

Ballantrae Condominium Association, Inc.
Financial Statements and Supplementary Information
December 31, 2025

Miller & Company, LLP
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Ballantrae Condominium Association, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Ballantrae Condominium Association, Inc.

Opinion

We have audited the accompanying financial statements of Ballantrae Condominium Association, Inc., which comprise the balance sheet as of December 31, 2025, and the related statements of revenues, expenses, and changes in fund balances 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 Ballantrae Condominium Association, Inc. as of December 31, 2025, 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 our report. We are required to be independent of Ballantrae Condominium 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 Ballantrae Condominium Association, Inc.'s ability to continue as a going concern within one year after the date that financial statements are available to be issued.

Auditor's Responsibility 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 Ballantrae Condominium 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 Ballantrae Condominium 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.

Future Major Repairs and Replacements

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 4 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter. However, as further explained in Note 4, the Association is not funding the replacement fund in accordance with the Association's estimated future replacement costs. Accordingly, the Association has the right to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of operating fund expenses and the supplementary

schedule of replacement fund activity are presented for purposes of additional analysis and are not a required part of the financial statements. Such information 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 any assurance on it.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information about future major repairs and replacements 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Miller & Company, LLP
Certified Public Accountants
Sarasota, Florida
January 21, 2026

Ballantrae Condominium Association, Inc.
Balance Sheet
December 31, 2025

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Assets			
Cash	\$ 81,095	\$ 326,391	\$ 407,486
Assessments receivable	22,281	-	22,281
Special Assessments receivable-roof	95,138	-	95,138
Prepaid insurance	19,822	-	19,822
	<u>19,822</u>	<u>-</u>	<u>19,822</u>
Total assets	<u>\$ 218,336</u>	<u>\$ 326,391</u>	<u>\$ 544,727</u>
Liabilities and Fund Balances			
Accounts payable	\$ 269	\$ -	\$ 269
Note payable	70,087	-	70,087
Assessments received in advance	51,197	-	51,197
Deferred special assessment revenue-roof	41,271	-	41,271
Income tax payable	1,644	-	1,644
Social fund	1,435	-	1,435
Contract liabilities - replacement fund	-	326,391	326,391
	<u>165,903</u>	<u>326,391</u>	<u>492,294</u>
Fund balances	<u>52,433</u>	<u>-</u>	<u>52,433</u>
Total liabilities and fund balances	<u>\$ 218,336</u>	<u>\$ 326,391</u>	<u>\$ 544,727</u>

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

Ballantrae Condominium Association, Inc.
Statement of Revenues, Expenses, and Changes in Fund Balances
Year Ended December 31, 2025

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Revenues			
Member assessments	\$ 603,128	\$ 245,340	\$ 848,468
Special assessment- loan interest	5,750	-	5,750
Special assessment- hurricane	73,440	-	73,440
Interest income	10	9,239	9,239
Other income	1,494	-	1,494
Total revenues	<u>683,822</u>	<u>254,579</u>	<u>938,391</u>
Expenses			
Administration	281,953	-	281,953
Utilities	70,955	-	70,955
Building maintenance	12,528	-	12,528
Grounds	156,703	-	156,703
Special assessment expenses	5,750	-	5,750
Payroll & Replacements	71,186	254,579	325,765
Total expenses	<u>599,075</u>	<u>254,579</u>	<u>853,654</u>
Excess of revenues over expenses	84,747	-	84,737
Fund balance (deficit), beginning of year	<u>(32,314)</u>	<u>-</u>	<u>(32,314)</u>
Fund balance , end of year	<u>\$ 52,433</u>	<u>\$ -</u>	<u>\$ 52,423</u>

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

Ballantrae Condominium Association, Inc.
Statement of Cash Flows
Year Ended December 31, 2025

