

**NUMBER 1 CONDOMINIUM ASSOCIATION -
PALM GREENS AT VILLA DEL RAY, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2023



Gerstle, Rosen & Goldenberg, P.A.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Unit Owners
Number 1 Condominium Association - Palm Greens at Villa Del Ray, Inc.

Dear Members:

Opinion

We have audited the accompanying financial statements of Number 1 Condominium Association - Palm Greens at Villa Del Ray, 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 present fairly, in all material respects, the financial position of Number 1 Condominium Association - Palm Greens at Villa Del Ray, Inc. as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Number 1 Condominium Association - Palm Greens at Villa Del Ray, 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.

Effect of Adopting New Accounting Standard

As discussed in Note 3 to the financial statements, as of January 1, 2023, the Association adopted Financial Accounting Standards Board ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which supersedes accounting standards that currently exist under GAAP and provides a methodology for measuring credit losses that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standard also requires Association's to disclose additional information, including expanded credit quality disclosures. The Association will be required to apply the expected credit loss model for accounts receivable, loans, and other financial instruments. Our opinion is not modified with respect to that matter.

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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 Number 1 Condominium Association - Palm Greens at Villa Del Ray, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Number 1 Condominium Association - Palm Greens at Villa Del Ray, 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 Number 1 Condominium Association - Palm Greens at Villa Del Ray, 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 the Supplementary Information on Future Major Repairs and Replacements 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.

Report on Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Detailed Statement of Operating Revenues and Expenses Budget Comparison is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of 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 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.

Gerstle, Rosen & Goldenberg, P.A.

Gerstle, Rosen & Goldenberg, P.A.
Certified Public Accountants
Boca Raton, Florida

July 29, 2024

**NUMBER 1 CONDOMINIUM ASSOCIATION -
PALM GREENS AT VILLA DEL RAY, INC.**

BALANCE SHEET

December 31, 2023

	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 555,439	\$ 871,986	\$ 1,427,425
Certificates of Deposit		695,871	695,871
Accounts Receivable, Net of Allowance For Credit Losses of \$ 22,947	178,898		178,898
Income Tax Receivable	76,122		76,122
Prepaid Insurance	1,710		1,710
Prepaid Expenses	61		61
Legal Retainer Golf Course Receivable	2,500		2,500
Fixed Assets - Net	18,840		18,840
Due To/From Funds	56,600	(56,600)	0
TOTAL ASSETS	\$ 890,170	\$ 1,511,257	\$ 2,401,427
LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 6,600	\$	\$ 6,600
Accrued Expenses	88,844		88,844
Prepaid Maintenance Fees	139,968		139,968
Deferred Cable Incentive	146,775		146,775
Contract Liability - Deferred Reserves		1,391,695	1,391,695
TOTAL LIABILITIES	382,187	1,391,695	1,773,882
Fund Balances	507,983	119,562	627,545
TOTAL LIABILITIES AND FUND BALANCES	\$ 890,170	\$ 1,511,257	\$ 2,401,427

The Accompanying Notes Are An Integral Part Of This Financial Statement.

**NUMBER 1 CONDOMINIUM ASSOCIATION -
PALM GREENS AT VILLA DEL RAY, INC.**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES**

Year Ended December 31, 2023

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES			
Maintenance Fees	\$ 3,145,104	\$ 410,944	\$ 3,556,048
Interest Income	294	30,403	30,697
Resales	2,050		2,050
Leases	1,600		1,600
Late Fees	2,205		2,205
Pressure Cleaning	1,545		1,545
Prior Year Surplus Rollover	65,000		65,000
Estoppel Fees	4,049		4,049
Condo Questionnaire	750		750
Employee Retention Credit	112,051		112,051
Cable Incentive Income	9,975		9,975
Insurance Proceeds	8,515		8,515
Miscellaneous Income	1,143		1,143
	3,354,281	441,347	3,795,628
EXPENSES			
Depreciation	319		319
Administrative	79,733		79,733
Office Expense	29,308		29,308
Personnel Expenses	436,006		436,006
Recreation	485,720		485,720
Insurance	1,113,983		1,113,983
Contract Services	12,000		12,000
Repairs & Maintenance	97,071		97,071
Grounds & Facilities	329,783		329,783
Vehicle Expenses	2,992		2,992
Utilities	849,660		849,660
Reserve Expenses		410,944	410,944
	3,436,575	410,944	3,847,519
EXCESS REVENUES (EXPENSES)	(82,294)	30,403	(51,891)
FUND BALANCES - BEGINNING	622,823	89,159	711,982
PRIOR PERIOD ADJUSTMENT	32,454		32,454
SURPLUS ROLLOVER	(65,000)		(65,000)
FUND BALANCES - ENDING	\$ 507,983	\$ 119,562	\$ 627,545

The Accompanying Notes Are An Integral Part Of This Financial Statement.

