

**SEA COAST MANAGEMENT NO. 3, INC.**

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**FINANCIAL STATEMENTS AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT  
AND SUPPLEMENTARY INFORMATION**

**For the year ended December 31, 2025**

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# WESTON & GREGORY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of  
Sea Coast Management No. 3, Inc.  
New Smyrna Beach, Florida

We have reviewed the accompanying financial statements of Sea Coast Management No. 3, 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. 3, 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.

### **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. 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.

### ***Supplementary Information***

The schedule of operating fund revenues and expenses - budget and actual on page 12 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 (except for the budget information, which was compiled from information that is the representation of management without audit or review, on which we do not express an opinion or provide any assurance) 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 supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

*Keston & Grogan, LLC*

Daytona Beach, Florida  
February 27, 2026

**SEA COAST MANAGEMENT NO. 3, INC.**

Balance Sheet  
December 31, 2025

	Operating Fund	Replacement Fund	Special Assessment Fund	Total
<b>ASSETS</b>				
Cash and cash equivalents	\$ 101,982	\$ 1,023,504	\$ 29,471	\$ 1,154,957
Assessments receivable	18,416	-	-	18,416
Utility deposits	1,769	-	-	1,769
Due from other fund	53,934	-	437,322	491,256
	<u>\$ 176,101</u>	<u>\$ 1,023,504</u>	<u>\$ 466,793</u>	<u>\$ 1,666,398</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Accounts payable and accrued expenses	\$ 6,578	\$ -	\$ -	\$ 6,578
Assessments paid in advance	29,619	-	-	29,619
Deferred cable revenue	4,981	-	-	4,981
Due to other fund	-	491,256	-	491,256
Deferred assessments	-	-	466,793	466,793
Contract liabilities	-	532,248	-	532,248
	41,178	1,023,504	466,793	1,531,475
Fund balance	134,923	-	-	134,923
	<u>\$ 176,101</u>	<u>\$ 1,023,504</u>	<u>\$ 466,793</u>	<u>\$ 1,666,398</u>

The accompanying Independent Accountants' Review Report and notes should be read with these financial statements.

**SEA COAST MANAGEMENT NO. 3, 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
Revenues:				
Members' assessments	\$ 610,734	\$ 92,117	\$ 66,990	\$ 769,841
Grant income	-	-	82,638	82,638
Laundry income	20,856	-	-	20,856
Interest and other income	8,920	36,875	1,962	47,757
	<u>640,510</u>	<u>128,992</u>	<u>151,590</u>	<u>921,092</u>
Expenses:				
Insurance	216,065	-	-	216,065
Management fees	153,496	-	-	153,496
Utilities	96,335	-	-	96,335
Building repairs and replacements	56,892	128,992	146,864	332,748
Pool maintenance	20,450	-	-	20,450
Grounds maintenance	19,505	-	-	19,505
Professional fees	18,421	-	-	18,421
Elevator repairs and maintenance	14,731	-	-	14,731
Taxes, fees, and licenses	6,776	-	-	6,776
Administrative	5,965	-	-	5,965
Security	1,853	-	-	1,853
Interest expense	-	-	4,726	4,726
	<u>610,489</u>	<u>128,992</u>	<u>151,590</u>	<u>891,071</u>
Excess of revenues over expenses	30,021	-	-	30,021
Fund balance, beginning of year	<u>104,902</u>	<u>-</u>	<u>-</u>	<u>104,902</u>
Fund balance, end of year	<u>\$ 134,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,923</u>

The accompanying Independent Accountants' Review Report and notes should be read with these financial statements.

**SEA COAST MANAGEMENT NO. 3, 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	\$ 604,313	\$ 200,000	\$ 83,668	\$ 887,981
Cash received from interest and other income	25,793	36,875	84,600	147,268
Cash paid for interest expense	-	-	(4,726)	(4,726)
Cash paid for income taxes	(6,681)	-	-	(6,681)
Cash paid to vendors for services and goods	(600,944)	(128,992)	(146,864)	(876,800)
Net cash provided by operating activities	22,481	107,883	16,678	147,042
Cash flows from financing activities:				
Repayment of notes payable	-	-	(148,323)	(148,323)
Net cash used in financing activities	-	-	(148,323)	(148,323)
Cash flows from investing activities:				
Interfund borrowing	333	4	(337)	-
Net cash provided by (used in) investing activities	333	4	(337)	-
Net increase (decrease) in cash and cash equivalents	22,814	107,887	(131,982)	(1,281)
Cash and cash equivalents, beginning of year	79,168	915,617	161,453	1,156,238
Cash and cash equivalents, end of year	\$ 101,982	\$ 1,023,504	\$ 29,471	\$ 1,154,957
Reconciliation of Excess of Revenue over Expenses to Net Cash Provided by Operating Activities:				
Excess of revenues over expenses	\$ 30,021	\$ -	\$ -	\$ 30,021
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:				
(Increase) decrease in:				
Assessments receivable	(7,262)	-	-	(7,262)
Prepaid expenses	3,030	-	-	3,030
Increase (decrease) in:				
Accounts payable and accrued expenses	(166)	-	-	(166)
Assessments paid in advance	841	-	-	841
Deferred cable revenue	(3,983)	-	-	(3,983)
Deferred assessments	-	-	16,678	16,678
Contract liabilities	-	107,883	-	107,883
Net cash provided by operating activities	\$ 22,481	\$ 107,883	\$ 16,678	\$ 147,042

The accompanying Independent Accountants' Review Report and notes should be read with  
these financial statements.

