SURFSIDE III CONDOMINIUM OWNERS' ASSOCIATION, INC.

Audited Financial Statements

For The Year Ended December 31, 2023

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Surfside III Condominium Owners' Association, Inc.

Opinion

We have audited the accompanying financial statements of Surfside III Condominium Owners' Association, Inc. (a California corporation), which comprise the balance sheet as of December 31, 2023, and the related statements of revenue, expenses and association funds, 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 Surfside III Condominium Owners' Association, Inc. as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Surfside III Condominium Owners' 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 Surfside III Condominium Owners' 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.

Future Major Repairs and Replacement

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 replacement 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.

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 Surfside III Condominium Owners' 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 Surfside III Condominium Owners' 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

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements of common property on page 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Owens, Moskowitz and Associates, Inc.

June 5, 2024

Owens, Moskowitz and Associates, Inc.

SURFSIDE III CONDOMINIUM OWNERS' ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2023

	OPERATING FUND	REPLACEMENT FUND	PROPERTY FUND	TOTAL
ASSETS				
Cash	$ 380,247	$ 635,878	$ -	$ 1,016,125
Short-term investments	-	1,050,000	-	1,050,000
Assessments receivable	101,360	-	-	101,360
Less: allowance for doubtful accounts	(58,045)	-	-	(58,045)
Special assessment receivable	-	270,375	-	270,375
Interest receivable	-	18,439	-	18,439
Prepaid expenses	1,250	-	-	1,250
Prepaid insurance	44,767	-	-	44,767
Fixed assets	-	-	6,894,145	6,894,145
Accumulated depreciation	-	-	(2,506,961)	(2,506,961)
Total Assets	**$ 469,579**	**$ 1,974,692**	**$ 4,387,184**	**$ 6,831,455**
LIABILITIES AND ASSOCIATION FUNDS				
Liabilities				
Note payable	$ -	$ -	$ 4,033,869	$ 4,033,869
Accounts payable	40,872	-	-	40,872
Prepaid assessments	36,044	-	-	36,044
Refundable deposits	72,278	-	-	72,278
Deferred assessments (Assessments received in advance - replacement fund)	-	1,878,035	-	1,878,035
Interest payable	-	-	7,121	7,121
Income taxes payable	9,600	-	-	9,600
Total Liabilities	**158,794**	**1,878,035**	**4,040,990**	**6,077,819**
Commitments	-	-	-	-
Association funds	**310,785**	**96,657**	**346,194**	**753,636**
Total Liabilities & Association Funds	**$ 469,579**	**$ 1,974,692**	**$ 4,387,184**	**$ 6,831,455**

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING NOTES

SURFSIDE III CONDOMINIUM OWNERS' ASSOCIATION, INC.
STATEMENT OF REVENUE EXPENSES AND ASSOCIATION FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

