

**MONTREUX AT DEERWOOD LAKE
CONDOMINIUM ASSOCIATION, INC.**

**Financial Statements
Supplementary Information
and
Independent Auditors' Report
For the Year Ended December 31, 2024**

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
December 31, 2024

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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, 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 Montreux at Deerwood Lake Condominium 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 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.

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
December 31, 2024

INDEPENDENT AUDITORS' REPORT

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.

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
December 31, 2024

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 15-16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, 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 17 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
March 4, 2025

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
At December 31, 2024

Balance Sheet

	Operating Fund	Replacement Fund	Total
Assets			
Current assets:			
Cash and cash equivalents:			
Unrestricted	\$355,943		\$355,943
Designated		\$509,797	509,797
Total cash and cash equivalents	355,943	509,797	865,740
Fees and assessments receivable, less allowance for credit losses of \$629	12,899		12,899
Other receivables	5,100		5,100
Interfund receivable/(payable)	2,307	(2,307)	
Prepaid expenses	15,526		15,526
Prepaid insurance	58,758		58,758
Total current assets	450,533	507,490	958,023
Property and equipment, less accumulated depreciation of \$176,511	6,736		6,736
Total assets	\$457,269	\$507,490	\$964,759
Liabilities and Fund Balances			
Current liabilities:			
Accounts payable and accrued expenses	\$173,049	\$214,330	\$387,379
Prepaid fees and assessments	66,263		66,263
Deferred revenue	27,461		27,461
Loan payable, current portion	35,599		35,599
Total current liabilities	302,372	214,330	516,702
Loan payable, less current portion	236,664		236,664
Contract liabilities (unspent reserve assessments)		293,160	293,160
Total liabilities	539,036	507,490	1,046,526
Fund balances	(81,767)		(81,767)
Total liabilities and fund balances	\$457,269	\$507,490	\$964,759

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2024

Statement of Revenues, Expenses, and Changes in Fund Balances

	Operating Fund	Replacement Fund	Total
Revenues			
Regular assessments (billed)	\$2,179,131	\$325,000	\$2,504,131
Less: reserve assessments deferral		(188,663)	(188,663)
Net assessments recognized	2,179,131	136,337	2,315,468
Finance charges	7,168		7,168
Cost share revenue	184,300		184,300
Cable incentive income	7,664		7,664
Interest and other income	17,088	18,204	35,292
Total revenues	<u>2,395,351</u>	<u>154,541</u>	<u>2,549,892</u>
Expenses			
General and administrative	152,119		152,119
Insurance	389,713		389,713
Utilities	300,490		300,490
Contracts and services	745,720		745,720
Repairs and maintenance	437,248	485,731	922,979
Total expenses	<u>2,025,290</u>	<u>485,731</u>	<u>2,511,021</u>
Surplus/(deficit) of revenues over expenses	370,061	(331,190)	38,871
Fund balances, beginning of year	<u>(451,828)</u>	<u>331,190</u>	<u>(120,638)</u>
Fund balances, end of year	<u><u>(\$81,767)</u></u>	<u><u>\$0</u></u>	<u><u>(\$81,767)</u></u>

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2024

Statement of Cash Flows

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities:			
Regular assessments received	\$2,102,437	\$422,849	\$2,525,286
Interest and other cash receipts	218,602	18,204	236,806
Cash paid for goods and services	(1,972,323)	(271,401)	(2,243,724)
Net cash provided by operating activities	<u>348,716</u>	<u>169,652</u>	<u>518,368</u>
Cash flows from financing activities:			
Loan repayments	(33,728)		(33,728)
Net cash used in financing activities	<u>(33,728)</u>		<u>(33,728)</u>
Increase/(decrease) in cash	314,988	169,652	484,640
Cash and cash equivalents,			
Beginning of year	40,955	340,145	381,100
End of year	<u><u>\$355,943</u></u>	<u><u>\$509,797</u></u>	<u><u>\$865,740</u></u>
Adjustments to reconcile surplus/(deficit) of revenues over expenses to net cash provided by/(used in) operating activities:			
Surplus/(deficit) of revenues over expenses	\$370,061	(\$331,190)	\$38,871
Add back: depreciation expense	4,491		4,491
<i>(Increase)/decrease in:</i>			
Fees and assessments receivable	(5,228)		(5,228)
Other receivables	10,046		10,046
Interfund receivable/(payable)	(97,849)	97,849	
Prepaid expenses	(9,551)		(9,551)
Prepaid insurance	(4,907)		(4,907)
<i>Increase/(decrease) in:</i>			
Accounts payable and accrued expenses	62,934	214,330	277,264
Prepaid fees and assessments	26,383		26,383
Deferred revenue	(7,664)		(7,664)
Contract liabilities (unspent reserve assessments)		188,663	188,663
Net cash provided by operating activities	<u><u>\$348,716</u></u>	<u><u>\$169,652</u></u>	<u><u>\$518,368</u></u>
Supplemental disclosures of cash flow information:			
Cash paid for interest (loan and insurance financing)			<u><u>\$26,951</u></u>
Cash paid for taxes			<u><u>None</u></u>

