

Financial Statements

Lindo Mar Adventure Club, LTD.

**For the Year Ended
December 31, 2023**

Lindo Mar Adventure Club, LTD.

Contents

December 31, 2023

	<u>Page</u>
Independent Accountants' Review Report	1-2
Financial Statements	
Balance Sheet	3
Statement of Revenue, Expenses and Changes in Fund Balances	4
Statement of Comprehensive Income	5
Statement of Cash Flows	6
Statement of Other Operating Income and Expenses	7-9
Notes to Financial Statements	10-18
Supplementary Information on Future Major Repairs and Replacements	19

Independent Accountants' Review Report

Board of Directors
Lindo Mar Adventure Club, LTD.
Puerto Vallarta, Mexico

We have reviewed the accompanying financial statements of Lindo Mar Adventure Club, LTD as of December 31, 2023, which comprise of the balance sheet and the related statements of revenues, expenses, and changes in fund balances, comprehensive income, cash flows, and other operating expenses for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Club management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Lindo Mar Adventure Club, LTD. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Lindo Mar Adventure Club, LTD.
Page 2

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on Page 18 be presented to supplement the basic financial statements. Such information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

FITZGERALD & ASSOCIATES, INC. CPAs

Irvine, California
June 7, 2024

Lindo Mar Adventure Club

Balance Sheet
December 31, 2023

Page 3

	<i>Operating Fund</i>	<i>Replacement Fund</i>	<i>Total</i>
<i>Assets</i>			
Cash in bank	\$ 989,762	\$ 85,391	\$ 1,075,153
Marketable securities	-	71,345	71,345
Accounts receivable, net	25,258	-	25,258
Prepaid expenses and deposits	96,962	-	96,962
Right of use asset	275,019	-	275,019
Inventory	42,085	-	42,085
Property and equipment, net	1,400	-	1,400
Total assets	<u>\$ 1,430,486</u>	<u>\$ 156,736</u>	<u>\$ 1,587,222</u>
<i>Liabilities and Fund Balances</i>			
Accounts payable	\$ 31,750	\$ -	\$ 31,750
Accrued expenses	67,639	-	67,639
Income tax payable	128,414	-	128,414
Advance deposits	22,000	-	22,000
Lease liability	275,019	-	275,019
Prepaid assessments	1,131,475	-	1,131,475
Total liabilities	<u>1,656,297</u>	<u>-</u>	<u>1,656,297</u>
Fund balances	<u>3,341</u>	<u>156,736</u>	<u>160,077</u>
Accumulated other comprehensive income	<u>(229,152)</u>	<u>-</u>	<u>(229,152)</u>
Total liabilities and fund balances	<u>\$ 1,430,486</u>	<u>\$ 156,736</u>	<u>\$ 1,587,222</u>

See accountants' review report and accompanying notes to financial statements.

Lindo Mar Adventure Club

Statement of Revenue, Expenses, and Changes in Fund Balances For the Year Ended December 31, 2023

Page 4

	<i>Operating Fund</i>	<i>Replacement Fund</i>	<i>Total</i>
<i>Revenue</i>			
Membership assessments	\$ 1,241,655	\$ 127,921	\$ 1,369,576
Restaurant and bar sales, net of discounts	1,390,011	-	1,390,011
Rental income	87,111	-	87,111
Interest income	1,421	6,492	7,913
Other income	54,345	-	54,345
Total revenue	<u>2,774,543</u>	<u>134,413</u>	<u>2,908,956</u>
<i>Expenses</i>			
Food and bar, cost of goods sold	449,934	-	449,934
Food and bar operating costs	839,811	-	839,811
Guest service	446,616	-	446,616
Repair and maintenance	156,714	-	156,714
Resort management	706,884	-	706,884
Management fee	241,062	-	241,062
Legal and professional	16,604	-	16,604
Insurance	96,279	-	96,279
Depreciation expense	1,291	-	1,291
US expense	57,991	-	57,991
Other taxes	27,876	-	27,876
Replacement expenses	-	439,168	439,168
Income tax expense (refunds)	(3,569)	-	(3,569)
Total expenses	<u>3,037,493</u>	<u>439,168</u>	<u>3,476,661</u>
Excess revenue (expenses)	(262,950)	(304,755)	(567,705)
Fund balances, beginning of year as previously reported	330,148	98,006	428,154
Prior period adjustment, contract liability for replacements	-	299,628	299,628
Fund balances, beginning of year as restated	330,148	397,634	727,782
Fund transfer	(63,857)	63,857	-
Fund balances, end of year	<u>\$ 3,341</u>	<u>\$ 156,736</u>	<u>\$ 160,077</u>

