

**Alden Woods at Lely Resort Condominium  
Association, Inc.**

**FINANCIAL STATEMENTS,  
INDEPENDENT AUDITORS' REPORT AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2020**





## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Alden Woods at Lely Resort Condominium Association, Inc.

We have audited the accompanying financial statements of Alden Woods at Lely Resort Condominium Association, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

### ***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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alden Woods at Lely Resort Condominium Association, Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that supplementary information on future major repairs and replacements on page 13 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, 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.

*Accell Audit & Compliance, PA*

Tampa, Florida  
June 2, 2021

**ALDEN WOODS AT LELY RESORT CONDOMINIUM ASSOCIATION, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2020**

	Operating Fund	Replacement Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,386,259	\$ 156,130	\$ 1,542,389
Certificate of deposit	-	518,139	518,139
Assessments receivable	8,192	-	8,192
Prepaid insurance and other	61,623	-	61,623
Deposits	1,362	-	1,362
	<u>1,362</u>	<u>-</u>	<u>1,362</u>
 Total assets	 <u>\$ 1,457,436</u>	 <u>\$ 674,269</u>	 <u>\$ 2,131,705</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 4,373	\$ -	\$ 4,373
Prepaid assessments	57,923	-	57,923
Contract liabilities (Assessments received in-advance replacement fund)	-	653,982	653,982
Total liabilities	<u>62,296</u>	<u>653,982</u>	<u>716,278</u>
	<u>1,395,140</u>	<u>20,287</u>	<u>1,415,427</u>
<b>FUND BALANCES</b>			
 Total liabilities and fund balances	 <u>\$ 1,457,436</u>	 <u>\$ 674,269</u>	 <u>\$ 2,131,705</u>

*See accompanying notes to the financial statements and Independent Auditors' Report.*

**ALDEN WOODS AT LELY RESORT CONDOMINIUM ASSOCIATION, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND BALANCES**  
**YEAR ENDED DECEMBER 31, 2020**

	Operating Fund	Replacement Fund	Total
<b>REVENUES</b>			
Maintenance assessments	\$ 430,280	\$ 91,093	\$ 521,373
Interest	7,238	17,566	24,804
Lely Resort master fee	4,267	-	4,267
CSA fee	92,452	-	92,452
Insurance claim	3,158,259	-	3,158,259
Other income	4,513	-	4,513
	<hr/>	<hr/>	<hr/>
Total revenues	3,697,009	108,659	3,805,668
	<hr/>	<hr/>	<hr/>
<b>EXPENSES</b>			
Insurance	107,276	-	107,276
Repairs and maintenance	100,458	-	100,458
Grounds maintenance	101,510	-	101,510
CSA fee	92,452	-	92,452
Pool and utilities	72,353	-	72,353
General and administrative	25,327	-	25,327
Property management contract	20,217	-	20,217
Shared gate expense	8,331	-	8,331
Lely Resort master fee	5,895	-	5,895
Hurricane repair expenditures	2,184,931	-	2,184,931
Replacement fund expenditures	-	91,093	91,093
	<hr/>	<hr/>	<hr/>
Total expenses	2,718,750	91,093	2,809,843
	<hr/>	<hr/>	<hr/>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	978,259	17,566	995,825
	<hr/>	<hr/>	<hr/>
Fund Balances - beginning of year	416,881	2,721	419,602
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<b>FUND BALANCES - END OF YEAR</b>	\$ 1,395,140	\$ 20,287	\$ 1,415,427
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*See accompanying notes to the financial statements and Independent Auditors' Report.*

**ALDEN WOODS AT LELY RESORT CONDOMINIUM ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2020**

	Operating Fund	Replacement Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Excess of revenues over expenses	\$ 978,259	\$ 17,566	\$ 995,825
Change in:			
Assessments receivable	(7,144)	-	(7,144)
Prepaid insurance and other	25,316	-	25,316
Due from reserve/to operating	17,383	(17,383)	-
Accounts payable and accrued expenses	(5,168)	-	(5,168)
Prepaid assessments	26,365	-	26,365
Deferred special assessment	(108,296)	-	(108,296)
Contract liabilities (Assessments received in-advance replacement fund)	-	61,782	61,782
Net cash from operating activities	<u>926,715</u>	<u>61,965</u>	<u>988,680</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of security deposits, net	<u>-</u>	<u>(266,401)</u>	<u>(266,401)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	926,715	(204,436)	722,279
Cash and cash equivalents - beginning of year	<u>459,544</u>	<u>360,566</u>	<u>820,110</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,386,259</u>	<u>\$ 156,130</u>	<u>\$ 1,542,389</u>

*See accompanying notes to the financial statements and Independent Auditors' Report.*

**ALDEN WOODS AT LELY RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

**NOTE 1 NATURE OF ORGANIZATION**

Alden Woods at Lely Resort Condominium Association, Inc., (the "Association") is a statutory association incorporated in the state of Florida on June 12, 2006 as a corporation, not-for-profit, under the terms and provisions of Chapter 617, Florida Statutes. The Association which operates under Florida Statute 718 is responsible for the maintenance, preservation and architectural control of the common areas of Alden Woods at Lely Resort Condominium Association, Inc. The Association consists of 116 residential units located in Naples, Florida.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

The financial statements of the Association are prepared on the accrual basis of accounting, which recognizes revenue when earned, regardless of when received, and expenses when incurred, regardless of when paid.