	OPERATING FUND	REPLACEMENT FUND	PROPERTY FUND	TOTAL
REVENUE				
Assessments	$ 732,444	$ 253,417	$ 561,648	$ 1,547,509
Price adjustment - bad debt	(20,853)	-	-	(20,853)
Emergency special assessment	-	660,024	-	660,024
Interest income	-	36,254	-	36,254
Utility reimbursements	479,909	-	-	479,909
Other income	72,191	-	-	72,191
Total Revenue	**1,263,691**	**949,695**	**561,648**	**2,775,034**
EXPENSES				
Landscape maintenance	88,455	-	-	88,455
Management fees	20,400	-	-	20,400
Administrative	29,747	-	-	29,747
Legal and audit	24,210	-	-	24,210
Insurance	248,919	-	-	248,919
Pool	13,864	-	-	13,864
Rubbish collection	68,682	-	-	68,682
Pest control	11,989	-	-	11,989
Telephone	15,607	-	-	15,607
Elevator	27,974	-	-	27,974
General maintenance	69,701	119	-	69,820
Reserve study	475	-	-	475
Interest expense	-	-	188,549	188,549
Depreciation	-	-	250,696	250,696
Gas	55,884	-	-	55,884
Electricity	41,253	-	-	41,253
Water	307,093	-	-	307,093
Custodial	95	-	-	95
Street repair	-	5,821	-	5,821
Gate	4,403	17,980	-	22,383
Lighting and electrical	3,263	3,135	-	6,398
Plumbing	17,512	57,120	-	74,632
Railings	-	48,000	-	48,000
Salaries and related expenses	188,332	-	-	188,332
Clubhouse	10,150	-	-	10,150
Alarm Monitoring	6,097	-	-	6,097
Wrought iron	-	8,000	-	8,000
Structural	11,619	681,884	-	693,503
Balcony	-	123,537	-	123,537
Gym	-	2,249	-	2,249
Roof repair	7,970	1,850	-	9,820
Income tax	12,456	-	-	12,456
Total Expenses	**1,286,150**	**949,695**	**439,245**	**2,675,090**
Excess (deficiency) of revenue over expenses	**(22,459)**	**-**	**122,403**	**99,944**
Association funds balance (deficit) beginning of year	**434,928**	**-**	**218,764**	**653,692**
Interfund transfers	(101,684)	96,657	5,027	-
Association funds balance (deficit) end of year	**$ 310,785**	**$ 96,657**	**$ 346,194**	**$ 753,636**

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING NOTES

SURFSIDE III CONDOMINIUM OWNERS' ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	OPERATING FUND	REPLACEMENT FUND	PROPERTY FUND	TOTAL
Cash flows from operating activities:				
Cash received from members	$ 1,182,652	$ 1,212,516	$ 568,769	$ 2,963,937
Cash paid to suppliers of goods and services	(1,297,341)	(1,262,567)	-	(2,559,908)
Interest received	-	18,187	-	18,187
Interest paid	-	-	(188,549)	(188,549)
Income taxes paid	(4,424)	-	-	(4,424)
Net cash provided by (used in) operating activities	**(119,113)**	**(31,864)**	**380,220**	**229,243**
Cash flows from investing activities:				
Purchase of short-term investments	-	(371,000)	-	(371,000)
Cash flows from financing activities:				
Interfund transfers	(101,684)	96,657	5,027	-
Principal payments on debt	-	-	(385,247)	(385,247)
Net cash provided by (used in) financing activities	(101,684)	96,657	(380,220)	(385,247)
Net increase (decrease) in cash and cash equivalents	**(220,797)**	**(306,207)**	**-**	**(527,004)**
Cash and cash equivalents at beginning of year	**601,044**	**942,085**	**-**	**1,543,129**
Cash and cash equivalents at end of year	**$ 380,247**	**$ 635,878**	**$ -**	**$ 1,016,125**

RECONCILIATION OF EXCESS OF REVENUE OVER EXPENSES
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	OPERATING FUND	REPLACEMENT FUND	PROPERTY FUND	TOTAL
Excess (deficiency) of revenue over expenses	**$ (22,459)**	**$ -**	**$ 122,403**	**$ 99,944**
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by operating activities:				
Depreciation	-	-	250,696	250,696
Change in assessments receivable	(29,186)	-	-	(29,186)
Change in interest receivable	-	(18,067)	-	(18,067)
Change in prepaid insurance	(8,398)	-	-	(8,398)
Change in special A/R	-	(270,375)	-	(270,375)
Change in accounts payable	(15,249)	(42,497)	-	(57,746)
Change in deferred assessments	-	299,075	-	299,075
Change in deferred settlement	-	-	7,121	7,121
Change in prepaid assessments	(51,853)	-	-	(51,853)
Change in income tax payable	8,032	-	-	8,032
Net cash provided by (used in) operating activities	**$ (119,113)**	**$ (31,864)**	**$ 380,220**	**$ 229,243**

SEE INDEPENDENT AUDITORS' REPORT AND ACCOMPANYING NOTES

NOTE 1 NATURE OF ORGANIZATION

Surfside III Condominium Owners' Association, Inc. was incorporated on January 9, 1976, in the state of California. It is responsible for the operation and maintenance of the common property within the development, which is located in the city of Port Hueneme, California. The development consists of 309 residential units.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The books of Surfside III Condominium Owners' Association, Inc. are maintained on the modified cash basis of accounting with entries made to convert them to the accrual basis for audit and tax purposes.

