

**PROMENADES EAST**  
**CONDOMINIUM ASSOCIATION, INC.**

**PORT CHARLOTTE, FLORIDA**

**FINANCIAL REPORT**

**DECEMBER 31, 2022**

## TABLE OF CONTENTS

	Page
<b>Independent Auditor's Report</b>	1-2
<b>Financial Report</b>	
Balance Sheet	3
Statement of Revenue and Expenses	4-5
Statement of Changes in Fund Balances	6
Statement of Cash Flows	7
Notes to Financial Statements	8-12
<b>Supplementary Information</b>	
Statement of Actual Receipts and Disbursements to Budget - Unrestricted Fund Only	13-14
Supplementary Information on Future Major Repairs and Replacements	15

## **INDEPENDENT AUDITORS' REPORT**

**The Board of Directors**  
**Promenades East Condominium Association, Inc.**  
**Port Charlotte, Florida**

### **Report on the Audit of the Financial Statements**

We have audited the accompanying financial statements of **Promenades East Condominium Association, Inc.**, which comprise of the balance sheet as of **December 31, 2022**, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all respects, the financial position of **Promenades East Condominium Association, Inc.** as of **December 31, 2022**, and the changes in fund balances 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 **Promenades East 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 opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the **Promenades East Condominium Association, Inc.**'s ability to continue as a going concern within one year after the date 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 **Promenades East 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 no conditions or events, considered 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supporting information shown on pages 13 through 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the financial statements. This 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 basic financial statements taken as a whole.

Respectfully submitted,



DEES & DEES, C.P.A.'s, P.A.  
Port Charlotte, Florida  
January 30, 2023

**FINANCIAL REPORT**

**PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.**  
**PORT CHARLOTTE, FLORIDA**  
**BALANCE SHEET**  
**DECEMBER 31, 2022**

	<u>Unrestricted</u> <u>Fund</u>	<u>Restricted</u> <u>Fund</u>	<u>Total</u> <u>(Memo Only)</u>
<b><u>ASSETS</u></b>			
<b><u>Current Assets</u></b>			
Cash	\$ 293,272	\$ 269,192	\$ 562,464
Cash - Escrow	20,000	-0-	20,000
Assessments receivable	200,257	-0-	200,257
Prepaid insurance	21,723	-0-	21,723
Prepaid restricted assessment	4,919	-0-	4,919
Due from unrestricted - Structural	-0-	58,977	58,977
- Storm damage	-0-	<u>72,625</u>	<u>72,625</u>
Total Current Assets	<u>540,171</u>	<u>400,794</u>	<u>940,965</u>
<b><u>Property and Equipment</u></b>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Assets	<b><u>\$ 540,171</u></b>	<b><u>\$ 400,794</u></b>	<b><u>\$ 940,965</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>Current Liabilities</u></b>			
Prepaid assessment	\$ 23,215	\$ 4,919	\$ 28,134
Security and key deposits	20,735	-0-	20,735
Contract liabilities (assessments received in advance – restricted fund)	-0-	386,409	386,409
Contract liabilities (assessments received in advance – special assessment - Structural)	120,041	-0-	120,041
Contract liabilities (assessments received in advance – Special assessment – Storm damage)	299,577	-0-	299,577
Contract liabilities (assessments received in advance – special assessment – Shortfall/Entry)	-0-	<u>9,466</u>	<u>9,466</u>
Total Current Liabilities	<u>463,568</u>	<u>400,794</u>	<u>864,362</u>
<b><u>Fund Balances</u></b>			
Owners' capital contributions	44,692	-0-	44,692
Developer capital contribution	3,585	-0-	3,585
Unrestricted fund balance	<u>28,326</u>	<u>-0-</u>	<u>28,326</u>
Total Fund Balances	<u>76,603</u>	<u>-0-</u>	<u>76,603</u>
Total Liabilities and Fund Balances	<b><u>\$ 540,171</u></b>	<b><u>\$ 400,794</u></b>	<b><u>\$ 940,965</u></b>

Read Independent Auditors' Report

The accompanying notes are an integral part of this statement.

**PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.**  
**PORT CHARLOTTE, FLORIDA**  
**STATEMENT OF REVENUE AND EXPENSES**  
**FOR YEAR ENDED DECEMBER 31, 2022**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	<u>(Memo Only)</u>
<b><u>Revenues:</u></b>			
Assessments	\$ 504,961	\$ -0-	\$ 504,961
Special assessment – Shortfall/Entry	43,123	33,185	76,308
Interest	135	618	753
Other revenue	<u>5,529</u>	<u>-0-</u>	<u>5,529</u>
Total Revenues	<u>553,748</u>	<u>33,803</u>	<u>587,551</u>
<b><u>Expenses:</u></b>			
<b>Salaries:</b>			
Manager	79,530	-0-	79,530
Janitorial	22,778	-0-	22,778
Maintenance	29,192	-0-	29,192
Payroll taxes	10,400	-0-	10,400
Temporary employee	1,757	-0-	1,757
Accounting	5,890	-0-	5,890
Janitorial service	2,796	-0-	2,796
Bank charges	547	-0-	547
Training and education	100	-0-	100
Recreation	314	-0-	314
Background checks	1,839	-0-	1,839
<b>Insurance:</b>			
General	93,255	-0-	93,255
Flood	2,345	-0-	2,345
Employee health	1,800	-0-	1,800
Workers compensation	2,654	-0-	2,654
Postage, stationary and supplies	619	-0-	619
Buildings repairs	15,955	-0-	15,955
Inspection fees and license	625	-0-	625
State unit tax	588	-0-	588
Telephone	2,935	-0-	2,935
Water/Sewer	136,304	-0-	136,304
Electric	33,322	-0-	33,322
Lawn contract	14,880	-0-	14,880
Move in/out supervision	100	-0-	100
Air conditioner repair	2,360	-0-	2,360
Hardware	775	-0-	775
Waste management	752	-0-	752
Small tools	352	-0-	352
Employee recognition	321	-0-	321
Office equipment repair	192	-0-	192
Office equipment - Other	95	-0-	95

Read Independent Auditors' Report  
The accompanying notes are an integral part of this statement.

**PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.**  
**PORT CHARLOTTE, FLORIDA**  
**STATEMENT OF REVENUE AND EXPENSES (CONT.)**  
**FOR YEAR ENDED DECEMBER 31, 2022**

	Unrestricted <u>Fund</u>	Restricted <u>Fund</u>	Total <u>(Memo Only)</u>
Exit lighting service	300	-0-	300
Fire alarm service - inspection - repair	3,669	-0-	3,669
Outside services	4,439	-0-	4,439
Irrigation repair	6,541	-0-	6,541
Outside pest control	1,175	-0-	1,175
Computer software	735	-0-	735
Work clothes	300	-0-	300
Janitorial supplies	989	-0-	989
Paint, lamps and hardware	4,102	-0-	4,102
Fire extinguisher service	495	-0-	495
Annual backflow water inspection	184	-0-	184
Diesel and fire pump inspection	2,875	-0-	2,875
Gasoline for errands	720	-0-	720
Miscellaneous/contingencies	1,948	-0-	1,948
Mulch	2,940	-0-	2,940
Elevator maintenance	6,792	-0-	6,792
Sprinkler repair and inspection	1,442	-0-	1,442
Inside pest control	758	-0-	758
Pool and spa service	6,762	-0-	6,762
Pool and spa filters and repairs	3,656	-0-	3,356
Plants	90	-0-	90
Tree trimming	6,380	-0-	6,380
Security system	-0-	6,490	6,490
Roof	-0-	11,522	11,522
Pool/Spa Pump/Heater	-0-	2,450	2,450
Carpet cleaning	3,410	425	3,835
Pool/Spa	-0-	12,916	12,916
Total Expenses	<u>526,074</u>	<u>33,803</u>	<u>559,877</u>
Net Excess (Deficit)	<u>\$ 27,674</u>	<u>\$ -0-</u>	<u>\$ 27,674</u>

**PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.**  
**PORT CHARLOTTE, FLORIDA**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
**FOR YEAR ENDED DECEMBER 31, 2022**

	<u>Owner's Capital Contribution</u>	<u>Developer Capital Contribution</u>	<u>Unrestricted Fund Balance</u>	<u>Total (Memo Only)</u>
Balance - January 1, 2022	\$ 44,692	\$ 3,585	\$ 652	\$ 48,929
Net Excess (Deficit)	<u>-0-</u>	<u>-0-</u>	<u>27,674</u>	<u>27,674</u>
Balance - December 31, 2022	<u>\$ 44,692</u>	<u>\$ 3,585</u>	<u>\$ 28,326</u>	<u>\$ 76,603</u>

Read Independent Auditors' Report  
The accompanying notes are an integral part of this statement.

**PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.**  
**PORT CHARLOTTE, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**FOR YEAR ENDED DECEMBER 31, 2022**

	<u>Unrestricted</u> <u>Fund</u>	<u>Restricted</u> <u>Fund</u>	<u>Total</u> <u>(Memo Only)</u>
Cash Flows from Operating Activities:			
Net Excess (Deficit)	\$ 27,674	\$ -0-	\$ 27,674
Adjustments to reconcile net income to net cash provided by operating activities:			
Decrease (increase) in escrow	3,000	-0-	3,000
Decrease (increase) in accounts receivable	(175,218)	-0-	(175,218)
Decrease (increase) in due from unrestricted	-0-	(58,977)	(58,977)
Decrease (increase) in due from unrestricted	-0-	(72,625)	(72,625)
Decrease (increase) in prepaid insurance	(3,252)	-0-	(3,252)
Decrease (increase) in prepaid restricted assessments	(4,919)	-0-	(4,919)
(Decrease) increase in payroll taxes payable	(2,664)	-0-	(2,664)
(Decrease) increase in prepaid assessments	8,326	4,919	13,245
(Decrease) increase in security and key deposits	(4,285)	-0-	(4,285)
(Decrease) increase in contract liability – (assessments received in advance – restricted fund)	-0-	47,775	47,775
(Decrease) increase in contract liability – (assessments received in advance – special assessment) - Structural	120,041	-0-	120,041
- Storm Damage	299,577	-0-	299,577
- Shorfall/Entry	<u>(85,774)</u>	<u>9,466</u>	<u>(76,308)</u>
Net Cash Provided (Used) By Operating Activities	<u>182,506</u>	<u>(69,442)</u>	<u>113,064</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>182,806</u>	<u>(69,442)</u>	<u>113,064</u>
Cash and cash equivalents - Beginning of year	<u>110,766</u>	<u>338,634</u>	<u>449,400</u>
Cash and Cash Equivalents - End of Year	<u><b>\$ 293,272</b></u>	<u><b>\$ 269,192</b></u>	<u><b>\$ 562,464</b></u>

Supplemental Disclosure:

Income Taxes Paid      **\$ -0-**

Interest Paid              **\$ -0-**

Read Independent Auditors' Report  
The accompanying notes are an integral part of this statement.

**PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.**  
**PORT CHARLOTTE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

Note 1 Nature of Business and Significant Accounting Policies

Nature of Business

**Promenades East Condominium Association, Inc.** is a not-for-profit corporation organized under the laws of the State of Florida. The Association operates Promenades East Condominium, which consists of 147 units located in Port Charlotte, Florida.

Promenades East Condominium was declared such October 12, 1982, pursuant to the filing of its condominium documents. The first unit was closed on October 18, 1982.

Significant Accounting Policies

A summary of the significant accounting policies followed by the Association is set forth below:

Fund Accounting

The Association's governing documents provide certain guidelines for 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.

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

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Association considers all highly liquid debt instruments purchased to be cash equivalent. Certificates of Deposit held in the Restricted Fund are considered cash equivalents.

Assessments Receivable

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 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 are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are ten days or more delinquent. It is the opinion of the board of directors that the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for uncollected accounts s deemed necessary.

**PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.**  
**PORT CHARLOTTE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2022**

Note 1 Nature of Business and Significant Accounting Policies (Cont.)

Significant Accounting Policies (Cont.)

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property at cost and depreciates it using the straight line method.

Contract Liabilities (assessments received in advance-restricted fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-restricted 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 liabilities (assessments received in advance-restricted fund) as of the beginning and end of the year are \$386,409 and \$338,634, respectively.

