

GRAND HARBOR COMMUNITY ASSOCIATION, INC.

**FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS' REPORT AND
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)**



Offutt Barton Schlitt_{LLC}
CERTIFIED PUBLIC ACCOUNTANTS
A History of Professional Commitment

GRAND HARBOR COMMUNITY ASSOCIATION, INC.

Vero Beach, Florida

FINANCIAL STATEMENTS

December 31, 2023

CONTENTS

INDEPENDENT AUDITORS' REPORT	1-3
<i>FINANCIAL STATEMENTS</i>	
BALANCE SHEET	4
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES	5
STATEMENT OF CASH FLOWS	6
NOTES TO THE FINANCIAL STATEMENTS	7-13
<i>SUPPLEMENTAL INFORMATION</i>	
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES	15-16
SCHEDULE OF CHANGES IN REPLACEMENT FUND BALANCES	17
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS	18

570 Beachland Blvd.
Vero Beach, FL 32963



Offutt Barton Schlitt^{LLC}
CERTIFIED PUBLIC ACCOUNTANTS
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P: (772) 231-2100
F: (772) 234-4333

Website: CPAVeroBeach.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Grand Harbor Community Association, Inc.
Vero Beach, Florida

Opinion

We have audited the accompanying financial statements of Grand Harbor Community Association, Inc. (the Association), which comprise the balance sheet as of December 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 Grand Harbor Community Association, Inc. as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in conformity 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 Grand Harbor Community Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Grand Harbor Community Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 Grand Harbor Community 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 Grand Harbor Community 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.

Report on Summarized Comparative Information

We have previously audited Grand Harbor Community Association, Inc.'s 2022 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated March 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating fund revenues and expenses and the schedule of changes in replacement fund balances on pages 15-17 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, except for the portion marked "unaudited" on which we express no opinion, 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 information on future major repairs and replacements on page 18 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, 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.

OFFUTT BARTON SCHLITT LLC

Vero Beach, Florida
March 18, 2024

GRAND HARBOR COMMUNITY ASSOCIATION, INC.
BALANCE SHEET
AS OF DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023					2022
	Operating Fund	Replacement Fund	Deferred Maintenance Fund	Litigation Fund	Total	Total (memo only)
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 26,470	\$ 468,877	\$ 321,285	\$ -	\$ 816,632	\$ 1,119,258
Assessments receivable, net allowance for credit losses of \$0	8,763	-	-	-	8,763	155,720
Other receivables	8,329	-	-	-	8,329	20,343
Prepaid insurance	84,503	-	-	-	84,503	-
Interfund borrowings	17,089	(2,828)	(14,261)	-	-	-
Total current assets	145,154	466,049	307,024	-	918,227	1,295,321
OTHER ASSETS						
Due from Developer	604,093	976	-	-	605,069	605,069
Deposits	5,104	-	-	-	5,104	5,104
Total other assets	609,197	976	-	-	610,173	610,173
Total assets	\$ 754,351	\$ 467,025	\$ 307,024	\$ -	\$ 1,528,400	\$ 1,905,494
LIABILITIES AND FUND BALANCES						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	\$ 137,814	\$ -	\$ -	\$ -	\$ 137,814	\$ 168,890
Prepaid assessments	14,137	-	-	-	14,137	6,002
Deferred revenue	-	-	38,430	-	38,430	38,430
Notes payable	-	-	84,488	-	84,488	167,000
Total current liabilities	151,951	-	122,918	-	274,869	380,322
LONG-TERM LIABILITIES						
Deferred revenue	-	-	76,860	-	76,860	115,290
Notes payable	-	-	1,887,981	-	1,887,981	1,332,000
Total long-term liabilities	-	-	1,964,841	-	1,964,841	1,447,290
Total liabilities	151,951	-	2,087,759	-	2,239,710	1,827,612
FUND BALANCES						
	602,400	467,025	(1,780,735)	-	(711,310)	77,882
Total liabilities and fund balances	\$ 754,351	\$ 467,025	\$ 307,024	\$ -	\$ 1,528,400	\$ 1,905,494

See Independent Auditors' Report and accompanying Notes to the Financial Statements.

