

SEASIDE BEACH & RACQUET CLUB ASSOCIATION, INC.

ORANGE BEACH, ALABAMA

FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

SEASIDE BEACH & RACQUET CLUB ASSOCIATION, INC.

ORANGE BEACH, ALABAMA

DECEMBER 31, 2024 AND 2023

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Gruenloh  Matz  
& ASSOCIATES  
Certified Public Accountants



American Institute  
of  
Certified Public Accountants

Alabama Society  
of  
Certified Public Accountants

Florida Institute  
of  
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Wayne A. Gruenloh, CPA, LUTCF  
Collena Matz, CPA, MBA

Beverly Baker, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Seaside Beach & Racquet Club Association, Inc.  
Orange Beach, Alabama

**Opinion**

We have audited the accompanying financial statements of Seaside Beach & Racquet Club Association, Inc., which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of revenues and expenses, changes in fund balances and cash flows for the years 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 Seaside Beach & Racquet Club Association, Inc. as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in conformity 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 Seaside Beach & Racquet Club 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 Seaside Beach & Racquet Club 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.

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### ***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 Seaside Beach & Racquet Club 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 Seaside Beach & Racquet Club 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 Comparison of Budget to Actual Operations – Operating and Reserve Fund 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 Schedule of Future Major Repairs and Replacements (Unaudited) on page 20 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.

*Gruenloh Matz & Associates P.C.*

Gruenloh, Matz & Associates, P.C.  
Robertsdale, Alabama  
March 31, 2025

FINANCIAL STATEMENTS

## SEASIDE BEACH &amp; RACQUET CLUB ASSOCIATION, INC.

## BALANCE SHEETS

DECEMBER 31, 2024 AND 2023

	2024			2023		
	Operating Fund	Reserve Fund	Total	Operating Fund	Reserve Fund	Total
ASSETS						
Current Assets						
Cash	\$ 625,762	\$ 399,141	\$ 1,024,903	\$ 583,370	\$ 89,549	\$ 672,919
Cash - contingency fund	-	99,886	99,886	-	75,666	75,666
Assessments receivable	2,067	-	2,067	9,767	-	9,767
Special assessments receivable	1,471,517	-	1,471,517	389	-	389
Prepaid insurance	513,913	-	513,913	619,598	-	619,598
Prepaid tax	505	-	505	-	-	-
Due from operating fund	-	450,045	450,045	-	650,045	650,045
Total current assets	<u>2,613,764</u>	<u>949,072</u>	<u>3,562,836</u>	<u>1,213,124</u>	<u>815,260</u>	<u>2,028,384</u>
Property & equipment (net of depreciation)	<u>158,881</u>	<u>-</u>	<u>158,881</u>	<u>164,179</u>	<u>-</u>	<u>164,179</u>
Total assets	<u>\$ 2,772,645</u>	<u>\$ 949,072</u>	<u>\$ 3,721,717</u>	<u>\$ 1,377,303</u>	<u>\$ 815,260</u>	<u>\$ 2,192,563</u>
LIABILITIES AND FUND BALANCE						
Current liabilities						
Accounts payable	\$ 71,456	\$ -	\$ 71,456	\$ 37,377	\$ -	\$ 37,377
Accrued interest payable	-	-	-	11,312	-	11,312
Tax payable	114	-	114	-	-	-
Prepaid owner assessments	43,236	-	43,236	112,439	-	112,439
Prepaid rental income	2,752	-	2,752	-	-	-
Deferred revenue - insurance assessment	1,804,888	-	1,804,888	459,121	-	459,121
Current maturities - note payable - SBA	-	-	-	59,154	-	59,154
Line of credit - ServisFirst	-	-	-	1,370,191	-	1,370,191
Due to reserve fund	450,045	-	450,045	650,045	-	650,045
Total current liabilities	<u>2,372,491</u>	<u>-</u>	<u>2,372,491</u>	<u>2,699,639</u>	<u>-</u>	<u>2,699,639</u>
Long-term liabilities						
Performance obligations	-	943,820	943,820	-	811,820	811,820
Note payable - SBA	-	-	-	620,684	-	620,684
Total long-term liabilities	<u>-</u>	<u>943,820</u>	<u>943,820</u>	<u>620,684</u>	<u>811,820</u>	<u>1,432,504</u>
Total liabilities	<u>2,372,491</u>	<u>943,820</u>	<u>3,316,311</u>	<u>3,320,323</u>	<u>811,820</u>	<u>4,132,143</u>
Fund balance (deficit)	<u>400,154</u>	<u>5,252</u>	<u>405,406</u>	<u>(1,943,020)</u>	<u>3,440</u>	<u>(1,939,580)</u>
Total liabilities and fund balance	<u>\$ 2,772,645</u>	<u>\$ 949,072</u>	<u>\$ 3,721,717</u>	<u>\$ 1,377,303</u>	<u>\$ 815,260</u>	<u>\$ 2,192,563</u>

See independent auditor's report and notes to the financial statements.

SEASIDE BEACH & RACQUET CLUB ASSOCIATION, INC.

