

**SEAPOINTE VILLAGE MASTER ASSOCIATION, INC.**  
**FINANCIAL STATEMENTS**  
**MARCH, 31 2018 AND 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Seapointe Village Master Association, Inc.  
Wildwood Crest, New Jersey

We have audited the accompanying financial statements of Seapointe Village Master Association, Inc. (the "Master Association") which comprise the balance sheet as of March 31, 2018, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Master Association as of March 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Seapointe Village Master Association, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 3, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017, is consistent in all material respects, with the audited financial statements from which it has been derived.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of revenues, expenses and allocation to funds as compared to budget on pages 11 and 12 are presented for purposes of additional analysis, and are not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That 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, that information is fairly stated in all material respects in relation to the financial statements as a whole.

## Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of information on future major repairs and replacements on pages 13 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, 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 for the year ended March 31, 2018 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.



Certified Public Accountants

Conshohocken, Pennsylvania  
August 21, 2018

SEAPOINTE VILLAGE MASTER ASSOCIATION, INC.

BALANCE SHEETS

MARCH 31, 2018 AND 2017

	2018			2017	
	Operating Fund	Deferred Maintenance Fund	Replacement Fund	Total	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 72,716	\$ 130,939	\$ 502,936	\$ 706,591	\$ 743,594
Prepaid expenses and other assets	46,164	-	-	46,164	5,000
Property and equipment, net	1,373,869	-	-	1,373,869	1,392,108
Due from villages	4,858	-	-	4,858	6,846
Interfund balances	-	109,612	45,579	155,191	109,609
	<u>\$ 1,497,607</u>	<u>\$ 240,551</u>	<u>\$ 548,515</u>	<u>\$ 2,286,673</u>	<u>\$ 2,257,157</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 45,331	\$ -	\$ -	\$ 45,331	\$ 49,790
Payroll expenses and taxes payable	10,668	-	-	10,668	6,073
Due to villages	2,621	-	-	2,621	2,621
Interfund balances	155,191	-	-	155,191	109,609
<b>TOTAL LIABILITIES</b>	<u>213,811</u>	<u>-</u>	<u>-</u>	<u>213,811</u>	<u>168,093</u>
<b>FUND BALANCE</b>					
Board designated funds	-	240,551	548,515	789,066	762,314
Undesignated funds	1,283,796	-	-	1,283,796	1,326,750
<b>TOTAL FUND BALANCE</b>	<u>1,283,796</u>	<u>240,551</u>	<u>548,515</u>	<u>2,072,862</u>	<u>2,089,064</u>
	<u>\$ 1,497,607</u>	<u>\$ 240,551</u>	<u>\$ 548,515</u>	<u>\$ 2,286,673</u>	<u>\$ 2,257,157</u>

See accompanying notes.

SEAPOINTE VILLAGE MASTER ASSOCIATION, INC.  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES  
 YEARS ENDED MARCH 31, 2018 AND 2017

	2018			2017	
	Operating Fund	Deferred Maintenance Fund	Replacement Fund	Total	Total
<b>REVENUES</b>					
Master fees from villages	\$ 1,922,988	\$ 32,000	\$ 226,000	\$ 2,180,988	\$ 2,159,592
Reimbursements from villages	181,632	-	-	181,632	173,741
Initial assessments	16,215	-	-	16,215	26,278
Interest income	-	609	2,228	2,837	2,674
Service charges	88,860	-	-	88,860	88,428
Parking charges	7,814	-	-	7,814	9,270
Owner service charges	11,675	-	-	11,675	13,582
Beach tags and recreation fees	6,038	-	-	6,038	9,375
Vending commissions	2,743	-	-	2,743	3,228
Lease fees - beach hut	28,000	-	-	28,000	28,000
Other Income	19	-	-	19	335
<b>TOTAL REVENUES</b>	<u>2,265,984</u>	<u>32,609</u>	<u>228,228</u>	<u>2,526,821</u>	<u>2,514,503</u>
<b>EXPENSES</b>					
Administrative	394,991	3	101,060	496,054	391,011
Payroll and employee expenses	1,085,632	-	-	1,085,632	995,916
Utilities and insurance	441,465	-	-	441,465	430,397
Residential and maintenance services	345,611	18,361	83,507	447,479	446,733
Major repairs and replacements	41,239	-	31,154	72,393	279,813
<b>TOTAL EXPENSES</b>	<u>2,308,938</u>	<u>18,364</u>	<u>215,721</u>	<u>2,543,023</u>	<u>2,543,870</u>
<b>REVENUES (UNDER) OVER EXPENSES</b>	(42,954)	14,245	12,507	(16,202)	(29,367)
<b>FUND BALANCE, BEGINNING</b>	<u>1,326,750</u>	<u>226,306</u>	<u>536,008</u>	<u>2,089,064</u>	<u>2,118,431</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 1,283,796</u>	<u>\$ 240,551</u>	<u>\$ 548,515</u>	<u>\$ 2,072,862</u>	<u>\$ 2,089,064</u>

