

**BELLA VISTA CONDOMINIUM, INC.**

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AUDITED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT  
AND SUPPLEMENTARY INFORMATION

For the year ended December 31, 2022

## **C O N T E N T S**

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# WESTON & GREGORY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of  
Bella Vista Condominium, Inc.  
Daytona Beach Shores, Florida

### **Opinion**

We have audited the accompanying financial statements of Bella Vista Condominium, 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 financial statements referred to above present fairly, in all material respects, the financial position of Bella Vista Condominium, Inc. as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in conformity 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 Bella Vista 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 Bella Vista 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 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 Bella Vista 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 Bella Vista 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.

#### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements of common property on page 11 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.

*Keston & Gregory, LLC*

Daytona Beach, Florida  
March 2, 2023

**BELLA VISTA CONDOMINIUM, INC.**

Balance Sheet  
December 31, 2022

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 294,106	\$ 587,558	\$ 881,664
Certificates of deposit	-	702,495	702,495
Assessments receivable	138,260	-	138,260
Prepaid expenses	41,521	-	41,521
Furniture and equipment, net	16,802	-	16,802
Utility deposits	4,441	-	4,441
	<u>\$ 495,130</u>	<u>\$1,290,053</u>	<u>\$1,785,183</u>

LIABILITIES AND FUND BALANCE

Accounts payable and accrued expenses	\$ 8,938	\$ -	\$ 8,938
Assessments paid in advance	201,985	-	201,985
Deferred special assessments	213,082	-	213,082
Contract liabilities	-	1,290,053	1,290,053
	<u>424,005</u>	<u>1,290,053</u>	<u>1,714,058</u>
Fund balance	<u>71,125</u>	<u>-</u>	<u>71,125</u>
	<u>\$ 495,130</u>	<u>\$1,290,053</u>	<u>\$1,785,183</u>

See accompanying notes to financial statements  
and independent auditors' report

**BELLA VISTA CONDOMINIUM, INC.**

## Statement of Revenues, Expenses, and

## Changes in Fund Balance

For the year ended December 31, 2022

	Operating Fund	Replacement Fund	Total
Revenues:			
Members' assessments	\$ 748,440	\$ 30,737	\$ 779,177
Members' special assessments	786,918	-	786,918
Interest and other income	4,611	7,299	11,910
	<u>1,539,969</u>	<u>38,036</u>	<u>1,578,005</u>
Expenses:			
Hurricane repairs	786,918	-	786,918
Insurance	240,824	-	240,824
Payroll, taxes, and benefits	200,404	-	200,404
Utilities	148,094	-	148,094
Building repairs and replacements	93,630	38,036	131,666
Cable	56,251	-	56,251
Professional fees	24,202	-	24,202
Grounds maintenance	24,159	-	24,159
Elevator maintenance	19,178	-	19,178
Administrative	7,399	-	7,399
Pool maintenance	7,321	-	7,321
Pest control	4,430	-	4,430
Telephone	4,424	-	4,424
Security	3,180	-	3,180
Depreciation expense	3,033	-	3,033
Taxes, fees, and licenses	1,146	-	1,146
	<u>1,624,593</u>	<u>38,036</u>	<u>1,662,629</u>
Deficit of revenues over expenses	(84,624)	-	(84,624)
Fund balance, beginning of year	<u>155,749</u>	<u>-</u>	<u>155,749</u>
Fund balance, end of year	<u>\$ 71,125</u>	<u>\$ -</u>	<u>\$ 71,125</u>

See accompanying notes to financial statements  
and independent auditors' report