STATEMENTS OF REVENUES AND EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024			2023		
	Operating Fund	Reserve Fund	Total	Operating Fund	Reserve Fund	Total
<b>Revenues</b>						
Monthly assessments	\$ 1,302,591	\$ -	\$ 1,302,591	\$ 1,302,591	\$ -	\$ 1,302,591
Special assessments -						
Loan	1,253,219	-	1,253,219	-	-	-
Turtle lights	-	-	-	29,650	-	29,650
Insurance	1,668,489	-	1,668,489	1,779,407	-	1,779,407
Late fees and finance charges	8,904	-	8,904	8,696	-	8,696
Vending and beach concessions	22,970	-	22,970	23,958	-	23,958
Antenna rent	10,117	-	10,117	10,117	-	10,117
Rental income	27,718	-	27,718	27,302	-	27,302
Registration certificate income	323,540	-	323,540	345,994	-	345,994
Insurance claim proceeds	1,250,000	-	1,250,000	-	-	-
Transfer of ownership fees	3,750	-	3,750	6,750	-	6,750
Interest income	5,542	1,812	7,354	3,909	912	4,821
Other income	9,030	-	9,030	3,976	-	3,976
Total revenues	<u>5,885,870</u>	<u>1,812</u>	<u>5,887,682</u>	<u>3,542,350</u>	<u>912</u>	<u>3,543,262</u>
<b>Expenses</b>						
Administrative	176,009	-	176,009	242,089	-	242,089
Management	30,961	-	30,961	66,246	-	66,246
Maintenance	599,916	-	599,916	666,172	-	666,172
Storm expenses	385,934	-	385,934	8,203	-	8,203
Insurance	1,668,489	-	1,668,489	1,779,407	-	1,779,407
Security	136,550	-	136,550	131,328	-	131,328
Utilities	369,432	-	369,432	354,623	-	354,623
General taxes and licenses	4,666	-	4,666	5,279	-	5,279
Payroll expenses	28,875	-	28,875	-	-	-
Total expenses	<u>3,400,832</u>	<u>-</u>	<u>3,400,832</u>	<u>3,253,347</u>	<u>-</u>	<u>3,253,347</u>
<b>Revenues over expenses</b>						
Before depreciation	2,485,038	1,812	2,486,850	289,003	912	289,915
Less depreciation	<u>9,864</u>	<u>-</u>	<u>9,864</u>	<u>9,517</u>	<u>-</u>	<u>9,517</u>
Revenues over expenses	<u>\$ 2,475,174</u>	<u>\$ 1,812</u>	<u>\$ 2,476,986</u>	<u>\$ 279,486</u>	<u>\$ 912</u>	<u>\$ 280,398</u>

See independent auditor's report and notes to the financial statements.

SEASIDE BEACH & RACQUET CLUB ASSOCIATION, INC.

STATEMENTS OF CHANGES IN FUND BALANCES

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024			2023		
	Operating Fund	Reserve Fund	Total	Operating Fund	Reserve Fund	Total
Fund balances (deficit) at beginning of year	\$ (1,943,020)	\$ 3,440	\$ (1,939,580)	\$ (2,090,506)	\$ 2,528	\$ (2,087,978)
Excess of revenues over expenses	2,475,174	1,812	2,476,986	279,486	912	280,398
Transfers to performance obligations - reserves	(132,000)	-	(132,000)	(132,000)	-	(132,000)
Fund balances (deficit) at end of year	<u>\$ 400,154</u>	<u>\$ 5,252</u>	<u>\$ 405,406</u>	<u>\$ (1,943,020)</u>	<u>\$ 3,440</u>	<u>\$ (1,939,580)</u>

See independent auditor's report and notes to the financial statements.

## SEASIDE BEACH &amp; RACQUET CLUB ASSOCIATION, INC.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024			2023		
	Operating Fund	Reserve Fund	Total	Operating Fund	Reserve Fund	Total
Cash flows from operating activities:						
Net revenues over (under) expenses	\$ 2,475,174	\$ 1,812	\$ 2,476,986	\$ 279,486	\$ 912	\$ 280,398
Non-cash items included in operations -						
Depreciation	9,864	-	9,864	9,517	-	9,517
(Increase) decrease in assets:						
Assessments receivable	7,700	-	7,700	(879)	-	(879)
Insurance assessment receivable	(1,471,128)	-	(1,471,128)	141,639	-	141,639
Insurance proceeds receivable	-	-	-	1,553,345	-	1,553,345
Prepaid insurance	105,685	-	105,685	(105,204)	-	(105,204)
Prepaid tax	(505)	-	(505)	-	-	-
Due from operating fund	-	200,000	200,000	-	(200,000)	(200,000)
Increase (decrease) in liabilities:						
Accounts payable	34,079	-	34,079	(24,438)	-	(24,438)
Accrued interest payable	(11,312)	-	(11,312)	(125,590)	-	(125,590)
Tax payable	114	-	114	-	-	-
Performance obligations	-	132,000	132,000	-	132,000	132,000
Deferred special assessment	1,345,767	-	1,345,767	69,178	-	69,178
Due to reserve fund	(200,000)	-	(200,000)	200,000	-	200,000
Prepaid rental income	2,752	-	2,752	-	-	-
Prepaid owner assessments	(69,203)	-	(69,203)	62,282	-	62,282
Net cash provided (used) by operating activities	<u>2,228,987</u>	<u>333,812</u>	<u>2,562,799</u>	<u>2,059,336</u>	<u>(67,088)</u>	<u>1,992,248</u>
Cash flows from investing activities:						
Purchase of equipment and furniture	(4,566)	-	(4,566)	(669)	-	(669)
Net cash provided (used) by investing activities	<u>(4,566)</u>	<u>-</u>	<u>(4,566)</u>	<u>(669)</u>	<u>-</u>	<u>(669)</u>
Cash flows from financing activities:						
Proceeds from lines of credit - net of repayments	(1,370,191)	-	(1,370,191)	(1,615,899)	-	(1,615,899)
Principal payment of debt	(679,838)	-	(679,838)	(70,271)	-	(70,271)
Transfers - net	(132,000)	-	(132,000)	(132,000)	-	(132,000)
Net cash provided (used) by financing activities	<u>(2,182,029)</u>	<u>-</u>	<u>(2,182,029)</u>	<u>(1,818,170)</u>	<u>-</u>	<u>(1,818,170)</u>
Increase in cash	42,392	333,812	376,204	240,497	(67,088)	173,409
Cash balance at beginning of year	<u>583,370</u>	<u>165,215</u>	<u>748,585</u>	<u>342,873</u>	<u>232,303</u>	<u>575,176</u>
Cash balance at end of year	<u>\$ 625,762</u>	<u>\$ 499,027</u>	<u>\$ 1,124,789</u>	<u>\$ 583,370</u>	<u>\$ 165,215</u>	<u>\$ 748,585</u>
Supplemental disclosure:						
Interest paid	\$ 108,519			\$ 287,537		
Income taxes	\$ 1,480			\$ -		

