

# **HIGHLAND TOWERS, INC.**

## ***Financial Statements***

***For the year ended  
December 31, 2023***

### **HAFER**

#### ***Certified Public Accountants and Consultants***

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CONTENTS

**Independent Auditor’s Report** ..... 1

**Financial Statements**

Balance Sheet ..... 3

Statement of Revenues and Expenses and Changes in Fund Balances (Deficit)..... 4

Statement of Cash Flows ..... 5

Notes to Financial Statements ..... 6

**Independent Auditor’s Report on Supplementary Information**..... 13

**Supplementary Information**

Schedule of Operating Expenses Compared to Budget..... 14

Schedule of Future Major Repairs and Replacements (Unaudited)..... 16



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
HIGHLAND TOWERS, Inc.

### Opinion

We have audited the accompanying financial statements of HIGHLAND TOWERS, Inc. ("the Corporation"), which comprise the balance sheet as of December 31, 2023, and the related statement of revenues and expenses and changes in fund balances (deficit) and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HIGHLAND TOWERS, Inc. as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are required to be independent of HIGHLAND TOWERS, 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 HIGHLAND TOWERS, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### 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, including omissions, 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.

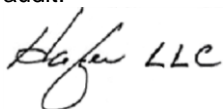
In performing an audit in accordance with generally accepted auditing standards, we:

- 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.

*HIGHLAND TOWERS, Inc.*  
*Independent Auditor's Report (Continued)*

- 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 HIGHLAND TOWERS, 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 HIGHLAND TOWERS, 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.



Palm Beach, Florida  
January 28, 2025

**HIGHLAND TOWERS, INC.**  
**BALANCE SHEET**  
*December 31, 2023*

|   | <u>Operating<br/>Fund</u> | <u>Replacement<br/>Fund</u> | <u>Total<br/>Funds</u> |
|---|---------------------------|-----------------------------|------------------------|
| <b>Assets</b>   |                           |                             |                        |
| Cash and cash equivalents   | \$ 624,939                | \$ 120,327                  | \$ 745,266             |
| Certificates of deposit   | -                         | 709,371                     | 709,371                |
| Assessments receivable (Note 3)   | 837                       | -                           | 837                    |
| Special assessments receivable - unbilled (Note 10)                               | 467,799                   | -                           | 467,799                |
| Prepaid expenses  | 20,771                    | -                           | 20,771                 |
| Property and equipment, net (Note 4)  | 531,345                   | -                           | 531,345                |
| <b>Total assets</b>   | <u>\$ 1,645,691</u>       | <u>\$ 829,698</u>           | <u>\$ 2,475,389</u>    |
| <b>Liabilities and stockholders' equity</b>                                       |                           |                             |                        |
| Accounts payable and accrued expenses   | \$ 222,638                | \$ -                        | \$ 222,638             |
| Income taxes payable  | 423                       | -                           | 423                    |
| Prepaid assessments   | 9,044                     | -                           | 9,044                  |
| Note payable (Note 8)   | 1,151,577                 | -                           | 1,151,577              |
| Deferred revenue (Note 11)  | -                         | 756,086                     | 756,086                |
| <b>Total liabilities</b>  | <u>1,383,682</u>          | <u>756,086</u>              | <u>2,139,768</u>       |
| <b>Stockholders' equity</b>   |                           |                             |                        |
| Capital stock: \$10 par value, 1,735 shares<br>authorized, issued and outstanding | 17,350                    | -                           | 17,350                 |
| Additional paid-in-capital  | 2,262,396                 | -                           | 2,262,396              |
| Fund balances (deficit)   | (2,017,737)               | 73,612                      | (1,944,125)            |
| <b>Total stockholders' equity</b>   | <u>262,009</u>            | <u>73,612</u>               | <u>335,621</u>         |
| <b>Total liabilities and stockholders' equity</b>                                 | <u>\$ 1,645,691</u>       | <u>\$ 829,698</u>           | <u>\$ 2,475,389</u>    |

