

Renaissance I Association, Inc.

**Independent Auditor's Report,
Financial Statements
and
Supplementary Information**

December 31, 2022

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Certified Public Accountants

Members: American Institute of Certified Public Accountants • Florida Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Renaissance I Association, Inc.

Qualified Opinion

We have audited the accompanying financial statements of Renaissance I Association, Inc., which comprise the balance sheet as of December 31, 2022, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Renaissance I Association, Inc. as of December 31, 2022, 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 Qualified Opinion

As discussed in note 2 to the financial statements, the Association does not capitalize furniture and equipment which would otherwise be capitalized and depreciated in accordance with accounting principles generally accepted in the United States of America. The effect of this departure on the financial statements of the preceding practice has not been determined as it is not practical.

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 Renaissance I 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 qualified audit opinion.

Emphasis of Matter

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 3 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

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 Renaissance I 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.

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 Renaissance I 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 Renaissance I 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of replacement fund activity on page twelve (12) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects of not capitalizing furniture and equipment as described in the Basis for Qualified Opinion section of our report, 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 the supplementary information on future major repairs and replacements on page thirteen (13) 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.

Menchinger & Tyack CPAs, LLC

Sarasota, Florida
Main Street Office
May 16, 2023

Renaissance I Association, Inc.

Sarasota, Florida

Balance Sheet

December 31, 2022

ASSETS

	Operating Fund	Replacement Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 586,856	\$ 2,325,448	\$ 2,912,304
Due from other fund	486	-	486
Assessments receivable, net of allowance of \$6,968	7,969	-	7,969
Prepays and other	<u>15,027</u>	<u>-</u>	<u>15,027</u>
Total Assets	<u>\$ 610,338</u>	<u>\$ 2,325,448</u>	<u>\$ 2,935,786</u>

LIABILITIES AND FUND BALANCES**Liabilities**

Accounts payable	\$ 72,135	\$ -	\$ 72,135
Accrued expenses	75,078	-	75,078
Income tax payable	2,467	-	2,467
Due to other fund	-	486	486
Deposits	26,500	-	26,500
Prepaid assessments	89,973	-	89,973
Contract liabilities (assessments received in advance - replacement fund)	<u>-</u>	<u>2,324,962</u>	<u>2,324,962</u>
Total Liabilities	<u>266,153</u>	<u>2,325,448</u>	<u>2,591,601</u>
Fund Balances	<u>344,185</u>	<u>-</u>	<u>344,185</u>
Total Liabilities and Fund Balances	<u>\$ 610,338</u>	<u>\$ 2,325,448</u>	<u>\$ 2,935,786</u>

The accompanying notes are an integral part of these financial statements.

Renaissance I Association, Inc.

Sarasota, Florida

Statement of Revenues, Expenses and Changes in Fund Balances

Year Ended December 31, 2022

	Operating Fund	Replacement Fund	Total
Revenues			
Member assessments	\$ 1,709,287	\$ 381,219	\$ 2,090,506
Rentals	30,069	-	30,069
Insurance claim	56,126	-	56,126
Interest	-	9,099	9,099
Late fees and other	12,114	-	12,114
	<u>1,807,596</u>	<u>390,318</u>	<u>2,197,914</u>
Total Revenues			
Expenses			
General administration	42,296	-	42,296
Insurance	246,121	-	246,121
Janitorial	5,611	-	5,611
Labor costs	333,336	-	333,336
Grounds	11,673	-	11,673
Management	20,420	-	20,420
Master association assessments	41,120	-	41,120
Pool and recreation	14,499	-	14,499
Professional fees	20,328	-	20,328
Repairs and maintenance	176,243	-	176,243
Security	220,723	-	220,723
Utilities	543,450	-	543,450
Insurance claim	56,126	-	56,126
Income tax	2,467	-	2,467
Replacement	-	390,318	390,318
	<u>1,734,413</u>	<u>390,318</u>	<u>2,124,731</u>
Total Expenses			
Excess revenues over expenses	73,183	-	73,183
Fund Balances - beginning	271,002	-	271,002
Fund Balances - ending	<u>\$ 344,185</u>	<u>\$ -</u>	<u>\$ 344,185</u>

The accompanying notes are an integral part of these financial statements.

