

THE BENT PALM CLUB, INC.

FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT
AND SUPPLEMENTARY INFORMATION

For the year ended December 31, 2025

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Members of
The Bent Palm Club, Inc.
Ormond Beach, Florida

We have reviewed the accompanying financial statements of The Bent Palm Club, Inc., which comprise the balance sheet as of December 31, 2025, and the related statements of revenues, expenses, and changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of The Bent Palm Club, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 11 to be presented to supplement the basic financial statements. Such information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. The information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

Nestor & Gregory, LLC

Daytona Beach, Florida
February 12, 2026

THE BENT PALM CLUB, INC.

Balance Sheet

December 31, 2025

| | <u>Operating Fund</u> | <u>Replacement Fund</u> | <u>Total</u> |
|---|---------------------------|-----------------------------|-------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 48,832 | \$ 219,253 | \$ 268,085 |
| Assessments receivable | 46,888 | - | 46,888 |
| Prepaid expenses | 18,849 | - | 18,849 |
| Property and equipment, net | 28,372 | - | 28,372 |
| Due from other fund | - | 69,243 | 69,243 |
| | <u>\$ 142,941</u> | <u>\$ 288,496</u> | <u>\$ 431,437</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | |
| Accounts payable and accrued expenses | \$ 1,030 | \$ - | \$ 1,030 |
| Assessments paid in advance | 7,874 | - | 7,874 |
| Due to other fund | 69,243 | - | 69,243 |
| Refundable deposits | 1,900 | - | 1,900 |
| Contract liabilities | - | 288,496 | 288,496 |
| | <u>80,047</u> | <u>288,496</u> | <u>368,543</u> |
| Fund balance | <u>62,894</u> | <u>-</u> | <u>62,894</u> |
| | <u>\$ 142,941</u> | <u>\$ 288,496</u> | <u>\$ 431,437</u> |

See accompanying notes to financial statements
and independent accountants' review report

THE BENT PALM CLUB, INC.
Statement of Revenues, Expenses, and
Changes in Fund Balance
For the year ended December 31, 2025

| | Operating Fund | Replacement Fund | Total |
|--------------------------------------|-------------------|---------------------|------------------|
| Revenues: | | | |
| Members' assessments | \$ 249,800 | \$ 125,025 | \$ 374,825 |
| Members' special assessments | - | 271,200 | 271,200 |
| Rental income | 22,800 | - | 22,800 |
| Laundry income | 4,394 | - | 4,394 |
| Interest and other income | 2,515 | 1,432 | 3,947 |
| | <u>279,509</u> | <u>397,657</u> | <u>677,166</u> |
| Expenses: | | | |
| Utilities, including cable | 82,976 | - | 82,976 |
| Insurance | 70,121 | - | 70,121 |
| Repairs and maintenance | 56,927 | 397,657 | 454,584 |
| Management and office assistant fees | 44,243 | - | 44,243 |
| Landscaping | 15,827 | - | 15,827 |
| Pool maintenance | 13,095 | - | 13,095 |
| Pest control | 8,853 | - | 8,853 |
| Professional fees | 6,937 | - | 6,937 |
| Elevator | 4,376 | - | 4,376 |
| Administrative | 2,672 | - | 2,672 |
| Depreciation | 1,903 | - | 1,903 |
| Taxes, fees, and licenses | 639 | - | 639 |
| | <u>308,569</u> | <u>397,657</u> | <u>706,226</u> |
| Deficit of revenues over expenses | (29,060) | - | (29,060) |
| Fund balance, beginning of year | <u>91,954</u> | <u>-</u> | <u>91,954</u> |
| Fund balance, end of year | <u>\$ 62,894</u> | <u>\$ -</u> | <u>\$ 62,894</u> |

See accompanying notes to financial statements
and independent accountants' review report

