

Ocean Estates Neighborhood

Financial Statements

(Audited)

December 31, 2021

Ocean Estates Neighborhood
Financial Statements

December 31, 2021

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Martin & Associates, PL

Certified Public Accountants & Business Advisors

Independent Auditors' Report

To the Board of Directors
Ocean Estates Neighborhood
Palm Coast, Florida

Opinion

We have audited the accompanying financial statements of Ocean Estates Neighborhood , (the "Neighborhood") which comprise the balance sheet as of December 31, 2021, 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 the Neighborhood 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Neighborhood and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Neighborhood'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 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 auditors' 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 the Neighborhood's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Neighborhood'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 accompanying schedule shown in Exhibit I is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Neighborhood'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.

Disclaimer of Opinion on Required Supplementary Information

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



Martin & Associates, PL
Daytona Beach, FL

February 5, 2022

Financial Statements

Ocean Estates Neighborhood

Balance Sheet

December 31, 2021

	Operating Fund	Replacement and Restrictive Fund	Capital Contributions Fund	Total
Assets				
Cash and cash equivalents	\$ 88,629	\$ 568,677	\$ 30,219	\$ 687,525
Owners' assessments receivable allowance for bad debts of \$3,700	3,352	-	-	3,352
Interfund receivable	-	40,303	-	40,303
Total assets	\$ 91,981	\$ 608,980	\$ 30,219	\$ 731,180
 Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 8,972	\$ -	\$ -	\$ 8,972
Owners' prepaid assessments	11,967	-	-	11,967
Interfund payable	40,303	-	-	40,303
Total liabilities	61,242	-	-	61,242
Fund balances and capital contributions - See Note 10	30,739	608,980	30,219	669,938
Total liabilities, fund balances and capital contributions	\$ 91,981	\$ 608,980	\$ 30,219	\$ 731,180

See auditors' report and accompanying notes to financial statements.

Ocean Estates Neighborhood

Statement of Revenues and Expenses and Changes in Fund Balances

For the Year Ended December 31, 2021

	Operating Fund	Replacement and Restrictive Fund	Capital Contributions Fund	Total
Revenues				
Owners' assessments	\$ 170,880	\$ -	\$ -	\$ 170,880
Reserve assessments - Note 10	-	153,480	-	153,480
Allowance for bad debt	(5,214)	-	-	(5,214)
Late fees	1,890	-	-	1,890
Interest income	-	63	5	68
Other income	820	-	-	820
Total revenues	168,376	153,543	5	321,924
Expenses				
Administration	462	-	-	462
Insurance	2,795	-	-	2,795
Building and grounds maintenance	99,154	-	-	99,154
Management fees	9,393	-	-	9,393
Professional fees	3,350	-	-	3,350
Reserve expenses	-	58,249	-	58,249
Utilities	14,896	-	-	14,896
Total expenses	130,050	58,249	-	188,299
Excess of revenues over expenses	\$ 38,326	\$ 95,294	\$ 5	\$ 133,625
Fund balance, beginning of the year	(7,587)	513,686	30,214	536,313
Fund balance, end of year	\$ 30,739	\$ 608,980	\$ 30,219	\$ 669,938

See auditors' report and accompanying notes to financial statements.

Ocean Estates Neighborhood

Statement of Cash Flows

For the Year Ended December 31, 2021

	Operating Fund	Replacement and Restrictive Fund	Capital Contributions Fund	Total
Cash flows from operating activities:				
Excess of revenues (expenses) over expenses (revenues)	\$ 38,326	\$ 95,294	\$ 5	\$ 133,625
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:				
(Increase) decrease in:				
Owners' assessments receivable	(1,217)	-	-	(1,217)
Increase (decrease) in:				
Accounts payable	(4,317)	-	(6,607)	(10,924)
Owners' prepaid assessments	(7,292)	-	-	(7,292)
Cash provided by (used in) operating activities	<u>25,500</u>	<u>95,294</u>	<u>(6,602)</u>	<u>114,192</u>
Cash flows from financing activities:				
Interfund payables	<u>(30,724)</u>	<u>30,724</u>	<u>-</u>	<u>-</u>
Cash provided by (used in) financing activities	<u>(30,724)</u>	<u>30,724</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	(5,224)	126,018	(6,602)	114,192
Cash balances at beginning of the year	<u>93,853</u>	<u>442,659</u>	<u>36,821</u>	<u>573,333</u>
Cash balances at end of the year	<u>\$ 88,629</u>	<u>\$ 568,677</u>	<u>\$ 30,219</u>	<u>\$ 687,525</u>
Cash paid for income tax	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash paid for interest expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See auditors' report and accompanying notes to financial statements.

