

PALMSEA CONDOMINIUM, INC.

Financial Statements

***For the year ended
December 31, 2021***

HAFER

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
PALMSEA CONDOMINIUM, Inc.

Opinion

We have audited the accompanying financial statements of PALMSEA CONDOMINIUM, Inc. ("the Association"), which comprise the balance sheet as of December 31, 2021, and the related statement of revenues and 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 PALMSEA CONDOMINIUM, Inc. as of December 31, 2021, 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 this report. We are required to be independent of PALMSEA CONDOMINIUM, 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 PALMSEA CONDOMINIUM, 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, including omissions, 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.

PALMSEA CONDOMINIUM, Inc.
Independent Auditor's Report (Continued)

- 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 PALMSEA CONDOMINIUM, 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 PALMSEA CONDOMINIUM, 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.



Palm Beach, Florida
June 24, 2022

PALMSEA CONDOMINIUM, INC.
BALANCE SHEET
December 31, 2021

	Operating Fund	Replacement Fund	Total Funds
Assets			
Cash and cash equivalents	\$ 161,467	\$ 418,327	\$ 579,794
Assessments receivable (Note 3)	7,962	-	7,962
Prepaid expenses	137,234	-	137,234
Property and equipment, net (Note 4)	20,028	-	20,028
Due (to) from funds (Note 10)	(4,383)	4,383	-
	Total assets	Total assets	Total assets
	\$ 322,308	\$ 422,710	\$ 745,018
Liabilities and fund balances			
Accounts payable and accrued expenses	\$ 36,738	\$ -	\$ 36,738
Insurance payable (Note 7)	117,941	-	117,941
Prepaid assessments	41,487	-	41,487
Refundable deposits	10,000	-	10,000
Contract liabilities (Note 12)	-	422,710	422,710
	Total liabilities	Total liabilities	Total liabilities
	206,166	422,710	628,876
Fund balances	116,142	-	116,142
	Total liabilities and fund balances	Total liabilities and fund balances	Total liabilities and fund balances
	\$ 322,308	\$ 422,710	\$ 745,018

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

PALMSEA CONDOMINIUM, INC.
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
For the year ended December 31, 2021

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
Revenues			
Maintenance assessments	\$ 1,084,859	\$ 25,229	\$ 1,110,088
Special assessment income (Note 8)	334,711	-	334,711
Interest income	-	513	513
Other income	34,885	-	34,885
Total revenues	<u>1,454,455</u>	<u>25,742</u>	<u>1,480,197</u>
Expenses			
Administrative	673,016	-	673,016
Building operations and maintenance	200,342	-	200,342
Utilities	223,583	-	223,583
Special assessment expense (Note 8)	433,533	-	433,533
Total expenses	<u>1,530,474</u>	<u>-</u>	<u>1,530,474</u>
Excess (deficiency) of revenues over expenses	(76,019)	25,742	(50,277)
Fund balances, beginning	152,925	13,494	166,419
Interfund transfers (Note 8 and 9)	39,236	(39,236)	-
Fund balances, ending	<u>\$ 116,142</u>	<u>\$ -</u>	<u>\$ 116,142</u>

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

PALMSEA CONDOMINIUM, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2021

	Operating Fund	Replacement Fund	Total Funds
Cash flows from operating activities			
Excess (deficiency) of revenues over expenses	\$ (76,019)	\$ 25,742	\$ (50,277)
<u>Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash (used) provided by operating activities:</u>			
Depreciation expense	3,641	-	3,641
<u>Changes in assets and liabilities:</u>			
Assessments receivable	(2,234)	-	(2,234)
Prepaid expenses	(9,658)	-	(9,658)
Accounts payable and accrued expenses	29,281	-	29,281
Prepaid assessments	8,501	-	8,501
Contract liabilities	-	95,771	95,771
Net cash (used) provided by operating activities	(46,488)	121,513	75,025
Cash flows from financing activities			
Proceeds from insurance payable	308,853	-	308,853
Payments on insurance payable	(292,412)	-	(292,412)
Interfund borrowings	259	(259)	-
Interfund borrowings	39,236	(39,236)	-
Net cash provided (used) by financing activities	55,936	(39,495)	16,441
Net increase in cash and cash equivalents	9,448	82,018	91,466
Cash and cash equivalents, beginning	152,019	336,309	488,328
Cash and cash equivalents, ending	\$ 161,467	\$ 418,327	\$ 579,794

Supplemental disclosure of cash flow information (Note 13)

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

PALMSEA CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1: Organization

PALMSEA CONDOMINIUM, Inc. (“the Association”) was incorporated under the laws of the State of Florida as a not-for-profit corporation on May 19, 1972. The Association is responsible for maintaining and preserving the common property of the Association in accordance with the terms of Chapter 718, Florida Statutes (“FS §718”) and the provisions of its governing documents. The Association consists of 121 residential units located in South Palm Beach, Florida.

