Boca Del Mar Improvement Association, Inc.

Audited Financial Statements

and Supplementary Information

Year Ended December 31, 2025

FF&B | CPAs

Table of Contents

Independent Auditor's Report 2

Balance Sheet 4

Statement of Revenues, Expenses, and Changes in Fund Balances 5

Statement of Cash Flows 6

Notes to the Financial Statements 8

Required Supplementary Information 19

20283 State Road 7, Ste 400
Boca Raton, FL 33498
Office: (561) 994 - 3733
Fax: (561) 994 - 3262

FF&B | CPAs
Feldman, Feldman & Baratz, P.A.
info@ffabcpa.com

1931 NW 150 Avenue, Ste 209
Pembroke Pines, FL 33028
Office: (954) 614 - 8244
Fax: (954) 381 - 5966

Certified Public Accountants. Count on us.

Independent Auditor's Report

To the Board of Directors and Members
Boca Del Mar Improvement Association, Inc.

Opinion

We have audited the accompanying financial statements of Boca Del Mar Improvement 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 Boca Del Mar Improvement 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 Boca Del Mar Improvement 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 Boca Del Mar Improvement 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 Boca Del Mar Improvement 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 Boca Del Mar Improvement 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 the information on future major repairs and replacements of common property on Page 19 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.

Feldman, Feldman & Baratz, P.A.

Boca Raton, FL
April 6, 2026

Boca Del Mar Improvement Association, Inc.

Balance Sheet

December 31, 2025

	Operating Fund	Replacement Fund	Total
Assets			
Cash	$ 503,851	$ 509,058	$ 1,012,909
Maintenance assessments receivable, net	16,567	-	16,567
Other receivables	2,572	-	2,572
Prepaid insurance	31,579	-	31,579
Lease right-of-use, net	244,992	-	244,992
Deposits	1,000	-	1,000
Property, equipment, and leasehold improvements, net	22,081	-	22,081
Total assets	$ 822,642	$ 509,058	$ 1,331,700
Liabilities & fund balances			
Accounts payable	$ 16,451	$ -	$ 16,451
Lease liability	247,717	-	247,717
Prepaid maintenance assessments	173,936	-	173,936
Security deposits	3,000	-	3,000
Contract liabilities (deferred revenue - replacement fund)	-	265,638	265,638
Total liabilities	441,104	265,638	706,742
Fund balances	381,538	243,420	624,958
Total liabilities & fund balances	$ 822,642	$ 509,058	$ 1,331,700

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

Boca Del Mar Improvement Association, Inc.

Statement of Revenues, Expenses, and Changes in Fund Balances

For the year ended December 31, 2025

	Operating Fund	Replacement Fund	Total
Revenues			
Maintenance assessments	$ 1,579,156	$ 76,477	$ 1,655,633
Interest income	1,939	6,831	8,770
Other income	4,122	-	4,122
Total revenues	1,585,217	83,308	1,668,525
Expenses			
Administrative	84,249	-	84,249
Depreciation and amortization	11	-	11
Insurance	264,509	-	264,509
Landscaping	539,189	18,353	557,542
Management	138,814	-	138,814
Professional fees	30,206	-	30,206
Provision for expected credit losses	1,923	-	1,923
Repairs and maintenance	108,036	68,635	176,671
Security	312,285	-	312,285
Utilities	152,188	-	152,188
Total expenses	1,631,410	86,988	1,718,398
Deficiency of revenues over expenses	(46,193)	(3,680)	(49,873)
Beginning fund balances	427,731	247,100	674,831
Ending fund balances	$ 381,538	$ 243,420	$ 624,958

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

Boca Del Mar Improvement Association, Inc.