GRAND HARBOR COMMUNITY ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023					2022
	Operating Fund	Replacement Fund	Deferred Maintenance Fund	Litigation Fund	Total	Total (memo only)
REVENUES						
Regular assessments	\$ 3,899,886	\$ 49,034	\$ 302,139	\$ -	\$ 4,251,059	\$ 3,969,098
Security gate income	94,599	-	-	-	94,599	64,986
Cable revenue	-	-	38,430	-	38,430	38,430
Capital contributions	5,293	-	-	-	5,293	-
Other income	500	-	-	-	500	14,351
Assessment late fee/interest	19,908	-	-	-	19,908	17,315
Interest income	-	6,404	3,082	-	9,486	1,836
Total revenues	4,020,186	55,438	343,651	-	4,419,275	4,106,016
EXPENSES						
Utilities	1,298,300	-	-	-	1,298,300	1,242,511
Landscape maintenance	1,172,692	-	-	-	1,172,692	1,090,477
Security expense	929,889	-	-	-	929,889	711,166
General and administrative	344,904	-	82,948	-	427,852	471,744
General maintenance	218,973	-	-	-	218,973	222,735
Special projects:						
Oak Harbor irrigation pump	-	-	225,689	-	225,689	-
Security system upgrade	-	-	106,479	-	106,479	-
Bridges	-	-	89,819	-	89,819	1,208,232
Reclaimed pond retention wall	-	-	19,144	-	19,144	73,064
Guardhouses	-	-	10,000	-	10,000	-
Stormwater	-	-	7,960	-	7,960	20,970
Litigation	-	-	-	701,670	701,670	435,277
Total expenses	3,964,758	-	542,039	701,670	5,208,467	5,476,176
EXCESS OF REVENUES OVER (UNDER) EXPENSES	55,428	55,438	(198,388)	(701,670)	(789,192)	(1,370,160)
Fund balances - beginning of year	686,941	411,587	(799,597)	(221,049)	77,882	1,448,042
Interfund transfers	(139,969)	-	(782,750)	922,719	-	-
FUND BALANCES - END OF YEAR	\$ 602,400	\$ 467,025	\$ (1,780,735)	\$ -	\$ (711,310)	\$ 77,882

See Independent Auditors' Report and accompanying Notes to the Financial Statements.

GRAND HARBOR COMMUNITY ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023				2022	
	Operating Fund	Replacement Fund	Deferred Maintenance Fund	Litigation Fund	Total	Total (memo only)
CASH FLOWS FROM OPERATING ACTIVITIES						
Excess (shortfall) of revenues over expenses	\$ 55,428	\$ 55,438	\$ (198,388)	\$ (701,670)	\$ (789,192)	\$ (1,370,160)
Adjustments to reconcile excess (shortfall) of revenues over expenses to net cash from (used in) operating activities:						
(Increase) decrease in:						
Assessments receivable, net	146,957	-	-	-	146,957	(115,194)
Other receivables	12,014	-	-	-	12,014	(12,024)
Prepaid insurance	(84,503)	-	-	-	(84,503)	35,607
(Increase) decrease in:						
Accounts payable and accrued liabilities	23,197	-	-	(54,273)	(31,076)	6,595
Prepaid assessments	8,135	-	-	-	8,135	(16,274)
Deferred revenue	-	-	(38,430)	-	(38,430)	(38,430)
Net cash from (used in) operating activities	161,228	55,438	(236,818)	(755,943)	(776,095)	(1,509,880)
CASH FLOWS FROM FINANCING ACTIVITIES						
Interfund transfers	(139,969)	-	(782,750)	922,719	-	-
Proceeds from notes payable	-	-	668,000	-	668,000	1,324,442
Principle payments on lines of credit	-	-	(27,531)	(167,000)	(194,531)	(4,608)
Change in interfund borrowings	(17,089)	2,828	14,261	-	-	-
Net cash from (used in) financing activities	(157,058)	2,828	(128,020)	755,719	473,469	1,319,834
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,170	58,266	(364,838)	(224)	(302,626)	(190,046)
CASH AND CASH EQUIVALENTS - beginning	22,300	410,611	686,123	224	1,119,258	1,309,304
CASH AND CASH EQUIVALENTS - end of period	\$ 26,470	\$ 468,877	\$ 321,285	\$ -	\$ 816,632	\$ 1,119,258
SUPPLEMENTAL DISCLOSURE:						
Cash paid for interest	\$ -	\$ -	\$ 72,678	\$ -	\$ 72,678	\$ 36,455

See Independent Auditors' Report and accompanying Notes to the Financial Statements.

