

**Lexington Community
Association, Inc.
d/b/a Lexington Country Club**

Financial Report
April 30, 2020

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RSM US LLP

Independent Auditor's Report

Board of Directors
Lexington Community Association, Inc.
d/b/a Lexington Country Club

Report on the Financial Statements

We have audited the accompanying financial statements of Lexington Community Association, Inc. d/b/a Lexington Country Club which comprise the balance sheet as of April 30, 2020, and the related statements of revenues and expenses, 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.

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 Lexington Community Association, Inc. d/b/a Lexington Country Club as of April 30, 2020, and its revenues and expenses, changes in fund balances and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Lexington Community Association, Inc. d/b/a Lexington Country Club's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 17 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.

RSM US LLP

Naples, Florida
August 25, 2020

Lexington Community Association, Inc.
d/b/a Lexington Country Club

Balance Sheet
April 30, 2020
With Comparative Totals for April 30, 2019

	Operating Fund	Replacement Fund	Combined Funds	
			2020	2019
Assets				
Current assets:				
Cash	\$ 954,000	\$ 1,331,857	\$ 2,285,857	\$ 4,330,601
Certificate of deposit (Note 2)	522,965	-	522,965	-
Accounts receivable, net of allowance for doubtful accounts of \$2,100 in 2020	217,952	-	217,952	508,192
Inventories	258,267	-	258,267	226,587
Prepaid expenses	290,101	-	290,101	226,022
Due from sub-associations	9,225	-	9,225	4,801
Due from Replacement Fund	22,940	-	-	-
Total current assets	2,275,450	1,331,857	3,584,367	5,296,203
Certificates of deposit (Note 2)	-	3,578,454	3,578,454	514,796
Property and equipment, net (Note 3)	16,664,311	-	16,664,311	17,755,318
Other assets	289	-	289	289
	\$ 18,940,050	\$ 4,910,311	\$ 23,827,421	\$ 23,566,606
Liabilities and Fund Balances				
Current liabilities:				
Capital lease obligation	\$ -	\$ -	\$ -	\$ 2,588
Current maturities of long-term debt (Note 4)	224,410	-	224,410	204,883
Accounts payable	190,968	-	190,968	376,909
Accrued expenses	389,369	-	389,369	356,441
Due to Operating Fund	-	22,940	-	-
Unearned membership assessments and fees	365,805	-	365,805	379,055
Due to sub-associations	107,982	-	107,982	66,998
Current portion of deferred cable revenue (Note 6)	30,813	-	30,813	-
Total current liabilities	1,309,347	22,940	1,309,347	1,386,874
Deferred cable revenue, less current portion (Note 6)	143,791	-	143,791	-
Long-term debt, net of current maturities and unamortized deferred financing costs (Note 4)	1,783,738	-	1,783,738	2,013,982
Total liabilities	3,236,876	22,940	3,236,876	3,400,856
Commitments and contingencies (Notes 6 and 11)				
Fund balances (Note 8)	15,703,174	4,887,371	20,590,545	20,165,750
	\$ 18,940,050	\$ 4,910,311	\$ 23,827,421	\$ 23,566,606

* Eliminated in combination of funds.

See notes to financial statements.

Lexington Community Association, Inc.
d/b/a Lexington Country Club

Statement of Revenues and Expenses
Year Ended April 30, 2020
With Comparative Totals for Year Ended April 30, 2019

