

Le Ciel Venetian Tower Association, Inc.

Financial Statements

December 31, 2021

Le Ciel Venetian Tower Association, Inc.

Financial Statements

December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Le Ciel Venetian Tower Association, Inc.
Naples, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Le Ciel Venetian Tower Association, Inc., which comprise the Balance Sheet as of December 31, 2021, and the related Statement of Revenues, Expenses and Changes in Fund Balance, and Cash Flows for the year then ended, and the related Notes to the Financial Statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Le Ciel Venetian Tower Association, Inc. as of December 31, 2021, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information contained in Schedule of Operating Expenses, 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, 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Master And Company, P.A.

Sunny Isles Beach, FL

March 18, 2022

Le Ciel Venetian Tower Association, Inc.

Balance Sheet

December 31, 2021

| | Operating Fund | Replacement Fund | Total |
|---|-------------------|---------------------|---------------------|
| Assets | | | |
| Cash and Cash Equivalents | \$ 274,329 | \$ 1,236,618 | \$ 1,510,947 |
| Prepaid Insurance | 36,031 | - | 36,031 |
| Prepaid Expenses | <u>17,098</u> | <u>-</u> | <u>17,098</u> |
| Total Assets | <u>\$ 327,458</u> | <u>\$ 1,236,618</u> | <u>\$ 1,564,076</u> |
| Liabilities and Fund Balance | | | |
| Liabilities | | | |
| Accounts Payable and Accrued Expenses | \$ 15,495 | \$ - | \$ 15,495 |
| Prepaid Assessments | 191,474 | - | 191,474 |
| Deferred Maintenance Assessments Income | <u>-</u> | <u>991,582</u> | <u>991,582</u> |
| Total Liabilities | 206,969 | 991,582 | 1,198,551 |
| Fund Balance | <u>120,489</u> | <u>245,036</u> | <u>365,525</u> |
| Total Liabilities and Fund Balance | <u>\$ 327,458</u> | <u>\$ 1,236,618</u> | <u>\$ 1,564,076</u> |

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

Le Ciel Venetian Tower Association, Inc.
Statement of Revenues, Expenses and Changes in Fund Balance
For the Year Ended December 31, 2021

| | Operating Fund | Replacement Fund | Total |
|---|-------------------|---------------------|-------------------|
| Revenues | | | |
| Maintenance Assessments | \$ 1,424,592 | \$ 60,397 | \$ 1,484,989 |
| Interest | 246 | 1,517 | 1,763 |
| Cable Assessments | 74,500 | - | 74,500 |
| Guest Suites | 21,215 | - | 21,215 |
| Other | <u>6,562</u> | <u>-</u> | <u>6,562</u> |
| Total Revenues | <u>1,527,115</u> | <u>61,914</u> | <u>1,589,029</u> |
| Expenses | | | |
| Administration | 40,269 | - | 40,269 |
| Building | 182,808 | - | 182,808 |
| Grounds | 29,130 | - | 29,130 |
| Insurance | 269,608 | - | 269,608 |
| Master Common Fees | 8,358 | - | 8,358 |
| Personnel | 659,136 | - | 659,136 |
| Recreation | 33,016 | - | 33,016 |
| Utilities | 238,876 | - | 238,876 |
| Reserve Expenditures | <u>-</u> | <u>60,397</u> | <u>60,397</u> |
| Total Expenses | <u>1,461,201</u> | <u>60,397</u> | <u>1,521,598</u> |
| Excess of Revenues Over Expenses | 65,914 | 1,517 | 67,431 |
| Fund Balance - Beginning of Year | <u>54,575</u> | <u>243,519</u> | <u>298,094</u> |
| Fund Balance - End of Year | <u>\$ 120,489</u> | <u>\$ 245,036</u> | <u>\$ 365,525</u> |

