

Vintage Grand Condominium Association, Inc.  
Financial Statements and Supplementary Information  
December 31, 2021

Miller & Company, LLP  
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Sarasota, Florida 34237

Vintage Grand Condominium Association, Inc.

Index

	<u>Page</u>
Independent Auditor's Report	1 - 3
Balance Sheet as of December 31, 2021	4
Statement of Revenues, Expenses, and Changes in Fund Balances for the Year Ended December 31, 2021	5
Statement of Cash Flows for the Year Ended December 31, 2021	6
Notes to Financial Statements	7 - 12
Supplementary Schedule of Operating Fund Expenses for the Year Ended December 31, 2021	13 - 14
Supplementary Schedule of Replacement Fund Activity for the Year Ended December 31, 2021	15
Supplementary Information about Future Major Repairs and Replacements as of December 31, 2021	16

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
of Vintage Grand Condominium Association, Inc.

**Opinion**

We have audited the accompanying financial statements of Vintage Grand Condominium Association, Inc., which comprise the balance sheet as of December 31, 2021, 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 referred to above present fairly, in all material respects, the financial position of Vintage Grand Condominium Association, Inc. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Vintage Grand 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 Vintage Grand Condominium Association, Inc.'s ability to continue as a going concern within one year after the date that financial statements are available to be issued.

**Auditor's Responsibility 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 Vintage Grand 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 Vintage Grand 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.

### **Future Major Repairs and Replacements**

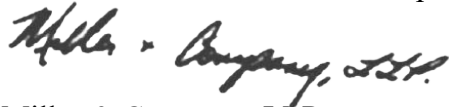
Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 4 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter. However, as further explained in Note 4, the Association is not funding the replacement fund in accordance with the Association's estimated future replacement costs. Accordingly, the Association has the right to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available. Our opinion is not modified with respect to that matter.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of operating fund expenses and the supplementary schedule of replacement fund activity on pages 13-15 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information 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 any assurance on it.

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

Accounting principles generally accepted in the United States of America require that the supplementary information about future major repairs and replacements on page 16 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, 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.



Miller & Company, LLP  
Certified Public Accountants  
Sarasota, Florida  
August 24, 2023

Vintage Grand Condominium Association, Inc.

Balance Sheet

December 31, 2021

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,633,996	\$ 1,741,115	\$ 3,375,111
Certificates of deposit	-	417,097	417,097
Assessments receivable, net	32,519	-	32,519
Prepaid insurance	4,697	-	4,697
Prepaid expenses	2,129	-	2,129
Interfund receivable (payable)	<u>(300,000)</u>	<u>300,000</u>	<u>-</u>
 Total assets	 <u>\$ 1,373,341</u>	 <u>\$ 2,458,212</u>	 <u>\$ 3,831,553</u>
<b>Liabilities and Fund Balances</b>			
Accounts payable and accrued expenses	\$ 130,258	\$ -	\$ 130,258
Accrued construction retainage	185,136	-	185,136
Deferred cable exclusivity	29,520	-	29,520
Assessments received in advance	193,653	-	193,653
Contract liabilities - replacement fund	<u>-</u>	<u>2,411,955</u>	<u>2,411,955</u>
	538,567	2,411,955	2,950,522
 Fund balances	 <u>834,774</u>	 <u>46,257</u>	 <u>881,031</u>
 Total liabilities and fund balances	 <u>\$ 1,373,341</u>	 <u>\$ 2,458,212</u>	 <u>\$ 3,831,553</u>

See independent auditor's report and accompanying notes.

Vintage Grand Condominium Association, Inc.  
Statement of Revenues, Expenses, and Changes in Fund Balances  
Year Ended December 31, 2021

	Operating Fund	Replacement Fund	Total
<b>Revenues</b>			
Rebuild assessments	\$ 2,000,000	\$ -	\$ 2,000,000
Maintenance assessments, net	1,428,099	51,708	1,479,807
Late fees and other income	48,703	-	48,703
Interest income	5,750	4,154	9,904
Cable exclusivity income	8,640	-	8,640
Total revenues	3,491,192	55,862	3,547,054
<b>Expenses</b>			
Administration	857,580	-	857,580
Building maintenance	282,983	-	282,983
Grounds maintenance	215,454	-	215,454
Utilities	80,367	-	80,367
Common area	22,103	-	22,103
Rebuild expenses	2,222,266	-	2,222,266
Replacements	-	51,708	51,708
Total expenses	3,680,753	51,708	3,732,461
Excess (deficiency) of revenues over expenses	(189,561)	4,154	(185,407)
Fund balances, beginning of year	1,024,335	42,103	1,066,438
Fund balances, end of year	\$ 834,774	\$ 46,257	\$ 881,031

See independent auditor's report and accompanying notes.