Ocean Estates Neighborhood

Notes to Financial Statements
December 31, 2021

1. Organization

Ocean Estates Neighborhood (the "Neighborhood"), a division of Hammock Dunes Owners' Association (the "Master Association or HDOA"), was organized on December 17, 1993 for purposes of maintaining and preserving the common property of Ocean Estates Neighborhood, a section of Hammock Dunes, a private community, in conjunction with the Master Association. It was created pursuant to Article 7 of the Declaration of Protective Covenants, Conditions and Restrictions of the Master Association. Ocean Estates Neighborhood currently consists of 101 units. Common area acreage is approximately 2.4 acres. These financial statements present the financial position, results of operations, and cash flows of Ocean Estates Neighborhood only.

The Master Association, Hammock Dunes Owners' Association, is a homeowners' association organized in 1989 as a not-for-profit corporation under the laws of the State of Florida for purposes of maintaining and preserving the common property of Hammock Dunes, a private community. The Master Association currently consists of 1,182 units of which Ocean Estates Neighborhood and Granada Estates Neighborhood ("Granada") are a part.

These financial statements present the financial position, results of operations, and cash flows of the Neighborhood and not those of the Hammock Dunes Owners' Association.

2. Summary of Significant Accounting Policies

Common Areas

As provided in the Declaration of Covenants, Conditions and Restrictions, each owner owns an undivided share in the common elements of the Neighborhood. In conformity with industry practice, the Neighborhood recognized the following common property as assets:

- i) Common personal property used by the Neighborhood in operating, preserving, maintaining, repairing and replacing common property and providing other services.
- ii) Common real property to which the Neighborhood has title and that it can dispose of for cash while retaining the proceeds or that is used to generate significant cash flows from members on the basis of usage from nonmembers.

Additionally, as reflected in the Declaration of Covenants, Conditions and Restrictions, this neighborhood has "Neighborhood Limited Common Areas." Use of these facilities owned by the Neighborhood are limited to a particular lot or lots and are so designated on the Ocean Estates Property Plan. In Ocean Estates, the dunes walkovers are so designated. Once a facility is so designated, its use shall be limited to the Lot(s) designated and the cost of its maintenance and repair shall be assessed only against the Lot(s) benefitted by such Neighborhood Limited Common Areas. Furthermore, the Ocean Estates Property Plan designates exactly which lots are designated to a Walkover.

Ocean Estates Neighborhood

Notes to Financial Statements
December 31, 2021

2. Summary of Significant Accounting Policies (Continued)

Fund Accounting

The Neighborhood uses fund accounting which requires that funds, such as operating funds, funds designated for future major repairs and replacements, and funds restricted for use by the Board of Directors be classified separately for accounting and reporting purposes.

Disbursements from the operating fund are generally at the discretion of the Board of Directors. Disbursements from the restricted and replacement fund may generally be made only for designated purposes.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Neighborhood, Master Association, and Granada Estates considers all monies deposited with financial institutions in checking accounts, money market accounts, and certificates of deposit to be cash equivalents. The Neighborhood, Master Association, and Ocean have had no policy requiring collateral or other security to support its deposits, although all deposits with banks are federally insured up to \$250,000 under FDIC protection. The Neighborhood, Master Association, and Granada have demand deposits and certificates of deposit with multiple banks. The Association, Granada and the Neighborhood place its cash with high credit quality financial institutions and does not believe it is exposed to any significant credit risk on cash and cash equivalents. At December 31, 2021, the Neighborhood, Master Association, and Granada had combined amounts of demand deposits and money markets in five banks in excess of the \$250,000 amounting to approximately \$1,455,000.

