

THE ISLES HOMEOWNERS ASSOCIATION, INC.

(A Not-for-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2023

**FRIEDMAN, FELDMESSER & KARPELES, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANTS**

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FRIEDMAN, FELDMESSER & KARPELES, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANTS

641 University Blvd., Ste 210 Jupiter FL 33458 phone (561)622-9990 fax (561)622-2523

Kenneth R. Friedman, CPA

Mark S. Feldmesser, CPA

Richard L. Karpeles, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Isles Homeowners Association, Inc.
Palm Beach Gardens, Florida

Opinion

We have audited the financial statements of The Isles Homeowners Association, Inc, which comprise the balance sheet as of December 31, 2023, and the related statements of revenues, expenses, and changes in fund balance 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 presented fairly, in all material respects, the financial position The Isles Homeowners Association, Inc. as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 The Isles Homeowners Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 considered in the aggregate, that raise substantial doubt about The Isles Homeowners Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain a 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 GAAS 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 omission, misrepresentation, 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 GAAS, 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 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 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 The Isles Homeowners Association'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 The Isles Homeowners Association, Inc.'s ability to continue as a going concern for a reasonable period of time.**

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Supplementary Information on Future 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.

Disclaimer of Opinion on Required Supplementary Information (Cont'd)

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 and comparing the information for consistent 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.

Friedman, Feldmesser & Karpeles, CPA, LLC

Jupiter, Florida
March 14, 2024

THE ISLES HOMEOWNERS ASSOCIATION, INC.
(A Not-for-Profit Corporation)
BALANCE SHEET
DECEMBER 31, 2023

	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 803,139	\$ 220,388	\$ 1,023,527
Certificates of Deposit	-	351,571	351,571
Assessments Receivable	3,311	-	3,311
Bank Receivables	9,706	-	9,706
Median Reimbursement Receivable	13,776	-	13,776
Other Receivables	-	539	539
Prepaid Insurance	41,445	-	41,445
Prepaid Expenses	5,500	-	5,500
	TOTAL ASSETS	\$ 572,498	\$ 1,449,375
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Accounts Payable and Accrued Expenses	\$ 76,313	\$ -	\$ 76,313
Deferred Reserve Assessments	-	448,252	448,252
Deferred Cable TV Income	24,364	-	24,364
Damage Deposits	1,700	-	1,700
Prepaid Maintenance Assessments	239,484	-	239,484
	TOTAL LIABILITIES	448,252	790,112
MEMBERS' EQUITY			
Capital Contributions	38,975	-	38,975
Fund Balances	496,041	124,247	620,288
	MEMBERS' EQUITY	124,247	659,263
	TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 572,498	\$ 1,449,375

See accountants' audit report and accompanying footnotes.

THE ISLES HOMEOWNERS ASSOCIATION, INC.
(A Not-for-Profit Corporation)
STATEMENT OF REVENUES, EXPENSES AND FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2023