See accountants' review report and accompanying notes to financial statements.

Lindo Mar Adventure Club

Statement of Comprehensive Income For the Year Ended December 31, 2023

Page 5

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Excess revenue (expenses)	\$ (262,950)	\$ (304,755)	\$ (567,705)
Unrealized gain (loss) on foreign currency hedge	<u>(67,073)</u>	<u>-</u>	<u>(67,073)</u>
Comprehensive income	<u>\$ (330,023)</u>	<u>\$ (304,755)</u>	<u>\$ (634,778)</u>

See accountants' review report and accompanying notes to financial statements.

Lindo Mar Adventure Club

Statement of Cash Flows For the Year Ended December 31, 2023

Page 6

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<i>Cash Flows From Operating Activities</i>			
Excess revenue (expenses)	\$ (262,950)	\$ (304,755)	\$ (567,705)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation	1,291	-	1,291
Changes in:			
Accounts receivable	(14,005)	-	(14,005)
Inventory	(6,224)	-	(6,224)
Prepaid expenses and deposits	(82,799)	-	(82,799)
Accounts payable	(36,641)	-	(36,641)
Accrued expenses	51,124	-	51,124
Advance deposit	22,000	-	22,000
Prepaid maintenance fees	58,014	-	58,014
Income tax payable	68,025	-	68,025
Net cash provided (used) by operating activities	<u>(202,165)</u>	<u>(304,755)</u>	<u>(506,920)</u>
<i>Cash Flows From Investing Activities</i>			
Purchase of marketable securities	<u>-</u>	<u>(71,345)</u>	<u>(71,345)</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>(71,345)</u>	<u>(71,345)</u>
<i>Cash Flows From Financing Activities</i>			
Unrealized gain on currency hedge	(67,073)	-	(67,073)
Fund transfer	(63,857)	63,857	-
Due to/from other fund	15,098	(15,098)	-
Net cash provided (used) by financing activities	<u>(115,832)</u>	<u>48,759</u>	<u>(67,073)</u>
Net increase (decrease) in cash	(317,997)	(327,341)	(645,338)
Cash, beginning of year	<u>1,307,759</u>	<u>412,732</u>	<u>1,720,491</u>
Cash, end of year	<u>\$ 989,762</u>	<u>\$ 85,391</u>	<u>\$ 1,075,153</u>

See accountants' review report and accompanying notes to financial statements.

Lindo Mar Adventure Club

Statement of Other Operating Income and Expenses For the Year Ended December 31, 2023

Page 7

Other income	
Late fee income	\$ 13,686
Activities revenue	7,238
Miscellaneous revenue	3,764
Laundry income	512
Money exchange income	5,017
Massage	1,082
Timeshare sales, net	<u>23,046</u>
Total other income	<u><u>54,345</u></u>
Food and beverage	
Wages	339,344
Bonus	18,454
Payroll taxes	83,294
Employee insurance	120,021
Housekeeping supplies	11,419
Guest supplies	22,330
Kitchen supplies	11,899
Equipment repair	41,070
Seasonal decorations	134
Laundry expense	2,491
Electricity	11,688
Natural gas	12,768
Telephone	382
Water and sewer	8,651
Pest control	1,019
Customer/guest relations	7,963
Office supplies	9,213
Rent expense	77,309
Miscellaneous expense	627
Bank Charges Mexico	35,940
Live music/events	6,048
Happy hour	11,068
Taxes and licenses	<u>6,679</u>
Total food and beverage	<u><u>839,811</u></u>
US expense	
Website	1,200
Board meetings and travel	17,917
Printing	915
Newsletter	0
Postage	335
Bank charges	687
Travel expense	3,612
Union fees	746
Cash discount/merch fees	31,996
Other US expense	<u>583</u>
Total US expense	<u><u>\$ 57,991</u></u>

