

**PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5  
OF ST. PETERSBURG, INC.**

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**FINANCIAL STATEMENTS**

**MARCH 31, 2023**

**PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5  
OF ST. PETERSBURG, INC.**

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**FINANCIAL STATEMENTS**

**MARCH 31, 2023**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Palma Del Mar Condominium Association No. 5 of St. Petersburg, Inc.

### **Opinion**

We have audited the accompanying financial statements of Palma Del Mar Condominium Association No. 5 of St. Petersburg, Inc., which comprise the balance sheet as of March 31, 2023, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palma Del Mar Condominium Association No. 5 of St. Petersburg, Inc. as of March 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Palma Del Mar Condominium Association No. 5 of St. Petersburg, 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 Palma Del Mar Condominium Association No. 5 of St. Petersburg, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for 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 Palma Del Mar Condominium Association No. 5 of St. Petersburg, 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 Palma Del Mar Condominium Association No. 5 of St. Petersburg, 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.

#### **Report 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 revenues and expenses - budget and actual is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements of common property be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, 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.

*Marsocci, Appleby & Company P.A.*

Marsocci, Appleby and Company, P. A.  
Tampa, Florida  
July 18, 2023

**PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.**  
**BALANCE SHEET**  
**MARCH 31, 2023**

|  | Operating<br>Fund | Replacement<br>Fund | Total             |
|--|-------------------|---------------------|-------------------|
| <b>ASSETS</b>  |                   |                     |                   |
| Cash and cash equivalents  | \$ 156,407        | \$ 287,454          | \$ 443,861        |
| Assessments receivable, net  | 3,807             | -                   | 3,807             |
| Prepaid expenses and other assets  | 38,649            | -                   | 38,649            |
| <b>TOTAL ASSETS</b>  | <b>\$ 198,863</b> | <b>\$ 287,454</b>   | <b>\$ 486,317</b> |
| <b>LIABILITIES AND FUND BALANCES</b>                                       |                   |                     |                   |
| <b>LIABILITIES:</b>  |                   |                     |                   |
| Prepaid assessments  | \$ 16,645         | \$ -                | \$ 16,645         |
| Contract liabilities (assessments received in advanced - replacement fund) | -                 | 287,454             | 287,454           |
| <b>TOTAL LIABILITIES</b>   | 16,645            | 287,454             | 304,099           |
| Fund balances  | 182,218           | -                   | 182,218           |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>                                 | <b>\$ 198,863</b> | <b>\$ 287,454</b>   | <b>\$ 486,317</b> |

See independent auditors' report and notes to the financial statements.

**PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 2023**

|  | <u>Operating<br/>Fund</u> | <u>Replacement<br/>Fund</u> | <u>Total</u>      |
|--|---------------------------|-----------------------------|-------------------|
| <b>REVENUE:</b>                          |                           |                             |                   |
| Members' assessments                     | \$ 723,552                | \$ 9,690                    | \$ 733,242        |
| Interest income                          | 66                        | 1,600                       | 1,666             |
| Other income                             | 8,612                     | -                           | 8,612             |
|  | <u>732,230</u>            | <u>11,290</u>               | <u>743,520</u>    |
| <b>TOTAL REVENUES</b>                    |                           |                             |                   |
| <b>EXPENSES:</b>                         |                           |                             |                   |
| Administrative                           | 283,146                   | -                           | 283,146           |
| Operating                                | 487,904                   | 11,290                      | 499,194           |
|  | <u>771,050</u>            | <u>11,290</u>               | <u>782,340</u>    |
| <b>TOTAL EXPENSES</b>                    |                           |                             |                   |
| <b>DEFICIT OF REVENUES OVER EXPENSES</b> | (38,820)                  | -                           | (38,820)          |
| <b>FUND BALANCES, beginning of year</b>  | <u>221,038</u>            | <u>-</u>                    | <u>221,038</u>    |
| <b>FUND BALANCES, end of year</b>        | <u>\$ 182,218</u>         | <u>\$ -</u>                 | <u>\$ 182,218</u> |

See independent auditors' report and notes to the financial statements.

**PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2023**

|  | Operating<br>Fund | Replacement<br>Fund | Total       |
|--|-------------------|---------------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                   |                     |             |
| Deficit of revenues over expenses  | \$ (38,820)       | \$ -                | \$ (38,820) |
| Adjustments to reconcile deficit of revenues over expenses to net cash (used in) provided by operating activities: |                   |                     |             |
| Changes in operating assets and liabilities:   |                   |                     |             |
| Assessments receivable, net  | (3,807)           | -                   | (3,807)     |
| Prepaid expenses and other assets  | (38,649)          | -                   | (38,649)    |
| Prepaid assessments  | 16,645            | -                   | 16,645      |
| Contract liabilities (assessments received in advanced - replacement fund)   | -                 | 110,310             | 110,310     |
|  | -                 | 110,310             | 110,310     |
| Net cash (used in) provided by operating activities  | (64,631)          | 110,310             | 45,679      |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>  | (64,631)          | 110,310             | 45,679      |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>  | 221,038           | 177,144             | 398,182     |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>  | \$ 156,407        | \$ 287,454          | \$ 443,861  |

See independent auditors' report and notes to the financial statements.

**PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2023**

**NOTE A - NATURE OF ORGANIZATION:**

Palma Del Mar Condominium Association No. 5 of St. Petersburg, Inc. (the 'Association') was incorporated as a corporation, not-for-profit, under the terms and provisions of Florida Statutes. The Association, which operates under Florida Statute 718, is responsible for the operation and maintenance of the common property within the development. The development consists of 140 residential units located in St. Petersburg, Florida.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Basis of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting whereby all revenues are recorded when earned and all expenses recorded when incurred.

**Fund Accounting**

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

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

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

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Use of Estimates**

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

**Income Taxes**

Homeowners associations may be taxed either as homeowners associations or as regular corporations. For the year ended March 31, 2023, the Association elected to be taxed as a homeowners association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings. Exempt function income, which consists primarily of member assessments, is not taxable.

The Association has no uncertain tax positions that it has taken and believes that it can defend its tax return in any jurisdiction. With few exceptions, the Association is no longer subject to income tax examinations by the U.S. Federal, state or local tax authorities for years before 2019.



**PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2023**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**Fair Value of Financial Instruments**

The Association estimates that the fair value of all financial instruments as of March 31, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

**Assessments Receivable**

The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are seriously delinquent. As of March 31, 2023, the Association had net assessments receivable of \$3,807. It is the opinion of the Board that an allowance for doubtful accounts of approximately \$1,000 needed at March 31, 2023 to cover anticipated losses from doubtful accounts.

**Interest Income**

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

**NOTE C - CONCENTRATION OF CREDIT RISK:**

The Association maintains deposits in a financial institution that at times may exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Association believes that there is no significant risk with respect to these deposits. The Association has not experienced any losses on its deposits with financial institutions.

**NOTE D - MEMBERS ASSESSMENTS:**

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Any excess assessments at year end are retained by the Association for use in future years.

The Association's operating assessments are recognized as revenue over time on a daily pro rata basis. The replacement fund assessments are recognized as revenue when funds are expended for their designated purpose.

Monthly assessments to owners averaged approximately \$502 for 2023.

**NOTE E - PROPERTY AND EQUIPMENT:**

In conformity with industry practice, the Association's policy for recognizing common property as assets in its balance sheet is to recognize (a) common property and (b) real property to which it has title and that the Board can dispose of for cash while retaining the proceeds for the Association or that is used to generate significant cash flows from members on the basis of usage or from non-members.

Real and common property acquired by the original members from the developer is not recognized on the Association's financial statements because it is commonly owned by individual owners and its disposition is restricted by the Board.

**PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2023**

**NOTE F - FUTURE MAJOR REPAIRS AND REPLACEMENTS:**

The Association's governing documents provide certain guidelines for governing its financial activities. The Association maintains an operating fund available for general operations and a replacement fund designated for future major repairs and replacements. Replacement funds are held in separate bank accounts and generally are not available for expenditures for normal operations.

The Board, in conjunction with management and vendors, estimated the remaining useful lives and the replacement costs of the components of common property. At this time, the Board has not conducted an independent formal study of all the common property components which results may differ. The table included in the supplementary information on Future Major Repairs and Replacements is based on an informal study.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the informal study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirements have been included in the next year's budget.

Funds are being accumulated in the replacement fund based on 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 replacement 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 replacement until funds are available.

**NOTE G - CONTRACT LIABILITIES (ASSESSMENTS RECEIVED IN ADVANCE - REPLACEMENT FUND):**

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year are \$177,144 and \$287,454, respectively.

**PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2023**

**NOTE H - SCHEDULE OF CHANGES IN CONTRACT LIABILITIES (ASSESSMENTS RECEIVED IN ADVANCE - REPLACEMENT FUND):**

The balances of the components of the contract liabilities (assessments received in advance - replacement fund) at March 31, 2023 are as follows:

| Components            | Balance<br>4/01/22 | Additions to<br>Fund | Charges<br>to Fund | Transfers   | Balance<br>3/31/23 |
|-----------------------|--------------------|----------------------|--------------------|-------------|--------------------|
| Painting              | \$ -               | \$ -                 | \$ -               | \$ -        | \$ -               |
| Paving                | -                  | -                    | -                  | -           | -                  |
| Roofing - tile        | -                  | -                    | -                  | -           | -                  |
| Roofing - flat        | -                  | -                    | -                  | -           | -                  |
| Furniture and equip   | -                  | -                    | -                  | -           | -                  |
| Seawall               | -                  | -                    | -                  | -           | -                  |
| Building redecorating | -                  | -                    | -                  | -           | -                  |
| Pool                  | -                  | -                    | -                  | -           | -                  |
| Water intrusion       | -                  | -                    | -                  | -           | -                  |
| Deferred maintenance  | -                  | -                    | -                  | -           | -                  |
| Pooled reserves       | 177,144            | 120,000              | (11,290)           | -           | 285,854            |
| Interest              | -                  | 1,600                | -                  | -           | 1,600              |
|                       | <u>\$ 177,144</u>  | <u>\$ 121,600</u>    | <u>\$ (11,290)</u> | <u>\$ -</u> | <u>\$ 287,454</u>  |

