

On Top of the World Condominium Association, Inc.
Treasurer's Report
For six months ended December 31, 2022

Attached please find the Balance Sheet and Operating Budget Report for the Condo Association for the six months ended December 31, 2022.

Notes on the Income Statement:

For the six months (50% of the year) reported Revenue exceeded Expense by \$1,995,250.

The Association accrues revenues throughout the budget year. As capital projects are started, the excess of revenue greater than expenses are spent down funding these budgeted improvement projects. The excess funds are deposited in a Money Market Account that currently earns interest at 1.25% (interest may vary over time). The Association will continue to place excess funds in the Money Market account until those funds are needed.

The balance in the Money Market Account as of December 31, 2022 was \$1,000,692. The balance in the checking account was \$518,708. The difference between the \$1,995,250 budget excess operating funds and the \$1.5 million in cash, is the prepaid insurance expense of \$443,648 and uncollected accounts. The Association insurance billing is generally received in May and paid in June of each year for the coverage taking effect July 1, at the start of the fiscal year. Prepaid insurance refers to premiums for insurance that are paid in advance. A premium is a regular, recurring payment (annually) made to a provider for the benefit of having insurance coverage. The expense is recorded in the appropriate month by reducing the prepaid insurance balance each month.

Excess funds are comprised of:

- Bulk Service Agreement for Cable and Internet - \$473,798, These funds are held in a separate money market account, but remain a part of the general operating fund.- The Association has not had to pay Summit Broadband as their service is unstable and the Board is withholding payments until reliable service is established.
- Property and Casualty Insurance - \$667,895 – The Association's insurance bill will be due the first week of June 2023.
- Gate Operations, Potable Water, and Trash and Recycling - \$130,105 - These expenses fluctuate monthly and the expectation is that these accounts will not be unspent at year end.
- Bad Debt- \$29,808- Assessment income in the Operating Budget assumes that all monies will be collected. However, the reality is that not all unit owners will pay their assessments and all assessment income will not be collected. Thus, budgeted assessment income needs to be reduced for the amount that potentially will not be collected. This is done through the budget expense line item titled "Bad Debt Expense". Ideally, this account will have excess funding at year end, but the amount will not be known until that time.
- Roof Replacements - \$536,544 – The work had not begun as of December, 2022. I expect that four (4) roofs will be replaced during fiscal year 2022-2023.
- Painting and Waterproofing- \$89,070- This work will continue in the spring of 2023. Twenty three (23) are due for repainting and/or waterproofing in the 2022-2023 fiscal year, about 39% of these projects have been completed to date.

Another financial report will be issued for the period ended March 31, 2023 approximately six (6) weeks following the close of the period.

Countering Misinformation:

It is indeed unfortunate that there is so much Budget misinformation circulating on social media. Recent postings on social media are where much of the false information is being presented about the Operating Budget. In my opinion, I believe that certain residents appear to be knowingly posting false and/or misleading information about Association finances and community operations to create discord amongst residents.

One such post inaccurately reported:

“The Land lease is paid through HOA fees.”

First, no, this is a Condo Association, not an HOA. The fact is, the Condominium Association has NEVER included Land lease payments as part of the Association’s Operating Budget.

Please remember, the budget form the Association uses was reviewed and approved by the Florida Division of Condominiums. The Board continues to follow the approved format for condominium budgets.

By state law, Association funds can never be comingled with non-Association funds. The Leasehold payments are not an Association expense and have never appeared on the Association’s Operating Budget.

As a matter of convenience for residents, Condo Association fees and land lease payments are collected simultaneously.

Any analysis that includes Association Operating Budget numbers with leasehold payment is completely false.

Another inaccurate post reported:

“Many of the budget numbers are all the same, there must be an error”.

The fact is that this matter was explained in great detail at the Board meeting in June 2022. The video of the budget discussion is on the OTOWClearwaterInfo.com website. This budget discussion starts at minute 14.10 and runs through 15.32 and I invite everyone to watch for a thorough explanation.

This misinformation was posted on social media by an owner who was at that budget meeting in June 2022, heard the explanation and presentation, but chose to omit the explanation. Again, the post is a deliberate attempt to cause anger and confusion amongst the residents.

One of the jobs the Management Company is tasked with is to create a consolidated proposed operating budget for the entire Association. The consolidated proposed operating budget is presented on a **per unit per month (PUPM)** for each line item of the budget. When the line item budgets are first created, they are divided by the total number of units and then rounded to the nearest whole dollar and divided by 12 months to calculate the PUPM rate. That PUPM rate is then multiplied by the total number of units to create the proposed operating budget.

The total PUPM fee is used to allocate the consolidated proposed budget to the individual building budgets based on the number of units in each building. The Board, at a duly noticed meeting, reviews and discusses the proposed Budget and acts to adopt it as presented, amended and adopted, or to reject the Budget.

By way of example, the line item for Management Company Remediation and Specials Projects expense is \$59,616 = 4,968 units x \$12 (\$1 PUPM). The initial budget for this line was \$60,000 for the year, which is then divided by the total 4,968 units and 12 months ($\$60,000 / 4,968 \text{ units} = \$12.08 \text{ per unit per year} / 12 \text{ months} = \1.01 or \$1 PUPM). This standardizes a cost per unit, in this case \$1 PUPM, for ease of understanding in terms of the hard dollar costs residents pay each month.

