

**SOUTHMONT COVE AT LEXINGTON
CONDOMINIUM ASSOCIATION, INC.
FORT MYERS, FLORIDA
AUDITED FINANCIAL STATEMENTS
FOR THE PERIOD MAY 1, 2019 TO APRIL 30, 2020**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Southmont Cove at Lexington Condominium Association, Inc., which comprise the balance sheet, as of April 30, 2020, and the related statements of revenues, expenses, and changes in fund balances (deficit) and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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.

The Board of Directors
Southmont Cove at Lexington
Condominium Association, Inc.
Fort Myers, Florida
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southmont Cove at Lexington Condominium Association, Inc., as of April 30, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 revenues and 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.

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 17, 18, and 19 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

September 16, 2020

SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
APRIL 30, 2020

	FUNDS		
	Operating	Replacement	Total
ASSETS			
Cash and cash equivalents	\$ 906	\$ 823,866	\$ 824,772
Certificates of deposit	-	503,300	503,300
Accounts receivable - members	5,764	-	5,764
Prepaid insurance	155,882	-	155,882
Prepaid expenses	19,576	-	19,576
Deposits	1,180	-	1,180
Due from replacement fund	2,535	-	2,535
	<u>\$ 185,843</u>	<u>\$ 1,327,166</u>	<u>\$ 1,513,009</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable - trade	\$ 6,200	\$ -	\$ 6,200
Accrued expenses	7,943	-	7,943
Income tax payable	-	-	-
Note payable - line of credit	236,300	-	236,300
Assessments received in advance	439	-	439
Contract liabilities (assessments received in advance - replacement)	-	1,324,631	1,324,631
Due to operating fund	-	2,535	2,535
	<u>250,882</u>	<u>1,327,166</u>	<u>1,578,048</u>
FUND BALANCES (DEFICIT)	<u>(65,039)</u>	<u>-</u>	<u>(65,039)</u>
Total liabilities and fund balances	<u>\$ 185,843</u>	<u>\$ 1,327,166</u>	<u>\$ 1,513,009</u>

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

SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES (DEFICIT)
 FOR THE PERIOD MAY 1, 2019 TO APRIL 30, 2020

	FUNDS		
	Operating	Replacement	Total
REVENUES			
Maintenance fees	\$ 818,400	\$ 29,028	\$ 847,428
Interest income	18	10,054	10,072
Finance charges	2,672	-	2,672
	821,090	39,082	860,172
Total revenues			
EXPENSES			
Administrative	14,405	-	14,405
Insurance	330,946	-	330,946
Repairs and maintenance	183,392	-	183,392
Operating expenses	228,728	-	228,728
Replacement fund	-	39,082	39,082
	757,471	39,082	796,553
Total expenses			
Excess of revenues over expenses	63,619	-	63,619
FUND BALANCES (DEFICIT) - May 1, 2019	(143,658)	-	(143,658)
Ending balance - April 30, 2020	(80,039)	-	(80,039)
Working capital - April 30, 2020	15,000	-	15,000
FUND BALANCES (DEFICIT) - April 30, 2020	\$ (65,039)	\$ -	\$ (65,039)

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SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE PERIOD MAY 1, 2019 TO APRIL 30, 2020

	FUNDS		
	Operating	Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Maintenance fees received	\$ 812,952	\$ 406,560	\$ 1,219,512
Interest income received	18	10,054	10,072
Finance charges received	2,672	-	2,672
Cash paid for operating expenditures	(760,175)	-	(760,175)
Cash paid for replacement expenditures	-	(39,082)	(39,082)
Interfund (payable)/receivable	(45,609)	45,609	-
Net cash provided by operating activities	<u>9,858</u>	<u>423,141</u>	<u>432,999</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Investment in certificate of deposit	-	(3,300)	(3,300)
Proceeds from note payable - bank	533,300	-	533,300
Payments on note payable - bank	(546,700)	-	(546,700)
Net cash (used) by financing activities	<u>(13,400)</u>	<u>(3,300)</u>	<u>(16,700)</u>
Net (decrease) increase in cash	(3,542)	419,841	416,299
CASH AND CASH EQUIVALENTS - May 1, 2019	<u>4,448</u>	<u>404,025</u>	<u>408,473</u>
CASH AND CASH EQUIVALENTS - April 30, 2020	<u>\$ 906</u>	<u>\$ 823,866</u>	<u>\$ 824,772</u>