THE BENT PALM CLUB, INC.
Statement of Cash Flows
For the year ended December 31, 2025

| | Operating Fund | Replacement Fund | Total |
|--|-------------------|---------------------|-------------|
| Cash flows from operating activities: | | | |
| Cash received from members' assessments | \$ 226,116 | \$ 470,200 | \$ 696,316 |
| Cash received from rental income | 22,800 | - | 22,800 |
| Cash received from interest and other income | 6,909 | 1,432 | 8,341 |
| Cash paid for employees and vendors | (297,161) | (399,557) | (696,718) |
| Net cash provided by (used in) operating activities | (41,336) | 72,075 | 30,739 |
| Cash flows from financing activities: | | | |
| Interfund borrowing | 71,354 | (71,354) | - |
| Net cash provided by (used in) financing activities | 71,354 | (71,354) | - |
| Net increase in cash and cash equivalents | 30,018 | 721 | 30,739 |
| Cash and cash equivalents, beginning of year | 18,814 | 218,532 | 237,346 |
| Cash and cash equivalents, end of year | \$ 48,832 | \$ 219,253 | \$ 268,085 |
| Reconciliation of Deficit of Revenues over Expenses to Net Cash Provided by (Used in) Operating Activities: | | | |
| Deficit of revenues over expenses | \$ (29,060) | \$ - | \$ (29,060) |
| Adjustments to reconcile deficit of revenues over expenses to net cash provided by (used in) operating activities: | | | |
| Depreciation | 1,903 | - | 1,903 |
| (Increase) decrease in: | | | |
| Assessments receivable | (2,715) | - | (2,715) |
| Prepaid expenses | 6,850 | - | 6,850 |
| Increase (decrease) in: | | | |
| Accounts payable and accrued expenses | 755 | - | 755 |
| Assessments paid in advance | (20,969) | - | (20,969) |
| Refundable deposits | 1,900 | (1,900) | - |
| Contract liabilities | - | 73,975 | 73,975 |
| Net cash provided by (used in) operating activities | \$ (41,336) | \$ 72,075 | \$ 30,739 |

See accompanying notes to financial statements
and independent accountants' review report

THE BENT PALM CLUB, INC.

Notes to Financial Statements

December 31, 2025

1. Organization:

The Bent Palm Club, Inc. (the Association) was formed on February 1, 1973 as a Florida not-for-profit corporation. The primary purpose of the Association is to maintain and protect the property owned in common by members. The Association consists of forty-one residential units, including one unit owned by the Association, located in Ormond Beach, Florida. Common area facilities include a swimming pool, beach walk and parking lot.

Policy decisions in regard to normal everyday operations of the Association are formulated by the Board of Directors, who are elected by the general membership. Major policy decisions, as outlined in the documents of the Association, are referred to the general Association membership.

2. Summary of Significant Accounting Policies:

The Association prepares its financial statements on the accrual basis. The financial statements are presented as separate funds based upon the different funding policies for operations and capital replacement.

Fund Accounting:

The Operating Fund reflects the operating assessments paid by unit owners to meet the regular, recurring costs of operation. Expenditures of this fund are limited to those connected with the day-to-day functions of the Association.

The Replacement Fund is composed of all capital assessments paid by the unit owners to fund future replacements, major repairs, and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which the assessments were paid and those which are approved by the Board of Directors.

Cash and Cash Equivalents:

Cash includes all funds invested in checking accounts, money market accounts, and certificate of deposits which may be liquidated within ninety days. The Association has deposits at local banks that are federally insured up to \$250,000 under FDIC protection. At December 31, 2025, all of the Association's funds were fully insured.

Common Owned Property:

Real and personal property acquired by the Association from the developer and major replacements, or improvements made by the Association are capitalized on the financial statements of the Association when ownership of these commonly owned assets is vested directly in the Association and may be sold. Assets vested directly or indirectly in the unit owners deemed not to be severable are not capitalized on the financial statements. The Association capitalizes personal property at cost and depreciates it over its estimated useful life using the straight-line method.

Estimates:

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

THE BENT PALM CLUB, INC.

Notes to Financial Statements

December 31, 2025

2. Summary of Significant Accounting Policies: (Continued)

Members' Assessments and Allowance for Credit Losses:

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements. All units are assessed at the same rate regardless of the size of the unit. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association has no policy requiring collateral to support its assessments receivables, however, the Association's Declaration provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgment on the unit owner. Any excess assessments at year end are retained by the Association for use in the succeeding year. The balances of assessments receivable as of the beginning and end of the year are \$44,173 and \$46,888, respectively. Assessments paid in advance at the balance sheet date represent fees paid in advance by unit owners. The balance of prepaid assessments at the beginning and end of the year were \$28,843 and \$7,874, respectively.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include close 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 owners with delinquent assessments and, accordingly, no allowance for credit losses is deemed necessary as of December 31, 2025.