Fund Accounting

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

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

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

Property fund - This fund is used to account for financial resources related to capitalized building improvements and the related debt (Note 6).

Deferred Assessments (Assessments received in advance-replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. Deferred assessments (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 reserve assessments. The activity in deferred assessments (assessments received in advance-replacement fund) during 2023 was as follows:

Deferred assessments, at January 1, 2023	$	1,578,960
Assessments Budgeted for Replacement Reserve		552,492
Emergency Special Assessment - Structural		660,024
Revenue Released to Match Reserve Expenses		(913,441)
Deferred assessments, at December 31, 2023	$	1,878,035

Cash Equivalents and Short-term Investments

Cash equivalents consist primarily of certificates of deposit and other securities with original maturities of 90 days or less. Certificates of deposit and other securities with original maturities over 90 days are classified as short-term investments. Cash equivalents and short-term investments are stated at cost, which approximates market value.

The Association maintains bank accounts at various financial institutions. During the course of the year, the accounts may fluctuate over the FDIC insured amount.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Real property and common areas acquired by the original homeowners from the developer are owned by the individual owners in common and are not capitalized on the Association's financial statements. Replacements and improvements to the real property and common areas also belong to the owners and are not capitalized on the Association's financial statements.

Building improvements have been capitalized at cost and are being depreciated over a 27.5 year useful life using the straight-line method of depreciation.

Member Assessments

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 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 at the balance sheet date 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 homeowners whose assessments are ninety days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. The balances of assessments receivable as of the beginning and end of the year were $51,321 and $101,360, respectively.

Credit Losses Implementation

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326).* This guidance represents a significant change in the accounting model for credit losses by requiring immediate recognition of management's estimates of "current expected credit losses". Under the prior model, losses were recognized only as they were incurred, which FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. The new model is applicable to all financial instruments that are not accounted for at fair value through net income, thereby bringing consistency in accounting treatment across different types of financial instruments and requiring consideration of a broader range of variables when forming loss estimates. The Association adopted this standard on January 1, 2023 by using a "Loss rate approach – Individual Evaluation". An allowance for expected credit losses is established for any account that is six months or older which has historically been reliable. The cumulative effect of adopting this new accounting policy resulted in no change to the beginning of the year allowance for expected credit losses or the operating fund balance.

Management believes that the historical loss information it has compiled is a reasonable basis on which to determine expected credit losses of assessments receivables held at December 31, 2023 because the composition of the member receivables at that date is consistent with that used in developing the historical credit-loss percentages (i.e. the similar risk characterisitics of its members and its lending practices have not changed significantly over time). Accordingly, the allowance for expected credit losses at December 31, 2023 totaled $58,045.

Use of Estimates

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

NOTE 3 REPLACEMENT FUND

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds are held in separate accounts and are generally not available for operating purposes. It is the Association's policy to allocate interest earned on such funds to the replacement fund. Since the actual costs are dependent upon the frequency of occurrence and future costs, there is no assurance that this fund is adequate.

A study of the Association's funding program for the replacement of Association common areas, conducted as of December 31, 2023, indicates the Association's ideal cash replacement fund balance was $ 5,417,803 at that date. The study recommends a 2024 contribution to the replacement fund of $ 600,000 ($ 161.81 per owner per month). The 2024 budgeted contribution is $ 582,156.

The preparation of such a study involves significant estimates by the persons preparing the study, and these estimates are subject to annual revision for changing prices, circumstances and assumptions. If actual replacement costs exceed funds available, or where replacement of common areas is necessary where no fund has been previously established, the Association has the right to increase the monthly assessments, pass special assessments, or delay replacement until funds are available.

NOTE 4 INCOME TAXES

The Association is a corporation that is potentially taxable on all of its net income, including unspent member assessments. However, under state and federal filing elections, the Association may choose to be taxed only on its net non-membership income, which includes interest income.

