The Colonies At Berkshire Lakes Condominium Association, Inc.

Financial Statements

Year Ended December 31, 2025

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The Colonies At Berkshire Lakes Condominium Association, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Colonies At Berkshire Lakes Condominium Association, Inc.

Qualified Opinion

We have audited the accompanying financial statements of The Colonies At Berkshire Lakes 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, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of The Colonies At Berkshire Lakes 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 Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence to substantiate the existence and carrying amount of the Association's certificates of deposit reported on the balance sheet as of December 31, 2025. We were unable to obtain sufficient appropriate audit evidence by performing alternative auditing procedures.

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 The Colonies At Berkshire Lakes 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 qualified audit opinion.

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 5 to the financial statements 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.

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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 The Colonies At Berkshire Lakes Condominium Association, 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 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 The Colonies At Berkshire Lakes 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.

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- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Colonies At Berkshire Lakes 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information on 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, 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.

Tapia, Rojas & Associates, P.A.

Tapia, Rojas & Associates, P.A.
Certified Public Accountants

Date of Report

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The Colonies At Berkshire Lakes Condominium Association, Inc.
Balance Sheet
December 31, 2025

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and Cash Equivalents	$ 147,627	$ 188,350	$ 335,977
Certificates of Deposit	-	60,000	60,000
Prepaid Expenses	2,790	-	2,790
Prepaid Insurance	19,851	-	19,851
TOTAL ASSETS	$ 170,268	$ 248,350	$ 418,618
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Expenses	$ 18,464	$ -	$ 18,464
Prepaid Assessments	31,419	-	31,419
Contract Liabilities (Assessments received in advance-replacement fund)	-	219,454	219,454
TOTAL LIABILITIES	49,883	219,454	269,337
FUND BALANCES	120,385	28,896	149,281
TOTAL LIABILITIES AND FUND BALANCES	$ 170,268	$ 248,350	$ 418,618

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The Colonies At Berkshire Lakes Condominium Association, Inc.
Statement of Revenues, Expenses,
and Changes in Fund Balances
For the Year Ended December 31, 2025

	Operating Fund	Replacement Fund	Total
REVENUES			
Assessments	$ 529,004	$ 104,464	$ 633,468
Interest Income	-	8,085	8,085
Other Income	369	-	369
TOTAL REVENUES	529,373	112,549	641,922
EXPENSES			
Administrative	2,519	-	2,519
Cable TV	60,075	-	60,075
Electricity	17,970	-	17,970
Insurance	158,399	-	158,399
Janitorial Maintenance	20,700	-	20,700
Landscape Maintenance and Replacement	29,889	-	29,889
Loan Interest and Costs	1,643	-	1,643
Management	14,040	-	14,040
Pool Repairs and Maintenance	19,609	-	19,609
Professional Fees	8,063	-	8,063
Repairs and Maintenance	45,889	-	45,889
Reserve Expenditures	-	104,537	104,537
Trash Removal	9,399	-	9,399
Water and Sewer	45,502	-	45,502
TOTAL EXPENSES	433,697	104,537	538,234
REVENUES OVER (UNDER) EXPENSES	95,676	8,012	103,688
FUND BALANCES - BEGINNING OF YEAR	24,709	20,884	45,593
FUND BALANCES - END OF YEAR	$ 120,385	$ 28,896	$ 149,281

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The Colonies At Berkshire Lakes Condominium Association, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2025

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIE			
Revenues over (under) expenses	$ 95,676	$ 8,012	$ 103,688
Adjustments to reconcile revenues over (under) expenses to net cash provided by (used in) operating activities:			
(Increase) decrease in:			
Assessments Receivable	28	-	28
Prepaid Expenses	(2,478)	-	(2,478)
Prepaid Insurance	(2,414)	-	(2,414)
Increase (decrease) in:			
Accounts Payable and Accrued Expenses	5,048	-	5,048
Prepaid Assessments	(14,555)	-	(14,555)
Contract Liabilities (Assessments received in advance-replacement fund)	-	(27,917)	(27,917)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	81,305	(19,905)	61,400
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption in Certificates of Deposit	-	75,213	75,213
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	-	75,213	75,213
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank Loan Principal Payments	(56,384)	-	(56,384)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(56,384)	-	(56,384)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	24,921	55,308	80,229
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	122,706	133,042	255,748
CASH AND CASH EQUIVALENTS END OF YEAR	$ 147,627	$ 188,350	$ 335,977
SUPPLEMENTAL DISCLOSURE			
Loan Interest and Costs Paid	$ 1,643	$ -	$ 1,643

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The Colonies At Berkshire Lakes Condominium Association, Inc.
Notes to Financial Statements
December 31, 2025

NOTE 1. ORGANIZATION

The Colonies At Berkshire Lakes Condominium Association, Inc., is a statutory condominium association incorporated as a not-for-profit corporation in the State of Florida in 1990. The Association is responsible for the operation and maintenance of the common areas within the development. The Association consists of 78 residential units located in Naples, Florida.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 5 are adequate to meet future costs because that determination is outside the scope of our review. Our conclusion is not modified with respect to this matter.