**SEA COAST MANAGEMENT No. 3, INC.**

Notes to Financial Statements

December 31, 2025

1. Organization:

Sea Coast Management No. 3, Inc. (the Association) was incorporated on April 21, 1972 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 III 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 an 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 is 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 is 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 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, \$915,980 of the Association's funds were not fully insured.

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.

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. 3, 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 \$11,154 and \$18,416, 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 \$28,778 and \$29,619, 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 incurred income tax expense in the amount of \$5,821.

The Association files income tax returns in the U.S. federal jurisdiction. With a 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 27, 2026, the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

**SEA COAST MANAGEMENT No. 3, 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 \$16,581,754. 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 \$829,088 for the current policy year, which ended on January 1, 2026. Other deductibles apply to the basic insurance coverage as well.

5. Special Assessments:

In January 2023, the Board of Directors levied a special assessment for hurricane repairs in the amount of \$1,000,000. The assessment is payable on March 1, 2023 if paid in full or starting on July 1, 2023 if making payments. For the year ended December 31, 2024, there are eighteen unit owners that are paying their assessments monthly through August 2028. Each owner was assessed in the same manner as regular assessments based on unit square footage and location. For the years ending December 31, 2025, 2024 and 2023, the Association billed assessments in the amount of \$83,669, \$83,331 and \$802,815. During the years ending December 31, 2025, 2024 and 2023, the Association earned \$1,962, \$10,292 and \$4,170 in interest income. During the years ended December 31, 2025 and 2024, the Association received grant income in the amount of \$82,638 and \$336,394 for hurricane repairs. During the years ending December 31, 2025, 2024 and 2023, the Association expended \$151,590, \$305,957 and \$480,931 on hurricane repairs. The remaining balance of \$466,793 is recorded as deferred assessments on the balance sheet and will be taken into income as the related expenditures are incurred.

6. Notes Payable:

In July 2023, the Association entered into a loan with Valley National Bank for \$255,413 to help cover the cost of financing the repairs to the Association's property. The loan is collateralized by a secured interest in the property of the Association. The note has a sixty-month term, has monthly payments of \$5,304 including interest at 5.75%, and matures in August 2028. The loan may be prepaid at any time prior to maturity with no prepayment penalties. Interest expense incurred for the year ended December 31, 2025 was \$4,726. The note was paid off during the year ended December 31, 2025.

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. 2, Inc. Expenses relating to the common areas and management are split evenly (50%) between the Associations.

**SEA COAST MANAGEMENT No. 3, INC.**  
Notes to Financial Statements  
December 31, 2024

8. 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.

Actual expenditures, however, 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	\$ 424,365	200,000	36,875	(128,992)	\$ 532,248

Details of transfers and expenditures

Building services	\$ 16,513
Exterior building components	26,077
Concrete restoration	86,402
	\$ 128,992

**SEA COAST MANAGEMENT No. 3, INC.**  
Notes to Financial Statements  
December 31, 2025

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8. Replacement Reserves: (Continued)

**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.

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.

**SUPPLEMENTARY INFORMATION**

**SEA COAST MANAGEMENT NO. 3, 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 Full Funding Requirement</u>	<u>2026 Budgeted Funding</u>
Building service	5-75	1-28	\$ 725,825	\$ -	\$ -	\$ -
Exterior building	5-45	1-24	3,152,350	-	-	-
Clubhouse	8-45	1-28	177,033	-	-	-
Pool	3-30	1-4	132,910	-	-	-
Property site	3-65	1-28	465,331	-	-	-
Pooled reserves			-	532,248	274,800	210,000
			<u>\$ 4,653,449</u>	<u>\$ 532,248</u>	<u>\$ 274,800</u>	<u>\$ 210,000</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.

**SEA COAST MANAGEMENT NO. 3, INC.**  
Schedule of Operating Fund Revenues and Expenses  
Budget and Actual  
For the year ended December 31, 2025

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Members' assessments	\$ 611,077	\$ 610,734	\$ (343)
Laundry income	17,500	20,856	3,356
Interest and other income	-	8,920	8,920
	628,577	640,510	11,933
<b>Expenses:</b>			
Insurance	252,000	216,065	35,935
Management fee	153,506	153,496	10
Utilities	99,493	96,335	3,158
Building repairs and replacements	44,888	56,892	(12,004)
Pool maintenance	17,800	20,450	(2,650)
Grounds maintenance	23,500	19,505	3,995
Professional fees	17,000	18,421	(1,421)
Elevator repairs and maintenance	11,820	14,731	(2,911)
Taxes, fees, and licenses	2,320	6,776	(4,456)
Administrative	4,250	5,965	(1,715)
Security	2,000	1,853	147
	628,577	610,489	18,088
Excess of revenues over expenses	\$ -	\$ 30,021	\$ 30,021