GRAND HARBOR COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 NATURE OF ORGANIZATION

Grand Harbor Community Association, Inc., (the Association) was incorporated on March 11, 1987, as a corporation, not-for-profit, under the terms and provisions of Chapter 720, Florida Statutes. The Association is located in Vero Beach, Florida and is responsible for the maintenance, preservation and architectural control of the common areas of the Association, which include the member neighborhoods within Grand Harbor and Oak Harbor. At December 31, 2023, the community is still under development and consists of approximately 1,488 units.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The financial statements of the Association are prepared on the accrual basis of accounting, which recognizes revenue when earned, regardless of when received, and expenses when incurred, regardless of when paid.

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 financial statements have been prepared 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. The income and expenses of the Association are allocated to unit owners equally.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements for reserves established pursuant to Florida Statute §720.303(6)(d) (statutory reserves). As of December 31, 2023, statutory reserves comprise of road resurfacing reserves. Expenditures from this fund are restricted to those items for which assessments were levied.

Deferred Maintenance Fund – This fund is used to accumulate financial resources for voluntary deferred expenditure accounts, including capital expenditures and deferred maintenance. The deferred maintenance funds are not subject to the restrictions on use of such funds set forth in Florida Statute §720.303(6)(d). Expenditures from this fund are primarily limited to those connected with replacements, major repairs, and purchase of additional commonly owned assets for which no statutory reserve has been established.

Litigation Fund – This fund is used to account for activities related to a lawsuit filed by the Association against the Developer. Expenditures from the fund are directly related to the lawsuit.

The Association's practice is to fund fully within the replacement funds each month without regard to underpayments or overpayments by members to the operating fund.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash is defined as demand deposits and money markets with original maturities of three months or less.

Commonly Owned Assets

Real and common area property, as well as replacements and improvements to such property are not capitalized on the Association's financial statements because those properties are owned by the individual members in common and not by the Association. It is the Association's policy to expense

GRAND HARBOR COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

insignificant purchases of equipment and other property that is used for the maintenance and management of the Association.

Capital Contributions

The Association requires that the initial purchaser of a unit pay a one-time only working capital contribution in an amount equal to one-sixth (1/6) of the amount of the annual base assessment per unit for that year as determined by the Board of Directors. Capital contributions are allocated between the operating and replacement fund as outlined in the budget in effect at the closing of each unit.

Member Assessments

Association members are assessed monthly to provide funds for the Association's operating fund and future major repairs and replacements. Assessments are recognized as revenue in the period in which they are assessed. For the year ending December 31, 2023, operating assessments were \$3,899,886, assessments designated to the replacement fund were \$49,034, and assessments designated to the deferred maintenance fund were \$302,139.

The annual budget and assessments of owners are determined by the Board of Directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

The Financial Accounting Standards Board (FASB) issued guidance for revenue recognition, Accounting Standards Code 606, *Revenue from Contracts with Customers*, requiring the deferral of the recognition of replacement fund income until the services are rendered and any unspent replacement funds to be recorded as a contract liability. The Association has determined ASC 606 does not apply to the Association as no customer relationship exists as it is defined by the Code. The Association does not defer the recognition of any portion of revenue as a contract liability.

Interest Earned

The Board's policy is to allocate interest earned to the operating and replacement fund in proportion to the interest-bearing deposits of each fund.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Fair Value of Financial Instruments

The financial position of the Association at December 31, 2023 includes certain financial instruments that may have a fair value that is different from the value currently reflected in the financial statements. In reviewing the financial statements of the Association, certain assumptions and methods were used to determine the fair value of each category of financial instruments for which it is practical to estimate that value. The carrying amounts of the Association's financial instruments generally approximate their fair values at December 31, 2023.