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the financial statements have been prepared using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association.

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

**Liquidity**

Assets are presented in the accompanying balance sheet according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Association considers all short-term highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Commonly Owned Assets**

Real common property acquired by the Association is not capitalized because its use and disposition by the Association's Board of Directors (the "Board") is restricted.

The Association's accounting policy is to capitalize the cost of significant tangible personal property with an estimated economic useful life in excess of one year. Such property would be depreciated over the asset's estimated useful life using the straight-line method.

**ALDEN WOODS AT LELY RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

**Member Assessments**

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments 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's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. At December 31, 2020, the Association had an allowance for doubtful accounts of \$0.

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year are approximately \$1,000 and \$8,000, respectively.

**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. The balances of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year are approximately \$592,000 and \$654,000, respectively.

**FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION**

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate—Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of new guidance as of January 1, 2020, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2020. Adoption of the new



**ALDEN WOODS AT LELY RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities related to the replacement fund, as previously described and is being accounted for using a change in accounting policy treatment.

The adoption of the new revenue recognition guidance resulted in the following change to fund balance as of January 1, 2020:

Fund balance, as previously reported, at January 1, 2020	\$ 1,011,802
Adjustment	(592,200)
Fund balance, as adjusted, at January 1, 2020	\$ 419,602

The effect of the adoption is a decrease in 2020 assessments by \$61,782 and a recording of a contract liability (assessments received in advance-replacement fund) at December 31, 2020 of approximately \$654,000. The Association had no customer contract modifications that had an effect on the Association's transition to the new guidance.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our 2020 financial statements. Following are the line items from our balance sheet as of December 31, 2020, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
<u>Liabilities:</u>			
Contract liabilities (Assessments received in advance-replacement reserve)	\$ -	\$ 653,982	\$ 653,982
Total liabilities	62,296	653,982	716,278
<u>Fund Balance:</u>			
Ending fund balances	\$ 2,069,409	\$ (653,982)	\$ 1,415,427

The following are the line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended December 31, 2020, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

**ALDEN WOODS AT LELY RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
<u>Revenue:</u>			
Regular assessments	\$ 583,155	\$ (61,782)	\$ 521,373
Excess (deficit) of revenues over expenses	1,057,607	(61,782)	995,825
<u>Cash Flows:</u>			
Excess (deficit) of revenues over expenses	1,057,607	(61,782)	995,825
Increase in contract liabilities (Assessments received in advance-replacement reserve)	\$ -	\$ 61,782	\$ 61,782

**Interest Earned**

The Board's policy is to allocate interest earned to the operating and replacement fund in proportion to the interest bearing deposits of each fund.

**Fair Value of Financial Instruments**

The carrying value of cash and cash equivalents, receivables, payables and other liabilities, approximate fair value due to the short maturity of these financial instruments.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

**NOTE 3 OWNERS' ASSESSMENTS**

Quarterly assessments to owners are approximately \$1,469 per unit in 2020. Of these assessments, approximately \$330 per unit was designated for the Replacement Fund.

**NOTE 4 CERTIFICATE OF DEPOSIT**

The Association has certificates of deposit with major financial institutions at December 31, 2020 in the amount of \$518,139 that earn interest at rates ranging from 0.5% to 1.9% with maturity rates ranging from January to November 2021.

**ALDEN WOODS AT LELY RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

**NOTE 5 FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents provide certain guidelines for governing its financial activities. The Association has established a reserve fund and is funding the replacement of identified common area components. The Replacement Fund is utilized to accumulate funds for capital expenditures and deferred maintenance. Replacement funds are held in separate bank accounts and generally are not available for expenditures for normal operations. Deductions from the Replacement Fund are recorded as costs are incurred to meet the objective for which it was established.

The Board had an independent reserve study updated in 2020 and considered some of its recommendations in its 2021 budget. The Association is funding the future major repairs and replacements based on estimates prepared by the board of directors in conjunction with information from the reserve study and from vendors related to the remaining useful lives and the replacement costs of the components. Amounts accumulated in the Replacement Fund may not be adequate to cover the costs of major repairs and replacements. When funds are needed, the Association has the right, which may be subject to membership approval, to increase regular assessments, pass special assessments, borrow, or delay major repairs and replacements until funds are available.

