

**WATERFORD AT LEXINGTON
CONDOMINIUM ASSOCIATION, INC.
FORT MYERS, FLORIDA
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Waterford at Lexington
Condominium Association, Inc.
Fort Myers, Florida

We have audited the accompanying financial statements of Waterford at Lexington Condominium Association, Inc., a Florida not-for-profit corporation, which comprise the balance sheet, as of December 31, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterford at Lexington Condominium Association, Inc. as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Waterford at Lexington Condominium Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Waterford at Lexington Condominium Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Waterford at Lexington Condominium Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Waterford at Lexington Condominium Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements, as a whole. The schedule of operating fund expenses – budget to actual is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's 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 audit 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.

The Board of Directors
Waterford at Lexington
Condominium Association, Inc.
Fort Myers, Florida
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Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements on pages 16-17 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.

The Davis Group Audit & Attestation Services, LLC

THE DAVIS GROUP
AUDIT & ATTESTATION SERVICES, LLC

July 29, 2023

WATERFORD AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2022

	FUNDS		
	Operating	Replacement	Total
ASSETS			
Cash and cash equivalents	\$ 938,836	\$ 1,003,918	\$ 1,942,754
Accounts receivable	7,088	-	7,088
Prepaid insurance	255,943	-	255,943
Prepaid expenses	1,507,366	-	1,507,366
Due from replacement fund	-	1,500,000	1,500,000
Total assets	\$ 2,709,233	\$ 2,503,918	\$ 5,213,151
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 30,319	\$ -	\$ 30,319
Assessment received in advance	12,980	-	12,980
Deferred liability - hurricane	1,080,000	-	1,080,000
Note payable - insurance	125,363	-	125,363
Cast iron pipe project	3,542	-	3,542
Contract liabilities (assessments received in advance - replacement)	-	2,503,918	2,503,918
Due to operating fund	1,500,000	-	1,500,000
Total liabilities	2,752,204	2,503,918	5,256,122
FUND (DEFICIT) BALANCES			
	(42,971)	-	(42,971)
Total liabilities and fund (deficit) balances	\$ 2,709,233	\$ 2,503,918	\$ 5,213,151

Read Independent Auditors' Report.
The accompanying notes are an integral
part of the financial statements.

WATERFORD AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND (DEFICIT) BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2022

	FUNDS		
	Operating	Replacement	Total
REVENUES			
Maintenance fees	\$ 1,254,000	\$ 3,034	\$ 1,257,034
Special assessment	94	-	94
Interest income	132	5,411	5,543
Finance charges	1,571	-	1,571
	<u>1,255,797</u>	<u>8,445</u>	<u>1,264,242</u>
Total revenues			
EXPENSES			
Utilities	181,016	-	181,016
Maintenance	478,280	8,445	486,725
Insurance	621,799	-	621,799
Administrative	18,888	-	18,888
	<u>1,299,983</u>	<u>8,445</u>	<u>1,308,428</u>
Total expenses			
(Deficiency) of revenues over expenses	(44,186)	-	(44,186)
FUND (DEFICIT) BALANCES -			
Beginning balance - January 1, 2022	<u>(13,035)</u>	<u>-</u>	<u>(13,035)</u>
Ending balance - December 31, 2022	(57,221)	-	(57,221)
Working Capital - December 31, 2022	<u>14,250</u>	<u>-</u>	<u>14,250</u>
FUND (DEFICIT) BALANCES - December 31, 2022	<u>\$ (42,971)</u>	<u>\$ -</u>	<u>\$ (42,971)</u>