See accompanying notes.

SEAPOINTE VILLAGE MASTER ASSOCIATION, INC.  
 STATEMENTS OF CASH FLOWS  
 YEARS ENDED MARCH 31, 2018 AND 2017

	2018			2017	
	Operating Fund	Deferred Maintenance Fund	Replacement Fund	Total	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Revenues (under) over expenses	\$ (42,954)	\$ 14,245	\$ 12,507	\$ (16,202)	\$ (29,367)
Adjustments to reconcile revenues (used) provided by over expenses to net cash operating activities					
Depreciation expense	18,239	-	-	18,239	12,893
(Increase) decrease in assets					
Due from/to villages	1,988	-	-	1,988	(18,033)
Prepaid expenses and other assets	(41,164)	-	-	(41,164)	14,110
Increase (decrease) in liabilities					
Accounts payable and accrued expenses	(4,459)	-	-	(4,459)	22,247
Payroll taxes and payroll expenses payable	4,595	-	-	4,595	(4,016)
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<u>(63,755)</u>	<u>14,245</u>	<u>12,507</u>	<u>(37,003)</u>	<u>(2,166)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of property and equipment	-	-	-	-	(91,620)
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(91,620)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Interfund (repayments) borrowings, net	64,405	(3)	(64,402)	-	-
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>64,405</u>	<u>(3)</u>	<u>(64,402)</u>	<u>-</u>	<u>-</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	650	14,242	(51,895)	(37,003)	(93,786)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>72,066</u>	<u>116,697</u>	<u>554,831</u>	<u>743,594</u>	<u>837,380</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 72,716</u>	<u>\$ 130,939</u>	<u>\$ 502,936</u>	<u>\$ 706,591</u>	<u>\$ 743,594</u>

See accompanying notes.

SEAPOINTE VILLAGE MASTER ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018 AND 2017

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NOTE 1 NATURE OF ORGANIZATION

Seapointe Village Master Association, Inc. (the "Master Association") is a statutory condominium association incorporated in the State of New Jersey and located in the Diamond Beach section of Wildwood Crest, New Jersey. The purpose of the Master Association is to provide for the maintenance, management and operation of common property and recreational facilities. The Master Association consists of the unit owners of seven constituent villages ("Villages"); Seapointe Village I through V, Seapointe Village VII and Single Family Homes at Seapointe Village.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Master Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Master Association maintains its accounts using fund accounting. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the replacement fund generally may be made only for designated purposes. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund

This fund is used to account for financial resources available for the general operations of the Master Association.

Deferred Maintenance Fund

This fund is used to accumulate financial resources in order to perform maintenance services which occur less frequently than annually.

Replacement Fund

This fund is used to accumulate financial resources designated for future major repairs and replacements.

Member Assessments

The Villages are subject to monthly assessments to provide funds for the Master Association's operating expenses, maintenance services, future capital acquisitions and major repairs and replacements. The annual budget and assessments of the villages are determined by the board of directors and are approved by the owners. Any excess assessments at year end are retained by the Master Association for use in the succeeding year.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Master Association considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.