**NUMBER 1 CONDOMINIUM ASSOCIATION -
PALM GREENS AT VILLA DEL RAY, INC.**

STATEMENT OF CASH FLOWS

Year Ended December 31, 2023

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
EXCESS REVENUES (EXPENSES)	\$ (82,294)	\$ 30,403	\$ (51,891)
ADJUSTMENTS TO RECONCILE EXCESS REVENUES (EXPENSES) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Surplus Rollover	(65,000)		(65,000)
Depreciation	319		319
Prior Period Adjustment	32,454		32,454
DECREASE (INCREASE) IN ASSETS:			
Accounts Receivable - Net of Allowance	(159,814)		(159,814)
Prepaid Insurance	407,185		407,185
Prepaid Expenses	1,289		1,289
PG Community Association Receivable	18,000		18,000
Due To/From Funds	(531,124)	531,124	0
INCREASE (DECREASE) IN LIABILITIES:			
Accounts Payable	(29,127)		(29,127)
Accrued Expenses	83,424	(48,112)	35,312
Prepaid Maintenance Fees	100,891		100,891
Deferred Cable Incentive	126,825		126,825
Contract Liability - Deferred Reserves		(26,608)	(26,608)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(96,972)</u>	<u>486,807</u>	<u>389,835</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Certificates of Deposit	247,525	(273,379)	(25,854)
Fixed Assets	(19,159)		(19,159)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>228,366</u>	<u>(273,379)</u>	<u>(45,013)</u>
NET INCREASE (DECREASE) IN CASH	131,394	213,428	344,822
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>424,045</u>	<u>658,558</u>	<u>1,082,603</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 555,439</u>	<u>\$ 871,986</u>	<u>\$ 1,427,425</u>

The Accompanying Notes Are An Integral Part Of This Financial Statement.

**NUMBER 1 CONDOMINIUM ASSOCIATION -
PALM GREENS AT VILLA DEL RAY, INC.**

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

1. ORGANIZATION

Number 1 Condominium Association - Palm Greens at Villa Del Ray, Inc. is a statutory condominium association incorporated on November 20, 1973, in the State of Florida. The Association is responsible for the operation and maintenance of the common property of Number 1 Condominium Association - Palm Greens at Villa Del Ray, Inc. and consists of 684 units located in Delray Beach, Florida.

2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 29, 2024, the date that the financial statements were available to be issued.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Association uses the accrual method of accounting, i.e., revenues are recognized as earned and expenses are recorded in the period in which 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. 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.

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

Cash and Cash Equivalents

For presentation purposes, cash and cash equivalents consists of checking and money market accounts.

Certificates of Deposit

The Association holds certificates of deposit totaling \$694,683, with various interest rates. These certificates have original maturities of greater than 90 days, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Property and Equipment

Real property not directly associated with units are recognized as assets by the Association when the Association has title to the property and either the asset can be disposed of by the Board of Directors or generates significant cash flows from members on the basis of usage or from nonmembers. Common personal property purchased with Association funds, with a useful life of more than one year, is capitalized on the Association's financial statements. Capitalized assets are depreciated over their estimated useful lives using the straight-line method of depreciation. (See Note 10)

**NUMBER 1 CONDOMINIUM ASSOCIATION –
PALM GREENS AT VILLA DEL RAY, INC.**

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Member Assessments

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 obligations related to its operating assessments are 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 plus late fees, if applicable from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are delinquent according to its collection policy. Management determines the allowance for doubtful accounts by identifying troubled accounts through periodic review of accounts receivable aging schedules. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year are \$19,084 and \$178,898, respectively.

The Association treats uncollectible assessments and other charges 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. In the event that the Association does not prevail against homeowners with delinquent assessments, an allowance for credit losses of \$22,947 has been established as of the date of the Balance Sheet.