Statement of Cash Flows

For the year ended December 31, 2025

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities			
Deficiency of revenues over expenses	$ (46,193)	$ (3,680)	$ (49,873)
Adjustments to reconcile deficiency of revenues over expenses to net cash used by operating activities:			
Provision for expected credit losses	1,923	-	1,923
Depreciation and amortization related to property, equipment, and leasehold improvements	11	-	11
Amortization related to lease right-of-use	50,107	-	50,107
Increase in assets:			
Maintenance assessments receivable	(3,582)	-	(3,582)
Other receivables	(1,203)	-	(1,203)
Prepaid insurance	(11,526)	-	(11,526)
Increase (decrease) in liabilities:			
Accounts payable	2,265	-	2,265
Lease liability	(49,045)	-	(49,045)
Prepaid maintenance assessments	(17,578)	-	(17,578)
Contract liabilities (deferred revenue - replacement fund)	-	(16,877)	(16,877)
Net cash used by operating activities	(74,821)	(20,557)	(95,378)
Net decrease in cash	(74,821)	(20,557)	(95,378)
Cash at beginning of year	578,672	529,615	1,108,287
Cash at end of year	$ 503,851	$ 509,058	$ 1,012,909

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

Notes to the Financial Statements

Boca Del Mar Improvement Association, Inc.
Notes to the Financial Statements
For the year ended December 31, 2025

1. Nature of organization

Boca Del Mar Improvement Association, Inc. (“the Association”) was incorporated as a not-for-profit corporation in the State of Florida on June 8, 1973. The Association consists of 1707 members, which is comprised of individual unit owners and other association within the Association's property totaling 9,746 residential lots. The Association is responsible for the operation and maintenance of the common property located in Palm Beach County, Florida.

2. Date of management's review

The Association has evaluated subsequent events through April 6, 2026, the date which the financial statements were available to be issued.

3. Summary of significant accounting policies

a. Basis of presentation

The accompanying financial statements include the assets, liabilities, fund balances, revenue, and expenses as determined using the accrual basis of accounting.

b. Fund accounting

The Association is a not-for-profit organization which employs the fund method of accounting in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors, the Association voting membership, or applicable Florida Statutes. The financial statements segregate the accounting for such funds as either operating or replacement funds.

The operating 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.

The replacement fund is generally used to account for assessments made for major repair and replacement of common property, and related expenses. Disbursements from the replacement fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association's membership.

c. Cash

The Association’s cash balance consists of checking and money market accounts.

d. Interest income

The Association recognizes interest income in the operating fund and the replacement fund when earned.

3. Summary of significant accounting policies (continued)

e. Maintenance assessments and allowance for credit losses

Association members are subject to quarterly or annual maintenance assessments to provide funds for the Association's operating expenses and major repairs and replacements. Maintenance 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. Maintenance assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. As of the beginning of the year, maintenance assessments receivable, net totaled $14,908. As of December 31, 2025, maintenance assessments receivable totaled $21,567, less an allowance for credit losses in the amount of $5,000, for a net receivable of $16,567.

The Association treats uncollectible assessments as credit losses. The Association evaluates the collectability of assessments receivable based on current conditions, past experience, and forecasts of future events. Maintenance assessments receivable balances are charged off against the allowance for credit losses after recovery efforts have ceased. The Association had the following activity for its allowance for credit losses for maintenance assessments receivable for the year ended December 31, 2025:

Beginning balances	$	3,000
Provision for expected credit losses		1,923
Write-offs		(8)
Recoveries collected		85
Ending balances	$	5,000

f. Measurement of financial instruments

The carrying amounts of the Association's short-term financial instruments, which primarily consist of cash, maintenance assessments receivable, other receivables, deposits, accounts payable, and security deposits, approximate their fair values due to their short-term maturities. Cash is stated at face amount. Maintenance assessments receivable, other receivables, and deposits are stated at the amounts expected to be collected, net of any allowance for credit losses when applicable. Accounts payable and security deposits are stated at amounts expected to be paid.

Lease liabilities are stated at the present value of the remaining fixed lease payments using a risk-free discount rate based on the five-year U.S. Daily Treasury Par Yield Curve Rate at the inception of the lease.