See independent auditor's report and notes to the financial statements.

SEASIDE BEACH & RACQUET CLUB ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

NOTE 1 NATURE OF BUSINESS

Seaside Beach & Racquet Club Association, Inc. was incorporated under the Laws of the State of Alabama on June 29, 1984, as a not-for-profit corporation for the operation, management, maintenance and control of Seaside Beach and Racquet Club, Inc., a Condominium, in Orange Beach, Alabama.

The Association membership consists of the individual owners of the 193 units.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association prepares its financial statements on the accrual basis of accounting. The Association uses the fund method of accounting, which requires that funds, such as Association operating funds and funds for future major repairs and replacements (reserve fund), be classified separately for accounting and reporting purposes. Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the operating funds are generally at the discretion of the Board of Directors and property manager. Disbursements from the reserve fund may be made only for their designated purposes, unless otherwise approved by the owners in accordance with the bylaws. The financial statements presented herein reflect the financial position and results of operations and cash flows of the Association's operating fund and reserve fund. Other funds will be implemented as the need arises to reflect the assets, liabilities and transactions specifically directed to or by those particular funds.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

Contract Management

In June 2022, the Association engaged Global Security Group, Inc. to provide property management services. This contract was set to renew in August 2023, with weekly amounts of \$1,346 due in advance. However, it was not signed until December 2023 and new rates were not in effect until January 2024. In June 22, 2024, the Association hired Kerri Thompson as property manager, with monthly salary of \$4,833.

Rental Program

Owners are free to choose any rental management group or to rent their units themselves. No management group has exclusive rights to the rental program.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Association considers all certificates of deposits with a maturity of three months or less to be cash equivalents.

(continued)

SEASIDE BEACH & RACQUET CLUB ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assessments Receivable

Condominium unit owners are assessed a pro-rata share of the cost of maintenance, operations, administration, insurance, utilities, security, and other costs related to common use of condominium facilities and services, as provided by the Declaration of Condominium and the Bylaws.

Generally accepted accounting principles require an allowance for doubtful accounts. Condominium associations have the right to make assessments against unit owners for the operation, administration and maintenance of the condominiums and any unpaid assessments become (by law) a lien against the property. Therefore, bad debts occur infrequently and are recognized by the Board when specific evidence of non-collectability is presented. The Association wrote off \$2,328 and \$0 of bad debt in 2024 and 2023, respectively.

Common Elements

The unit owners each have an undivided ownership interest in the common elements (i.e. roof, hallways, elevators, recreation facilities, swimming pools, parking lots, garages, etc.) and these are not deemed to be severable. Accordingly, such common elements are not capitalized and not reflected in these financial statements. Replacements and improvements to common property are not capitalized because their disposition is restricted.

Capitalization Policy

Equipment acquired by expenditure of Association funds is capitalized at its purchase price. Personal property and equipment contributed by the developer is capitalized at its fair market value on the date contributed.

Depreciation

Equipment is being depreciated over a 5-7 year period; the estimated useful life of the property, using the double declining balance method provided for under the modified accelerated cost recovery system. These assets will depreciate and require replacement.

Revenue Recognition & Performance Obligations

Regular assessments are recognized as revenue during the period for which they are assessed. Assessments received in advance of this period are reported as prepaid owner assessments in the liability section on the balance sheet.

The Association recognizes reserve fund revenue and special assessment revenue from members as the related performance obligations are satisfied. A contract liability (performance obligation) is recorded when the Association has the right to receive payment in advance of satisfaction of performance obligations related to the reserve fund and special assessments. The balance of performance obligations in the reserve fund as of the beginning and end of fiscal year 2024 were \$811,820 and \$943,820, respectively. The balance of performance obligations in the reserve fund as of the beginning and end of fiscal year 2023 were \$679,820 and \$811,820, respectively.

