

ENCLAVE AT NAPLES CONDOMINIUM ASSOCIATION, INC.
Naples, Florida

FINANCIAL STATEMENTS
DECEMBER 31, 2022

ENCLAVE AT NAPLES CONDOMINIUM ASSOCIATION, INC.
Naples, Florida

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FINANCIAL STATEMENTS

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INDEPENDENT ACCOUNTANT'S AUDIT REPORT

Enclave at Naples Condominium Association, Inc.
Naples, Florida

Opinion

We have audited the accompanying financial statements of Enclave at Naples Condominium Association, Inc., which comprise the balance sheet as of December 31, 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of Enclave at Naples Condominium Association, Inc. as of December 31, 2022, 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 Enclave at Naples 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 these 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 Enclave at Naples Condominium Association, Inc.'s to continue as a going concern for the year ended December 31, 2022.

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 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 omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these 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 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 ABC Company'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 Enclave at Naples Condominium Association, Inc. 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 future major repairs and replacements on page 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who 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.

Price & Associates
Certified Public Accountants, LLC

St. Petersburg, Florida

November 17, 2023

ENCLAVE AT NAPLES CONDOMINIUM ASSOCIATION, INC.
Naples, Florida

BALANCE SHEET
December 31, 2022

	Operating Fund	Reserve Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ -	\$ 526,681	\$ 526,681
Assessment receivable (net of allowance for doubtful accounts of \$5,031)	931	-	931
Prepaid expenses	291,536	-	291,536
Total current assets	<u>292,467</u>	<u>526,681</u>	<u>819,148</u>
TOTAL ASSETS	<u>\$ 292,467</u>	<u>\$ 526,681</u>	<u>\$ 819,148</u>
LIABILITIES AND FUND BALANCE			
CURRENT LIABILITIES			
Accounts payable	36,474	-	36,474
Accrued expenses	4,465	-	4,465
Prepaid assessments	4,069	-	4,069
Insurance payable	299,838	-	299,838
Total current liabilities	<u>344,846</u>	<u>-</u>	<u>344,846</u>
FUND BALANCE	<u>(52,379)</u>	<u>526,681</u>	<u>474,302</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 292,467</u>	<u>\$ 526,681</u>	<u>\$ 819,148</u>

See accompanying notes and independent accountant's audit report

ENCLAVE AT NAPLES CONDOMINIUM ASSOCIATION, INC.
Naples, Florida

**STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Operating Fund	Reserve Fund	Total
REVENUES			
Maintenance fees	\$ 1,145,914	\$ -	\$ 1,145,914
Interest Income	18	41	59
Other Income	13,810	-	13,810
Total revenues	<u>1,159,742</u>	<u>41</u>	<u>1,159,783</u>
EXPENSES			
Administrative	47,394	-	47,394
Bad debt	(13,550)	-	(13,550)
Common Areas	744,874	-	744,874
Insurance	262,251	-	262,251
Salaries	143,136	-	143,136
Other	17,896	-	17,896
Reserve expense	-	3,878	3,878
Total expenses	<u>1,202,001</u>	<u>3,878</u>	<u>1,205,879</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(42,259)	(3,837)	(46,097)
BEGINNING FUND BALANCE	4,639	376,518	381,158
PRIOR PERIOD ADJUSTMENT	(30,759)	-	(30,759)
INTERFUND TRANSFERS	16,000	(16,000)	-
REPLACEMENT AND RESERVE FUND ASSESSMENTS	-	170,000	170,000
ENDING FUND BALANCE	<u>\$ (52,379)</u>	<u>\$ 526,681</u>	<u>\$ 474,302</u>

See accompanying notes and independent accountant's audit report

ENCLAVE AT NAPLES CONDOMINIUM ASSOCIATION, INC.
Naples, Florida

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Operating Fund	Reserve Fund	Total
Pool : over expenses	\$ (42,259)	\$ (3,837)	\$ (46,096)
of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Accounts receivable	(6,865)	-	(6,865)
Prepaid insurance	(86,187)	-	(86,187)
Increase (decrease) in:			
Accounts payable	(22,255)	-	(22,255)
Accrued expenses	(554)	-	(554)
Prepaid assessments	1,157	-	1,157
Insurance payable	132,580	-	132,580
NET CASH FROM OPERATING ACTIVITIES	<u>(24,383)</u>	<u>(3,837)</u>	<u>(28,220)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund transfer	16,000	(16,000)	-
Proceeds from replacement and reserve fund assessments	-	170,000	170,000
NET CASH FROM FINANCING ACTIVITIES	<u>16,000</u>	<u>154,000</u>	<u>170,000</u>
NET INCREASE (DECREASE) IN CASH	(8,383)	150,163	141,780
TOTAL CASH, beginning of year	<u>8,383</u>	<u>376,518</u>	<u>384,901</u>
	<u>\$ 0</u>	<u>\$ 526,681</u>	<u>\$ 526,681</u>