Prior-Period Information

The financial statements include certain prior-year summarized information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year from which the summarized information was derived.

GRAND HARBOR COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 INCOME TAXES

The Association has elected to file as a homeowner's association in accordance with Internal Revenue Code 528, using Form 1120-H. The Association's investment income and other nonexempt income are subject to tax. The Association has evaluated its tax position and concluded that the Association has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Income Tax Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification. With few exceptions, the Association is no longer subject to income tax examinations by the U.S. federal or state tax authorities for years prior to 2021. The Association recorded no income tax expense in 2023.

NOTE 4 CONCENTRATION OF CREDIT RISK

The Association maintains its bank accounts with financial institutions that have Federal Deposit Insurance Corporation (FDIC) coverage for up to \$250,000 through December 31, 2023. At December 31, 2023, none of the Association's accounts exceeded the federally insured limits. The Association has not experienced any losses on such accounts, and believes it is not exposed to any significant risk on bank deposits.

NOTE 5 ASSESSMENTS RECEIVABLE

Assessments receivable are stated net of an allowance for estimated credit losses. The amount of any specific allowance is estimated by management based on various assumptions including the age of past due amounts, an assessment of the member's ability to pay, lien and foreclosure status, legal fees and Florida mandated collection liability limits. At December 31, 2023, there were \$8,763 in assessments receivable which was deemed fully collectible and the allowance for the Association's estimate of expected credit losses was zero.

NOTE 6 PREPAID ASSESSMENTS

Assessments received before the date due are reflected on the balance sheet as prepaid assessments. As of December 31, 2023, prepaid assessments totaled \$14,137.

NOTE 7 DUE FROM DEVELOPER

The Declaration of Covenants provides that, during the period of developer control, so long as the Developer has an option unilaterally to subject additional property to the Declaration, in lieu of paying base assessments on its unsold units, the Developer shall be obligated for the difference between the amount of assessments levied on all units subject to assessment and the amount of actual expenditures required to operate the Association during the fiscal year. This obligation may be satisfied in the form of a cash subsidy, or by "in kind" contributions of services or materials, or a combination of these. Effective December 4, 2020, the Developer relinquished control of the Association and the Association was turned over from the Developer to the unit owners. For the year ended December 31, 2020, common operating expenditures net of turnover legal fees of \$77,466 exceeded assessments and other income and capital contributions levied on all units subject to assessment by \$605,069. At December 31, 2023, the developer's total obligation to the Association is \$605,069. The future value of this asset is among various items subject to the litigation (See Note 12).

GRAND HARBOR COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 NOTES PAYABLE

On August 27, 2021, the Association entered into an agreement with Marine Bank and Trust for a promissory note for the purpose of restructuring the Harbor Village Drive bridge. The note is a closed-end line of credit during the first twenty-four months of the term of the note. The note carries a maximum balance of \$2,000,000 and bears interest at a fixed rate of 3.99% per annum. Effective September 27, 2021 through August 27, 2023, the Association is required to make monthly payments of interest only on all sums advanced. Effective September 27, 2023 through August 27, 2031, the Association shall make monthly payments of principal and interest. Beginning September 27, 2031 through August 27, 2036, the interest rate at which the unpaid balance of the obligation will change and will accrue interest at the rate of the *Five-Year United States Treasury Rate* plus 3.5%. Beginning September 27, 2036 through August 27, 2038, the interest rate at which the unpaid balance of the obligation will change and will accrue interest at the rate of the *Five-Year United States Treasury Rate* plus 3.5%. All remaining sums of principal and accrued interest shall become immediately due and payable in full on August 27, 2038. The note is subject to prepayment penalties if prepaid prior to the fifth anniversary date of the note if the note is refinanced with another lender. The note is secured by the Association's present and future rights, title and interest in, to and under all assessments, (recurring and special) and other amounts due and owing from Members to the Association under the governing documents of the Association. As of December 31, 2023, the Association owed \$1,972,469 on the note. Interest expense was \$72,678 for the year ended December 31, 2023.