SEAPOINTE VILLAGE MASTER ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018 AND 2017

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

In accordance with prevalent industry practice, the Master Association's policy is not to capitalize real property directly associated with individual units, or part of the fee simple ownership of the individual units. Also in accordance with prevalent industry practice, the Master Association's policy is to capitalize all equipment, personal property and real property not directly associated with the units to which it has title and to which it (1) has the right to sell and retain proceeds of, or (2) can use the property to generate significant cash flows on the basis of usage. Property and equipment that meet the preceding requirements are capitalized at cost and depreciated using the straight-line method over estimated useful lives. All other costs of repair and replacement are expensed as incurred or charged to the replacement fund if provided for therein.

As of March 31, 2018 and 2017, property not capitalized consists of sidewalks, roadways, parking areas and open areas. The Master Association received these common elements in a non-monetary transaction with the developers. Since the use and disposition of these properties are restricted or governed by the Master Association's legal documents, no amounts have been capitalized or reflected on the accompanying balance sheets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Master Association to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Interest Earned

The Master Association's policy is to allocate all interest earned on replacement and deferred maintenance cash accounts and investments to the corresponding replacement funds and deferred maintenance funds.

NOTE 3 INCOME TAXES

Under the Internal Revenue Code, the Master Association may be taxed as a Condominium Management Association at its election, or as a regular corporation. The Master Association may select either method in any year and will generally select the method that results in the lowest tax due. A method selected in one year affects only that year and the Master Association is free to select either method in future years. By filing as a regular corporation, an association is generally taxed at a lower rate than by filing as a Condominium Management Association.

For the years ended March 31, 2018 and 2017, the Master Association has elected to be taxed as a Condominium Management Association. For each of the years ended March 31, 2018 and 2017, there were no income taxes based on the comparison of non-membership income to non-membership expenses.

SEAPOINTE VILLAGE MASTER ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018 AND 2017

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NOTE 3 INCOME TAXES (continued)

The Master Association is incorporated pursuant to Title 15 of the New Jersey Statutes and therefore is not liable for New Jersey corporation business income tax.

The Master Association follows the guidance for accounting for uncertainty in income taxes. The Master Association had no unrecognized tax benefits at March 31, 2018 and 2017. The Master Association's Federal income tax returns prior to fiscal year 2015 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Master Association recognizes interest and penalties associated with tax matters as operating expenses and includes accrued interest and penalties with accrued expenses in the balance sheet. There were no penalties and interest during the years ended March 31, 2018 and 2017.

NOTE 4 REPLACEMENT FUND

The Master Association's governing documents require that funds accumulate for future major repairs and replacements. At March 31, 2018 and 2017, accumulated fund balances are \$548,515 and \$536,008, respectively. Replacement funds are held in separate accounts and are generally not available for expenditures or operating purposes.

The board of directors is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimate of those lives and current replacement costs considering amounts previously accumulated in the replacement fund. For the years ended March 31, 2018 and 2017, the board of directors funded \$226,000 and \$228,000 in total monthly assessments and \$2,228 and \$2,137 in interest income for the basic annual contribution, respectively.

Funds are being accumulated in the replacement fund based upon estimated costs for repairs and replacement of common property components. 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 future needs for major repairs and replacements. If additional funds are needed, the Master Association has the right to increase regular assessments, levy special assessments, or delay such repairs and replacements until funds are available.

NOTE 5 CONCENTRATION OF CREDIT RISK

At times, the Master Association maintains cash in accounts in excess of the FDIC insured amount.