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

**HIGHLAND TOWERS, INC.**  
**STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES (DEFICIT)**  
*For the year ended December 31, 2023*

|  | <u>Operating<br/>Fund</u> | <u>Replacement<br/>Fund</u> | <u>Total<br/>Funds</u> |
|--|---------------------------|-----------------------------|------------------------|
| <b>Revenues</b>                                      |                           |                             |                        |
| Maintenance assessments                              | \$ 566,044                | \$ 571                      | \$ 566,615             |
| Special assessment revenue (Note 10)                 | 685,274                   | -                           | 685,274                |
| Special assessment financing (Note 10)               | 18,863                    | -                           | 18,863                 |
| Windows and doors                                    | 13,062                    | -                           | 13,062                 |
| Rental income  | 21,786                    | -                           | 21,786                 |
| Laundry income                                       | 1,457                     | -                           | 1,457                  |
| Interest income                                      | 3,225                     | 23,189                      | 26,414                 |
| Other income   | 750                       | -                           | 750                    |
|  | <u>1,310,461</u>          | <u>23,760</u>               | <u>1,334,221</u>       |
| Total revenues                                       |                           |                             |                        |
|  | <u>1,310,461</u>          | <u>23,760</u>               | <u>1,334,221</u>       |
| <b>Expenses</b>                                      |                           |                             |                        |
| Administrative and professional fees                 | 121,825                   | -                           | 121,825                |
| Insurance  | 133,265                   | -                           | 133,265                |
| Payroll and related expenses                         | 73,839                    | -                           | 73,839                 |
| Repairs and maintenance                              | 132,773                   | -                           | 132,773                |
| Utilities  | 135,809                   | -                           | 135,809                |
| Windows and doors (Note 9)                           | 193,915                   | -                           | 193,915                |
| Special assessment expenses (Note 10)                | 643,038                   | -                           | 643,038                |
| Major repairs and replacements                       | -                         | 571                         | 571                    |
|  | <u>1,434,464</u>          | <u>571</u>                  | <u>1,435,035</u>       |
| Total expenses                                       |                           |                             |                        |
|  | <u>1,434,464</u>          | <u>571</u>                  | <u>1,435,035</u>       |
| <b>Excess (deficiency) of revenues over expenses</b> | (124,003)                 | 23,189                      | (100,814)              |
| Fund balances (deficit), beginning                   | (1,845,427)               | 2,116                       | (1,843,311)            |
| Interfund transfers                                  | (48,307)                  | 48,307                      | -                      |
|  | <u>(48,307)</u>           | <u>48,307</u>               | <u>-</u>               |
| <b>Fund balances (deficit), ending</b>               | <u>\$ (2,017,737)</u>     | <u>\$ 73,612</u>            | <u>\$ (1,944,125)</u>  |

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

**HIGHLAND TOWERS, INC.**  
**STATEMENT OF CASH FLOWS**  
*For the year ended December 31, 2023*

|   | <b>Operating<br/>Fund</b>    | <b>Replacement<br/>Fund</b> | <b>Total<br/>Funds</b>     |
|---|------------------------------|-----------------------------|----------------------------|
| <b>Cash flows from operating activities</b>   |                              |                             |                            |
| Cash collected from stockholders  | \$ 756,860                   | \$ 127,252                  | \$ 884,112                 |
| Cash paid for expenditures  | (1,899,324)                  | (7,776)                     | (1,907,100)                |
| Interest income received  | 3,225                        | 23,189                      | 26,414                     |
| Other income received   | 23,993                       | -                           | 23,993                     |
| Net cash (used) provided by operating activities  | <u>(1,115,246)</u>           | <u>142,665</u>              | <u>(972,581)</u>           |
| <b>Cash flows (to) investing activities</b>   |                              |                             |                            |
| Purchases of certificates of deposit  | <u>-</u>                     | <u>(709,371)</u>            | <u>(709,371)</u>           |
| <b>Cash flows from financing activities</b>   |                              |                             |                            |
| Proceeds from note payable  | 683,776                      | -                           | 683,776                    |
| Payments from insurance payable   | (110,731)                    | -                           | (110,731)                  |
| Interfund borrowings  | 596                          | (596)                       |                            |
| Interfund transfers   | <u>(48,307)</u>              | <u>48,307</u>               | <u>-</u>                   |
| Net cash provided by financing activities   | <u>525,334</u>               | <u>47,711</u>               | <u>573,045</u>             |
| <b>Net (decrease) in cash and cash equivalents</b>  | <u>(589,912)</u>             | <u>(518,995)</u>            | <u>(1,108,907)</u>         |
| Cash and cash equivalents, beginning  | <u>1,214,851</u>             | <u>639,322</u>              | <u>1,854,173</u>           |
| <b>Cash and cash equivalents, ending</b>  | <u><u>\$ 624,939</u></u>     | <u><u>\$ 120,327</u></u>    | <u><u>\$ 745,266</u></u>   |
| <b>Reconciliation of excess (deficiency) of revenues over expenses<br/>to net cash (used) provided by operating activities:</b> |                              |                             |                            |
| Excess (deficiency) of revenues over expenses   | \$ (124,003)                 | \$ 23,189                   | \$ (100,814)               |
| Adjustments to reconcile excess (deficiency) of revenues over<br>expenses to net cash (used) provided by operating activities:  |                              |                             |                            |
| Depreciation expense  | 15,104                       | -                           | 15,104                     |
| <u>Changes in assets and liabilities:</u>   |                              |                             |                            |
| Assessments receivable  | (837)                        | -                           | (837)                      |
| Other receivable  | 169,672                      | -                           | 169,672                    |
| Prepaid expenses  | 111,835                      | -                           | 111,835                    |
| Accounts payable and accrued expenses   | (592,222)                    | (7,205)                     | (599,427)                  |
| Income taxes payable  | 423                          | -                           | 423                        |
| Prepaid assessments   | (9,944)                      | -                           | (9,944)                    |
| Deferred revenue  | <u>(685,274)</u>             | <u>126,681</u>              | <u>(558,593)</u>           |
| <b>Net cash (used) provided by operating activities</b>   | <u><u>\$ (1,115,246)</u></u> | <u><u>\$ 142,665</u></u>    | <u><u>\$ (972,581)</u></u> |