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WATERFORD AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	FUNDS		
	Operating	Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Maintenance fees received	\$ 1,264,103	\$ 345,420	\$ 1,609,523
Interest income received	132	5,411	5,543
Finance charges received	1,571	-	1,571
Cash paid for interest	(1,558)	-	(1,558)
Cash paid for operating expenditures	(1,755,444)	-	(1,755,444)
Cash paid for income taxes	(4,037)	-	(4,037)
Cash paid for replacement expenditures	-	(8,445)	(8,445)
Interfund payable/(receivable)	1,534,417	(1,534,417)	-
Net cash provided (used) by operating activities	<u>1,039,184</u>	<u>(1,192,031)</u>	<u>(152,847)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments - line of credit	(137,000)	-	(137,000)
Proceeds - note payable - insurance	459,663	-	459,663
Payments - note payable - insurance	<u>(430,612)</u>	<u>-</u>	<u>(430,612)</u>
Net cash (used) by financing activities	<u>(107,949)</u>	<u>-</u>	<u>(107,949)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of certificates of deposit	<u>-</u>	<u>547,710</u>	<u>547,710</u>
Net cash provided by investing activities	<u>-</u>	<u>547,710</u>	<u>547,710</u>
Net increase (decrease) in cash	931,235	(644,321)	286,914
CASH AND CASH EQUIVALENTS - January 1, 2022	<u>7,601</u>	<u>1,648,239</u>	<u>1,655,840</u>
CASH AND CASH EQUIVALENTS - December 31, 2022	<u>\$ 938,836</u>	<u>\$ 1,003,918</u>	<u>\$ 1,942,754</u>

	FUNDS		
	<u>Operating</u>	<u>Replacement</u>	<u>Total</u>
RECONCILIATION OF (DEFICIENCY) OF REVENUES OVER EXPENSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
(Deficiency) of revenues over expenses	\$ (44,186)	\$ -	\$ (44,186)
Adjustments to reconcile (deficiency) of revenues over expenses to net cash provided (used) by operating activities:			
Decrease in accounts receivable	454	-	454
(Increase) in prepaid insurance	(57,211)	-	(57,211)
(Increase) in prepaid expense	(1,500,000)	-	(1,500,000)
Increase in accounts payable	20,138	-	20,138
Increase in assessments received in advance	9,649	-	9,649
(Decrease) in federal income taxes payable	(3,983)	-	(3,983)
Increase in deferred liability - hurricane	1,080,000	-	1,080,000
(Decrease) in deferred special assessment	(94)	-	(94)
Increase in contract liabilities (assessments received in advance - replacement)	-	342,386	342,386
Interfund payable/(receivable)	<u>1,534,417</u>	<u>(1,534,417)</u>	<u>-</u>
Total adjustments	<u>1,083,370</u>	<u>(1,192,031)</u>	<u>(108,661)</u>
Net cash provided (used) by operating activities	<u>\$ 1,039,184</u>	<u>\$ (1,192,031)</u>	<u>\$ (152,847)</u>

Read Independent Auditors' Report.
The accompanying notes are an integral
part of the financial statements.

WATERFORD AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF OPERATING FUND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Condominium Number				Total
	One	Two	Three	Neighborhood	
UTILITIES					
Electricity	\$ 3,919	\$ 3,971	\$ 3,970	\$ 5,899	\$ 17,759
Telephone	3,376	3,376	3,376	660	10,788
Water/sewer	38,527	40,839	38,228	1,814	119,408
Waste disposal	11,020	11,020	11,021	-	33,061
Total utilities	56,842	59,206	56,595	8,373	181,016
MAINTENANCE					
Elevator maintenance	12,143	17,484	17,345	-	46,972
Fire monitoring	4,793	4,793	4,793	-	14,379
Fire extinguisher/backflow inspections	7,540	13,988	5,785	-	27,313
Janitorial services and supplies	27,704	27,708	27,708	9,520	92,640
Landscaping/irrigation	33,488	33,805	36,974	-	104,267
Pool maintenance	-	-	-	6,480	6,480
Repairs and maintenance - pool	-	-	-	6,904	6,904
Repairs and maintenance - buildings	19,473	9,259	25,308	-	54,040
Plant/tree replacement	227	802	227	-	1,256
Pest control	5,260	4,660	10,010	-	19,930
Hurricane	-	-	-	104,099	104,099
Total maintenance	110,628	112,499	128,150	127,003	478,280
INSURANCE	-	-	-	621,799	621,799
ADMINISTRATIVE					
Accounting	-	-	-	4,600	4,600
Administrative fees	-	-	-	792	792
Entertainment	-	-	-	6,124	6,124
Corporate filing fee	380	380	380	61	1,201
Interest expense	-	-	-	1,558	1,558
Legal	-	-	-	3,256	3,256
Licenses and taxes	-	-	-	300	300
Federal income tax expense	18	18	18	-	54
Postage	-	-	-	1,003	1,003
Total administrative	398	398	398	17,694	18,888
Total expenses before allocation	167,868	172,103	185,143	774,869	1,299,983
Allocation of Association expenses	258,289	258,290	258,290	(774,869)	-
Total operating fund expenses	\$426,157	\$430,393	\$443,433	\$ -	\$1,299,983