Vintage Grand Condominium Association, Inc.  
Statement of Cash Flows  
Year Ended December 31, 2021

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash flows from operating activities			
Excess (deficiency) of revenues over expenses	\$ (189,561)	\$ 4,154	\$ (185,407)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities			
Provision for doubtful accounts	40,000	-	40,000
Changes in operating assets and liabilities			
Assessments receivable	(37,620)	-	(37,620)
Prepaid insurance	(908)	-	(908)
Prepaid expenses	7,863	-	7,863
Accounts payable and accrued expenses	39,150	-	39,150
Accrued construction retainage	18,732	-	18,732
Deferred cable rebate	(8,640)	-	(8,640)
Assessments received in advance	27,799	-	27,799
Contract liabilities - replacement fund	-	301,429	301,429
Net cash provided by (used in) operating activities	<u>(103,185)</u>	<u>305,583</u>	<u>202,398</u>
Cash flows from investing activities			
Reinvested interest	-	(1,762)	(1,762)
Net cash used in investing activities	<u>-</u>	<u>(1,762)</u>	<u>(1,762)</u>
Net (decrease) increase in cash	(103,185)	303,821	200,636
Cash, beginning of year	<u>1,737,181</u>	<u>1,437,294</u>	<u>3,174,475</u>
Cash, end of year	<u><u>\$ 1,633,996</u></u>	<u><u>\$ 1,741,115</u></u>	<u><u>\$ 3,375,111</u></u>

See independent auditor's report and accompanying notes.

Vintage Grand Condominium Association, Inc.  
Notes to Financial Statements  
Year Ended December 31, 2021

Note 1-Nature of Organization

The Association is a not-for-profit corporation organized in 2005 to provide an entity pursuant to Florida Statute 718 for the administration, maintenance, operation, and management of Vintage Grand Condominium located in Sarasota, Florida. The Association consists of 432 residential condominium units.

Assessments against the owners of the units, which are the principal source of revenue, are based on the estimated amounts required to protect and maintain the property owned by the owners in common of Vintage Grand Condominium Association, Inc. and allocated based on percentage share of ownership. Common property expenses include building exteriors, pool, spa and paved areas. Common expenses also include maintenance assessments by Palmer Ranch Master Property Owners Association, Inc. (“Master Association”).

All policy decisions are formulated by the Board of Directors. Certain major decisions are referred to the general membership before action is taken. Assessments are determined annually by the Board of Directors based upon maintenance and other operating requirements of the Association.

Note 2-Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared using the fund method of accounting on the accrual basis. The accrual basis of accounting recognizes revenues when earned and expenses when the obligations are incurred.

The fund method of accounting requires funds such as operating funds and funds for future major repairs and replacements, to be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the operating fund are generally made at the discretion of the Board of Directors. Disbursements from the replacement fund may be made only for repair and replacement of the common element.

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

Replacement Fund - This fund is used to accumulate financial resources designated for future replacements, major repairs and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied.

Vintage Grand Condominium Association, Inc.  
Notes to Financial Statements  
Year Ended December 31, 2021

Note 2-Summary of Significant Accounting Policies (Continued)

Commonly Owned Assets

The Association has the responsibility to preserve and maintain the commonly owned assets. The commonly owned assets include property that is directly associated with the unit which includes property without which the units could not be occupied and exterior property that is normally part of freestanding units. Commonly owned assets also include the property that is not directly associated with the unit and is not necessary for the primary use of the unit, although individual unit owners may benefit from its use.

The Association's policy is not to capitalize and depreciate the commonly owned assets as ownership is vested directly or indirectly to the unit owners and these assets are not deemed to be severable. In addition, the Association directly expenses any purchases of personal property such as furnishings.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessments revenue is recognized as the related 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 the funds are expended for their designated purpose. Any excess operating assessments at year end are retained by the Association for use in the succeeding year.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from owners. The Association treats uncollectible assessments as variable consideration. Methods, inputs and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The Association's policy is to retain legal counsel to collect delinquent assessments. A provision for doubtful accounts of \$165,745 was deemed necessary for 2021. Revenue from member assessments is reported net of \$40,000 amounts deemed uncollectible from owners.

Contract Liabilities – 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 the replacement fund assessments. During the current period, the Association assessed and received \$353,137 for the replacement fund. The balances of contract liabilities – replacement fund as of the beginning and end of the year are \$2,110,526 and \$2,411,955, respectively.