See accountants' review report and accompanying notes to financial statements.

Lindo Mar Adventure Club

Statement of Other Operating Income and Expenses For the Year Ended December 31, 2023

Page 8

(continued)

Guest service	
Wages	\$ 133,182
Payroll taxes	34,579
Employee insurance	64,508
Housekeeping supplies	14,341
Guest supplies	14,897
Kitchen supplies	1,034
Linen purchases	6,862
Room replacements	45,062
Seasonal decorations	423
Laundry expense	26,191
Electricity	53,244
Natural gas	17,510
Water & sewer	20,186
Cable/internet/phone	2,834
Pest control	1,698
Waste removal	2,061
Fitness / spa expense	353
Customer / guest relations	615
Office supplies	3,356
Miscellaneous expense	2,021
Water testing	1,413
Fitness equipment	246
Total guest service	<u>446,616</u>
Repair and maintenance	
Wages	77,472
Payroll taxes	17,978
Employee insurance	27,348
Vehicle expense	2,137
Appliance repair	381
Plumbing supplies and repair	1,452
Pool and jacuzzi supplies and chemicals	2,217
Build maintenance and supplies	11,189
Electrical	889
Lighting	566
Paint and sealer	3,671
Elevator maintenance	5,778
HVAC repair	1,003
Door lock/keys	495
Grounds and landscaping	276
Tools and minor equipment	1,546
Construction materials	2,316
Total repair and maintenance	<u>\$ 156,714</u>

See accountants' review report and accompanying notes to financial statements.

Lindo Mar Adventure Club

Statement of Other Operating Income and Expenses For the Year Ended December 31, 2023

Page 9

(concluded)

Resort management	
Wages	\$ 272,465
Payroll taxes	57,465
Employee insurance	79,333
Misc. supplies	602
Vehicle expense	183
Gas/fuel/lubricants	2,344
Gifts and donations	83
Storage expense	2,682
Life safety program	4,179
Telephone	16,180
Fiscal supervision Guadalajara	2,710
Maintenance expense - general	6,829
Computer soft/hardware	2,953
Dues and subscriptions	4,281
Newsletter	1,902
Postage	1,550
Travel expense	4,527
Mexico income taxes	56,220
Mexico insurance	550
Office supplies	2,661
Miscellaneous expense	2,982
Bank charges Mexico	3,521
Union fees	12,374
Sales office	341
Federal zone payments	5,948
IVA tax expense, Mexico	157,507
Employee transportation	243
Employee and community relations	2,801
Other rentals and leases	1,468
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Total resort management	<u>\$ 706,884</u>

See accountants' review report and accompanying notes to financial statements.

Lindo Mar Adventure Club, LTD.

Notes to Financial Statements

December 31, 2023

Page 10

1. Organization and Other Matters

Lindo Mar Adventure Club, LTD. (the Club) is a nonprofit mutual benefit corporation organized in Oregon in December 1986. The Club is responsible for the operation and maintenance of 46 condominium units in Puerto Vallarta, Mexico. The Club sells memberships in 52 weekly intervals.

In 2002 the Club purchased 97 percent of the building and land that the Club occupies in Puerto Vallarta, Mexico. Title to this purchase is being held through LMM Trust, a Nevada entity, for which the members of the Club are the only beneficiaries.