Read Independent Auditors' Report.
The accompanying notes are an integral
part of the financial statements.

WATERFORD AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - THE ASSOCIATION

Waterford at Lexington Condominium Association, Inc. ("Association") was incorporated on July 25, 1997, under the laws of Florida as a corporation not-for-profit, to operate and manage Waterford at Lexington Condominium. The Condominium consists of three condominiums, each containing 95 residential units in three separate buildings, located in the development of Lexington Country Club in Fort Myers, Florida. The owners of all units in the condominium are the only members.

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 July 29, 2023; the date that the financial statements were available to be issued.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Accounting

The Association prepares its financial statements on the accrual basis and presents them as separate funds based on its different funding policies for operations and replacement expenditures.

Property and Equipment

Ownership of commonly owned real property and certain common personal property is vested directly or indirectly in the unit owners and those assets are not deemed to be severable. As a result, commonly owned assets are not presented in the Association's financial statements.

Member Assessments and Revenue Recognition

Association members are subject to periodic 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 are satisfied over time and recognized as collected. 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 owners whose assessments are delinquent. 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.

WATERFORD AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds

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 Association maintains its accounts using fund accounting. The assets of the Association are maintained and classified into separate funds to account for daily operations, deferred maintenance, or capital replacements.

The operating fund reflects the operating portion of quarterly assessments paid by the owners to meet various day-to-day expenditures incurred in the administration, maintenance, and operation of the condominium and recreational facilities.

The replacement fund is composed of the portion of the quarterly assessments designated in the budget to fund future major repairs and replacements, as further discussed in Note 9.

The working capital fund reflects contributions received from unit owners at closing, in the amount of fifty dollars per owner. This contribution is required upon the initial sale of all units and is to be used as working capital for operating purposes.

Cash Flows

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

The Association made cash payments of \$4,037 for federal and no payments for state income taxes during the year ended December 31, 2022.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 4 - CASH, CASH EQUIVALENTS, AND CERTIFICATES OF DEPOSIT

The Association maintains its cash and cash equivalents at various financial institutions located in Southwest Florida. Accounts at the commercial banking institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of December 31, 2022, all of these balances were insured based on bank statement balances less FDIC insurance. The reconciled book balance, as of December 31, 2022, was \$1,942,754.

WATERFORD AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 - ACCOUNTS RECEIVABLE - MEMBERS

Accounts receivable - members consists of maintenance fees billed which have not been collected by the Association, as of December 31, 2022. The accounts receivable are considered collectible.

NOTE 6 - FAIR VALUE MEASUREMENTS

The Fair Value Measurements Topic of the FASB Accounting Standards Codification defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure requirements for fair value measurements.

The Association measures the fair value of assets and liabilities, as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included with Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable level 1 or 2 inputs are not available.

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Association's significant financial instruments are cash, accounts receivable, accounts payable, and other short-term assets and liabilities. For these financial instruments (level 1), carrying values approximate fair value, because of the short maturity of these instruments.

NOTE 7 - INCOME TAXES

The Association is subject to federal and state income taxes in accordance with the provisions of the Internal Revenue Code. Under this status, the Association is taxed on its non-function income in excess of its non-function expenses at applicable corporate rates. The Association incurred no federal or state income tax liability for the year ended December 31, 2022.