The State of California allows qualifying homeowner associations to file an election to be taxed under special rules. Under this election, income from members (such as assessments) is exempt from taxation.

Federal law offers a similar election, which must be made annually. However, net non-membership income under this election is taxed at a flat rate of 30%. If the Association chooses to file as a regular corporation, it may still exclude from taxation its net membership income by making certain elections. Tax at the regular corporate tax rate is generally lower. Some of these elections, however, have come under IRS attack and certain issues are yet to be clarified. In 2023, the Association filed as an exempt association.

Regardless of how the Association files its taxes, non-membership income (interest) may not be offset with membership expenses (such as common area maintenance costs). That is why the Association's taxable income can be greater than its net income as recorded in the financial statements.

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, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress. The Association's management believes it is no longer subject to income tax examinations for years prior to 2019.

Federal and California income taxes have been accrued based on the taxable portion of the income reported in the accompanying financial statements.

NOTE 4 INCOME TAXES (Continued)

Income taxes for the current year were:

2023 INCOME TAXES	FEDERAL	STATE TAX	STATE FEE	TOTAL
Income Taxes	$ 9,358	$ 3,098	$ -	$ 12,456
Less: Credit from prior year return	(2,084)	(772)	-	(2,856)
Income tax payable	**$ 7,274**	**$ 2,326**	**$ -**	**$ 9,600**

NOTE 5 DEBT FINANCING

On December 31, 2009, the Association opened a $ 4,000,000 non-revolving line of credit, subject to an adjustable annual rate not to be less than 6.25% with a maturity date of December 15, 2026. The Board signed a second note for $2,113,429 to pay off an existing loan; the loan had a fixed interest rate of 6.25% with a maturity date of January 15, 2013.

On August 17, 2011, the Board signed an amended secured promissory note with the limit increased from $4 million to $6 million, subject to an adjustable annual rate not to be less than 5% with a maturity date of December 15, 2027. The second note with a balance of $357,462 was also amended with the interest rate fixed at 5% and the same maturity date.

On April 14, 2012, the Board signed a second loan modification agreement to convert the existing line of credit to a term loan. The loan was modified into two tranches: Tranche A with a balance of $5,948,141 converted into a 15 year term loan, subject to an adjustable annual rate not to be less than 4.5%; Tranche B began with a principle balance of $1,551,859 and was structured as a multi-advance term loan, with an initial year of interest only payments, followed by a 14 year term phase with the same interest terms as Tranche A. The maturity date on both Tranches was April 15, 2027. Collateral on both Tranches was the assignment of the Association's rights to collect assessments from its members.

On December 13, 2021, the Association obtained a new loan in the amount of $4,787,616 to pay off the above debt. Terms of the new note are as follows: 120 monthly installments of $46,804 consisting of principal and interest, commencing January 15, 2022; fixed annual rate of 4.1% for the first 120 payments; on January 15, 2032, for seven monthly installments of principal and interest, the annual interest rate will adjust to the U.S. Treasury daily curved yield rate for a five year constant maturity plus 2.75% (with a floor of 4%); any unpaid principal and interest will be due on July 15, 2032. The loan is secured by the assignment of the Association's assessments and receivables and lien rights.

As of December 31, 2023, the loan balance was $4,033,869. Based on a monthly payment of $46,804 and an interest rate of 4.1%, the principal maturities for the next five years are as follows:

Year	Amount
2024	403,345
2025	420,656
2026	438,231
2027	456,540
2028	475,354
Thereafter	1,839,743
	4,033,869

NOTE 6 ASSESSMENTS

During 2023, assessments were billed at a rate of $ 498 per unit per month. Effective January 1, 2024, the rate increased to $ 522 per unit per month.