NOTE 2: Summary of significant accounting policies

Fund accounting

The Association prepares its financial statements on the accrual basis of accounting and presents them using fund accounting, using separate funds for operations and future major repairs and replacements. Disbursements from the operating fund are generally for the day-to-day operations and non-recurring unanticipated expenditures of the Association and are made at the discretion of the Board of Directors. Disbursements from the replacement fund generally are made only for designated purposes.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Accordingly, actual results could differ from those estimates.

Short-term financial instruments

The carrying amount of the Association’s financial instruments, which include cash and cash equivalents, assessments receivable, prepaid expenses, accounts payable and accrued expenses, and other assets and liabilities, approximate their fair values due to their short-term maturities.

Cash and cash equivalents

Cash and cash equivalents include all monies in banks including money market funds. Cash equivalents include highly liquid securities, including certificates of deposit, with original maturities of 90 days or less.

Owners’ assessments and allowance for uncollectible accounts

Monthly assessments to owners are based upon a share of the budgeted operating expenses and future major repairs and replacements. The Association retains excess operating funds at the end of the year for use in future operating periods. Assessments receivable at the balance sheet date represent fees due from owners. Assessments paid in advance are included on the balance sheet as prepaid assessments. The Association’s policy is to retain legal counsel and place liens or foreclose on units of members whose assessments are delinquent. When necessary, the Association’s estimate of the allowance for uncollectible accounts is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of reported amounts.

Property and equipment

Common property of the Association is accounted for in accordance with ASC 972-360 and prevalent industry practices. As such, real property and common area acquired from the developer and related improvements to such property are not reflected on the Association financial statements because those assets are owned by the unit owners in common, and not by the Association. The Association capitalizes, at cost, certain personal and real property which it purchases. Capitalized property and equipment are depreciated over the estimated useful lives of the assets using the straight-line method of depreciation.

PALMSEA CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2: Summary of significant accounting policies (continued)

Revenue recognition

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the considerations we expect to be entitled to in exchange for those goods or services. The Association derives its revenue from operating assessments, reserve assessments, special assessments, and other ancillary sources. The Association has applied FASB ASC 606-10-10-4 since all contracts with its customers have similar characteristics and the Association expects that the effects on the financial statements of applying this guidance would not differ materially from applying the guidance to the individual contracts.

The Association has identified the following performance obligations:

- *Operating assessments* – the performance obligation is the maintenance and management of the common area property and is met on a periodic basis throughout the year. Operating assessments revenue is recognized on a periodic basis, as billed, and it is probable it will be collected.
- *Reserve assessments* – the performance obligation is the expenditure of the assessed funds for the intended purpose. Reserve assessments revenue is recognized when the related expenditures are made.
- *Special assessment revenue* – the performance obligation is the purpose for which the special assessment was levied. Special assessment revenue is recognized as the purpose of the special assessment is satisfied.
- *Other ancillary revenues* – the performance obligation is delivery of the underlying services. Revenue is recognized as the services are rendered.

In evaluating whether collectability of an amount of consideration is probable, the Association must consider the customer's (owner's) ability and intention to pay that amount of consideration when it is due. In instances where the Association's collection of fees is not probable (delinquent owners, foreclosures, etc.), it cannot recognize revenue.

Contract liabilities

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of the performance obligations.

Interest earned

Interest earned by each fund is allocated to the appropriate fund. Income taxes on the interest earned are paid from the operating fund.

Compensated absences

Employees of the Association are entitled to paid vacations, sick days, and other time off depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Association's policy is to recognize the costs of compensated absences when paid to employees.