Management considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in its filed income tax returns that require recognition or disclosure in the accompanying financial statements. The Association's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

WATERFORD AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2022

NOTE 8 - ASSESSMENT RECEIVED IN ADVANCE

Assessments received in advance consist of unbilled maintenance fees, which were received by the Association, as of December 31, 2022.

NOTE 9 - REPLACEMENT FUND

The Association's replacement fund is utilized to accumulate funds for future major repairs and replacements, by an allocation of the maintenance fees charged to each owner specifically designated for the fund in the annual budget. Deductions from the fund are recorded as costs, as incurred, which are determined by the Board, to meet the objective for which the fund was established.

The following is a table of the activity in the replacement fund:

Components	Balance January 1, 2022	Additions To Fund	Transfers	Charges To Fund	Balance December 31, 2022
<u>Condominium 1</u>					
Pooled	\$ 760,717	\$ 114,000	\$ 1,825	\$ 21,693	\$ 854,849
Interest	-	1,825	(1,825)	-	-
	<u>760,717</u>	<u>115,825</u>	<u>-</u>	<u>21,693</u>	<u>854,849</u>
 <u>Condominium 2</u>					
Pooled	697,187	114,000	1,545	818	811,914
Interest	-	1,545	(1,545)	-	-
	<u>697,187</u>	<u>115,545</u>	<u>-</u>	<u>818</u>	<u>811,914</u>
 <u>Condominium 3</u>					
Pooled	618,703	114,000	1,709	8,249	726,163
Interest	-	1,709	(1,709)	-	-
	<u>618,703</u>	<u>115,709</u>	<u>-</u>	<u>8,249</u>	<u>726,163</u>
 <u>Neighborhood</u>					
Pooled	84,925	3,420	332	(22,315)	110,992
Interest	-	332	(332)	-	-
	<u>84,925</u>	<u>3,752</u>	<u>-</u>	<u>(22,315)</u>	<u>110,992</u>
Totals	2,161,532	350,831	-	8,445	2,503,918
ASC 606 adjustment	<u>(2,161,532)</u>	<u>(342,386)</u>	<u>-</u>	<u>-</u>	<u>(2,503,918)</u>
ASC 606 adjusted balance	<u>\$ -</u>	<u>\$ 8,445</u>	<u>\$ -</u>	<u>\$ 8,445</u>	<u>\$ -</u>

Additions to fund include \$5,411 of interest income.

WATERFORD AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 9 - REPLACEMENT FUND (Continued)

In October 2022 the board authorized a deposit from the replacement fund in the amount of \$1,500,000 for mitigation of flooded first floor units. As of December 31, 2022 this balance is still due from the operating fund.

During the year ended December 31, 2022, the Association funded major repairs and replacements based on the Board's estimates of current replacement costs. The 2023 statutory and approved budgeted funding is \$345,420, as shown in the unaudited supplementary information. The components' actual replacement cost, useful lives, and investment income may vary from estimated amounts and the variation 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, through its Board, has the power to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 10 - LINE OF CREDIT

The Association received a line of credit on October 29, 2020, in the amount of \$200,000. The loan has an annual interest rate of 3.5% with an initial expiration date of October 30, 2022 that has been extended to January 30, 2023. There was no outstanding principal balance as of December 31, 2022.

NOTE 11 - SPECIAL ASSESSMENT

The Board of Directors, at a meeting held May 30, 2019, authorized a special assessment to provide funds for lining or replacing the Association's cast-iron pipes. The owners were given two options to pay; if paid in full by June 30, 2019 the amount due would be \$2,400; option two would be to pay the special assessment over 8 quarterly installments, the first installment was a down payment of \$500, the remaining 8 installments were \$250 each. All installments have been billed.

As of December 31, 2021 and 2022, the total cost of the project was \$827,414 and 94, respectively, the special assessment revenue as of December 31, 2021 was \$831,050, resulting in a deferred special assessment of \$3,542.