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities			
Excess of revenues over expenses	\$ 84,747	\$ -	\$ 84,747
Adjustments to reconcile excess of revenues over expenses to net cash provided by (used in) operating activities			
Changes in operating assets and liabilities			
Assessments receivable	(10,420)	-	(10,420)
Special assessment receivable-roof	49,762	-	49,762
Special assessment receivable-hurricane	73,440	-	73,440
Prepaid insurance	7,228	-	7,228
Accounts payable	(3,353)	-	(3,353)
Income tax payable	(5,147)	-	(5,147)
Deferred special assessment revenue-roof	(5,750)	-	(5,750)
Deferred special assessment revenue-hurricane	(73,440)	-	(73,440)
Social fund	435	-	435
Assessments received in advance	(54,414)	-	(54,414)
Contract liabilities	-	(109,172)	(109,172)
Net cash provided by (used in) operating activities	63,088	(109,172)	(46,084)
Cash flows from investing activities			
Redemptions of certificates of deposit	-	104,667	104,667
Net cash provided by investing activities	-	104,667	104,667
Cash flows from financing activities			
Interfund borrowing	(2,973)	2,973	-
Principal payments to loan payable	(34,683)	-	(34,683)
Net cash provided by (used in) financing activities	(37,656)	2,973	(34,683)
Net increase (decrease) in cash	25,432	(1,532)	23,900
Cash, beginning of year	55,663	327,923	383,586
Cash, end of year	\$ 81,095	\$ 326,391	\$ 407,486
Cash paid during the year for:			
Income taxes (Federal)	\$ 6,791		
Interest	\$ 5,750		

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

Ballantrae Condominium Association, Inc.
Notes to the Financial Statements
Year Ended December 31, 2025

Note 1-Nature of Organization

Ballantrae Condominium Association, Inc. (the "Association") is a not-for-profit corporation organized in 1980 to provide an entity pursuant to Chapter 718 of the Florida Statutes for the administration, maintenance, operation, and management of Ballantrae, a condominium located in Sarasota, FL. The Association consists of 102 residential condominium units.

Assessments against the owners of the units which are the principal source of revenue, are based on the estimated amounts required to protect and maintain the property owned by the owners in common of Ballantrae Condominium Association, Inc. and allocated equally among the units. Common property expenses include building exteriors, pool, seawall, roofs site improvements and paved areas.

All policy decisions are formulated by the Association's board of directors. Certain major decisions are referred to the general membership before action is taken. Assessments are determined annually by the board of directors based upon anticipated maintenance and other operating requirements of the Association.

Note 2-Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared using fund accounting in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the accounting period in which performance obligations are met regardless of when cash is received and recognizes expenses in the accounting period in which the obligations are incurred regardless of when cash is disbursed.

Fund accounting requires funds such as operating funds and funds for future major repairs and replacements to be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the operating fund are generally made at the discretion of the board of directors. Disbursements from the replacement fund may be made only for the repair or replacement of the common components. The membership has voted to allow short-term borrowing from the replacement fund for payment of insurance premiums.

Ballantrae Condominium Association, Inc.
Notes to the Financial Statements
Year Ended December 31, 2025

Note 2-Summary of Significant Accounting Policies (Continued)

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association. During 2025, special assessments were accounted for in this fund.

Replacement Fund - This fund is used to accumulate financial resources designated for future replacements, major repairs, and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied.

Commonly Owned Assets

The Association has the responsibility to preserve and maintain the commonly owned assets. The commonly owned assets include property that is directly associated with the units which includes property without which the units could not be occupied and exterior property that is normally part of freestanding units. Commonly owned assets also include property that is not directly associated with the units and is not necessary for the primary use of the units, although individual unit owners may benefit from its use.

The Association's policy is not to capitalize and depreciate the commonly owned assets as ownership is vested directly or indirectly to the unit owners and these assets are not deemed to be severable.

Member Assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses and major repairs and replacements. The performance obligation for operating assessments is the maintenance and management of the common area property of the Association. The Association recognizes revenue from operating assessments as the performance obligations are satisfied over time on a daily pro-rata basis using the input method to the extent that collection of assessments is probable. Any excess operating assessments at year-end are retained by the Association for use in the succeeding year. The performance obligation for replacement assessments is satisfied when the funds are expended for their designated purpose (generally at a point in time).

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from members. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of historical loss levels and an analysis of the collectability of individual

Ballantrae Condominium Association, Inc.
Notes to the Financial Statements
Year Ended December 31, 2025

Note 2-Summary of Significant Accounting Policies (Continued)

accounts. The Association's policy is to retain legal counsel to collect delinquent assessments. A provision for expected credit losses was not deemed necessary as of December 31, 2025. The balances of assessments receivable as of the beginning and end of the year were \$230,201 and \$117,419, respectively.

Revenue from member assessments is reported net of amounts deemed uncollectible from members.