	Operating Fund	Replacement Fund	Combined Funds	
			2020	2019
Revenues:				
Maintenance fees (Note 6)	\$ 5,078,935	\$ -	\$ 5,078,935	\$ 4,542,611
Golf village assessments	1,549,440	-	1,549,440	1,300,884
Sub-association management fees	-	-	-	296,108
Food and beverage	2,146,786	-	2,146,786	2,430,053
Unspent minimum	60,704	-	60,704	42,462
Golf operations	1,293,544	-	1,293,544	1,457,072
Tennis	12,136	-	12,136	20,898
Sub-association landscape maintenance and other fees (Note 9)	719,794	-	719,794	699,070
Transfer fees	153,775	-	153,775	170,900
Interest income	27,030	87,495	114,525	52,066
Other (Note 6)	37,203	-	37,203	26,542
	11,079,347	87,495	11,166,842	11,038,666
Expenses:				
Food and beverage	3,533,524	-	3,533,524	3,619,980
Golf operations	985,725	-	985,725	1,138,614
Golf course maintenance	1,313,480	-	1,313,480	1,272,494
Tennis	229,583	-	229,583	212,517
Activities	174,434	-	174,434	174,698
Security	431,000	-	431,000	432,859
General and administrative	1,497,560	-	1,497,560	1,330,110
Clubhouse	858,292	-	858,292	869,748
Sub-association landscape maintenance and other	1,851,159	-	1,851,159	1,930,896
Insurance	229,620	-	229,620	221,784
	11,104,377	-	11,104,377	11,203,700
Excess (deficiency) of revenues over expenses before other expenses	(25,030)	87,495	62,465	(165,034)
Other expenses:				
Depreciation	(1,312,641)	-	(1,312,641)	(1,353,545)
Interest expense	(108,277)	-	(108,277)	(116,431)
Excess (deficiency) of revenues over expenses	\$ (1,445,948)	\$ 87,495	\$ (1,358,453)	\$ (1,635,010)

See notes to financial statements.

**Lexington Community Association, Inc.
d/b/a Lexington Country Club**

**Statement of Changes in Fund Balances
Year Ended April 30, 2020
With Comparative Totals for Year Ended April 30, 2019**

	Operating Fund	Replacement Fund	Combined Funds	
			2020	2019
Fund balances, beginning:	\$ 16,241,635	\$ 3,924,115	\$ 20,165,750	\$ 19,967,805
Resale contributions (Note 1)	360,000	-	360,000	315,000
Special assessments (Note 10)	311,460	-	311,460	414,770
Capital assessments (Note 8)	63,468	-	63,468	111,877
Maintenance reserve assessments	-	1,048,320	1,048,320	991,308
Excess (deficiency) of revenues over expenses	(1,445,948)	87,495	(1,358,453)	(1,635,010)
Transfer of property and equipment	172,559	(172,559)	-	-
Fund balances, ending	<u>\$ 15,703,174</u>	<u>\$ 4,887,371</u>	<u>\$ 20,590,545</u>	<u>\$ 20,165,750</u>

See notes to financial statements.

**Lexington Community Association, Inc.
d/b/a Lexington Country Club**

**Statement of Cash Flows
Year Ended April 30, 2020**

With Comparative Totals for Year Ended April 30, 2019

	Operating Fund	Replacement Fund	Combined Funds	
			2020	2019
Cash flows from operating activities:				
Excess (deficiency) of revenues over expenses	\$ (1,445,948)	\$ 87,495	\$ (1,358,453)	\$ (1,635,010)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:				
Depreciation	1,312,641	-	1,312,641	1,353,545
Amortization of deferred financing costs	1,998	-	1,998	1,998
Accrued interest on certificates of deposit	(8,169)	(26,874)	(35,043)	(8,019)
(Gain) loss on write-off and disposition of property and equipment	(3,003)	-	(3,003)	11,281
Changes in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	290,240	-	290,240	(1,231)
Inventories	(31,680)	-	(31,680)	(31,411)
Prepaid expenses	(64,079)	-	(64,079)	(13,250)
Due from sub-associations	(4,424)	-	(4,424)	2,205
Increase (decrease) in:				
Accounts payable	(185,941)	-	(185,941)	(60,093)
Accrued expenses	32,928	-	32,928	64,465
Unearned membership assessments and fees	(13,250)	-	(13,250)	23,450
Deferred cable revenue	174,604	-	174,604	-
Due to sub-associations	40,984	-	40,984	(18,022)
Net cash provided by (used in) operating activities	96,901	60,621	157,522	(310,092)
Cash flows from investing activities:				
Purchase of certificate of deposit	-	(3,551,580)	(3,551,580)	-
Disbursements for property and equipment	(51,927)	(172,559)	(224,486)	(1,192,441)
Proceeds from disposition of property and equipment	5,855	-	5,855	15,045
Net cash used in investing activities	(46,072)	(3,724,139)	(3,770,211)	(1,177,396)

