



Carlson & Company, Chartered
Certified Public Accountants

Purple Parrot Village Condominium Association, Inc.

Pensacola, Florida

Audited Financial Statements

December 31, 2023

Purple Parrot Village Condominium Association, Inc.

Pensacola, Florida

Audited Financial Statements

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Carlson & Company, Chartered

Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Purple Parrot Village Condominium Association, Inc.
Pensacola, Florida

Opinion

We have audited the accompanying financial statements of Purple Parrot Village Condominium Association, Inc., which comprise the balance sheet as of December 31, 2023, and the related statements of changes in fund balances, revenues and expenses, 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 Purple Parrot Village Condominium Association, Inc. as of December 31, 2023, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Purple Parrot Village Condominium Association, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 8 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.

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 Purple Parrot Village 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.

Auditors' 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 auditors' 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 Purple Parrot Village Condominium Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Purple Parrot Village 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.

Omission of Required Supplementary Information

Management has omitted the required supplementary information about future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, and the State of Florida, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in cursive script that reads "Carlson & Company".

Pensacola, Florida
July 24, 2025

Purple Parrot Village Condominium Association, Inc.

Balance Sheet
December 31, 2023

ASSETS	Operating Fund	Replacement Fund	Total
Cash and cash equivalents	\$ 84,534	\$ 191,165	\$ 275,699
Restricted cash - hurricane funds	782,691	-	782,691
Certificates of deposit	-	74,269	74,269
Intercompany amounts due from (to)	3,750	(3,750)	-
Assessments receivable	126,521	-	126,521
Prepaid insurance	140,795	-	140,795
Contract receivable	557,502	-	557,502
Property and equipment, net of \$904,833 accumulated depreciation	1,207,398	-	1,207,398
Total assets	<u>\$ 2,903,191</u>	<u>\$ 261,684</u>	<u>\$ 3,164,875</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 737,920	\$ -	\$ 737,920
Prepaid owner assessments	29,542	-	29,542
Financed insurance payable	108,164	-	108,164
Performance obligation	-	261,684	261,684
Notes payable	568,026	-	568,026
Total liabilities	<u>1,443,652</u>	<u>261,684</u>	<u>1,705,336</u>
Fund balances	<u>1,459,539</u>	<u>-</u>	<u>1,459,539</u>
Total liabilities and fund balances	<u>\$ 2,903,191</u>	<u>\$ 261,684</u>	<u>\$ 3,164,875</u>

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

Purple Parrot Village Condominium Association, Inc.

Statement of Changes in Fund Balances

For the year ended December 31, 2023

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Fund balance, beginning of year	\$ 1,489,296	\$ -	\$ 1,489,296
Excess (deficit) revenues over expenses	(29,757)	-	(29,757)
Fund balance, end of year	<u>\$ 1,459,539</u>	<u>\$ -</u>	<u>\$ 1,459,539</u>

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

Purple Parrot Village Condominium Association, Inc.

Statement of Revenues and Expenses

For the year ended December 31, 2023

	Operating Fund	Replacement Fund	Total
REVENUES			
Assessments	\$ 1,103,380	\$ -	\$ 1,103,380
Reserve revenue recognized	-	86,456	86,456
Insurance proceeds recognized	631,000	-	631,000
Tiki bar rent revenue	12,600	-	12,600
Interest	-	323	323
Special assessments revenue	79,303	-	79,303
Community room office	3,600	-	3,600
Waste removal reimbursement	1,227	-	1,227
Miscellaneous revenue	5,237	-	5,237
Total revenues	<u>1,836,347</u>	<u>86,779</u>	<u>1,923,126</u>
EXPENSES			
Accounting and legal	21,360	-	21,360
Administrative expenses	3,684	-	3,684
Cable and internet	82,035	-	82,035
Depreciation	58,529	-	58,529
Hurricane repairs	715,726	-	715,726
Insurance expense	587,420	-	587,420
Interest expense	55,439	-	55,439
Landscaping	30,308	-	30,308
Lifeguard and monitor	16,875	-	16,875
Management fees	25,800	-	25,800
Payroll expense	47,004	-	47,004
Pool expenses	33,799	-	33,799
Repairs and maintenance	29,218	86,779	115,997
Security expenses	12,008	-	12,008
Taxes, fees, and licenses	9,568	-	9,568
Utilities	117,270	-	117,270
Waste removal	20,061	-	20,061
Total expenses	<u>1,866,104</u>	<u>86,779</u>	<u>1,952,883</u>
Excess (deficit) revenues over expenses	<u>\$ (29,757)</u>	<u>\$ -</u>	<u>\$ (29,757)</u>

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

Purple Parrot Village Condominium Association, Inc.