**BELLA VISTA CONDOMINIUM, INC.**

## Statement of Cash Flows

For the year ended December 31, 2022

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities:			
Cash received from members' assessments	\$1,799,375	\$ 193,560	\$1,992,935
Cash received from interest and other income	4,611	7,299	11,910
Cash paid to vendors for services and goods	<u>(1,624,200)</u>	<u>(38,036)</u>	<u>(1,662,236)</u>
Net cash provided by operating activities	<u>179,786</u>	<u>162,823</u>	<u>342,609</u>
Cash flows from investing activities:			
Maturities of certificates of deposit	-	453,678	453,678
Purchases of certificates of deposit	<u>-</u>	<u>(702,554)</u>	<u>(702,554)</u>
Net cash used in investing activities	<u>-</u>	<u>(248,876)</u>	<u>(248,876)</u>
Net increase (decrease) in cash and cash equivalents	179,786	(86,053)	93,733
Cash and cash equivalents, beginning of year	<u>114,320</u>	<u>673,611</u>	<u>787,931</u>
Cash and cash equivalents, end of year	<u>\$ 294,106</u>	<u>\$ 587,558</u>	<u>\$ 881,664</u>
Reconciliation of Deficit of Revenues over Expenses to Net Cash Provided by Operating Activities:			
Deficit of revenues over expenses	\$ (84,624)	\$ -	\$ (84,624)
Adjustments to reconcile deficit of revenues over expenses to net cash provided by operating activities:			
Depreciation expense	3,033	-	3,033
(Increase) decrease in:			
Assessments receivable	(136,720)	-	(136,720)
Prepaid expenses	(1,540)	-	(1,540)
Increase (decrease) in:			
Accounts payable and accrued expenses	(1,100)	-	(1,100)
Assessments paid in advance	187,655	-	187,655
Deferred special assessments	213,082	-	213,082
Contract liabilities	<u>-</u>	<u>162,823</u>	<u>162,823</u>
Net cash provided by operating activities	<u>\$ 179,786</u>	<u>\$ 162,823</u>	<u>\$ 342,609</u>

See accompanying notes to financial statements  
and independent auditors' report

## BELLA VISTA CONDOMINIUM, INC.

Notes to Financial Statements

December 31, 2022

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1. Organization:

Bella Vista Condominium, Inc. (the Association) was incorporated on July 12, 2004 as a not-for-profit corporation pursuant to Chapter 718 of the Florida Statutes. The Association was formed to preserve, maintain, and protect the common areas of the 100-unit residential condominium known as Bella Vista, located in Daytona Beach Shores, Florida. Common property of the Association includes a lobby, clubroom, fitness center, elevator, restrooms, mail area, garage and parking areas, storage, stairwells, trash disposal, electrical and mechanical areas, swimming pool and deck areas.

Policy decisions in regard to normal everyday operations of the Association are formulated by the Board of Directors, who are elected by the general membership. Major policy decisions, as outlined in the documents of the Association, are referred to the general Association membership.

2. Summary of Significant Accounting Policies:

The Association prepares its financial statements on the accrual basis. The financial statements are presented as separate funds based upon the different funding policies for operations and capital replacement.

Fund Accounting:

The Operating Fund reflects the operating assessments paid by unit owners to meet the regular, recurring costs of operation. Expenditures of this fund are limited to those connected with the day-to-day functions of the Association.

The Replacement Fund is composed of all capital assessments paid by the unit owners to fund future replacements, major repairs, and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which the assessments were paid and those which are approved by the Board of Directors.

Cash and Cash Equivalents:

Cash and cash equivalents include all highly liquid debt instruments purchased with an original maturity of ninety days or less. The Association has deposits at banks that are federally insured up to \$250,000 under FDIC protection. At December 31, 2022, \$936,919 of the Association's funds were not fully insured.

Certificates of Deposit

The Association has four certificates of deposit earning interest at rates ranging from 3.65% to 4.15% annually. The certificates have original maturities ranging from 12 to 24 months. Interest earned on the certificates of deposit was \$5,373 for the year ended December 31, 2022.

Common Owned Property:

Real and personal property acquired by the Association from the developer and major replacements, or improvements made by the Association are capitalized on the financial statements of the Association, when ownership of these commonly owned assets is vested directly in the Association and may be sold. Assets vested directly or indirectly in the unit owners deemed not to be severable are not capitalized on the financial statements. The Association capitalizes personal property at cost and depreciates it using the straight-line method over its useful life ranging from five to ten years.



**BELLA VISTA CONDOMINIUM, INC.**

Notes to Financial Statements

December 31, 2022

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2. Summary of Significant Accounting Policies: (Continued)

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Assessments:

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. These assessments are allocated equally to each individual unit. 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 is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's Declaration provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner and obtaining judgment on other assets of the unit owner. Management considers all assessments to be collectible at the end of the year; therefore, no allowance for uncollectible accounts is necessary.

