

**CAPTAINS' QUARTERS OF ST. AUGUSTINE
BEACH CONDOMINIUM ASSOCIATION, INC.**

**Financial Statements
Supplementary Information
and
Independent Auditors' Report
For the Year Ended December 31, 2025**

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
December 31, 2025

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Captains' Quarters of St. Augustine Beach Condominium Association, Inc.
St. Augustine, Florida

Opinion

We have audited the accompanying financial statements of Captains' Quarters of St. Augustine Beach Condominium Association, Inc., which comprise the balance sheet as of December 31, 2025, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Captains' Quarters of St. Augustine Beach Condominium Association, Inc. as of December 31, 2025, 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 Captains' Quarters of St. Augustine Beach Condominium Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Captains' Quarters of St. Augustine Beach Condominium 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.

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
December 31, 2025

INDEPENDENT AUDITORS' REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Captains' Quarters of St. Augustine Beach Condominium Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Captains' Quarters of St. Augustine Beach Condominium Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
December 31, 2025

INDEPENDENT AUDITORS' REPORT

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The "Comparison of Operating Fund Revenues and Expenses to Budget" on pages 17-18 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 that portion marked "unaudited," 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. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the "Supplementary Information on Future Major Repairs and Replacements" on page 19 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.

LBW CPAs and Associates, Inc.

St. Augustine, Florida
June 2, 2026

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
At December 31, 2025

Balance Sheet

	Operating Fund	Structural Components Replacement Fund	Non-Structural Components Replacement Fund	Rental Fund	Special Assessment Fund	Total
Assets						
Current assets:						
Cash and cash equivalents:						
Unrestricted	\$20,395					\$20,395
Restricted	2,070	\$49,842		\$82,294	\$8,617	142,823
Designated			\$63,396			63,396
Total cash and cash equivalents	22,465	49,842	63,396	82,294	8,617	226,614
Investments, short-term		153,990	146,078			300,068
Fees and assessments receivable	971					971
Interfund receivable/(payable)	43,313		(23,119)	(11,682)	(8,512)	
Prepaid expenses	2,250					2,250
Prepaid insurance	4,986					4,986
Total assets	<u>\$73,985</u>	<u>\$203,832</u>	<u>\$186,355</u>	<u>\$70,612</u>	<u>\$105</u>	<u>\$534,889</u>
Liabilities and Fund Balances						
Current liabilities:						
Accounts payable and accrued expenses	\$1,864			\$12,677		\$14,541
Prepaid fees and assessments	10,051					10,051
Tenant security deposits	2,070					2,070
Deferred revenue special assessment - 2022					\$105	105
Rental program liabilities				53,656		53,656
Rental program security deposits				7,200		7,200
Total current liabilities	13,985			73,533	105	87,623
Contract liabilities (unspent reserve assessments)		\$41,000	\$186,355			227,355
Total liabilities	13,985	41,000	186,355	73,533	105	314,978
Fund balances	60,000	162,832		(2,921)		219,911
Total liabilities and fund balances	<u>\$73,985</u>	<u>\$203,832</u>	<u>\$186,355</u>	<u>\$70,612</u>	<u>\$105</u>	<u>\$534,889</u>

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2025

Statement of Revenues, Expenses, and Changes in Fund Balances

	Operating Fund	Structural Components Replacement Fund	Non-Structural Components Replacement Fund	Rental Fund	Special Assessment Fund	Total
Revenues						
Regular assessments (billed)	\$337,740	\$41,000	\$40,000			\$418,740
Less: reserve assessments deferral		(41,000)	(22,332)			(63,332)
Net assessments recognized	337,740	-0-	17,668			355,408
Special assessment - 2022					\$277,251	277,251
Special assessment - 2020					8,310	8,310
Rental income (Association-owned unit)	28,400					28,400
Rental program proceeds				\$330,684		330,684
Less: payments to owners				(266,077)		(266,077)
Cleaning and administrative fees				25,276		25,276
Other income	798					798
Interest income		5,692	7,035		3,594	16,321
Total revenues	366,938	5,692	24,703	89,883	289,155	776,371
Expenses						
General and administrative	32,900			5,864		38,764
Insurance expense	135,618					135,618
Maintenance and repairs	120,660	47,226	24,703			192,589
Payroll and related expenses	75,727					75,727
Rental program expenses				26,380		26,380
Special assessment expenses					84,789	84,789
Utilities	85,378					85,378
Total expenses	450,283	47,226	24,703	32,244	84,789	639,245
Surplus/(deficit) of revenues over expenses	(83,345)	(41,534)		57,639	204,366	137,126
Fund balances, beginning of year	78,738			4,047		82,785
Interfund transfers	64,607	204,366		(64,607)	(204,366)	
Fund balances, end of year	\$60,000	\$162,832	\$0	(\$2,921)	\$0	\$219,911