	FUNDS		
	Operating	Replacement	Total
RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 63,619	\$ -	\$ 63,619
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Decrease in accounts receivable - members	3,304	-	3,304
Decrease in accounts receivable - other	8,075	-	8,075
(Increase) in prepaid insurance	(15,777)	-	(15,777)
(Increase) in prepaid expenses	(176)	-	(176)
Increase in accounts payable	3,851	-	3,851
Increase in accrued expenses	1,323	-	1,323
(Decrease) in assessments received in advance	(8,752)	-	(8,752)
Increase in contract liabilities (assessments received in advance - replacement)	-	377,532	377,532
Interfund (payable)/receivable	(45,609)	45,609	-
Total adjustments	(53,761)	423,141	369,380
Net cash provided by operating activities	\$ 9,858	\$ 423,141	\$ 432,999

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SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF OPERATING FUND EXPENSES
FOR THE PERIOD MAY 1, 2019 TO APRIL 30, 2020

	Condominium Number		
	One	Two	Three
ADMINISTRATIVE			
Management fees	\$ -	\$ -	\$ -
Administrative fee	-	-	-
Division fees	240	240	240
Accounting	-	-	-
Legal	-	-	-
Bad debt	-	-	-
Postage	-	-	-
Interest expense	-	-	-
Income tax expense	-	-	-
Total administrative	<u>240</u>	<u>240</u>	<u>240</u>
INSURANCE			
	<u>-</u>	<u>-</u>	<u>-</u>
REPAIRS AND MAINTENANCE			
Elevators	6,843	17,824	5,374
Fire sprinklers/inspections	3,849	5,609	3,865
Landscaping/irrigation	12,694	12,694	12,694
Plant/tree replacement	1,759	1,759	2,572
Maintenance - buildings	8,139	7,690	8,473
Total repairs and maintenance	<u>33,284</u>	<u>45,576</u>	<u>32,978</u>
OPERATING EXPENSES			
Electricity	1,716	1,555	1,620
Waste disposal	4,024	4,024	4,024
Janitorial service	9,852	9,852	9,852
Dryer vent cleaning	960	960	960
Pest control	1,560	1,560	1,800
Telephone	1,226	1,226	1,226
Water/sewer	27,077	26,381	27,370
Total operating expenses	<u>46,415</u>	<u>45,558</u>	<u>46,852</u>
HURRICANE EXPENSES			
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses before allocation	79,939	91,374	80,070
Allocation of Association expenses	<u>68,830</u>	<u>68,830</u>	<u>68,830</u>
Total expenses	<u>\$ 148,769</u>	<u>\$ 160,204</u>	<u>\$ 148,900</u>

<u>Condominium Number</u>			
<u>Four</u>	<u>Five</u>	<u>Neighborhood</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -
-	-	1,180	1,180
240	240	-	1,200
-	-	4,873	4,873
-	-	2,095	2,095
-	-	-	-
-	-	971	971
-	-	4,086	4,086
-	-	-	-
<u>240</u>	<u>240</u>	<u>13,205</u>	<u>14,405</u>
<u>-</u>	<u>-</u>	<u>330,946</u>	<u>330,946</u>
6,794	10,251	-	47,086
4,291	9,351	-	26,965
12,694	12,694	-	63,470
1,759	1,759	-	9,608
<u>6,347</u>	<u>5,614</u>	<u>-</u>	<u>36,263</u>
<u>31,885</u>	<u>39,669</u>	<u>-</u>	<u>183,392</u>
1,608	1,498	-	7,997
4,024	4,024	-	20,120
9,852	9,852	-	49,260
960	960	-	4,800
1,560	1,560	-	8,040
1,226	1,226	-	6,130
<u>26,612</u>	<u>24,941</u>	<u>-</u>	<u>132,381</u>
<u>45,842</u>	<u>44,061</u>	<u>-</u>	<u>228,728</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
77,967	83,970	344,151	757,471
<u>68,830</u>	<u>68,831</u>	<u>(344,151)</u>	<u>-</u>
<u>\$ 146,797</u>	<u>\$ 152,801</u>	<u>\$ -</u>	<u>\$ 757,471</u>