Assessments paid in advance at the balance sheet date represent fees paid in advance by unit owners. These fees are not recorded as income until they are earned.

Contract Liabilities (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.

Income Taxes:

Condominium associations may be taxed as either a homeowners' association or a regular corporation. The Association elected to be taxed as a homeowners' association in accordance with Internal Revenue Code, Section 528, for the current year. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, at a rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable. For the year ended December 31, 2022, the Association's deductions for tax purposes exceeded any taxable income; therefore, no income tax expense was incurred.

The Association files income tax returns in the US federal jurisdiction. With few exceptions, the Association is no longer subject to federal income tax examinations by tax authorities for years before 2019.

Subsequent Events:

The Association has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 2, 2023, the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

**BELLA VISTA CONDOMINIUM, INC.**

Notes to Financial Statements

December 31, 2022

3. Windstorm Insurance:

The current insured value of the Association's real property is \$54,389,574. The Association's current insurance policy contains a deductible of five percent (5%) of the insured value for any named hurricane damage. The deductible was approximately \$2,719,478 for the current policy year, which ends April 15, 2023. Other deductibles apply to the basic insurance coverage as well.

4. Property and Equipment:

Property and equipment and their respective lives at December 31, 2022 are as follows:

		<u>Lives</u>
Furniture and fixtures	\$ 15,259	7 years
Machinery and equipment	31,299	5-10 years
	<u>46,558</u>	
Less accumulated depreciation	(29,756)	
	<u>\$ 16,802</u>	

5. Replacement Reserves:

Florida Statutes and the Association's documents require funds to be accumulated for future major repairs and replacements. The Association's current policy is to assess each unit owner a monthly assessment to meet all future replacement and major repair costs. These funds are held in separate accounts and are generally not available for operating purposes.

In 2008, the Association began to collect funds for its future major repairs and replacements under the pooled method. Funds accumulated under the straight-line method will remain in their respective component categories until the funds are used for the purposes as originally intended. Interest earned on these funds is accumulated in the pooled reserve account.

The Association is funding for its major repairs and replacements based on a cash flow projection that takes into consideration estimates of the remaining useful lives of the components of the pooled reserve account, estimated current replacement costs, anticipated earnings on accumulated funds, future projected cash outflows, and amounts previously accumulated in the replacement fund. In 2022, the Association had a reserve study performed by a professional firm that determined the components, estimated total useful and remaining lives, and projected future replacement costs. In connection with the preparation of the Association's annual budget for 2022, management and the Board of Directors updated the useful and remaining lives and the replacement costs of the common property components.

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, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

**BELLA VISTA CONDOMINIUM, INC.**

Notes to Financial Statements

December 31, 2022

5. Replacement Reserves: (Continued)

The activity in the replacement fund contract liabilities for the year ended December 31, 2022 is presented as follows:

	Balance, Beginning of Year	Assessments	Interest	Expenditures	Balance, End of Year
Roof	\$ 50,068	\$ -	\$ -	\$ -	\$ 50,068
Pavement	16,399	-	-	-	16,399
Pooled reserves	1,060,763	193,560	7,299	(38,036)	1,223,586
	<u>\$ 1,127,230</u>	<u>\$ 193,560</u>	<u>\$ 7,299</u>	<u>\$ (38,036)</u>	<u>\$ 1,290,053</u>

Detail of Pooled Expenditures:

Building components	\$ 14,178
Painting	12,956
Mechanical/electrical	10,902
	<u>\$ 38,036</u>

**New mandatory reserve requirements for condominiums:**

The State of Florida passed new mandatory reserve requirements and restrictions for condominiums in May 2022 with a beginning effective date of December 31, 2024. The legislation is aimed at protecting the long-term structural safety and integrity of multi-story buildings in the State of Florida. At least every ten years, associations must now complete a so-called Structural Integrity Reserve Study (“SIRS”) for each building in the condominium that is three stories or taller by a licensed engineer or architect.