SEAPOINTE VILLAGE MASTER ASSOCIATION, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 MARCH 31, 2018 AND 2017

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31:

	<u>2018</u>	<u>2017</u>	<u>Estimated Useful Lives</u>
Land	\$ 1,275,000	\$ 1,275,000	-
Improvements	26,519	26,519	27.5 years
Furniture, fixtures and equipment	<u>252,194</u>	<u>252,194</u>	5 - 10 years
	1,553,713	1,553,713	
Less accumulated depreciation	<u>(179,844)</u>	<u>(161,605)</u>	
Property and equipment, net	<u>\$ 1,373,869</u>	<u>\$ 1,392,108</u>	

Depreciation expense totaled \$18,239 and \$12,893 for the years ended March 31, 2018 and 2017, respectively.

NOTE 7 MASTER FEES FROM VILLAGES

All Villages are obligated to collect the Master Association fees from their individual unit owners, and remit the amounts to the Master Association. The following represent the amount of master fees paid during the years ended March 31:

	<u>2018</u>	<u>2017</u>
Seapointe Village I Condominium Association, Inc.	\$ 457,392	\$ 452,436
Seapointe Village II Condominium Association, Inc.	457,392	452,436
Seapointe Village III Condominium Association, Inc.	326,712	322,980
Seapointe Village IV Condominium Association, Inc.	210,732	208,212
Seapointe Village V Condominium Association, Inc.	307,104	303,912
Single Family Homes at Seapointe Village	103,440	102,960
Seapointe Village VII Condominium Association, Inc.	<u>318,216</u>	<u>316,656</u>
Total master fees from villages	<u>\$ 2,180,988</u>	<u>\$ 2,159,592</u>

NOTE 8 INITIAL ASSESSMENTS

In accordance with the board of directors' policy, each initial member of the association must contribute revenue to the Master Association at the time of settlement an amount equivalent to two months maintenance assessments. Initial assessments totaled \$16,215 and \$26,278 the years ended March 31, 2018 and 2017, respectively.

SEAPOINTE VILLAGE MASTER ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018 AND 2017

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NOTE 9 REIMBURSEMENTS FROM VILLAGES

The Master Association pays for various office, maintenance, and custodial expenses, which are allocated to the Villages and included in revenue as reimbursements for the Villages. Revenues totaled \$181,632 and \$173,741 for the years ended March 31, 2018 and 2017, respectively.

NOTE 10 AMENITIES USAGE FEE

The Master Association charges an amenities usage fee to an unrelated association. The monthly commitment was approximately \$7,300 and indexed for inflation, not to exceed 5% per annum. Income, which is included in service charges in the statements of revenues, expenses and changes in fund balance, was approximately \$89,000 for each of the years ended March 31, 2018 and 2017, respectively. The commitment has no stated expiration date.

NOTE 11 SUBSEQUENT EVENTS

The Master Association has evaluated events or transactions that have occurred after March 31, 2018 (the financial statement date) through August 21, 2018, the date the financial statements were available to be issued. During the period, the Master Association did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statements.

**SUPPLEMENTARY INFORMATION**

SEAPOINTE VILLAGE MASTER ASSOCIATION, INC.  
SCHEDULES OF REVENUES, EXPENSES AND ALLOCATION TO FUNDS  
AS COMPARED TO BUDGET  
YEAR ENDED MARCH 31, 2018