Contract Liability (Assessments received in advance - Replacement Fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance – Replacement Fund) 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 contract liability (assessments received in advance – Replacement Fund) as of the beginning and end of the year are \$1,418,303 and \$1,391,695, respectively (See Note 8).

Use of Estimates

The Association uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**NUMBER 1 CONDOMINIUM ASSOCIATION –
PALM GREENS AT VILLA DEL RAY, INC.**

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

Under FASB ASC 820, *Fair Value Measurements and Disclosures*, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Association has determined that there was no material difference between the carrying value and fair value of its financial assets and liabilities at December 31, 2023; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2023.

Adoption of FASB ASU 2016-13 and Related Standards

Effective January 1, 2023, the Association adopted FASB ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Association adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Association's financial statements but did change how the allowance for credit losses is determined.

4. COMMITMENTS

The Association has various contract services to maintain the common property including cable television service, lawn maintenance, pest control and an obligation to the Master Association as a result of mandatory membership. These contracts have different expiration dates and renewal terms.

5. PG COMMUNITY ASSOCIATION AND LEGAL RETAINER GOLF COURSE RECEIVABLES

On June 17, 2017, the Board of Directors of Palm Greens Condominium 1 Association, the Palm Greens Condominium 2 Association and the Palm Greens Recreation Association incorporated the Palm Greens Community Association ("PGCA"). The purpose of the PGCA is negotiating, dealing and consulting with the owners of and/or developers of the adjacent golf course for the purpose of protecting the values of the Member' residents' homes and quality of life of the residents of the Palm Greens community. The PGCA by-laws require that the PGCA submit a report and make a recommendation to the Members as to whether the Members should support a proposed development plan or other proposal for the use of the Golf Course property.

The Palm Greens Community Association has an approved agreement with 13th Floor Home for the development of Delray Trails. The agreement provides the residents of Palm Greens with a payment of \$1 million dollars for infrastructure issues afflicting the community, divided in half by each Condominium Association. The developer (13th Floor Homes) will build a state of the art recreation campus that includes a clubhouse with amenities for all residents. Delray Trails and the two Condominium Associations would share the monthly recreation expenses. It also includes a reimbursement of attorney fees up to \$150,000 spent in negotiations and implementation of the agreement. The Association has received \$250,000 from the developer during 2020 and the final \$250,000 from the developer in 2021.

As of December 31, 2023, the Association has contributed \$18,000 in legal fees and \$2,500 in legal retainer for the golf course for these negotiations and has created these receivables until reimbursed.

**NUMBER 1 CONDOMINIUM ASSOCIATION –
PALM GREENS AT VILLA DEL RAY, INC.**

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2023

6. DEFERRED CABLE INCENTIVE COMCAST AND BREEZELINE

As of January 2013, the Board of Directors entered into a 12-year contract with Comcast Cable. Comcast Cable paid the Association \$119,700 as a signing incentive for the contract.

The Association elected to recognize this income over the life (12 years) of the cable contract starting in 2013 at a rate of \$9,975 per year. As of December 31, 2023, the unrecognized portion of this income is \$9,975 and is included on the balance sheet account Deferred Cable Incentive.

During 2023, the Board of Directors entered into a new 10-year contract with Breezeline that begins January 1, 2025. Breezeline paid the Association \$136,800 on November 3, 2023 as a signing incentive for the contract.

The Association elected to recognize this income over the life (10 years) of the cable contract starting in 2025 at a rate of \$13,680 per year. As of December 31, 2023, the unrecognized portion of this income is \$136,800 and is included on the balance sheet account Deferred Cable Incentive.

As of December 31, 2023, the total unrecognized cable incentive balance is \$146,775.

7. PRIOR PERIOD ADJUSTMENT

Prior period adjustments are transactions and corrections relating to prior accounting periods, and are made in order to reflect the current year without distortion. This prior period adjustment is to reconcile accounts receivable, prepaid insurance, insurance expenses and to correct accounts payable.

8. FUTURE MAJOR REPAIRS AND REPLACEMENTS

Florida Statutes provide that each proposed budget include provisions for reserves for capital improvements and deferred maintenance. These accounts, if adopted, are restricted to their intended purpose unless modified by a qualified unit owner vote. In addition, any special assessments adopted are also restricted to their specific purpose.

