets and liabilities that represent financial instruments (none of which are held for trading purposes) approximate the value of such assets and liabilities.

Concentration of Credit Risk
The Association’s primary source of income is assessments paid by unit owners.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases
The Association determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Association determines lease classification as operating or finance at the lease commencement date. Finance leases, if applicable, are included in property and equipment, other current liabilities, and other long-term liabilities on our balance sheet.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Association uses the implicit rate when readily determinable. If not readily determinable, the Association uses its most recent borrowing rate based on the information available at the commencement date to determine the present value of lease payments.

NOTE 2 - DATE OF MANAGEMENT'S REVIEW AND SUBSEQUENT EVENTS

The Association has evaluated events and transactions for potential recognition or disclosure through April 15, 2024, the date that the financial statements were available to be issued. Based upon this evaluation, the Association has determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

NOTE 3 - OWNERS' ASSESSMENTS

Pursuant to the Declaration of Condominium, regular assessments are allocated to the unit owners in proportion to the size of the unit and the total number of units. For the period from January through March of 2023, regular monthly assessments to unit owners ranged from $235.40 to $483.07. Of these monthly amounts, funds designated to the replacement fund ranged from $32.67 to $67.05. The 2023 budget was amended and beginning in April 2023 the regular monthly assessment to unit owners increased to $287.59 to $590.18. Of these monthly amounts, funds designated to the replacement fund increased to $54.45 to $111.75. Delinquent assessments totaled $8,300 at year end. As of December 31, 2023, an allowance for credit losses in the amount of $629 has been recorded since collection of certain delinquent accounts and related expenses is doubtful.

NOTE 4 - INSURANCE MATTERS

The Association is responsible for losses incurred by a named hurricane based upon a 5.00% deductible per building per calendar year as defined in its property insurance policy. In addition, in the event of a disaster, the Association could be exposed to losses for damages in excess of insurance coverage limits.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

The Association may be periodically involved in legal actions and claims that arise as a result of events that occur in the normal course of operations. Management reviews the validity of such actions and acts accordingly. The financial statements do not include any adjustments for such actions. The Association has entered into various contracts for services including management, security, landscaping, pest control, lawn care, and other services.

During 2023, the Association was under a contract with FirstService Residential, Inc. to provide property management services, including accounting, collections, closings, administration, employment of personnel, and maintenance of common elements. Total compensation for management fees under this contract was $67,059 for the year. In addition, the Association reimburses the management company for labor costs, security services, office supplies, and out-of-pocket expenses for services and costs incurred on the Association's behalf. These costs totaled approximately $506,000 for 2023.

On March 26, 2023, the Association entered into an agreement with First Insurance Funding to finance its insurance premiums. The amount financed was $315,199 at an annual interest rate of 8.35%. Ten monthly payments of principal and interest in the amount of $32,739 were due, beginning April 26, 2023. At December 31, 2023, the balance remaining on this agreement was $32,739. This amount has been offset against prepaid insurance on the balance sheet.

NOTE 6 - INCOME TAXES

Condominium associations may elect to be taxed as a regular corporation or as a homeowners association. The Association elected to be taxed as a homeowners association for the year ended December 31, 2023. Under Internal Revenue Service Code Section 528, the Association excludes from taxation exempt function income, which generally consists of revenue from uniform assessments to owners. The Association's investment income and other nonexempt income were subject to tax at a flat federal rate of 30%. For the year ended December 31, 2023, nonexempt function income did not exceed the related expenses. Therefore, no federal income tax expense has been recorded.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Association's management believes it is no longer subject to income tax examinations for years prior to 2020.

NOTE 7 - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Association to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, consist primarily of bank accounts with balances, at times, in excess of amounts insured by the Federal Deposit Insurance Corporation and assessments receivable. Management of the Association evaluates the financial stability of its depositories and considers the risk of loss to be remote. The Association’s assessments receivable are related to billed assessments. The Association monitors the collectability of these assessments receivable and pursues collection. Management routinely assesses the collectability of the Association’s assessments receivable and provides for allowances for credit losses based on this assessment.

NOTE 8 - DEFERRED REVENUE

During 2021, the Association entered a renewal services agreement, grant of easement, and compensation agreement with Comcast of Greater Florida/Georgia, Inc. (“Comcast”). As consideration for the Association granting Comcast the right to provide services for the next six years, the Association was paid a per unit fee of $140 ($62,160 in total). This payment was received in May of 2022. The Association paid FirstService Residential a 25% commission for negotiating the agreement. The revenue (net commission costs) is being recognized proportionately over the life of the agreement. The amount of revenue recognized during 2023 under this agreement was $7,664. The remaining unrecognized portion of $35,125 is included in the liabilities on the balance sheet at year end (“Deferred revenue”).