PALMSEA CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2: Summary of significant accounting policies (continued)

Income taxes (1120-H)

The Association makes a yearly election to be taxed either under Internal Revenue Code (“IRC”) §528 as a homeowners' association or under IRC §277 as a regular corporation. For 2021, the Association elected to be taxed under §528. Under this election, the Association is generally taxed only on non-exempt function income, such as interest earnings, at applicable rates. From time to time, certain temporary differences may arise between financial and taxable income, the overall effects of which are not material to the financial statements taken as whole. As such, the Association has not recorded deferred income taxes at the balance sheet date. The Association’s policy on income statement classification of interest and penalties related to income tax obligations is to include such items as part of income tax expense. The Association’s tax filings are generally subject to examination by taxing authorities for three years after the returns are filed.

Recently issued accounting pronouncements, not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard will affect all entities that lease assets and will require lessees to recognize a lease liability and a right-of-use asset for all leases (except short-term leases that have a duration of less than one year) as of the date on which the lessor makes the underlying asset available to the lessee. For non-public entities, such as the Association, the new standard is effective for annual periods beginning after December 15, 2021. While the Association expects the adoption of this standard to result in an increase to its reported assets and liabilities, the Association has not yet determined the full impact that the adoption of this standard will have on its financial statements and related disclosures.

NOTE 3: Assessments receivable

The Association’s assessments receivable was as follows at December 31, 2021:

Assessments receivable	\$ 7,962
Less: allowance for doubtful accounts	-
	<u>\$ 7,962</u>

NOTE 4: Property and equipment

A schedule of property, equipment, and accumulated depreciation was as follows at December 31, 2021:

Machinery and equipment	\$ 25,490
Less: accumulated depreciation	(5,462)
	<u>\$ 20,028</u>

For the year ended December 31, 2021, depreciation expense was \$3,641.

NOTE 5: Concentration of credit risk

The Association maintains its cash and cash equivalents at various financial institutions whereby deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At December 31, 2021, the Association had uninsured deposits in the amount of \$35,707.

PALMSEA CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 6: Commitments and contingencies

Insurance windstorm deductible

In the event of a loss due to a hurricane the Association would be responsible for a deductible 5% of the total insured value of the property under the provisions of the hurricane loss insurance contract.

Litigation

The Association, from time-to-time, may become party to various legal actions normally associated with condominium 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.

Other commitments and contingencies

The Association has contracted with various vendors for various services to maintain the common property related to certain administration and building operations and maintenance expenses. These contracts are approved, as necessary, by the Board of Directors and have varying expiration dates and renewal terms.

NOTE 7: Insurance payable

During 2021, the Association financed its insurance premiums. The total amount financed was \$233,721 and is payable in monthly installments of \$25,678 including interest through September 2022. The financing is secured by any unearned premiums or other sums which may become collectible under the terms of the agreement. At December 31, 2021, the outstanding balance, including accrued interest, was \$117,941.

NOTE 8: Special assessment

On June 15, 2021, the Association passed a special assessment in the amount of \$333,491 (actual billed was \$334,711 due to rounding) for a painting project, as well as transferring \$39,236 from the replacement fund to help offset expenses. Total funds available for the painting project were \$373,947. For the year ended December 31, 2021, the Association expended \$433,533 related to the project.

Subsequent event

During 2022, the Association passed a special assessment to fund the overage (see Note 14).

NOTE 9: Future major repairs and replacements

The Association's governing documents and FS §718 require that the Association's annual budget include budgeted assessments for future major repairs and replacements (reserves), unless waived in whole or in part by a vote of the owners in accordance with the governing documents and Florida law. Accumulated funds are held in separate interest-bearing accounts and are generally not available for operating purposes.

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

During 2016, the Board of Directors contracted with a reserve specialist to conduct an independent study to estimate the useful lives, the remaining useful lives, and replacement costs of the common property components. The schedule included in the required supplementary information on future major repairs and replacements are based upon this study, as modified by the Board of Directors during the preparation of the 2022 budget.

PALMSEA CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 9: Future major repairs and replacements (continued)

For the year ended December 31, 2021, the Association's unit owners voted to partially fund reserves in the amount of \$121,000. For the year ended December 31, 2022, the Association's unit owners voted to partially fund reserves in the amount of \$121,000.