2. Significant Accounting Policies

Use of 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. These estimates and assumptions affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Accounting

The Club's governing documents provide guidelines for managing its financial activities. To ensure compliance with limitations and restrictions on the use of financial resources, the Club maintains its records using fund accounting. Transactions 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 general operations.

Replacement Fund - This fund is used to account for financial resources designated for future major repairs and replacements.

Foreign Currency Transactions

The functional currency for all of the Club's operations is the U.S. dollar. Although certain administrative expenses are paid in U.S. dollars, such as management fees, certain professional fees, insurance, and income taxes, and most of the property operating expenses are paid in Mexico pesos. Club records peso transactions in its financial statements in U.S. dollars using the average exchange rate for the month of the transaction.

Lindo Mar Adventure Club, LTD.

Notes to Financial Statements

December 31, 2023

Page 11

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

For financial statement purposes, the Club considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Marketable Securities

The Club classifies its marketable securities as held-to-maturity if it has the intent and ability to hold them to maturity. These securities are carried at amortized cost. Declines in value below amortized cost that are other than temporary are included in earnings as realized losses.

Marketable securities that are bought and held for the purpose of selling them in the near future are classified as trading securities. These securities are carried at fair market value and unrealized gains and losses are recognized in current year earnings.

All other marketable securities are classified as available-for-sale. These securities are carried in the financial statements at fair market value. Unrealized holding gains and losses are reported in other comprehensive income.

Realized gains and losses on all marketable securities are determined using the specific-identification method and are included in current year earnings.

Fair Value of Financial Instruments

The Club follows the guidance in “*Fair Value Measurements and Disclosure Topic*” of the Accounting Standards Codification for assets and liabilities measured at fair value on a recurring basis. This guidance establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements and establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, the guidance requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Quoted prices in active markets.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity’s own assumptions

Lindo Mar Adventure Club, LTD.

Notes to Financial Statements

December 31, 2023

Page 12

2. Significant Accounting Policies (continued)

Fair value is a market-based measure, based on assumptions of prices and inputs considered from the perspective of a market participant that are current as of the measurement date, rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Club's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date.

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Because of the inherent uncertainty of valuation those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Club in determining fair value is greatest for investments categorized in Level 3. At December 31, 2023, the Club did not have any Category 3 investments. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement.

Inventory

Inventory consists of restaurant, bar, and other supplies and is valued at the lower of cost or market using the average cost method. See Note 6 for additional information on the Club's inventory.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for using the straight-line method over estimated useful lives of 7 years.

Leases

The Club is accounting for leases under Financial Accounting Standards Board (FASB) ASC 842. The standard establishes a right of use (ROU) model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of

Lindo Mar Adventure Club, LTD.

Notes to Financial Statements

December 31, 2023

Page 13

2. *Significant Accounting Policies* (concluded)

expense recognition in the income statement. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into the statement of revenues and expenses on a straight-line basis over the lease term.

The Club has elected to use the risk-free rate as the discount rate for finance leases.

Major Repairs and Replacements

A portion of Club dues are paid for reserve expenses, generally major repairs, and replacements. These funds are deposited into separate interest-bearing bank accounts. For a further discussion of reserves, see Note 10.

Member Assessments

Members are subject to annual assessments to provide funds for operating expenses and future major repairs and replacements. The annual budget and assessments of members are determined by the board of directors. Assessments receivable at the reporting dates represent amounts due from members.

The Club's policy is to accrue interest on all amounts due, including delinquent assessments, reasonable collection costs and late charges commencing 30 days after assessments become due. Interest and related charges are recorded as income when billed to the member. If any unit remains unpaid by May 15th or 135 days after the payment due date, the membership is terminated. Any excess assessments at year-end are retained by the Club for use in the succeeding year. See Note 5 for additional information on assessments receivable.

The Club has evaluated the impact of ASC 606, *Revenue from Contracts with Customers*, on its financial statements and has determined that the standard does not apply to transactions with its members related to assessments. Assessment revenue is recognized when earned. All revenues are recognized at amounts that are expected to be collected.