It is the Association's policy to release performance obligations as funds are expended for special assessment expenditures or reserve expenditures after expending accumulated investment earnings.

SEASIDE BEACH & RACQUET CLUB ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

NOTE 3 ASSESSMENTS RECEIVABLE

Assessments receivable consisted of the following:

	<u>2024</u>	<u>2023</u>
Monthly Assessments	\$ 2,067	\$ 9,767
Special Assessment - Insurance	1,377,187	389
Special Assessment - Loan	94,330	-
	<u>\$ 1,473,584</u>	<u>\$ 10,156</u>

NOTE 4 INSURANCE

At December 31, 2024, the Association had insurance policies in force which included the following coverage:

<u>Policy</u>	<u>Policy Period</u>	<u>Coverage</u>
General liability	4/30/2024 - 2025	\$ 2,000,000
Property	4/30/2024 - 2025	32,411,938
Flood	4/30/2024 - 2025	33,903,000
Umbrella	4/30/2024 - 2025	25,000,000
Crime	4/30/2024 - 2025	400,000
Equipment breakdown	4/30/2024 - 2025	32,411,938
Directors & officers liab.	4/30/2024 - 2025	1,000,000
Worker's Compensation	6/17/2024 - 2025	500,000

Prepaid insurance on the balance sheets represents the portion of insurance premiums which had not been used based on a pro-rata daily allocation of the premiums for the periods covered.

NOTE 5 OWNERS' ASSESSMENTS

The monthly assessment for each unit for the years ended December 31, 2024 and 2023 is as follows:

		<u>2024</u>	<u>2023</u>
Phase I & II	1 bedroom	\$ 320	\$ 320
Phase I & II	2 bedroom	400	400
Phase I & II	3 bedroom	480	480
Phase III, IV & V	1 bedroom	480	480
Phase III, IV & V	2 bedroom	600	600
Phase III, IV & V	3 bedroom	720	720

SEASIDE BEACH & RACQUET CLUB ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Commercial units	\$ 270,993	\$ 270,993
Guard House	11,047	11,047
Furniture	48,691	44,125
Equipment	<u>36,578</u>	<u>36,578</u>
Total Property and Equipment	367,309	362,743
Less accumulated depreciation	<u>(208,428)</u>	<u>(198,564)</u>
Property and equipment - net of depreciation	<u>\$ 158,881</u>	<u>\$ 164,179</u>

NOTE 7 NOTES PAYABLE

Notes payable consisted of the following:

	<u>2024</u>	<u>2023</u>
Small Business Administration Loan, 2.90% interest, note payable due in monthly installments of \$6,537 principal & interest, maturing February 22, 2034. Secured by a general security interest in the assets of the Association.	\$ -	\$ 679,838
Total notes payable	-	679,838
Less current maturities	<u>-</u>	<u>(59,154)</u>
Long-term notes payable	<u>\$ -</u>	<u>\$ 620,684</u>

In April 2022, the Association renewed the revolving line of credit with ServisFirst Bank. The \$3,000,000 line of credit has a 9.50% interest rate as of December 31, 2023, and matures in April 2024. In June 2024, the Association renewed its existing line of credit with ServisFirst Bank. The \$3,000,000 line of credit has a 9.50% interest rate as of December 31, 2024, and matures in June 2024. As of December 31, 2023, the line of credit had a balance of \$1,370,191, leaving \$1,629,809 available to draw from. On October 7, 2024, the Association made a final payment of \$445,380 to pay the balance off.

(continued)

SEASIDE BEACH & RACQUET CLUB ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

NOTE 7 NOTES PAYABLE (CONTINUED)

In June 2021, the Association opened a line of credit with Phoenix Coatings, Inc. for the purpose of providing cash flow for Hurricane Sally and April 2021 hailstorm repairs. The \$2,000,000 line of credit has a 6% interest rate and matured in June 2023. The line of credit is secured by an assignment of the Association's special assessments and insurance proceeds related to Hurricane Sally and the April 2021 hailstorm. The Association must make minimum monthly payments of \$100,000. On January 13, 2023, the Association made a final payment of \$1,108,737 to pay the balance off.

The Association incurred interest expense of \$97,207 and \$161,947 for the years ended December 31, 2024 and 2023, respectively.

NOTE 8 RESERVES

The Association's bylaws provide that "the Association shall establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements to the common areas and those limited common areas which the Association may be obligated to maintain. This fund shall be maintained out of regular assessments for common expenses and the amount thereof shall be determined by the Board."

The reserve fund is intended to provide for the replacement of major components, required because of damage, depreciation, normal wear-out or obsolescence and for maintenance, repair and replacement of items which occur less frequently than annually, to ensure that the physical properties are preserved and operating properly. These funds should be held in a separate account to be used only for replacement and improvements of common areas designated by the Board and not in the course of normal operations.

The Association's bylaws provide that "assessments for recurring common expenses shall be made... annually in advance...The Board may include a Maintenance Fund Reserve for contingencies in such assessments, and such Maintenance Fund Reserve may from time to time be increased or reduced at the discretion of the Board."

The Maintenance Fund Reserve is intended to provide funds for emergency repairs or maintenance which have not been specifically budgeted and which the Board considers necessary to reduce liability exposure to the owners or to reduce chances of further damage to property. It is not intended to be used for cosmetic or aesthetic purposes. The fund may be increased or reduced from time to time at the discretion of the Board.