Statement of Cash Flows

For the year ended December 31, 2023

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Reconciliation of excess (deficit)			
revenues over expenses to net cash			
provided by operating activities:			
Excess (deficit) revenues over expenses	\$ (29,757)	\$ -	\$ (29,757)
Depreciation	58,529	-	58,529
Change in assessments receivable	(21,767)	-	(21,767)
Change in prepaid insurance	(140,795)	-	(140,795)
Change in road assessment receivable	37,869	-	37,869
Change in contract receivable	45,767	-	45,767
Change in accounts payable	681,024	-	681,024
Change in prepaid owner assessments	3,606	-	3,606
Change in deferred hurricane funds	(631,000)	-	(631,000)
Change in performance obligation	<u>-</u>	<u>(41,738)</u>	<u>(41,738)</u>
Net cash provided (used)			
by operating activities	<u>3,476</u>	<u>(41,738)</u>	<u>(38,262)</u>
Cash flows from financing activities:			
Change in notes payable	(94,092)	-	(94,092)
Change in financed insurance payable	108,164	-	108,164
Change in due to/from between funds	<u>(3,750)</u>	<u>3,750</u>	<u>-</u>
Net cash provided (used)			
by financing activities	<u>10,322</u>	<u>3,750</u>	<u>14,072</u>
Net increase (decrease) in cash	13,798	(37,988)	(24,190)
Cash, beginning of year	<u>853,427</u>	<u>229,153</u>	<u>1,082,580</u>
Cash, end of year	<u><u>\$ 867,225</u></u>	<u><u>\$ 191,165</u></u>	<u><u>\$ 1,058,390</u></u>
Cash paid for income taxes	\$ -	\$ -	\$ -
Cash paid for interest	\$ 55,439	\$ -	\$ 55,439

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

Purple Parrot Village Condominium Association, Inc.

Notes to Financial Statements

December 31, 2023

NOTE 1 – PURPOSE AND ORGANIZATION

Purple Parrot Village Condominium Association, Inc. (the Association), is a statutory condominium association incorporated in the State of Florida on July 13, 1999. The Association is responsible for the operation and maintenance of the common property of Purple Parrot Village Condominium. The condominium consists of 114 residential units located on Perdido Key in Pensacola, Florida.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Association maintains its records under the accrual method of accounting. Under this method, income is recognized when earned rather than when received, and expenses are recognized when incurred rather than when paid.

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 – to account for financial resources available for the general operations of the Association.

Replacement Fund – to account for financial resources designated for future major repairs and replacements.

Member Assessments

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 and special assessments are satisfied when these funds are expended for their designated purpose.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from owners, net of any allowance for credit losses. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. The balances of assessments receivable as of the beginning and end of the year were \$104,754 and \$126,521, respectively.

Purple Parrot Village Condominium Association, Inc.

Notes to Financial Statements

December 31, 2023

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Association treats uncollectible assessments as credit losses. The Association evaluates the collectability of assessment receivable based on current conditions, past experience, and forecasts of future events. Based on these factors, the Association believes that all of its assessments receivable are collectible. Accordingly, no allowance for credit losses at the beginning and end of the year is deemed necessary.

Contract Receivable

Contract receivable represents revenue recognized in excess of amounts billed for project expenses that have been financed by the Association borrowing from financial institutions.

Property and Equipment

Real property and common area properties acquired from the developer 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. As a result, commonly owned assets are not presented in the Association's financial statements. Properties, equipment, and improvements purchased by the Association are capitalized at cost using the straight-line method.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 and those differences could be significant.

Revenue Recognition

Regular assessments are recognized as revenue during the period for which they are assessed. Assessments received in advance of this period are reported as prepaid owner assessments in the liability section on the balance sheet.

The Association recognizes replacement fund and special assessment revenue from members as the related performance obligations are satisfied. A contract liability (performance obligation) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to the replacement fund and special assessments. The balance of performance obligation in the replacement fund as of the beginning and end of the year are \$303,140 and \$261,684 respectively.

Fair Value of Financial Instruments

The Association's significant financial instruments are cash and equivalents, receivables, and other assets and liabilities. For these financial instruments, carrying values approximate fair value.

Purple Parrot Village Condominium Association, Inc.

Notes to Financial Statements

December 31, 2023

(Continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid debt instruments with an original maturity of 90 days or less.

NOTE 3 – OWNER ASSESSMENTS

The Board of Directors determines the annual budget and owners' assessments. Member assessments are made monthly to the unit owners for their ratable share of the Association's budget expenditures. In April 2023, the Association made a special assessment of owners to provide funds to cover the unbudgeted increase in insurance premiums. Owner monthly assessments and the 2023 special assessment based on unity type were as follows:

Unit type	2023 Monthly Assessment	2023 Special Assessment
1 bedroom	\$ 625	\$ 513
2 bedroom	1,097	915
3 bedroom	1,234	1,031

NOTE 4 – CONCENTRATIONS OF CREDIT RISK

The Association maintains its cash and certificates of deposit at several federally insured institutions. Deposits are currently insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution per customer. At December 31, 2023 there were deposits in excess of the current FDIC coverage of approximately \$806,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Association's financial condition, results of operations, and cash flows.