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES			
Maintenance Assessments	\$ 2,101,216	\$ 66,433	\$ 2,167,649
Median Maintenance Income	18,193	-	18,193
Cable TV Income	10,829	-	10,829
Capital Contributions	21,951	-	21,951
Application Fees	4,050	-	4,050
Late Fee Income	606	-	606
Interest Income	3,188	10,606	13,794
Other Income	3,784	-	3,784
	<u>2,163,816</u>	<u>77,039</u>	<u>2,240,855</u>
Total Revenues			
EXPENSES			
Accounting	7,900	-	7,900
Brightview Settlement	20,181	-	20,181
Cable	387,271	-	387,271
Camera Maintenance	4,494	-	4,494
Capital Contributions Expenses	2,075	-	2,075
Clubhouse Repairs and Maintenance	34,704	-	34,704
Electricity	83,945	-	83,945
Fertilizer & Pest Control	1,226	-	1,226
General Repairs & Maintenance	39,376	-	39,376
Golf Cart Rental	2,862	-	2,862
Holiday Lighting	6,067	-	6,067
Insurance	41,067	-	41,067
Irrigation Repairs	67,146	-	67,146
Janitorial	12,272	-	12,272
Lake Maintenance	28,354	-	28,354
Landscape and Tree Maintenance	1,031,833	-	1,031,833
Legal and Professional	4,882	-	4,882
Licenses, Fees and Taxes	1,982	-	1,982
Office and Meeting Expense	7,203	-	7,203
Pool Repairs and Maintenance	17,614	-	17,614
Postage, Printing & Reproduction	3,520	-	3,520
Pressure Cleaning	18,793	-	18,793
Property Management Fees	96,246	-	96,246
Replacement Fund Expenses	-	66,433	66,433
Security	2,084	-	2,084
Security Monitoring	48,664	-	48,664
Telephone	1,851	-	1,851
Water & Sewer	72,851	-	72,851
	<u>2,046,462</u>	<u>66,433</u>	<u>2,112,895</u>
Total Expenses			
EXCESS OF REVENUES OVER EXPENSES	117,354	10,606	127,960
FUND BALANCE, BEGINNING	398,563	113,641	512,204
TRANSFERS TO CAPITAL CONTRIBUTIONS	(19,876)	-	(19,876)
FUND BALANCE, ENDING	<u>\$ 496,041</u>	<u>\$ 124,247</u>	<u>\$ 620,288</u>

See accountants' audit report and accompanying footnotes.

THE ISLES HOMEOWNERS ASSOCIATION, INC.
(A Not-for-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	OPERATING FUND	REPLACEMENT FUND	TOTAL
OPERATING ACTIVITIES:			
Assessments and Fees Collected from Members	\$ 2,148,790	\$ 158,580	\$ 2,307,370
Capital Contributions Received	21,951	-	21,951
Median Maintenance Income Received	16,847	-	16,847
Other Income Received	7,834	-	7,834
Interest Income Received	3,188	10,606	13,794
Cash Paid to Suppliers of Goods and Services	(2,106,222)	(68,441)	(2,174,663)
NET CASH PROVIDED BY OPERATING ACTIVITIES	92,388	100,745	193,132
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) of Certificates of Deposit	-	(150,482)	(150,482)
NET CASH (USED IN) INVESTING ACTIVITIES	-	(150,482)	(150,482)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	92,388	(49,737)	42,651
CASH AND CASH EQUIVALENTS			
JANUARY 1, 2023	710,751	270,126	980,877
CASH AND CASH EQUIVALENTS			
DECEMBER 31, 2023	\$ 803,139	\$ 220,388	\$ 1,023,527
RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Excess of Revenues over Expenses	117,354	10,606	127,960
(INCREASE) DECREASE IN ASSETS:			
Assessments Receivable	(3,286)	-	(3,286)
Median Reimbursement Receivable	(1,346)	-	(1,346)
Prepaid Insurance	(15,356)	-	(15,356)
Prepaid Expenses	1,179	-	1,179
INCREASE (DECREASE) IN LIABILITIES:			
Accounts Payable and Accrued Expenses	(45,583)	(2,008)	(47,591)
Deferred Reserve Assessments	-	92,147	92,147
Deferred Cable TV Income	(10,829)	-	(10,829)
Prepaid Maintenance Assessments	50,254	-	50,254
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 92,388	\$ 100,745	\$ 193,132

See accountants' audit report and accompanying footnotes.

**THE ISLES HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of The Isles Homeowners Association, Inc. (the Association) is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied to the preparation of the financial statements.

Organization

The Isles Homeowners Association, Inc. a Florida not-for-profit corporation, was formed for the purpose of operating as a homeowners association in Palm Beach Gardens, Florida, and serving as an instrumentality of the various 379 owners in controlling, regulating, managing, maintaining and conserving the common elements and common areas of the community as described in the Declaration of Covenants, Conditions and Restrictions and as recorded in the Articles of Incorporation and By-Laws. All policy decisions are formulated by the Board of Directors.

The Association was incorporated in September 2000 and was inactive until the first closing of a unit in January 2002, at which time the initial period of activity for reporting purposes commenced. Pursuant to the covenants of the Association, the developer relinquished the right to appoint all of the Board of Directors and conveyed legal title to the common area to the Association on October 15, 2003.

