

**THE PALM CLUB VILLAGE II
CONDOMINIUM ASSOCIATION, INC.**

Financial Statements

***For the year ended
December 31, 2022***

HAFER

Certified Public Accountants and Consultants

251 Royal Palm Way; Suite 350

Palm Beach, Florida 33480

T: (561) 655-8700 F: (561) 655-6964

cpa@haferco.com

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251 ROYAL PALM WAY, SUITE 350

PALM BEACH, FLORIDA 33480

TELEPHONE (561) 655-8700

FACSIMILE (561) 655-6964

WWW.HAFERCPAs.COM

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, Inc.

Opinion

We have audited the accompanying financial statements of THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, Inc. ("the Association"), which comprise the balance sheet as of December 31, 2022, and the related statement of revenues and expenses and changes in fund balances (deficit) 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 THE PALM CLUB VILLAGE II 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are required to be independent of THE PALM CLUB VILLAGE II 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 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 THE PALM CLUB VILLAGE II CONDOMINIUM 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 reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, Inc.
Independent Auditor's Report (Continued)

- 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 THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, 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 THE PALM CLUB VILLAGE II CONDOMINIUM 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.



Palm Beach, Florida
August 1, 2023

THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
December 31, 2022

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
Assets			
Cash and cash equivalents	\$ 216,341	\$ 332,646	\$ 548,987
Assessments receivable, net (Note 3)	19,629	-	19,629
Prepaid expenses	125,744	-	125,744
Utility deposits	12,674	-	12,674
Due (to) from funds (Note 11)	<u>(208,890)</u>	<u>208,890</u>	<u>-</u>
Total assets	<u><u>\$ 165,498</u></u>	<u><u>\$ 541,536</u></u>	<u><u>\$ 707,034</u></u>
Liabilities and fund balances (deficit)			
Accounts payable and accrued expenses	\$ 24,434	\$ -	\$ 24,434
Insurance payable (Note 6)	91,131	-	91,131
Prepaid assessments	32,560	-	32,560
Deferred cable revenue (Note 8)	24,619	-	24,619
Refundable deposits	152,939	-	152,939
Contract liabilities (Note 13)	<u>-</u>	<u>513,275</u>	<u>513,275</u>
Total liabilities	325,683	513,275	838,958
Fund balances (deficit)	<u>(160,185)</u>	<u>28,261</u>	<u>(131,924)</u>
Total liabilities and fund balances (deficit)	<u><u>\$ 165,498</u></u>	<u><u>\$ 541,536</u></u>	<u><u>\$ 707,034</u></u>

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

THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES (DEFICIT)
For the year ended December 31, 2022

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
Revenues			
Maintenance assessments	\$ 1,507,890	\$ 31,063	\$ 1,538,953
Special assessment (Note 9)	207,698	-	207,698
Rental income	12,287	-	12,287
Cable revenue (Note 8)	6,714	-	6,714
Interest income	18	341	359
Other income	31,681	-	31,681
	<u>1,766,288</u>	<u>31,404</u>	<u>1,797,692</u>
Total revenues			
Expenses			
Administrative	699,342	-	699,342
Landscape	97,234	-	97,234
Pool	14,768	-	14,768
Repairs and maintenance	96,510	-	96,510
Utilities	690,410	-	690,410
Major repairs and replacements	-	47,809	47,809
	<u>1,598,264</u>	<u>47,809</u>	<u>1,646,073</u>
Total expenses			
Excess (deficiency) of revenues over expenses	168,024	(16,405)	151,619
Fund balances (deficit), beginning	<u>(328,209)</u>	<u>44,666</u>	<u>(283,543)</u>
Fund balances (deficit), ending	<u>\$ (160,185)</u>	<u>\$ 28,261</u>	<u>\$ (131,924)</u>

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

THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2022

	Operating Fund	Replacement Fund	Total Funds
Cash flows from operating activities			
Excess (deficiency) of revenues over expenses	\$ 168,024	\$ (16,405)	\$ 151,619
<u>Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:</u>			
<u>Changes in assets and liabilities:</u>			
Assessments receivable	(5,373)	-	(5,373)
Prepaid expenses	(18,021)	-	(18,021)
Accounts payable and accrued expenses	(4,272)	-	(4,272)
Prepaid assessments	(92,992)	-	(92,992)
Deferred cable revenue	(6,714)	-	(6,714)
Refundable deposits	5,530	-	5,530
Contract liabilities	-	121,633	121,633
	46,182	105,228	151,410
Net cash provided by operating activities			
Cash flows from (to) financing activities			
Proceeds from insurance payable	364,525	-	364,525
Payments on insurance payable	(353,317)	-	(353,317)
Principal payments on note payable	-	(211,595)	(211,595)
Interfund borrowings	(120,044)	120,044	-
	(108,836)	(91,551)	(200,387)
Net cash (used) by financing activities			
Net (decrease) increase in cash and cash equivalents	(62,654)	13,677	(48,977)
Cash and cash equivalents, beginning	278,995	318,969	597,964
Cash and cash equivalents, ending	\$ 216,341	\$ 332,646	\$ 548,987