The Association's assessments receivable is related to billed assessments. The Association monitors the collectability of these assessments receivable and pursues collection.

NOTE 5 – INCOME TAXES

The Association may be taxed either as a homeowners' association or as a regular corporation. Under the homeowners' association exemption, the Association is not taxed on income and expenses related to its exempt purposes, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest income, rental income, and revenues received from nonmembers, is taxable. For the year ended December 31, 2023, the Association elected to be taxed as a homeowners' association and file Form 1120-H. The Association had no federal tax liability for the year ended December 31, 2023. The Association, in filing Form 1120-H, does not pay state income tax. The Association's tax returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Purple Parrot Village Condominium Association, Inc.

Notes to Financial Statements

December 31, 2023

(Continued)

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2023:

Exercise equipment	\$ 26,930
Clubhouse building	870,875
Pool and tiki bar	1,131,218
Furniture and fixtures	8,208
Land	75,000
Total cost	<u>2,112,231</u>
Less accumulated depreciation	<u>(904,833)</u>
Property and equipment, net of accumulated depreciation	<u><u>\$ 1,207,398</u></u>

NOTE 7 – FINANCED INSURANCE PAYABLE

The Association financed its annual insurance premiums in April 2023 at an interest rate of 8.075% to be paid in full in 2024. The outstanding balance owed at December 31, 2023 totaled \$108,164.

NOTE 8 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, and Florida Statutes, require funds to be accumulated for future major repairs and replacements, unless the owners vote not to fully fund for replacements. Accumulated funds, were \$261,684 at December 31, 2023 and are held in separate accounts and are generally not available for operating purposes.

The board of directors updated its estimates in 2023 of the remaining useful lives and the replacement costs of the components of the common property. Since the Association owners have voted to not fully fund the replacement fund, and because actual expenditures may vary from the estimated amounts and the variations may be material, amounts accumulated in the replacement fund may not be adequate to meet future needs. When additional funds are needed for those purposes, the Association has the right, subject to member approval, to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available. The 2023 budget included \$45,000 of assessments for future major repairs and replacements. In addition, \$323 of interest was earned and expenses were \$86,779. The Association uses the "pooling" or cash flow method in order to provide more flexibility in accumulating funds for future major repairs and replacements. For the 2024 budget, the owners have approved the less than full funding amount of \$45,000. The board has estimated that full funding of the reserves would be \$350,600. The activity in the replacement fund for 2023 was:

	Accumulated Funds 12/31/22	Budgeted Additions	Interest	Expenses	Accumulated Funds 12/31/23
"Pooled" funds	\$ 303,140	\$ 45,000	\$ 323	\$ (86,779)	\$ 261,684

Purple Parrot Village Condominium Association, Inc.

Notes to Financial Statements

December 31, 2023

(Continued)

NOTE 9 – CONTINGENCIES

The Association's insurance policies have a deductible for hurricane damage of 5%. Thus, in the event of a catastrophic loss, the Association could be faced with a deductible of approximately \$1,150,000.

NOTE 10 – HURRICANE INSURANCE PROCEEDS

In September 2020, Hurricane Sally caused significant damage to the property at Purple Parrot Village Condominium. In 2023 the Association recognized as revenue the remainder of insurance proceeds of \$631,000. At December 31, 2023 the Association owed a contractor \$715,726 for hurricane repairs and that amount is included in accounts payable and accrued as hurricane expense.

NOTE 11 – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 24, 2025, the date that the financial statements were available to be issued.

NOTE 12 – NOTES PAYABLE

The Association secured a loan of \$600,000 from its bank in March 2019 for a paving project. The loan has an interest rate 4.85% and beginning December 2019 and thereafter, interest only will be paid quarterly with the principal payment included every September 30, until the note matures on September 30, 2024. The notes is collateralized by the Association dues and the right to lien the individual condo units. The balance owed at 12/31/23:

\$ 38,017

The Association secured a loan of \$721,000 from its bank in August 2019 to pay off a loan that originated in October 2012. The payments are \$6,999.28 per month with an interest rate of 5.25%. The note is collateralized by the Association dues and the rights to lien the individual condo units and matures in 2033. The balance owed at 12/31/23:

530,009

Total notes payable

\$ 568,026

Future principal payments are due as follows:

Year ending December 31, 2024	\$ 97,616
Year ending December 31, 2025	62,555
Year ending December 31, 2026	65,657
Year ending December 31, 2027	68,913
Year ending December 31, 2028	72,331
Thereafter	200,954
Total	<u>\$ 568,026</u>