Fund Accounting

The 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 Association maintains its accounts using fund accounting. 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 Association. Disbursements from the operating fund are generally at the discretion of the Board of Directors.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements. Disbursements from the replacement fund generally may be made only for designated purposes.

Basis of Presentation

The Association prepares its financial statements on the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred, in accordance with accounting principles generally accepted in the United States of America.

Interest Income

Interest income is allocated to the operating and replacement fund in proportion to the interest bearing deposits of each fund.

Cash and Cash Equivalents

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

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair Value of Instruments

The carrying amounts of cash, receivables and payables approximate their respective estimated fair values due to their short-term maturities.

Member Assessments and Allowance for Credit Losses

Association members are subject to monthly assessments, to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

Member assessments receivable is presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The Association separates member assessments receivable into risk pools based on their aging. In determining the amount of the allowance as of the balance sheet date, the Association develops a loss rate based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. The balances of assessments receivable as of the beginning and end of the year are $28 and $0, respectively.

Recognition of Assets and Depreciation Policy

Real and common area property is not capitalized in the Association's financial statements as it is owned by the individual unit owners in common and is not saleable by the Board of Directors. Common real property not directly associated with the units, which the Association has title or other evidence of ownership, is only capitalized if the Board of Directors can dispose of it at its discretion for cash or claims to cash with the Association retaining the proceeds or the property generates significant cash flows.

Personal property purchased with Association funds is capitalized at cost and depreciated over its estimated life using the straight-line method of depreciation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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. Accordingly, actual results could differ from those estimates.

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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract Liabilities

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance – replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liabilities (assessments received in advance – replacement fund) as of the beginning and end of the year are $247,371 and $219,454, respectively. In addition, the Association records a contract liability for prepaid assessments associated with the operating fund, which represents assessments paid in advance of the respective performance obligation. Prepaid assessments at the beginning and end of the year are $45,974 and $31,419, respectively.

NOTE 3. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through Date of Report, the date that the financial statements were available to be issued.

NOTE 4. INCOME TAXES

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2025. Under that Section, the Association is not taxed on all income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government. The Association's income tax returns are generally subject to examination by taxing authorities for three years after the returns are filed.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2025, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

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NOTE 5. FUTURE MAJOR REPAIRS AND REPLACEMENTS

Chapter 718 of the Florida Statutes and the Association's governing documents require that funds be accumulated for capital expenditures and deferred maintenance. Required reserve components generally include, but are not limited to, roof replacement, building painting, pavement resurfacing, regardless of the amount of deferred maintenance expense or replacement cost, and any other item that has a deferred maintenance expense or replacement cost that exceeds $25,000 or the annual inflation-adjusted amount determined by the state, whichever is greater.

The Association's policy is to fund future major repairs and replacements through regular assessments, special assessments, or other means as determined by the Board of Directors. Accumulated funds at December 31, 2025, are presented on the accompanying balance sheet as contract liabilities (assessments received in advance-replacement fund) of $219,454 and fund balance of $28,896.

The Association is not subject to the Structural Integrity Reserve Study (SIRS) requirements of Section 718.112, Florida Statutes. The estimates presented in the supplementary information on future major repairs and replacements are based on management's estimates of the remaining useful lives and replacement costs of the common property components reflected in the Association's approved budget. The Association is funding for future major repairs and replacements based on these estimates.

The Association is funding for its future major repairs and replacements based on a cash flow projection that takes into consideration estimates of the remaining useful lives of the components of the pooled reserve account, estimated current replacement costs, anticipated interest earnings on accumulated funds, future projected cash outflows, and amounts previously accumulated in the replacement fund.

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 major repair and replacement needs. If additional funds are needed, the Association may increase regular assessments, levy special assessments, borrow funds, or take other actions as permitted by Florida law and the Association's governing documents to finance future expenditures.

