

**SEA COAST MANAGEMENT NO. 2, INC.**

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FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT  
AND SUPPLEMENTARY INFORMATION

For the year ended December 31, 2025

## CONTENTS

	<u>Pages</u>
<b>INDEPENDENT ACCOUNTANTS' REVIEW REPORT</b>	1-2
 <b>FINANCIAL STATEMENTS:</b>	
Balance Sheet	3
Statement of Revenues, Expenses, and Changes in Fund Balance	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10
 <b>SUPPLEMENTARY INFORMATION:</b>	
Supplementary Information on Future Repairs and Replacements	11
Schedule of Operating Fund Revenues and Expenses - Budget and Actual	12

# WESTON & GREGORY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Members of  
Sea Coast Management No. 2, Inc.  
New Smyrna Beach, Florida

We have reviewed the accompanying financial statements of Sea Coast Management No. 2, Inc., which comprise the balance sheet as of December 31, 2025, and the related statements of revenues, expenses, and changes in fund balance, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association 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 the 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 the financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's 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 Sea Coast Management No. 2, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

### **Accountant's 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 conformity with accounting principles generally accepted in the United States of America.

### **Supplementary Information**

The schedule of operating fund revenues and expenses - budget and actual is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplemental information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplemental information. We have not audited the supplemental information and do not express an opinion on such information.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that supplementary information on future repairs and replacements on page 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have not audited, reviewed, or compiled the required supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on it.

*Keston & Gregory, LLC*

Daytona Beach, Florida  
February 6, 2026

**SEA COAST MANAGEMENT NO. 2, INC.**  
 Balance Sheet  
 December 31, 2025

	Operating Fund	Replacement Fund	Special Assessment Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 95,934	\$ 519,995	\$ 557,131	\$ 1,173,060
Assessments receivable	40,688	-	-	40,688
Prepaid expenses	4,090	-	-	4,090
Equipment, net	-	-	-	-
Utility deposits	1,665	-	-	1,665
Due (to) from other funds	(108,501)	132,858	(24,357)	-
	\$ 33,876	\$ 652,853	\$ 532,774	\$ 1,219,503
 <b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>				
Accounts payable and accrued expenses	\$ 12,792	\$ -	\$ -	\$ 12,792
Assessments paid in advance	16,724	-	-	16,724
Deferred cable incentive	4,981	-	-	4,981
Contract liabilities	-	652,853	-	652,853
	34,497	652,853	-	687,350
Fund balance (deficit)	(621)	-	532,774	532,153
	\$ 33,876	\$ 652,853	\$ 532,774	\$ 1,219,503

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

**SEA COAST MANAGEMENT NO. 2, INC.**  
Statement of Revenues, Expenses and  
Changes in Fund Balance  
For the year ended December 31, 2025

	Operating Fund	Replacement Fund	Special Assessment Fund	Total
<b>Revenues:</b>				
Members' assessments	\$ 595,152	\$ 42,955	\$ 254,541	\$ 892,648
Laundry income	16,611	-	-	16,611
Grant income	-	-	123,779	123,779
Interest and other income	4,584	7,116	6,170	17,870
	<u>616,347</u>	<u>50,071</u>	<u>384,490</u>	<u>1,050,908</u>
<b>Expenses:</b>				
Insurance	193,529	-	-	193,529
Management fees	154,286	-	-	154,286
Utilities	101,202	-	-	101,202
Building repairs and replacements	48,932	50,071	242,153	341,156
Professional fees	21,625	-	-	21,625
Grounds maintenance	20,901	-	-	20,901
Pool maintenance	20,364	-	-	20,364
Elevator repairs and maintenance	9,287	-	-	9,287
Administrative	4,557	-	-	4,557
Security services	2,197	-	-	2,197
Taxes, fees and licenses	1,257	-	-	1,257
	<u>578,137</u>	<u>50,071</u>	<u>242,153</u>	<u>870,361</u>
Excess of revenues over expenses	38,210	-	142,337	180,547
Fund balance (deficit), beginning of year	<u>(38,831)</u>	<u>-</u>	<u>390,437</u>	<u>351,606</u>
Fund balance (deficit), end of year	<u>\$ (621)</u>	<u>\$ -</u>	<u>\$ 532,774</u>	<u>\$ 532,153</u>