	2018		Variance Favorable (Unfavorable)	2017
	Actual	Budget (Unaudited)		Actual
<b>REVENUES</b>				
Master fees from villages	\$ 2,180,988	\$ 2,181,564	\$ (576)	\$ 2,159,592
Reimbursements from villages	181,632	170,000	11,632	173,741
Initial assessments	16,215	20,000	(3,785)	26,278
Interest income	2,837	-	2,837	2,674
Service charges, parking, and IBIS	108,349	110,110	(1,761)	111,280
Beach tags and pool fees	6,038	10,000	(3,962)	9,375
Vending commissions	2,743	3,000	(257)	3,228
Lease fees - beach hut	28,000	28,000	-	28,000
Other income	19	-	19	335
<b>TOTAL REVENUES</b>	<b>2,526,821</b>	<b>2,522,674</b>	<b>4,147</b>	<b>2,514,503</b>
<b>EXPENSES AND FUND ALLOCATIONS</b>				
<b>ADMINISTRATIVE</b>				
Management fees	252,720	250,000	(2,720)	247,172
Bad debts expense	6,016	6,016	-	-
Bank service charges	12	-	(12)	-
Depreciation expense	18,239	9,758	(8,481)	12,893
Dues and subscriptions	310	500	190	1,355
Gifts and contributions	29	-	(29)	97
Licenses and permits	2,919	7,500	4,581	1,486
Meeting expenses	1,164	3,300	2,136	665
Office supplies and expense	26,619	23,300	(3,319)	26,154
Postage and delivery	5,719	5,000	(719)	5,185
Professional fees	153,016	63,000	(90,016)	65,601
Rent	19,500	19,500	-	19,500
Taxes and fees	9,001	9,000	(1)	9,354
Travel and entertainment	790	-	(790)	1,549
<b>TOTAL ADMINISTRATIVE</b>	<b>496,054</b>	<b>396,874</b>	<b>(99,180)</b>	<b>391,011</b>
<b>PAYROLL AND EMPLOYEE EXPENSES</b>				
Salaries and wages	906,528	855,000	(51,528)	827,311
Payroll taxes	120,062	120,000	(62)	114,259
Group insurance and benefits	59,042	46,000	(13,042)	54,346
<b>TOTAL PAYROLL AND EMPLOYEE EXPENSES</b>	<b>1,085,632</b>	<b>1,021,000</b>	<b>(64,632)</b>	<b>995,916</b>
<b>UTILITIES AND INSURANCE</b>				
Cable TV	14,829	13,000	(1,829)	13,674
Electricity	107,241	120,000	12,759	113,629
Gas	44,314	43,000	(1,314)	35,272
Insurance	139,247	141,300	2,053	129,967
Telephone	18,572	20,000	1,428	19,515
Water and sewer	117,262	120,000	2,738	118,340
<b>TOTAL UTILITIES AND INSURANCE</b>	<b>441,465</b>	<b>457,300</b>	<b>15,835</b>	<b>430,397</b>

SEAPOINTE VILLAGE MASTER ASSOCIATION, INC.  
SCHEDULES OF REVENUES, EXPENSES AND ALLOCATION TO FUNDS  
AS COMPARED TO BUDGET (CONTINUED)  
YEAR ENDED MARCH 31, 2018