Supplemental disclosures of cash flow information (Note 12)

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

**HIGHLAND TOWERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
***December 31, 2023***

**NOTE 1: Organization**

HIGHLAND TOWERS, Inc. ("the Corporation") was incorporated under the laws of the State of Florida as a for-profit corporation on April 24, 1957. The Corporation is responsible for maintaining and preserving the property of the Corporation in accordance with the terms of Chapter 719, Florida Statutes ("FS §719") and the provisions of its governing documents. The Corporation consists of an eight-story building containing 50 residential units located in Highland Beach, Florida.

**NOTE 2: Summary of significant accounting policies**

Fund accounting

The Corporation prepares its financial statements on the accrual basis of accounting and presents them using fund accounting, using separate funds for operations and future major repairs and replacements. Disbursements from the operating fund are generally for the day-to-day operations and non-recurring unanticipated expenditures of the Corporation and are made at the discretion of the Board of Directors. Disbursements from the replacement fund generally are made only for designated purposes.

Estimates

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. Accordingly, actual results could differ from those estimates.

Short-term financial instruments

The carrying amount of the Corporation's financial instruments, which include cash and cash equivalents, assessments receivable, prepaid expenses, accounts payable and accrued expenses, and other assets and liabilities, approximate their fair values due to their short-term maturities.

Cash and cash equivalents

Cash and cash equivalents include all monies in banks including money market funds. Cash equivalents include highly liquid securities, including certificates of deposit, with original maturities of 90 days or less.

Certificates of deposit

Certificates of deposit consist of those certificates with original maturities of more than 90 days. The certificates are carried at cost plus any interest earned and reinvested. The Association, at least annually, assesses for any other-than-temporary impairment, and as of the date of these financial statements, the Association does not believe any impairment exists. The certificates have varying maturity dates and varying interest rates.

Owners' assessments and allowance for credit losses

Quarterly assessments to owners are based upon a share of the budgeted operating expenses and future major repairs and replacements. The Corporation retains excess operating funds at the end of the year for use in future operating periods. When applicable, assessments receivable at the balance sheet date represents fees due from owners. Assessments paid in advance are included on the balance sheet as prepaid assessments. The Corporation's policy is to retain legal counsel and place liens or foreclose on units of members whose assessments are delinquent. When necessary, the Corporation's estimate of the credit losses accounts is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of reported amounts.



**HIGHLAND TOWERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 2: Summary of significant accounting policies (continued)**

Property and equipment

The Corporation capitalizes, at cost, all personal and real property which it purchases. Capitalized property and equipment are depreciated over the estimated useful lives of the assets, ranging from 5 years to 40 years, using the straight-line and accelerated methods of depreciation.

Revenue recognition

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the considerations we expect to be entitled to in exchange for those goods or services. The Corporation derives its revenue from operating assessments, reserve assessments, special assessments, and other ancillary sources. The Corporation has applied FASB ASC 606-10-10-4 since all contracts with its customers have similar characteristics and the Corporation expects that the effects on the financial statements of applying this guidance would not differ materially from applying the guidance to the individual contracts.