(Continued)

**Lexington Community Association, Inc.
d/b/a Lexington Country Club**

**Statement of Cash Flows (Continued)
Year Ended April 30, 2020
With Comparative Totals for Year Ended April 30, 2019**

	Operating Fund	Replacement Fund	Combined Funds	
			2020	2019
Cash flows from financing activities:				
Interfund activity	\$ (22,940)	\$ 22,940	\$ -	\$ -
Proceeds from line of credit	1,000,000	-	1,000,000	1,345,700
Principal payments on line of credit	(1,000,000)	-	(1,000,000)	(1,378,700)
Principal payments on capital lease obligation	(2,588)	-	(2,588)	(3,922)
Principal payments on long-term debt	(212,715)	-	(212,715)	(202,983)
Proceeds from maintenance reserve assessments	-	1,048,320	1,048,320	991,308
Proceeds from special assessment	311,460	-	311,460	414,770
Proceeds from resale contributions	360,000	-	360,000	315,000
Proceeds from capital assessments	63,468	-	63,468	111,877
Net cash provided by financing activities	496,685	1,071,260	1,567,945	1,593,050
Net increase (decrease) in cash	547,514	(2,592,258)	(2,044,744)	105,562
Cash:				
Beginning	406,486	3,924,115	4,330,601	4,225,039
Ending	<u>\$ 954,000</u>	<u>\$ 1,331,857</u>	<u>\$ 2,285,857</u>	<u>\$ 4,330,601</u>
Supplemental disclosure of cash flow information:				
Cash payments for interest	<u>\$ 106,279</u>	<u>\$ -</u>	<u>\$ 106,279</u>	<u>\$ 114,433</u>
Supplemental schedule of noncash investing and financing activities:				
Transfers of property and equipment	<u>\$ 172,559</u>	<u>\$ (172,559)</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

**Lexington Community Association, Inc.
d/b/a Lexington Country Club**

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: Lexington Community Association, Inc. d/b/a Lexington Country Club (the Association), a member-owned private club and property owners' association, was incorporated as a "corporation not-for-profit" under the laws of the State of Florida on December 22, 1995. The primary purpose of the Association is to operate and maintain, for the benefit of the membership, the common areas and Club facilities. All owners of lots, units or parcels subject to assessment must be members.

A summary of the Association's significant accounting policies follows:

Fund accounting: The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for major replacements and improvements, be classified separately for accounting and reporting purposes. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors (the Board). Disbursements from the Replacement Fund generally may be made only for designated purposes.

Accounting 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.

Ownership transactions: Maintenance reserve assessments, resale contributions, capital assessments, and special assessments are accounted for as owner transactions. These types of assessments are deemed owner transactions based upon the existence of the following criteria: member classification is subject to operating and/or capital assessments as approved by the Board or membership vote and the member has the ability to vote on certain Association related matters. Proceeds from maintenance reserve assessments, resale contributions, capital assessments and special assessments are recognized when received.

The Association levies resale contributions of \$5,000 upon the transferee of a conveyance of every plot or unit. Resale contributions are accounted for in the Operating Fund and are to be used at the Board's discretion to improve common property. Total resale contributions were \$360,000 for the year ended April 30, 2020.

Revenue recognition: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new guidance requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Association adopted the standard on May 1, 2019 utilizing the modified retrospective method. Results for reporting periods beginning May 1, 2019, are presented under Topic 606, while prior-period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period.

**Lexington Community Association, Inc.
d/b/a Lexington Country Club**

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Adoption of the new revenue standard had no impact to beginning or ending fund balances.

The Association elected to utilize the modified retrospective transition practical expedient, which allows the Association to evaluate the impact of contract modifications as of the adoption date rather than evaluating the impact of the modifications at the time they occurred prior to the adoption date.

The most significant impacts of adopting the new standard related to the following:

1. The Association recognizes revenue in accordance with Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:
 - Identify the contract with the customer
 - Identify the performance obligations in the contract
 - Determine the transaction price
 - Allocate the transaction price to the performance obligations in the contract
 - Recognize revenue when or as performance obligations are satisfied
2. The Association is a not-for-profit entity with revenue derived from maintenance fees, golf village assessments, food and beverage activities, golf activities, sub-association landscape maintenance and other fees, and transfer fees. The Association's products and services are marketed and sold to the Association's members and their guests. The results of operations are substantially affected by economic conditions and can be impacted by members disposable income levels and spending habits.