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

SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2020

NOTE 1 - THE ASSOCIATION

Southmont Cove at Lexington Condominium Association, Inc. ("Association") was incorporated on October 30, 1996, under the laws of Florida as a corporation not-for-profit, to operate and manage Southmont Cove at Lexington Condominium, a whole ownership condominium consisting of five separate condominiums in ten buildings containing 300 residential units, 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 September 16, 2020; 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 reserve 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.

SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2020

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 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.

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 10.

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 no cash payments for federal income taxes and no cash payments for state income taxes during the period May 1, 2019 to April 30, 2020.

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 balances 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 April 30, 2020, all of these balances were insured based on bank statement balances less FDIC insurance. The reconciled book balance, as of April 30, 2020, was \$824,772.

The Association has certificates of deposit at various commercial banking institutions located in Southwest Florida. The accounts at the commercial banking institutions are issued and insured under the CDARS program. As of April 30, 2020, all balances were fully insured.

SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2020

NOTE 5 - ACCOUNTS RECEIVABLE - MEMBERS

Accounts receivable - members consists of maintenance fees billed, which have not been collected by the Association, as of April 30, 2020. 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 files its income tax return, as a condominium association, in accordance with Internal Revenue Code Section 528. Under that 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 investment income and other non-exempt function income. The Association incurred no federal or state income tax expense for the year ended April 30, 2020.

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.

NOTE 8 - ASSESSMENTS RECEIVED IN ADVANCE

Assessments received in advance consist of unbilled maintenance fees, which were received by the Association, as of April 30, 2020.

SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2020

NOTE 9 - NOTE PAYABLE – LINE OF CREDIT

The Association has a line of credit with a financial institution located in Southwest Florida, in the amount of \$250,000, which is secured by a pledge agreement of membership dues. This line of credit has a maturity date of August 30, 2020. As of April 30, 2020, the outstanding balance was \$236,300 and carries an interest rate of 5.50%.

NOTE 10 - 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 May 1, 2019	Additions To Fund	Charges To Fund	Transfers	Balance April 30, 2020
<u>Condominium 1</u>					
Pooled	\$ 226,246	\$ 87,360	\$ 7,160	\$ 2,527	\$ 308,973
Interest	-	2,527	-	(2,527)	-
	<u>226,246</u>	<u>89,887</u>	<u>7,160</u>	<u>-</u>	<u>308,973</u>
<u>Condominium 2</u>					
Pooled	187,964	82,080	7,160	1,997	264,881
Interest	-	1,997	-	(1,997)	-
	<u>187,964</u>	<u>84,077</u>	<u>7,160</u>	<u>-</u>	<u>264,881</u>
<u>Condominium 3</u>					
Pooled	188,047	80,400	10,442	1,980	259,985
Interest	-	1,980	-	(1,980)	-
	<u>188,047</u>	<u>82,380</u>	<u>10,442</u>	<u>-</u>	<u>259,985</u>
<u>Condominium 4</u>					
Pooled	158,307	77,280	7,160	1,579	230,006
Interest	-	1,579	-	(1,579)	-
	<u>158,307</u>	<u>78,859</u>	<u>7,160</u>	<u>-</u>	<u>230,006</u>
<u>Condominium 5</u>					
Pooled	186,535	79,440	7,160	1,971	260,786
Interest	-	1,971	-	(1,971)	-
	<u>186,535</u>	<u>81,411</u>	<u>7,160</u>	<u>-</u>	<u>260,786</u>
Totals	947,099	416,614	39,082	-	1,324,631
ASC 606 adjustment	<u>(947,099)</u>	<u>(377,532)</u>	<u>-</u>	<u>-</u>	<u>(1,324,631)</u>
ASC 606 adjusted balance	<u>\$ -</u>	<u>\$ 39,082</u>	<u>\$ 39,082</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2020

NOTE 10 - REPLACEMENT FUND (Continued)

Additions to fund include \$10,054 of interest income. The Association's policy for allocating interest to the components is based on funding.