The Corporation has identified the following performance obligations:

- *Operating assessments* – the performance obligation is the maintenance and management of the common area property and is met on a periodic basis throughout the year. Operating assessments revenue is recognized on a periodic basis, as billed, and it is probable it will be collected.
- *Reserve assessments* – the performance obligation is the expenditure of the assessed funds for the intended purpose. Reserve assessments revenue is recognized when the related expenditures are recognized, except for those related to capitalized property and equipment. Reserve assessments revenue related to capitalized property and equipment is recognized when the expenditures are made and the property and equipment is placed in service.
- *Special assessment revenue (including windows and doors)* – the performance obligation is the purpose for which the special assessment was levied. Special assessment revenue is recognized as the purpose of the special assessment is satisfied.
- *Other ancillary revenues* – the performance obligation is delivery of the underlying services. Revenue is recognized as the services are rendered.

In evaluating whether collectability of an amount of consideration is probable, the Corporation must consider the customer's (owner's) ability and intention to pay that amount of consideration when it is due. In instances where the Corporation's collection of fees is not probable (delinquent owners, foreclosures, etc.), it cannot recognize revenue.

Deferred revenue

The Corporation recognizes revenue from members as the related performance obligations are satisfied. Deferred revenue is recorded when the Corporation has the right to receive payment in advance of the satisfaction of the performance obligations.

Interest earned

Interest earned by each fund is allocated to the appropriate fund. Income taxes on the interest earned are paid from the operating fund.

Compensated absences

Employees of the Corporation are entitled to paid vacations, sick days, and other time off depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Corporation's policy is to recognize the costs of compensated absences when paid to employees.

**HIGHLAND TOWERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
***December 31, 2023***

**NOTE 2: Summary of significant accounting policies (continued)**

Income taxes

The Corporation is subject to taxation as a cooperative corporation for federal and state purposes. A cooperative corporation is required to classify its income and expense as patronage or non-patronage. Patronage activity is from business done with or for the stockholders; non-patronage activity is from business not done with or for the stockholders, which merely enhances the overall profitability of the cooperative. Expenses attributable to producing patronage income cannot be deducted from non-patronage income. Non-patronage income in excess of allocable expenses may be subject to income tax. For the year ended December 31, 2023, the Corporation has not made a provision for income taxes. Additionally, from time to time, certain temporary differences may arise between financial and taxable income, the overall effects of which are not material to the financial statements taken as whole. As such, the Corporation has not recorded deferred income taxes at December 31, 2023.

At December 31, 2023, the Corporation has net operating loss carry-forwards of \$69,546 and \$4,642 related to patronage and non-patronage activity, respectively, which may be used to offset future taxable income. The Corporation is unable to determine the future benefit, if any, of the loss carry-forward and accordingly, a valuation allowance has been provided to offset any potential future benefit.

The Corporation's policy on income statement classification of interest and penalties related to income tax obligations is to include such items as part of income tax expense. The Corporation's tax filings are generally subject to examination by taxing authorities for three years after the returns are filed.

Legislative update

During May 2022, the Florida Legislature passed legislation, which amends Florida's Building Codes Act, Condominium Act, and Cooperative Act; the legislation was signed by the Governor on May 26, 2022. The new law enacts new requirements meant to address concerns raised in the aftermath of the Champlain Towers South collapse in Surfside, Florida. The new requirements include, but are not limited to, the following:

- Effective December 31, 2024, members of an association or the developer may not waive collecting of reserves or collect less reserve funds than required for items that are required to be inspected in a structural integrity reserve study (items are detailed below).
- Effective December 31, 2024, members of an association may not vote to use reserve funds, or the interest accruing thereon, for purposes other than their intended purposes.
- By December 31, 2024, requires "structural integrity reserve studies" for condominium and cooperative associations at least every 10 years, for each building that is three stories or higher in height, which includes, at a minimum, a study of the following items as related to the structural integrity and safety of the building: roof, load-bearing walls or other primary structural members, floor, foundation, fireproofing and fire protection systems, plumbing, electrical systems, waterproofing and exterior painting, windows, and any other items that has a deferred maintenance expense or replacement cost that exceeds \$10,000 and the failure to replace or maintain such item negatively affects the items listed above as determined by the licensed engineer or architect performing the visual inspection portion of the structural integrity reserve study.
- By December 31, 2024, requires milestone structural inspections for condominium and cooperative buildings three stories in height and 30-years old by a licensed architect or engineer.