Supplemental disclosures of cash flow information (Note 14)

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

THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1: Organization

THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, Inc. (“the Association”) was incorporated under the laws of the State of Florida as a not-for-profit corporation on February 17, 1983. The Association is responsible for maintaining and preserving the common property of the Association in accordance with the terms of Chapter 718, Florida Statutes (“FS §718”) and the provisions of its governing documents. The Association consists of 10 two-story and 9 three-story buildings containing a total of 376 residential units located in West Palm Beach, Florida.

NOTE 2: Summary of significant accounting policies

Fund accounting

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

Estimates

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

Short-term financial instruments

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

Cash and cash equivalents

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

Certificates of deposit

Certificates of deposit consist of those certificates with original maturities of more than 90 days. The certificates are carried at cost plus any interest earned and reinvested. The Association, at least annually, assesses for any other-than-temporary impairment, and as of the date of these financial statements, the Association does not believe any impairment exists. The certificates have varying maturity dates and varying interest rates.

Owners’ assessments and allowance for credit losses

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

THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2: Summary of significant accounting policies (continued)

Association owned units subject to mortgage

The Association has foreclosed on, and had obtained title to, multiple units. The Board of Directors and management have determined that the foreclosure process is also proceeding by the mortgage holders for each unit, and upon conclusion of the mortgagee's legal action, the Association will no longer have title to the units. Accordingly, these units have not been recorded as assets in the accompanying financial statements. During the time the Association holds title, the Board of Directors intends to rent the units in order to recover delinquent assessments.

Property and equipment

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

Revenue recognition

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

The Association has identified the following performance obligations:

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

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

Contract liabilities

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

THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2: Summary of significant accounting policies (continued)

Interest earned

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

Income taxes (Form 1120-H)

The Association makes a yearly election to be taxed either under Internal Revenue Code ("IRC") §528 as a homeowners' association or under IRC §277 as a regular corporation. For 2022, the Association elected to be taxed under §528. Under this election, the Association is generally taxed only on non-exempt function income, such as interest earnings, at applicable rates. From time to time, certain temporary differences may arise between financial and taxable income, the overall effects of which are not material to the financial statements taken as whole. As such, the Association has not recorded deferred income taxes at the balance sheet date. The Association's policy on income statement classification of interest and penalties related to income tax obligations is to include such items as part of income tax expense. The Association's tax filings are generally subject to examination by taxing authorities for three years after the returns are filed.

Legislative update

During May 2022, the Florida Legislature passed legislation, which amends Florida's Building Codes Act, Condominium Act, and Cooperative Act; the legislation was signed by the Governor on May 26, 2022. The new law enacts new requirements meant to address concerns raised in the aftermath of the Champlain Towers South collapse in Surfside, Florida. The new requirements include, but are not limited to, the following:

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

THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 3: Assessments receivable, net

The Association's assessments receivable was as follows at December 31, 2022:

Assessments receivable	\$ 19,629
Less: allowance for credit losses	-
	<u>\$ 19,629</u>

NOTE 4: Concentration of credit risk

The Association maintains its cash and cash equivalents at various financial institutions whereby deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At December 31, 2022, the Association had uninsured deposits in the amount of \$79,337.

NOTE 5: Commitments and contingencies

Insurance windstorm deductible

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

Litigation

The Association, from time-to-time, may become party to various legal actions normally associated with condominium associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

Painting contract

During 2022, the Association entered into a contract for a painting project in the amount of \$393,700. As of December 31, 2022, the Association has paid \$39,700 towards the contract. At December 31, 2022, the remaining balance on the contract is \$354,000; the amount will be recorded and recognized as the work is performed.