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

**SEA COAST MANAGEMENT NO. 2, INC.**  
Statement of Cash Flows  
For the year ended December 31, 2025

	Operating Fund	Replacement Fund	Special Assessment Fund	Total
Cash flows from operating activities:				
Cash received from members' assessments	\$ 581,465	\$ 196,383	\$ 254,541	\$ 1,032,389
Cash received from interest and other income	21,195	7,116	129,949	158,260
Cash paid to vendors for services and goods	<u>(569,406)</u>	<u>(50,071)</u>	<u>(242,153)</u>	<u>(861,630)</u>
Net cash provided by operating activities	<u>33,254</u>	<u>153,428</u>	<u>142,337</u>	<u>329,019</u>
Cash flows from financing activities:				
Interfund borrowing	<u>4,285</u>	<u>(58,043)</u>	<u>53,758</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>4,285</u>	<u>(58,043)</u>	<u>53,758</u>	<u>-</u>
Net increase in cash and cash equivalents	37,539	95,385	196,095	329,019
Cash and cash equivalents, beginning of year	<u>58,395</u>	<u>424,610</u>	<u>361,036</u>	<u>844,041</u>
Cash and cash equivalents, end of year	<u>\$ 95,934</u>	<u>\$ 519,995</u>	<u>\$ 557,131</u>	<u>\$ 1,173,060</u>
Reconciliation of Excess of Revenue over Expenses to Net Cash Provided by Operating Activities:				
Excess of revenues over expenses	\$ 38,210	\$ -	\$ 142,337	\$ 180,547
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:				
(Increase) decrease in:				
Assessments receivable	(2,817)	-	-	(2,817)
Increase (decrease) in:				
Accounts payable and accrued expenses	12,715	-	-	12,715
Assessments paid in advance	(10,870)	-	-	(10,870)
Deferred cable incentive	(3,984)	-	-	(3,984)
Contract liabilities	-	153,428	-	153,428
Net cash provided by operating activities	<u>\$ 33,254</u>	<u>\$ 153,428</u>	<u>\$ 142,337</u>	<u>\$ 329,019</u>

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

**SEA COAST MANAGEMENT No. 2, INC.**  
Notes to Financial Statements  
December 31, 2025

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1. Organization:

Sea Coast Management No. 2, Inc. (the Association) was incorporated on July 19, 1971 as a not-for-profit corporation pursuant to Chapter 718 of the Florida Statutes. The primary purpose of the Association is to maintain and protect the property owned in common by members of The Sea Coast II Condominium. The Association consists of eighty-five residential units located in New Smyrna Beach, Florida. Common property of the Association includes a lobby, swimming pool, parking lot and social rooms. Policy decisions in regard to normal everyday operations of the Association are formulated by the Board of Directors, who are elected by the general membership. Major policy decisions, as outlined in the documents of the Association, are referred to the general Association membership.

2. Summary of Significant Accounting Policies:

The Association prepares its financial statements on the accrual basis. The financial statements are presented as separate funds based upon the different funding policies for operations and capital replacement.

Fund Accounting:

The Operating Fund reflects the operating assessments paid by unit owners to meet the regular, recurring costs of operation. Expenditures of this fund are limited to those connected with the day-to-day functions of the Association.

The Replacement Fund is composed of all capital assessments paid by the unit owners to fund future replacements, major repairs, and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which the assessments were paid and those which are approved by the Board of Directors.

The Special Assessment Fund was established to keep special assessments designated for specific projects separate from operating funds. Disbursements from this fund may only be used for the designated purposes of the special assessment without a majority vote of the membership.

Cash and Cash Equivalents:

Cash and cash equivalents include all funds invested in checking and money market accounts with an original maturity of ninety days or less and certificates of deposit. The Association has deposits at banks that are federally insured up to \$250,000 under FDIC protection. At December 31, 2025, \$849,821 of the Association's funds were not fully insured under FDIC coverage.

Common Owned Property:

Real and personal property acquired by the Association from the developer and major replacements or improvements made by the Association are capitalized on the financial statements of the Association when ownership of these commonly owned assets is vested directly in the Association and may be sold. Assets vested directly or indirectly in the unit owners deemed not to be severable are not capitalized on the financial statements. The Association capitalizes personal property and equipment at cost and depreciates it using the straight-line method over the estimated useful life of the asset.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**SEA COAST MANAGEMENT No. 2, INC.**  
Notes to Financial Statements  
December 31, 2025

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2. Summary of Significant Accounting Policies: (Continued)

Members' Assessments and Allowance for Credit Losses:

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements. The allocation of assessments is based on the unit's square footage and location. 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 is 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. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association has no policy requiring collateral to support its assessments receivables, however, the Association's Declaration provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner, and obtaining judgment on the unit owner. 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 are \$37,871 and \$40,688, respectively. Assessments paid in advance at the balance sheet date represent fees paid in advance by unit owners. The balance of prepaid assessments at the beginning and end of the year were \$27,594 and \$16,724, respectively.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include close monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association's control. It is the opinion of the board of directors that the Association will ultimately prevail against owners with delinquent assessments and, accordingly, no allowance for credit losses is deemed necessary as of December 31, 2025.