The Club treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Club's control. No allowance for uncollectible accounts is deemed necessary.

Prepaid Assessments

Prepaid assessments include amounts received in advance from members. The Club bills the annual assessments in advance and some members pay the amount due in advance. These amounts are deferred at year-end, and then recognized into income when they are earned during the next assessment period.

Lindo Mar Adventure Club, LTD.

Notes to Financial Statements

December 31, 2023

Page 14

3. Income Taxes

Homeowner associations may elect to be taxed as regular corporations or as homeowners' associations. The Club elected to be taxed as a homeowners' association in accordance with Internal Revenue Code Section 528 for the year ending December 31, 2023. Under that Section, the Club is not taxed on assessments to members and other income received from Club members solely as a function of their membership in the Club. The Club is taxed for federal purposes at the rate of 32% on its nonexempt function income such as interest.

4. Accounts Receivable

Accounts receivable at the reporting date consists of the following amounts:

Rental income receivable	\$5,951
Guest receivable	15,627
Other accounts receivable	<u>3,680</u>
Total accounts receivable	<u>\$25,258</u>

5. Prepaid Expenses and Deposits

Prepaid expenses at the reporting date consists of the following amounts:

Prepaid insurance	\$81,414
Prepaid U.S. income taxes	7,500
Deposits	1,008
Other prepaid expenses-Mexico	<u>7,040</u>
Total prepaid expenses and deposits	<u>\$96,962</u>

6. Inventory

Inventory at the reporting date consists of the following amounts:

Restaurant	\$13,764
Bar	13,804
Office supplies	4,568
Maintenance supplies	770
Operating supplies	788
Guests and other supplies	<u>8,391</u>
Total inventory	<u>42,085</u>

Lindo Mar Adventure Club, LTD.

Notes to Financial Statements

December 31, 2023

Page 15

7. Property and Equipment

Property and equipment at the reporting date consists of the following amounts:

Vehicles	\$9,034
Accumulated depreciation	(7,634)
Property and equipment, net	<u>\$1,400</u>

8. Leases

The Club is a lessee of a non-cancellable operating lease of real property for the operation of a restaurant and bar expiring on December 31, 2027.

A summary of total lease cost, by component, and other lease information for the year ended December 31, 2023 consists of the following amounts:

Finance lease cost:	
Amortization of right-of-use asset	\$58,272
Interest on lease obligations	19,037
Operating lease cost	-0-
Short-term lease cost	-0-
Variable lease cost	-0-
Sublease income	(-0-)
Total lease cost	<u>\$77,309</u>

Other information

Losses on sale-and-leaseback transactions	\$-0-
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Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from finance leases	\$-0-
Operating cash flows from operating leases	\$(19,037)
Financing cash flows from financing leases	\$-0-
Financing cashflow from operating leases	\$(58,272)

Right-of-use assts exchanged for:

Finance lease liabilities	\$-0-
Operating lease liabilities	\$275,019

Weighted-average remaining lease term (in years):

Finance leases	-0-
Operating leases	5

Lindo Mar Adventure Club, LTD.

Notes to Financial Statements

December 31, 2023

Page 16

8. Leases (concluded)

Weighted-average discount rate applied (%):

Finance leases	-0%
Operating leases	6%

Following is a maturity analysis of annual undiscounted cash flows for lease liabilities as of the end of 2023:

	Operating Leases
Year ending December 31,	
2024	\$77,316
2025	77,316
2026	77,316
2027	77,316
2028	-0-
Thereafter	-0-
Total	309,264
Less Interest portion	(34,245)
Total undiscounted cash flows for lease liabilities	<u>\$275,019</u>

9. Marketable Securities

Cost and fair value of held-to-maturity securities at December 31, 2023 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>Debt Securities:</u>				
United States Treasury Securities	<u>\$71,345</u>	<u>\$1,655</u>	<u>\$-0-</u>	<u>\$73,000</u>
Total	<u>\$71,345</u>	<u>\$1,655</u>	<u>\$-0-</u>	<u>\$73,000</u>

The Club occasionally invests in United States Treasury Securities. Investment information from the Club's held-to-maturity debt securities for the reporting periods is as follows:

Lindo Mar Adventure Club, LTD.