Assessments Receivable

The annual budget and owners' assessments are determined and approved by the Board of Directors. Annual budgets are approved and assessments are divided between the operating fund to meet normal operation costs and contributions to the restricted and replacement funding program. Additionally, those properties designated as benefiting from a "Neighborhood Limited Common Property" are also assessed for their portion of the repair/maintenance and reserve funding requirements. The Neighborhood retains excess operating funds at the end of the operating year, if any, for use in the future operating period. The Neighborhood's practice, if needed, is to allow the Master Association to place liens on the properties of homeowners whose assessments become delinquent. Net assessments receivable as of December 31, 2021 totaled \$3,352. The Neighborhood uses the allowance for doubtful accounts method for any member assessments that may be considered uncollectible.

Ocean Estates Neighborhood

Notes to Financial Statements
December 31, 2021

2. Summary of Significant Accounting Policies (Continued)

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.

Income Taxes

For the year ended December 31, 2021, the Neighborhood is expected to file its federal income tax return as part of the Master Association federal and state tax returns. The interest income is subject to tax after certain limited deductions. The Master Association will pay any income tax liability.

The Master Association and Neighborhood are classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended December 31, 2021. It does not qualify as an exempt organization. The Master Association and Neighborhood are subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Master Association and Neighborhood are required to separate its taxable income and deductions into membership transactions, nonmembership transactions, and capital transactions.

For federal tax purposes, the Master Association and Neighborhood are taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership 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 Master Association files Form 1120, which has a 21% tax rate applied to net taxable income.

For state tax purposes, the Master Association and Neighborhood are taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses. Any net membership income is not subject to taxation. The tax rate is applied to net taxable income is 4.458 percent after the first \$50,000.

As of December 31, 2021, the tax years that remain subject to examination by taxing authorities begin with 2018.

Ocean Estates Neighborhood

Notes to Financial Statements

December 31, 2021

2. Summary of Significant Accounting Policies (Continued)

Management Review

Subsequent events have been evaluated through to February 5, 2022 which is the date the financial statements were available to be issued.

3. Concentration of Credit Risk

The Neighborhood has one primary source of income, which are assessments paid by unit owners. Assessments receivable from the unit owners are from residents of the Neighborhood and may be secured by a lien on their property.

4. Owners' Assessments

For the year ended December 31, 2021 the Neighborhood's regular monthly assessments ranged from \$60 to \$466 which includes amounts from owners of certain lots who are also required to pay certain neighborhood limited common asset assessments.

The annual budget and owners' assessments are determined and approved by the Board of Directors. Annual budgets are approved and assessments are divided between the operating fund to meet normal operation costs and contributions to the restricted and replacement funding program, as well as the repair/maintenance and reserve contributions for the neighborhood limited common assets. The Neighborhood retains excess operating funds at the end of the operating year, if any, for use in the future operating period.

The Neighborhood uses the allowance for doubtful accounts method for any receivable that may be considered uncollectible. The allowance is estimated based on the judgment of the Board of Directors. As of December 31, 2021 the allowance for uncollectable accounts was estimated at \$3,700.

5. Future Major Repairs and Replacements

Florida Statutes and the Neighborhood's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate banking accounts and generally not available for expenditures for normal operations.

The Board of Directors periodically conducts a formal study to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information on future major repairs and replacements and restricted funds is based upon a study completed in December 2020.

Ocean Estates Neighborhood

Notes to Financial Statements December 31, 2021

5. Future Major Repairs and Replacements (continued)

Following the destruction by Hurricane Matthew of all dunes walkovers within Ocean Estates, it was determined that walkovers would only be rebuilt for lots with existing homes. The walkovers for the remaining lots would only be rebuilt at the time that a new home is constructed. Therefore, maintenance and walkover reserves would be calculated based upon the number of dunes walkovers already in place and be supplemented by the projected number of new dunes walkovers in the upcoming budget period(s).