Income Taxes:

Condominium associations may be taxed as either a homeowners' association or a regular corporation. The Association elected to be taxed as a homeowners' association in accordance with Internal Revenue Code, Section 528, for the current year. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, at a rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable. For the year ended December 31, 2025, the Association's deductions for tax purposes exceeded any taxable income; therefore, no income tax expense was incurred.

The Association files income tax returns in the U.S. federal jurisdiction. With few exceptions, the Association is no longer subject to federal income tax examinations by taxing authorities for tax years before 2022.

Contract Liabilities (Assessments received in advance-replacement fund):

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.

Subsequent Events:

The Association has evaluated events and transactions for potential recognition or disclosure in the financial statements through February 6, 2026, the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

**SEA COAST MANAGEMENT No. 2, INC.**  
Notes to Financial Statements  
December 31, 2025

3. Property and Equipment:

Property and equipment and their respective lives at December 31, 2025 are as follows:

		Lives
Computer equipment	\$ 5,202	5 years
Maintenance equipment	566	5 years
Laundry equipment	19,123	5 years
	24,891	
Less accumulated depreciation	(24,891)	
	\$ -	

4. Windstorm Insurance:

The current insured value of the Association's building is \$15,922,204. The Association's current insurance policy contains a deductible of five percent (5%) of the insured value for any named hurricane damage. The deductible was approximately \$796,110 for the current policy year, which was renewed on January 1, 2025. Other deductibles apply to the basic insurance coverage as well.

5. Special Assessments:

In December 2022, the Board of Directors levied a special assessment in the amount of \$1,579,975 for replacement reserve funding (\$350,000) and hurricane damages (\$1,229,975). The assessment was due in full or in thirty six monthly installments starting on February 1, 2023. Each owner was assessed in the same manner as regular assessments based on unit square footage and location. The Association billed out \$320,924, \$320,924, and \$957,882 for the years ended December 31, 2025, 2024, and 2023. The Association earned \$6,170, \$280, and \$8 in interest income on these funds in 2025, 2024, and 2023. The Association transferred \$66,383, \$66,383, and \$211,701 out to the replacement fund in 2025, 2024, and 2023. The Association transferred \$295,411 in from the replacement fund in 2024 and had grant revenues of \$123,779 and \$75,450 in 2025 and 2024. The Association expended \$242,153, \$420,831, and \$560,603 on hurricane related repairs in 2025, 2024, and 2023. The remaining balance of \$532,774 is recorded as fund balance on the balance sheet.

6. Replacement Reserves:

Florida Statutes and the Association's documents require funds to be accumulated for future major repairs and replacements. The Association's current policy is to assess each unit owner a monthly assessment to meet all future replacement and major repair costs. These funds are held in separate accounts and are generally not available for operating purposes. It is the Association's policy to allocate interest earned to the pooled reserve fund.

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. In 2023, the Association had a reserve study performed by a professional firm that determined the components, estimated total useful and remaining lives, and projected future replacement costs. In connection with the preparation of the Association's annual budget for 2025, management and the Board of Directors updated the useful and remaining lives and the replacement costs of the common property components.

**SEA COAST MANAGEMENT No. 2, INC.**  
Notes to Financial Statements  
December 31, 2025

6. Replacement Reserves: (Continued)

Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

The activity within the replacement fund contract liabilities for the year ended December 31, 2025 is presented as follows:

	Beginning Balance	Funding	Interest Income	Expenditures	Ending Balance
Pooled reserve	\$ 499,425	\$ 196,383	\$ 7,116	\$ (50,071)	\$ 652,853

Details of pooled reserve transfers and expenditures

Painting	\$ 8,340
Property components	41,731
	\$ 50,071

**New mandatory reserve requirements for condominiums:**

The State of Florida passed new mandatory reserve requirements and restrictions for condominiums in May 2022 with a beginning effective date of December 31, 2025. The legislation is aimed at protecting the long-term structural safety and integrity of multi-story buildings in the State of Florida. At least every ten years, associations must now complete a so-called Structural Integrity Reserve Study (“SIRS”) for each building in the condominium that is three stories or taller by a licensed engineer or architect.