On August 27, 2021, the Association obtained a \$500,000 revolving line of credit (revolving LOC) with Marine Bank and Trust, with an interest rate at the adjustable rate of *The Wall Street Journal Prime Rate* plus .50% floating. *The Wall Street Journal Prime Rate* is defined as the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks as published in the Wall Street Journal. Effective September 27, 2021, and on the 27th day of each and every month thereafter, the Association will make interest only payments at the rate set forth above on any outstanding balance. All remaining sums of principal and accrued interest are due and payable in full upon demand payment by Marine Bank and Trust. Such demand must be made in writing and will specify the date on which all unpaid sums of principal and unpaid, accrued interest will be due and payable in full and such due date will be at least 30 days from the date of such written demand for payment. The revolving LOC is secured by the Association's present and future rights, title and interest in, to and under all assessments, (recurring and special) and other amounts due and owing from Members to the Association under the governing documents of the Association. As of December 31, 2023, no amounts were outstanding under this line of credit.

On May 4, 2023, the Association entered into an agreement with Marine Bank and Trust for a promissory note for the purpose of the Stormwater Project. The note is a closed-end line of credit during the first twenty-four months of the term of the note. The note carries a maximum balance of \$1,000,000 and bears interest at a fixed rate of 7.65% per annum. Effective May 4, 2023 through May 4, 2025, the Association is required to make monthly payments of interest only on all sums advanced. Effective May 4, 2025 through May 4, 2040, the Association shall make monthly payments of principal and interest. Beginning May 4, 2028, May 4, 2033 and May 4, 2038 the interest rate at which the unpaid balance of the obligation will change and will accrue interest at the rate of the *Five-Year United States Treasury Rate* plus 3.5%. All remaining sums of principal and accrued interest shall become immediately due and payable in full on May 4, 2040. The note is subject to prepayment penalties if prepaid prior to the fifth anniversary date of the note if the note is refinanced with another lender. The note is secured by the Association's present and future rights, title and interest in, to and under all assessments, (recurring and special) and other amounts due and owing from Members to the Association under the governing documents of the Association. As of December 31, 2023, no amounts were outstanding under this line of credit.

GRAND HARBOR COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Future maturities of long-term debt (principal only) are as follows:

Years Ending December 31,	Note Payable
2024	\$ 84,488
2025	88,188
2026	91,823
2027	95,607
2028	99,365
Thereafter	1,512,998
	<u>\$ 1,972,469</u>

NOTE 9 COMMITMENTS

On September 15, 2021, the Association renegotiated their agreement with Comcast Cable to provide bulk digital service at reduced rates. The contract is for a five-year term, beginning December 21, 2021, with automatic renewals for three successive periods of thirty days and provides for annual increases not to exceed 4.0%. As an incentive, Comcast Cable agreed to prepay the Association a discount of \$192,150, which is being amortized over the five-year agreement. For the year ended December 31, 2023, the Association recognized \$38,430 into cable revenue, \$38,430 in current deferred revenue, and \$76,860 in long-term deferred revenue.

The Association had a contractual agreement with A.R. Choice Management, Inc. (A.R. Choice) to provide community management services for approximately \$14,840 per month effective December 4, 2020, for a three-year period. On November 28, 2023, the Association signed a new contract with A.R. Choice to provide community management services for \$15,340.50 per month. The agreement commenced on December 4, 2023, for a three-year period, and automatically renews for periods of three years unless terminated by either party. The Association shall pay a management fee of \$10.50 per month for every entity, to include all homes and condominium units, the Grand Harbor Golf and Beach Club, the Oak Harbor Club, and the Marina. The monthly fees for the second and third year of the contract will increase by 1.5%. The Association can terminate the agreement with or without cause by giving sixty days written notice. For the year ended December 31, 2023, expenses for A.R. Choice management services totaled approximately \$183,730.

During 2021, the Association entered into various contracts for the purpose of restructuring the Harbor Village Drive bridge. On September 16, 2021, the Association entered into a contract with Cobalt Construction Group, LLC for the superstructure replacement of the Harbor Village Drive bridge over the Indian River Flushing Channel. The original contract agreement for this project, including change orders, was estimated to be approximately \$1,060,000. For the year ended December 31, 2023, the Association had incurred bridge restructuring costs in the amount of \$50,776. Total contract costs, including change orders, totaled \$1,102,543. The contract was completed in 2023.

