

Maisons-Sur-Mer Condominium Association, Inc.
Financial Statements and Independent Auditors' Report
December 31, 2025

Maisons-Sur-Mer Condominium Association, Inc.
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Independent Auditors' Report

To the Board of Directors and Condominium Owners
Maisons-Sur-Mer Condominium Association, Inc.

Opinion

We have audited the accompanying financial statements of Maisons-Sur-Mer Condominium Association, Inc., which comprise the statement of assets, liabilities and fund balances - modified cash basis as of December 31, 2025 and the related statement of revenues, expenses and changes in fund balances - modified cash basis 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 assets, liabilities and fund balances of Maisons-Sur-Mer Condominium Association, Inc. as of December 31, 2025 and its revenues, expenses and changes in fund balances for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

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 Maisons-Sur-Mer 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 Maisons-Sur-Mer 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Maisons-Sur-Mer 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on pages 8 to 10 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Smith Sapp Professional Association
Certified Public Accountants

Myrtle Beach, South Carolina
March 23, 2026

Maisons-Sur-Mer Condominium Association, Inc

**Statement of Assets, Liabilities, and Fund
Balances - Modified Cash Basis
December 31, 2025**

Assets	<u>Operating Fund</u>	<u>Replacement Reserve Fund</u>	<u>Special Assessment Garage Fund</u>	<u>Totals</u>
Current Assets				
Cash and Cash Equivalents	\$ 1,383,009	\$ 2,249,232	\$	\$ 3,632,241
Designated Cash and Cash Equivalents - Self-Insurance Reserve	1,044,750			1,044,750
Assessments Receivable (Net)	18,329			18,329
Prepaid Expenses				
Property Insurance	248,596			248,596
Other	31,476			31,476
Interfund Balances	(181,817)	3,525	178,292	
Total Current Assets	<u>\$ 2,544,343</u>	<u>\$ 2,252,757</u>	<u>\$ 178,292</u>	<u>\$ 4,975,392</u>
 Liabilities and Fund Balances				
Current Liabilities				
Trade Accounts Payable	\$ 62,635	\$	\$	\$ 62,635
Prepaid Assessments	414,855			414,855
Total Current Liabilities	<u>\$ 477,490</u>	<u>\$</u>	<u>\$</u>	<u>\$ 477,490</u>
Fund Balances	<u>\$ 2,066,853</u>	<u>\$ 2,252,757</u>	<u>\$ 178,292</u>	<u>\$ 4,497,902</u>
Total Liabilities and Fund Balances	<u>\$ 2,544,343</u>	<u>\$ 2,252,757</u>	<u>\$ 178,292</u>	<u>\$ 4,975,392</u>

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

Maisons-Sur-Mer Condominium Association, Inc

**Statement of Revenues, Expenses and Changes
In Fund Balances - Modified Cash Basis
Year Ended December 31, 2025**

	Operating Fund	Replacement Reserve Fund	Special Assessment Garage Fund	Totals
Revenues				
Regular Assessments	\$ 2,386,778	\$ 571,260	\$	\$ 2,958,038
Insurance Assessments	1,826,660			1,826,660
Self-Insurance Reserve Assessments	50,600			50,600
Lounge	148,731			148,731
Bon Appetite	250,194			250,194
Service	152,031			152,031
Rental and Real Estate	53,703			53,703
Interest Earned	65,218	37,577		102,795
Miscellaneous	23,118			23,118
Total Revenues	\$ 4,957,033	\$ 608,837	\$	\$ 5,565,870
Expenses				
Common Area Major Repairs and Replacements	\$ 173,597	\$ 62,742	\$ 314,633	\$ 550,972
Bon Appetite	138,907			138,907
General and Administrative	123,574			123,574
Homeowner Services	39,024			39,024
Housekeeping	33,208			33,208
Insurance	1,832,130			1,832,130
Lounge	72,596			72,596
Personnel Costs	1,438,169			1,438,169
Repairs and Maintenance	363,113			363,113
Security	21,344			21,344
Utilities	535,351			535,351
Other	10,121			10,121
Total Expenses	\$ 4,781,134	\$ 62,742	\$ 314,633	\$ 5,158,509
Excess (Deficiency) of Revenues Over (Under) Expenses	\$ 175,899	\$ 546,095	\$ (314,633)	\$ 407,361
Fund Balances - Beginning	1,890,954	1,706,662	492,925	4,090,541
Fund Balances - Ending	\$ 2,066,853	\$ 2,252,757	\$ 178,292	\$ 4,497,902

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

Maisons-Sur-Mer Condominium Association, Inc.
Notes to the Financial Statements
December 31, 2025

Note 1 - Summary of Significant Accounting Policies

Nature of Operations: Maisons-Sur-Mer Condominium Association, Inc. (the Association) is an eleemosynary corporation formed for the purpose of preserving, maintaining and administering the operation and management of the horizontal property regime of the condominium apartments known as Maisons-Sur-Mer. The Association is conducted as a non-profit organization for the benefit of its members. Maisons-Sur-Mer condominium apartments consists of 253 units and is located in Myrtle Beach, South Carolina.

Basis of Accounting: The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis, revenues are generally recognized when received and expenses when paid.

The Association applies certain modifications to the cash basis of accounting, including the recognition of prepaid expenses, deferred assessments, and assessments receivable and related allowances.

This basis differs from accounting principles generally accepted in the United States of America primarily because certain assets and liabilities, including inventories, fixed assets, and utility deposits, are not recognized, and certain expenses are recognized when paid rather than when incurred, including income taxes.

Fund Accounting: The Association maintains its records in accordance with the principles of fund accounting, which require that funds designated for specific purposes be classified separately for accounting and reporting purposes. The assets, liabilities and fund balance of the Association are reported in three self-balancing funds as follows:

Operating Fund - This fund is used to account for financial resources that are available for the general operation and maintenance of the Association.

Replacement Reserve Fund - This fund is used to account for financial resources that are restricted, in accordance with Article IX, Section 5 of the Association's By-Laws, for major repairs and replacements.

Special Assessment Garage Fund - This fund is used to account for the special assessment that is restricted for making repairs to the garage.

Estimates: The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Cash Equivalents: The Association considers all demand deposits, money market accounts and other highly liquid investments with maturities when acquired of three months or less to be cash equivalents.

Allowances for Credit Losses are based upon historical collection experience, a review of the current status of specific accounts and forecasted economic conditions. At December 31, 2025, the allowances for credit losses totaled \$5,000.

Prepaid Expenses are recognized when payments have been made for products or services that will not be used in operations until the following year.

Presentation of Taxes on Sales: The Association's sales are presented net of taxes imposed on the sales by various governmental entities.

Maisons-Sur-Mer Condominium Association, Inc.
Notes to the Financial Statements
December 31, 2025

Revenue Recognition: Association revenues are derived from member assessments and service transactions. Assessment revenue is recognized in the period for which it is assessed by the Board of Directors, which represents a modification to the cash basis of accounting. Assessments received in advance are recorded as prepaid assessments and recognized as revenue in the applicable period.

Service transaction revenues, including the sale of food and beverages, maintenance service charges, and rental and real estate transactions, are recognized when cash is received. Accordingly, different revenue streams are recognized under differing bases consistent with the Association’s modified cash basis of accounting.

Assessments Receivable: Assessments receivable represent amounts due from unit owners for regular and special assessments and are recorded when assessments are levied by the Board of Directors. This represents a modification to the cash basis of accounting.

The Association evaluates the collectability of assessments receivable and records an allowance for credit losses based on historical collection experience, specific account analysis, and other relevant factors. Assessments receivable are reported net of the allowance for credit losses.

Income Taxes: The Association annually elects to be taxed either as an eligible Section 528 homeowners association or as a corporation under Section 277 of the Internal Revenue Code. For the year ended December 31, 2025, the Association anticipates electing to be taxed as a homeowners association. Under this election, nonexempt function income, which includes interest earnings and revenues received from nonmembers, is subject to taxation. Exempt function income, which consists primarily of member assessments, is not taxed. During the year ended December 31, 2025, the Association paid income taxes in the amount of \$23,029.

Accounting standards prescribe when to recognize and how to measure the effects of tax positions taken or expected to be taken in a tax return. In order to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. To the extent that all or a portion of a tax position is not recognized, a liability would be recognized for the unrecognized benefits. As of December 31, 2025, management has determined that the Association does not have any material unrecognized tax benefits.

FDIC Deposits: The Association maintains bank accounts at various financial institutions. The balances at each financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2025, the Association did not exceed the FDIC insured limit.

Note 2 - Designated Cash and Cash Equivalents Self Insurance Reserve

For the year ended December 31, 2025, activity in the designated cash and cash equivalents self-insurance reserve was as follows:

Beginning Balance	\$	955,877
Contributions		53,788
Interest Earned		35,085
Ending Balance	\$	<u>1,044,750</u>

Note 3 – Interfund Balances

The Association maintains separate Operating, Replacement Reserve, and Special Assessment funds in accordance with its governing documents. From time to time, temporary advances between funds may occur to facilitate short-term cash flow needs.

Maisons-Sur-Mer Condominium Association, Inc.
Notes to the Financial Statements
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As of December 31, 2025, the Operating Fund has interfund payables totaling \$181,817, consisting of amounts due to the Replacement Reserve Fund of \$3,525 and to the Special Assessment Garage Fund of \$178,292. The Replacement Reserve Fund and Special Assessment Garage Fund reflect corresponding receivables in these amounts.