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2024

Notes to the Financial Statements

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, landscaped areas, 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.

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.

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.

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2024

Notes to the Financial Statements

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

Fund Accounting (Continued)

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 \$8,300 and \$13,528, 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.

Prepaid Assessments

Prepaid assessments consist of amounts received which are applicable to 2025 assessments. The balances of prepaid assessments as of the beginning and end of the year are \$39,880 and \$66,263, 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 \$104,497 and \$293,160, respectively.

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 with original maturities of three months or less to be cash and cash equivalents.

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2024

Notes to the Financial Statements

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

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. The Association's policy is to account for fund expenditures using fund interest and interfund transfers first before fund assessment income.

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.

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.

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2024

Notes to the Financial Statements

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

Leases (Continued)

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. The present value of lease payments as of December 31, 2024 was not material.

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

The Association has evaluated events and transactions for potential recognition or disclosure through March 4, 2025, 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 year ended December 31, 2024, regular monthly assessments to unit owners ranged from \$327 to \$672. Of these monthly amounts, funds designated to the replacement fund ranged from \$42 to \$87. Delinquent assessments totaled \$13,528 at year end. As of December 31, 2024, 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 storm based upon a 5% 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 including management, security, landscaping, pest control, lawn care, and other services.

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2024

Notes to the Financial Statements

NOTE 5 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

During 2024, 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 \$66,249 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 \$538,000 for 2024.

On March 26, 2024, the Association entered into an agreement with First Insurance Funding to finance its insurance premiums. The amount financed was \$353,751 at an annual interest rate of 9.25%. Ten monthly payments of principal and interest in the amount of \$36,892 were due, beginning April 26, 2024. At December 31, 2024, the balance remaining on this agreement was \$36,892. 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, 2024. 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, 2024, 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, 2024, 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 2021.

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.

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2024

Notes to the Financial Statements

NOTE 7 - CONCENTRATION OF CREDIT RISK (CONTINUED)

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 2024 under this agreement was \$7,664. The remaining unrecognized portion of \$27,461 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, which total \$293,160 and are presented on the accompanying balance sheet as a contract liability (unspent reserve assessments) at December 31, 2024, consist of cash in two bank accounts in the amount of \$509,797, reduced by a balance due to the operating fund of \$2,307 and accounts payable of \$214,330. These funds are generally not available for operating purposes.

Additions to the fund during 2024 included the budgeted contribution of \$325,000 and interest income totaling \$18,204. Expenses totaled \$485,731 and included roof replacements and related expenses for engineering and project management.

The total replacement fund balance of \$293,160 is classified on the balance sheet as a contract liability. 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, 2024, the Association added \$188,663 of unspent reserve assessments to the beginning balance of \$104,497, for total contract liabilities of \$293,160. These funds will remain in contract liabilities until expended for their intended purpose.

During 2024, 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.

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2024

Notes to the Financial Statements

NOTE 9 - FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

The table included in the unaudited “Supplementary Information on Future Major Repairs and Replacements” includes the information provided by this 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 2025 reserve funding contribution was \$971,900 (with \$606,400 allocated to the structural components of common property and \$365,500 allocated to the non-structural components). Accordingly, the Board of Directors included that amount for replacement funding in the approved 2025 budget.

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.