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2025

Statement of Cash Flows

	Operating Fund	Structural Components Replacement Fund	Non-Structural Components Replacement Fund	Rental Fund	Special Assessment Fund	Total
Cash flows from operating activities:						
Regular assessments received	\$322,700	\$41,000	\$40,000			\$403,700
Rental program proceeds				\$370,029		370,029
Interest and other cash receipts	29,198	5,692	7,035		\$3,594	45,519
Cash paid for goods and services	(435,870)	(47,226)	(24,703)	(293,015)	(84,789)	(885,603)
Net cash provided by/(used in) operating activities	(83,972)	(534)	22,332	77,014	(81,195)	(66,355)
Cash flows from investing activities:						
Proceeds from sale of investments			90,781			90,781
Purchase of investments		(153,990)	(146,078)			(300,068)
Net cash used in investing activities		(153,990)	(55,297)			(209,287)
Cash flows from financing activities:						
Interfund transfers	64,607	204,366		(64,607)	(204,366)	
Net cash provided by/(used in) financing activities	64,607	204,366		(64,607)	(204,366)	
Increase/(decrease) in cash and cash equivalents,	(19,365)	49,842	(32,965)	12,407	(285,561)	(275,642)
Beginning of year	41,830		96,361	69,887	294,178	502,256
End of year	<u>\$22,465</u>	<u>\$49,842</u>	<u>\$63,396</u>	<u>\$82,294</u>	<u>\$8,617</u>	<u>\$226,614</u>
Adjustments to reconcile surplus/(deficit) of revenues over expenses to net cash provided by/(used in) operating activities:						
Surplus/(deficit) of revenues over expenses	(\$83,345)	(\$41,534)		\$57,639	\$204,366	\$137,126
(Increase)/decrease in:						
Fees and assessments receivable	(961)					(961)
Interfund receivable/(payable)	(14,069)			14,069		
Prepaid expenses	151					151
Prepaid insurance	685					685
Increase/(decrease) in:						
Accounts payable and accrued expenses	13,577			(221)		13,356
Prepaid fees and assessments	(10)					(10)
Deferred revenue special assessment - 2022					(277,251)	(277,251)
Deferred revenue special assessment - 2020					(8,310)	(8,310)
Rental program liabilities				6,247		6,247
Rental program security deposits				(720)		(720)
Contract liabilities (unspent reserve assessments)		41,000	\$22,332			63,332
Net cash provided by/(used in) operating activities	<u>(\$83,972)</u>	<u>(\$534)</u>	<u>\$22,332</u>	<u>\$77,014</u>	<u>(\$81,195)</u>	<u>(\$66,355)</u>
Supplemental disclosures of cash flow information:						
Cash paid for interest (insurance financing)						\$5,837
Cash paid for taxes						None

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2025

Notes to the Financial Statements

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Captains' Quarters of St. Augustine Beach Condominium Association, Inc. (the "Association") is a statutory condominium association organized on March 8, 1982 as a not-for-profit corporation, under the laws of the State of Florida, for the purposes of maintaining and preserving the common property of the Captains' Quarters Condominium. The condominium consists of fifty-seven (57) condominium units in a single three-story building on approximately 8.9 acres, located in St. Augustine, St. Johns County, Florida. Operations of the Association commenced during 1982 under the administration of Captains' Quarters of St. Augustine Beach, Limited, a Florida corporation. There are certain common areas (swimming pool, clubhouse, tennis court, dune walkover, sidewalks, elevator, landscaped areas, parking areas, and signage) within the community that require maintenance expenses to be shared by all the owners. In addition, the Association owns one unit within the condominium, which is used as rental property. The administration of the Association has been assumed by the duly elected Board of Directors.

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting and in accordance with Florida Statutes and with the "Real Estate - Common Interest Realty Associations" topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). The accrual basis of accounting means that revenues are recorded when they are earned and expenses are recorded when they are 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, which requires that funds such as operating funds and funds designated for future major repairs and replacements be classified separately for accounting and reporting purposes. The assets, liabilities, and fund balances of the Association are reported in five self-balancing fund groups.