	2018		Variance Favorable (Unfavorable)	2017
	Actual	Budget (Unaudited)		Actual
<b>RESIDENTIAL AND MAINTENANCE SERVICES</b>				
Custodial supplies and materials	121,638	88,500	(33,138)	84,627
Damaged insured loss contingency	2,148	-	(2,148)	138
Exterminator	10,134	6,000	(4,134)	6,643
Heating, ventilation and air-conditioning	790	-	(790)	780
Landscaping	127,151	131,000	3,849	149,203
Pool, spa and lagoon supplies and maintenance	69,987	70,000	13	61,488
Repairs and maintenance	83,306	15,000	(68,306)	104,557
Security supplies and equipment	5,940	10,000	4,060	12,485
Trash collection	14,814	22,000	7,186	20,772
Uniforms	11,571	11,000	(571)	6,040
<b>TOTAL RESIDENTIAL AND MAINTENANCE SERVICES</b>	<b>447,479</b>	<b>353,500</b>	<b>(93,979)</b>	<b>446,733</b>
<b>MAJOR REPAIRS AND REPLACEMENTS</b>				
Pool maintenance	-	-	-	22,250
Recreation facilities	32,116	20,000	(12,116)	23,660
Professional fees - oceanfront hot tub project	-	-	-	178,636
Security supplies	-	-	-	6,373
Supplies, repairs and maintenance	-	-	-	28,222
Equipment repairs	29,846	10,000	(19,846)	-
Exterior maintenance	-	-	-	15,662
Interior maintenance	10,431	6,000	(4,431)	5,010
<b>TOTAL MAJOR REPAIRS AND REPLACEMENTS</b>	<b>72,393</b>	<b>36,000</b>	<b>(36,393)</b>	<b>279,813</b>
<b>TOTAL EXPENSES</b>	<b>2,543,023</b>	<b>2,264,674</b>	<b>(278,349)</b>	<b>2,543,870</b>
<b>REVENUES (UNDER) OVER EXPENSES</b>	<b>(16,202)</b>	<b>258,000</b>	<b>(274,202)</b>	<b>(29,367)</b>
<b>DEFERRED MAINTENANCE FUND ALLOCATIONS</b>				
Allocated assessments	32,000	32,000	-	32,000
Allocated interest income	609	-	609	537
Administrative expenses	(3)	-	(3)	-
Residential and maintenance services	(18,361)	-	(18,361)	(31,340)
<b>TOTAL DEFERRED MAINTENANCE FUND ALLOCATIONS</b>	<b>14,245</b>	<b>32,000</b>	<b>(17,755)</b>	<b>1,197</b>
<b>REPLACEMENT FUND ALLOCATIONS</b>				
Allocated assessments	226,000	226,000	-	228,000
Allocated interest income	2,228	-	2,228	2,137
Administrative expenses	(101,060)	-	(101,060)	-
Residential and maintenance services	(83,507)	-	(83,507)	-
Major repairs and replacements	(31,154)	-	(31,154)	(279,813)
<b>TOTAL REPLACEMENT FUND ALLOCATIONS</b>	<b>12,507</b>	<b>226,000</b>	<b>(213,493)</b>	<b>(49,676)</b>
<b>TOTAL FUND ALLOCATIONS, NET OF EXPENSES</b>	<b>26,752</b>	<b>258,000</b>	<b>(231,248)</b>	<b>(48,479)</b>
<b>REVENUES (UNDER) OVER EXPENSES, NET OF FUND ALLOCATIONS</b>	<b>\$ (42,954)</b>	<b>\$ -</b>	<b>\$ (42,954)</b>	<b>\$ 19,112</b>

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An independent engineer conducted a study in October of 2017 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from licensed contractors who inspected the property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date, but they do take into account the effect of inflation of 2% between the date of the study and the date the components will require repair or replacement.

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

Components	Updated 2017 Schedule (unaudited)	
	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs
<b>Paving:</b>		
2' Cap —Asphalt Pavement	0	\$ 222,800
Decorative Concrete Pavers (Ibis Ln Cir over 2 yrs)	3	116,269
Decorative Concrete Pavers (Plaza Deck & Remaining, over 4 yrs)	18	388,749
Concrete Sidewalk (Ibis Pool & Playground)	20	33,575
Concrete Sidewalk (Plaza Deck)	18	152,320
Stamped Concrete (Ibis Pool & Playground)	20	31,488
Colored Concrete Pool Deck-Centre Court	15	61,360
Colored Concrete Pool Deck-Garden	8	31,020
Colored Concrete Pool Deck-Ocean Side	18	26,100
Concrete Hot Tub Deck-Ocean Side	0	9,000
Concrete Walkways	25	23,350
Concrete Walkways	26	36,300
Concrete Walkways	27	3,000
Concrete Walkways	28	8,875
<b>Illumination:</b>		
20' Aluminum Street Lights (over 5 yrs)	10	178,750
Plaza Bollard Lighting	13	19,000
Bollard Lighting-Walkways	13	19,000