Renaissance I Association, Inc.
Sarasota, Florida

Statement of Cash Flows
Year Ended December 31, 2022

	Operating Fund	Replacement Fund	Total
Cash Flows From Operating Activities:			
Cash received from members	\$ 1,558,163	\$ 453,458	\$ 2,011,621
Rentals received	30,069	-	30,069
Insurance claims received	56,126	-	56,126
Interest received	-	9,099	9,099
Late fees and other receipts	15,069	-	15,069
Cash paid to suppliers and contractors	(1,428,971)	(413,858)	(1,842,829)
Net Cash Provided by Operating Activities	230,456	48,699	279,155
Cash Flows From Financing Activities:			
Change in due (to) from other fund	(290,456)	290,456	-
Net Cash Provided (Used) by Financing Activities	(290,456)	290,456	-
Net Increase (Decrease) in Cash and Cash Equivalents	(60,000)	339,155	279,155
Cash and Cash Equivalents - Beginning of Year	646,856	1,986,293	2,633,149
Cash and Cash Equivalents - End of Year	\$ 586,856	\$ 2,325,448	\$ 2,912,304

The accompanying notes are an integral part of these financial statements.

Renaissance I Association, Inc.
Sarasota, Florida

Statement of Cash Flows
Year Ended December 31, 2022

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
Reconciliation of excess			
revenues over expenses to net cash provided			
by operating activities			
Excess revenues over expenses	\$ 73,183	\$ -	\$ 73,183
Adjustments to reconcile excess			
revenues over expenses to net cash provided			
by operating activities:			
Decrease (increase) in operating assets:			
Assessments receivable	(4,502)	-	(4,502)
Prepays and other	251,618	-	251,618
Increase (decrease) in operating liabilities			
Accounts payable	11,330	(23,540)	(12,210)
Accrued expenses	40,740	-	40,740
Income tax payable	1,754	-	1,754
Deposits	2,955	-	2,955
Prepaid assessments	(146,622)	-	(146,622)
Contract liabilities	<u>-</u>	<u>72,239</u>	<u>72,239</u>
Total Adjustments	<u>157,273</u>	<u>48,699</u>	<u>205,972</u>
Net cash provided by operating activities	<u>\$ 230,456</u>	<u>\$ 48,699</u>	<u>\$ 279,155</u>

The accompanying notes are an integral part of these financial statements.

Renaissance I Association, Inc.
Sarasota, Florida

Notes to the Financial Statements
December 31, 2022

Note 1 – Nature of Organization and Management Review

Nature of Organization

Renaissance I Association, Inc. (the “Association”) is a not-for-profit corporation organized on October 17, 2000, under the laws of the State of Florida, pursuant to Section 718 of the Florida Condominium Act for the management, maintenance, operation, repair and replacement of Renaissance I, a Condominium (the “Condominium”), located in Sarasota, Florida. The Association members are owners of the 244 residential units. Assessments against the owners of the Condominium units, which are the principal source of revenue, are based on the total estimated amounts required to protect and maintain the property owned by the unit owners in common of the Association.

All policy decisions are formulated by the Board of Directors. Certain major decisions are referred to the general membership before action is taken.

Management Review

The Association has evaluated events and transactions for potential recognition or disclosure through May 16, 2023, the date the financial statements were available to be issued.

Note 2 – Summary of Significant Accounting Policies

Financial Statements

The financial statements and notes are the representations of the Association’s management, who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of 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 Board of Directors and the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association. The operating fund reflects the operating assessments paid by unit owners to meet the regular costs of operation. Expenditures of this fund are limited to those connected with the day-to-day operations and non-recurring unanticipated expenditures.

Replacement Fund – This fund is used to account for financial resources designated for future major repairs and replacements. The replacement fund is composed of all capital assessments paid by unit owners to fund future replacements, major repairs and purchases of additional commonly-owned assets. Disbursements from the reserve fund may generally be made only for designated purposes.

Interest Earned on Reserves

The Association’s policy is to include in the replacement fund any interest earned on the replacement fund investments.

Allocation of Income and Expenses

The allocation of income and expenses to Association members is based on the condominium documents, which state that the Association members share income and expenses based on the square footage of units.