Special Assessment/Contract Liabilities (assessments received in advance-special assessment – Shortfall/Entry)

On October 26, 2021 the Board passed a Special Assessment for a total of \$101,009. The funds are to be used for insurance increases, irrigation repairs, building repairs, reserves shortfall, and entry system reserves. The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-special assessment –Shortfall/Entry) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to the special assessment. The balance of contract liabilities (assessments received in advance-special assessment – Shortfall/Entry) as of December 31, 2022 is \$9,466.

Special Assessment/Contract Liabilities (assessments received in advance-special assessment – Structural)

On October 10, 2022 the Board passed a Special Assessment for a total of \$120,041. The funds are to be used for a building structural integrity inspection, repairs and insurance. The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-special assessment –Structural) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to the special assessment. The balance of contract liabilities (assessments received in advance-special assessment – Structural) as of December 31, 2022 is \$120,041.

Special Assessment/Contract Liabilities (assessments received in advance-special assessment – Storm Damage)

On October 10, 2022 the Board passed a Special Assessment for a total of \$300,000. The funds are to be used for storm damage related to Hurricane Ian. The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-special assessment – Storm Damage) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to the special assessment. The balance of contract liabilities (assessments received in advance-special assessment – Storm Damage) as of December 31, 2022 is \$299,577.

**PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.**  
**PORT CHARLOTTE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2022**

Note 1 Nature of Business and Significant Accounting Policies (Cont.)

Significant Accounting Policies (Cont.)

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. Actual results could differ from those estimates

Assessments

The Board of Directors shall from time to time, and at least annually, prepare a budget for the condominium, determine the amount of assessments payable by the unit owners to meet the common expenses of the condominium and allocate and assess such expenses among the unit owners in accordance with the provisions of the condominium declaration and the bylaws.

Management

The Association's Board of Directors for the period ended December 31, 2022 consisted of homeowners of the Association.

Note 2 Property and Equipment

Property and equipment are comprised of the following at December 31, 2022:

Common property improvements	\$ 2,113
Equipment	<u>1,067</u>
	3,180
Less: Accumulated depreciation	<u>(3,180)</u>
Remaining Basis	<u><u>\$ -0-</u></u>

Note 3 Owners' Capital Contribution

At December 31, 2022 owners' capital contribution consisted of:

Unit owners at closing made a capital contribution to the Association equal to twice their monthly assessment.	\$ 29,706
Owners indirectly paid for all furniture and fixtures in the common areas. These assets were recorded as owners' capital.	<u>14,986</u>
	<u><u>\$ 44,692</u></u>

Note 4 Developer Capital Contribution

The developer funded the Association \$2,085 in excess of the developer's obligations at June 15, 1982. The developer has contributed these funds as contributed capital to the Association. The developer contributed an additional \$1,500 in contributed capital during 1985.

PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.  
PORT CHARLOTTE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONT.)  
DECEMBER 31, 2022

Note 5 Future Major Repairs and Replacements

Pursuant to the Florida Condominium Act and the Association's governing documents, the Association is required to accumulate funds for future major repairs and replacements. Accumulated funds, which aggregate approximately \$386,409 and are presented on the accompanying balance sheet as a contract liability (assessments received in advance-restricted fund) at December 31, 2022, are held in separate accounts and are not available for expenditures for normal operations. It is the Association's policy that interest earned on such funds is allocated to the reserve fund account. The Association engaged an independent engineer who conducted a study in September, 2022 to estimate the remaining useful lives and the replacement cost of common property components.

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

Effective for 2019, the Association began using the pooled method to account for restricted funds and therefore has not allocated the accumulated restricted balance or the budgeted restricted contributions, if any, to the components of common property that make up the total reserves. The pooled method requires annual contributions to provide sufficient funds to meet all expenditures when due. The components of and the expenditures from the pooled restricted funds are as follows:

<u>Component</u>	<u>Pooled Restricted Fund Expenditures</u>
Roof	\$ 11,522
Security system	6,490
Pool/Spa pump/Heater	2,450
Carpet cleaning	425
Pool/Spa	<u>12,916</u>
Total	<u>\$ 33,803</u>

Note 6 Compensated Absences

The Association provides for all compensated absences as they are incurred. Any liability for uncompensated absences is immaterial.