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Components	Updated 2017 Schedule (unaudited)	
	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs
Fencing:		
10' High Vinyl Chainlink - Tennis Ct.	10	11,840
4' High Vinyl Chainlink - Tennis Ct.	10	3,750
4' High Aluminum Fence (Ibis Pool & Playground)	15	21,105
4' High Aluminum Fence (Centre Court)	1	30,870
4' High Tubular Post & Railing (Centre Court)	2	2,782
4' High Aluminum Fence (Garden Pool)	0	19,656
4' High Aluminum Fence (Ocean Side)	13	50,400
6' Vinyl Chainlink Fence (Pool Heaters)	1	911
8' High Vinyl Privacy Fence	15	18,813
4' Vinyl Fence (Townhomes 400, 500 & 600)	20	14,418
5' Vinyl Fence (Townhomes 300, 500, 600 & 700)	20	7,893
6' Vinyl Fence (Townhomes 300 Series)	20	10,940
7' Vinyl Fence (Townhomes 300 Series)	20	5,784
6' Vinyl Fence - Dune Drive	16	53,385
6' Vinyl Fence - (behind 100 & 200 bldg. Townhomes)	18	17,503
6' Vinyl Fence - (behind 300, 700, & 800 bldg. Townhomes)	20	28,394
6' Wood Fence (Dune Drive)	0	4,920
Retaining Walls:		
Poured Concrete Retaining Wall (west elevation of tennis court)	25	8,700
Concrete Field Stone Retaining Wall (Ibis pool area)	17	26,862
Concrete Field Stone Retaining Wall (Garden)	17	53,276
Timber Retaining Wall: Replace w/ Seg. Block (South Beach, SW corner)	10	4,029
Masonry Concrete Retaining Wall: CMU block, stucco finish (over 5 yrs)	10	145,668
Ceramic Tile (masonry concrete retaining walls)	2	6,930
Aluminum Railing	2	10,700

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Components	Updated 2017 Schedule (unaudited)	
	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs
<b>Recreation:</b>		
Tennis Court Resurface	0	17,600
Tennis Court Reconstruction	10	110,000
Basketball Court Resurface	0	8,800
Basketball Court Reconstruction	10	55,000
Tot Lot & Swing Set	8	25,000
Wood Edging	14	300
Pool Coping & Waterline Tile - Ibis Pool/Spa	4	13,200
Pool Resurfacing - Ibis Pool/Spa	0	7,533
Pool Coping & Waterline Tile - Centre Court	3	35,400
Pool Resurfacing - Centre Court	0	8,469
Pool Coping & Waterline Tile - Garden	5	9,900
Pool Resurfacing - Garden	0	6,480
Pool Coping & Waterline Tile - Ocean Side	8	25,800
Pool / Spa Resurfacing - Ocean Side	0	25,650
<b>Ibis Exterior Components:</b>		
Pool Furnishings	2	20,000
6" Aluminum Gutters	10	1,639
4" x 3" Aluminum Leaders	10	996
Single Aluminum & Glass Door	15	1,425
Double Aluminum & Glass Doors	15	4,650
Sliding Glass Doors (9' x 8')	15	7,000
<b>Ibis Interior Components:</b>		
Vinyl Composite Floor Tile	20	1,828
Ceramic Floor & Wall Tile (1" x 1")	28	5,002
Acoustical Ceiling Tile	20	1,828
Restroom Renovation	10	8,500
<b>Ibis Mechanical Components:</b>		
Pool Filters & Pumps	8	26,350
Pool Heaters - 325K Btu	13	6,500
Electric Water Heater - 40 Gallon	2	1,000
HVAC	10	15,500

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Components	Updated 2017 Schedule (unaudited)	
	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs
Centre Court Exterior Components:		
Composite Decking	15	7,200
Wooden Pedestrian Bridge (over pool)	0	13,000
Pool Equipment Shed	10	3,000
Centre Court Mechanical:		
Spa Heater	4	2,350
Spa Filter & Pump	4	3,500
Pool Heaters - 399K Btu	5	3,850
Pool Heaters - 399K Btu	10	3,850
Pool Heater - 299K Btu	14	3,300
Pool Filters & Pumps	5	16,500
Garden Exterior Components:		
Pool Furnishings	3	20,000
Composite Bench	11	2,150
Garden Mechanical Components:		
Pool Heater - 250K Btu	14	3,275
Pool Heater - 399K Btu	3	3,850
Pool Heater - 399K Btu	12	3,850
ADA Pool Chair Lift	8	8,000
Pool Filters & Pumps	9	16,500
Ocean Side Exterior Components:		
Lounge Chairs (\$8000 allowance every other year)	0	8,000
Picnic Tables/Umbrellas	11	17,100
Composite Decking (over 3 yrs)	7	318,600
Composite Modular Rollout Decking	15	51,560
Composite Modular Rollout Decking Extension	21	12,374
Composite Modular Rollout Decking Extension	24	9,881