Florida Senate Bill SB 4-D requires inspections and completion of a structural integrity reserve study (“SIRS”) for all condominium buildings three stories or higher, to be completed at least every ten years after the condominium’s creation. In addition, structural milestone inspections are required for buildings of a certain age, depending on their distance from the coastline. These inspections must identify the remaining useful life and estimated replacement cost of every major common area component and provide a recommended annual reserve amount that achieves the estimated replacement cost of each common area component by the end of the estimated remaining useful life of each component. Effective December 31, 2024, the members of a unit-owner-controlled association that must obtain a structural integrity reserve study may not determine to provide no reserves or less reserves than required by statute for the specified items; and may not vote to use reserve funds, or any interest accruing thereon, that are reserved for specified structural components (roof, structure and load-bearing walls, fireproofing and fire protection systems, plumbing, electrical systems, waterproofing and exterior painting, windows and exterior doors, and others) for any purpose other than their intended purpose.

The Association has completed the required structural integrity reserve study and is utilizing it in its 2025 budget.

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.

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2024

Notes to the Financial Statements

NOTE 10 - NOTE PAYABLE (CONTINUED)

The note carries an interest rate of 3.890% per annum, and monthly payments of principal and interest in the amount of \$3,792 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 \$11,781 in 2024. The outstanding balance on this obligation was \$272,263 at December 31, 2024, and future obligations are as follows:

Year ended December 31,	
2025	\$35,599
2026	37,008
2027	38,474
2028	39,998
2029	41,582
Thereafter	<u>79,602</u>
Total	<u><u>\$272,263</u></u>

NOTE 11 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2024 consists of the following:

	<u>Life</u>	
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		<u>(176,511)</u>
Net property and equipment		<u><u>\$6,736</u></u>

Depreciation expense for 2024 totaled \$4,491.

NOTE 12 - DEFICIT FUND BALANCE AND MANAGEMENT'S PLANS

At December 31, 2024, the Association had an operating fund balance deficit of \$81,767, which was the result of delinquent owner balances in prior years and the severity of building repairs and roof leaks resulting in significant increases in insurance premiums. A loan was obtained to reroof the buildings in order to secure reduced insurance premiums. The 2024 operating surplus has greatly improved the operating fund balance deficit, which was \$451,828 at the prior year end. Management believes that the level of assessment fees levied in 2025 will continue to improve the deficit.

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2024

Comparison of Operating Fund Revenues and Expenses to Budget

	Actual	Unaudited Budget	Variance
Revenues			
Regular assessments	\$2,179,131	\$2,079,137	\$99,994
Finance charges	7,168		7,168
Cost share revenue (water reimbursements)	184,300	195,000	(10,700)
Cable incentive income	7,664		7,664
Interest and other income	17,088		17,088
Total revenues	<u>2,395,351</u>	<u>2,274,137</u>	<u>121,214</u>
Expenses			
<i>General and administrative</i>			
Accounting fees	6,600	6,600	
Annual operating transfer		50,000	(50,000)
Bank charges	707	500	207
Communications and subscriptions	11,486	15,400	(3,914)
Computer maintenance	992	2,900	(1,908)
Corporate annual report	61	61	
Credit losses		3,000	(3,000)
Depreciation expense	4,491		4,491
Fees to Master Association	54,105	54,106	(1)
Fees to the Division	1,776	1,776	
Legal fees	6,537	6,400	137
Legal fees - collections		21	(21)
Licenses and taxes	1,050	1,050	
Loan interest and fees	11,781	45,509	(33,728)
Management collection fees	2,142	4,100	(1,958)
Office expense, fax, and copier	5,452	5,400	52
Office supplies	11,992	6,000	5,992
Postage	3,647	2,800	847
Professional fees	18,650		18,650
Reserve analysis/insurance appraisal	10,650	11,000	(350)
Total general and administrative	<u>152,119</u>	<u>216,623</u>	<u>(64,504)</u>
<i>Insurance</i>			
Financing costs	15,170		15,170
Property and liability insurance	374,543	500,000	(125,457)
Total insurance	<u>389,713</u>	<u>500,000</u>	<u>(110,287)</u>
<i>Utilities</i>			
Electricity	49,172	50,394	(1,222)
Gas	8,139	17,000	(8,861)
Trash collection	40,177	35,551	4,626
Water and sewer	203,002	187,129	15,873
Total utilities	<u>300,490</u>	<u>290,074</u>	<u>10,416</u>