The resultant maintenance/repair and reserve contributions for each sub-neighborhood are then allocated to the benefitting lot owners within the sub-Neighborhood who will then contribute to through their monthly HOA Assessment. As a result of this decision, there are multiple items that must be considered and managed in developing the annual walkover HOA assessments and determining not only the number of walkovers to be re-built, the number requiring major repair and the remaining estimated useful life of the existing walkover structures, but also identifying an appropriate cost when the nature of the structure that will be approved by the FEP (Florida Dept of Environmental Protection) at the time of the respective work, which is not fully known at the time of budgeting. As of December 31, 2021, of the 43 total potential dunes walkovers, only 20 have been rebuilt, with two expected to be rebuilt within the upcoming 12 months.

The replacement fund is 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 Neighborhood has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

As of December 31, 2021, a remaining outstanding balance of \$40,303 is due to the Reserve Fund from the Operating Fund. These funds were utilized during 2018 and 2019 to fund the rebuild of the dunes walkovers; they are being repaid over a remaining 3 year period to the Reserve Fund.

6. Capital Contributions

Each unit owner was required to contribute two months of assessments for working capital at the time of closing on the sale of his or her unit.

Ocean Estates Neighborhood

Notes to Financial Statements December 31, 2021

7. Commitments

In 2019, the Neighborhood entered into a three-year management agreement with Southern States Management Group (“Management Company”). The contract is \$783 per month, plus reimbursements of certain expenses incurred by the Management Company. For the year ended December 31, 2021, the management contract costs incurred were \$9,393.

In 2021, the Neighborhood entered a three-year landscape maintenance contract with Corey Enterprises, subject to certain cancellation provisions. For the year ended December 31, 2021, the landscape maintenance contract costs incurred were \$86,082.

8. Contingencies

During 2020, it was determined that The Grand Mer neighborhood within Ocean Estates, composed of 12 lots with neighborhood limited common assets (dunes walkovers to their properties), and 18 lots within the neighborhood that do not. Accordingly, per the Ocean Estates documents, only those lots benefitting from these assets are required to contribute to the portion of the HOA assessments relating to operating costs and reserve contributions for the dunes’ walkovers. Two errors were identified: one relating to the calculation of the HOA assessments and another relating to the use of non-walkover reserves for the repayment of the HDOA loan to rebuild such assets, in total a \$35,849 assessment adjustment.

Per discussion with the HDOA Attorney, any adjustments to assessments are to be dealt with on a prospective basis as an adjustment to the annual HOA assessment. The period for the correction of the error to be resolved should equal the time period over which the error originally occurred. Accordingly, the HOA Assessment Error will be reflected as adjustments to annual HOA assessments for a three (3) fiscal year period and the Use of Non-walkover reserves to repay the HDOA error will be reflected as adjustment to annual HOA assessment for a one (1) fiscal year period.

9. Related Party Transactions

Ocean Estates Neighborhood reimbursed The Master Association for certain insurance costs for the Neighborhood which amounted to \$2,794 for the year ended December 31, 2021. In addition, the Neighborhood reimbursed the Master Association \$7,820 for maintenance engineering expenses.

Ocean Estates Neighborhood

Notes to Financial Statements

December 31, 2021

10. FASB ASC 606 New Accounting Guidance

Effective for years beginning on January 1, 2019, and thereafter, the Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate-Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The adoption of Topic 606 could result in changes to certain and new accounting policies for assessment revenue and contract liabilities (assessments received for replacement funding), as previously reported in prior years. However, the Neighborhood considers reserve assessments as capital contributions which functions such as a savings fund rather than a continuous revenue stream. Therefore, the Neighborhood does not believe that Topic 606 would apply such that reserve assessments should be recorded as contract liabilities. The Neighborhood will continue to record reserve assessments when levied and contributed to replacement reserves and report replacement reserves as an equity account in the financial statements which is consistent with prior years.

11. Covid -19 Pandemic

The COVID-19 pandemic has affected major economic and financial markets, and virtually all industries and governments could face challenges associated with the economic conditions resulting from it.