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Components	Updated 2017 Schedule (unaudited)	
	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs
Ocean Side Mechanical:		
ADA Pool Chair Lift	0	8,000
Pool Heaters	5	3,000
Pool Heaters	12	3,000
Pool Heaters - 175K Btu	5	5,300
Pool Heaters - 175K Btu	12	2,650
Pool Pumps and Filters	5	13,650
A/C Condenser (Pinnacle Common Area)	16	2,150
A/C Condenser (North Beach Management Office)	18	3,350
Miscellaneous Sitework:		
Trash / Recycling Receptacles (over 7 yrs)	7	14,400
Shower Towers	2	35,000
Tiki Huts (12 EA every 3 years)	5	56,000
BBQ Grills (3 EA every year)	3	8,400
Storage Sheds: 10' x 12' (Beach Area)	19	3,700
Storage Sheds: 10' x 12' (Beach Area)	11	3,700
Storage Sheds: 10' x 12' (Beach Area)	1	3,700
Storage Shed: 30' x 20' (windows, doors, garage doors, siding, roofing)	25	16,250
Wood Gazebo: Wood Roof System (large)	3	4,500
Wood Gazebo: Wood Roof System (small)	0	2,250
Restroom Renovation - Beach	0	16,000
Composite Benches / Steel Frame	13	12,000
Lagoons and Components (over 2 yrs)	0	53,000
Lagoons and Components (over 5 yrs)	10	476,250
Steel Dumpsters (over 7 yrs)	0	42,900
Steel Dumpsters	27	6,600
Steel Dumpsters	28	4,950
Beach Wheelchairs	0	10,000
Beach Wheelchairs	18	10,000

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Components	Updated 2017 Schedule (unaudited)	
	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs
Miscellaneous Mechanical:		
Access Gates & Controllers (over 4 yrs)	0	20,200
Access Gates (Seaview Avenue Entrance)	12	8,915
Card Reader System	3	38,200
Parking Meters	1	10,575
Gatehouse HVAC Split System (Furnace & A/C Condenser)	13	5,000
Vehicles:		
Golf Carts	2	3,000
Golf Carts	8	9,000
Kubota Tractor w/ Front Loader	8	40,000
Kubota Tractor w/ Front Loader	13	40,000
Food Concession Trailer	12	90,000
Pinnacle Exterior:		
Double Glass-Paneled Door w/ Sidelights (east elevation)	9	8,650
Automatic Double Glass Door (east elevation vestibule)	8	9,000
Single Glass-Paneled Doors (game room & pinnacle room)	9	4,000
Pinnacle Interior Finishes Meeting Room:		
Carpet	11	7,958
Acoustical Ceiling Tiles	5	1,478
Furniture	0	15,000
Kitchen Amenities	0	1,000
Ceramic Tile	5	784
Exercise Room:		
Interlocking Rubber Tiles	12	4,399
Exercise Equipment (over 3 yrs)	7	35,850
Acoustical Ceiling Tile	24	1,478
Game Room:		
Carpet	1	4,244
Acoustical Ceiling Tiles	24	1,277

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Components	Updated 2017 Schedule (unaudited)	
	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs
Miscellaneous:		
Security System - (Cameras)	5	15,000
Sauna Heater	0	2,550
Cedar Sauna Finish	20	5,880
Steam Generator	6	3,385
Restroom Facilities:		
Ceramic Tile - (Men & Women's)	15	26,484
Acoustical Ceiling Tile	24	1,261
Restroom Renovation	5	26,500
Hallways:		
Ceramic Tile	15	3,572
Office (North Beach):		
Carpet	7	1,850
Office Furniture	6	13,500
GRAND TOTAL		<u>\$ 4,184,215</u>