Vintage Grand Condominium Association, Inc.  
Notes to Financial Statements  
Year Ended December 31, 2021

Note 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 (U.S. GAAP) 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.

Estimates and assumptions include the valuation of Association's commonly owned assets for obtaining insurance coverage and the estimated costs, useful lives, and the timing of repairs and replacement for components in replacement fund.

Fair Value of Financial Instruments

Professional standards require disclosure of an estimate of fair value of certain financial instruments. The Association's significant financial instruments are cash, certificates of deposit, assessments receivable and accrued expenses. For these financial instruments, carrying values approximate fair value.

Note 3-Member Assessments

The Association bills its member in advance on a monthly basis. Assessment fees received in advance for 2022 were \$193,653.

Monthly assessments to owners were ranged from \$417 to \$1,057 in 2021. Of that amount, \$39 to \$98 was designated to the replacement fund.

Note 4-Future Major Repairs and Replacements

The Board of Directors conducted a study while preparing the 2022 budget to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information about future major repairs and replacements is based on the study.

The Association is funding for major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. The members waived statutory funding, but approved partial funding of \$370,846, which was included in the 2022 budget. The study indicated a funding requirement of \$618,082.

Accumulated funds are held in a separate bank account and generally are not available for expenditures for normal operations.

Vintage Grand Condominium Association, Inc.  
Notes to Financial Statements  
Year Ended December 31, 2021

Note 4-Future Major Repairs and Replacements (Continued)

Funds are not being accumulated in the replacement fund based upon estimates of future needs for repairs and replacements of common property components. Amounts are based on normal operations and without the effect of potential catastrophic occurrences. Actual expenditures may vary from the estimated future expenditures, 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 replacement. If additional funds are needed, the Association has the right, subject to Florida Statutes, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Note 5-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, 2021. 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.

The Association has an option for income tax purposes to elect on an annual basis to be taxed as a regular corporation under Section 277 of the Internal Revenue Code whereby non-exempt function income is taxed at regular corporate rates, or to be taxed at a special corporate rate of 30% on its net non-exempt function income, less \$100 exclusion, in accordance with Section 528 of the Internal Revenue Code. For 2021, the Association has elected to file under 528, and incurred no income tax expense.

The Association's income tax returns are subject to examination, by the applicable taxing authorities, generally for three years after the returns are filed. Currently, there are no audits in progress for any tax periods.

Note 6-Contingent Liability

The Association's current windstorm insurance policy contains a 5% hurricane deductible clause. Based on the \$51.4 million valuation of the buildings, the first \$2.6 million in damages caused by a named storm would be the responsibility of the Association.

Note 7-Interfund Receivable (Payable)

As of December 31, 2021, the Association's Operating Fund owed the Replacement Fund the sum of \$300,000.

Vintage Grand Condominium Association, Inc.  
Notes to Financial Statements  
Year Ended December 31, 2021

Note 8-Cable Exclusivity

The Association entered into an agreement, effective June 1, 2016, with a cable communications provider for exclusive rights to provide television and internet service for the neighborhood. The initial term of the agreement is for nine years ending June 1, 2025. The agreement automatically renews for successive periods of one year and may be terminated with a 90-day notice of its intention not to renew at the end of the then current term. The Association received \$77,760 which is being amortize to income over the term of the agreement. Income related to this agreement for 2021 was \$8,640. The deferred cable exclusivity balance as of December 31, 2021 was \$29,520.

Note 9-Contingency Rebuilding

The board of directors approved the budget which included \$2,000,000 for rebuild assessments to supplement costs of buildings restoration. The 2022 budget includes \$1,960,000 for rebuild assessments.

The Association approved a change order to a contract with general contractor for the restoration of the buildings 7, 8, 13, and 18 for an estimated cost of \$2,197,775. The project is scheduled to be completed in during 2022.

Note 10-Master Association

Vintage Grand Condominium Association, Inc. is also located within the Palmer Ranch Development which is governed by the Palmer Ranch Master Property Owners Association, Inc. (“Master Association”). Members of Vintage Grand Condominium Association, Inc. are also members of the Master Association and are subject to assessments to improve, maintain and manage the community property of the Palmer Ranch Development community. Assessments by the Master Association are common expenses of Vintage Grand Condominium Association, Inc. Expenses related to the Master Association assessments for 2021 were \$51,937.

Note 11-Litigation

On February 2020, the Association filed suit against the insurance carrier and insurance agent for negligence and breach of contract. The Association is seeking damages in excess of \$15 million. In accordance with generally accepted accounting principles, the amount of the gain, if any, that may be ultimately realized has not been reflected in the accompanying financial statements.