3. Summary of significant accounting policies (continued)

g. Revenue recognition

The Financial Accounting Standards Board (FASB) created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate-Common Interest Realty Associations (CIRA), Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services. 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. The performance obligations related to ancillary revenues is delivery of the underlying services. In instances where the Association's collection of fees is not probable, it cannot recognize revenue.

h. Property, equipment and leasehold improvements, net

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

Property, equipment, and leasehold improvements acquired by the Association are stated at cost less accumulated depreciation and amortization. Property includes land that was acquired by the Association in 1999 and leased under a licensing agreement to a neighboring golf course. Equipment includes assets such as golf carts and office related equipment. Leasehold improvements include alterations and renovations to office space leased by the Association. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets. Equipment is estimated to have a useful life of five years from the date it is placed in service. Leasehold improvements are capitalized at cost and amortized over the lesser of their expected useful life or the lease term, which was estimated to be thirty-one and one-half years from the date the alterations and renovations were completed. Land has an indefinite life and is not depreciated but is tested for impairment losses periodically by the Association. No such impairment losses were incurred during the year ended December 31, 2025.

i. Prepaid maintenance assessments

Prepaid maintenance assessments represent amounts collected from members prior to the end of the reporting period that are attributable to subsequent periods. At December 31, 2025, the balance of prepaid maintenance assessments has been recorded as a liability in the accompanying financial statements. Revenue from these assessments is recognized as earned over the period to which they relate. The balances of prepaid maintenance assessments as of the beginning and end of the year are $191,514 and $173,936, respectively.

3. Summary of significant accounting policies (continued)

j. Contract liabilities (deferred revenue - replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (deferred revenue - 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. During the current year, the Association assessed and received $59,600 in the replacement fund. The balances of contract liabilities (deferred revenue - replacement fund) as of December 31, 2025, was $265,638.

k. Income taxes

The Association filed its income tax return as a homeowners' association in accordance with Internal Revenue Code Section 528 for the current year. Under that Section, the Association is not taxed on uniform assessments to members and other income received from association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income, which includes interest income and revenue received from nonmembers.

The Association's policy is to expense interest and penalties related to income taxes when they are assessed. The Association had no such expenses for the year ended December 31, 2025.

l. Leases

The Association determines whether an arrangement is a lease at inception. Leases for which the Association is the lessee with terms greater than twelve months are classified as either operating or finance leases. As of December 31, 2025, the Association did not have any finance leases.

Lease liabilities are recognized at the present value of the remaining lease payments over the lease term using a risk-free discount rate based on the five-year U.S. Daily Treasury Par Yield Curve Rate in effect at the commencement date. Right-of-use assets are recognized based on the related lease liability, adjusted for lease payments made at or before the commencement date. For operating leases, the right-of-use asset is reduced over the lease term such that lease cost is recognized on a straight-line basis over the term of the lease and is included in administrative expenses.

The Association is also the lessor under an operating lease agreement related to the use of a parcel of land designated for golf course operations. Rental income is recognized on a straight-line basis over the lease term. Differences between rental income recognized and amounts billed or collected are recorded in the accompanying balance sheet, as applicable. The underlying land subject to the lease remains recorded in the Association's balance sheet.

3. Summary of significant accounting policies (continued)

m. Estimates

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

4. Litigation

The Association is from time to time a party to various legal actions normally associated with homeowner associations, including the collection of delinquent assessments, covenant compliance matters, and other claims, the aggregate effect of which, in management's opinion, would not be material to the Association's financial position, results of operations, or cash flows.

The Association is involved in a claim for damages alleging negligence resulting from an alleged dog bite. The Association has denied liability and is defending the action and is represented by insurance counsel. Based on information currently available, management believes that any loss, if incurred, would not exceed the applicable insurance deductible. The Association is unable to determine the likelihood of an unfavorable outcome at this time and, accordingly, has not accrued any loss contingency related to this matter as of December 31, 2025.

5. Commitments

The Association has entered into various service contracts for the maintenance and operation of the common property, including administrative, landscaping, management, maintenance, and security services. These contracts have differing expiration dates and renewal provisions.