**HIGHLAND TOWERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2023**

**NOTE 2: Summary of significant accounting policies (continued)**

Legislative update (continued)

- By January 1, 2023, requires condominium and cooperative associations to provide the following information to the Florida Division of Condominiums, Timeshares and Mobile Homes:
  - The number of buildings in the association that are three stories or higher in height,
  - The number of units in such buildings,
  - The address of such buildings, and
  - The counties in which all buildings are located.

During 2022, the Corporation submitted the required information to the state of Florida.

**NOTE 3: Assessments receivable**

The Corporation's assessments receivable were as follows at December 31, 2023:

|                                   |               |
|-----------------------------------|---------------|
| Assessments receivable            | \$ 837        |
| Less: allowance for credit losses | -             |
|                                   | <u>\$ 837</u> |

**NOTE 4: Property and equipment**

A schedule of property, equipment, and accumulated depreciation was as follows at December 31, 2023:

|                                    |                    |
|------------------------------------|--------------------|
| Land                               | \$ 376,300         |
| Building and building improvements | 2,157,339          |
| Furniture, fixtures and equipment  | <u>31,366</u>      |
|                                    | 2,565,005          |
| Less: accumulated depreciation     | <u>(2,033,660)</u> |
|                                    | <u>\$ 531,345</u>  |

For the year ended December 31, 2023, depreciation expense was \$15,104.

**NOTE 5: Concentration of credit risk**

The Corporation maintains its cash and cash equivalents at various financial institutions whereby deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At December 31, 2023, the Corporation had uninsured deposits in the amount of \$12,574.

**NOTE 6: Commitments and contingencies**

Insurance windstorm deductible

In the event of a loss due to a hurricane the Corporation would be responsible for a deductible of a percent of the total insured value of the property under the provisions of the hurricane loss insurance contract. The amount may be material to the overall financial condition of the Corporation.

Litigation

The Corporation, from time-to-time, may become party to various legal actions normally associated with cooperatives, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Corporation.

**HIGHLAND TOWERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 2023*

**NOTE 6: Commitments and contingencies (continued)**

Other commitments and contingencies

The Corporation has contracted with various 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 and have varying expiration dates and renewal terms.

**NOTE 7: Line of credit**

On January 26, 2022, the Corporation obtained a line of credit in the amount of \$200,000 from Valley National Bank. The line of credit has a variable interest rate based on the Prime Rate as published in the Wall Street Journal (8.5% at December 31, 2023) and is payable in interest only payments and is payable on demand. At December 31, 2023, the Corporation has not utilized the line of credit.

**NOTE 8: Note payable**

On January 26, 2022, the Corporation obtain a \$2,000,000 loan from Valley National Bank to fund a concrete restoration project. The note bears a stated interest rate of 3.7% per annum. Beginning February 26, 2022, the Corporation will make 24 monthly interests only payments. Beginning February 26, 2024, the Corporation will make 95 monthly installments of principal and interest of \$24,149, with all outstanding principal and interest payable in full on January 26, 2032. There is no prepayment penalty. The note is collateralized by the assignment of assessments and lien rights. At December 31, 2023, the outstanding balance on the note payable is \$1,151,577.

Future estimates minimum schedule is not included as the Corporation is still in the interest only period.

For the year ended December 31, 2023, the Corporation incurred and paid interest on the note in the amount of \$24,623.

**NOTE 9: Windows and doors**

At December 31, 2022, the Corporation recorded \$169,672 receivable from various unit owners who choose to have their windows and doors replaced. The Corporation is paying the project expense upfront, and the unit owners will reimburse the Corporation for their portion of the expense. At December 31, 2022, the Corporation recorded income and expenses totaling \$843,339 related to the project. During 2023, the Corporation reevaluated the project and the Board of Directors determined that the \$169,672 receivable was related to expenses not to be reimbursed by the owners. For the year ending December 31, 2023, the Corporation has recognized window and door expenses of \$193,915.