At a duly constituted meeting, the Association elected to partially waive reserve funding for the current fiscal year based on a study performed by an independent reserve study specialist in September, 2019 (updated September 2021) to estimate the remaining useful lives and the replacement costs of the common property components, as disclosed in the Supplementary information. Actual expenditures, however, 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 future needs. If additional funds are needed, the Association has the right to increase regular assessments levy special assessments, or delay major repairs and replacements until funds are available.

The Association has adopted the pooling method, which allows the Association to utilize all available replacement funds for future projects rather than only using funds designated for each individual replacement component.

**NUMBER 1 CONDOMINIUM ASSOCIATION –
PALM GREENS AT VILLA DEL RAY, INC.**

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2023

8. FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

The balance of the Replacement Fund at December 31, 2023, consists of the following:

COMPONENTS	BALANCE 12/31/2022	INTEREST/ ASSESSMENTS	TRANSFER	EXPENDITURES	BALANCE 12/31/2023
Emergency	\$100,000	\$0	\$0	(\$15,173)	\$84,827
Pooled	1,318,303	384,336		(395,771)	1,306,868
SUB-TOTAL CONTRACT LIABILITY - DEFERRED RESERVES	1,418,303	384,336	0	(410,944)	1,391,695
Fund Balance - Unallocated Interest	89,159	30,403			119,562
TOTAL LIABILITIES AND FUND BALANCE	\$1,507,462	\$414,739	\$0	(\$410,944)	\$1,511,257

The Association does not allocate interest earned on the replacements fund to specific replacement components as earned, but does so periodically depending on projected requirements.

Florida Statute allows commingling of operating and replacement funds if the replacement funds are accounted for separately and fully funded.

The Emergency expenses were for water extraction from a plumbing breach and the Pooled expenses consist of replacement of irrigation pump, roof replacement and termite treatments.

9. INCOME TAXES / INCOME TAX RECEIVABLE

The Association is subject to federal and state taxation and has essentially two methods to determine the amount of tax, if any, it must pay. Under one method, the excess of revenues from members over related expenditures is subject to taxation unless such excess is returned to the unit owners or applied to the following year's assessments (Section 277 of the Internal Revenue Code). The other method enables the Association to elect to exclude from taxation "exempt function income," (Section 528 of the Internal Revenue Code), which generally consists of revenue from unit owner assessments. Under either method, the Association may be subject to tax on investment income and other non-exempt income, but at different rates.

The Association will file its 2023 federal income tax return on Form 1120H under Section 528 of the Internal Revenue Code.

There is no current year provision for income taxes.

The Association has evaluated its tax positions and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Income Taxes Topic of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC").

The Association has no income tax returns under examination by the Internal Revenue Service. The Association believes it is no longer subject to income tax examinations for years prior to 2020.

**NUMBER 1 CONDOMINIUM ASSOCIATION –
PALM GREENS AT VILLA DEL RAY, INC.**

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2023

9. INCOME TAXES / INCOME TAX RECEIVABLE (Continued)

The Association has submitted amended tax returns for 2020 and 2021, which, has resulted in income taxes paid due to funds received from 13th Floor Home for the development of Delray Trails, which will be refunded to the Association totaling \$76,122 and is reflected on the Balance Sheet as Income Tax Receivable.

10. FIXED ASSETS AND DEPRECIATION

Major categories of property recognized as assets are:

	<u>Useful Lives</u>	<u>Cost</u>
Golf Carts (2)	5 Years	<u>\$19,159</u>
Less: Accumulated Depreciation		<u>319</u>
Fixed Assets - Net		<u><u>\$18,840</u></u>

The depreciation is being computed on a straight-line basis over the useful lives of the category. The current year depreciation expense is \$319.

11. CONCENTRATION OF CREDIT RISK

As of December 31, 2023, the Association maintained cash and cash equivalent balances which exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. The Association has not experienced any losses related to these cash balances and believes it is not exposed to any significant risk on these accounts.

12. INSURANCE PROCEEDS

As a result of damages from a plumbing leak and car accidents, claims for insurance proceeds of \$10,082 were received in the current year.

13. EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (ERC) was a refundable tax credit incentivizing employers and tax-exempt organizations to keep full-time employees on their payrolls during the COVID-19 pandemic. During 2023, the Association received \$112,051 net of related expenses from the Internal Revenue Service for retaining their full-time employees from March 12, 2020 through January 1, 2022.