Reserve funding should be based upon formulas which take into account the life expectancy and cost of replacement of depreciable items, when calculating the necessary reserve funding requirements.

The Association had an insurance appraisal prepared on March 12, 2014 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the appraisal. The Association has \$499,027 in reserve cash for future repairs and replacements. These funds are not available for operational purposes.

(continued)

SEASIDE BEACH & RACQUET CLUB ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

NOTE 8 RESERVES (CONTINUED)

The operating budget for the year ending December 31, 2024, allocated \$132,000 of the regular monthly assessments to the funding of reserves. During the prior year, \$132,000 was transferred from the operating fund to the reserve fund.

The current program may not always be sufficient to meet all future replacement costs; therefore, when replacement funds are needed, the Association has the right to increase the monthly assessments, pass special assessments, borrow funds, or delay repairs and replacements until funds are available. If the Association were to approve a special assessment or borrow funds to fully fund reserves as of December 31, 2024, the estimated amount needed would be \$12,797,528.

NOTE 9 RESTRICTED CASH

The Association maintains a separate bank account for the purpose of separating reserve and maintenance fund reserve monies from regular operating funds. The reserve funds are those specifically segregated by board member action, generally through inclusion in the approved budget.

The Association's bylaws provide that the Board may from time to time increase or reduce the maintenance reserve fund, at its discretion. See the "Reserve Account" note above for additional information.

Interest earned on reserve bank accounts is available for general fund requirements or may be used to reduce the Board's contribution to reserves, at the Board's discretion.

NOTE 10 ANNUAL BUDGET AND OWNERS' ASSESSMENTS

The Association's bylaws require the Board of Directors to adopt a budget each year for common expenses and to fund reserves.

The budget determined by the Board of Directors may not exceed 120% of the prior year's budget without the unit owners' approval in writing by a majority of the owners in accordance with the bylaws.

Assessments are made against the unit owners for their share of the budget. Such assessments are due in monthly installments.

NOTE 11 CONCENTRATION OF RISKS

The Association maintains its cash in bank deposit accounts at a local bank. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. At December 31, 2024, the Association's cash balances exceeded the FDIC coverage limit by \$1,170,209.

SEASIDE BEACH & RACQUET CLUB ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

NOTE 12 INCOME TAXES

The Association is subject to Federal and Alabama taxation and can use one of two methods to determine its tax liability. Under the first method, the excess of revenues over expenditures for the maintenance of common property is subject to federal taxation, unless excess assessments are returned to the unit owners or applied to the following year's assessments. Under the alternate method, the Association can elect to exclude from taxation its unit owners' assessments over expenditures for the maintenance of unallocated and unsegregated funds. Under either method, the Association remains taxable on its investment income and other non-exempt function income, but at different tax rates.

Under Section 277, the Association is required to separate exempt function (member) income and expenses from non-exempt function (non-member) income and expenses and, accordingly, each type of income is taxed separately. A loss generated by either function income cannot offset a profit earned by the other. However, losses are available to carry back or carryover to years which show net income within their respective categories.

In lieu of paying taxes on member net income, such income may be transferred to reserves in the current year or applied to the subsequent fiscal year's budget to reduce owner assessments.

The Association is required to pay income tax on the net non-member income. Non-member income is comprised of net rental income, rental commission income, interest income, and other miscellaneous income. Non-member expenses represent those expenses directly related to the production of the non-member income, as well as, an allocated portion of most member expense categories related to the activity.

In 2024, the Association had excess member revenues over expenses resulting in a net member gain of \$2,319,713. As of December 31, 2024, the Association has member net operating gain carryforward of \$197,787.

In 2023, the Association had excess member revenues over expenses resulting in a net member gain of \$131,300. As of December 31, 2023, the Association has member net operating losses carryforward of \$2,121,926 to benefit future years. If not used, a portion of the net operating losses carryforward will expire beginning in 2038.

In 2024, the Association had excess non-member revenues over expenses resulting in a net non-member gain of \$25,918. As of December 31, 2024, the Association has a total of non-member net operating losses carried forward of \$2,616 to benefit future tax periods. Net operating losses from 2018 onward in the amount of \$2,616 are carried forward indefinitely to offset 80% of taxable income in future periods. The Association 2024 fiscal tax year resulted in \$1,089 tax liability for Federal income taxes and \$293 tax liability for state income taxes. The Association 2023 fiscal tax year resulted in \$739 tax liability for Federal income taxes and no tax liability for State income taxes.

The Association believes they have appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Association's Federal and State tax returns are subject to examination by the IRS, generally for three years after they were filed.

SEASIDE BEACH & RACQUET CLUB ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

NOTE 13 INTERFUND BORROWINGS

In 2024, the Association approved transfers to the Reserve Fund from the Operating Fund \$200,000 to repay prior year borrowings. As of December 2024, \$450,045 was due to the Reserve Fund.

In 2023, the Association approved transfers to the Operating Fund from the Reserve fund for the payment of insurance premiums totaling \$200,000 during the year. As of December 2023, \$650,045 was due to the Reserve Fund.