Renaissance I Association, Inc.
Sarasota, Florida

Notes to the Financial Statements
December 31, 2022

Note 2 – Summary of Significant Accounting Policies – continued

Member Assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses and major repairs and replacements. The average quarterly assessment to members was \$2,718 for 2022. Of this amount, approximately 27%, or an average of approximately \$734, was designated for the replacement fund. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

Assessments receivable as of December 31, 2022 are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are delinquent. As of December 31, 2022, the Association had outstanding assessments and other receivables of \$14,937. It is the opinion of the Board of Directors that the Association may not ultimately prevail against the unit owners with delinquent assessments and, accordingly, an allowance for uncollectible accounts of \$6,968 was deemed necessary.

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of experience and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year are \$10,435 and \$14,937, respectively.

Income Taxes

The Association has the option for income tax purposes to elect on an annual basis to be taxed as a regular corporation under Section 277 of the Internal Revenue Code, whereby non-exempt, function income is taxed at regular corporate rates, or to be taxed at a special corporate rate of 30% on its net, non-function income, less \$100 exclusion, in accordance with Section 528 of the Internal Revenue Code. For 2022 the Association filed its tax return under Section 528.

FASB ASC 740, *Income Taxes*, sets forth standards for financial presentation and disclosure of income tax liabilities and expenses and clarifies the accounting for uncertainty in income taxes recognized. In accordance with FASB ASC 740, *Income Taxes*, the Association has evaluated its tax positions and determined that the Association has no uncertain income tax positions that could have a material effect on the financial statements.

As of the date of the financial statements, the Association's federal income tax returns for 2020, 2021, and 2022 are subject to examination by the Internal Revenue Service. These returns are open to examination generally for three years after they were filed.

Cash and Cash Equivalents

For purposes of the balance sheet and the statement of cash flows, the Association considers demand deposits with banks, money market funds and all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

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 certain 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Notes to the Financial Statements
December 31, 2022

Note 2 – Summary of Significant Accounting Policies – continued

Property and Equipment

The Association has the responsibility to preserve and maintain the commonly owned assets. The Association's policy is not to capitalize and depreciate the commonly owned real property as ownership is vested directly or indirectly in the unit owners and these assets are not deemed to be severable. The Association does not capitalize furniture and equipment which would otherwise be capitalized and depreciated in accordance with accounting principles generally accepted in the United States of America. The effect of this departure on the financial statements of the preceding practice has not been determined as it is not practical.

Compensated Absences

Compensated absences for vacation, sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Association's policy is to recognize these costs in the period that they are paid. Management believes that this policy does not materially affect the accompanying financial statements.

Contract Liabilities

The Association recognizes replacement fund revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) are recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement fund assessments. The balance of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year were \$2,252,723 and \$2,324,962, respectively.

Note 3 – Future Major Repairs and Replacements

Florida statutes and the Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$2,324,962, are presented on the accompanying balance sheet as contract liabilities at December 31, 2022. These funds are held in separate bank accounts and generally are not available for expenditures for normal operations.

The Board of Directors commissioned a formal study in 2022 to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information on Future Major Repairs and Replacements found on page 13 is based on this study. The Board is calculating funding for major repairs and replacements over the remaining useful lives of the replacement fund components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. The study indicates a funding requirement of \$536,793 for 2023. The 2023 budget includes funding of \$536,793.

Florida Statutes requires condominiums to complete a structural integrity reserve study every ten years for each building in an association three stories or higher. Any condominium existing before July 1, 2022 is required to have the study completed by December 31, 2024. The structural integrity reserve study must include all items included in Florida Statutes 718.112(g). Effective December 31, 2024, the membership of the Association will no longer be allowed to waive or partial fund reserves for items required to be included in the structural integrity reserve study or vote to use these reserves, or any interest thereon, for any other purpose other than their intended purpose. This requirement could have a significant effect on future funding requirements of the replacement fund.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, borrow funds or delay major repairs and replacements until funds are available.

Renaissance I Association, Inc.
Sarasota, Florida

Notes to the Financial Statements
December 31, 2022

Note 4 – Concentrations

All revenues are generated from residences of a single condominium building. A loss of revenue could disrupt operations and have a severe impact on the Association.

The Association's financial instruments that are exposed to concentrations of credit risk consist primarily of cash deposits. The Association places its cash and cash equivalents with local financial institutions. Although the Association manages its credit risk through diversification, at times, cash balances may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. The Association has not experienced any losses in such accounts and does not believe it is exposed to significant credit risk on cash and cash equivalents.

