

**BAY POINT TURTLEGRASS VILLAS
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2025

BAY POINT TURTLEGRASS VILLAS ASSOCIATION, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bay Point Turtlegrass Villas Association, Inc.

Opinion

We have audited the accompanying financial statements of Bay Point Turtlegrass Villas Association, Inc. (the Association), which comprise the balance sheet as of December 31, 2025, and the related statements of revenues, expenses and changes in members' equity and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2025, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of future major repairs and replacements on page 10 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 nor provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion nor provide any assurance.

Warren Averett, LLC

Panama City, Florida
February 21, 2026

BAY POINT TURTLEGRASS VILLAS ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2025

ASSETS

Cash	\$ 54,733
Assessments receivable	13,435
Special assessment receivable – note payable	314,561
Prepaid expenses, net	<u>40,182</u>
TOTAL ASSETS	<u><u>\$ 422,911</u></u>

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES

Accounts payable	\$ 1,810
Prepaid assessments	17,826
Note payable, net	320,354
Line of credit	<u>30,000</u>
TOTAL LIABILITIES	369,990
MEMBERS' EQUITY	<u>52,921</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ 422,911</u></u>

See notes to the financial statements.

**BAY POINT TURTLEGRASS VILLAS ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2025**

REVENUES

Assessments	\$ 416,201
Interest from owners	41,105
Late fees	1,224
Miscellaneous	2,746
	461,276
Total revenues	461,276

EXPENSES

Administrative	80,934
Insurance	231,463
Maintenance and repairs	115,820
Utilities	50,199
Hurricane Michael expenses	29,388
	507,804
Total expenses	507,804

REVENUES UNDER EXPENSES	(46,528)
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MEMBERS' EQUITY AT BEGINNING OF YEAR	99,449
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MEMBERS' EQUITY AT END OF YEAR	\$ 52,921
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See notes to the financial statements.

BAY POINT TURTLEGRASS VILLAS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

Revenues under expenses	\$ (46,528)
Adjustments to reconcile revenues under expenses to net cash provided by operating activities:	
Amortization of debt issuance cost	1,632
Changes in assets and liabilities:	
Assessments receivable	(9,610)
Special assessment receivable	219,315
Special assessment receivable – note payable	204,784
Prepaid expenses, net	(21,082)
Accounts payable	(161,223)
Prepaid assessments	13,220
	200,508
Net cash provided by operating activities	200,508

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from line of credit	45,000
Repayments of line of credit	(47,000)
Repayments of note payable	(224,913)
	(226,913)
Net cash used in financing activities	(226,913)

NET CHANGE IN CASH

(26,405)

CASH AT BEGINNING OF YEAR

81,138

CASH AT END OF YEAR

\$ 54,733

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid	\$ 43,183
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See notes to the financial statements.

BAY POINT TURTLEGRASS VILLAS ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF ASSOCIATION

Description of Association

Bay Point Turtlegrass Villas Association, Inc. (the Association), was formed in 1973, as a Florida not-for-profit corporation for the purpose of maintaining and protecting the common property of Turtlegrass Villas, a condominium. The Association consists of 48 residential units located on approximately 20 acres of land in Bay County, Florida.

All policy decisions, including the annual budget and owners' assessments, are formulated by the Board of Directors. Major decisions are referred to the general Association membership before action is taken.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those amounts.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased within three months of maturity to be cash equivalents.

Member Assessments and Allowance for Credit Losses

Association members are subject to quarterly 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 are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement 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. Assessments are due on the first day of the quarter and are considered past due if not received by the 15th day of that month. In addition, the Association charges interest of 10% on past due amounts. The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are more than one-quarter past due. The balances of assessments receivable as of the beginning and end of the year are \$3,825 and \$13,435, respectively. The balances of special assessment receivable as of the beginning and end of the year are \$519,345 and \$314,561, respectively. The special assessments receivable are not considered past due as they are due in quarterly payments through 2033.

BAY POINT TURTLEGRASS VILLAS ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

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. It is the opinion of the Board of Directors that the Association will ultimately prevail against unit owners with delinquent assessments and, accordingly, no allowance for credit losses is deemed necessary.

Property and Equipment

The Association recognizes the following common property as assets:

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

Accordingly, the Association will recognize only common personal property as assets. The common property meeting the asset recognition policy is recorded at cost or estimated acquisition value on the date of donation and is depreciated over the asset's estimated useful life using the straight-line method. The Association is responsible for preserving and maintaining common properties and may dispose of them only with the consent of the Board of Directors.