**NOTE 10: Special assessments**

Prior to January 1, 2020, the Corporation approved a special assessment in the amount of \$400,000 for concrete restoration and other projects as approved by the Board of Directors. As of December 31, 2019, the remaining balance was \$233,723. During 2020, the Corporation incurred additional expenses and recognized revenue in the amount of \$84,941 related to the special assessment. During 2021, the Corporation incurred additional expenses and recognized revenue in the amount of \$4,655 related to the special assessment. For the year ended December 31, 2022, there was no activity recorded, therefore the deferred special assessment revenue remained unchanged. During 2023, the Corporation deemed the project complete and the remaining deferred special assessment of \$144,126 was recognized as revenue.

**HIGHLAND TOWERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 2023*

**NOTE 10: Special assessment (continued)**

On December 15, 2020, and beginning in January 2021, the Corporation approved a special assessment in the amount of \$1,000,000 to provide funding for concrete restoration. For the year ended December 31, 2021, the Corporation incurred expenses in the amount of \$1,148,981 and recognized revenue in the amount of \$1,000,000. At December 31, 2022, the Corporation recorded a special assessment receivable – unbilled in the amount of \$98,943 related to those unit owners that are on the payment plan. During 2023, the Corporation deferred all collections on special assessment receivable – unbilled and instead only charged the owners interest in the amount of \$3,990.

On September 9, 2021, the Corporation approved a special assessment in the amount of \$2,500,000 to provide funding for various repairs, including catwalk overruns, balconies, concrete repairs. For the year ended December 31, 2021, the Corporation incurred expenses and recognized revenue in the amount of \$539,370. For the year ended December 31, 2021, the Corporation incurred expenses and recognized revenue in the amount of \$1,437,726. At December 31, 2022, the remaining balance of \$541,148 is recorded as deferred special assessment revenue until satisfaction of the performance obligation. At December 31, 2022, the Corporation recorded a special assessment receivable – unbilled in the amount of \$368,856 related to those unit owners that are on the payment plan. During 2023, the Corporation deemed the project complete and the remaining deferred special assessment of \$541,148 was recognized as revenue. The Corporation went forward with other post construction projects not specifically in line in previous special assessments in the amount of \$643,038. During 2023, the Corporation deferred all collections on special assessment receivable – unbilled and instead only charged the owners interest in the amount of \$14,873.

**NOTE 11: Future major repairs and replacements**

The Corporation's governing documents and FS §719 require that the Corporation's annual budget include budgeted assessments for future major repairs and replacements (reserves), unless waived in whole or in part by a vote of the owners in accordance with the governing documents and Florida law. Accumulated funds are held in separate interest-bearing accounts and are generally not available for operating purposes.

Reserve funds are accumulated based on estimated current costs of the components of common property. Actual expenditures 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 Corporation may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The Board of Directors has not contracted with a reserve specialist to conduct an independent study to estimate the useful lives, the remaining useful lives, and replacement costs of the common property components. The schedule included in the required supplementary information on future major repairs and replacements are based estimated compiled by the Board.

For the year ended December 31, 2023, the Corporation partially funded reserves in the amount of \$127,252 based on estimates by the Board of Directors. For the year ending December 31, 2024, the Corporation partially funded reserves in the amount of \$56,700 based on estimates by the Board of Directors.

**HIGHLAND TOWERS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
*December 31, 2023*

**NOTE 11: Future major repairs and replacements (continued)**

Components of the replacement fund are as follows:

|                   | Deferred<br>Revenue<br>and Fund<br>Balance,<br>January 1,<br>2023 | Additions         | Interest<br>Income | Expenses        | Transfers        | Deferred<br>Revenue<br>and Fund<br>Balance,<br>December<br>31, 2023 |
|-------------------|---|-------------------|--------------------|-----------------|------------------|---|
| Building          | \$ 30,813   | \$ -              | \$ -               | \$ -            | \$ -             | \$ 30,813   |
| Paving            | 15,446  | 3,700             | -                  | -               | -                | 19,146  |
| Fences and gates  | 48,808  | 17,752            | -                  | -               | 1,188            | 67,748  |
| Roof              | 80,382  | 12,000            | -                  | -               | 5,500            | 97,882  |
| Elevator          | 186,101   | 45,000            | -                  | -               | 5,310            | 236,411   |
| Seawall           | 38,634  | 3,600             | -                  | -               | 9,026            | 51,260  |
| Pool              | 47,060  | 17,000            | -                  | -               | -                | 64,060  |
| Painting          | 90,379  | 8,000             | -                  | -               | -                | 98,379  |
| Electrical        | 56,756  | 11,000            | -                  | -               | 4,335            | 72,091  |
| Deferred maint.   | 15,426  | -                 | -                  | (571)           | 22,928           | 37,783  |
| Concrete restore. | 19,600  | 9,200             | -                  | -               | -                | 28,800  |
| Interest          | 2,116   | -                 | 23,189             | -               | -                | 25,305  |
|                   | <u>\$ 631,521</u>   | <u>\$ 127,252</u> | <u>\$ 23,189</u>   | <u>\$ (571)</u> | <u>\$ 48,307</u> | <u>\$ 829,698</u>   |