These advances were authorized by the Board of Directors and are intended to be short-term in nature. Management intends to repay the balance through future operating surpluses and/or regular assessments. The Association's governing documents permit temporary use of reserve funds provided such amounts are repaid in accordance with Board-approved policies.

Management does not believe the temporary interfund borrowing materially impairs the long-term funding objectives of the Replacement Reserve Fund.

Note 4 - Future Major Repairs and Replacements

Article IX, Section 5 of the Association's By-Laws provides that the Association shall establish and maintain a Replacement Reserve Fund by the allocation and payment monthly to such reserve fund of amounts determined annually by the Board of Directors. Expenditures from the Replacement Reserve Fund are limited to a specified inventory consisting of forty-three components. The Replacement Reserve Fund is administered on the cash flow funding method.

The Association engaged an independent consultant who conducted a study during May 2022 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current replacement costs. Funding requirements consider an annual inflation rate of 4.0% and interest at 1.0% 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. As of December 31, 2025, certain components identified in the reserve study have estimated remaining useful lives of zero years, indicating that replacement or major repair may be necessary in the near term.

The Association is funding for major repairs and replacements over the estimated useful lives of the components based on the study's estimates of replacement costs, considering amounts previously accumulated in the Replacement Reserve Fund. However, actual expenditures may vary from the estimated amounts and the variations may be material. As a result, the reserve balance may not equal the total estimated replacement cost of all components at any given date. Therefore, amounts accumulated in the Replacement Reserve Fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right, subject to appropriate approval, to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available.

Note 5 - Subsequent Events

The Association has evaluated subsequent events through March 23, 2026, the date which the financial statements were available to be issued, and has concluded that no additional disclosures are required.

Required Supplementary Information

Maisons-Sur-Mer Condominium Association, Inc.
Required Supplementary Information
December 31, 2025

During 2022, the Association obtained a reserve study to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates of future replacement costs of common property are based on the study conducted on the complete component inventory and derived from field measurement and/or quantity takeoffs from engineering drawings. The life expectancy and value of components are provided based on observations and expected deterioration of physical assets over time. The estimated economic life is only an estimate and some items may experience longer lives while others may experience shorter lives. The ultimate timing and amount expended is at the Board's discretion. The study has assumed an inflation rate of 4.0% and a return on invested funds of 1.0%. Actual expenditures may vary from the estimated amounts and these amounts may be material. Therefore, amounts accumulated in the Reserve Fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right, subject to appropriate approvals, to increase regular assessments, pass special assessments or delay major repair and replacements until funds are available. The recommended contribution rate to the replacement reserves fund is \$47,605 each month or \$571,254 for the year then ended. The estimated current replacement cost of all property is \$9,012,350.

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>
1. PVC Risers	27	\$ 51,000
2. HVAC System Lines	32	53,500
3. HVAC Lines (Insulation)	7	50,400
4. Cooling Towers	0	1,050,000
5. Cooling Tower Vibration Control System	0	11,300
6. Cooling Tower Support Steel	0	55,500
7. Cooling Tower H2O Treatment System	0	12,150
8. Cooling Tower Water Pumps	5	95,000
9. Boiler	20	160,000
10. Boiler Supply and Return Lines	1	45,000
11. Asphalt	6	33,600
12. Garage Gates	2	32,000
13. Trash Chute	2	11,750
14. Mailboxes	11	11,000
15. Balcony Lights	4	70,000

Maisons-Sur-Mer Condominium Association, Inc.
Required Supplementary Information
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16.	Balcony Decks	2	\$	256,000
17.	Parking Garage (Lower)	0		210,000
18.	Parking Garage (Upper)	2		245,500
19.	Sea Wall/Parking Deck	2		110,000
20.	Building Exterior/Joints	2		786,000
21.	Joint Sealant (Windows/Doors)	2		105,000
22.	Roof (Modified Bitumen)	7		12,450
23.	Roofs (TPO)	0		1,200,000
24.	Elevator - Modernize	18		1,275,000
25.	Elevator Controls	13		42,000
26.	Elevator Cabs (Passenger)	9		52,000
27.	Trash Compactor	4		30,000
28.	Generator	0		120,000
29.	Automatic Transfer Switch	29		16,500
30.	Electrical System (Switchgears)	14		100,000
31.	Fire Alarm System - Modernize	18		116,500
32.	Fire Pump/Controls	7		185,000
33.	Domestic Water System	0		67,500
34.	Plumbing System	15		759,000
35.	Wallcovering	0		20,100
36.	Hallway Lights	6		51,500
37.	Hallway Carpeting	14		395,000
38.	Lobby/First Floor	0		1,025,000
39.	Pool Deck (Pavers)	24		36,500
40.	Pools - Resurface	1		39,500

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Required Supplementary Information
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41.	Pool Tile	1	\$	5,850
42.	Backflow	11		8,250
43.	Ionizer (Pool)	0		0