NOTE 14 SPECIAL ASSESSMENTS

Loan Assessment

During the 2024 fiscal year, the board of directors approved a special assessment of \$1,253,219 to pay off the remaining balances of the Association's line of credit and Small Business Administration (SBA) loan. The special assessment amount per unit for the loan assessment ranged from \$3,694 to \$8,312. As of December 31, 2024, \$94,330 of the loan assessment has not yet been collected.

Insurance Assessments

During the 2024 fiscal year, the board of directors approved a special assessment of \$1,507,128 for insurance premiums. The special assessment amount per unit for the insurance assessment ranged from \$4,443 to \$9,996. The assessment was due on April 30, 2024. On September 9, 2024, the board of directors approved a second special assessment of \$1,507,128 for the 2025 insurance premiums. Members of the Association had the option to make payments starting on October 1, 2024, with the full amount paid by April 30, 2025. As of December 31, 2024, \$1,377,187 of insurance special assessments has not yet been collected. Due to the timing of insurance premium expenses related to the assessment, \$1,804,888 was considered deferred revenue at December 31, 2024. As additional expenses are incurred in future periods, revenue will be recognized to offset those expenses.

During the 2023 fiscal year, the board of directors approved a special assessment of \$1,848,585 for increased insurance premiums. The special assessment amount per unit for the insurance assessment ranged from \$5,440 to \$12,240. Members of the Association had the option to pay the first special assessment in one lump sum or make payments over 12 months, with the full amount paid by April 30, 2024. As of December 31, 2023, \$389 of insurance special assessments has not yet been collected. Due to the timing of insurance premium expenses related to the assessment, \$459,121 was considered deferred revenue at December 31, 2023. As additional expenses are incurred in future periods, revenue will be recognized to offset those expenses.

Turtle Assessment

During the 2023 fiscal year, the board of directors approved a special assessment of \$29,650 for the installation of turtle friendly balcony lights to be in compliance with the Turtle Ordinance.

SEASIDE BEACH & RACQUET CLUB ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

NOTE 15 HURRICANE SALLY & HAILSTORM

Hurricane Sally was a destructive Atlantic hurricane that made landfall in Gulf Shores, Alabama as a Category 2 hurricane on September 16, 2020. The storm caused damage to the property and equipment owned by the Association and also caused damage to the common areas that belong to the owners. The Association is responsible for maintaining its property and equipment as well as the common areas.

On April 10, 2021, a severe thunderstorm produced large hail that caused damage to the property and equipment owned by the Association and also caused damage to the common areas that belong to the owners. The Association is responsible for maintaining its property and equipment as well as the common areas.

The Association had in place a contract with Phoenix Coatings, Inc. to provide services to repair, restore, and rebuild owners' buildings, facilities, and improvements damaged by storm, hurricane, tidal surge, water spout, tornado, or other weather events to its original condition. Expenses totaling \$122,568 related to the contract for 2023. See Note 7 for more information related to the line of credit with Phoenix Coatings, Inc.

Cumulative expenses related to both storms, including legal fees, as of December 31, 2024, were \$11,439,808. Cumulative insurance proceeds and special assessments related to the storms as of December 31, 2024, were \$9,815,049. See Note 19 for more information related to insurance matters regarding both storms.

NOTE 16 RENTAL PROGRAM

The Association owns one unit that is available for rent. The Association uses a separate bank account for cash receipts and disbursements related to the rental program. The Association recognizes income from the rental program as rental contracts are fulfilled. At December 31, 2024 and 2023, the Association recognized \$29,970 and \$21,822, respectively, in rental income that related to the rental program and \$6,821 and \$5,662, respectively, in rental unit expenses which are included as part of maintenance expenses on the statements of revenues and expenses.

NOTE 17 RELATED PARTY TRANSACTIONS

On February 1, 2023, Triple P Corporation was hired as the maintenance manager for the Association. A member of the Association's board of directors is a member of the management for this corporation. In 2024, the Association recognized and paid \$66,294 to the corporation, and \$5,883 were due to the corporation as of December 31, 2024. In 2023, the Association recognized and paid \$132,728 to the corporation, and no amounts were due to the corporation as of December 31, 2023.

SEASIDE BEACH & RACQUET CLUB ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

NOTE 18 CONTRACT BALANCES

The timing of revenue recognition, billings, and cash collections related to owner monthly and special assessments resulted in prepaid assessments, deferred assessments, and performance obligations on the balance sheet as of December 31, 2024 and 2023.

The beginning and ending contract balances were as follows for the years ended December 31, 2024 and 2023.

	December 31		January 1
	2024	2023	2023
Contract assets:			
Assessments receivable	\$ 2,067	\$ 9,767	\$ 8,888
Special assessments receivable	1,471,517	389	142,028
Insurance proceeds receivable	-	-	1,553,345
Contract liabilities:			
Prepaid assessments	43,236	112,439	50,157
Prepaid rental income	2,752	-	-
Performance obligations	943,820	811,820	679,820
Deferred revenue - insurance assessment	1,804,888	459,121	389,943

NOTE 19 INSURANCE MATTERS REGARDING HURRICANE SALLY & HAILSTORM

In April 2021, the Association engaged an attorney for the purpose of contesting the insurance company's assessment of damages and amounts due to the Association for storm damages. As part of the agreement between the Association and the attorney, the attorney is entitled to 15% of any insurance proceeds paid to the Association. The attorney is also to be paid for related case expenses. As of December 31, 2022 and 2021, the Association incurred \$910,974 and \$395,929 in attorney's fees and recognized \$3,034,679 and \$1,934,323 in insurance proceeds. The insurance claim was settled with the primary insurance carrier in 2022, with \$1,553,345 not collected at year-end. In January 2023, the Association received the final insurance settlement from its primary carrier totaling \$1,553,345, net of attorney's fees. These funds were used to pay off the Phoenix Coatings line of credit and pay down the ServisFirst line of credit. In July 2024, the Association received the final insurance settlement from its secondary carrier totaling \$864,566, net of attorney's fees.