Other commitments and contingencies

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

NOTE 6: Insurance payable

During 2022, the Association financed its insurance premiums. The total amount financed was \$334,148 and is payable in monthly installments of \$30,377 including interest at 3.79% through March 2023. The financing is secured by any unearned premiums or other sums which may become collectible under the terms of the agreement. At December 31, 2022, the outstanding balance, including accrued interest, was \$91,131.

THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 7: Note payable

During 2020, the Association entered into a loan agreement with Truist Bank in the amount of \$300,000 to provide funding for the replacement of the roof. The note bore a stated interest rate of 3.41% per annum and was payable in 6 monthly interest only payments beginning August 24, 2020 followed by 35 monthly interest and principal payments in the amount of \$8,784 beginning February 24, 2021, with all outstanding principal and any accrued interest payable in full on January 24, 2024. The note was collateralized by a commercial security agreement, an agreement not to encumber, and a collateral assignment of rights to collect assessments and assignment of lien rights. During the year ended December 31, 2022, the Association paid the balance of the loan in full.

For the year ended December 31, 2022, the Association incurred and paid interest on the note in the amount of \$5,509.

NOTE 8: Deferred cable revenue

On September 1, 2019, the Association entered into a bulk cable contract with a cable provider. As consideration for entering into a seven-year contract, the cable provider agreed to pay the Association \$47,000. The Association is amortizing the revenue over the life of the contract. For the year ended December 31, 2022, the Association recognized \$6,714 as cable revenue. At December 31, 2022, the remaining balance of \$24,619 was recorded as deferred cable revenue and will be recognized over the remaining life of the contract.

NOTE 9: Special assessment

On June 21, 2022, the Association approved a special assessment in the amount of \$207,698 due to shortfalls for the year ended December 31, 2020, 2021, and 2022. During the year ended December 31, 2022, the Association recognized the special assessment in full.

NOTE 10: Future major repairs and replacements

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

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

The Board of Directors has not contracted with a reserve specialist to conduct an independent study to estimate the useful lives, the remaining useful lives, and replacement costs of the common property components. The schedule included in the required supplementary information on future major repairs and replacements are based upon estimates compiled by the Board.

For the year ended December 31, 2022, the Association fully funded reserves in the amount of \$152,696. For the year ending December 31, 2023, the Association is fully funding reserves in the amount of \$193,400.

THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 10: Future major repairs and replacements (continued)

Components of the replacement fund are as follows:

	Contract Liabilities and Fund Balance, January 1, 2022	Additions	Interest Income	Expenses	Transfers	Contract Liabilities and Fund Balance, December 31, 2022
Deferred maint.	\$ 110,454	\$ -	\$ -	\$ -	\$ -	\$ 110,454
Roof	117,033	131,196	-	5,509	-	242,720
Painting	165,322	15,000	-	39,700	14,713	155,335
Paving and sealing	20,131	2,500	-	-	-	22,631
Pumps	394	1,500	-	-	-	1,894
Pool	2,136	1,500	-	2,600	-	1,036
Stairs and walkway	6,275	1,000	-	-	-	7,275
Interest	14,563	-	341	-	(14,713)	191
	<u>\$ 436,308</u>	<u>\$ 152,696</u>	<u>\$ 341</u>	<u>\$ 47,809</u>	<u>\$ -</u>	<u>\$ 541,536</u>

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

Contract liabilities	\$ 513,275
Fund balance	28,261
	<u>\$ 541,536</u>

NOTE 11: Interfund borrowings

At December 31, 2022, the Association's operating fund owed its replacement fund \$208,890. This interfund borrowing may have been in violation of FS §718.

NOTE 12: Related party transactions

Master association

The Association is a member of, and pays assessments to, Tri-Palm Maintenance. Tri-Palm Maintenance is responsible for maintaining and protecting the areas owned in common. During the year ended December 31, 2022, the Association paid assessments to Tri-Palm Maintenance in the amount of \$116,290.

NOTE 13: Contract liabilities

A schedule of contract liabilities at December 31, 2022 is as follows:

Contract liabilities, beginning	\$ 391,642
Plus: amounts assessed	152,696
Less: amounts recognized as performance obligations have been satisfied	<u>(31,063)</u>
Contract liabilities, ending	<u>\$ 513,275</u>

THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 14: Supplemental disclosures of cash flow information

Cash paid for interest	\$ <u>5,509</u>
Non-cash financing activities during 2022 were as follows:	
Cost of insurance coverage acquired via financing agreements	\$ 364,525
Cash paid related to financing agreements (down payments)	<u>(30,377)</u>
Liabilities assumed	<u>\$ 334,148</u>

NOTE 15: Subsequent events

Special assessment

During 2023, the Association approved a special assessment in the amount of \$130,448 to fund a painting project and additional operating expenses.