See accompanying notes and independent accountant's audit report

ENCLAVE AT NAPLES CONDOMINIUM ASSOCIATION, INC.
Naples, Florida

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - NATURE OF ORGANIZATION

Enclave at Naples Condominium Association, Inc. (the Association) is a condominium association (a not-for-profit corporation), incorporated in the State of Florida on February 1, 2005. The Association is responsible for the operation and maintenance of the common property of Enclave at Naples Condominium Association, Inc. The Association consists of 380 units located in Naples, Florida.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Reserve Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

Recognition of Revenue

The Association records revenue in accordance with Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606) of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

Member Assessments

Association members are assessed monthly (payable quarterly) to provide funds for the Association's operating expenses (member assessments are revenue transactions and subject to ASC 606) and for ongoing capital assessments for future major repairs and replacements to the common property (ownership transactions). The annual assessments are determined by the Board of Directors based on the annual budget process. For the year ended December 31, 2022, the quarterly assessments to owners ranged from \$694 to \$1,264 a total annual assessment of \$1,145,914 for operating expenses and \$170,000 for replacement and reserve fund assessments.

Assessment receivables at the balance sheet date (\$931 as of 12/31/22 and \$18,581 as of 12/31/21) are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. The Association uses the allowance method for recognizing bad debts and accounts for uncollectible assessments as credit losses. It is estimated that \$5,031 was uncollectible at year-end and that amount has been recorded in the financial statements. Interest and late fees are charged on past due accounts in accordance with the Association's covenants.

Assessments for 2023 received prior to December 31, 2022 are recorded as prepaid assessments and are recorded as prepaid assessments and are not recorded as revenue until earned. Prepaid assessments on December 31, 2022 totaled \$4,069.

See independent accountant's audit report

ENCLAVE AT NAPLES CONDOMINIUM ASSOCIATION, INC.
Naples, Florida

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Ownership Transactions

Proceeds from replacement and reserve fund assessments are accounted for as owner transactions because of various rights and obligations of the members/unit owners making such payments. Ownership transactions are recognized as changes in fund balances when collected.

Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership, with the exception of real property directly associated with the units. Common personal property and equipment are stated at cost. Depreciation is calculated on a straight-line basis over the asset's useful life.

Cash and Cash Equivalents

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

Subsequent Events

The date to which events occurring after the balance sheet date have been evaluated for possible adjustment to the financial statements or disclosure is the report date, which is the date on which the financial statements were available to be issued.

Interest Earned

The Association's policy is to allocate interest earned to the operating and reserve fund in proportion to the interest-bearing deposits of each fund.

NOTE 3 - INCOME TAXES

The Association filed its federal income tax return as a homeowners' association under Section 528 of the Internal Revenue Code. Under Section 528, income from unit assessments is not taxable to the association and expenses related to providing the services required of the association are not deductible ("exempt function" income and expense). Generally, all other income not received by pro rata assessments of the association members net of any expenses directly related to the generation of such income is fully taxable to the extent such net income exceeds \$100 ("non-exempt function" income and expenses). For 2022, the Association had an estimated federal tax liability of \$0. The Association's tax returns are subject to examination by the Internal Revenue Service, generally for three years after filing. At December 31, 2022, the tax returns for the fiscal years ended 2020 through 2022 are subject to examination.

NOTE 4 - USE OF 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

See independent accountant's audit report

ENCLAVE AT NAPLES CONDOMINIUM ASSOCIATION, INC.

Naples, Florida

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 – INSURANCE PAYABLE

The Association entered into an insurance financing agreement in December 2022. The agreement included a down payment of \$0 and nine payments of \$33,315 at an interest rate of 7.50%. The liability at December 31, 2022 was \$299,838 and is recorded in the accompanying financial statements.

NOTE 6 – PRIOR PERIOD ADJUSTMENTS

The prior period adjustments included in the accompanying Statement of Revenues and Expenses and Changes in Fund Balance are as follows:

Accounts receivable	\$24,515
Accrued expenses	90
Accounts payable	1,347
Prepaid insurance	<u>4,807</u>
Total	\$30,759

NOTE 7 – CONCENTRATION OF CREDIT RISK

Accounts at financial institutions are secured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2022, the Corporation's cash balances did exceed the \$250,000 limit by \$276,681.