A reconciliation of the table above to the balance sheet replacement fund reporting is as follows:

|                  |                   |
|------------------|-------------------|
| Deferred revenue | \$ 756,086        |
| Fund balance     | 73,612            |
|                  | <u>\$ 829,698</u> |

A schedule of deferred revenue at December 31, 2023 is as follows:

|   |                   |
|---|-------------------|
| Deferred revenue, beginning   | \$ 629,405        |
| Plus: amounts assessed  | 127,252           |
| Less: amounts recognized as performance obligations have been satisfied | <u>(571)</u>      |
| Deferred revenue, ending  | <u>\$ 756,086</u> |

**NOTE 12: Supplemental disclosures of cash flow information**

|                        |                  |
|------------------------|------------------|
| Cash paid for interest | <u>\$ 24,623</u> |
|------------------------|------------------|

**NOTE 13: Subsequent events**

Management has evaluated subsequent events through January 28, 2025, the date the financial statements were available to be issued.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION**

To the Board of Directors  
HIGHLAND TOWERS, Inc.

### **Report on the Financial Statements**

We have audited the financial statements of HIGHLAND TOWERS, Inc. ("the Corporation") as of and for the year ended December 31, 2023, and our report thereon dated January 28, 2025, which expressed an unmodified opinion on those financial statements, appears on Page 1.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating expenses compared to budget on Pages 14 and 15, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked "unaudited," 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. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide assurance on it.

### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Schedule of Future Major Repairs and Replacements on Page 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion 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.

Palm Beach, Florida  
January 28, 2025

**HIGHLAND TOWERS, INC.**  
**SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET**  
*For the year ended December 31, 2023*

|   | <b>Actual</b>     | <b>Budget<br/>(Unaudited)</b> | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|---|-------------------|-------------------------------|---|
| <b>Administrative and professional fees</b> |                   |                               |   |
| Accounting fees                             | \$ 18,625         | \$ 17,500                     | \$ (1,125)                                      |
| Board events                                | 1,607             | 2,000                         | 393   |
| Depreciation expense                        | 15,104            | -                             | (15,104)  |
| Income taxes                                | 423               | 100                           | (323)   |
| Interest expense                            | 24,623            | -                             | (24,623)  |
| Legal fees                                  | 10,375            | 5,000                         | (5,375)   |
| Licenses and permits                        | 913               | 1,800                         | 887   |
| Office supplies and expense                 | 5,067             | 2,500                         | (2,567)   |
| Professional fees                           | 44,995            | 500                           | (44,495)  |
| Screening expense                           | 93                | 100                           | 7   |
|   | <u>121,825</u>    | <u>29,500</u>                 | <u>(92,325)</u>                                 |
| <b>Insurance</b>                            |                   |                               |   |
| Insurance expense                           | 131,402           | 138,300                       | 6,898   |
| Workers compensation                        | 1,863             | 1,500                         | (363)   |
|   | <u>133,265</u>    | <u>139,800</u>                | <u>6,535</u>                                    |
| <b>Payroll and related expenses</b>         |                   |                               |   |
| FICA expense                                | 4,241             | -                             | (4,241)   |
| Gross wages                                 | 68,410            | 158,000                       | 89,590  |
| Medicare expense                            | 992               | -                             | (992)   |
| Unemployment - federal and state            | 196               | -                             | (196)   |
|   | <u>73,839</u>     | <u>158,000</u>                | <u>84,161</u>                                   |
| <b>Repairs and maintenance</b>              |                   |                               |   |
| Building maintenance supplies               | 14,359            | 10,000                        | (4,359)   |
| Building repairs                            | 14,809            | 13,578                        | (1,231)   |
| Electrical repairs                          | 6,892             | 3,000                         | (3,892)   |
| Elevator service                            | 18,939            | 17,000                        | (1,939)   |
| Fire alarm and equipment                    | 7,554             | 4,500                         | (3,054)   |
| Irrigation                                  | -                 | 500                           | 500   |
| Janitorial / maintenance                    | 28,900            | 27,300                        | (1,600)   |
| Janitorial supplies                         | 155               | -                             | (155)   |
| Lake / beach / fountain                     | 3,468             | 3,400                         | (68)  |
| Landscaping extras                          | 4,819             | 1,200                         | (3,619)   |
| Lawn maintenance                            | 16,940            | 17,000                        | 60  |
| Pest control                                | 4,231             | 4,000                         | (231)   |
| Plumbing                                    | 4,213             | 3,000                         | (1,213)   |
| Pool maintenance                            | 5,369             | 3,500                         | (1,869)   |
| Pool repairs                                | 2,125             | 1,000                         | (1,125)   |
| Tree trimming                               | -                 | 1,200                         | 1,200   |
|   | <u>\$ 132,773</u> | <u>\$ 110,178</u>             | <u>\$ (22,595)</u>                              |