Contract Liabilities – Replacement Fund

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to the replacement assessments. During the current period, the Association assessed and received \$136,168 for the replacement fund. The balances of contract liabilities – replacement fund as of the beginning and end of the year were \$453,653 and \$326,391, respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Policy Election – Allowance for Credit Losses

Effective January 1, 2025, the Association early adopted Accounting Standards Update (ASU) 2025-05, Measurement of Credit Losses for Accounts Receivable and Contract Assets, and elected the practical expedient permitted under the standard as it relates to assessments receivable. Under this election, the Association estimates expected credit losses by assuming that economic conditions as of the balance sheet date will remain unchanged over the contractual life of the receivables. In addition, the Association considers subsequent cash collections received after year-end but before the financial statements are issued when evaluating the allowance for credit losses. The adoption of this standard was applied prospectively and did not have a material effect on the Association's financial position or results of operations.

Ballantrae Condominium Association, Inc.
Notes to the Financial Statements
Year Ended December 31, 2025

Note 2-Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

The Association has determined that the estimated fair value of the financial assets and liabilities do not differ considerably from their book value due to the short maturity of these financial instruments.

Note 3-Member Assessments

The Association bills its members in advance on a quarterly basis. Assessment fees received in advance for 2026 were \$51,197.

Quarterly assessments to members were \$1,811 in 2025. Of that amount, \$334 was designated to the replacement fund.

Note 4-Future Major Repairs and Replacements

The Association is in compliance with their funding policy for future major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement cost and considering amounts previously accumulated in the replacement fund. The study indicated a funding requirement utilizing the cash flow method of \$175,316. The members waived statutory funding, but approved partial funding of \$136,168 which has been included in the 2026 budget.

Accumulated funds are held in a separate bank account and generally are not available for expenditures for normal operations.

Funds are being accumulated in the replacement fund based upon estimates of future needs for repairs and replacements of common property components.

Amounts are based on normal operations and without the effect of potential catastrophic occurrences. 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, subject to Florida Statutes, to increase regular assessments, pass special assessments, borrow, or delay major repairs and replacements until funds are available.

Ballantrae Condominium Association, Inc.
Notes to the Financial Statements
Year Ended December 31, 2025

Note 5-Income Taxes

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended December 31, 2025. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, non-membership transactions, and capital transactions.

The Association has an option for income tax purposes to elect on an annual basis to be taxed as a regular corporation under Section 277 of the Internal Revenue Code whereby non-exempt function income is taxed at regular corporate rates, or to be taxed at a special corporate rate of 30% on its net non-exempt function income, less \$100 exclusion, in accordance with Section 528 of the Internal Revenue Code. For 2025, the Association has elected to file under 528 and incurred \$1,644 of income tax expense.

The Association's income tax returns are generally subject to examination by the applicable taxing authorities for three years after the returns are filed. Currently, there are no audits in progress for any tax periods.

Note 6-Contingent Liability

The Association's current windstorm insurance policy contains a 5% hurricane deductible clause. Based on the approximate \$29.7 million valuation of the buildings, the first 5%, or approximately \$1.49 million in damages caused by a named storm would be the responsibility of the Association. As certain other expenses may be incurred by the Association in the event of a hurricane, the ultimate extent of any losses cannot be determined.

Note 7-Commitments - Cable Services

The Association entered into a bulk service agreement effective November 1, 2019, with a local cable communications provider to provide television and internet service for the neighborhood. The initial term of the agreement is for five years ending December 31, 2024. The agreement automatically renews for successive periods of two years and may be terminated with a 90-day notice, and was renewed during 2024. The service provider is entitled to increase the bulk services fees 4 % per year. Future minimum payments under the contract are as follows:

Ballantrae Condominium Association, Inc.
Notes to the Financial Statements
Year Ended December 31, 2025

Note 7-Commitments - Cable Services (Continued)

Year ending December 31,

2026	<u>\$61,224</u>
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Note 8-Concentrations of Credit Risk for Cash Deposits

The Association maintains its cash balances at a financial institution located in southwest Florida. Accounts at commercial institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per bank. As of December 31, 2025, the bank balances exceeded the FDIC limit and were at risk. The Association has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash.

Note 9- Special Assessments

In April of 2025, a special assessment was approved in the amount of \$714,000 to fund the replacement of the roofs. The assessment was \$7,000 per unit. The owners were given 2 options for payments. The first, all \$7,000 was due on May 14, 2024, and the second were monthly payments of \$139. As of December 31, 2024 the receivable balance was \$95,138.

The deferred balance of the unspent special assessment as of December 31, 2025 was:

Beginning balance	\$ 47,021
Expenses	
Interest expense	<u>5,750</u>
Ending balance	<u>\$ 41,271</u>

In December of 2025, a special assessment was approved in the amount of \$73,440 to fund the repairs of damages from the hurricane. The assessment was \$720 per unit.