NOTE 9 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and Florida Statutes require that funds be presented in the proposed operating budget for future major repairs and replacements. Accumulated funds total $435,686 and are presented on the accompanying balance sheet as a contract liability (unspent reserve assessments) in the amount of $104,496 and a fund balance in the amount of $331,190 at December 31, 2023. This consists of cash in two bank accounts in the amount of $340,145 and a balance due from the operating fund of $95,541. These funds are generally not available for operating purposes.

Additions to the replacement fund during 2023 included the budgeted contribution of $375,000, an interfund transfer from the operating fund of $375,000, and interest income of $5,259. Expenditures from the replacement fund during 2023 totaled $49,069 and included road repairs, sport court and sidewalk repairs, a new air conditioning unit for the clubhouse, fire safety repairs, and other major maintenance.

NOTE 9 - FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

The Financial Accounting Standards Board ("FASB") has issued and amended Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers in the Accounting Standards Codification Topic 606 (collectively, "ASC 606"). Pursuant to ASC 606, the total replacement fund balance of $435,686 is allocated to contract liabilities and fund balance on the balance sheet.

The contract liability represents unspent assessments that will be recognized as revenues when the funds are expended for their intended purposes. For the year ended December 31, 2023, the Association added $375,000 of unspent reserve assessments to the beginning deficit balance of ($270,504), for total contract liabilities of $104,496. These funds will remain in contract liabilities until expended for their intended purpose. The $331,190 fund balance at December 31, 2023 represents the unspent portion of the 2023 interfund transfer and interest income; going forward, future expenditures will be applied against the fund balance first.

During 2016, the Association engaged an independent reserve analyst to conduct a formal study to determine the remaining useful lives of the components of common property and estimates of costs of major repairs and replacements that may be required in the future. Management updated the study during the 2024 budget process. The table included in the unaudited "Supplementary Information on Future Major Repairs and Replacements" includes the information provided by this updated study using the 30 year pooled cash flow funding plan. This plan takes the total beginning year reserve balance 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 which provides a positive cash flow and adequate reserve account balance over the next thirty years. Under this plan, the recommended 2024 reserve funding contribution was $252,347. The amount of funding included in the amended 2024 budget is $425,000. The Association has engaged an independent analyst to perform a structural integrity reserve study during 2024.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, levy special assessments, or delay major repairs and replacements.

Chapter 718 of the Florida Statutes was amended during 2022. Effective December 31, 2024, the members of a unit-owner-controlled association may not determine to provide no reserves or less reserves than required; and may not vote to use reserve funds, or any interest accruing thereon, that are reserved for specified structural components (roof, walls, floor, foundation, painting, etc.) for any purpose other than their intended purpose.

NOTE 10 - NOTE PAYABLE

During October 2021, the Association obtained a promissory note with Truist Bank in the amount of $375,000, for the purpose of financing the roof replacements, trim replacement, building repairs, and painting. The note carries an interest rate of 3.890% per annum, and monthly payments of principal and interest in the amount of $3,792.44 were due beginning November 20, 2021. The loan is secured by current and future assessments against the Association's owners and matures on October 20, 2031. Interest expense totaled $12,771 in 2023. The outstanding balance on this obligation was $305,991 at December 31, 2023, and future obligations are as follows:

Year ended December 31,	
2024	$34,243
2025	35,599
2026	37,008
2027	38,474
2028	39,998
Thereafter	120,669
Total	$305,991

NOTE 11 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2023 consists of the following:

	Life	
Fitness equipment	7 years	$72,607
Furniture	7 years	39,989
Garbage compactors	12 years	53,887
Golf carts	5 years	12,226
Maintenance equipment	5 years	2,188
Office equipment	5 years	2,350
Less: accumulated depreciation		(172,020)
Net property and equipment		$11,227

Depreciation expense for 2023 totaled $9,292.

NOTE 12 - RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the balance sheet for leases with terms exceeding twelve months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease is required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 was effective for the Association for the year ending December 31, 2023. The impact of the adoption was not considered material to the financial statements.

In June 2016, the FASB issued guidance (FASB AC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Association that are subject to the guidance in FASB ASC 326 were assessments receivable. We adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Montreux at Deerwood Lake Condominium Association, Inc.
For the Year Ended December 31, 2023