Components of the replacement fund are as follows:

	Contract Liabilities and Fund Balance, January 1, 2021	Additions	Interest Income	Expenses	Transfers ¹	Contract Liabilities and Fund Balance, December 31, 2021
Pooled reserves	\$ 340,433	\$ 121,000	\$ 513	\$ -	\$ (39,236)	\$ 422,710

A reconciliation of the table above to the balance sheet replacement fund reporting is as follows:

Contract liabilities	\$ 422,710
Fund balance	-
	\$ 422,710

NOTE 10: Interfund borrowings

At December 31, 2021, the Association's operating fund owed its replacement fund \$4,383.

NOTE 11: Related party transactions

During 2021, the Association employs a property manager, whose spouse is on the Board of Directors. The property manager is an employee and the total amount disbursed is available upon request from the Association's Board of Directors. At December 31, 2021, the Association is not indebted to this related party for any amount. The transactions appear to have been conducted in the ordinary course of business and on commercially reasonable terms.

NOTE 12: Contract liabilities

A schedule of contract liabilities at December 31, 2021 is as follows:

Contract liabilities, beginning	\$ 326,939
Plus: amounts assessed	121,000
Less: amounts recognized as performance obligations have been satisfied	(25,229)
Contract liabilities, ending	\$ 422,710

¹ The Association transferred \$39,236 from the replacement fund to the operating fund to help offset current year special assessment expenses (see Note 8).

PALMSEA CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 13: Supplemental disclosures of cash flow information

Non-cash financing activities during 2021 were as follows:

Cost of insurance coverage acquired via financing agreements	\$ 259,399
Cash paid related to financing agreements (down payments)	<u>(25,678)</u>
Liabilities assumed	<u>\$ 233,721</u>

NOTE 14: Subsequent events

Special assessment

On April 18, 2022, the Association passed a special assessment in the amount of \$29,268 for painting overages and seawall repairs, as well as transferring \$78,471 from the replacement fund to help offset expenses. Total funds available for the painting overage and seawall project are \$107,739.

Legislative update – House Bill 5D

During May 2022, the Florida Legislature passed House Bill 5D (“the Bill”), which amends Florida’s Building Codes Act, Condominium Act, and Cooperative Act; the bill was signed by the Governor on May 26, 2022. The Bill enacts new requirements meant to address concerns raised in the aftermath of the Champlain Towers South collapse in Surfside, Florida. The new requirements include, but are not limited to, the following:

- Effective December 1, 2024, members of an association or the developer may not waive collecting of reserves or collect less reserve funds than required for items that are required to be inspected in a structural integrity reserve study (items are detailed below).
- Effective December 1, 2024, members of an association may not vote to use reserve funds, or the interest accruing thereon, for purposes other than their intended purposes.
- By December 31, 2024, requires “structural integrity reserve studies” for condominium and cooperative associations at least every 10 years, for each building that is three stories or higher in height, which includes, at a minimum, a study of the following items as related to the structural integrity and safety of the building: roof, load-bearing walls or other primary structural members, floor, foundation, fireproofing and fire protection systems, plumbing, electrical systems, waterproofing and exterior painting, windows, and any other items that has a deferred maintenance expense or replacement cost that exceeds \$10,000 and the failure to replace or maintain such item negatively affect the items listed above as determined by the licensed engineer or architect performing the visual inspection portion of the structural integrity reserve study.
- By December 31, 2024, requires milestone structural inspections for condominium and cooperative buildings three stories in height and 30-years old by a licensed architect or engineering.
- By January 1, 2023, requires condominium and cooperative associations to provide the following information to the Florida Division of Condominiums, Timeshares and Mobile Homes:
 - The number of buildings in the association that are three stories or higher in height,
 - The number of units in such buildings,
 - The address of such buildings, and
 - The counties in which all buildings are located.

Management has evaluated subsequent events through June 24, 2022, the date the financial statements were available to be issued.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
PALMSEA CONDOMINIUM, Inc.