The deferred balance of the unspent special assessment as of December 31, 2025 was:

Beginning balance	\$ 73,440
Expenses	
Hurricane expense	<u>73,440</u>
Ending balance	<u>\$ 0</u>

Ballantrae Condominium Association, Inc.
Notes to the Financial Statements
Year Ended December 31, 2025

Note 10-Note Payable

In May 2024, the Association secured a \$750,000 loan from a local banking institution to finance the re-roofing of the Association's buildings. The loan is collateralized by the property and assessments, and was payable in monthly installments of principal and interest of \$16,034. The monthly installment was based on a five (5) year amortization and interest accrues at 6.35%.

In July 2024, the Association drew \$106,483 from loan. Five Interest payments were made on the outstanding balance from July-December 2024. In December 2024 the local banking institution modified the payments to monthly installments of principal and interest of \$2,276. The monthly installment was based on a five (5) year amortization and interest accrues at 6.35%.

Following are maturities of long-term debt for the next three years and in the aggregate:

Year ending December 31,

2026	\$ 23,506
2027	25,061
2028	<u>21,520</u>
Total	<u>\$ 70,087</u>

Note 11-Retirement Plan for Employees

The Association has SIMPLE IRS plans for qualifying employees and contributes 3% of employee's gross wages to the plan. Total amount contributed in 2025 was \$1,982.

Note 12-Subsequent Events

Management has evaluated the events and transactions that have occurred through January 21, 2026, date the financial statements were available to be issued and noted no items requiring adjustment of the financial statements or additional disclosure.

Supplementary Information

Ballantrae Condominium Association, Inc.
 Supplementary Schedule of Operating Fund Expenses
 Year Ended December 31, 2025

Administration	
Insurance	\$ 245,104
Management fee	17,964
Administration	3,589
Professional fees	11,255
Licenses and fees	469
Website	1,597
Social	331
Income tax	1,644
	<u>281,953</u>
Utilities	
Electric	9,781
Cable	58,692
Telephone	2,482
	<u>70,955</u>
Building maintenance	
Building and sidewalk	6,947
Roof repairs chimney cap	4,100
Owen gate	1,481
	<u>12,528</u>
Grounds	
Grounds maintenance	93,252
Equipment maintenance gas supply	1,600
Storm clean-up	247
Irrigation	10,820
Tree trimming	3,420
Fertilizer and mulch	16,472
Plant, shrubs, and sod	26,352
Lake maintenance	4,540
	<u>156,703</u>
Special assessment expenses	
Special assessment interest expense	5,750
	<u>5,750</u>
Payroll and related	<u>71,186</u>
Total operating fund expenses	<u>\$ 599,075</u>

Ballantrae Condominium Association, Inc.
 Supplementary Schedule of Replacement Fund Activity
 Year Ended December 31, 2025

The Association's policy is to recognize replacement fund interest income as received. Expenditures from replacement fund interest are made at the discretion of the Board of Directors.

The following is the activity in the replacement fund for the year ended December 31, 2025:

	Contract Liabilities	Fund Balance	Total
Pooled balance, beginning of year	\$ 435,563	\$ -	\$ 435,563
Additions	136,168	9,239	145,407
Charges			
Expenses	245,340	9,239	254,579
Pooled balance, end of year	\$ 326,391	\$ -	\$ 326,391

Ballantrae Condominium Association, Inc.
 Supplementary Information About Future Major Repairs and Replacements
 December 31, 2025

The Board of Directors conducted a study to estimate the remaining useful lives and the replacement costs of the components of common property during the preparation of the 2026 budget.

An independent engineer conducted a study on November 1, 2024 to estimate the remaining useful lives and the replacement costs of the components of common property. The study was utilized by the Board of Directors during the preparation of the 2026 budget.

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

<u>Reserve Account</u>	<u>Estimated Remaining Lives (Years)</u>	<u>Estimated Cost to Replace</u>	<u>2026 Funding Requirement</u>
Roofs	3 to 19	\$ 1,996,573	\$ -
Painting and Waterproofing	4 to 9	193,940	-
Paving	1	195,283	-
Miscellaneous Building Components	1 to 22	55,346	-
Miscellaneous Site Improvements	0 to 29	440,893	-
Furniture, Fixtures & Equipment	6	13,234	-
30 year cash flow funding		-	175,316
		<u>\$ 2,895,269</u>	<u>\$ 175,316</u>