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

Le Ciel Venetian Tower Association, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2021

| | Operating Fund | Replacement Fund | Total |
|---|-------------------|---------------------|---------------------|
| Cash Flows from Operating Activities | | | |
| Excess of Revenues Over Expenses | \$ 65,914 | \$ 1,517 | \$ 67,431 |
| Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities: | | | |
| (Increase) in: | | | |
| Prepaid Insurance | (8,861) | - | (8,861) |
| Prepaid Expenses | (5,057) | - | (5,057) |
| Increase (Decrease) in: | | | |
| Accounts Payable and Accrued Expenses | (29,906) | - | (29,906) |
| Prepaid Assessments | 98,062 | - | 98,062 |
| Deferred Maintenance Assessments Income | <u>-</u> | <u>389,603</u> | <u>389,603</u> |
| Net Cash Provided by Operating Activities | <u>120,152</u> | <u>391,120</u> | <u>511,272</u> |
| Net Increase in Cash and Cash Equivalents | 120,152 | 391,120 | 511,272 |
| Cash and Cash Equivalents - Beginning of Year | <u>154,177</u> | <u>845,498</u> | <u>999,675</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 274,329</u> | <u>\$ 1,236,618</u> | <u>\$ 1,510,947</u> |

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

Le Ciel Venetian Tower Association, Inc.

Notes to the Financial Statements

December 31, 2021

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization – Le Ciel Venetian Tower Association, Inc. (Association) is a statutory condominium association incorporated as a not-for-profit corporation in the State of Florida in 1992 for the purposes of maintaining and preserving the common property. The Association consists of 86 residential condominium units and 2 guest suites.
2. Fund Accounting – The Association uses fund accounting which requires that funds such as the operating fund and the fund designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors and property manager. Disbursements from the replacement fund may be made only for their designated purposes.
3. Use of Estimates in the Preparation of Financial Statement – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
4. Member Assessments – Member assessments are billed quarterly based upon their proportionate share of ownership and based upon estimates of amounts necessary to provide funds for the Association's operating expenses and future major repairs and replacements. Maintenance assessment income 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 maintenance fees are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement reserve fund assessments are satisfied when these funds are expended for their designated purpose. Any excess assessments at year end are retained by the Association for reduction of member assessments in future years. Assessments received in advance of the period for which they are assessed are reported as prepaid assessments on the balance sheet. Assessments receivable represents the outstanding balance due from the unit owners and are stated at the amounts expected to be collected. It is the Association's policy to retain legal counsel and place liens on the units of members whose assessments are delinquent. As of December 31, 2021, no allowance for doubtful accounts has been established.
5. Deferred Maintenance Assessments Liability – The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (deferred maintenance assessments income - replacement reserve fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve maintenance fees.
6. Interest Income – The Board of Directors' policy is to allocate to the operating and replacement funds all interest earned on their respective cash accounts.
7. Income Taxes – For tax year 2021, the Association plans to elect to file as a homeowners' association in accordance with Internal Revenue Service Code section 528. Under this section, the Association excludes from taxation exempt function income, which generally consists of revenue from assessments to owners. The Association's investment income and other nonexempt income are subject to tax at a rate of 30%, net of any applicable expenses.
8. Concentration of Credit Risk – Financial instruments which potentially subject the Association to concentrations of credit risk are primarily cash and cash equivalents and assessments receivable. The Federal Deposit Insurance Corporation ("FDIC") insures institutions up to \$250,000 per depositor. The Association has not experienced losses related to these investments. The Association believes it is not exposed to any significant credit risk on cash and cash equivalents and member assessments receivable.

Le Ciel Venetian Tower Association, Inc.

Notes to the Financial Statements

December 31, 2021

NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Recognition of Assets – 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.
10. Cash and Cash Equivalents – For purposes of the December 31, 2021 balance sheet and statement of cash flows for the year then ended, the Association considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.
11. Fair Value of Financial Instruments – The carrying values of financial instruments, including cash, accounts receivable, accounts payable, and accrued expenses approximate fair value due to the short maturity of these instruments. The carrying value of short and long-term debt approximate fair value based on discounting the projected cash flows using market rates available for similar maturities. None of the financial instruments are held for trading purposes.
12. Comprehensive Income - ASC 220 (formerly SFAS No. 130) requires “a full set of general-purpose financial statements to be expanded to include the reporting of comprehensive income.” Comprehensive income is comprised of two components, net income and other comprehensive income. For the year ended December 31, 2021, there were no items that qualify as comprehensive income.