**NUMBER 1 CONDOMINIUM ASSOCIATION –
PALM GREENS AT VILLA DEL RAY, INC.**

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2023

14. CONTINGENCIES

Insurance Deductible

The current property insurance policy contains a deductible for hurricane damage. Should the Association incur an uninsured loss, the Association has the right to increase maintenance fees, pass a special assessment or delay repairs until funds are available.

Legal

The Association is from time-to-time subject to complaints and claims, including litigation, arising in the ordinary course of business. As of the date of this report, management believes that there are no claims or complaints of which it is currently aware that will materially affect its business, financial position, or future operating results.

The Association has entered a claim, together with the Recreation Association, against the Developer of Delray Trails at Palm Greens (13th Floor) and two Number 2 Condominium Association – Palm Greens at Villa Del Ray, Inc. board members for breach of contract signed in 2019 with 13th Floor. The Associations are currently in negotiations and a resolution is unknown as of the date of this report.

SUPPLEMENTARY INFORMATION

**NUMBER 1 CONDOMINIUM ASSOCIATION –
PALM GREENS AT VILLA DEL RAY, INC.**

**SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS**

**December 31, 2023
(Unaudited)**

The Association has conducted an independent study (September 2021) to estimate the remaining useful lives and the replacement costs of the components of common property. Actual expenditures may vary from these estimated amounts and the variance may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs. 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.

The following presents significant information about the components of common property:

<u>COMPONENTS</u>	<u>ESTIMATED REMAINING USEFUL LIVES</u>	<u>ESTIMATED CURRENT REPLACEMENT COSTS</u>	<u>2024 REQUIRED FUNDING</u>
Site and Grounds	0 - 8 Years	\$1,457,550	
Building Exteriors	0 - 17 Years	4,893,950	
Mechanical, Electrical & Plumbing	0 - 47 Years	237,100	
Pooled			\$448,500
		<hr/>	<hr/>
TOTAL		<u>\$6,588,600</u>	<u>\$448,500</u>

The Association elected partial funding of the Pooled Reserves of \$446,100 for 2024 fiscal year.

See independent auditors' report.

**NUMBER 1 CONDOMINIUM ASSOCIATION -
PALM GREENS AT VILLA DEL RAY, INC.**

SUPPLEMENTARY INFORMATION

**DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES
BUDGET COMPARISON**

Year Ended December 31, 2023

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
<u>REVENUES:</u>			
Maintenance Fees	\$3,145,104	\$3,145,104	\$0
Interest Income	294	0	294
Resales	2,050	2,500	(450)
Leases	1,600	0	1,600
Late Fees	2,205	0	2,205
Pressure Cleaning	1,545	0	1,545
Prior Year Surplus	65,000	65,000	0
Estoppel Fees	4,049	10,000	(5,951)
Condo Questionnaire	750	500	250
Employee Retention Credit	112,051	0	112,051
Cable Incentive Income	9,975	0	9,975
Insurance Proceeds	8,515	0	8,515
Miscellaneous Income	1,143	0	1,143
Total Revenues	<u>3,354,281</u>	<u>3,223,104</u>	<u>131,177</u>
<u>EXPENSES:</u>			
<u>DEPRECIATION</u>			
Depreciation Expense	319	0	(319)
TOTAL DEPRECIATION	<u>319</u>	<u>0</u>	<u>(319)</u>
<u>ADMINISTRATIVE</u>			
Accounting Fees	6,600	6,600	0
Legal Fees	26,681	11,000	(15,681)
Professional Fees	24,441	0	(24,441)
Fee & Permits	2,995	2,900	(95)
Bad Debts	18,959	5,000	(13,959)
Bank Fees	57	400	343
TOTAL ADMINISTRATIVE	<u>79,733</u>	<u>25,900</u>	<u>(53,833)</u>
<u>OFFICE EXPENSE</u>			
Printing & Reproduction	1,392	2,000	608
Postage & Mailing	1,373	1,500	127
Contract Office Support	1,378	0	(1,378)

See independent auditors' report.