At a minimum, the SIRS must identify and state the remaining useful life and replacement cost, or deferred maintenance expense of the common areas being visually inspected and based upon such visual inspection, provide a recommended annual reserve amount that should be included in the association’s annual budget for those common areas. Several specific “structural” components of every building must now be visually inspected and evaluated, including the roof, load-bearing walls, foundation, floor, plumbing, electrical systems, waterproofing and fireproofing, windows, and any other item with a deferred maintenance expense or replacement cost exceeding \$10,000 that would “negatively affect” any of the foregoing items if not maintained or replaced.

Not only are associations now legally required to have reserve studies completed, but they will also soon be prohibited from waiving or reducing funding for many of the reserve items in their annual budgets. For decades, condominium associations have been legally required to include reserve accounts in their annual budget. However, associations were permitted, by a majority vote of the unit owners, to waive or only partially fund reserves, irrespective of the particular reserve item. Beginning December 31, 2024, however, unit owners will no longer be legally permitted to make that decision for the structural reserve items required to be listed in the SIRS.

**BELLA VISTA CONDOMINIUM, INC.**

Notes to Financial Statements

December 31, 2022

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5. Replacement Reserves: (Continued)

Similarly, effective December 31, 2024, associations will no longer be permitted to use reserve funds collected for the structural items listed in a SIRS for any other purpose, even if a majority of the owners vote to do so.

6. Hurricane Damages:

In September and November 2022, Hurricane's Ian and Nicole impacted the Association. There were major damages to the Association's property. The Association hired a professional insurance adjuster and has filed claims on the Association's insurance policies, which cover hurricane damages to the property in excess of the deductibles. The Association has not recovered any insurance proceeds from the insurance company to date and there is no estimate of the amount of any future insurance recoveries at this time.

7. Special Assessments:

In November 2022, the Association approved a special assessment in the amount of \$2,000,000 (\$20,000 per unit) to pay for repairs to the buildings from Hurricane Ian. The assessment is due in two payments on December 20, 2022 and June 1, 2023. During 2022, the Association expended \$786,918 of special assessment proceeds on the related repairs. The remaining balance of \$213,082 is recorded as deferred special assessment on the balance sheet and will be taken into income as the related expenditures are incurred.

**SUPPLEMENTARY INFORMATION**

**BELLA VISTA CONDOMINIUM, INC.**

Supplementary Information  
on Future Repairs and Replacements  
December 31, 2022

Florida Statutes and the Association's documents require funds to be accumulated for future major repairs and replacements. The Association's current policy is to assess each unit owner a monthly assessment to meet all future replacement and major repair costs. These funds are held in separate accounts and are generally not available for operating purposes.

In 2008, the Association began to collect funds for its future major repairs and replacements under the pooled method. Funds accumulated under the straight-line method will remain in their respective component categories until the funds are used for the purposes as originally intended. Interest earned on these funds is accumulated in the pooled reserve account.

The Association is funding for its major repairs and replacements based on a cash flow projection that takes into consideration estimates of the remaining useful lives of the components of the pooled reserve account, estimated current replacement costs, anticipated earnings on accumulated funds, future projected cash outflows, and amounts previously accumulated in the replacement fund. In 2022, the Association had a reserve study performed by a professional firm that determined the components, estimated total useful and remaining lives, and projected future replacement costs. In connection with the preparation of the Association's annual budget for 2023, management and the Board of Directors updated the useful and remaining lives and the replacement costs of the common property components.

The following table presents significant information concerning the replacement fund:

Component	Estimated Useful Life (Years)	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost	Contract Liability December 31, 2022	2023 Estimated Full Funding Required	2023 Budgeted Funding
Roofs	20-30	5-15	\$ 1,286,500	\$ 50,068	\$ -	\$ -
Painting	7-20	3-15	442,425	-	-	-
Paving	35	20	137,023	16,399	-	-
Elevators	16-25	1-10	972,000	-	-	-
Mechanical/electrical	8-40	1-25	832,164	-	-	-
Building components	5-36	1-21	997,956	-	-	-
Site improvements	4-30	1-20	382,270	-	-	-
Furniture/equipment	8-18	3-17	159,687	-	-	-
Pooled reserves	-	-	-	1,223,586	271,065	271,065
			<u>\$ 5,210,025</u>	<u>\$ 1,290,053</u>	<u>\$ 271,065</u>	<u>\$ 271,065</u>

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 future needs. If additional funds are needed the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or may delay major repairs and replacements until funds are available.