NOTE B – REPLACEMENT FUND

The Association's governing documents and Florida statutes require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations.

The Board of Directors had a reserve study update conducted by professional engineers in 2021 to estimate the remaining useful lives and the replacement costs of the components 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 the study.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of future replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of \$481,957 has been included in the 2022 budget to partially fund the replacement fund.

Funds are being accumulated in the replacement fund based on estimated future costs for repairs and replacements of common property components. Actual expenditures and investment income may vary from the estimated amounts, 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, or delay major repairs and replacements until funds are available.

The Association adopted the pooling method to accumulate funds for future major repairs and replacements.

Le Ciel Venetian Tower Association, Inc.

Notes to the Financial Statements

December 31, 2021

NOTE B – REPLACEMENT FUND (continued)

The activity in the replacement fund was as follows:

| Components | Balance 1/1/2021 | Additions | Expenditures | Transfers | Balance 12/31/2021 |
|--------------|---------------------|-------------------|--------------------|-------------|-----------------------|
| Pooled | \$ 845,498 | \$ 451,517 | \$ (60,397) | \$ - | \$ 1,236,618 |
| Total | <u>\$ 845,498</u> | <u>\$ 451,517</u> | <u>\$ (60,397)</u> | <u>\$ -</u> | <u>\$ 1,236,618</u> |

Pooled reserve fund expenditures for the year ended December 31, 2021 consisted solely of roofing expenditures.

NOTE C – UNCERTAINTIES FOR INCOME TAXES

Under federal and state income tax laws, an entity's income tax returns are subject to examination by the applicable taxing authorities. The Association has no income tax returns under examination by the Internal Revenue Service. However, the Association's Federal Income tax returns for 2019, 2020 and 2021 are subject to examination, generally for three years after they are filed.

NOTE D – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 18, 2022, the date that the financial statements were available to be issued.

NOTE E – COMMITMENTS

The Association has contracted with several vendors for various services to maintain the common property related to certain administration and building operations and maintenance expenses. These contracts are approved, as necessary, by the Board of Directors. Each contract has varying expiration dates, renewals and terms.

NOTE F – CONTINGENCIES

Insurance

Common property of the Association is located in South Florida, an area proven geographically prone to hurricanes. The Association's insurance policies define deductibles and exclusions which will yield uncovered costs if common property damage claims occur. If additional funds are needed to replace or repair association property, the Association has the right, subject to governing documents, to increase regular assessments, pass special assessments, borrow funds or delay repairs and replacements until funds are available.

Legal

The Association is periodically subject to complaints and claims, including litigation, arising in the ordinary course of business. Management believes that none of the claims and complaints of which it is currently aware will materially affect its business, financial position, or future operating results.

Le Ciel Venetian Tower Association, Inc.
Notes to the Financial Statements
December 31, 2021

NOTE G – CREDIT CARDS

The Association maintains active credit cards. All cash back earned is deposited into the operating bank account and used for Association purchases. The credit card active at December 31, 2021 consisted of:

| Provider | Credit Limit | 12/31/2021 Balance |
|-----------------|---------------------|-------------------------------|
| Home Depot | \$ 4,000 | \$ 110 |
| Visa | 46,000 | 4,963 |
| Total | \$ 50,000 | \$ 5,073 |

Supplementary Information

Le Ciel Venetian Tower Association, Inc.

Schedule of Operating Expenses

For the Year Ended December 31, 2021

Administration

| | |
|-------------------------------|---------------|
| Accounting | \$ 11,794 |
| Cell Phone Allowance | 720 |
| Employee Training | 2,912 |
| Legal Fees | 3,913 |
| Licenses and Permits | 2,626 |
| Office Equipment | 834 |
| Office Expense | 10,045 |
| Reserve Study Capital Plan | 7,303 |
| Social Committee and Meetings | <u>122</u> |
| Total Administration | <u>40,269</u> |

Le Ciel Venetian Tower Association, Inc.