Effective October 1, 2022, the Association entered into a contractual agreement with Creative Landscaping and Pest Management to provide lawncare and maintenance services for approximately \$441,000 per year for a term of three years. The contract may be terminated by either party upon thirty days written notice. For the year ended December 31, 2023, expenses for Creative Landscaping and Pest Management services totaled approximately \$449,224.

GRAND HARBOR COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

Effective December 1, 2022, the Association entered into a contractual agreement with St. Moritz Security Services, Inc. for onsite security officers for one year. The agreement automatically renews for successive thirty-day periods and may be terminated without cause with written notice at least thirty days prior to the intended termination date. For the year ended December 31, 2023, expenses for the security service contract totaled approximately \$790,000. On November 1, 2023 and effective beginning January 1, 2024, the agreement was amended to include modified services for a total estimated annual cost of \$769,810.

The Association has entered into various other annual service contracts in the ordinary course of business.

NOTE 10 FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and Florida Statutes provide certain guidelines for funds to be accumulated for future major repairs and replacements. Accumulated funds are held in separate bank accounts and generally are not available for expenditures for normal operations.

Grand Harbor engaged an independent engineering firm, which conducted a study dated January 27, 2020, to estimate the remaining useful lives and replacement costs of the common property components. During 2023, the Board conducted an internal study and updated some of the costs of the components of common property. Estimates were based on professional judgement, which may include contractor estimates for major components. The table included in the unaudited supplementary information on future repairs and replacements is based on this study. Actual expenditures may vary from the estimated future expenditures and the variations may be material; therefore, amounts accumulated in the major repairs and replacements 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, make special assessments, or delay major repairs and replacements until funds are available.

The Association is funding for statutory major road resurfacing repairs and replacements over the estimated useful life of the component based on the study's estimates of current replacement cost, considering amounts previously accumulated in the replacement fund. The balance of funds for future major road resurfacing repairs and replacements, designated as the Road Resurfacing Reserve, totaled \$467,398 at December 31, 2023.

The budget of the Association does not provide for fully funded reserve accounts for capital expenditures and deferred maintenance that may result in special assessments regarding those items. Owners may elect to provide for fully funded reserve accounts under § 720.303(6), Florida Statutes, upon obtaining the approval of a majority of the total voting interests of the Association by vote of the members at a meeting or by written consent.

The budget of the Association provides for limited voluntary deferred expenditure accounts, including capital expenditures and deferred maintenance, subject to limits on funding contained in the governing documents. Because the owners have not elected to provide for reserve accounts under Florida Statutes § 720.303(6), the deferred maintenance funds are not subject to the restrictions on use of such funds set forth in that statute, nor are reserves calculated in accordance with that statute.

NOTE 11 SUBSEQUENT EVENTS

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 18, 2024, the date that the financial statements were available to be issued.

GRAND HARBOR COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12 LITIGATION

On April 28, 2021, the Association filed a Circuit Civil Complaint in and for Indian River County, Florida, against the Developer and certain members of the Developer-appointed Board of Directors for damages for multiple deficiencies that represent violations of the Declaration, the Florida Homeowners Association Act and the fiduciary duty of the Developer and the Developer-appointed Board members of the Association. The Association is seeking damages for deficiencies that include:

1) Failure to maintain funded reserves for capital expenditures: The Complaint states that the Declaration required the Association to prepare annual budgets to cover estimated common expenses for the coming year, which included capital contributions needed to establish reserve funds to meet capital budgets. The capital budgets were to take into account the number, nature, expected lifespan, and expected repair and replacement costs of the replaceable assets. All capital contributions necessary to meet those capital budgets were to be included in the annual budget and assessments levied on all unit owners, including Developer's units. In lieu of paying the assessments on its units, the Developer is obligated to pay any difference between the base assessments levied on all units and the amount of actual expenditures required to operate the Association during the fiscal year. The Complaint asserts that the Developer failed to establish and fund reserve accounts in amounts sufficient to meet capital budgets and that the funds remaining as of the date of turnover were deficient and inadequate to meet the capital improvement needs of the Association.