See auditor's report on supplementary information.



**HIGHLAND TOWERS, INC.**  
**SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET (CONTINUED)**  
*For the year ended December 31, 2023*

|                                       | <b>Actual</b>                  | <b>Budget<br/>(Unaudited)</b> | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|---------------------------------------|--------------------------------|-------------------------------|---|
| <b>Utilities</b>                      |                                |                               |   |
| Cable and internet                    | \$ 53,705                      | \$ 55,642                     | \$ 1,937  |
| Electricity                           | 12,335                         | 9,500                         | (2,835)   |
| Gas                                   | 8,628                          | 7,500                         | (1,128)   |
| Telephone                             | 3,503                          | 4,000                         | 497   |
| Trash                                 | 9,501                          | 6,924                         | (2,577)   |
| Water                                 | 48,137                         | 45,000                        | (3,137)   |
|                                       | <u>135,809</u>                 | <u>128,566</u>                | <u>(7,243)</u>                                  |
| <br>Total budgeted expenses           | <br>597,511                    | <br><u>\$ 566,044</u>         | <br><u>\$ (31,467)</u>                          |
| <br>Windows and doors (Note 9)        | <br>193,915                    |                               |   |
| Special assessment expenses (Note 10) | <u>643,038</u>                 |                               |   |
| <br><b>Total expenses</b>             | <br><u><u>\$ 1,434,464</u></u> |                               |   |

See auditor's report on supplementary information.

**HIGHLAND TOWERS, INC.**  
**SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)**  
**December 31, 2023**

The following schedule is based upon estimates compiled by the Board of Directors over various dates, as presented with the 2023 budget, to estimate the remaining useful lives and replacement costs of the components of common property. The schedule provides information about components of common property.

| Component            | Estimated<br>Useful Life<br>(Years) | Estimated<br>Remaining Life<br>(Years) | Estimated<br>Replacement<br>Cost | Statutory<br>Funding<br>December 31,<br>2024 | Approved<br>Budgeted<br>Funding<br>December 31,<br>2024 |
|----------------------|-------------------------------------|--|----------------------------------|--|---|
| Building             | 10                                  | -                                      | \$ -                             | \$ -   | \$ -  |
| Paving               | 10                                  | 6                                      | 45,000                           | 4,309  | 3,000   |
| Fences and gates     | 20                                  | 3                                      | 388,000                          | 106,751                                      | 1,600   |
| Roof                 | 20                                  | 7                                      | 311,260                          | 30,483                                       | -   |
| Elevator             | 10                                  | 6                                      | 550,000                          | 52,265                                       | 45,000  |
| Seawall              | 28                                  | 25                                     | 145,000                          | 3,750  | 3,600   |
| Pool                 | 10                                  | 1                                      | 20,000                           | -  | 3,500   |
| Painting             | 10                                  | 8                                      | 170,000                          | 8,953  | -   |
| Electrical           | 10                                  | 4                                      | 120,000                          | 11,972                                       | -   |
| Concrete restoration | 25                                  | 23                                     | 250,000                          | 9,617  | -   |
| Deferred maintenance | -                                   | -                                      | -                                | -  | -   |
|                      |                                     |  | <u>\$ 1,999,260</u>              | <u>\$ 228,100</u>                            | <u>\$ 56,700</u>  |

See auditor's report on supplementary information.