Funds

The Association is a not-for-profit organization, which employs the fund method of accounting on the accrual basis in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors or of the Association voting membership.

These financial statements separate the accounting for such funds as either operating or future major repair and replacement fund. The disbursements from the operating fund are generally at the discretion of the Board of Directors and are used for operating expenses. The disbursements from the future major repair and replacement fund may only be utilized in accordance with purposes established.

Capitalization Policy and Depreciation

Ownership of the commonly owned assets is vested directly or indirectly in the unit owners and these assets are not deemed to be severable. Disposition of real and personal common property by the Association's Board of Directors is restricted. As a result, commonly owned assets are not capitalized in the Association's financial statements.

Basis of Accounting

The Association follows the accrual basis of accounting. Maintenance assessments are recorded as revenue when due; uncollected amounts are recorded as accounts receivable. Expenses are recorded when incurred; unpaid expenses are recorded as accounts payable.

**THE ISLES HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Maintenance Assessments

Each homeowner is assessed a quarterly maintenance fee as determined by the Board of Directors based on an annual budget. The maintenance assessments shall be used for payment of the operation, maintenance, and management of the Association and the common property. Assessments receivable at the balance sheet date represent fees due from members and prepaid maintenance assessments represent fees paid in advance. The Association has the authority and power to levy and collect special assessments as determined by the Board of Directors and unit owners. The Association's policy is to retain legal counsel and place liens on units of members whose assessments are delinquent. A reserve for doubtful accounts is established for delinquent accounts that still appear to be uncollectible after exhausting the aforementioned measures. Any excess assessments at year-end are retained by the Association for use in the following year.

Income Taxes

The Association may elect, on an annual basis to file its Federal income tax return as a homeowners association, or as a corporation. Homeowners associations pay tax only on non-exempt income, such as interest and other non-pro-rata revenues less any related expenses. The Association elected to file form 1120-H as a homeowners association in 2023. There is no current year provision for income taxes.

The Association follows the reporting and disclosure guidance for uncertainty in income taxes as defined in FASB ASC 740. The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statement when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. As of December 31, 2023, the Association had no uncertain tax positions that qualify for recognition or disclosure in the financial statements. Generally, the Internal Revenue Service may review the returns for the past three years.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Interest Earned

The Association's policy is to allocate interest earned to the fund that holds the bank account. With respect to the Future Major Repair and Replacement Fund, the Association's Board had decided to allocate interest income by component beginning in 2006 based upon average fund balance for that component.

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 reported period. Actual results could differ from those estimates.

THE ISLES HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition

Under Topic 606, 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 bases, 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.
- **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.

FASB ASU No. 2016-02, Leases

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 the 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. If applicable, the Association will recognize right-of-use assets and related lease liabilities on the balance sheet for all material arrangements with terms longer than 12 months. For leases with terms of less than 12 months, the Association has elected to continue its existing policy to not record the lease on the Balance Sheet.

Contract Liabilities (Deferred Reserve Assessments)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (deferred reserve assessments) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of deferred reserve assessments as of the beginning and end of the year are \$356,105 and \$448,252, respectively.

**THE ISLES HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 – FUTURE MAJOR REPAIR AND REPLACEMENT FUNDS

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

The current year approved budget includes provisions for reserves for capital improvements and major repairs and replacements. The funds are being accumulated in separate interest-bearing accounts based on estimates of future needs for repairs and replacements of common property components as determined by the Board of Directors and are generally not available for normal operations. 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, pass special assessments, or delay major repairs and replacements until funds are available. Accordingly, the 2024 approved budget includes \$370,320 in Replacement Fund funding.

The Association has recently conducted an independent study to estimate the remaining useful lives and the replacement costs of the components of common property. A full study was done in 2013 and continues to be updated on a periodic basis. The last reserve study update was performed in November 2023. Information about the estimates of future costs and remaining lives of major repairs and replacements by component has been presented in Supplementary Information attached to the financial statements.