Management has evaluated subsequent events through August 1, 2023, the date the financial statements were available to be issued.

HAFER

Certified Public Accountants and Consultants

251 ROYAL PALM WAY, SUITE 350

PALM BEACH, FLORIDA 33480

TELEPHONE (561) 655-8700

FACSIMILE (561) 655-6964

WWW.HAFERCPAS.COM

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, Inc.

Report on the Financial Statements

We have audited the financial statements of THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, Inc. ("the Association") as of and for the year ended December 31, 2022, and our report thereon dated August 1, 2023, which expressed an unmodified opinion on those financial statements, appears on Page 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating expenses compared to budget on Page 14, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide assurance on it.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Future Major Repairs and Replacements on Page 15 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Palm Beach, Florida
August 1, 2023

THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET
For the year ended December 31, 2022

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance Favorable (Unfavorable)</u>
Administrative			
Accounting fees	\$ 6,350	\$ 5,000	\$ (1,350)
Condo fee	1,503	1,500	(3)
Emergency cell phone	450	600	150
Insurance	354,080	320,500	(33,580)
Legal fees	12,086	5,500	(6,586)
Management	185,215	181,600	(3,615)
Miscellaneous	9,360	10,000	640
Permits and licenses	217	1,000	783
Postage, printing and administration	10,210	4,500	(5,710)
Screening fee	3,581	2,300	(1,281)
Tri-Palm Maintenance (Note 12)	116,290	116,290	-
	<u>699,342</u>	<u>648,790</u>	<u>(50,552)</u>
Landscape			
Fertilizer and pest control	17,163	15,000	(2,163)
Landscape other	2,017	3,500	1,483
Lawn maintenance	60,996	61,020	24
Tree trimming	17,058	17,000	(58)
	<u>97,234</u>	<u>96,520</u>	<u>(714)</u>
Pool			
Pool repairs	9,617	2,000	(7,617)
Pool service	5,151	7,250	2,099
	<u>14,768</u>	<u>9,250</u>	<u>(5,518)</u>
Repairs and maintenance			
Backflow maintenance	-	2,500	2,500
Electrical supplies	1,789	1,000	(789)
Fire alarm contract and repair	11,757	7,800	(3,957)
Fire extinguisher	-	3,000	3,000
General repairs and maintenance	31,286	32,500	1,214
Golf cart	5,250	750	(4,500)
Irrigation repair and maintenance	1,412	5,000	3,588
Lake fountain repairs	1,177	1,300	123
Lake maintenance	3,188	3,000	(188)
Plumbing and supplies	28,315	8,500	(19,815)
Rental property expense	-	10,000	10,000
Termite contract	12,336	1,800	(10,536)
	<u>96,510</u>	<u>77,150</u>	<u>(19,360)</u>
Utilities			
Cable expense	204,331	204,600	269
Electric	35,658	36,600	942
Telephone	2,295	2,800	505
Trash and recycling	33,207	32,400	(807)
Water and sewer	414,919	445,000	30,081
	<u>690,410</u>	<u>721,400</u>	<u>30,990</u>
Total budgeted expenses	<u>\$ 1,598,264</u>	<u>\$ 1,553,110</u>	<u>\$ (45,154)</u>

See auditor's report on supplementary information.

THE PALM CLUB VILLAGE II CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)
December 31, 2022

The following schedule is based upon estimates compiled by the Board to estimate the remaining useful lives and replacement costs of the components of common property. The schedule provides information about components of common property.

<u>Component</u>	<u>Estimated Useful Life (years)</u>	<u>Estimated Remaining Life (years)</u>	<u>Estimated Replacement Cost</u>	<u>Statutory Funding December 31, 2023</u>	<u>Approved Budgeted Funding December 31, 2023</u>
Deferred maintenance	-	-	\$ -	\$ -	\$ -
Roof	25	24	700,000	19,053	56,900
Painting	7	-	141,500	-	100,000
Paving and sealing	7	3	27,600	1,657	4,500
Pumps	5	4	10,000	2,026	5,000
Pool	10	9	15,000	1,552	3,000
Stairs and walkway	4	1	12,500	5,226	24,000
Interest	-	-	-	-	-
			<u>\$ 906,600</u>	<u>\$ 29,514</u>	<u>\$ 193,400</u>

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