Report on the Financial Statements

We have audited the financial statements of PALMSEA CONDOMINIUM, Inc. ("the Association") as of and for the year ended December 31, 2021, and our report thereon dated June 24, 2022, which expressed an unmodified opinion on those financial statements, appears on Page 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating expenses compared to budget on Pages 12 and 13, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. 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 assurance on it.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Future Major Repairs and Replacements on Page 14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Palm Beach, Florida
June 24, 2022

PALMSEA CONDOMINIUM, INC.
SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET
For the year ended December 31, 2021

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance Favorable (Unfavorable)</u>
Administrative			
Administrative	\$ -	\$ 1,150	\$ 1,150
Audit	4,000	3,800	(200)
Bad debts	-	500	500
Bank service fees	558	1,100	542
Bookkeeping	-	350	350
Depreciation expense	3,641	-	(3,641)
Insurance	292,134	272,824	(19,310)
Legal	11,387	15,000	3,613
License and permits	300	450	150
Office equipment and leases	6,544	5,000	(1,544)
Office supplies	7,875	2,000	(5,875)
Payroll and related costs	342,201	388,500	46,299
Postage and printing	1,097	1,200	103
State fees	595	100	(495)
Telephone	1,920	13,000	11,080
Water and coolers	764	500	(264)
	<u>673,016</u>	<u>705,474</u>	<u>32,458</u>
Building operations and maintenance			
Air conditioning repairs and supplies	7,641	6,500	(1,141)
Annual hurricane expense	-	5,000	5,000
Beach cleaning	4,500	4,500	-
Contingency	1,899	12,000	10,101
Driveway repairs	3,326	-	(3,326)
Electrical expenses	3,290	1,000	(2,290)
Elevator contract and repair	28,597	16,400	(12,197)
Exercise equipment maintenance	2,220	1,350	(870)
Fire and monitoring system	13,063	15,000	1,937
General repair	7,421	3,200	(4,221)
Housekeeping expenses	9,773	6,000	(3,773)
Landscaping	3,056	3,000	(56)
Lightbulbs and fixtures	1,134	1,500	366
Miscellaneous expenses	18,018	12,000	(6,018)
Painting supplies	1,452	1,000	(452)
Pest control	6,639	8,500	1,861
Plumbing expense	43,215	15,000	(28,215)
Pool maintenance and supplies	10,323	12,000	1,677
Roof maintenance	2,950	7,000	4,050
Shutter removal	23,325	-	(23,325)
Tree trimming	3,500	2,500	(1,000)
Work projects	5,000	8,000	3,000
	<u>\$ 200,342</u>	<u>\$ 141,450</u>	<u>\$ (58,892)</u>

See auditor's report on supplementary information.

PALMSEA CONDOMINIUM, INC.
SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET (CONTINUED)
For the year ended December 31, 2021

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance Favorable (Unfavorable)</u>
Utilities			
Cable TV	\$ 83,817	\$ 68,000	\$ (15,817)
Electricity	33,867	38,000	4,133
Pool gas	25,133	23,000	(2,133)
Sanitation	11,720	14,000	2,280
Sewer	8,445	35,000	26,555
Water	60,601	63,000	2,399
	<u>223,583</u>	<u>241,000</u>	<u>17,417</u>
 Total budgeted expenses	 1,096,941	 <u>\$ 1,087,924</u>	 <u>\$ (9,017)</u>
 Special assessment expenses (Note 8)	 <u>433,533</u>		
 Total expenses	 <u>\$ 1,530,474</u>		

See auditor's report on supplementary information.

PALMSEA CONDOMINIUM, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)
December 31, 2021

The following schedule is based upon a study conducted by an independent consultant in 2016, as modified by the Board of Directors during the preparation of the 2022 budget, to estimate the remaining useful lives and replacement costs of the components of common property. The schedule provides information about components of common property.

<u>Component</u>	<u>Estimated Useful Life (years)</u>	<u>Estimated Remaining Life (years)</u>	<u>Estimated Replacement Cost</u>	<u>Contract Liabilities and Fund Balance December 31, 2021</u>	<u>Approved Budgeted Funding December 31, 2022</u>
Roofing	30	8	\$ 640,000	\$ -	\$ -
Concrete restoration	15	8	200,000	-	-
Exterior painting	8	8	285,000	-	-
Paved areas	15	11	140,000	-	-
Carpeting	10	3	100,000	-	-
Pool – marcite	10	1	30,000	-	-
HVAC	10	8	48,000	-	-
Elevators	30	17	500,000	-	-
Pooled reserves	-	-	-	422,710	121,000
			<u>\$ 1,943,000</u>	<u>\$ 422,710</u>	<u>\$ 121,000</u>

See auditor's report on supplementary information.