2) Overcharging non-developer assessments: The Complaint asserts that the Developer reduced certain funding obligations by reducing assessments on Developer units by undercounting Developer units that were or should have been subject to assessment, discounting assessments on Developer units in violation of the Declaration and failing to assess required reserves on Developer units. The Developer reduced certain other funding obligations by improperly allocating reserve funds to unrelated repairs, improperly offsetting certain income against operating deficits and misclassifying annual deficits to a reserve account.

3) Breach of Declaration and fiduciary duty: The Complaint asserts that the Developer's failures to fund capital reserve accounts and its improper reductions of its other funding obligations as set forth above are breaches of the Declaration and breaches of fiduciary duty that are a legal cause of loss to the Association and its members. The Association is demanding judgement for damages, prejudgment interest, costs of this action including attorney's fees under §720.305(1), Fla. Stat., and such other and further relief as the Court deems just and proper.

In May 2023, the Developer obtained a summary judgement dismissing all claims of the Association and filed a motion to recover its costs for expert witness fees, document storage fees, and court reporter transcription fees. The motion seeks damages totaling \$326,070. The Association is appealing the summary judgement and believes the claims are without merit and intends to vigorously defend its position. Due to the uncertainty of the outcome of the appeal, no amounts claimed as damages have been recorded in these financial statements.

Furthermore, other than the mandatory reserve for roadways, due to the pending litigation, the Board believes that the Association does not have sufficient information to determine the appropriate annual funding and allocation needed for the future repair and replacement of assets under its control.

SUPPLEMENTARY INFORMATION

GRAND HARBOR COMMUNITY ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)
(SEE INDEPENDENT AUDITORS' REPORT)

	2023			2022
	Actual	Budget (Unaudited)	Variance Favorable (Unfavorable) (Unaudited)	Actual
REVENUES				
Regular assessments	\$ 3,899,886	\$ 3,908,548	\$ (8,662)	\$ 3,754,098
Security gate income	94,599	-	94,599	64,986
Late fee/interest income	19,908	48,000	(28,092)	17,315
Miscellaneous income	-	-	-	9,386
Bad debt recoveries	-	-	-	1,465
Arctitecural reviews	500	-	500	3,500
Capital contributions	5,293	5,000	293	-
Total revenues	4,020,186	3,961,548	58,638	3,850,750
EXPENSES				
Utilities:				
Cable TV	1,218,739	1,219,000	261	1,171,261
Electric	79,561	85,378	5,817	71,250
	1,298,300	1,304,378	6,078	1,242,511
Landscape maintenance:				
Lawn care	449,224	473,600	24,376	458,560
Lake & estuary maintenance	260,400	260,000	(400)	251,400
Mangrove trimming	190,631	160,000	(30,631)	137,910
Irrigation repair parts & labor	62,363	75,000	12,637	84,650
Tree pruning	108,404	-	(108,404)	70,770
Tree & plant replacement	70,740	157,000	86,260	58,891
Invasive - removal	30,930	69,000	38,070	24,655
Lake bank planting	-	-	-	3,641
Mulch	-	40,000	40,000	-
	1,172,692	1,234,600	61,908	1,090,477
Security Expenses:				
Security provider contract	790,430	752,000	(38,430)	590,074
Security gate expense	74,995	40,000	(34,995)	85,527
Guard house supplies & equipment	47,829	30,000	(17,829)	21,989
Guard house - phone	12,814	-	(12,814)	9,142
Guard house - water/sewer	3,821	-	(3,821)	4,434
	929,889	822,000	(107,889)	711,166

GRAND HARBOR COMMUNITY ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES (CONTINUED)
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR 2022)
(SEE INDEPENDENT AUDITORS' REPORT)