The effects of the economic impact on the Neighborhood to date has been primarily inflationary increases on certain operating items and a delay in completing of projects due to supply chain/delivery challenges.

Supplementary Information

Exhibit I

Oceans Estates Neighborhood

Schedule of Changes in Replacement and
Restrictive Fund Balance
For the year ended December 31, 2021

<u>Component</u>	<u>Balance 12/31/2020</u>	<u>Amount Funded</u>	<u>Interest</u>	<u>Replacement Expenditures</u>	<u>Balance 12/31/2021</u>
Carino Lar Mer:					
Restricted Reserves:					
Entry feature / fencing	\$ 64,172	\$ 4,464	\$ -	\$ -	\$ 68,636
Lighting - street lights	16,241	-	-	-	16,241
Mailboxes	13,052	384	-	-	13,436
Driveways / drains	7,500	708	-	-	8,208
Walkovers	50,421	11,304	-	(14,525)	47,200
Subtotal	151,386	16,860	-	(14,525)	153,721
Unrestricted Reserves:					
Plant replacement / irrigation	\$ 10,373	\$ 216	\$ -	\$ -	\$ 10,589
Maintenance contingency	683	-	-	-	683
Nature disaster	31,022	21,240	23	-	52,285
Subtotal	42,078	21,456	23	-	63,557
Total Carino Lar Mar	\$ 193,464	\$ 38,316	\$ 23	\$ (14,525)	\$ 217,278
Grande Mer:					
Restricted Reserves:					
Entry feature / fencing	\$ 13,445	\$ 336	\$ -	\$ -	\$ 13,781
Lighting - street lights	21,557	-	-	(1,670)	19,887
Paving / roads / appurtenances	4,596	1,572	-	-	6,168
Pavers	19,027	-	-	-	19,027
Bike path	2,244	-	-	-	2,244
Walkovers	5,685	9,120	-	-	14,805
Subtotal	66,554	11,028	-	(1,670)	75,912
Unrestricted Reserves:					
Plant replacement / irrigation	\$ 13,548	\$ -	\$ -	\$ (399)	\$ 13,149
Maintenance contingency	3,628	-	-	-	3,628
Nature disaster	9,778	5,448	8	-	15,234
Subtotal	26,954	5,448	8	(399)	32,011
Total Grande Mer	\$ 93,508	\$ 16,476	\$ 8	\$ (2,069)	\$ 107,923

(continued)

Exhibit I

Oceans Estates Neighborhood

Schedule of Changes in Replacement and
Restrictive Fund Balance
For the year ended December 31, 2021

(continued)

Component	Balance 12/31/2020	Amount Funded	Interest	Replacement Expenditures	Balance 12/31/2021
Playa del Sur:					
Restricted Reserves:					
Entry feature / fencing	\$ 21,812	\$ -	\$ -	\$ -	\$ 21,812
Lighting - street lights	6,044	1,248	-	-	7,292
Paving / roads / appurtances	64,165	2,868	-	-	67,033
Pavers	9,066	-	-	-	9,066
Sidewalks / bike path	37,027	744	-	(4,425)	33,346
Signage	3,086	840	-	-	3,926
Walkovers	23,231	86,544	-	(37,230)	72,545
Subtotal	164,431	92,244	-	(41,655)	215,020
Unrestricted Reserves:					
Bulkhead seawall	\$ 20,755	\$ 6,444	\$ -	\$ -	\$ 27,199
Plant replacement / irrigation	5,642	-	-	-	5,642
Low voltage lights	15,376	-	-	-	15,376
Maintenance contingency	5,755	-	-	-	5,755
Nature disaster	14,755	-	32	-	14,787
Subtotal	62,283	6,444	32	-	68,759
Total Playa del Sur	\$ 226,714	\$ 98,688	\$ 32	\$ (41,655)	\$ 283,779
Total	\$ 513,686	\$ 153,480	\$ 63	\$ (58,249)	\$ 608,980