Nature of products and services

3. Maintenance fees and golf village assessments: The Association records maintenance fees and golf village assessments as unearned membership assessments and fees when billed and recognizes as revenue ratably over the period in which those billings relate, which is when the Association's performance obligation is satisfied.
4. Food and beverage and golf activities: Revenue from food and beverage sales and golf activities including green fees, cart fees, merchandise sales, and miscellaneous golf revenue are recognized when services or goods are provided, which is when the Association's performance obligation is satisfied. Trail fees and bag storage (included in golf activities) are recognized as revenue ratably over the period which those billings relate.
5. Sub-association landscape maintenance and other fees: Revenue from sub-association landscape maintenance is recognized ratably over the month in which the billing relates, which is when the Association's performance obligation is satisfied. Other sub-association fees including janitorial services, pool services, and other miscellaneous services are recognized when services or goods are provided, which is when the Association's performance obligation is satisfied.
6. Transfer fees: The Association records transfer fees at the time of conveyance of a lot or unit to a new owner or renter.

**Lexington Community Association, Inc.
d/b/a Lexington Country Club**

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

7. Sales and use taxes: The Association collects sales and use taxes from its members and remits the collected taxes to local tax authorities. Such amounts are reported under the net method on the statement of revenues and expenses. Accordingly, these taxes are not included in gross revenue.
8. Payment terms for maintenance fees, goods and services to members are billed to member accounts and are typically due in 30 days. In instances where the timing of revenue recognition differs from the timing of the right to invoice, the Association has determined that a significant financing component does not exist. The primary purpose of the Association's invoicing terms is to provide members with simplified and predictable ways of purchasing products and services and not receive financing from or providing financing to the member. Additionally, the Association has elected the practical expedient that permits the Association to not recognize a significant financing component if the time between the transfer of a service and payment are one year or less.
9. Total revenue recognized at a point in time and over time was as follows for the year ended April 30, 2020:

Revenue recognized at a point in time	\$ 3,678,372
Revenue recognized over time	7,488,470
	<u>\$ 11,166,842</u>

Transaction price

10. The transaction price of goods and services from food, beverage and golf activities is the amount of consideration to which the Association expects to be entitled in exchange for transferring goods and services to the member or guest. Revenue on sales of food, beverage and golf activities are recorded based on the fixed transaction price.
11. Members are granted the right to return merchandise. The Association does not deem recording of variable consideration on retail transactions necessary as merchandise returns have not historically had a significant impact on the Association's retail merchandise revenue.

Contract balances

12. The Association records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. When consideration is received and revenue has not yet been recognized, a contract liability (deferred membership assessments and fees) is also recorded. The Association does not recognize revenue in advance of the right to invoice, and therefore, has not recorded a contract asset. Opening balances as of May 1, 2019, were as follows:

Accounts receivable, net	\$ 508,192
Unearned membership assessments and fees	379,055

**Lexington Community Association, Inc.
d/b/a Lexington Country Club**

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Operating loss/performance measurement: The Association considers the deficiency of revenues over expenses before other expenses on the accompanying statement of revenues and expenses in the operating fund to be operating loss for performance measurement purposes as this is the line item budgeted for financial management and internal reporting purposes.

Cash concentration risk: The Association maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses on such accounts.

Certificates of deposits: Certificates of deposit are recorded at cost plus accrued interest.

Accounts receivable: Accounts receivable are carried at the original charge amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 60 days. Interest of 1.5% is charged on accounts receivable that are outstanding for more than 30 days and is recognized as it is charged. Upon 60 days after the receivable due date, the member will be suspended and not be permitted to use the club facilities until reinstatement.

Inventories: Inventories, consisting of food and beverage and pro shop merchandise, are stated at the lower of cost (first-in, first-out method) or net realizable value.

Common property: The Association's policy for recognizing common property as assets on its balance sheet is to recognize as assets all real property to which it has title or other evidence of ownership and that is not directly associated with the units as well as all common personal property.