**NUMBER 1 CONDOMINIUM ASSOCIATION -
PALM GREENS AT VILLA DEL RAY, INC.**

SUPPLEMENTARY INFORMATION

**DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES
BUDGET COMPARISON**

Year Ended December 31, 2023

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
<u>EXPENSES (Continued):</u>			
<i>OFFICE EXPENSE (Continued)</i>			
Misc. Office Expense	11,704	500	(11,204)
Office Supplies	2,768	2,500	(268)
Office Equipment	950	1,100	150
Computer Support	6,889	5,500	(1,389)
Burglar Alarm	1,159	1,300	141
Answering Service	1,695	1,400	(295)
TOTAL OFFICE EXPENSE	<u>29,308</u>	<u>15,800</u>	<u>(13,508)</u>
<i>PERSONNEL EXPENSES</i>			
Office Personnel	418,573	399,000	(19,573)
Payroll Processing Fee	1,064	2,000	936
Payroll Taxes	16,369	31,000	14,631
Human Resource Expenses	0	2,400	2,400
TOTAL PERSONNEL EXPENSES	<u>436,006</u>	<u>434,400</u>	<u>(1,606)</u>
<i>RECREATION</i>			
Recreation & Contingency Fund	1,448	0	(1,448)
Recreation Condo Monthly Fee	484,272	484,272	0
TOTAL RECREATION	<u>485,720</u>	<u>484,272</u>	<u>(1,448)</u>
<i>INSURANCE</i>			
Insurance Expense	1,044,954	896,136	(148,818)
Worker's Compensation	6,568	6,800	232
Employee Health Insurance	57,767	82,000	24,233
Vehicle Insurance	4,694	5,200	506
TOTAL INSURANCE	<u>1,113,983</u>	<u>990,136</u>	<u>(123,847)</u>
<i>CONTRACT SERVICES</i>			
Management Services Contract	12,000	0	(12,000)
TOTAL CONTRACT SERVICES	<u>12,000</u>	<u>0</u>	<u>(12,000)</u>
<i>REPAIRS & MAINTENANCE</i>			
Irrigation Parts & Supplies	16,322	10,000	(6,322)
Irrigation Pump Repairs	286	1,000	714
Building & Drywall Repairs	23,849	6,000	(17,849)
Maintenance Supplies	6,043	12,000	5,957

See independent auditors' report.

**NUMBER 1 CONDOMINIUM ASSOCIATION -
PALM GREENS AT VILLA DEL RAY, INC.**

SUPPLEMENTARY INFORMATION

**DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES
BUDGET COMPARISON**

Year Ended December 31, 2023

	ACTUAL	BUDGET (Unaudited)	VARIANCE
<u>EXPENSES (Continued):</u>			
<i><u>REPAIRS & MAINTENANCE (Continued)</u></i>			
Gutter Repairs & Installation	0	1,500	1,500
Roof Repairs	11,220	12,000	780
Plumbing Repairs	27,432	25,000	(2,432)
Electrical Repairs	5,072	5,000	(72)
Uniforms	4,097	4,300	203
Contingency	2,750	4,996	2,246
TOTAL REPAIRS & MAINTENANCE	97,071	81,796	(15,275)
 <i><u>GROUNDS & FACILITIES</u></i>			
Lawn Maintenance	257,400	257,400	0
Tree Maintenance	28,384	28,000	(384)
Grounds Maintenance	14,766	4,000	(10,766)
Pest Control - Termites	9,410	10,000	590
Pest Control	15,464	33,300	17,836
Fire Extinguishers	4,359	3,200	(1,159)
TOTAL GROUNDS & FACILITIES	329,783	335,900	6,117
 <i><u>VEHICLE EXPENSES</u></i>			
Fuel / Oil	1,045	2,500	1,455
Truck Repair / Maintenance	245	600	355
Golf Cart Repair / Maintenance	1,702	1,000	(702)
TOTAL VEHICLE EXPENSES	2,992	4,100	1,108
 <i><u>UTILITIES</u></i>			
Electric	55,456	46,000	(9,456)
Water & Sewer	323,313	324,000	687
Cable	461,718	468,000	6,282
Dumpster - Trash Removal	6,527	9,500	2,973
Telephone / Internet	2,607	3,300	693
Gas	39	0	(39)
TOTAL UTILITIES	849,660	850,800	1,140
 Total Operating Expenses	 3,436,575	 3,223,104	 (213,471)
 Excess Operating Revenues (Expenses)	 (\$82,294)	 \$0	 (\$82,294)

See independent auditors' report.