Note 5 – Management Agreement

A local management company manages the property and affairs of the Association under an agreement providing for monthly fees, which are adjusted annually. Management fees paid during 2022 were \$20,420.

Note 6 - Master Association

The Association is a member of the Rosemary Place Master Association ("the Master"). During 2022, the Association paid \$41,120 in assessments to the Master.

Note 7 - Contingencies

The Association's current windstorm policy contains a 10% deductible clause. Based on the insured values of the building and contents of approximately \$83 million, approximately \$8.3 million in damages caused by a hurricane as defined in the policy would be the responsibility of the Association.

At times, the Association is involved in disputes or litigation with owners, suppliers and others in the normal course of operations. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Association's financial position, liquidity or results of operations.

Note 8 – Commitment

Cable

Effective September 23, 2021, the Association entered into a bulk service agreement for cable with a local service provider. The term of the agreement is five (5) years. The agreement will automatically renew for one (1) year periods unless either party provides sixty (60) days written notice prior to the expiration of the term. The service provider has the right to increase the fee up to 5% per year, after the first 12 month term.

Elevator

Effective April 1, 2022, the Association entered into an agreement with a local service provider for elevator services with an initial term of ten (10) years and an extended term for an additional ten (10) years. The contract includes automatic extensions unless either party provides notice as further defined in the agreement. The initial contract price was \$2,020 per month and can be adjusted for changes in labor and material costs.

Renaissance I Association, Inc.
Sarasota, Florida

Notes to the Financial Statements
December 31, 2022

Note 8 – Commitment - continued

Minimum payments under these agreements based on current pricing are as follows:

Year ending December 31,	<u>Minimum Payments</u>
2023	\$ 141,600
2024	141,600
2025	141,600
2026	112,260
2027	24,240
Thereafter	<u>103,020</u>
Total	<u>\$ 664,320</u>

Note 9 – Risks and Uncertainties

The financial impact of the novel coronavirus (“COVID 19”), on the operations and cash flows of the Association is uncertain. The spread of COVID 19 and the continuing developments surrounding the global pandemic continue to have negative impacts on the economy and may have an impact on member’s ability to meet future assessment obligations.

Note 10 – Special Assessment

During March 2023, the Board of Directors approved a special assessment of \$210,000 to cover the shortfall in operating funds related to the increase in insurance premiums. The assessment is due in full by May 15, 2023.

SUPPLEMENTARY INFORMATION

Renaissance I Association, Inc.
Sarasota, Florida

Supplementary Schedule of Replacement Fund Activity
Year Ended December 31, 2022

	1/1/22	Member Assessment	Revenue Recognized	Interest	Expenses	12/31/22
Contract liability	<u>\$ 2,252,723</u>	<u>\$ 453,458</u>	<u>\$ (381,219)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,324,962</u>
Fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 381,219</u>	<u>\$ 9,099</u>	<u>\$ (390,318)</u>	<u>\$ -</u>

2022 replacement fund expenses consist of the following:

Furnitures, fixtures, and equipment	\$ 4,197
Mechanical and electrical	18,739
Building restoration and painting	121,051
Exterior building elements	570
Misc. building components	82,542
Site improvements	4,420
Garage elements	<u>158,799</u>
Total expenses	<u>\$ 390,318</u>

Renaissance I Association, Inc.

Sarasota, Florida

Supplementary Information on Future Major Repairs and Replacements

December 31, 2022

(Unaudited)

The Board of Directors commissioned a study by a professional engineering firm of the major components of common property to estimate the remaining useful lives and replacement costs of the components. This study was updated in 2022. The following table is based on that study and presents significant information about the components of common property.

<u>Reserve Component</u>	<u>Estimated Life In Years</u>	<u>Estimated Remaining Life In Years</u>	<u>Estimated Cost to Replace</u>
Roofs	12-24	1-14	\$ 642,963
Painting and waterproofing	5-12	2-6	638,339
Paving	30	8	52,980
Elevators	15-28	6-10	1,190,000
Mechanical and electrical	8-45	1-23	4,025,014
Miscellaneous building components	1-36	1-24	1,872,496
Miscellaneous site improvements	4-30	1-16	825,204
Furniture, fixtures and equipment	4-18	2-13	<u>245,764</u>
			<u>\$ 9,492,760</u>

Read note 3

Read independent auditor's report