The operating fund reflects the operating assessments paid by owners to meet the regular, recurring costs of operation. Expenditures from this fund are limited to those connected with the day-to-day operations.

The structural components replacement fund is composed of assessments paid by owners to fund future major repairs and replacements of the structural components. Interest earned on this fund is retained in the fund. These funds may be used only for authorized structural components expenditures. The non-structural components replacement fund is composed of assessments paid by owners to fund future major repairs and replacements of the non-structural components of common property. Interest earned on this fund is retained in the fund. These funds may be used only for authorized reserve expenditures unless their use for other purposes is approved in advance by a majority of owners.

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2025

Notes to the Financial Statements

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

The rental fund reflects the operating activity of the rental program provided by the Association to unit owners. Expenditures from this fund are limited to those connected with the operation of the rental activity.

The special assessment fund reflects the activity of the special assessments charged in 2020 and 2022 to modernize the southside elevator and for concrete work (see Note 3).

Recognition of Assets and Depreciation Policy

The Association's policy for recognizing common property as assets in its balance sheet is to recognize (a) common personal property and (b) real property to which it has title and that it can dispose of for cash while retaining the proceeds. Tangible personal property acquired by using the Association's funds is recorded at cost. The property consists of a fully depreciated Association-owned unit (see Note 4). Real property and common areas acquired from the Developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

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 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.

Concentration of Credit Risk

The Association's primary source of income is the assessments paid by unit owners.

Interest Income

Interest income earned by the replacement funds is retained in those funds. Other interest income earned by the operating, rental, and special assessment funds is credited to those respective fund accounts. The Association's policy is to account for fund expenditures using fund interest income before fund assessment income.

Donated Services

The Association's Board of Directors and its officers serve without compensation. The value of these services is not recorded in the financial statements.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities that represent financial instruments (none of which are held for trading purposes) approximate the value of such assets and liabilities.

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2025

Notes to the Financial Statements

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of reporting cash flows, the Association considers all monies deposited with financial institutions in checking and money market accounts and certificates of deposit with original maturities of three months or less to be cash and cash equivalents.

Investments

Certificates of deposit held for investment that are not debt securities are included in "investments." Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as "short-term investments." Certificates of deposit with remaining maturities greater than one year are classified as "long-term investments." Certificates of deposit are carried at cost plus accrued interest. Write-ups or write-downs to fair value to recognize unrealized gains or losses are not recorded. The certificates mature in 2026 and the yields at December 31, 2025 range from 1.19% to 4.4%.

Owners' Assessments and Allowance for Credit Losses

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligation related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement funds assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from owners. Prepaid assessments at the balance sheet date represent fees paid in advance by owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments become past due. The Association retains excess operating funds at the end of the fiscal year, if any, for use in future periods. The balances of assessments receivable as of the beginning and end of the year are \$10 and \$971, respectively.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include closely monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association's control.

Prepaid Assessments

Prepaid assessments consist of amounts received which are applicable to future assessments. The balances of prepaid assessments as of the beginning and end of the year are \$10,061 and \$10,051, respectively.

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2025

Notes to the Financial Statements

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract Liabilities (Unspent Reserve Assessments)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (unspent reserve assessments) is recorded when the Association has received but not yet spent reserve assessments for their intended purpose. The balances of contract liabilities as of the beginning and end of the year are \$164,023 and \$227,355, respectively.

Leases

The Association determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Association determines lease classification as operating or finance at the lease commencement date. Finance leases, if applicable, are included in property and equipment, other current liabilities and other long-term liabilities on our balance sheet.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Association uses the implicit rate when readily determinable. If not readily determinable, the Association uses its most recent borrowing rate based on the information available at the commencement date to determine the present value of lease payments. The present value of the lease payments as of December 31, 2025 was not material.