Income Taxes:

Condominium associations may be taxed as either a homeowners' association or a regular corporation. The Association elected to be taxed as a homeowners' association in accordance with Internal Revenue Code, Section 528, for the current year. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, at a rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable. For the year ended December 31, 2025, the Association's deductions for tax purposes exceeded any taxable income; therefore, no income tax expense was incurred.

The Association files income tax returns in the US federal jurisdiction. With few exceptions, the Association is no longer subject to federal income tax examinations by tax authorities for years before 2022.

Contract Liabilities (Assessments received in advance-replacement fund):

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments.

THE BENT PALM CLUB, INC.

Notes to Financial Statements

December 31, 2025

2. Summary of Significant Accounting Policies: (Continued)

Subsequent Events:

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through February 12, 2026, the date the financial statements were available to be issued.

3. Commitments:

The Association annually enters into service contracts for management and maintenance services. These contracts may generally be canceled upon thirty to ninety days' notice.

4. Windstorm Insurance:

The current insured value of the Association's real property is \$8,989,000. The Association's current insurance policy contains a deductible of two percent (2%) of the insured value for any named hurricane damage. The deductible was approximately \$180,000 for the current policy year, which ends September 2026. Other deductibles apply to the basic insurance coverage as well.

5. Property and Equipment:

The major classifications of property and equipment and their respective lives at December 31, 2025 are as follows:

| | | <u>Lives</u> |
|--------------------------------|------------------|--------------|
| Land | \$ 3,298 | N/A |
| Managers unit and improvements | 58,563 | 15-33 years |
| Furniture and equipment | <u>11,490</u> | 5-7 years |
| | 73,351 | |
| Less accumulated depreciation | <u>(44,979)</u> | |
| | <u>\$ 28,372</u> | |

6. Special Assessment:

In December 2024, the Board of Directors approved a special assessment totaling \$271,200 (\$6,780 per unit) for painting all 5 buildings in reserves. The assessment was due on December 31, 2025. All assessments were expended on the related repairs.

7. Replacement Reserves:

Florida Statutes and the Association's documents require funds to be accumulated for future major repairs and replacements. The Association's current policy is to assess each unit owner a monthly assessment to meet all future replacement and major repair costs. These funds are held in separate accounts and are generally not available for operating purposes. It is the Association's policy to allocate interest earned to the pooled reserve fund.

THE BENT PALM CLUB, INC.

Notes to Financial Statements

December 31, 2025

7. Replacement Reserves: (Continued)

The Association is funding for its future major repairs and replacements based on a cash flow projection that takes into consideration estimates of the remaining useful lives of the components of the pooled reserve account, estimated current replacement costs, anticipated interest earnings on accumulated funds, future projected cash outflows, and amounts previously accumulated in the replacement fund. The Association conducted an informal study by the Board of Directors that determined the components, estimated total useful and remaining lives, and projected future replacement costs. In connection with the preparation of the Association's annual budget for 2025, management and the Board of Directors updated the useful and remaining lives and the replacement costs of the common property components.

Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, the amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available. The 2025 budget was approved at less than the full funding of the replacement reserve.

The activity in the replacement fund contract liabilities for the year ended December 31, 2025 is presented as follows:

| | <u>Beginning</u> | | <u>Special</u> | <u>Interest</u> | | <u>Ending</u> |
|-----------------|-------------------|--------------------|-------------------|-----------------|---------------------|-------------------|
| | <u>Balance</u> | <u>Assessments</u> | <u>Assessment</u> | <u>Income</u> | <u>Expenditures</u> | <u>Balance</u> |
| Pooled reserves | 214,521 | 199,000 | 271,200 | 1,432 | (397,657) | 288,496 |
| | <u>\$ 214,521</u> | <u>\$ 199,000</u> | <u>\$ 271,200</u> | <u>\$ 1,432</u> | <u>\$ (397,657)</u> | <u>\$ 288,496</u> |

New mandatory reserve requirements for condominiums:

The State of Florida passed new mandatory reserve requirements and restrictions for condominiums in May 2022 with a beginning effective date of December 31, 2025. The legislation is aimed at protecting the long-term structural safety and integrity of multi-story buildings in the State of Florida. At least every ten years, associations must now complete a so-called Structural Integrity Reserve Study ("SIRS") for each building in the condominium that is three stories or taller by a licensed engineer or architect.