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2024

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

	Actual	Unaudited Budget	Variance
Expenses (Continued)			
<i>Contracts and services</i>			
Equipment contract - recycling	\$2,232	\$6,632	(\$4,400)
HVAC system	5,693	8,000	(2,307)
Janitorial service	17,400	18,000	(600)
Lawn maintenance	95,229	95,000	229
Maintenance services	112,042	110,789	1,253
Maintenance supervisor services	83,120	93,277	(10,157)
Management services	66,249	75,117	(8,868)
Medical insurance benefits	23,970	46,080	(22,110)
On-site management	150,513	157,173	(6,660)
Pest control/termite bond	13,926	14,400	(474)
Pool/spa contract	28,678	29,000	(322)
Security services	145,426	140,000	5,426
Uniforms contract	1,242	372	870
Total contracts and services	<u>745,720</u>	<u>793,840</u>	<u>(48,120)</u>
<i>Repairs and maintenance</i>			
Building exterior	149,451	100,000	49,451
Building gutters		11,500	(11,500)
Clubhouse	13,855	12,000	1,855
Custodial supplies	5,625	3,700	1,925
Electrical	8,058	9,000	(942)
Equipment - barrier	18,144	15,000	3,144
Equipment - health club	1,482	2,000	(518)
Equipment - life safety	39,690	60,000	(20,310)
Equipment - pressure cleaning		6,000	(6,000)
Equipment - rental	4,189	6,000	(1,811)
Equipment - supplies	18,276	12,000	6,276
Equipment - trash compactor	6,550	5,000	1,550
Interiors	16,233	40,000	(23,767)
Landscaping extras	613	1,500	(887)
Landscaping irrigation	9,463	20,000	(10,537)
Lighting	14,755	15,000	(245)
Pool, spa, and fountain supplies	27,573	15,000	12,573
Recreation center/golf cart	13,880	6,400	7,480
Recreational supplies	665	2,000	(1,335)
Roof repairs	58,200	100,000	(41,800)
Signage	2,531	1,500	1,031
Special projects	9,942		9,942
Trees trimmed and replaced	8,979	15,000	(6,021)
Windows	9,094	15,000	(5,906)
Total repairs and maintenance	<u>437,248</u>	<u>473,600</u>	<u>(36,352)</u>
Total expenses	<u>2,025,290</u>	<u>2,274,137</u>	<u>(248,847)</u>
Surplus of revenues over expenses	<u><u>\$370,061</u></u>	<u><u>\$0</u></u>	<u><u>\$370,061</u></u>

MONTREUX AT DEERWOOD LAKE CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2024

Supplementary Information on Future Major Repairs and Replacements

An independent engineer conducted a study in 2024 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement 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 study 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.

	Estimated Remaining Lives	Estimated Current Replacement Costs	Balance 12/31/2023	Contributions	Interest	Expenses	Balance 12/31/2024	2025 Funding Approved
Contract liabilities:								
<u>Structural Components</u>								\$606,400
Exterior building elements	1-29 years	\$10,693,690						
Building services	1-21 years	559,000						
<u>Non-Structural Components</u>								365,500
Property site elements	1-30 years	2,133,780						
Pool elements	1-38 years	809,910						
Clubhouse elements	1-15 years	575,654						
Building services elements	20 years	66,000						
SIRS update	1 year	6,400						
Total contract liabilities		<u>14,844,434</u>	<u>\$104,497</u>	<u>\$325,000</u>		<u>(\$136,337)</u>	<u>\$293,160</u>	<u>971,900</u>
Fund balance:								
Interfund transfer			325,931			(325,931)	0	
Interest income			<u>5,259</u>		<u>\$18,204</u>	<u>(23,463)</u>	<u>0</u>	
Total fund balance			<u>331,190</u>		<u>18,204</u>	<u>(349,394)</u>	<u>0</u>	
Combined totals		<u>\$14,844,434</u>	<u>\$435,687</u>	<u>\$325,000</u>	<u>\$18,204</u>	<u>(\$485,731)</u>	<u>\$293,160</u>	<u>\$971,900</u>