Please be careful of relying on information posted on social media. Such posts are often unreliable and, as noted above, lack objective fact. I hope this clears up any confusion related to the Association Budget.

OTOW Condo Assoc
Operating Budget Report
For the Six (6) Month Period Ended December 31, 2022

| Income: | Total Annual Budget (100% of the year) | YTD Budget (50% of the year) | YTD Net (50% of the year) | YTD Difference 12/31/2022 |
|--|--|---------------------------------------|------------------------------------|---------------------------------|
| Association Assessments (w/o reserves) | \$20,647,008 | \$10,323,504 | \$10,358,348 | \$34,844 |
| Total Income | \$20,647,008 | \$10,323,504 | \$10,358,348 | \$34,844 |
| Services and Operating Expenses: | | | | |
| Bulk Service agreement for: TV and Internet | \$1,132,704 | \$566,352 | \$92,554 | \$(473,798) |
| Management Fees | 715,392 | 357,696 | 357,696 | 0 |
| Maintenance Expenses: | | | | |
| Janitorial and Grounds Maintenance Services | 6,259,680 | 3,129,840 | 3,134,234 | 4,394 |
| Landscape Services | 357,696 | 178,848 | 178,848 | 0 |
| Building Maintenance and Repair | 1,192,320 | 596,160 | 664,096 | 67,936 |
| Remediation and Special Projects | 59,616 | 29,808 | 29,808 | 0 |
| Elevator Services | 119,232 | 59,616 | 73,025 | 13,409 |
| Electrical Services | 59,616 | 29,808 | 29,808 | 0 |
| Inspection Services | 59,616 | 29,808 | 29,808 | 0 |
| Total Maintenance Expenses | \$8,107,776 | \$4,053,888 | \$4,139,627 | \$85,739 |
| Operating Expenses | | | | |
| Property and Casualty Insurance | \$2,623,104 | \$1,311,552 | \$643,657 | \$(667,895) |
| Gate Operations | 596,160 | 298,080 | 219,896 | (78,184) |
| Pinellas Utility Potable Water | 1,013,472 | 506,736 | 484,309 | (22,427) |
| Recreational Amenities | 2,205,792 | 1,102,896 | 1,102,896 | 0 |
| Wastewater and Irrigation | 1,430,784 | 715,392 | 715,392 | 0 |
| Waste Management Trash and Recycle | 536,544 | 268,272 | 238,778 | (29,494) |
| Association Audit Fee | 59,616 | 29,808 | 28,720 | (1,088) |
| Association Tax Return | 59,616 | 29,808 | 0 | (29,808) |
| Association Legal Fees | 59,616 | 29,808 | 20,579 | (9,229) |
| Bad Debt Expense | 59,616 | 29,808 | 0 | (29,808) |
| Fees Payable to the Division | 19,872 | 9,936 | 19,868 | 9,932 |
| Other Income | 0 | 0 | 692 | 692 |
| Total Operating Expense | \$8,664,192 | \$4,332,096 | \$3,474,787 | \$(857,309) |
| Capital Expenditures and Deferred Maintenance | | | | |
| Roof Replacement | \$1,073,088 | \$536,544 | \$0 | \$(536,544) |
| Building Painting & Waterproofing | 775,008 | 387,504 | 298,434 | (89,070) |
| Elevator Cab Replacement | 119,232 | 59,616 | 0 | (59,616) |
| Paving | 59,616 | 29,808 | 0 | (29,808) |
| Total Capital Expenditures and Deferred Maint | \$2,026,944 | \$1,013,472 | \$298,434 | \$(715,038) |
| Total Annual Expenses (w/o reserves) | \$20,647,008 | \$10,323,504 | \$8,363,097 | \$(1,960,406) |
| Excess (Deficit) Operating Funds for the six (6) month period ended December 31, 2022 | \$0 | \$0 | \$1,995,250 | \$1,995,250 |

**OTOW Condo Association
Balance Sheet
December 31, 2022**

| Assets | | | |
|--|----------------------------|------------------|------------------|
| <u>Current Assets</u> | | | |
| Checking Account | | 518,708 | |
| Money Market | | 1,000,692 | |
| Accounts Receivable | | <u>151,768</u> | |
| | Total Current Assets | | <u>1,671,168</u> |
| <u>Long Term Assets</u> | | | |
| Allowance for Doubtful Accounts | | (34,000) | |
| Prepaid Insurance - General | | <u>443,648</u> | |
| | Total Long Term Assets | | <u>409,648</u> |
| | Total Assets | | <u>2,080,816</u> |
| <u>Liabilities and Equity</u> | | | |
| <u>Current Liabilities</u> | | | |
| Accounts Payable | | <u>84,182</u> | |
| | Total Current Liabilities | | <u>84,182</u> |
| | Total Liabilities | | 84,182 |
| <u>Equity</u> | | | |
| Fund Balance | | <u>1,996,634</u> | |
| | Total Equity | | <u>1,996,634</u> |
| | Total Liabilities & Equity | | <u>2,080,816</u> |

Unaudited - For Management Discussions and Internal Use Only