NOTE 20 OPERATING FUND BALANCE

The Association was adversely affected by extreme weather events such as Hurricane Sally and the April 2021 hailstorm. Recovery efforts were managed through the Operating Fund. As a result of the recovery efforts, the Operating Fund was in a negative fund balance position for the year ended December 31, 2023. The Association had one open insurance claim with a secondary carrier at December 31, 2023. The insurance claim has been settled for the year ended December 31, 2024. The fund balance position has recovered after the Association was paid for the insurance claim.

SEASIDE BEACH & RACQUET CLUB ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

NOTE 21 DISAGGREGATED REVENUE

The Association derives its revenue from various sources having different qualitative factors that may affect the amount, timing, or uncertainty of revenues and cash flows. The following schedule contains disaggregated revenue information that reflects these qualitative factors.

	<u>2024</u>	<u>2023</u>
Recognized Over Time:		
Member assessments	\$ 1,302,591	\$ 1,302,591
Special assessment - insurance	1,668,489	1,779,407
Special assessment - turtle lights	-	29,650
Recognized at a Point in Time:		
Special assessment - loans	1,253,219	-
Late fees and finance charges	8,904	8,696
Registration certificate income	323,540	345,994
Rent	37,835	37,419
Insurance proceeds	1,250,000	-
Vending and beach concession	22,970	23,958
Transfer of ownership fees	3,750	6,750
Other income	9,030	3,976
Not subject to ASC Topic 606		
Investment income - interest	<u>7,354</u>	<u>4,821</u>
TOTAL REVENUES	<u>\$ 5,887,682</u>	<u>\$ 3,543,262</u>

NOTE 22 SUBSEQUENT EVENTS

Subsequent events were evaluated through March 31, 2025, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SEASIDE BEACH & RACQUET CLUB ASSOCIATION, INC.

COMPARISON OF BUDGET TO ACTUAL OPERATIONS

OPERATING AND RESERVE FUNDS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024			2023		
	Budget	Actual	Actual Over (Under)	Budget	Actual	Actual Over (Under)
<b>Revenues</b>						
Monthly assessments	\$ 1,302,588	\$ 1,302,591	\$ 3	\$ 1,302,588	\$ 1,302,591	\$ 3
Special assessments:						
Loan and balcony repair	-	1,253,219	1,253,219	-	-	-
Turtle lights	-	-	-	-	29,650	29,650
Insurance	-	1,668,489	1,668,489	-	1,779,407	1,779,407
Late fees and finance charges	5,500	8,904	3,404	5,500	8,696	3,196
Vending and beach concessions	16,500	22,970	6,470	16,500	23,958	7,458
Antenna rent	10,117	10,117	-	10,117	10,117	-
Rental income	28,300	27,718	(582)	23,900	27,302	3,402
Registration certificate income	390,000	323,540	(66,460)	200,000	345,994	145,994
Insurance claim proceeds	-	1,250,000	1,250,000	5,000	-	(5,000)
Transfer of ownership fees	3,000	3,750	750	3,000	6,750	3,750
Interest income	500	7,354	6,854	500	4,821	4,321
Other income	640	9,030	8,390	640	3,976	3,336
Total revenues	<u>1,757,145</u>	<u>5,887,682</u>	<u>4,130,537</u>	<u>1,567,745</u>	<u>3,543,262</u>	<u>1,975,517</u>
<b>Expenses</b>						
Administrative						
Association meetings	2,000	854	(1,146)	3,000	321	(2,679)
Bad debt	-	2,328	2,328	-	-	-
Bank fees	17,700	1,458	(16,242)	17,700	260	(17,440)
Miscellaneous	500	6,017	5,517	-	-	-
Office supplies and postage	11,516	13,277	1,761	10,891	18,417	7,526
Telephone	12,500	14,484	1,984	10,734	13,118	2,384
Professional fees	36,900	39,395	2,495	38,500	25,447	(13,053)
Engineering services	-	-	-	-	15,746	15,746
Registration certificate expense	1,100	989	(111)	1,100	6,833	5,733
SBA loan payments*	78,440	-	(78,440)	78,440	-	(78,440)
ServisFirst loan payments*	50,000	-	(50,000)	-	-	-
Interest expense	150,000	97,207	(52,793)	-	161,947	161,947
Total administrative expense	<u>360,656</u>	<u>176,009</u>	<u>(184,647)</u>	<u>160,365</u>	<u>242,089</u>	<u>81,724</u>
Management						
Management fee	<u>64,996</u>	<u>30,961</u>	<u>(34,035)</u>	<u>64,996</u>	<u>66,246</u>	<u>1,250</u>
Maintenance						
Maintenance contracts	118,000	120,015	2,015	118,000	112,572	(5,428)
General building upkeep and repairs	78,200	36,664	(41,536)	76,200	56,863	(19,337)
Elevator maintenance	197,500	31,634	(165,866)	181,500	35,887	(145,613)
Grounds maintenance	48,500	52,675	4,175	43,500	53,160	9,660
Turtle electrical	36,000	1,436	(34,564)	55,000	28,652	(26,348)
Concrete repairs	130,000	172,171	42,171	152,000	287,560	135,560
Balcony repairs	-	108,417	108,417	-	-	-
Pool supplies and maintenance	39,300	43,346	4,046	39,400	60,409	21,009
Pest control	10,000	7,200	(2,800)	8,118	7,561	(557)
Rental unit expense	3,000	6,821	3,821	-	5,662	5,662
Fire protection	25,700	19,537	(6,163)	23,700	17,846	(5,854)
Total maintenance expenses	<u>686,200</u>	<u>599,916</u>	<u>(86,284)</u>	<u>697,418</u>	<u>666,172</u>	<u>(31,246)</u>