Property and equipment: Property and equipment is stated at cost. All common property, as described above, is capitalized on the balance sheet. Depreciation is computed using accelerated methods and straight-line methods over the following estimated useful lives:

	<u>Years</u>
Land improvements	3-15
Buildings and improvements	3-39
Furniture and equipment	3-15

Memberships: In accordance with the Master Declaration of Covenants for the Lexington Community Association, Inc., two classes of memberships have been established. Property owners residing in the Lake Village are entitled to the use of the clubhouse facilities and activities center and receive golfing privileges. Property owners residing in the Golf Village are entitled to the use of clubhouse facilities and activities center and receive preferential treatment over all others for golfing privileges. There are 672 units in the Lake Village and 807 units in the Golf Village.

**Lexington Community Association, Inc.
d/b/a Lexington Country Club**

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Income taxes: The Association is incorporated as a not-for-profit corporation under the laws of the State of Florida, as contained in Chapter 720 of the Florida Statutes. However, the Association is not exempt from income taxes. For income tax purposes, the Association is required to segregate the results of its member activities from its nonmember activities and is separately taxed on each element. Nonmember activity losses may be used to offset member activity profits in current or future periods.

Member activity losses are referred to as deferred expense carryforwards and cannot be used to offset nonmember activity profits. Due to the nature of the Association's operations, the Association believes it is remote that it would utilize either type of loss carryforward. As a result, it is the Association's policy not to disclose the deferred tax asset and related valuation allowance associated with the carryforwards.

The Association has evaluated its tax positions and concluded that the Association has taken no uncertain tax positions that require adjustment to the financial statement to comply with the provisions of the Income Tax Topic of the FASB ASC.

Deferred financing costs: Deferred financing costs are being amortized using the effective interest method over the term of the loan agreement and are presented on the balance sheet as a direct reduction to the long-term debt balance. Amortization expense is included in interest expense on the statement of revenues and expenses.

Recent accounting pronouncement: In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize at the commencement date for all leases (with the exception of short-term leases): (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off-balance sheet financing. This standard will be effective for fiscal years beginning after December 15, 2021, with early application permitted. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. The Association is currently evaluating the effect that the updated standard will have on the financial statements.

Comparative amounts: The financial statements include certain prior year summarized comparative information in total but not by funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended April 30, 2019, from which the summarized information was derived.

Subsequent events: Management has assessed subsequent events through August 25, 2020, the date the financial statements were available to be issued (see Note 11).

**Lexington Community Association, Inc.
d/b/a Lexington Country Club**

Notes to Financial Statements

Note 2. Certificates of Deposit

As of April 30, 2020, the Association has certificates of deposit in both the operating and replacement funds. The certificates of deposit held as of April 30, 2020 amounted to \$522,965 in the operating fund and \$3,578,454 in the replacement fund with an interest rate of 1.57% and 2.27%, respectively. The certificates of deposits have maturity dates varying from June 18, 2020 to May 5, 2022.

Note 3. Property and Equipment

The major classifications of property and equipment as of April 30, 2020, are summarized as follows:

Land and improvements	\$ 11,701,159
Buildings and improvements	12,302,629
Furniture and equipment	5,081,165
	<u>29,084,953</u>
Less accumulated depreciation	12,420,642
	<u><u>\$ 16,664,311</u></u>

Note 4. Line of Credit and Long-Term Debt

Line of credit: The Association has a line of credit agreement with a bank to provide for short-term borrowings up to \$1,000,000 with interest at the Wall Street Journal prime rate (5.5% as of April 30, 2020) secured by all maintenance fees and assessments. The agreement requires that any amounts borrowed must be repaid by the maturity date of August 30, 2020. The line of credit had no outstanding borrowings as of April 30, 2020.

Long-term debt: On December 1, 2016, the Association entered into a construction loan agreement with a financial institution for borrowings up to \$2,500,000 to finance the golf course renovation along with \$1,000,000 in reserves and the golf course renovation assessment (see Note 10). The draw period of the loan ended November 30, 2017. The loan required interest-only payments from January 1, 2017 through December 1, 2017, thereafter, monthly principal and interest payments are due beginning on January 1, 2018, at a fixed rate of 4.75% based on a 10-year amortization. As of April 30, 2020, the outstanding balance under this agreement was \$2,022,136.