NOTE 12 - HURRICANE IAN

The Association filed an insurance claim for flood damages relating to Hurricane Ian. As of December 31, 2022, the association had made deposits for hurricane related repairs in the amount of \$1,507,366 which are recorded as prepaid expenses on the balance sheet. Additionally, the Association received advanced payments from its insurance claim in the amount of \$1,080,000 which is shown as deferred revenue on the balance sheet. The respective income and expenses will be recognized once the repair services are performed. The association's insurance claim remains open and management expects further proceeds will be received to offset the association's loss from Hurricane Ian.

NOTE 13 - COMMITMENTS

The Association currently has various contracts with vendors, including a management agreement with Lexington Community Association. The agreement automatically renews for a one year term unless cancelled by either party with 60 days notice.

SUPPLEMENTARY INFORMATION

WATERFORD AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2022
(Unaudited)

The following table is based on a professional reserve study done in 2020 and updated by management.

Components	Estimated Useful Lives	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2023 Statutory (Pooling) Funding
<u>Condominium 1</u>				
Painting	7 years	0 years	\$ 107,550	\$ -
Roof	25 years	22 years	2,361,477	-
Parking - overlay	12 years	6 years	97,772	-
Parking - sealing	4 years	1 year	10,046	-
Elevators	10-25 years	1 year	552,000	-
Painting	3 years	0 years	13,800	-
Emergency fund	N/A	N/A	5,000	-
Gutter replacements	25 years	18 years	49,724	-
Dumpster enclosures	10 years	8 years	32,092	-
Landscape improvements	20 years	18 years	165,754	-
Miscellaneous building components	1-20 years	0-9 years	82,300	-
General reserves	-	-	-	114,000
			<u>3,477,515</u>	<u>114,000</u>
<u>Condominium 2</u>				
Painting	7 years	0 years	107,550	-
Roof	25 years	22 years	2,361,477	-
Parking - overlay	12 years	6 years	97,772	-
Parking - sealing	4 years	1 year	10,046	-
Elevators	10-25 years	1 year	552,000	-
Painting	3 years	0 years	13,800	-
Emergency fund	N/A	N/A	5,000	-
Gutter replacements	20 years	18 years	49,724	-
Dumpster enclosures	10 years	8 years	32,092	-
Landscape improvements	20 years	18 years	165,754	-
Miscellaneous building components	1-20 years	0-9 years	82,300	-
General reserves	-	-	-	114,000
			<u>3,477,515</u>	<u>114,000</u>

WATERFORD AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)
DECEMBER 31, 2022
(Unaudited)

Components	Estimated Useful Lives	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2023 Statutory and Approved (Pooling) Funding
<u>Condominium 3</u>				
Painting	7 years	0 years	107,550	-
Roof	25 years	22 years	2,361,477	-
Parking - overlay	12 years	6 years	97,772	-
Parking - sealing	4 years	1 year	10,046	-
Elevators	10-25 years	1 year	552,000	-
Painting	3 years	0 years	13,800	-
Emergency fund	N/A	N/A	5,000	-
Gutter replacements	20 years	18 years	49,724	-
Dumpster enclosures	10 years	8 years	32,092	-
Landscape improvements	20 years	18 years	165,754	-
Miscellaneous building components	1-20 years	0-9 years	82,300	-
General reserves	-	-	-	114,000
			<u>3,477,515</u>	<u>114,000</u>
<u>Neighborhood</u>				
Painting	7 years	0 years	1,750	-
Roof	25 years	22 years	19,550	-
Pool resurfacing	10 years	2 years	26,400	-
Pool fence	20-25 years	3 years	15,375	-
Pool deck refinish	4 years	0 years	2,000	-
Pool filter and pumps	10-12 years	3-4 years	12,500	-
General reserves	-	-	-	3,420
			<u>77,575</u>	<u>3,420</u>
Totals			<u>\$ 10,510,120</u>	<u>\$ 345,420</u>

Estimated future replacement costs are based on the assumption that the rate of interest income earned on replacement funds will be equal to the rate of inflation.