Vintage Grand Condominium Association, Inc.  
Notes to Financial Statements  
Year Ended December 31, 2021

Note 12-Subsequent Events

Management has evaluated the events and transactions that have occurred through August 24, 2023, the date the financial statements were available to be issued and noted no items requiring adjustment of the financial statements or additional disclosure.

## Supplementary Information

Vintage Grand Condominium Association, Inc.  
 Supplementary Schedule of Operating Expenses  
 Year Ended December 31, 2021

Administration	
Insurance	\$ 402,450
Staffing/personnel	284,158
Legal fees	1,250
CPA services	8,000
Professional services	1,728
Management fees	52,000
Postage and printing	6,660
Bank fees/coupons books	1,187
MISC admin expenses	27,507
Membership dues	8,322
Answering service	780
Telephone	4,025
Office equipment/internet	4,101
Office equipment rental	3,475
Master association fees	51,937
	<u>857,580</u>
Building Maintenance	
Pest control	19,109
Dry wall maintenance	38,401
Bldg. maint. repl. SVC and repair	50,535
Electrical repairs	7,855
A/C and heating supplies-HVAC	2,659
Plumbing repairs	9,360
Roof repairs	98,716
Window repairs	946
Safety	29,619
Security	25,783
	<u>282,983</u>

Vintage Grand Condominium Association, Inc.  
 Supplementary Schedule of Operating Expenses  
 Year Ended December 31, 2021

Grounds Maintenance	
Lawn and ground supplies	1,254
Additional planting	9,750
Landscaping maintenance	101,380
Grounds expense-other	64,526
Gasoline/golf carts	404
Irrigation repairs	38,140
	<u>215,454</u>
Utilities	
Water and sewer	273,515
Water recovery	(237,407)
Water meter replacement	12,941
Trash	4,779
Electricity	26,539
	<u>80,367</u>
Common Areas	
Pool and spa maintenance	14,233
Pool fuel	3,977
Common area - cleaning	2,610
Common area - painting	623
Exercise room and maintenance	660
	<u>22,103</u>
Rebuild expenses	<u>2,222,266</u>
Total operating fund expenses	<u>\$ 3,680,753</u>

Vintage Grand Condominium Association, Inc.  
 Supplementary Schedule of Replacement Fund Activity  
 Year Ended December 31, 2021

The Association's policy is to retain any replacement fund interest earned in the replacement fund and to recognize income as received.

Expenditures from replacement fund interest are made at the discretion of the Board of Directors.

The following is the activity in the replacement fund by component for the year ended December 31, 2021:

	Balance 1/1/21	Additions	Charges	Balance 12/31/21
<b>Contract Liabilities</b>				
Roof replacement	\$ 1,499,901	\$ 203,989	\$ -	\$ 1,703,890
Exterior paint	215,337	-	(49,160)	166,177
Pavement resurfacing	136,682	100,000	-	236,682
HVAC	9,552	1,591	-	11,143
Pool & spa	44,901	-	-	44,901
Pool deck	4,884	-	-	4,884
Electrical	72,664	-	(2,548)	70,116
Fire & safety	88,533	47,557	-	136,090
Plumbing	37,279	-	-	37,279
Drainage	793	-	-	793
	<u>2,110,526</u>	<u>353,137</u>	<u>(51,708)</u>	<u>2,411,955</u>
<b>Fund Balance</b>				
Unallocated interest	42,103	4,154	-	46,257
<b>Total Replacement Fund</b>	<u>\$ 2,152,629</u>	<u>\$ 357,291</u>	<u>\$ (51,708)</u>	<u>\$ 2,458,212</u>

Vintage Grand Condominium Association, Inc.  
 Supplementary Information About Future Major Repairs and Replacements  
 December 31, 2021

The Board of Directors conducted a study to estimate the remaining useful lives and the replacement costs of the components of common property during the preparation of the 2022 budget.

Estimated current replacement costs have not been revised since that date and do 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 presents significant information about the components of common property:

<u>Components</u>	<u>Estimated Remaining Lives (Years)</u>	<u>Estimated Cost to Replace</u>	<u>2022 Funding Requirement</u>
Roof replacement	4	\$ 2,391,400	\$ -
Exterior painting	1	301,080	-
Pavement resurfacing	3	394,722	-
Air conditioning equipment	1	12,000	-
Pool and spa	1	76,983	-
Pool deck	31	163,590	-
Electrical	8	115,500	-
Fire/safety	6	527,525	-
Plumbing	8	270,200	-
Irrigation/drainage	12	18,750	-
30 cash flow funding		-	618,082
		<u>\$ 4,271,750</u>	<u>\$ 618,082</u>