(continued)

	2024			2023		
	Budget	Actual	Actual Over (Under)	Budget	Actual	Actual Over (Under)
Expenses (continued)						
Storm expenses	-	385,934	385,934	-	8,203	8,203
Insurance						
General policy/windstorm/D&O and flood policies	-	1,668,489	1,668,489	-	1,779,407	1,779,407
Total insurance expenses	-	1,668,489	1,668,489	-	1,779,407	1,779,407
Security expense	143,368	136,550	(6,818)	146,368	131,328	(15,040)
General taxes and licenses						
Taxes	2,000	3,777	1,777	2,000	3,224	1,224
Licenses and permits	1,825	889	(936)	1,825	2,055	230
Total general taxes and licenses	3,825	4,666	841	3,825	5,279	1,454
Utilities						
Cable TV	\$ 160,000	\$ 160,369	\$ 369	\$ 160,000	\$ 158,067	\$ (1,933)
Water	59,500	64,674	5,174	54,000	64,662	10,662
Sewer	60,000	65,184	5,184	61,000	59,752	(1,248)
Electricity	35,000	33,961	(1,039)	35,000	30,850	(4,150)
Gas	11,000	7,414	(3,586)	10,773	6,614	(4,159)
Sanitation	40,600	37,830	(2,770)	42,000	34,678	(7,322)
Total utilities	366,100	369,432	3,332	362,773	354,623	(8,150)
Payroll						
Payroll Expenses	-	28,875	28,875	-	-	-
Contributions to reserves ***	132,000	-	(132,000)	132,000	-	(132,000)
Total expenses before depreciation	1,757,145	3,371,957	1,643,687	1,567,745	3,253,347	1,685,602
Revenues over (under) expenses						
Before depreciation	-	2,515,725	2,486,850	-	289,915	289,915
Less depreciation	-	9,864	9,864	-	9,517	9,517
Revenues over (under) expenses	\$ -	\$ 2,505,861	\$ 2,476,986	\$ -	\$ 280,398	\$ 280,398

\* SBA principal payments totaling \$679,838 do not constitute expense activity and are not included in actual expenses shown. Total SBA principal and interest payments in 2024 were \$697,940. Total SBA payments were \$619,500 over the budgeted amount. One additional payment was made in 2024 for a total of 13 payments.

\*\* ServisFirst principal payments totaling \$1,370,191 do not constitute expense activity and are not included in actual expenses shown. Total ServisFirst principal and interest payments in 2024 were \$1,449,289. Total ServisFirst payments were \$1,399,289 over the budgeted amount.

\*\*\* Transfers between funds do not constitute revenue and expense activity and are not included in actual expenses shown. During the current fiscal year the Association transferred \$132,000 from the operating fund to the reserve fund.

See independent auditor's report.

SEASIDE BEACH & RACQUET CLUB ASSOCIATION, INC.

SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS

(UNAUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2024

The Association had an insurance appraisal prepared on March 12, 2014 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the appraisal.

<u>Component</u>	<u>Estimated Total Replacement Cost</u>	<u>Estimated Useful Life</u>	<u>Estimated Remaining Useful Life</u>	<u>Estimated Annual Cost</u>	<u>Estimated Reserves Needed</u>
9 Story 54 Unit Building	\$ 6,836,267	30	11.50	\$ 227,876	\$ 4,215,698
9 Story 54 Unit Building	6,836,267	30	11.50	227,876	4,215,698
9 Story 36 Unit Building	4,118,505	30	11.50	137,284	2,539,745
Tennis Villa 24 Units Type 1	1,916,574	30	11.50	63,886	1,181,887
Tennis Villa 24 Units Type 1	1,916,574	30	11.50	63,886	1,181,887
Clubhouse	572,839	30	11.50	19,095	353,251
Tennis Courts (Total of 2)	87,408	30	11.50	2,914	53,902
Guardhouse	7,350	30	11.50	245	4,533
	<u>\$ 22,291,784</u>			<u>\$ 743,060</u>	
Total Estimated Reserves Needed at December 31, 2024					<u>\$ 13,746,600</u>
Total Reserve Performance Obligations and Fund Balance at December 31, 2024					<u>\$ 949,072</u>
Estimated Reserve Deficit at December 31, 2024					<u>\$ (12,797,528)</u>

See independent auditor's report.