NOTE 2 - DATE OF MANAGEMENT'S REVIEW AND SUBSEQUENT EVENTS

The Association has evaluated events and transactions for potential recognition or disclosure through June 2, 2026, the date that the financial statements were available to be issued. Based upon this evaluation, the Association has determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

NOTE 3 - OWNERS' ASSESSMENTS

Regular Assessments

Pursuant to the Declaration of Condominium, regular assessments are allocated to the unit owners in proportion to the size of the unit and the total number of units. For the year ended December 31, 2025, regular monthly assessments to unit owners ranged from \$607 to \$753. Of those monthly amounts, funds designated to the structural components replacement fund ranged from \$59 to \$74 and funds designated to the non-structural components replacement fund ranged from \$58 to \$72. Delinquent regular assessments totaled \$971 at year end. It is the opinion of the Board of Directors that the Association will ultimately prevail against owners with delinquent assessments and, accordingly, no allowance for credit losses is deemed necessary.

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2025

Notes to the Financial Statements

NOTE 3 - OWNERS' ASSESSMENTS (CONTINUED)

Special Assessment - 2020: Elevator Modernization

On August 29, 2020, the Association approved a special assessment for the purpose of modernizing the southside elevator to include cab interior, flooring, electrical, alarm, and HVAC installation in the elevator room. The total amount of the special assessment was \$80,040 and amounts charged to unit owners ranged from \$696 to \$864. Two payments were due on October 1, 2020 and November 1, 2020. All special assessments were collected during 2020. Expenses totaling \$35,000, \$36,730, and \$8,310 were spent on the elevator project during 2020, 2021, and 2025, respectively. As of December 31, 2025, the special assessment has been fully spent. The following table provides a summary of the special assessment activity:

	2020	2021	2025	Total
Special assessment billed	\$80,040			\$80,040
Less: special assessment utilization				
Elevator project	35,000	\$36,730	\$8,310	80,040
Deferred revenue special assessment - 2020, at December 31, 2025				<u>\$0</u>

Special Assessment - 2022: Concrete Work and Other Projects

On December 17, 2022, the Association approved a special assessment for the purpose of concrete work. The total amount of the special assessment was \$855,630 and amounts charged to unit owners ranged from \$14,881 to \$18,472. All was collected during 2022 and 2023. During 2023, additions included interest income of \$5,237 and \$100,000 transferred from the replacement fund. Expenditures totaled \$430,509. During 2024, additions included interest income of \$16,712. Expenditures totaled \$269,714. During 2025, additions included interest income of \$3,594. Also during 2025, the Board of Directors approved the use of the remaining funds for the additional projects listed below. A total of \$76,479 was spent on these projects and \$204,366 was transferred to the structural components replacement fund. The remaining unspent portion of this special assessment in the amount of \$105 is included in deferred revenue on the balance sheet. The following table provides a summary of the special assessment activity:

	2022	2023	2024	2025	Total
Special assessment billed	\$855,630				\$855,630
Interest income		\$5,237	\$16,712	\$3,594	25,543
Interfund transfer		100,000			100,000
	<u>855,630</u>	<u>105,237</u>	<u>16,712</u>	<u>3,594</u>	<u>981,173</u>
Less: special assessment utilization					
Concrete work		430,509	269,714		700,223
Fill dirt				1,200	1,200
Pickleball court				2,500	2,500
Parking lot				3,244	3,244
Elevator				4,535	4,535
Dunes				65,000	65,000
Interfund transfer - structural components replacement fund				204,366	204,366
		<u>430,509</u>	<u>269,714</u>	<u>280,845</u>	<u>981,068</u>
Deferred revenue special assessment - 2022, at December 31, 2025					<u>\$105</u>

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2025

Notes to the Financial Statements

NOTE 4 - PROPERTY AND EQUIPMENT

The Association owns unit #120, which was acquired from the Developer at the time of inception of the Association. This asset was fully depreciated in prior years. During 2025, the unit was rented under a residential lease agreement. Total rental income for the year was \$28,400. Expenses associated with this unit include property taxes and repairs totaling \$5,575.

NOTE 5 - INSURANCE MATTERS

The Association is responsible for losses incurred by a named storm based upon a 5% deductible per building per calendar year as defined in its property insurance policy. In the event of a disaster, the Association could be exposed to losses for damages in excess of insurance coverage limits.

NOTE 6 - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Association to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, consist primarily of bank accounts with balances, at times, in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") and assessments receivable. At December 31, 2025, the excess amount uninsured by the FDIC was \$50,068. However, no losses have been incurred to date. Management of the Association evaluates the financial stability of its depositories and considers the risk of loss to be remote. The Association's assessments receivable are related to billed assessments. The Association monitors the collectability of these assessments receivable and pursues collection. Management routinely assesses the collectability of the Association's assessments receivable and provides for allowances for credit losses based on this assessment.