WATERFORD AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL
CONDOMINIUM 1
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budget</u> <i>(Unaudited)</i>	<u>Actual</u>	Variance Favorable <i>(Unfavorable)</i>
UTILITIES			
Electricity	\$ 4,000	\$ 3,919	\$ 81
Telephone	3,383	3,376	7
Water/sewer	41,667	38,527	3,140
Waste disposal	<u>10,998</u>	<u>11,020</u>	<u>(22)</u>
Total utilities	<u>60,048</u>	<u>56,842</u>	<u>3,206</u>
MAINTENANCE			
Elevator maintenance	23,574	12,143	11,431
Engineering consulting	1,666	-	1,666
Fire monitoring	4,833	4,793	40
Fire extinguisher/backflow inspections	10,983	7,540	3,443
Janitorial services and supplies	27,863	27,704	159
Landscaping/irrigation	36,885	33,488	3,397
Pool maintenance	-	-	-
Repairs and maintenance - pool	-	-	-
Repairs and maintenance - buildings	23,565	19,473	4,092
Plant/tree replacement	5,000	227	4,773
Pest control	5,910	5,260	650
Hurricane	<u>-</u>	<u>-</u>	<u>-</u>
Total maintenance	<u>140,279</u>	<u>110,628</u>	<u>29,651</u>
INSURANCE			
	<u>-</u>	<u>-</u>	<u>-</u>
ADMINISTRATIVE			
Accounting	-	-	-
Administrative fees	-	-	-
Corporate filing fee	380	380	-
Interest expense	-	-	-
Legal	-	-	-
Licenses and taxes	-	-	-
Federal income tax expense	-	18	(18)
Postage	<u>-</u>	<u>-</u>	<u>-</u>
Total administrative	<u>380</u>	<u>398</u>	<u>(18)</u>
Total expenses before allocation	200,707	167,868	32,839
Allocation of Association expenses	<u>217,792</u>	<u>258,289</u>	<u>(40,497)</u>
Total expenses	<u>\$ 418,499</u>	<u>\$ 426,157</u>	<u>\$ (7,658)</u>

WATERFORD AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL
CONDOMINIUM 2
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budget</u> <i>(Unaudited)</i>	<u>Actual</u>	Variance Favorable <i>(Unfavorable)</i>
UTILITIES			
Electricity	\$ 4,000	\$ 3,971	\$ 29
Telephone	3,383	3,376	7
Water/sewer	41,667	40,839	828
Waste disposal	10,998	11,020	(22)
Total utilities	<u>60,048</u>	<u>59,206</u>	<u>842</u>
MAINTENANCE			
Elevator maintenance	23,573	17,484	6,089
Engineering consulting	1,667	-	1,667
Fire monitoring	4,833	4,793	40
Fire extinguisher/backflow inspections	10,984	13,988	(3,004)
Janitorial services and supplies	27,863	27,708	155
Landscaping/irrigation	36,885	33,805	3,080
Pool maintenance	-	-	-
Repairs and maintenance - pool	-	-	-
Repairs and maintenance - buildings	23,565	9,259	14,306
Plant/tree replacement	5,000	802	4,198
Pest control	5,910	4,660	1,250
Hurricane	-	-	-
Total maintenance	<u>140,280</u>	<u>112,499</u>	<u>27,781</u>
INSURANCE			
	<u>-</u>	<u>-</u>	<u>-</u>
ADMINISTRATIVE			
Accounting	-	-	-
Administrative fees	-	-	-
Corporate filing fee	380	380	-
Interest expense	-	-	-
Legal	-	-	-
Licenses and taxes	-	-	-
Federal income tax expense	-	18	(18)
Postage	-	-	-
Total administrative	<u>380</u>	<u>398</u>	<u>(18)</u>
Total expenses before allocation	<u>200,708</u>	<u>172,103</u>	<u>28,605</u>
Allocation of Association expenses	<u>217,792</u>	<u>258,290</u>	<u>(40,498)</u>
Total expenses	<u>\$ 418,500</u>	<u>\$ 430,393</u>	<u>\$ (11,893)</u>