Note 7 Commonly Owned Assets

Commonly owned assets primarily include the land, buildings and other recreational areas within the development. These assets are not owned by the Association. The ownership of these assets vests with the unit owners and these assets are not deemed to be severable. As a result, commonly owned assets are not capitalized in the Association's financial statements. Replacements, major repairs and the purchase of additional commonly owned assets are not capitalized as assets. These assets are accounted for as expenditures in the Unrestricted and Restricted Funds at the time of the expenditure.

**PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.**  
**PORT CHARLOTTE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONT.)**  
**DECEMBER 31, 2022**

Note 8 Income Taxes

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended December 31, 2022. It does not qualify as an exempt organization. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, non-membership transactions, and capital transactions.

For federal tax purposes, the Association is taxed on all net income from non-membership activities reduced only by losses from non-membership activities for which a profit motive exists. Non-membership income may not be offset by membership losses, and any excess membership deductions may only be carried forward to offset membership income of future tax periods. Any net membership income not applied to the subsequent tax year is subject to taxation. The Association files Form 1120, which has graduated tax rates of 15% to 39% that are applied to net taxable income.

For state income tax purposes, the Association also is taxed on all net income from non-membership activities reduced only by losses from non-membership activities for which a profit motive exists. Non-membership income may not be offset by membership losses. Any net membership income is not subject to taxation. The tax rate that is applied to net taxable income is 5.5%.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for 2020, 2019, and 2018 remain open to examination by the Internal Revenue Service; state income tax returns for 2020, 2019, and 2018 are open to examination. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

Note 9 Concentrations of Credit Risk

The Association maintains its cash balances at various financial institutions located throughout the area. Accounts at each institution are secured by the Federal Deposit Insurance Company (FDIC) up to \$250,000. At December 31, 2022, the Association had no significant concentration of credit risk.

Note 10 Fair Value Measurement

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of investments in debt and equity securities if held as available-for-sale on a recurring basis. FASB ASC 820-10 defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure requirements for fair value measurements. The carrying amounts reflected in the balance sheet for cash, cash equivalents, condominium fees receivable and accounts payable approximate the respective fair values due to the short maturities of those instruments.

Note 12 Subsequent Events

Promenades East Condominium Association, Inc.'s management has performed subsequent events procedures through January 30, 2023, which is the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

**SUPPLEMENTARY INFORMATION**

**PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.**  
**PORT CHARLOTTE, FLORIDA**  
**STATEMENT OF ACTUAL RECEIPTS AND DISBURSEMENTS TO BUDGET**  
**UNRESTRICTED FUND ONLY**  
**FOR YEAR ENDED DECEMBER 31, 2022**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
		(Unaudited)	(Unaudited)
<b><u>Receipts:</u></b>			
Assessments	\$ 552,737	\$ 552,737	\$ -0-
Less: Restricted reserves	<u>47,776</u>	<u>47,776</u>	<u>-0-</u>
Net Fees	504,961	504,961	-0-
Special assessment	43,123	-0-	43,123
Interest	135	1,000	(865)
Other revenue	<u>5,529</u>	<u>5,600</u>	<u>(71)</u>
Total Receipts	<u>553,748</u>	<u>511,561</u>	<u>42,187</u>
<b><u>Disbursements:</u></b>			
Salaries:			
Manager	79,530	79,620	90
Maintenance	29,192	24,180	(5,012)
Janitorial	22,778	24,180	1,402
Clerical	-0-	200	200
Payroll taxes	10,400	9,800	(600)
Unemployment tax	-0-	100	100
Accounting	5,890	6,700	810
Employee recognition	321	350	29
Bank charges	547	400	(147)
Legal	-0-	2,400	2,400
Recreation	314	1,000	686
Background checks	1,839	2,400	561
Temporary employee	1,757	2,000	243
Insurance:			
General	93,255	89,900	(3,355)
Flood	2,345	2,322	(23)
Employee health	1,800	7,200	5,400
Workers compensation	2,654	2,780	126
Postage, stationary and supplies	619	900	281
Gasoline for errands	720	720	-0-
Miscellaneous	1,948	1,400	(548)
Inspection fees and license	625	611	(14)
State unit tax	588	588	-0-
Telephone	2,935	3,500	565
Water/Sewer	136,304	130,600	(5,704)
Electric	33,322	29,400	(3,922)
Lawn contract	14,880	12,000	(2,880)
Spraying/fertilizing lawn	-0-	200	200
Air conditioner repair	2,360	2,600	240
Tree trimming	6,380	4,200	(2,180)
Waste management	752	900	148
Small tools	352	300	(52)
LP Fuel for generator	-0-	300	300