The loan is secured by a collateral assignment and first priority security interest of all Association accounts, deposit accounts, general intangibles, all maintenance fees, special assessments and other various items as further detailed in the loan agreement. The loan will mature on December 1, 2027, at which time all unpaid interest, principal and fees will be due and payable.

**Lexington Community Association, Inc.
d/b/a Lexington Country Club**

Notes to Financial Statements

Note 4. Line of Credit and Long-Term Debt (Continued)

The following is a schedule by years of future minimum required payments on long-term debt as of April 30, 2020:

Years ending April 30:	Amount
2021	\$ 224,410
2022	235,305
2023	246,728
2024	258,565
2025	271,297
Thereafter	785,831
	<hr/>
	2,022,136
Less current maturities	224,410
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	1,797,726
Less unamortized deferred financing costs	13,988
	<hr/>
	<u>\$ 1,783,738</u>

Note 5. Retirement Plan

The Association sponsors a 401(k) employee savings and retirement plan for the benefit of its employees. All employees having one year of employment with at least 1,000 hours of service, are eligible to participate in the plan. The Association can elect annually to match participating employee's contributions. The Association elected to match 40% of 5% of participating employee's annual salaries. The Association's policy is to fund retirement costs as accrued. Retirement expense recognized in the statement of revenues and expenses for the year ended April 30, 2020, totaled \$58,248.

Note 6. Commitments and Contingency

Cable services: The Association had a contract with a cable television provider through December 2019. In September 2019, the Association entered into a new contract for cable television and internet services which commenced January 2020 for a six year period. The Association includes a budgeted amount to cover the costs of the cable services in each member's maintenance fees. In connection with the new contract, the Board approved a one-time special assessment of \$143 per member to fund the difference in cable fees between the expired contract and the new contract for the period from January 2020 through April 2020. For the year ended April 30, 2020, the Association collected approximately \$211,000 of special assessment which is included in maintenance fees on the statement of revenues and expenses. For the year ended April 30, 2020, the Association paid \$1,026,658 for cable services, which is netted against maintenance fees on the statement of revenues and expenses.

During the year ended April 30, 2020, the Association received \$184,875 in compensation for entering into the new contract. This amount will be recognized as income over the term of the agreement beginning on the commencement date. For the year ended April 30, 2020, the Association recognized \$10,271 in other revenue on the statement of revenues and expenses and the remaining compensation in the amount of \$174,604 is included as deferred cable revenue on the balance sheet.

Insurance matters: Where possible, the Association attempts to mitigate the risk of hurricane damage through insurance. The Association's insurance policies were renewed through March 1, 2021. Due to the Association's deductibles, losses from future catastrophic weather events may require special membership assessments or funding from existing reserves.

**Lexington Community Association, Inc.
d/b/a Lexington Country Club**

Notes to Financial Statements

Note 7. Major Repairs and Replacements

The Association has set aside funds for certain future major repairs and replacements. Accumulated funds are held in separate bank accounts and investments, and generally are not available for expenditures for normal operations.

In 2020, management conducted a study to estimate the remaining useful lives and current replacement costs of certain components of common property. The table included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on the study.

The Board is funding 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. The 2021 funding requirement is management's estimate of the amount needed to be funded annually over the estimated remaining lives of certain common property. Accordingly, the Board has committed to fund approximately \$1,114,000 for major repairs and replacements during the year ending April 30, 2021.

Funds are being accumulated in the Replacement Fund based on estimates of future needs for major 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 all major repairs and replacements. If additional funds are needed, the Association has the right to pass special assessments, subject to board approval, and to increase regular assessments, or delay major repairs and replacements until funds are available.

The budget of the Association provides for limited voluntary deferred expenditure accounts, including capital expenditures and deferred maintenance, subject to limits on funding contained in our governing documents. Because the owners have not elected to provide for reserve accounts pursuant to section 720.303(6), Florida Statutes, these funds are not subject to the restrictions on use of such funds set forth in that statute, nor are reserves calculated in accordance with that statute.