Comparison of Operating Fund Revenues and Expenses to Budget

	Actual	Unaudited Budget	Variance
Revenues			
Regular assessments	$1,725,706	$1,726,459	($753)
Finance charges	5,069		5,069
Owner reimbursements	1,181		1,181
Cost share revenue (water reimbursements)	192,026	195,000	(2,974)
Cable incentive income	7,664		7,664
Interest and other income	8,091		8,091
Total revenues	1,939,737	1,921,459	18,278
Expenses			
General and administrative			
Accounting fees	6,480	6,480	
Bank charges	652	360	292
Communications and subscriptions	11,374	13,275	(1,901)
Computer internet	333	563	(230)
Computer maintenance	1,397	2,000	(603)
Corporate annual report	61	61	
Credit losses	3,991	1,250	2,741
Depreciation expense	9,292		9,292
Fees to Master Association	54,105	54,105	
Fees to the Division	1,776	1,776	
Legal fees	5,776	2,000	3,776
Legal fees - collections	10	1,750	(1,740)
Licenses and taxes	1,305	1,050	255
Loan interest and fees	12,771	45,600	(32,829)
Management collection fees	2,348		2,348
Office expense, fax, and copier	6,641	4,748	1,893
Office supplies	8,253	6,000	2,253
Postage	1,994	2,400	(406)
Professional fees	4,000		4,000
Website	130	63	67
Total general and administrative	132,689	143,481	(10,792)
Insurance			
Property and liability insurance	319,534	361,200	(41,666)
Financing costs	13,288		13,288
Total insurance	332,822	361,200	(28,378)
Utilities			
Electricity	46,065	53,659	(7,594)
Gas	12,481	21,000	(8,519)
Telephone and cable	1,992	1,662	330
Trash collection	34,516	31,200	3,316
Water and sewer	176,423	202,056	(25,633)
Total utilities	271,477	309,577	(38,100)

Comparison of Operating Fund Revenues and Expenses to Budget (Continued)

	Actual	Unaudited Budget	Variance
Expenses (Continued)			
Contracts and services			
Equipment contract - life safety	$261	$375	($114)
Equipment contract - recycling	6,316	5,796	520
Equipment contract - security		150	(150)
Floor care		1,500	(1,500)
Groundskeeper services	93,910	108,086	(14,176)
HVAC system	1,082	3,000	(1,918)
Janitorial service	17,460	17,400	60
Lawn maintenance	79,030	81,948	(2,918)
Maintenance supervisor services	73,252	65,763	7,489
Management services	67,059	74,000	(6,941)
Medical insurance benefits	24,576	42,900	(18,324)
On-site management	141,246	150,638	(9,392)
Pest control/termite bond	13,761	15,361	(1,600)
Pool/spa contract	33,770	43,437	(9,667)
Security services	166,749	178,687	(11,938)
Uniforms contract	446	900	(454)
Total contracts and services	718,918	789,941	(71,023)
Repairs and maintenance			
Building gutters	11,088		11,088
Clubhouse	12,718		12,718
Custodial supplies	3,989	3,600	389
Driveway maintenance		16,000	(16,000)
Electrical	5,262	17,100	(11,838)
Equipment - barrier	6,820	12,000	(5,180)
Equipment - building	83,342	100,000	(16,658)
Equipment - health club	353	2,700	(2,347)
Equipment - life safety	48,178	16,800	31,378
Equipment - pressure cleaning	5,500	6,000	(500)
Equipment - rental	6,260	4,855	1,405
Equipment - supplies	16,372	12,000	4,372
Equipment - trash compactor	6,325	6,000	325
Interiors	1,973		1,973
Landscaping extras	850	27,000	(26,150)
Landscaping irrigation	12,834	12,000	834
Lighting	16,438	12,780	3,658
Pool furniture and equipment		2,400	(2,400)
Pool, spa and fountain supplies	12,651	9,000	3,651
Recreational supplies	947	3,600	(2,653)
Recreation center/golf cart	10,543	6,925	3,618
Roof repairs	110,038	30,000	80,038
Signage	1,180	1,500	(320)
Trees trimmed and replaced	13,890	15,000	(1,110)
Total repairs and maintenance	387,551	317,260	70,291
Total expenses	1,843,457	1,921,459	(78,002)
Surplus of revenues over expenses	$96,280	$0	$96,280

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2023

Supplementary Information on Future Major Repairs and Replacements

The Association engaged an independent reserve analyst in 2016 to estimate the remaining useful lives and the replacement costs of the components of common property. Management updated that study during the 2024 budget process. The following information is based on that updated study, and presents significant information about the components of common property.

	Estimated Remaining Lives	Estimated Future Replacement Costs	Balance 12/31/2022	Contributions and Transfers	Interest	Expenses	Balance 12/31/2023	2024 Funding Approved
Contract liabilities:								
Roofs	7-29 years	$1,909,672						
Pool	2-17 years	291,377						
Fire system	7 years	117,000						
Sport courts	1-12 years	41,011						
Painting	1-7 years	598,967						
Furniture, fixtures, equipment	2-15 years	152,983						
Grounds	5-15 years	454,722						
Pavement	4-17 years	687,000						
Railings	17 years	607,082						
Security	7-15 years	71,460						
Pooled fund			($270,504)	$375,000			$104,496	$425,000
Total contract liabilities		4,931,274	(270,504)	375,000			104,496	425,000
Fund balance:								
Interfund transfer				375,000		($49,069)	325,931	
Unspent interest					$5,259		5,259	
Total fund balance				375,000	5,259	(49,069)	331,190	
Combined totals		$4,931,274	($270,504)	$750,000	$5,259	($49,069)	$435,686	$425,000