NOTE 7 - INCOME TAXES

Condominium associations may elect to be taxed as a regular corporation or as a homeowners association. The Association elected to be taxed as a regular corporation for the year ended December 31, 2025. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as investment earnings and rental income, at regular federal and state corporate rates. The Association's investment income and rental income were subject to tax. After deductions and allocating certain membership expenses, there was no remaining federal or state taxable income.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2025, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2025

Notes to the Financial Statements

NOTE 7 - INCOME TAXES (CONTINUED)

The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Association's management believes it is no longer subject to income tax examinations for years prior to 2022.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Association may be periodically involved in legal actions and claims that arise as a result of events that occur in the normal course of operations. Management reviews the validity of such actions and acts accordingly. These financial statements do not include any adjustments for such actions. The Association also has entered into various contracts including landscaping and other services.

On March 15, 2025, the Association entered into an agreement with IPFS Corporation to finance its insurance premiums. The total amount financed was \$119,138 at an annual interest rate of 8.4%. Initially, eleven monthly payments of \$11,469 (principal and interest) were due beginning April 15, 2025. Beginning in August, monthly installments were reduced to \$11,366 due to premium revisions. At December 31, 2025, the balance outstanding was \$22,731. This obligation has been offset against prepaid insurance.

NOTE 9 - RENTAL PROGRAM

The Association operates a rental program under Chapter 509 of the Florida Statutes. The Association serves as the non-exclusive rental agent of the condominium units owned by members of the Association. The program was responsible for the rental management of 14 units during 2025. Operating revenues consist of management fees assessed at 20% of rentals collected on behalf of unit owners. Revenues for the current period consist of the following:

Gross rental proceeds	\$330,684
Less: payments to (or on behalf of) owners	<u>(266,077)</u>
Net proceeds	<u><u>\$64,607</u></u>

The net proceeds were transferred to the Association's operating fund to provide for rental expenses and allocated shared operating costs. Cleaning and administrative fees revenue totaled \$25,276 during 2025.

NOTE 10 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

Structural Components

Florida Statutes require inspections and completion of a structural integrity reserve study ("SIRS") for all condominium buildings three stories or higher, to be completed at least every ten years after the condominium's creation. In addition, structural milestone inspections are required for buildings of a certain age, depending on their distance from the coastline.

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2025

Notes to the Financial Statements

NOTE 10 - FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

Structural Components (Continued)

These inspections must identify the remaining useful life and estimated replacement cost of every major common area component and provide a recommended annual reserve amount that achieves the estimated replacement cost of each common area component by the end of the estimated remaining useful life of each component. The members of a unit-owner-controlled association that must obtain a structural integrity reserve study may not determine to provide no reserves or less reserves than required by statute for the specified items; and may not vote to use reserve funds, or any interest accruing thereon, that are reserved for specified structural components (roof, structure and load-bearing walls, fireproofing and fire protection systems, plumbing, electrical systems, waterproofing and exterior painting, windows and exterior doors, and others) for any purpose other than their intended purpose.

In addition, Florida Statutes allow for an Association that must have a structural integrity reserve study to approve a special assessment, secure a line of credit, or a loan to fund capital expenses required by a milestone inspection or the structural reserve funding required by the structural integrity reserve study. The line of credit or loan must be sufficient to fund the cumulative amount of any previously waived or unfunded portions of the reserve funding amount required by the most recent structural integrity reserve study. Funding from the line of credit or loan must be immediately available for access by the Board to fund required repairs without further approval by the membership. Funding structural reserves by any means other than regular assessments (i.e. special assessments, line of credit, or loans) requires approval of a majority of the membership.

If the Association has completed a milestone inspection pursuant to Florida Statutes within the previous two calendar years, for any budget adopted on or before December 31, 2028 the Board, upon the approval of a majority of the total voting interests of the Association, may temporarily pause, for a period of no more than two consecutive annual budgets, reserve fund contributions or reduce the amount of reserve funding for the purpose of funding repairs recommended by the milestone inspection. An Association that has paused reserve contributions must have a structural integrity reserve study performed before the continuation of reserve contributions in order to determine the Association's reserve funding needs and to recommend a reserve funding plan.