6. Concentration of credit risk

The Association maintains its cash balances at various financial institutions. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2025, the Association did not have any uninsured deposits.

The Association assesses regular and special assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual unit owners. Should the collection of any such liens be enforced by the sale of the unit, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens that have priority. Market value may be influenced by the real estate market in the Association's geographic area.

7. Property, equipment, and leasehold improvements

As of December 31, 2025, property, equipment, and leasehold improvements consisted of the following:

Land	$	21,989
Equipment		11,536
Leasehold improvements		10,032
Gross property, equipment, and leasehold improvements		43,557
Less accumulated depreciation and amortization		(21,476)
Property, equipment, and leasehold improvements, net as of December 31, 2025	$	22,081

Depreciation and amortization expense for the year ended December 31, 2025, was $11.

8. Future major repairs and replacements

The Association’s governing documents do not require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate $509,058 and are presented on the accompanying balance sheet at December 31, 2025, are held in separate accounts and are generally not available for operating purposes. The amount put into the replacement fund ("the Image Program") is voted upon by the board each year. An independent reserve specialist conducted a study during the year ended December 31, 2021, to estimate the remaining useful lives and the replacement costs of the common property components. This study was updated during the year ended December 31, 2023, without a site visit. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the Image Program may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, levy special assessments, or it may delay major repairs and replacements until funds are available. The Association is utilizing the pooling method to fund the Image Program.

Florida Statutes §720.303(6)(c)(2) requires the following statement:

THE BUDGET OF THE ASSOCIATION PROVIDES FOR LIMITED VOLUNTARY DEFERRED EXPENDITURE ACCOUNTS, INCLUDING CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE, SUBJECT TO LIMITS ON FUNDING CONTAINED IN OUR GOVERNING DOCUMENTS. BECAUSE THE OWNERS HAVE NOT ELECTED TO PROVIDE FOR RESERVE ACCOUNTS UNDER SECTION 720.303(6), FLORIDA STATUTES, THESE FUNDS ARE NOT SUBJECT TO THE RESTRICTIONS ON USE OF SUCH FUNDS SET FORTH IN THAT STATUTE, NOR ARE RESERVES CALCULATED IN ACCORDANCE WITH THAT STATUTE.

The Image Program designated for future major repairs and replacements has been allocated by the Board of Directors to the components of common property as follows on Page 14:

8. Future major repairs and replacements (continued)

Components	Balance 1/1/25	Maintenance Assessments	Interest Income	Transfers	Expenditures	Balance 12/31/25
Contract liabilities - deferred revenue						
HVAC (office) replace	$ 744	$ -	$ -	$ -	$ -	$ 744
Management office - remodel	1,000	-	-	-	-	1,000
Tract 16 (walk path) resurface	38,088	-	-	-	(38,088)	-
Tract 29 (walk path) resurface	34,142	-	-	-	(5,615)	28,527
Tract 41 (walk path) resurface	5,226	-	-	-	-	5,226
Tract 5 (walk path) resurface	9,130	-	-	-	-	9,130
Gazebo - repair / replace	2,334	-	-	-	-	2,334
Benches / trash cans - replace	15,285	-	-	-	-	15,285
Bridge (tract 5) resurface	1,000	-	-	-	-	1,000
Bridge (tract 5) replace	1,380	-	-	-	-	1,380
Shed building - replace	3,696	-	-	-	-	3,696
Irrigation stations - partial replace	666	-	-	-	(666)	-
Pond fountains - replace	12,100	-	-	-	-	12,100
Signs / monuments - refurbish	9,998	-	-	-	(4,451)	5,547
Signs / monuments - replace	6,000	-	-	-	(1,476)	4,524
Hurricane recovery	98,176	-	-	-	(18,353)	79,823
Pooled funds	43,550	59,600	-	(5,932)	(1,896)	95,322
Sub-total contract liabilities - deferred revenue	282,515	59,600	-	(5,932)	(70,545)	265,638
Fund balances						
HVAC (office) replace	1,117	-	-	-	-	1,117
Management office - remodel	7,500	-	-	-	-	7,500
Golf cars - replace	3,441	-	-	-	-	3,441
Tract 33 (walk path) resurface	8,765	-	-	-	-	8,765
Tract 41 (walk path) resurface	13,475	-	-	-	-	13,475
Tract 5 (walk path) resurface	21,035	-	-	-	-	21,035
Gazebo - repair / replace	16,333	-	-	-	-	16,333
Bridge (tract 5) resurface	2,000	-	-	-	-	2,000
Bridge (tract 5) replace	5,390	-	-	-	-	5,390
Bridge (tract 29) replace	(5,932)	-	-	5,932	-	-
Shed building - replace	9,000	-	-	-	-	9,000
Irrigation stations - partial replace	30,250	-	-	-	(16,443)	13,807
Pond fountains - replace	43,240	-	-	-	-	43,240
Signs / monuments - replace	75,565	-	-	-	-	75,565
Interest	15,921	-	6,831	-	-	22,752
Sub-total fund balances	247,100	-	6,831	5,932	(16,443)	243,420
Total contract liabilities and fund balances	$ 529,615	$ 59,600	$ 6,831	$ -	$ (86,988)	$ 509,058