WATERFORD AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL
CONDOMINIUM 3
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budget</u> <i>(Unaudited)</i>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
UTILITIES			
Electricity	\$ 4,000	\$ 3,970	\$ 30
Telephone	3,384	3,376	8
Water/sewer	41,667	38,228	3,439
Waste disposal	<u>10,998</u>	<u>11,021</u>	<u>(23)</u>
Total utilities	<u>60,049</u>	<u>56,595</u>	<u>3,454</u>
MAINTENANCE			
Elevator maintenance	23,573	17,345	6,228
Engineering consulting	1,667	-	1,667
Fire monitoring	4,834	4,793	41
Fire extinguisher/backflow inspections	10,983	5,785	5,198
Janitorial services and supplies	27,862	27,708	154
Landscaping/irrigation	36,885	36,974	(89)
Pool maintenance	-	-	-
Repairs and maintenance - pool	-	-	-
Repairs and maintenance - buildings	23,565	25,308	(1,743)
Plant/tree replacement	5,000	227	4,773
Pest control	5,910	10,010	(4,100)
Hurricane	<u>-</u>	<u>-</u>	<u>-</u>
Total maintenance	<u>140,279</u>	<u>128,150</u>	<u>12,129</u>
INSURANCE			
	<u>-</u>	<u>-</u>	<u>-</u>
ADMINISTRATIVE			
Accounting	-	-	-
Administrative fees	-	-	-
Corporate filing fee	380	380	-
Interest expense	-	-	-
Legal	-	-	-
Legal special fund	-	-	-
Licenses and taxes	-	-	-
Federal income tax expense	-	18	(18)
Postage	<u>-</u>	<u>-</u>	<u>-</u>
Total administrative	<u>380</u>	<u>398</u>	<u>(18)</u>
Total expenses before allocation	200,708	185,143	15,565
Allocation of Association expenses	<u>217,792</u>	<u>258,290</u>	<u>(40,498)</u>
Total expenses	<u>\$ 418,500</u>	<u>\$ 443,433</u>	<u>\$ (24,933)</u>

WATERFORD AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL
NEIGHBORHOOD
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budget</u> <i>(Unaudited)</i>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
UTILITIES			
Electricity	\$ 7,500	\$ 5,899	\$ 1,601
Telephone	698	660	38
Water/sewer	3,000	1,814	1,186
Waste disposal	-	-	-
Total utilities	<u>11,198</u>	<u>8,373</u>	<u>2,825</u>
MAINTENANCE			
Elevator maintenance	-	-	-
Fire monitoring	-	-	-
Fire extinguisher/backflow inspections	-	-	-
Janitorial services and supplies	9,574	9,520	54
Landscaping/irrigation	-	-	-
Pool maintenance	6,533	6,480	53
Repairs and maintenance - pool	5,000	6,904	(1,904)
Repairs and maintenance - buildings	-	-	-
Repairs and maintenance - lighting project	-	-	-
Plant/tree replacement	-	-	-
Pest control	-	-	-
Engineering consulting	-	-	-
Hurricane	-	104,099	(104,099)
Total maintenance	<u>21,107</u>	<u>127,003</u>	<u>(105,896)</u>
INSURANCE	<u>600,360</u>	<u>621,799</u>	<u>(21,439)</u>
ADMINISTRATIVE			
Accounting	5,800	4,600	1,200
Administrative fees	1,000	792	208
Entertainment	7,300	6,124	1,176
Corporate filing fee	60	61	(1)
Interest expense	2,000	1,558	442
Legal	3,000	3,256	(256)
Licenses and taxes	250	300	(50)
Postage	1,300	1,003	297
Total administrative	<u>20,710</u>	<u>17,694</u>	<u>3,016</u>
Total expenses before allocation	653,375	774,869	(121,494)
Allocation of Association expenses	<u>(653,375)</u>	<u>(774,869)</u>	<u>121,494</u>
Total expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>