Notes to Financial Statements December 31, 2023

Page 17

9. *Marketable Securities* (concluded)

Gross proceeds	<u>\$-0-</u>
Gross realized gains	<u>\$-0-</u>
Gross realized losses	<u>\$-0-</u>

10. *Future Major Repairs and Replacements*

The Club's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations.

The Board of Directors updated the reserve study in December 2016 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements consider an annual inflation rate of 2.5 percent and interest of .02 percent, net of taxes, on amounts funded for future major repairs and replacements. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on the study.

For the year ended December 31, 2023, the board of directors decided to fund more than 100 percent of the amount recommended by the study. Accordingly, \$127,921 was included in the 2023 budget. Because actual expenditures may vary from estimated future expenditures and the variations may be material, 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 Club has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

11. *Commitments and Contingencies*

The Club has an three-year management agreement with Trading places International, LLC expiring December 31, 2027 with successive automatic three-year renewal periods, unless terminated by either party with ninety days written notice prior to the expiration of the current term. The managing agent will provide administrative, financial, and accounting services for the Club. Per the agreement, management fees will not increase more than 2% per year.

12. *Prior Period Adjustment*

Prior to January 1, 2022, the Club defined the performance obligation for replacement reserve assessments under Financial Accounting Standards Board ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (FASB ASC 606) as being satisfied with the expenditure of the assessed funds for the intended purpose. Based on further analysis and discussion, the Board has determined that the standard does not apply to transactions with its members related to regular replacement assessments. Regular replacement assessment revenue is recognized when earned.

Lindo Mar Adventure Club, LTD.

Notes to Financial Statements
December 31, 2023

Page 18

12. *Prior Period Adjustment* (concluded)

The accompanying financial statements have been restated to correct the recording of the contract liability in the replacement fund:

Replacement Fund balance at December 31, 2022 as previously reported	\$98,006
Contract liability adjustment at December 31, 2022	<u>299,628</u>
Replacement Fund balance at December 31, 2022, as restated	<u>\$397,634</u>

13. *Supplemental Cash Flow Disclosures*

Cash flows from operating activities include state and federal income tax payments of \$7,500 in 2023.

14. *Subsequent Events*

Management has evaluated subsequent events through June 7, 2024, the date which the financial statements were available for issue.

Supplementary Information

Lindo Mar Adventure Club

Supplemental Information on Future Major Repairs and Replacements December 31, 2023

The Better Reserve Consultants conducted a study in December 2016 to estimate the remaining useful lives and replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements consider an annual inflation rate of 2.5% and interest of .02%, net of taxes, on amounts funded for future major repairs and replacements.

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

<i>Component</i>	<i>Estimated Remaining Useful Life (Years)</i>	<i>Estimated December 2016 Replacement Cost</i>	<i>Estimated 2024 Funding Requirement</i>	<i>Reserve Expenditures For the Year Ended 12/31/2023</i>	<i>Replacement Fund Balance at 12/31/2023</i>
Building exterior	0-22	\$ 26,450	\$ 2,424	\$ (60,318)	\$ 9,769
Building interior	0-22	338,350	31,008	(378,850)	124,962
Common area	0-13	2,700	247	-	997
Exercise room	0	27,750	2,543	-	10,249
Pool area	0-2	30,100	2,758	-	11,117
Units	0-23	1,312,500	120,282	-	484,741
Reserve Study	0	8,050	738	-	2,973
Fund deficit		-	-	-	(488,071)
Totals		<u>\$ 1,745,900</u>	<u>\$ 160,000</u>	<u>\$ (439,168)</u>	<u>\$ 156,736</u>

See independent accountants' review report.