The Association has established a structural components replacement fund. The Association implemented statutory structural reserve requirements and segregated reserve funding between structural and non-structural components. However, beginning reserve balances, which were accumulated prior to this segregation requirement, were not allocated between structural and non-structural components.

Accumulated funds, which total \$203,832 and are presented on the accompanying balance sheet as a contract liability (unspent reserve assessments) in the amount of \$41,000 and fund balance in the amount of \$162,832 at December 31, 2025, consist of cash in an interest-bearing bank account and certificates of deposits totaling \$203,832 generally not available for operating purposes.

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2025

Notes to the Financial Statements

NOTE 10 - FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

Structural Components (Continued)

Additions to the fund during 2025 included the budgeted contribution of \$41,000, interest income totaling \$5,692, and a transfer from the special assessment fund in the amount of \$204,366. Expenses totaled \$47,226 and included electrical repairs, fire alarm repairs, roof repairs, and garage pipe hanger replacements.

The total structural components replacement fund balance is allocated on the balance sheet between contract liabilities and fund balance. The contract liability represents unspent reserve assessments that will be recognized as revenues when the funds are expended for their intended purposes. For the year ended December 31, 2025, the Association added \$41,000 of unspent reserve assessments to the beginning balance of \$0, for total structural components contract liabilities of \$41,000. These funds will remain in contract liabilities until expended for their intended purpose. The fund balance includes the unspent interfund transfer.

The Association engaged an independent reserve analyst to provide a reserve study, including the required structural integrity reserve study, which identified the remaining useful life and estimated replacement cost of every major common area component and provided a recommended annual reserve amount that achieves the estimated replacement cost of each common area component by the end of the estimated remaining useful life of each component. The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering the amounts previously accumulated in the replacement fund. The report, which is dated November 29, 2024, recommended reserve funding of \$101,186 for 2026. The Board of Directors included \$81,000 for structural components replacement funding in the approved 2026 budget.

The table included in the unaudited "Supplementary Information on Future Major Repairs and Replacements" provides an analysis of the funding. Funds are being accumulated in the structural components 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 structural components 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, levy special assessments, or delay major repairs and replacements until funds are available.

Non-Structural Components

The Association's governing documents and Florida Statutes require that funds be presented in the proposed operating budget for future major repairs and replacements. Accumulated funds, which total \$186,355 and are presented on the accompanying balance sheet as a contract liability (unspent reserve assessments) at December 31, 2025, consist of cash in an interest bearing bank account and certificates of deposit totaling \$209,474, reduced by a balance of \$23,119 due to the operating fund. These funds are generally not available for operating purposes.

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2025

Notes to the Financial Statements

NOTE 10 - FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

Non-Structural Components (Continued)

During 2025, additions to the fund included the budgeted contribution of \$40,000 and interest income of \$7,035. Expenses totaled \$24,703 and included elevator repairs.

The total non-structural components replacement fund balance of \$186,355 is classified on the balance sheet as a contract liability. The contract liability represents unspent assessments that will be recognized as revenues when the funds are expended for their intended purposes. For the year ended December 31, 2025, the Association added \$22,332 of unspent reserve assessments to the beginning balance of \$164,023, for total contract liabilities of \$186,355. These funds will remain in contract liabilities until expended for their intended purpose.

The Association engaged an independent reserve analyst to conduct a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering the amounts previously accumulated in the replacement fund. The report, which is dated November 29, 2024, recommended reserve funding of \$26,822 for 2026. The Board of Directors included \$20,000 for non-structural components replacement funding in the approved 2026 budget.

The table included in the unaudited "Supplementary Information on Future Major Repairs and Replacements" provides an analysis of the funding. Funds are being accumulated in the non-structural components 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 non-structural components 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, levy special assessments, or delay major repairs and replacements until funds are available.