Read Independent Auditors' Report on Supplementary  
Information and Accompanying Notes to Financial Statements.

**PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.**  
**PORT CHARLOTTE, FLORIDA**  
**STATEMENT OF ACTUAL RECEIPTS AND DISBURSEMENTS TO BUDGET**  
**UNRESTRICTED FUND ONLY (CONT.)**  
**FOR YEAR ENDED DECEMBER 31, 2022**

Disbursements (continued):

Equipment rental and repair	-0-	200	200
Office equipment repair	192	400	208
Office equipment other	95	200	105
Bad debts	-0-	1,000	1,000
Diesel Fuel – Fire pump	-0-	450	450
Training and education	100	200	100
Exit lighting service	300	300	-0-
Fire alarm service – inspection - repair	3,669	3,200	(469)
Outside services	4,439	3,500	(939)
Irrigation repair	6,541	3,600	(2,941)
Outside pest control	1,175	1,600	425
Computer software	735	620	(115)
Work clothes	300	260	(40)
Hardware	775	900	125
Janitorial service	2,796	3,200	404
Janitorial supplies	989	1,500	511
Paint, lamps and hardware	4,102	2,800	(1,302)
Fire extinguisher service	495	500	5
Annual backflow water inspection	184	180	(4)
Diesel and fire pump inspection	2,875	2,300	(575)
Building repairs	15,955	12,800	(3,155)
Mulch	2,940	3,400	460
Elevator maintenance	6,792	6,200	(592)
Sprinkler repair and inspection	1,442	2,000	558
Inside Pest control	758	1,300	542
Pool and spa service	6,792	7,600	838
Pool and spa filters and repairs	3,656	2,600	(1,056)
Plants	90	1,200	1,110
Advertising	-0-	200	200
Federal tax	-0-	100	100
Carpet cleaning	3,410	3,500	90
Move in/out supervision	100	-0-	(100)
	<u>526,074</u>	<u>511,561</u>	<u>(14,513)</u>
Total Disbursements	<u>526,074</u>	<u>511,561</u>	<u>(14,513)</u>
Net Excess (Deficit)	<u>\$ 27,674</u>	<u>\$ -0-</u>	<u>\$ 27,674</u>

**PROMENADES EAST CONDOMINIUM ASSOCIATION, INC.**  
**PORT CHARLOTTE, FLORIDA**  
**SUPPLEMENTARY INFORMATION ON FUTURE**  
**MAJOR REPAIRS AND REPLACEMENTS**  
**FOR YEAR ENDED DECEMBER 31, 2022**  
**(UNAUDITED)**

An independent engineer conducted a study in September 2022 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. The study does not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following table is based on the study and updates provided to the Board to present significant information about the components of common property.

<u>Components</u>	Estimated Remaining Useful Lives <u>(Years)</u>	Estimated Current Replacement Costs	Restricted Fund Contract Liabilities <u>December 31, 2022</u>
Roof	3	\$ 200,000	\$ -0-
Building painting	5	220,000	-0-
Parking lot	2	20,000	-0-
Pool/Spa resurface	6	30,000	-0-
Pool furniture	6	5,000	-0-
Elevator	12	80,000	-0-
Air conditioners	7	56,000	-0-
Generator	5	56,000	-0-
Fire pump	10	80,000	-0-
Spa/pool heaters	8	14,000	-0-
Fire panel	10	95,000	-0-
Carpet replacement	4	100,000	-0-
Security system	5	25,000	-0-
Structural repairs	10	<u>100,000</u>	<u>-0-</u>
Totals		<b><u>\$1,081,000</u></b>	<b><u>\$ 386,409</u></b>