The Association has budgeted \$292,000 for the year ended March 31, 2024 to fund the reserves noted above.

**NOTE I - SUBSEQUENT EVENTS:**

Management has assessed subsequent events through July 18, 2023, the date on which the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. There were no material subsequent events that require recognition or additional disclosure.

**SUPPLEMENTARY INFORMATION**

**PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.  
SUPPLEMENTAL SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2023**

|                                      | <u>Budget</u>     | <u>Actual</u>     | <u>(Under)<br/>Over<br/>Budget</u> |
|--------------------------------------|-------------------|-------------------|------------------------------------|
| <b>REVENUE:</b>                      |                   |                   |                                    |
| Members' assessments                 | \$ 843,632        | \$ 733,242        | \$ (110,390)                       |
| Interest income                      | -                 | 1,666             | 1,666                              |
| Other income                         | 5,770             | 8,612             | 2,842                              |
| <b>TOTAL REVENUES</b>                | <u>\$ 849,402</u> | <u>\$ 743,520</u> | <u>\$ (105,882)</u>                |
| <b>ADMINISTRATIVE EXPENSES:</b>      |                   |                   |                                    |
| Management fees                      | \$ 30,266         | \$ 30,266         | \$ -                               |
| Administrative expenses              | 11,447            | 20,866            | 9,419                              |
| Insurance                            | 223,555           | 222,171           | (1,384)                            |
| Professional fees                    | 20,625            | 8,844             | (11,781)                           |
| Bad debt expense                     | -                 | 999               | 999                                |
| <b>TOTAL ADMINISTRATIVE EXPENSES</b> | <u>285,893</u>    | <u>283,146</u>    | <u>(2,747)</u>                     |
| <b>OPERATING EXPENSES:</b>           |                   |                   |                                    |
| Utilities                            | 139,682           | 152,014           | 12,332                             |
| Cable                                | 80,625            | 80,925            | 300                                |
| Repairs and maintenance              | 223,202           | 254,965           | 31,763                             |
| Reserves                             | 120,000           | 11,290            | (108,710)                          |
| <b>TOTAL OPERATING EXPENSES</b>      | <u>563,509</u>    | <u>499,194</u>    | <u>(64,315)</u>                    |
| <b>TOTAL EXPENSES</b>                | <u>\$ 849,402</u> | <u>\$ 782,340</u> | <u>\$ (67,062)</u>                 |

See independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PALMA DEL MAR CONDOMINIUM ASSOCIATION NO. 5 OF ST. PETERSBURG, INC.  
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
 MARCH 31, 2023**

The Board, in conjunction with management and vendors, estimated the remaining useful lives and the replacement costs of the components of common property. At this time the Board has not conducted an independent formal study of all the common property components, which results may differ. The informal study conducted may not be all inclusive. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. 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 informal study and presents significant information about the components of common property:

| Components            | Estimated Useful<br>Life | Estimated<br>Remaining<br>Useful<br>Lives (years) | Estimated<br>Current<br>Replacement<br>Costs | Replacement<br>Fund Balance<br>At 3/31/23 |
|-----------------------|--------------------------|---|--|---|
| Painting              | 7                        | 2   | \$ 170,000                                   | \$ -                                      |
| Paving                | 14                       | 4   | 18,000                                       | -   |
| Roofing - tile        | 24                       | 13  | 340,000                                      | -   |
| Roofing - flat        | 14                       | 6   | 100,000                                      | -   |
| Furniture and equip   | 9                        | 1   | 225,000                                      | -   |
| Seawall               | 34                       | 1   | 65,000                                       | -   |
| Building redecorating | 14                       | 5   | 115,000                                      | -   |
| Pool                  | 5                        | 3   | 20,000                                       | -   |
| Water intrusion       | 9                        | 2   | 50,000                                       | -   |
| Deferred maintenance  | 1                        | 1   | 1,000  | -   |
| Pooled reserves       | -                        | -   | -  | 285,854                                   |
| Interest              | -                        | -   | -  | 1,600                                     |
|                       |                          |   | <b>\$ 1,104,000</b>                          | <b>\$ 287,454</b>                         |

See independent auditors' report.