An Association can fully fund its reserves on either the Component Funding Method or the Cash Flow Analysis Method, also known as the Pooling Method. Pursuant to the aforementioned reserve study in 2013 the Association approved to use the Cash Flow Analysis Method.

The Association’s Future Major Repair and Replacement Fund is composed of:

Component	Fund Balance @ 1/1/23	Deferred Reserve Assessments @ 1/1/23	Budgeted Assessments	Interest Income	Expenses	Intrafund Transfers	Deferred Reserve Assessments @ 12/31/23	Fund Balance @ 12/31/23
Unallocated	\$ 21,189	\$ 356,105	\$ 158,580	\$ -	\$ (66,433)	\$ 8,861	\$ 448,252	\$ 30,050
Reserves - Contingency	92,452	-	-	-	-	1,745	-	94,197
Interest	-	-	-	10,606	-	(10,606)	-	-
Total	\$ 113,641	\$ 356,105	\$ 158,580	\$ 10,606	\$ (66,433)	\$ -	\$ 448,252	\$ 124,247

Pursuant to FASB ASC 606, the Association recognizes replacement fund revenue from members as the related performance obligation are satisfied. For the year ended December 31, 2023, the Association recognized \$66,433 of member assessment revenue. The contingency component is not subject to FASB ASC 606 as the Association did not assess unit owners to fund the component. Therefore, there are no performance obligations to be satisfied and component activity and balances are included in reserve fund balance totals at December 31, 2023.

THE ISLES HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 - CERTIFICATES OF DEPOSIT

At December 31, 2023, the Association had \$351,137 of Replacement Fund monies in multiple certificates of deposit at a financial brokerage and banking institution. Interest rates on these investments range from 4.88% to 5.40% and maturity dates range from November 2024 through December 2024. The carrying value of the certificates of deposit approximate fair market value. It is the intention of the Association to hold these certificates until maturity.

NOTE 4 – CAPITAL CONTRIBUTIONS

The Association’s governing documents provide that buyers contribute working capital to the Association upon closing equal to two months of initial maintenance assessments. Use of the capital contribution by the Association shall be restricted to capital improvements or other special projects not otherwise provided for in the operating or reserve budget. During 2023, the Association collected \$21,951 in capital contributions and expended \$2,075 of working capital contribution funds.

NOTE 5 – DEFERRED CABLE REVENUE

In 2019, the Association entered into a bulk cable contract effective April 1, 2019, with Comcast for a seven (7) year period, starting at \$33.00 per month per resident plus a \$4 per unit fee for Video Bulk Service with a maximum of 4% annual increases and \$32 per unit plus all applicable taxes and fees with a maximum of 4% annual increases for internet bulk service. As consideration for the Association entering into the new bulk cable service agreement, the service provider paid the Association a per unit fee of \$200 totaling \$75,800. The Association’s right to receive this compensation will cease in the event of termination of the contract and the bonus would be returned on a pro-rata basis. Comcast bonus compensation has initially been recorded as deferred cable revenue and will be amortized and recognized over the seven (7) year term that began in April 2019.

The amortization at December 31, 2023, is as follows:

<u>Deferred cable revenue</u>	
Deferred cable revenue at execution	\$ 75,800
Amortization based on an 7-year amortization of \$902/month	<u>(51,436)</u>
Balance, end of year	<u><u>\$ 24,364</u></u>

**THE ISLES HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6 - MEDIAN MAINTENANCE AGREEMENTS

In February 2008, the Association entered into a Median Maintenance Agreement (the "Agreement") with Paloma Homeowners Association, Inc., which administers a neighboring residential community known as "Paloma" in Palm Beach Gardens retroactive to September 2007. The Agreement provides for each association to evenly share the cost of maintaining a median area located between The Isles and Paloma. Pursuant to the Agreement, The Isles Homeowners Association, Inc. is to be primarily responsible for maintaining the median landscaping and irrigation and is entitled to a fifty percent (50%) cost reimbursement from Paloma. Such cost reimbursement has been reflected as Median Maintenance Revenue on the Association's Statement of Revenues, Expenses and Fund Balance. The Agreement can only be modified or canceled by a recorded instrument executed by all parties.