The following is a table of the current year's activity in the Replacement Fund:

	January 1, 2020	Additions	Charges	Transfers	December 31, 2020
Roof	\$ 362,955	\$ 63,614	\$ -	\$ 2,675	\$ 429,244
Roof amenities	2,675	-	-	(2,675)	-
Painting	74,998	53,481	-	-	128,479
Pavement resurfacing	12,791	7,987	-	-	20,778
Fire sprinkler control panel	18,258	-	(40,358)	-	(22,100)
Pool remarketing	12,100	-	-	-	12,100
Pool equipment	20,602	-	(7,396)	-	13,206
Landscape	32,244	-	-	-	32,244
Clubhouse equipment	16,974	-	-	-	16,974
Pool surround	14,470	-	(17,277)	-	(2,807)
Property site element	-	27,792	(18,390)	-	9,402
Infrastructure	24,134	-	(2,092)	-	22,042
Unallocated reserve	2,720	14,643	(5,580)	-	11,783
Interest	-	2,924	-	-	2,924
	<u>\$ 594,921</u>	<u>\$ 170,441</u>	<u>\$ (91,093)</u>	<u>\$ -</u>	<u>\$ 674,269</u>

**NOTE 6 INCOME TAXES**

The Association has elected to file as a homeowner's association in accordance with Internal Revenue Code 528, using Form 1120-H. The Association's investment income and other nonexempt income are subject to tax. The Association has evaluated its tax position and concluded that the Association has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Income Tax Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification. With few exceptions, the Association is subject to income tax examinations by the U.S. federal or state tax authorities for

**ALDEN WOODS AT LELY RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

up to three years after tax returns are filed. The Association recorded no income tax expense in 2020.

**NOTE 7 CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of bank deposits and assessments receivable. The Association has the ability to foreclose on units, reducing the risk of loss to the Association.

The Association maintains all of its bank deposit accounts with financial institutions in the state of Florida. At each institution, accounts are insured up to certain limits. The Association has not experienced any losses on such accounts, and believes it is not exposed to any significant risk on bank deposit accounts.

**NOTE 8 COMMITMENTS**

The Association has various contract services to maintain the common property including management services, common area landscaping, pool service, janitorial service, pest control and an obligation to the Lely Resort Master Property Owners' Association and to the Lely Community Development District (CSA fees) as a result of mandatory membership. These contracts have different expiration dates and renewal terms.

**NOTE 9 DEFERRED SPECIAL ASSESSMENT**

On November 28, 2017, the Board of Directors approved a Special Assessment in amount of \$435,000 for building repairs and landscape removal related to Hurricane Irma. At the beginning of 2020, the Association had spent all but \$108,296 of the special assessments on associated expenditures. The Board approved a repayment to the unit owners and in 2020, the unit owner accounts were reimbursed for the remaining funds and the deferred special assessment was eliminated.

**NOTE 10 INSURANCE CLAIM PROCEEDS**

In 2020, the Association received approximately \$3,158,000 in insurance proceeds and incurred approximately \$2,185,000 in expenditures associated with the repairs necessary after Hurricane Irma.

**NOTE 11 SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 2, 2021, which is the date the financial statements were available to be issued.

**ALDEN WOODS AT LELY RESORT CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2020**

In 2021, The Association Board approved the transfer of the remaining excess insurance proceeds to be dispersed \$539,000 to the reserve fund, \$100,000 to an operating contingency fund, and \$116,000 back to unit owners for previously paid special assessments.

## **SUPPLEMENTARY INFORMATION**

**ALDEN WOODS AT LELY RESORT CONDOMINIUM ASSOCIATION, INC.**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS**  
**AND REPLACEMENTS (UNAUDITED)**  
**DECEMBER 31, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

Replacement costs were based on estimates from the independent study and vendors. Actual expenditures may vary from these estimated amounts and the variance may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The following presents significant information about the components of common property:

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	Balance January 1, 2021	2021 Required Fully funded	2021 Approved Funding*
Building roof replacement	27	\$ 2,145,288	\$ 429,244	\$ 63,557	\$ 49,285
Building painting	4	348,665	128,479	55,047	27,433
Fire sprinkler control panel	12	90,000	(22,100)	9,342	-
Pool resurfacing	5	17,520	12,100	1,084	-
Pool equipment	1	18,000	13,206	4,794	-
Landscape replacement	7	41,000	32,244	1,251	-
Pavement resurfacing	14	132,600	20,778	7,987	6,693
Clubhouse equipment	8	36,000	16,974	2,378	-
Property site elements	29	850,300	9,402	28,996	28,524
Pool surround	13	30,700	(2,807)	2,577	-
Unallocated	N/A	N/A	11,783	-	-
Infrastructure	N/A	N/A	22,042	-	-
Interest	N/A	N/A	2,924	-	-
		<u>\$ 3,710,073</u>	<u>\$ 674,269</u>	<u>\$ 177,014</u>	<u>\$ 111,935</u>

\* at the time the Board prepared and approved the 2021 budget, the reserve fund appears to be partially funded based on the estimated needs calculated above. However, since the preparation of the budget and after year end, the Association has approved the transfer of excess insurance proceeds to the replacement fund in the amount of \$539,000.