	2023		Variance	2022
	Actual	Budget	Favorable	Actual
		(Unaudited)	(Unfavorable)	
		(Unaudited)	(Unaudited)	
General and Administrative:				
Management fees	183,730	178,070	(5,660)	175,481
Insurance	73,411	125,000	51,589	156,896
Legal fees	54,860	30,000	(24,860)	59,795
Legal - MRTA	16,818	-	(16,818)	30,422
Accounting fees	8,545	8,500	(45)	8,396
Administration expenses	4,011	3,000	(1,011)	3,059
Interest expense	-	-	-	2,710
Line of credit expenses	-	-	-	76
Bad debt expense	3,529	-	(3,529)	-
	<u>344,904</u>	<u>344,570</u>	<u>(334)</u>	<u>436,835</u>
General Maintenance:				
Repairs & maintenance	56,814	65,000	8,186	65,630
Maintenance services	49,643	45,000	(4,643)	54,674
Hurricane repairs	12,890	25,000	12,110	43,404
Christmas lights	18,736	16,000	(2,736)	16,960
Fountain maintenance	36,923	15,000	(21,923)	14,954
Repair & maintenance - pumps	1,380	5,000	3,620	10,991
Contingency fund	220	75,000	74,780	8,132
Maintenance supplies	42,367	10,000	(32,367)	7,990
	<u>218,973</u>	<u>256,000</u>	<u>37,027</u>	<u>222,735</u>
Total expenses	<u>3,964,758</u>	<u>3,961,548</u>	<u>(3,210)</u>	<u>3,703,724</u>
EXCESS (SHORTFALL) OF REVENUES OVER EXPENSES	<u>\$ 55,428</u>	<u>\$ -</u>	<u>\$ 55,428</u>	<u>\$ 147,026</u>

GRAND HARBOR COMMUNITY ASSOCIATION, INC.
SCHEDULE OF CHANGES IN REPLACEMENT FUND BALANCES
DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

The following is a table of the activity in the replacement fund for the year ending December 31, 2023:

	Beginning Fund Balance	Additions to Fund	Charges to Fund	Interfund Transfers	Ending Fund Balance
Statutory Reserves:					
Road resurfacing	\$ 411,587	\$ 55,438	\$ -	\$ -	\$ 467,025

GRAND HARBOR COMMUNITY ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS (UNAUDITED)
DECEMBER 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

An independent engineering firm conducted a study dated January 27, 2020, to estimate the remaining useful lives and replacement costs of the common property components. During 2023, the Board conducted an internal study and updated some of the costs of the components of common property. The following information is based on the study. This table presents significant information about the components of common property for the year ending December 31, 2023:

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	Balance January 1, 2024	2024 Full Funding Requirement	2024 Amount per Approved Budget
STATUTORY RESERVES					
Road Resurfacing	8	\$ 880,000	\$ 467,025	\$ 51,622	\$ 51,399
DEFERRED MAINTENANCE*					
Bridges & Tunnels					
Bridge #1	16	2,410,000	-	150,625	
Bridge #2	74	1,750,000	-	23,649	
Buildings					
East guardhouse roof	8	16,000	-	2,000	
West guardhouse roof	22	24,000	-	1,091	
Oak Harbor Guardhouse roof	20	15,000	-	750	
Irrigation					
Reclaim water tank	0	1,200,000	-	-	
Oak Harbor irrigation pumps	15	400,000	-	26,667	
Miscellaneous					
Main fountain lighting	15	40,000	-	2,667	
Right of Way					
Sidewalks	29	450,000	-	15,517	
Guardrails	24	105,000	-	4,375	
Lighting poles	9	540,000	-	60,000	
Lighting fixtures	9	155,000	-	17,222	
Security					
Cameras, kiosks, software	10	90,000	-	9,000	
Electric bar gates (7)	10	70,000	-	7,000	
45th Street gate	8	20,000	-	2,500	
Walls					
Seawalls	23	240,000	-	10,435	
		<u>\$ 7,525,000</u>	<u>\$ (1,780,735)</u>	<u>\$ 333,497</u>	<u>\$ 460,000</u>
Total Statutory Reserves and Deferred Maintenance		<u>\$ 8,405,000</u>	<u>\$ (1,313,710)</u>	<u>\$ 385,119</u>	<u>\$ 511,399</u>

**The budget of the Association provides for limited voluntary deferred expenditure accounts, including capital expenditures and deferred maintenance, subject to limits on funding contained in our governing documents. Because the owners have not elected to provide for reserve accounts under Section 720.303(6), Florida Statutes, these funds are not subject to the restrictions on use of such funds set forth in that statute, nor are reserves calculated in accordance with that statute.*