Income Tax

Condominium associations may be taxed as homeowners' associations (provided they meet certain criteria in the Internal Revenue Code for residency and application of funds spent) or as a regular corporation. For 2025, the Association was taxed as a homeowners' association.

Subsequent Events

The Association has evaluated events and transactions that occurred between December 31, 2025, and February 21, 2026, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. MEMBER ASSESSMENTS

Quarterly operating assessments to owners during 2025 ranged from \$1,964 to \$2,542 for each unit type. The annual budget and owners' assessments are determined by the Board of Directors. Any excess assessments at year end are retained by the Association for use in the succeeding year.

BAY POINT TURTLEGRASS VILLAS ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

3. NOTE PAYABLE

The note payable consisted of the following at December 31, 2025:

The Association established a line of credit with SmartBank for structural repairs totaling \$1,895,000 with variable interest rate of prime plus 1%. The line of credit calls for quarterly interest only payments commencing June 2022. The line of credit converted to a note payable with quarterly principal and interest payments due beginning June 2023 through June 2033.

Unamortized loan closing costs	\$ 332,319
	<u>(11,965)</u>
Total line of credit payable, net	<u>\$ 320,354</u>

At December 31, 2025, scheduled maturities of the notes are as follows:

2026	\$ 50,673
2027	55,119
2028	59,956
2029	65,217
2030	70,939
Thereafter	<u>30,415</u>
Total	<u>\$ 332,319</u>

During May 2023, the Board of Directors passed a special assessment in the amount of \$1,895,000 to repay the note payable. The special assessment ranged from \$35,569 to \$46,541, per unit. The special assessment was due June 10, 2023, or in 30 quarterly installments with interest beginning July 2023. Special assessment receivable – note payable totaled \$320,354 at December 31, 2025.

4. LINE OF CREDIT

The Association established a line of credit with SmartBank for operating expense which matures July 2026. As of December 31, 2025, the line of credit totaled \$30,000.

5. INSURANCE NOTE PAYABLE

The Association financed its insurance premiums effective in October 2025, for various types of coverage excluding wind. At December 31, 2025, the Association had an outstanding balance of approximately \$60,000 due to the insurance company. The premium financing agreement requires monthly payments of \$8,565 through July 2026 and bears interest at 10%.

The Association makes installment payments for its insurance premiums effective in May 2025, for wind coverage. At December 31, 2025, the Association has an outstanding balance of

BAY POINT TURTLEGRASS VILLAS ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2025

approximately \$34,000 due to the insurance company. The agreement requires installment payments of \$11,340 through March 2026. The balance due to the insurance company and the balance financed has been netted against the prepaid insurance premiums in the accompanying balance sheet as of December 31, 2025.

6. RESERVES FOR RENEWAL AND REPLACEMENT

The Association's governing documents, Florida Statute 718.112 and Florida Administrative Code Rule 61B-22, require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate bank accounts and are generally not available for normal operating expenditures.

The Board of Directors performed a review to estimate the remaining useful lives and replacement costs of common property. The estimates were based on future estimated replacement costs. The table included in the unaudited supplementary information on future major repairs and replacements is based on this review.

For 2025 and 2026, the members voted to waive the funding of reserves. If funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available.

7. FEDERAL AND STATE INCOME TAXES

The Association has elected to be taxed as a homeowners' association for 2025. Under the election, the Association is taxed on its nonexempt function income, such as interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable. When electing to file as a homeowners association, the Association is not required to file a Florida state tax return. The Association is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles.

8. COMMITMENTS AND CONTINGENCIES

Insurance Deductibles

The insurance policy for windstorm coverage was renewed in May 2025. The policy, in the event of a hurricane, has a maximum deductible amount of approximately \$263,000, representing 3% of the insured value of the buildings, which are listed on the policies at approximately \$8,760,000 total. A deductible of \$30,000 exists for all other wind/hail events.

SUPPLEMENTARY INFORMATION

**BAY POINT TURTLEGRASS VILLAS ASSOCIATION, INC.
REQUIRED SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2025
(UNAUDITED)**

The following table is based on the Board's review of replacement costs, and presents significant information on the components of common property as of December 31, 2025:

Component	Estimated Useful Life (Years)	Remaining Useful Life (Years)	Estimated Replacement Costs	2026 Funding Requirement*	Contract Liability 12/31/2025
Roofs	20	15	\$ 709,600		
Painting	10	5	293,760		
Paving	20	0	151,270		
Pier	10	4	104,000		
Total components			<u>\$ 1,258,630</u>	<u>\$ 114,898</u>	<u>\$ -</u>

**Membership voted to waive funding for 2026.*

See independent auditors' report.