Note 8. Fund Balances

The Operating Fund balance as of April 30, 2020, consists of the following:

Contributed capital	\$ 12,644,999
Assets acquired at turnover	11,275,686
Accumulated deficit of expenses over revenues	<u>(8,217,511)</u>
	<u>\$ 15,703,174</u>

The Association levies an annual operating fund capital assessment (\$32 per community village unit and \$20 per golf village unit for the year ended April 30, 2020) which is accounted for in the Operating Fund and is designated for future new capitalized assets. The Association billed to its members and collected \$63,468 in Operating Fund capital assessments for the year ended April 30, 2020.

**Lexington Community Association, Inc.
d/b/a Lexington Country Club**

Notes to Financial Statements

Note 9. Related Party Transactions

The Association has entered into agreements with several sub-associations within the community to provide landscape maintenance and other services to the sub-associations. The sub-associations are charged varying fees for these services. The Association recognized \$719,794 in landscape maintenance and other services revenue under these agreements during the year ended April 30, 2020.

Note 10. Special Assessments

In February 2016, the Board approved a special assessment for the purpose of funding the Golf Course Renovation project. The special assessment will be levied over a period of 11 years, beginning May 1, 2016 and ending May 1, 2027. The assessment will be used to fund the construction loan entered into by the Association on December 1, 2016 (see Note 4). Golf village members have the following payment options: Quarterly payments of \$116 beginning May 1, 2016 and continuing for 45 quarters until May 1, 2027; or, pay a lump sum of \$4,255 by May 31, 2016. During the year ended April 30, 2020, the Association collected \$311,460 of special assessments from members.

Note 11. COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus (COVID-19) outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a global pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Association operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Association. As a result, the Association could be impacted and may experience a certain degree of business interruption. The extent to which the COVID-19 outbreak impacts the Association's operations will depend on future developments, which are highly uncertain and unpredictable as of August 25, 2020, the date the financial statements were available to be issued.

In May 2020, the Association received a Small Business Association (SBA) Paycheck Protection Program loan under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) for \$520,000. The loan proceeds will be used primarily for payroll costs. The Association can apply for forgiveness of the loan under applicable provisions of the CARES Act. To the extent that the SBA does not forgive the loan, the Association is obligated to pay the lender monthly principal and interest payments of approximately \$29,000 beginning in December 2020 through May 2022. The interest rate on the loan is 1%.

**Lexington Community Association, Inc.
d/b/a Lexington Country Club**

Supplementary Information on Future Major Repairs and Replacements (Unaudited)

Management conducted an internal study in 2020 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs.

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

Component	Estimated Remaining Lives (Years)	Estimated Current Replacement Costs	2021 Funding Requirement
Community reserves:			
Clubhouse (1)	1-21	\$ 454,154	\$ 36,466
Clubhouse furniture and fixtures	3-10	1,648,668	186,318
Grounds maintenance	1-20	2,443,683	129,303
HVAC systems	1-9	199,328	11,829
Island club	1-6	183,989	(806)
Island club furniture and fixtures	1-5	196,700	55,541
Pavement	1-27	1,498,568	183,210
Pools and equipment	1-24	229,275	14,542
Roofs	1-29	520,861	25,320
Access control	2-6	122,530	11,193
Tennis and bocce courts	1-20	316,072	32,163
Emergency fund	6-17	525,000	50,392
		<u>8,338,828</u>	<u>735,471</u>
Golf reserves:			
Golf course (2)	1-20	5,770,680	16,670
Furniture, fixtures and equipment	3-10	68,792	49,622
Grounds maintenance		316,157	257,987
HVAC systems		14,442	12
Pavement		31,200	1,004
Pro shop		88,204	4,305
Roofs		176,942	5,200
		<u>6,466,417</u>	<u>334,800</u>
		<u>\$ 14,805,245</u>	<u>\$ 1,070,271</u>

The Association does not establish separate bank accounts for each major component of the Replacement Fund and treats the Replacement Fund as a single general reserve for major repairs and replacements. As of April 30, 2020, the Association has accumulated \$4,887,371 for future major repairs and replacements.