At a minimum, the SIRS must identify and state the remaining useful life and replacement cost, or deferred maintenance expense of the common areas being visually inspected and based upon such visual inspection, provide a recommended annual reserve amount that should be included in the association's annual budget for those common areas. Several specific "structural" components of every building must now be visually inspected and evaluated, including the roof, load-bearing walls, foundation, floor, plumbing, electrical systems, waterproofing and fireproofing, windows, and any other item with a deferred maintenance expense or replacement cost exceeding \$25,000 that would "negatively affect" any of the foregoing items if not maintained or replaced.

THE BENT PALM CLUB, INC.

Notes to Financial Statements

December 31, 2025

7. Replacement Reserves: (Continued)

Not only are associations now legally required to have reserve studies completed, but they will also soon be prohibited from waiving or reducing funding for many of the reserve items in their annual budgets. For decades, condominium associations have been legally required to include reserve accounts in their annual budget. However, associations were permitted, by a majority vote of the unit owners, to waive or only partially fund reserves, irrespective of the particular reserve item. Beginning December 31, 2025, however, unit owners will no longer be legally permitted to make that decision for the structural reserve items required to be listed in the SIRS.

Similarly, effective December 31, 2025, associations will no longer be permitted to use reserve funds collected for the structural items listed in a SIRS for any other purpose, even if a majority of the owners vote to do so.

SUPPLEMENTARY INFORMATION

THE BENT PALM CLUB, INC.
Supplemental Information on
Future Repairs and Replacements
December 31, 2025

The Association is funding for its future repairs and replacements based on a cash flow projection that takes into consideration estimates of the remaining useful lives of the components of the pooled reserve account, estimated current replacement costs, anticipated interest earnings on accumulated funds, future projected cash outflows and amounts previously accumulated in the replacement fund. The Association had an independent study performed in 2024 to determine the reserve components, estimated total useful and estimated remaining lives and the projected future replacement costs. In conjunction with the preparation of the Association's annual budget for 2026, management and the Board of Directors updated the estimated useful and remaining lives and estimated current costs of the common property components.

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

| Component | Estimated Useful Life (Years) | Estimated Remaining Useful Life (Years) | Estimated Current Replacement Cost | Contract Liabilities December 31, 2025 | Estimated 2026 Full Funding Requirement | 2026 Budgeted Funding |
|---------------------------------|-------------------------------------|--|---|---|--|-----------------------------|
| Structural Reserves: | | | | | | |
| Roofing | 20-40 | 19-20 | \$ 661,048 | \$ - | \$ - | \$ - |
| Exterior paint | 7 | 5 | 278,280 | - | - | - |
| Fire prevention | 1 | 1 | 2,500 | - | - | - |
| Building restoration | 15 | 14 | 369,152 | - | - | - |
| Plumbing/electrical | 1 | 1 | 52,500 | - | - | - |
| Windows/doors | 35 | 34 | 39,808 | - | - | - |
| Siding | 50 | 49 | 51,500 | - | - | - |
| Pooled reserves | | | - | 288,496 | 298,400 | 298,400 |
| Non-Structural Reserves: | | | | | | |
| Balcony railing | 40 | 35 | 185,264 | - | - | - |
| Elevator | 20-40 | 1-14 | 350,000 | - | - | - |
| Unit 106 | 1 | 1 | 2,000 | - | - | - |
| Mailboxes | 40 | 14 | 3,672 | - | - | - |
| Roof hatches | 25 | 21 | 48,600 | - | - | - |
| Stairwell vents | 15 | 7 | 19,440 | - | - | - |
| Fencing | 30 | 14-19 | 59,608 | - | - | - |
| Insurance deductible | 5 | 2 | 76,000 | - | - | - |
| Debris cleanup | 5 | 2 | 21,600 | - | - | - |
| Lighting | 10 | 7 | 37,800 | - | - | - |
| Professional services | 2 | 1 | 27,000 | - | - | - |
| Pool | 15-25 | 1-8 | 255,864 | - | - | - |
| Seawall | 10 | 9 | 15,512 | - | - | - |
| Signage | 10 | 7 | 10,800 | - | - | - |
| Paving | 5-20 | 1-14 | 73,157 | - | - | - |
| Pooled reserves | | | - | - | 16,000 | 16,000 |
| | | | <u>\$ 2,641,105</u> | <u>\$ 288,496</u> | <u>\$ 314,400</u> | <u>\$ 314,400</u> |

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

See independent accountants' review report.