Schedule of Operating Expenses

For the Year Ended December 31, 2021

Building

| | |
|---------------------------------------|----------------|
| AC Repair, Filters and Etcetera | 1,267 |
| Car Wash | 176 |
| Carpet and Marble Cleaning | 885 |
| Contingency | 16,363 |
| Cooling Tower Pipe and Acid Wash | 2,265 |
| Cooling Towers | 9,187 |
| Door Locks and Keys | 1,508 |
| Electrical Repair | 1,300 |
| Elevators | 17,708 |
| Emergency Systems | 7,950 |
| Fogged Glass Replacement | 37,535 |
| Garage and Automatic | 4,381 |
| Generator | 3,144 |
| Guest Suite Expense | 1,573 |
| Holiday Decoration | 8,426 |
| Housekeeping Supplies | 5,986 |
| Interior Plants | 4,635 |
| Maintenance Supplies | 15,301 |
| Painting and Drywall Repair | 912 |
| Pest Control | 2,510 |
| Plumbing | 6,624 |
| Radiator On Generator | 9,014 |
| Repack Fire Pump and Fire Line Repair | 3,998 |
| Repair Service Elevator Floor | 1,050 |
| Security Equipment and Cameras | 171 |
| Spare AC Units | 1,584 |
| Steam and Sauna | 220 |
| Trash or Ecolo Odor Control | 1,298 |
| Water Detection System | 4,357 |
| Window Cleaning | <u>11,480</u> |
| Total Building | <u>182,808</u> |

Le Ciel Venetian Tower Association, Inc.

Schedule of Operating Expenses For the Year Ended December 31, 2021

Grounds

| | |
|-----------------------|---------------|
| BBQ Grill | 102 |
| Irrigation | 4,995 |
| Landscape Contract | 11,100 |
| Replacement Plantings | <u>12,933</u> |
| Total Grounds | <u>29,130</u> |

Insurance

| | |
|-----------------|----------------|
| Casualty | 218,888 |
| Excess Flood | 34,358 |
| Flood | <u>16,362</u> |
| Total Insurance | <u>269,608</u> |

Common Area R

8,358

Personnel

| | |
|-------------------|----------------|
| Employee Benefits | 53,946 |
| Taxes and Fees | 79,313 |
| Total Wages | 525,834 |
| Uniforms | <u>43</u> |
| Total Personnel | <u>659,136</u> |

Recreation

| | |
|--------------------|---------------|
| Exercise Equipment | 2,549 |
| Pool Maintenance | 8,946 |
| Tennis Courts | <u>21,521</u> |
| Total Recreation | <u>33,016</u> |

Utilities

| | |
|------------------|----------------|
| Cable Television | 74,507 |
| Electric | 89,336 |
| Natural Gas | 1,085 |
| Telephone | 6,246 |
| Water and Sewer | <u>67,702</u> |
| Total Utilities | <u>238,876</u> |

Total Operating Expenses \$ 1,461,201

Le Ciel Venetian Tower Association, Inc.
Supplementary Information on Future Major Repairs and Replacements
December 31, 2021
(Unaudited)

The board of directors had a reserve study update conducted by professional engineers during 2021 to estimate the remaining useful lives and the replacement cost of the components of common property. The following table is based on those estimates and presents significant information about the components of common property:

| Component | Estimated Remaining Useful Life | Estimated Replacement Cost | Funds Set Aside as of 12/31/2021 |
|-------------------------------|---------------------------------------|----------------------------------|--|
| Fire Safety and Security | 0-2 | \$ 315,000 | \$ - |
| Interior Renovation and Decor | 0-15 | 2,996,968 | - |
| Mechanical and Electrical | 2-28 | 1,400,400 | - |
| Painting and Waterproofing | 0-17 | 615,324 | - |
| Pavement | 0-6 | 166,641 | - |
| Plumbing | 2-15 | 1,145,001 | - |
| Pool and Spa | 3-18 | 106,457 | - |
| Railing | 0 | 45,265 | - |
| Roofing | 14-28 | 1,377,500 | - |
| Pooled | | <u>-</u> | <u>1,236,618</u> |
| Total | | <u>\$ 8,168,556</u> | <u>\$ 1,236,618</u> |