

ARBORWOOD AT SUMMERTREE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020

INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Arborwood at Summertree, Inc.
New Port Richey, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Arborwood at Summertree, Inc., which comprise the balance sheet as of December 31, 2020, and 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.

Auditor's 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.

To the Board of Directors
Arborwood at Summertree, Inc.

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 Arborwood at Summertree, Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance 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 the information on future major repairs and replacements 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 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.



BASHOR & LEGENDRE, LLP
Certified Public Accountants
Tampa, Florida

June 11, 2021

ARBORWOOD AT SUMMERTREE, INC.

BALANCE SHEET

AS OF DECEMBER 31, 2020

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 15,868	\$ 314,083	\$ 329,951
Assessments receivable-net	21,264	-	21,264
Property and equipment-net	417,154	-	417,154
Prepaid expenses	7,874	-	7,874
Interfund balances	(29,182)	29,182	-
Deposits	900	-	900
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 433,878</u>	<u>\$ 343,265</u>	<u>\$ 777,143</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts payable	\$ 6,556	\$ 4,203	\$ 10,759
Prepaid assessments	18,786	-	18,786
Note payable	270,457	-	270,457
Deferred revenue	30,467	-	30,467
Contract liabilities (Assessments received in advance-replacement fund)	-	337,527	337,527
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	326,266	341,730	667,996
Fund Balances	<u>107,612</u>	<u>1,535</u>	<u>109,147</u>
Total Liabilities and Fund Balances	<u>\$ 433,878</u>	<u>\$ 343,265</u>	<u>\$ 777,143</u>

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

ARBORWOOD AT SUMMERTREE, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>REVENUES</u>			
Regular assessments	\$ 650,880	\$ 26,528	\$ 677,408
Other income	13,348	-	13,348
Interest income	76	849	925
Total Revenues	<u>664,304</u>	<u>27,377</u>	<u>691,681</u>
<u>EXPENSES</u>			
Cable	144,344	-	144,344
Depreciation	30,080	-	30,080
General and administrative	55,750	-	55,750
Insurance	14,220	-	14,220
Interest	18,150	-	18,150
Repairs and maintenance	321,728	-	321,728
Trash	37,618	-	37,618
Utilities	24,866	-	24,866
Replacement expenses	-	39,547	39,547
Total Expenses	<u>646,756</u>	<u>39,547</u>	<u>686,303</u>
<u>EXCESS/(DEFICIT) OF REVENUES OVER EXPENSES</u>	17,548	(12,170)	5,378
<u>BEGINNING FUND BALANCES</u>	92,311	11,458	103,769
Transfer of funds	<u>(2,247)</u>	<u>2,247</u>	<u>-</u>
<u>ENDING FUND BALANCES</u>	<u>\$ 107,612</u>	<u>\$ 1,535</u>	<u>\$ 109,147</u>

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

ARBORWOOD AT SUMMERTREE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Excess/(Deficit) of Revenues over Expenses	\$ 17,548	\$ (12,170)	\$ 5,378
Adjustments to reconcile excess (deficit) of revenues over expenses to net cash from operating activities:			
Depreciation	30,080	-	30,080
(Increase) Decrease in:			
Assessments receivable	(10,256)	-	(10,256)
Prepaid expenses	(845)	-	(845)
Increase (Decrease) in:			
Accounts payable	(14,571)	4,203	(10,368)
Taxes payable	(8,566)	-	(8,566)
Prepaid assessments	(17,342)	-	(17,342)
Deferred revenue	(8,640)	-	(8,640)
Contract liabilities (Assessments received in advance-replacement fund)	-	117,472	117,472
Net Cash from Operating Activities	<u>(12,592)</u>	<u>109,505</u>	<u>96,913</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Interfund balances	29,182	(29,182)	-
Repayments on a note payable	(85,792)	-	(85,792)
Transfer of funds	<u>(2,247)</u>	<u>2,247</u>	<u>-</u>
Net Cash from Financing Activities	<u>(58,857)</u>	<u>(26,935)</u>	<u>(85,792)</u>

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

ARBORWOOD AT SUMMERTREE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</u>	(71,449)	82,570	11,121
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>87,317</u>	<u>231,513</u>	<u>318,830</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 15,868</u>	<u>\$ 314,083</u>	<u>\$ 329,951</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	<u>\$ 18,150</u>
Cash paid during the year for taxes	<u>\$ 8,566</u>

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

ARBORWOOD AT SUMMERTREE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 - NATURE OF ORGANIZATION

Description of Business

Arborwood at Summertree, Inc. (“Association”) was incorporated on February 6, 1984 as a corporation, not-for-profit, under the terms and provisions of Chapter 617, Florida Statutes. The Association, which operates under Florida Statute 720, is responsible for the operation and maintenance of the common property within the development. The development consists of 289 residential units located in New Port Richey, Florida.

NOTE 2 - DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through date of report June 11, 2021, the date that the financial statements were available to be issued.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association’s governing documents provide certain guidelines for carrying out its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

ARBORWOOD AT SUMMERTREE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE 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 transactions 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 seriously 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 net assessments receivable of \$21,264. It is the opinion of the Board that an allowance for doubtful accounts of \$21,023 is necessary at December 31, 2020 to cover anticipated losses from doubtful accounts.

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 \$11,008 and \$21,264, respectively.

Property and Equipment

In conformity with industry practice, the Association's policy for recognizing common property as assets in its balance sheet is to recognize (a) common property and (b) real property to which it has title and that the Board can dispose of for cash while retaining the proceeds for the Association or that is used to generate significant cash flows from members on the basis of usage or from nonmembers.

The Association holds title to common real property consisting of a pool, roads, and ponds. This common property cannot be disposed of by the Board for cash while retaining the proceeds for the Association nor is it used to generate significant cash flows from members on the basis of usage or from nonmembers and is not recognized as an asset.

The disposition and use of common property is restricted by the Association's governing documents.

ARBORWOOD AT SUMMERTREE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Interest Earned

The Association'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 Association's financial instruments consist primarily of cash and cash equivalents, assessments receivable, deposits, accounts payable, a note payable and contract liabilities. The carrying amounts of such financial instruments approximate their respective estimated fair values due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair values are not necessarily indicative of the amounts the Association would realize in a current market exchange or from future earnings or cash flows.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

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 \$220,055 and \$337,527, respectively.

ARBORWOOD AT SUMMERTREE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4 - PROPERTY AND EQUIPMENT

At December 31, 2020, the Association had the following property and equipment:

Irrigation improvement	\$ 450,977
Less: Accumulated depreciation	<u>(33,823)</u>
	<u><u>\$ 417,154</u></u>

Total depreciation expense amounted to \$30,080 for the year ended December 31, 2020.

NOTE 5 - NOTE PAYABLE

In October 2019, the association financed a note payable in the amount of \$370,000 with an interest rate of 5.75% to fund the reserves for an irrigation project. Principal and interest of \$8,662 are due monthly through October 2023. Collateral for this note is backed by all monies due or to become due to the association from unit owners.

Principal payments for the remaining years ending December 31 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2021	\$ 90,756
2022	96,114
Thereafter	<u>83,587</u>
	<u><u>\$ 270,457</u></u>

Interest expense for the year ended December 31, 2020 amounted to \$18,150.

ARBORWOOD AT SUMMERTREE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 6 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents provide certain guidelines for governing its financial activities. The Association maintains an operating fund available for general operations and a replacement fund designated for future major repair and replacements. Replacement funds are presented on the accompanying balance sheet as contract liabilities (assessments received in advance-replacement fund) and replacement fund balance which are held in separate bank accounts and generally are not available for expenditures for normal operations.

The Board, in conjunction with outside consultants, conducted a formal study in November 2018, to estimate the remaining useful lives and replacement costs of the components of common property. The table included in the supplementary information on Future Major Repairs and Replacements is based on the formal study.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirements have been included in the next year's budget.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacement until funds are available.

NOTE 7 - OWNERS' ASSESSMENTS

Quarterly assessments to owners were approximately \$690 based on the number of total units for 2020. Of these amounts, approximately \$125 was designated for the replacement fund.

The annual budget and assessments of owners are determined by the Board. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

ARBORWOOD AT SUMMERTREE, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 8 - INCOME TAXES

Homeowners associations may be taxed either as homeowners associations or as regular corporations. For the year ended December 31, 2020, the Association elected to be taxed as a homeowners association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings. Exempt function income, which consists primarily of member assessments, is not taxable.

NOTE 9 - CONCENTRATION OF CREDIT RISK

The Association maintains accounts with financial institutions. Accounts at each institution are insured subject to FDIC limits.

SUPPLEMENTARY INFORMATION

ARBORWOOD AT SUMMERTREE, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND
REPLACEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(unaudited)

The Board, in conjunction with management, commissioned a formal study in November 2018, to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. The study takes into account the effects of inflation between the date of the study and the date that the components will require repair or replacement at a rate of 2.80% per year.

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

Components	Estimated Remaining Useful Lives (years)	Estimated Current Replacement Costs	Components of Replacement Fund at Year End
Building restoration	1 - 22	\$ 20,655	\$ -
Equipment	2 - 6	22,000	-
Exterior painting	7	366,000	-
Fencing	14 - 24	32,580	-
Irrigation	1 - 16	141,315	-
Paving	1 - 16	345,769	-
Pool facility	1 - 11	99,304	-
Property site	8 - 18	33,525	-
Roofing	1 - 5	5,950	-
Storm drain	1 - 10	62,500	-
General reserves		-	337,527
Interest		-	1,535
		<u>\$ 1,129,598</u>	<u>\$ 339,062</u>