- (1) The current replacement costs represent only the replacement costs of certain clubhouse components and are not intended to represent the total replacement cost of the clubhouse and its contents.
- (2) The current replacement costs represent only the replacement costs of certain items on the golf course and are not intended to represent the total replacement cost of the golf course.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors
Lexington Community Association, Inc.
d/b/a Lexington Country Club

We have audited the financial statements of Lexington Community Association, Inc. d/b/a Lexington Country Club as of and for the year ended April 30, 2020, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The supplementary information on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Naples, Florida
August 25, 2020

**Lexington Community Association, Inc.
d/b/a Lexington Country Club**

**Departmental Schedules of Certain Revenues and Expenses, Operating Fund
Years Ended April 30, 2020 and 2019**

	2020				
	Revenues	Cost of Sales	Payroll and Related Expenses	Other Expenses	Excess (Deficiency)
Community					
General revenues:					
Maintenance fees	\$ 5,078,935	\$ -	\$ -	\$ -	\$ 5,078,935
Transfer fees	153,775	-	-	-	153,775
Sub-association management fees	-	-	-	-	-
Interest income	27,030	-	-	-	27,030
Other	37,057	-	-	-	37,057
	5,296,797	-	-	-	5,296,797
Departmental revenues and expenses, excluding golf village:					
Sub-association landscape maintenance and other fees	719,794	60,499	1,246,583	544,077	(1,131,365)
Food and beverage	2,146,786	1,041,307	2,001,098	491,119	(1,386,738)
Unspent minimum	60,704	-	-	-	60,704
Tennis	12,136	-	161,352	68,231	(217,447)
Activities	-	-	22,951	151,483	(174,434)
	2,939,420	1,101,806	3,431,984	1,254,910	(2,849,280)
Undistributed expenses:					
Security	-	-	392,911	38,089	(431,000)
General and administrative	-	-	1,010,085	487,475	(1,497,560)
Clubhouse	-	-	401,399	456,893	(858,292)
Insurance	-	-	-	229,620	(229,620)
	-	-	1,804,395	1,212,077	(3,016,472)
Total community	8,236,217	1,101,806	5,236,379	2,466,987	(568,955)
Golf village:					
Golf village assessments	1,549,440	-	-	-	1,549,440
Golf course maintenance	-	-	822,109	491,371	(1,313,480)
Golf operations	1,293,544	172,604	538,436	274,685	307,819
Interest income	-	-	-	-	-
Other	146	-	-	-	146
Total golf village	2,843,130	172,604	1,360,545	766,056	543,925
Deficiency of revenues over expenses before other expenses	\$ 11,079,347	\$ 1,274,410	\$ 6,596,924	\$ 3,233,043	\$ (25,030)

2019				
Revenues	Cost of Sales	Payroll and Related Expenses	Other Expenses	Excess (Deficiency)
\$ 4,542,611	\$ -	\$ -	\$ -	\$ 4,542,611
170,900	-	-	-	170,900
296,108	-	-	-	296,108
25,604	-	-	-	25,604
25,950	-	-	-	25,950
5,061,173	-	-	-	5,061,173
699,070	62,878	1,318,324	549,694	(1,231,826)
2,430,053	1,120,314	1,954,855	544,811	(1,189,927)
42,462	-	-	-	42,462
20,898	-	150,481	62,036	(191,619)
-	-	24,748	149,950	(174,698)
3,192,483	1,183,192	3,448,408	1,306,491	(2,745,608)
-	-	397,217	35,642	(432,859)
-	-	845,565	484,545	(1,330,110)
-	-	399,147	470,601	(869,748)
-	-	-	221,784	(221,784)
-	-	1,641,929	1,212,572	(2,854,501)
8,253,656	1,183,192	5,090,337	2,519,063	(538,936)
1,300,884	-	-	-	1,300,884
-	-	824,434	448,060	(1,272,494)
1,457,072	247,731	588,053	302,830	318,458
2	-	-	-	2
592	-	-	-	592
2,758,550	247,731	1,412,487	750,890	347,442
\$ 11,012,206	\$ 1,430,923	\$ 6,502,824	\$ 3,269,953	\$ (191,494)