NOTE 7 EMERGENCY SPECIAL ASSESSMENTS

During 2023, in accordance with Civil Code Section 5610, the Association's Board of Directors declared an emergency special assessment to fund the Balcony and Walkway Ceiling Reinforcement project where the condition of the ceiling was deemed to be a threat to personal safety on the property. The special assessment of $660,024 ($2,136 per unit) was due in twelve monthly installments of $178, beginning June 1, 2023.

NOTE 8 BALCONY INSPECTION

On August 30, 2019, Senate Bill No. 326 added Civil Code section 5551 (the "Code") to the Davis-Stirling Act. The Code adds a requirement for homeowners associations with buildings with three or more multifamily dwellings to perform inspections of balconies and other exterior structural elements that the association has an obligation to maintain. The exterior structural elements primarily include any load bearing components (i.e. balconies, decks, stairways, walkways, railings) that extend beyond the exterior walls of the building that are supported by wood or wood-based products and are more than six feet above the ground. Inspections must be performed by a licensed structural engineer or architect. The first inspection must be completed by the end of 2024 with continuing inspections required every nine years.

During 2021, the Association retained an independent architect firm to conduct a balcony inspection. In the inspection report, dated September 24, 2021, the architect reported that, based on observation of 242 unit balconies, 16 elevated walkways, and 32 floor-to-floor stair sections that the structural wood of the load-bearing components of the exterior elevated elements ("EEE's") will have a life expectancy of 100+ years with proper maintenance. The waterproofing systems for EEE's will have useful lives from 10-25 years with proper maintenance. Wrought iron guardrails will have useful lives of 40-60 years with proper maintenance.

A lack of ventilation was reported on 97% of EEE's. Hardware rust/corrosion was reported on 25% of EEE's. Waterproofing membrane issues were reported on 65% of EEE's. Sheet metal flashing was rusted on 13% of EEE's and missing and/or improper on 44% of EEE's. Guardrails exhibited rust and/or corrosion on 71% of EEE's. Stairs had excessive gaps on 25% of EEE's. Other issues/observations of the report existed in less than 10% of the EEE's.

The Association solicited vendor bids for the repair/replacement recommendations of the inspection report and work was completed during 2021 and 2022.

NOTE 9 SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2023, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is June 5, 2024, which is the date on which the financial statements were issued.

SUPPLEMENTAL INFORMATION

SURFSIDE III CONDOMINIUM OWNERS' ASSOCIATION, INC.
SUPPLEMENTAL INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2023
(UNAUDITED)

The board of directors contracted an independent consultant who conducted a study, projected to December 31, 2023, to estimate the remaining useful lives and replacement costs of the components of common property. Funding requirements include an inflation factor of 3.0% and an interest rate of 1.5%.

The following table is based on the study and presents information about the components of common property.

Components	Estimated Remaining Useful Lives	Estimated Current Replacement Cost	2024 Funding Requirement	Recommended Fund Balances
Roofing	5 to 26 years	$ 1,636,844		
Painting	0 to 11 years	1,394,477		
Asphalt/Concrete	0 to 19 years	547,826		
Fencing/Railing	7 to 18 years	298,241		
Decks/Landings	3 to 8 years	224,107		
Clubhouse	2 to 8 years	96,221		
Pool/Spa Area	0 to 21 years	62,280		
Recreation/Outdoor Furnishings	1 to 16 years	18,009		
Mechanical/Electrical	0 to 10 years	990,278		
Plumbing	1 to 28 years	3,240,422		
Water Heaters	3 to 10 years	160,000		
Irrigation	6 years	15,133		
Lighting	4 to 21 years	174,166		
Bridge Repair	36 years	112,550		
Concrete Walkways	1 year	21,855		
Signs	1 to 14 years	6,189		
Intercom	10 years	6,190		
Mailbox Kiosks	16 years	38,254		
Utility Doors	23 years	206,164		
		$ 9,249,206	**$ 600,000**	**$ 5,417,803**

As shown above, the study recommends a replacement fund balance of $5,417,803 as of December 31, 2023 and contributions to reserves of $600,000 during 2023/2024. The Association's replacement fund balance at December 31, 2023 was $1,974,692 or 36.45% of the recommended fund balance.

SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION