

EAST LAKE WOODLANDS  
COMMUNITY ASSOCIATION, INC.

AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2018

EAST LAKE WOODLANDS COMMUNITY ASSOCIATION, INC.  
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DECEMBER 31, 2018

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To the Board of Directors  
East Lake Woodlands Community Association, Inc.  
Oldsmar, Florida

Independent Auditor's Report

I have audited the accompanying financial statements of East Lake Woodlands Community Association, Inc., which comprise the balance sheet as of December 31, 2018, and the related statements of revenue and expenses, changes in fund balance 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Lake Woodlands Community Association, Inc., as of December 31, 2018, 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 Supplementary 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



ELIZABETH WADSWORTH, P.A.

June 6, 2019



EAST LAKE WOODLANDS COMMUNITY ASSOCIATION, INC.  
BALANCE SHEET  
DECEMBER 31, 2018

	Operating Fund	Replacement Fund	Total
Assets			
Current assets			
Cash	\$ 246,193	\$ 99,997	\$ 346,190
Certificates of deposit	-	106,324	106,324
Cash, Special assessment	103,200	-	103,200
Member assessments receivable	23,837	-	23,837
Special assessment receivable	92,935	-	92,935
Prepaid expenses	28,038	-	28,038
Total current assets	494,203	206,321	700,524
Deposits	1,410	-	1,410
Total assets	\$ 495,613	\$ 206,321	\$ 701,934
Liabilities and Fund Balance			
Current liabilities			
Accounts payable	\$ 61,886	\$ -	\$ 61,886
Prepaid member assessments	43,602	-	43,602
Federal income taxes payable	1,393	-	1,393
Current portion of long-term debt	73,818	-	73,818
Total current liabilities	180,699	-	180,699
Long-term debt	123,691	-	123,691
Total liabilities	304,390	-	304,390
Fund balance	191,223	206,321	397,544
Total liabilities and fund balance	\$ 495,613	\$ 206,321	\$ 701,934

See the Notes to Financial Statements

EAST LAKE WOODLANDS COMMUNITY ASSOCIATION, INC.  
STATEMENTS OF REVENUE AND EXPENSES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Replacement Fund	Total
Revenue			
Member assessments	\$ 1,440,165	\$ 173,501	\$ 1,613,666
Special assessment	256,916	-	256,916
Gate card income	15,199	-	15,199
Shopping center fees	23,079	-	23,079
Usage fees	79,731	-	79,731
Interest income	2,973	2,600	5,573
	<hr/>	<hr/>	<hr/>
Total revenue	1,818,063	176,101	1,994,164
	<hr/>	<hr/>	<hr/>
Expenses			
Administrative	27,128	21	27,149
Bad debts	22,076	-	22,076
Insurance	41,618	-	41,618
Interest expense	15,081	-	15,081
Management fee	203,143	-	203,143
Newsletter and website	900	-	900
Professional fees	50,476	-	50,476
Repairs and maintenance, Drainage	170,292	-	170,292
Repairs and maintenance, General	19,752	-	19,752
Repairs and maintenance, Grounds	343,073	296,128	639,201
Security services	578,612	-	578,612
Utilities	89,246	-	89,246
Federal income taxes	1,393	-	1,393
Drainage project	241,835	-	241,835
	<hr/>	<hr/>	<hr/>
Total expenses	1,804,625	296,149	2,100,774
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenue over expenses	13,438	(120,048)	(106,610)
Fund balance, Beginning of year	177,785	326,369	504,154
	<hr/>	<hr/>	<hr/>
Fund balance, End of year	<u>\$ 191,223</u>	<u>\$ 206,321</u>	<u>\$ 397,544</u>

See the Notes to Financial Statements

EAST LAKE WOODLANDS COMMUNITY ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities			
Cash received from member assessments	\$ 1,463,854	\$ 173,501	\$ 1,637,355
Cash received from special assessment	658,420	-	658,420
Cash paid to vendors	(1,805,467)	(296,149)	(2,101,616)
Interest income received	2,973	2,600	5,573
Other income received	94,930	-	94,930
Shopping center fees received	23,079	-	23,079
Decrease in special assessment cash	354,515	-	354,515
(Increase) in deposits	(216)	-	(216)
Loan costs and interest expense paid	(15,081)	-	(15,081)
Federal income taxes paid	(1,400)	-	(1,400)
Net cash provided (used) by operating activities	775,607	(120,048)	655,559
Cash flows from investing activities			
(Increase) in certificates of deposit	-	(1,838)	(1,838)
Cash flows from financing activities			
Proceeds from long-term debt	100,852	-	100,852
Payments on long-term debt	(852,491)	-	(852,491)
Net cash (used) by financing activities	(751,639)	-	(751,639)
Net increase (decrease) in cash	23,968	(121,886)	(97,918)
Cash, Beginning of year	222,225	221,883	444,108
Cash, End of year	\$ 246,193	\$ 99,997	\$ 346,190

See the Notes to Financial Statements



EAST LAKE WOODLANDS COMMUNITY ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 1 – ORGANIZATION

East Lake Woodlands Community Association, Inc. (Association) is a not-for-profit corporation which was incorporated in the State of Florida in 1983. The purpose of the Association is to protect and enhance the value of various single family homes, patio homes, cluster homes and condominium developments located in Northern Pinellas County known as East Lake Woodlands and The Woodlands on East Lake Road and to maintain and preserve certain common property. The common property consists of gates, controlled access facilities, parkways and other roadways, street lights, community signs, entrance facilities, guardhouses and lakes. The Association's members consist of owners of a unit or lot and condominium or homeowners' associations within the community.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying statements follows:

Basis of Accounting

The Association's policy is to prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues are recognized in the period in which they become due. Expenses are recognized in the period in which the related liability is incurred.

The Association uses fund accounting to observe the limitations and restrictions placed on its financial resources by its governing documents. 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 operation of the Association.

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



### Statement of Cash Flows

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments with an initial maturity of less than three months to be cash equivalents.

### Concentrations of Credit Risk

The Association maintains its cash balances at various financial institutions. Accounts at financial institutions are secured by the FDIC up to \$250,000. At times during the year ended December 31, 2018, the Association's cash balances may have exceeded the federally insured limit.

### Allocations of Expenses

The Association assesses the bound and unbound members on a pro rata basis. For 2017, there were 2,835 homeowners. Any excess revenues over expenses are designated for operating expenditures in the following year or can be transferred to the replacement fund.

### Allowance for Doubtful Accounts

The Association provides an allowance for doubtful accounts, as needed, for accounts deemed uncollectible. At December 31, 2018, no allowance for doubtful accounts has been provided as all accounts are deemed to be collectible.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

### Common Property

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

Certain real property and common areas are vested directly or indirectly in the unit owners and these assets are not deemed to be severable. Thus, such property may not be sold by the Association, nor does it produce positive cash flow. As a result commonly owned property is not reflected in the Association's financial statements.

### Interest Earned

The Board's policy is to allocate to the replacement fund interest earned on the fund's cash accounts.

### Fair Value of Financial Instruments

The Association's financial instruments consist primarily of cash and cash equivalents, assessments receivable, and accounts payable. The carrying amount 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.

### NOTE 3 – MEMBERS' ASSESSMENTS

The Association pays expenses, including insurance, utilities, maintenance of the grounds, and other expenses related to common property of the Association members, from assessments of the members. These assessments are payable monthly, in advance.

The monthly assessments to members in 2018 were \$29 for the unbound units and \$54 for the bound units. Of this amount the designated amount to the replacement fund was \$3 for the unbound units and \$5 for the bound units.

### NOTE 4 – FEDERAL AND STATE TAXES

Associations may be taxed as homeowners associations or as regular corporations. In 2018, the Association elected to be taxed as a homeowners association in accordance with Internal Revenue Code 528. Under this Section, the Association is not taxed on uniform assessments to members and other income received from association members solely as a function of their membership in the Association. The association is taxed at the rate of 30% on its nonexempt function income, which includes interest income and revenue received from nonmembers. Income tax expense was \$1,393 for the year ended December 31, 2018.

The Association has analyzed tax positions taken for filing with the Internal Revenue Service and the State of Florida. The Association believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Association's financial condition, results of operations or cash flows. Accordingly, the Association has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at December 31, 2018.

## NOTE 5 – MANAGEMENT AGREEMENT

In 2017, the Association entered into a new one-year cancelable management agreement with Management & Associates effective January 1, 2018. At the end of the first year the agreement will automatically renew for additional periods of one year unless not renewed based on the terms of the agreement. The agreement is for \$16,929 per month in 2018. The management fee for 2018 was \$203,143.

## NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 6, 2019, the date on which the financial statements were available to be issued.

## NOTE 7 – LONG-TERM DEBT

On July 2017, the Association entered into an agreement for a line of credit with a bank in the amount of \$1,500,000. Accrued interest is payable monthly beginning on August 11, 2017 and continuing until July 11, 2018 on the unpaid balance. Interest on the unpaid balance is calculated at 4.5%. On July 11, 2018 the line matured and was converted to a closed-end loan as follows:

Note payable to bank. Payable in thirty-six (36) monthly installments of \$6,766, including interest at 4.5% per annum commencing on August 11, 2018, with a maturity date of July 11, 2021. The loan is secured by present and future assessments by the Association against the members.	\$197,509
Less current portion	73,818
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Long-term debt	\$123,691
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Principal maturities are as follows	
Year ending December 31,	
2019	\$ 73,818
2020	77,210
2021	46,481
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	\$197,509
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## NOTE 8 – FUTURE REPAIRS AND REPLACEMENTS

The Association is accumulating funds for future major repairs and replacements. Accumulated funds are held in interest-bearing accounts and certificates of deposit and are generally not available for operating purposes.

GAB Robins North America, Inc. conducted a study in October 2007 to estimate the remaining useful lives and replacement costs of the components of common property. The study has been updated over the years and was updated in 2018. The estimates were based on future estimated replacement costs. The study does not take into account the effects of inflation and interest earned on funds between the date of the study and the date that the components will require repair or replacement. The study recommends a 2019 contribution in the amount of \$151,680 if the Cash Flow Method is used. The Association has included \$162,850 for the Replacement Fund and an additional \$21,822 for deferred maintenance in the Replacement Fund 2019 budget.

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 all future needs for major repairs and replacements. If additional funds are needed, however, the Association has the right to increase regular assessments or it may delay major repairs and replacements until funds are available.

The activity in the Replacement Fund for the year ended December 31, 2018, is as follows:

	<u>Beginning Balance</u>	<u>Additions to Fund</u>	<u>Charges to Fund</u>	<u>Transfers</u>	<u>Ending Balance</u>
Deferred maintenance	\$ 158,761	\$ 21,821	\$ (14,623)	\$ 1,031	\$ 166,990
General	165,504	151,680	(281,526)	1,073	36,731
Interest	2,104	2,600	-	(2,104)	2,600
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	\$ 326,369	\$ 176,101	\$(296,149)	\$ -	\$ 206,321
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>



During 2018, pooled reserve funds were expended on the following:

Paving and sidewalk repair	\$ 136,910
Guard house renovation	91,464
New bar code readers	20,591
Vegetation nuisance at Sunflower Drive	19,250
Miscellaneous repairs and maintenance	8,528
Legal fees	7,500
LED Landscape lighting	6,835
Tree installation	5,050
Bank fee	21
	<hr/>
	\$ 296,149
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#### NOTE 9 – DRAINAGE PROJECT

In June 2017, the Association entered into a contract with Liberty Land Management Group to provide storm water drainage system maintenance services at a cost of \$1,364,071. The project was completed in 2018.

#### NOTE 10 – RELATED PARTY TRANSACTIONS

The Association entered into a contract with Performance Standard Assurance, Inc. (PSA) in 2007 for horticultural inspections. The contract was renewed in 2014. The owner of Management & Associates (the management company for the Association) is also an owner in PSA. The amount paid to PSA in 2018 for horticultural services was \$11,875.

The Association entered into a contract with PSA in 2017 for services to be performed relative to the drainage project. The amount paid to PSA for the drainage project in 2018 was \$6,191.

#### NOTE 11 – SPECIAL ASSESSMENT

In June 2017, a special assessment was assessed to the members in the amount of \$1,671,200 for the drainage project. The assessment was for \$800 per member with the option to be paid in full by December 31, 2017 at a discounted rate of \$750. If not paid in full, the assessment could be paid in two equal installments of \$400 with the first payment due by December 31, 2017 and the second due by December 31, 2018. The full payments resulted in total discounts of \$61,250. The East Lake Woodlands County Club was also assessed \$150,000 for this project. During 2018, the remainder of the funding was expended for the drainage project.

## NOTE 12 – MEDIATION SETTLEMENT AGREEMENT

The Association received a mediation settlement with East Lake Woodlands Cypress Three Estates Condominium Unit Three Association, Inc. (CTE), relative to the dispute regarding the ending of their Agreement. It was agreed that the Agreement would remain in effect with an expiration date of December 31, 2019. CTE has agreed to make certain payments of \$3,824 to the Association during 2018 and 2019 as specified in the agreement. Any balance remaining on CTE's account as of December 31, 2018 would be written off at that date. The amount written off at December 31, 2018 was \$22,068.

## SUPPLEMENTARY INFORMATION

EAST LAKE WOODLANDS COMMUNITY ASSOCIATION, INC.  
SUPPLEMENTARY FINANCIAL INFORMATION  
ON FUTURE MAJOR REPAIRS AND REPLACEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

GAB Robins North America, Inc. conducted a study in October 2007 to estimate the remaining useful lives and replacement costs of the components of common property. The study has been updated over the years and was updated in 2018. The estimates were based on future estimated replacement costs. The study does not take into account the effects of inflation and interest earned on funds between the date of the study and the date that the components will require repair or replacement. The following information is based on the study and presents significant information about the components of common property.

	Estimated Remaining Useful Life (Years)	Estimated Future Replacement Cost	Fully Funded Requirement 2019
Guardhouses and security	2-17	\$ 176,254	
Pavement and roads	1-14	1,878,599	
Landscaping	4	100,000	
Park area and playground	6	50,000	
Privacy walls	2	64,638	
Signage	8-13	33,903	
		\$2,303,394	\$ 151,680