Exhibit II
Ocean Estates Neighborhood

Supplementary Information on
Future Major Repairs and Replacements

For the year ended December 31, 2021
Unaudited

<u>Replacement:</u>	<u>Estimated Remaining Useful life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>2022 Budgeted Requirement</u>
Carino Lar Mer:			
Restricted Reserves:			
Entry feature / fencing	8 Years	\$ 123,501	\$ 6,858
Lighting - street lights	1 Year	17,053	812
Mailboxes	7 Years	3,638	-
Driveways / drains	21 Years	80,230	3,430
Walkovers	32 Years	577,290	11,304
Subtotal		<u>801,712</u>	<u>22,404</u>
Unrestricted Reserves:			
Plant replacement / irrigation	12 Years	\$ 41,475	\$ 2,574
Maintenance contingency	NA	-	8,957
Natural disaster	8 Years	52,500	5,261
Subtotal		<u>93,975</u>	<u>16,792</u>
Total Carino Lar Mer		<u>\$ 895,687</u>	<u>\$ 39,196</u>
Grande Mer:			
Restricted Reserves:			
Entry feature / fencing	7 Years	\$ 17,850	\$ 581
Lighting - street lights	14 Years	19,488	172
Paving / roads / appurtances	20 Years	40,695	1,817
Pavers	19 Years	26,250	380
Bike path	NA	-	-
Walkovers	32 Years	247,149	7,427
Subtotal		<u>351,432</u>	<u>10,377</u>
Unrestricted Reserves:			
Plant replacement / irrigation	8 Years	21,000	980
Maintenance contingency	NA	-	4,249
Nature disaster	7 Years	52,500	5,321
Subtotal		<u>73,500</u>	<u>10,550</u>
Total Grande Mer		<u>\$ 424,932</u>	<u>\$ 20,927</u>
Playa del Sur:			
Restricted Reserves:			
Entry feature / fencing	16 Years	\$ 24,778	\$ 185
Lighting - street lights	4 Years	16,590	2,324
Paving / roads / appurtances	7 Years	91,350	3,474
Pavers	19 Years	22,671	628
Sidewalks / bike path	32 Years	64,575	1,490
Signage	16 Years	24,778	1,307
Walkovers	32 Years	901,036	86,541
Subtotal		<u>1,145,778</u>	<u>95,949</u>

(continued)

Exhibit II
Ocean Estates Neighborhood

Supplementary Information on
Future Major Repairs and Replacements

For the year ended December 31, 2021
Unaudited

(continued)

<u>Replacement:</u>	<u>Estimated Remaining Useful life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>2022 Budgeted Requirement</u>
Playa del Sur:			
Unrestricted Reserves:			
Bulkhead seawall	38 Years	\$ 193,000	\$ 4,363
Plant replacement / irrigation	5 Years	67,657	6,222
Lighting - low voltage	1 Year	16,144	768
Maintenance contingency	NA	-	5,891
Nature disaster	7 Years	52,500	4,186
Subtotal		<u>329,301</u>	<u>21,430</u>
Total Playa del Sur		<u>\$ 1,475,079</u>	<u>\$ 117,379</u>
Total		<u>\$ 2,795,698</u>	<u>\$ 177,502</u>

The State of Florida requires certain associations to have reserves for the future replacement of common property and for deferred maintenance. The Board of Directors is required to present a budget that reflects full funding of reserve items. However, the members of the Association may vote to reduce, consolidate, or eliminate reserve items.

The Association's current policy is to assess each unit owners a monthly assessment to meet all future replacement and major repair costs. This policy is based on an independent study of what funds might be needed. The Association had a professional reserve study prepared in December of 2020 for the 2021 fiscal year. The reserve study is utilized by the Board of Directors as a guide and the Board may make changes as necessary.

Future replacement and major repair costs may exceed the accumulated funds. In that event, the Association, based on provisions in its Declaration, has the authority to assess unit owners for additional funds needed at the time of replacement or major repair, or may delay major repairs and replacements until funds are available.

The Association adopted a budget with \$177,502 reserve funding for the year ended December 31, 2022.