In March 2024, the Association’s membership approved to closed the individual component reserve accounts and transferred the accumulated funds totaling $219,454 into a single pooled reserve account, as reflected in the schedule below.

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NOTE 5. FUTURE MAJOR REPAIRS AND REPLACEMENTS *(Continued)*

Activity in the replacement fund for the year ended December 31, 2025, is as follows:

Components	Balance 1/1/2025	Assessments and Interest	Expenditures	Transfers	Balance 12/31/2025
Paving	$ 26,301	$ 6,243	$ -	$ (32,544)	$ -
Pool	10,145	4,279	-	(14,424)	-
Roof	124,983	17,642	-	(142,625)	-
Carport Roof	47,551	2,098	-	(49,649)	-
Paint	16,863	7,892	-	(24,755)	-
Carport Paint	13,409	1,098	-	(14,507)	-
Deferred Maintenance	8,119	37,295	(104,464)	59,050	-
Pooled	-	-	-	219,454	219,454
Contract Liabilities (Assessments received in advance-replacement fund)	247,371	76,547	(104,464)	-	219,454
Fund Balances	20,884	8,085	(73)	-	28,896
Total Contract Liabilities and Fund Balances	$ 268,255	$ 84,632	$ (104,537)	$ -	$ 248,350

NOTE 6. CONCENTRATIONS OF CREDIT RISK

The Association maintains cash balances at financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC), which provides coverage up to $250,000 per depository institution. If these balances exceed the FDIC limits, the uninsured balances would constitute a credit risk.

NOTE 7. CONTINGENCIES

Insurance Deductible

The Association's insurance policies contain deductibles. In the event of an insurance claim, the Association is responsible for the amount of such deductible. In particular, the Association's insurance policy for windstorm coverage contains a deductible of three percent of the total insured value of the common property. Certain other expenses may also be incurred in the event of a hurricane or other natural disaster that may not be covered by the Association's insurance policies. The ultimate extent of the cost to cover the amount of deductibles and such other expenses cannot reasonably be determined. If funds are needed to cover the cost of deductibles and other expenses not covered by the insurance policies, the Association may increase assessments, pass a special assessment, borrow funds or delay repairs until such funds are available.

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NOTE 7. CONTINGENCIES *(Continued)*

Pending Litigation

The Association is involved in a pending litigation for alleged breach of statutory duties, breach of contract, and claims related to failure to address noise complaints. The Association has retained legal counsel to represent them in this matter. The outcome of this litigation has not been determined. Accordingly, no provisions have been made in the accompanying financial statements.

NOTE 8. COMMITMENTS

The Association has contracted with various vendors for the administration and maintenance of the common property. These contracts have different expiration dates and renewal terms.

Cable Contract

In 2021, the Association entered into a service agreement with Comcast Cable Communications Management, LLC for providing broadband services to the community. The contract is for a period of 6 years with an incremental fee of 4% per annum. The expense related to this contract is reflected in the accompanying financial statements as cable expense.

NOTE 9. CERTIFICATES OF DEPOSIT

At December 31, 2025, the Association had investments in a 4-month certificate of deposit totaling $60,000, earning interest at 4.02% and maturing January 2026.

NOTE 10. BANK LOAN

In January 2021, the Association obtained a loan of up to $210,000 to finance improvements to the Association's property. The loan has an interest rate of 3.85% and a maturity date of January 15, 2026. The loan is payable in 20 equal quarterly installments of $11,608 and is collateralized by an assignment of the Association's right to collect any and all quarterly assessments and special assessments and an assignment of lien rights.

As of December 31, 2025, the bank loan was paid in full. For the year 2025, the total interest incurred on the loan was $1,643.

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Supplementary Information

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The Colonies At Berkshire Lakes Condominium Association, Inc.
Supplemental Information on Future Major Repairs and Replacements
(Unaudited)
December 31, 2025

The Association estimates the life and replacement cost of components of common property for presentation in its budget. The Association has not conducted an independent study to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components. Actual expenditures may vary from the estimates below, 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 may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The following information is a summary about the components of common property as presented on the Association's 2025 budget.

Components	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs	Annual Funding Requirement
Paving	7	$ 70,000	$ 6,243
Pool	21	100,000	4,279
Roof	23	530,760	17,642
Carport Roof	25	100,000	2,098
Paint	8	80,000	7,892
Carport Paint	6	20,000	1,098
Deferred Maintenance	5	120,000	37,294
Totals		1,020,760	76,546

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