ENCLAVE AT NAPLES CONDOMINIUM ASSOCIATION, INC.
 Naples, Florida
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

NOTE 8 - RESERVE FUND

Chapter 718.112(1)(f)2 of the Florida Statutes requires that the annual budget include reserves for capital expenditures and deferred maintenance unless the majority of the voting interests of the association, at a duly called meeting of the association at which a quorum is attained, vote to waive, in whole or in part, such reserve requirement.

Chapter 718.112(1)(f)3 further states that "reserve funds and any interest accruing thereon shall remain in the reserve account or accounts, and shall be used only for authorized reserve expenditures unless their use for other purposes is approved in advance by a vote of the majority of the voting interests present at a duly called meeting of the association."

The board conducted a study in 2019 to estimate the remaining useful lives and replacement costs of the costs of components of common property. The board is funding for major repairs and replacements over the remaining useful lives of the components, based on estimates of future replacement costs, and considering amounts previously accumulated in the reserve fund.

The Association accumulates funds for future major repairs and replacements using a process known as the Pooling Method. The pooling method is a statutorily accepted calculation whereby amounts to be funded are estimated based upon future cash outlays. In addition to the total estimated cost to replace and the consideration of amounts already accumulated for the components, the calculation considers the longest period of time to which a component will be repaired or replaced. Annual funding requirements will be based upon the total projected cash outlay over the entire period divided by the number of years in the period. Accordingly, the funding requirement of \$181,000 has been included in the 2023 budget.

Funds are being accumulated in the reserve fund based on estimated future costs for repairs and replacements of common property components. Actual expenditures and investments income may vary from 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 has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacement until funds are available.

Current reserve activity is as follows:

	Balance	Amount	Expenditures/	Interest	Balance
<u>Components</u>	<u>1/1/2022</u>	<u>Funded</u>	<u>Transfers</u>	<u>Earned</u>	<u>12/31/2022</u>
Pooled Reserve Funds Equity	\$ 376,518	\$ 170,000	\$ (19,878)	\$ 41	\$ 526,681
Total	<u>\$ 376,518</u>	<u>\$ 170,000</u>	<u>\$ (19,878)</u>	<u>\$ 41</u>	<u>\$ 526,681</u>

ENCLAVE AT NAPLES CONDOMINIUM ASSOCIATION, INC.
Naples, Florida

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

SUPPLEMENTARY INFORMATION

ENCLAVE AT NAPLES CONDOMINIUM ASSOCIATION, INC.

Naples, Florida

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

(Unaudited)

DECEMBER 31, 2022

The board of directors has estimated the remaining useful lives and the replacement costs of the components of the common property. The estimates were based on an outside study conducted In 2019.

The Straight-Line Present Funding Analysis calculates the annual contribution amount for each individual line item component by dividing the component's unfunded balance by its remaining useful life. A component's unfunded balance is its current replacement cost less the reserve balance in the component at the beginning of the analysis period. The annual contribution rate for each individual line item component is then summed to calculate the total annual contribution rate for this analysis. This method does not inflation or interest into consideration.

The following table is based on these estimated values, and presents significant information about the components of the common property.

<u>Components</u>	Estimated Remaining Useful Life <u>(Years)</u>	Estimated Replacement Cost	2023 Funding Requirement	Components of Fund Balance <u>12/31/2022</u>
MILESTONE INSPECTION (NEW)	7	\$ 95,000	\$ -	\$ -
SIRS RESERVE STUDY (NEW)	2	10,000	-	-
MULTIFAMILY BUILDINGS- ROOFS	22	1,700,000	-	-
CLUBHOUSE- ROOF	22	50,000	-	-
CARPORT/GARAGE- ROOFS	22	280,000	-	-
MULTIFAMILY BUILDINGS- PAINT	4	300,000	-	-
POOL, SPA- RESURFACING	12	75,000	-	-
POOL, SPA- EQUIPMENT	12	20,000	-	-
POOL, SPA- DECK RESURFACING	26	175,000	-	-
LAKE FOUNTAIN EQUIPMENT	12	15,000	-	-
MECHANICAL GATE ARMS RPLCMT	9	14,000	-	-
CANVAS AWNINGS	12	90,000	-	-
FRONT ENTRANCE ROADWAY PAVERS	14	91,000	-	-
ASPHALT PAVING	4	386,750	-	-
ASPHALT SEAL COATING	8	66,300	-	-
Pooled Reserve Funds Equity	-	-	181,000	526,681
Total		<u>\$ 3,368,050</u>	<u>\$ 181,000</u>	<u>\$ 526,681</u>

An outside reserve study was not performed in 2022.