At a minimum, the SIRS must identify and state the remaining useful life and replacement cost, or deferred maintenance expense of the common areas being visually inspected and based upon such visual inspection, provide a recommended annual reserve amount that should be included in the association’s annual budget for those common areas. Several specific “structural” components of every building must now be visually inspected and evaluated, including the roof, load-bearing walls, foundation, floor, plumbing, electrical systems, waterproofing and fireproofing, windows, and any other item with a deferred maintenance expense or replacement cost exceeding \$25,000 that would “negatively affect” any of the foregoing items if not maintained or replaced.

Not only are associations now legally required to have reserve studies completed, but they will also soon be prohibited from waiving or reducing funding for many of the reserve items in their annual budgets. For decades, condominium associations have been legally required to include reserve accounts in their annual budget. However, associations were permitted, by a majority vote of the unit owners, to waive or only partially fund reserves, irrespective of the particular reserve item. Beginning December 31, 2025, however, unit owners will no longer be legally permitted to make that decision for the structural reserve items required to be listed in the SIRS.

**SEA COAST MANAGEMENT No. 2, INC.**  
Notes to Financial Statements  
December 31, 2025

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6. Replacement Reserves: (Continued)  
Similarly, effective December 31, 2025, associations will no longer be permitted to use reserve funds collected for the structural items listed in a SIRS for any other purpose, even if a majority of the owners vote to do so.
  
7. Related Parties:  
The Association shares common areas, including the office, clubhouse, ocean deck, and pool area, as well as Management with Sea Coast Management No. 3, Inc. Expenses relating to the common areas and management are split evenly (50%) between the Associations.

**SUPPLEMENTARY INFORMATION**

**SEA COAST MANAGEMENT NO. 2, INC.**

Supplementary Information  
on Future Repairs and Replacements  
December 31, 2025

The Association is funding for its future 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. In 2023, the Association had a reserve study performed by a professional firm that determined the reserve components, estimated total useful and estimated remaining lives and the projected future replacement costs. In conjunction with the preparation of the Association's annual budget for 2026, management and the Board of Directors updated the estimated useful and remaining lives and estimated current costs of the common property components.

The following table presents significant information concerning the replacement fund:

<u>Component</u>	<u>Estimated Useful Life (Years)</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>	<u>Contract Liabilities December 31, 2025</u>	<u>2026 Estimated Full Funding Requirement</u>	<u>2026 Budgeted Funding</u>
Clubhouse	8-45	1-28	\$ 141,033	\$ -	\$ -	\$ -
Pool	3-30	1-4	132,883	-	-	-
Building	10-75	1-11	642,000	-	-	-
Property site	3-65	1-28	348,456	-	-	-
Exterior building	5-45	2-23	3,423,821	-	-	-
Pooled reserves			-	652,853	392,500	130,000
			<u>\$ 4,688,193</u>	<u>\$ 652,853</u>	<u>\$ 392,500</u>	<u>\$ 130,000</u>

Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or may delay major repairs and replacements until funds are available.

See independent accountants' review report

**SEA COAST MANAGEMENT NO. 2, INC.**  
Schedule of Operating Fund Revenues and Expenses  
Budget and Actual  
For the year ended December 31, 2025

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Members' assessments	\$ 595,163	\$ 595,152	\$ (11)
Laundry income	17,500	16,611	(889)
Interest and other income	400	4,584	4,184
	613,063	616,347	3,284
Expenses:			
Insurance	234,000	193,529	40,471
Management fees	153,506	154,286	(780)
Utilities	90,673	101,202	(10,529)
Building repairs and replacements	43,388	48,932	(5,544)
Professional fees	21,170	21,625	(455)
Grounds maintenance	23,500	20,901	2,599
Pool maintenance	23,966	20,364	3,602
Elevator repairs and maintenance	11,820	9,287	2,533
Administrative	6,720	4,557	2,163
Security services	2,000	2,197	(197)
Taxes, fees and licenses	2,320	1,257	1,063
	613,063	578,137	34,926
Excess of revenues over expenses	\$ -	\$ 38,210	\$ 38,210

See independent accountants' review report