9. Leases

Tee box rental

The Association engaged in a licensing agreement with Via Mizner Golf & Country Club LLC ("the Lessee"). The agreement grants the Lessee the exclusive right to use certain property owned by the Association for a landscaped golf tee box. The initial term of the license is from June 1, 2019, to May 31, 2035, with options for the Lessee to renew for up to four additional ten-year periods, subject to certain conditions. The agreement specifies an initial annual fee of $2,000, payable in two installments, with a 2% annual increase in the subsequent years. The Lessee is responsible for the maintenance of the property in accordance with the standards of a professional golf course tee, including landscaping and grass maintenance. Additionally, the Lessee bears responsibility for all taxes, permits, insurance, and other charges related to the property. The Association retains the right to inspect the property and perform necessary maintenance and repairs. At the conclusion of the license period or upon earlier termination, the Lessee is obligated to return the property to the Association in a condition fully sodded and landscaped to current code requirements, with all equipment and improvements removed.

The Association recognizes rental income on a straight-line basis over the lease term. During the year ended December 31, 2025, the Association reported $2,330 of rental revenue related to this agreement and is included in other income on the accompanying statement of revenues, expenses, and changes in fund balances. As of December 31, 2025, the estimated undiscounted cash flows to be received from the fixed lease payments on an annual basis for the years remaining on the current lease agreement are as follows:

For the year ending December 31,		
2026	$	2,299
2027		2,345
2028		2,392
2029		2,440
2030		2,489
2031 and thereafter		10,462
Total undiscounted cash flows as of December 31, 2025	$	22,427

As part of this agreement, the Association collected a $3,000 refundable security deposit from the Lessee that is being reported as security deposits on the accompanying Balance Sheet as of December 31, 2025.

Differences in amounts collected versus the amounts recognized on a straight-line basis are recorded as deferred assets or liabilities on the Association's Balance Sheet. As of December 31, 2025, $2,572 has been recorded for other receivables related to straight-line rental income on the accompanying balance sheet.

9. Leases (continued)

Office rental

The Association entered into an operating lease for office space that commenced on June 1, 2020, and expired May 31, 2025. This lease was renewed effective June 1, 2025, expiring May 31, 2030. The lease agreement requires monthly payments adjusting from $4,674 per month to $5,468 over the term of the lease. Additional charges for insurance, real estate taxes, and water are expensed as incurred and amounted in aggregate to $4,351 for the year ended December 31, 2025. In order to calculate the discounted right-of-use asset and corresponding lease liability, the Association utilized the five-year U.S. Daily Treasury Par Yield Curve Rate as of the inception of the lease of 3.96%. As of December 31, 2025, the right-of-use asset had a balance of $244,992 and corresponding lease liability of $247,717. Cash paid for rent on this lease during the year ended December 31, 2025, was $55,193. As of December 31, 2025, future annual payments under this lease are:

For the year ending December 31,		
2026	$	57,401
2027		59,697
2028		62,084
2029		64,568
2030		27,341
Undiscounted cash flows as of December 31, 2025		271,091
Less imputed interest		(23,374)
Present value of lease liability as of December 31, 2025	$	247,717

During the year ended December 31, 2025, the following lease costs were recorded:

Operating lease costs (straight-line)	$	56,254
Insurance, real estate taxes, water		4,351
Total operating leases costs included in administrative expense for the year ended December 31, 2025	$	60,605

The weighted-average remaining lease term and discount rate for the operating lease as of December 31, 2025, is as follows:

Weighted-average remaining lease term	4.42 years
Weighted-average discount rate	3.96%

9. Leases (continued)

Office rental (continued)

During the year ended December 31, 2025, the Association had the following cash and non-cash activities associated with their lease:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases:		
Rent paid	$	55,193
Supplemental disclosure of noncash investing and financing activities		
Operating lease right-of-use asset obtained in exchange for operating lease liability	$	274,362

10. Insurance contingencies

In the event of a loss due to bodily injury, property damage, or theft, the Association is responsible for a deductible under the provisions of its general liability insurance policy. The deductible is $25,000 per occurrence or offense. Should the Association incur an uninsured loss, the Association has the right to increase maintenance assessments, levy a special assessment, or delay repairs until funds are available.

Supplementary Information

Boca Del Mar Improvement Association, Inc.
Supplementary Information on Future Major Repairs and Replacements (Unaudited)
December 31, 2025

During the year ended December 31, 2021, an independent reserve specialist estimated the remaining useful lives and the replacement costs of the components of common property. This study was updated during the year ended December 31, 2023, without a site visit. Replacements costs were based on the estimated costs to repair or replace the common property components at the date of the estimates. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the estimates and the date that the components will require repair or replacement. The Association is utilizing the pooling method to fund the Image Program.

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

Components	Estimated Remaining Useful Life (in Years)	Estimated Current Replacement Cost	2026 Estimated Required Funding per Study	2026 Approved Funding per Budget	Replacement Fund Balances 12/31/25
HVAC (office) replace	8	$ 7,750	$ -	$ -	$ 1,861
Management office - remodel	1	12,500	-	-	8,500
Golf carts - replace	0	18,000	-	-	3,441
Tract 16 (walk path) resurface	2	60,900	-	-	-
Tract 29 (walk path) resurface	17	74,800	-	-	28,527
Tract 33 (walk path) resurface	0	12,800	-	-	8,765
Tract 41 (walk path) resurface	16	34,250	-	-	18,701
Tract 5 (walk path) resurface	16	59,850	-	-	30,165
Gazebo - repair / replace	2	10,000	-	-	18,667
Benches / trash cans - replace	3	13,500	-	-	15,285
Bridge (tract 29) resurface	6-8	15,800	-	-	-
Bridge (tract 5) resurface	2	11,550	-	-	3,000
Bridge (tract 29) replace	0-26	141,500	-	-	-
Bridge (tract 5) replace	22	99,550	-	-	6,770
Shed building - replace	2	11,350	-	-	12,696
Irrigation stations - partial replace	1	77,000	-	-	13,807
Pond fountains - replace	0	61,300	-	-	55,340
Signs / monuments - refurbish	0	10,500	-	-	5,547
Signs / monuments - replace	13	150,000	-	-	80,089
Pooled funds		-	63,230	73,160	95,322
Hurricane recovery		-	-	-	79,823
Interest		-	-	-	22,752
Total		$ 882,900	$ 63,230	$ 73,160	$ 509,058

The study conducted by the independent reserve specialist assumed an ending fund balance of $457,037 for the replacement fund for the year ended December 31, 2025. Due to differences in amounts estimated by the independent reserve specialist and the actual funding and expenditures that were incurred by the Association since the date the study was completed, the 2026 required funding per study amounts may vary from the actual future needs of the Association.

See independent auditor's report.