The Association is also responsible for paying its pro rata share of the costs of maintaining the Hood Road median pursuant to an agreement with the City of Palm Beach Gardens.

At December 31, 2023, median reimbursement receivables representing amounts that the Association is owed from Paloma for reimbursements in accordance with the Agreement total \$13,776.

NOTE 7 – UNINSURED CASH BALANCES

The Association maintains its cash balances at several financial institutions. All non-interest bearing and interest-bearing checking accounts, money market deposit accounts, certificates of deposit and NOW accounts are insured up to \$250,000 at each institution by the Federal Deposit Insurance Corporation. As of December 31, 2023, the Association had \$486,509 in excess of the insured limit. The Association is currently in the process of taking measures to eliminate such excess and has not experienced any losses related to these uninsured balances.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Association has contracted annually with a property management company (the Manager) to provide complete management and maintenance services as well as all accounting and bookkeeping services at an initial rate of \$14.43 per unit per month. The agreement, which commenced on August 1, 2006, renews from year to year with a maximum of 3% annual increases unless terminated or cancelled within 30 days written notice by either the Manager or the Association. The rate effective on January 1, 2023, was \$20.00 per unit per month.

The Association has also contracted for bulk cable and high-speed internet service effective April 1, 2020, with Comcast for a seven (7) year period, starting at \$33.00 per month per resident plus a \$4 per unit fee for Video Bulk Service with a maximum of 4% annual increases and \$32.00 per unit plus all applicable taxes and fees with a maximum of 4% annual increases for internet bulk service.

**THE ISLES HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONT'D)

In addition, the Association has various other contract services to maintain the common property, including janitorial services, pool maintenance, and bulk security monitoring services. These contracts have different expiration dates and renewal terms.

During 2022, the Association's landscaping and irrigation contract with a vendor concluded and there was an ongoing dispute between the Association and the vendor regarding certain irrigation, hurricane cleanup, and project expenses that were billed to the Association pursuant to a Landscape Services Agreement dated November 19, 2021. During 2023, the Association and vendor settled billed amounts in dispute in the amount of \$20,181. In that connection, in April 2023, both parties executed a Mutual Release whereby either party releases the other from all actions and claims related to the Landscape Services Agreement.

NOTE 9 – BANK RECEIVABLES

During 2022, the Association was a victim of check washing bank fraud and receivable balances totaling \$9,706 at December 31, 2023, represents amounts that the Association expects to recover after filing and exhausting all insurance claim options. As of December 31, 2023, the Association has not suffered any additional losses due to check washing bank fraud.

NOTE 10 - SUBSEQUENT EVENTS

The subsequent events have been evaluated through March 14, 2024, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**THE ISLES HOMEOWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2023**

The following table is based on the Board’s review of the independent reserve study and presents significant information about the components of common property.

<u>Name of component</u>	<u>Remaining Useful Lives at 12/31/2023</u>	<u>Estimated Future Replacement Costs</u>	<u>Fund Balance at December 31, 2023</u>	<u>Deferred Reserve Assessments at December 31, 2023</u>	<u>2024 Funding Per Approved Budget</u>
Clubhouse Interiors	0-11	\$ 248,563	\$ -	\$ -	\$ -
Irrigation Systems	15	229,400	-	-	-
Painting & Waterproofing	6	14,586	-	-	-
Pavement	0-3	839,532	-	-	-
Pool	1-21	120,788	-	-	-
Roofing	4	225,355	-	-	-
Security	7	42,142	-	-	-
Signage	1-10	117,364	-	-	-
Tennis Courts	0-18	141,836	-	-	-
Pooled*	N/A	N/A	30,050	448,252	207,420 *
Community: Wide Oak Tree Project Funding	N/A	N/A	-	-	125,000
Contingency			94,197	-	37,900
Interest		N/A	-	-	-
		<u>\$ 1,979,566</u>	<u>\$ 124,247</u>	<u>\$ 448,252</u>	<u>\$ 370,320</u>

* The Association adopted the 'cash flow' (pooling) method for accounting for replacement funds.