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2025

Comparison of Operating Fund Revenues and Expenses to Budget

	<u>Actual</u>	<u>Unaudited Budget</u>	<u>Variance</u>
Revenues			
Regular assessments	\$337,740	\$337,397	\$343
Rental income (Association-owned unit)	28,400	28,800	(400)
Other income	798	1,000	(202)
	<u>366,938</u>	<u>367,197</u>	<u>(259)</u>
Expenses			
General and administrative			
Accounting and legal fees	12,916	13,200	(284)
Advertising and promotion	1,871		1,871
Automobile expenses	117	100	17
Bank charges		100	(100)
Bank charges - direct rental		100	(100)
Fees to the Division (DBPR)	473		473
Licenses and fees	536	1,000	(464)
Office supplies	8,969	5,000	3,969
Property taxes (Association-owned unit)	5,382	5,200	182
Rental program support	2,636		2,636
<i>Total general and administrative</i>	<u>32,900</u>	<u>24,700</u>	<u>8,200</u>
Insurance expense			
Insurance	135,618	150,000	(14,382)
<i>Total insurance expense</i>	<u>135,618</u>	<u>150,000</u>	<u>(14,382)</u>
Maintenance and repairs			
Association-owned unit	193	1,000	(807)
Building maintenance	32,626	25,000	7,626
Elevator	15,410	8,000	7,410
Fire alarm	879	1,500	(621)
Landscape and irrigation	27,278	12,000	15,278
Lawn maintenance	29,281	30,000	(719)
Pest control	3,009	2,900	109
Pool	11,984	18,000	(6,016)
<i>Total maintenance and repairs</i>	<u>120,660</u>	<u>98,400</u>	<u>22,260</u>
Payroll and related expenses			
Payroll - maintenance	19,040	27,300	(8,260)
Payroll - management	51,096	51,097	(1)
Payroll taxes	5,591	8,000	(2,409)
<i>Total payroll and related expenses</i>	<u>75,727</u>	<u>86,397</u>	<u>(10,670)</u>

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2025

Comparison of Operating Fund Revenues and Expenses to Budget (Continued)

	<u>Actual</u>	<u>Unaudited Budget</u>	<u>Variance</u>
Expenses (Continued)			
Utilities			
Cable	\$43,001	\$43,000	\$1
Electricity	8,778	9,600	(822)
Gas	27		27
Telephone	2,514	2,100	414
Trash removal	4,153	6,000	(1,847)
Water and sewer	26,905	30,000	(3,095)
<i>Total utilities</i>	<u>85,378</u>	<u>90,700</u>	<u>(5,322)</u>
Total expenses	<u>450,283</u>	<u>450,197</u>	<u>86</u>
Deficit of revenues over expenses before rental commission	(83,345)	(83,000)	(345)
Rental commission (interfund transfer)	<u>64,607</u>	<u>83,000</u>	<u>(18,393)</u>
Deficit of revenues over expenses after rental commission	<u>(\$18,738)</u>	<u>\$0</u>	<u>(\$18,738)</u>

CAPTAINS' QUARTERS OF ST. AUGUSTINE BEACH CONDOMINIUM ASSOCIATION, INC.
For the Year Ended December 31, 2025

Supplementary Information on Future Major Repairs and Replacements

An independent engineer conducted studies in 2024 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the studies. 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 studies and the date that the components will require repair or replacement. The following information is based on the studies and presents significant information about the components of common property.

	Estimated Remaining Useful Life	Estimated Current Replacement Cost	Balance at 12/31/2024	Additions	Interest Income	Expenses	Balance at 12/31/2025	2026 Approved Funding
Contract liabilities:								
<u>Structural components:</u>								
Roof	9-19 years	\$539,574						
Waterproofing/exterior painting	7 years	355,152						
Structural	13 years	300,000						
Building	16-19 years	217,984						
Windows and doors	11-21 years	66,688						
Electrical systems	3-8 years	47,600						
Fireproofing	15-25 years	26,400						
Plumbing	21 years	15,000						
Professional consultants	8-13 years	14,500						
Total structural components		1,582,898		\$41,000	\$5,692	(\$5,692)	\$41,000	\$81,000
<u>Non-structural components:</u>								
Elevators	10-25 years	160,000						
Site	2-10 years	151,006						
Swimming pool	1-8 years	74,213						
Interior finishes	7-12 years	47,000						
Roof	11 years	31,291						
Building	9 years	20,160						
Fencing/rails	16 years	12,920						
Furniture/fixtures/equipment	9 years	12,000						
Painting	7 years	11,070						
HVAC	4 years	5,600						
Total non-structural components		525,260	\$164,023	40,000	7,035	(24,703)	186,355	20,000
Total contract liabilities			164,023	81,000	12,727	(30,395)	227,355	101,000
Fund balance:								
Interfund transfer - structural components				204,366		(41,534)	162,832	
Combined Totals		\$2,108,158	\$164,023	\$285,366	\$12,727	(\$71,929)	\$390,187	\$101,000