During the period May 1, 2019 to April 30, 2020, the Association funded major repairs and replacements based on the Board's estimates of current replacement costs. The 2020/2021 statutory and approved budgeted (cash flow) funding is \$426,480, as shown in the accompanying 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 11 - FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

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

The Association adopted the new guidance as of May 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of May 1, 2019. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities (assessments received in advance-replacement), as previously described.

The adoption of the new revenue recognition guidance resulted in the following change to fund balance as of May 1, 2019:

Fund balance, as previously reported, May 1, 2019	\$ 947,099
Adjustment	<u>(947,099)</u>
Fund balance, adjusted, at May 1, 2019	<u>\$ -</u>

The effect of the adoption is a decrease in 2020 assessments by \$377,532 and a recording of a contract liability at April 30, 2020 of \$1,324,631. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 APRIL 30, 2020

NOTE 11 - FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION (Continued)

The modified retrospective method of the transition requires us to disclose the effect of applying the new guidance on each item included in our 2019 financial statements. Following are the line items from our balance sheet as of December 31, 2019 that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
<u>Liabilities</u>			
Contract liabilities (assessments received in advance - replacement)	\$ -	\$ 1,324,631	\$ 1,324,631
Total liabilities	<u>\$ -</u>	<u>\$ 1,324,631</u>	<u>\$ 1,324,631</u>
<u>Fund balance</u>			
Ending fund balance	<u>\$ 1,324,631</u>	<u>\$ (1,324,631)</u>	<u>\$ -</u>

The following are the line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended December 31, 2019 that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
<u>Revenue</u>	<u>\$ 416,614</u>	<u>\$ (377,532)</u>	<u>\$ 39,082</u>
<u>Cash flows</u>			
Excess of revenues over expenses	<u>\$ 377,532</u>	<u>\$ (377,532)</u>	<u>\$ -</u>
Increase in contract liabilities (assessments received in advance - replacement)	<u>\$ -</u>	<u>\$ 377,532</u>	<u>\$ 377,532</u>

NOTE 12 - 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 90 days written notice.

SUPPLEMENTARY INFORMATION

SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
APRIL 30, 2020
(Unaudited)

The following table is based on estimates provided to the Board during 2014 by a professional study, with adjustments to some components estimated current replacement costs, based on current historical information.

Components	Estimated Useful Lives	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2020/2021 Statutory & Approved Budgeted (Cash Flow) Funding
<u>Condominium 1</u>				
Painting and waterproofing	9 years	8 years	\$ 70,000	\$ -
Roof	26 years	5 years	623,330	-
Paving	26 years	5 years	76,860	-
Parking sealcoat	5 years	0 years	5,500	-
Elevators	29 years	5 years	136,000	-
Elevator cabs	12 years	10 years	20,000	-
Miscellaneous building components	18-35 years	ongoing	117,100	-
Emergency repairs	- years	ongoing	6,000	-
Landscaping	9 years	ongoing	12,000	-
Storage room doors	9 years	6 years	16,320	-
Dumpster enclosures	19 years	15 years	28,000	-
Pooled reserves	-	-	-	93,120
			1,111,110	93,120
<u>Condominium 2</u>				
Painting and waterproofing	9 years	8 years	70,000	-
Roof	26 years	6 years	623,330	-
Paving	26 years	5 years	76,860	-
Parking sealcoat	5 years	0 years	5,500	-
Elevators	29 years	5 years	136,000	-
Elevator cabs	12 years	10 years	20,000	-
Miscellaneous building components	18-35 years	ongoing	117,100	-
Emergency repairs	- years	ongoing	6,000	-
Landscaping	9 years	ongoing	12,000	-
Storage room doors	9 years	6 years	16,320	-
Dumpster enclosures	19 years	15 years	28,000	-
Pooled reserves	-	-	-	86,640
			1,111,110	86,640

SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)
APRIL 30, 2020
(Unaudited)

Components	Estimated Useful Lives	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2020/2021 Statutory & Approved Budgeted (Cash Flow) Funding
<u>Condominium 3</u>				
Painting and waterproofing	9 years	8 years	70,000	-
Roof	26 years	5 years	623,330	-
Paving	26 years	5 years	76,860	-
Parking sealcoat	5 years	0 years	5,500	-
Elevators	29 years	5 years	136,000	-
Elevator cabs	12 years	10 years	20,000	-
Miscellaneous building components	18-35 years	ongoing	117,100	-
Emergency repairs	- years	ongoing	6,000	-
Landscaping	9 years	ongoing	12,000	-
Storage room doors	9 years	6 years	16,320	-
Dumpster enclosures	19 years	16 years	28,000	-
Pooled reserves	-	-	-	83,280
			1,111,110	83,280
<u>Condominium 4</u>				
Painting and waterproofing	9 years	8 years	70,000	-
Roof	26 years	7 years	623,330	-
Paving	26 years	5 years	76,860	-
Parking sealcoat	5 years	0 years	5,500	-
Elevators	29 years	5 years	136,000	-
Elevator cabs	12 years	10 years	20,000	-
Miscellaneous building components	18-35 years	ongoing	117,100	-
Emergency repairs	- years	ongoing	6,000	-
Landscaping	9 years	ongoing	12,000	-
Storage room doors	9 years	6 years	16,320	-
Dumpster enclosures	19 years	16 years	28,000	-
Pooled reserves	-	-	-	81,120
			1,111,110	81,120

SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON
 FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)
 APRIL 30, 2020
 (Unaudited)

Components	Estimated Useful Lives	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2020/2021 Statutory & Approved Budgeted (Cash Flow) Funding
<u>Condominium 5</u>				
Painting and waterproofing	9 years	8 years	70,000	-
Roof	26 years	7 years	623,330	-
Paving	26 years	5 years	76,860	-
Parking sealcoat	5 years	0 years	5,500	-
Elevators	29 years	5 years	136,000	-
Elevator cabs	12 years	10 years	20,000	-
Miscellaneous building components	18-35 years	ongoing	117,100	-
Emergency repairs	- years	ongoing	6,000	-
Landscaping	9 years	ongoing	12,000	-
Storage room doors	9 years	6 years	16,320	-
Dumpster enclosures	19 years	16 years	28,000	-
Pooled reserves	-	-	-	82,320
			<u>1,111,110</u>	<u>82,320</u>
Totals			<u>\$ 5,555,550</u>	<u>\$ 426,480</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.

SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL
CONDOMINIUM 1
FOR THE PERIOD MAY 1, 2019 TO APRIL 30, 2020

	<u>Budget</u> <i>(unaudited)</i>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
ADMINISTRATIVE			
Management fees	\$ -	\$ -	\$ -
Administrative fee	-	-	-
Division fees	240	240	-
Accounting	-	-	-
Legal	-	-	-
Postage	-	-	-
Interest expense	-	-	-
Income tax expense	-	-	-
	<u>240</u>	<u>240</u>	<u>-</u>
Total administrative			
	<u>240</u>	<u>240</u>	<u>-</u>
INSURANCE			
	<u>-</u>	<u>-</u>	<u>-</u>
REPAIRS AND MAINTENANCE			
Elevators	14,268	6,843	7,425
Fire sprinklers/inspections	6,722	3,849	2,873
Landscaping/irrigation	12,748	12,694	54
Plant/tree replacement	3,640	1,759	1,881
Roof maintenance treatment	1,440	-	1,440
Maintenance - buildings	7,212	8,139	(927)
	<u>46,030</u>	<u>33,284</u>	<u>12,746</u>
Total repairs and maintenance			
	<u>46,030</u>	<u>33,284</u>	<u>12,746</u>
OPERATING EXPENSES			
Electricity	1,800	1,716	84
Waste disposal	4,016	4,024	(8)
Janitorial service	9,851	9,852	(1)
Dryer vent cleaning	960	960	-
Pest control	1,360	1,560	(200)
Telephone	1,220	1,226	(6)
Water/sewer	27,000	27,077	(77)
	<u>46,207</u>	<u>46,415</u>	<u>(208)</u>
Total operating expenses			
	<u>46,207</u>	<u>46,415</u>	<u>(208)</u>
Total expenses before allocation	92,477	79,939	12,538
Allocation of Association expenses	<u>71,502</u>	<u>68,830</u>	<u>2,672</u>
Total expenses	<u>\$ 163,979</u>	<u>\$ 148,769</u>	<u>\$ 15,210</u>

SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL
CONDOMINIUM 2
FOR THE PERIOD MAY 1, 2019 TO APRIL 30, 2020

	<u>Budget</u> <i>(unaudited)</i>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
ADMINISTRATIVE			
Management fees	\$ -	\$ -	\$ -
Administrative fee	-	-	-
Division fees	240	240	-
Accounting	-	-	-
Legal	-	-	-
Postage	-	-	-
Interest expense	-	-	-
Income tax expense	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total administrative	<u>240</u>	<u>240</u>	<u>-</u>
INSURANCE			
	<u>-</u>	<u>-</u>	<u>-</u>
REPAIRS AND MAINTENANCE			
Elevators	14,268	17,824	(3,556)
Fire sprinklers/inspections	6,722	5,609	1,113
Landscaping/irrigation	12,748	12,694	54
Plant/tree replacement	3,640	1,759	1,881
Roof maintenance treatment	1,440	-	1,440
Maintenance - buildings	7,212	7,690	(478)
	<u> </u>	<u> </u>	<u> </u>
Total repairs and maintenance	<u>46,030</u>	<u>45,576</u>	<u>454</u>
OPERATING EXPENSES			
Electricity	1,800	1,555	245
Waste disposal	4,016	4,024	(8)
Janitorial service	9,851	9,852	(1)
Dryer vent cleaning	960	960	-
Pest control	1,360	1,560	(200)
Telephone	1,220	1,226	(6)
Water/sewer	27,000	26,381	619
	<u> </u>	<u> </u>	<u> </u>
Total operating expenses	<u>46,207</u>	<u>45,558</u>	<u>649</u>
Total expenses before allocation	92,477	91,374	1,103
Allocation of Association expenses	<u>71,502</u>	<u>68,830</u>	<u>2,672</u>
Total expenses	<u>\$ 163,979</u>	<u>\$ 160,204</u>	<u>\$ 3,775</u>

SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL
CONDOMINIUM 3
FOR THE PERIOD MAY 1, 2019 TO APRIL 30, 2020

	<u>Budget</u> <i>(unaudited)</i>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
ADMINISTRATIVE			
Management fees	\$ -	\$ -	\$ -
Administrative fee	-	-	-
Division fees	240	240	-
Accounting	-	-	-
Legal	-	-	-
Postage	-	-	-
Interest expense	-	-	-
Income tax expense	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total administrative	<u>240</u>	<u>240</u>	<u>-</u>
INSURANCE			
	<u>-</u>	<u>-</u>	<u>-</u>
REPAIRS AND MAINTENANCE			
Elevators	14,268	5,374	8,894
Fire sprinklers/inspections	6,722	3,865	2,857
Landscaping/irrigation	12,748	12,694	54
Plant/tree replacement	3,640	2,572	1,068
Roof maintenance treatment	1,440	-	1,440
Maintenance - buildings	7,212	8,473	(1,261)
	<u> </u>	<u> </u>	<u> </u>
Total repairs and maintenance	<u>46,030</u>	<u>32,978</u>	<u>13,052</u>
OPERATING EXPENSES			
Electricity	1,800	1,620	180
Waste disposal	4,016	4,024	(8)
Janitorial service	9,851	9,852	(1)
Dryer vent cleaning	960	960	-
Pest control	1,360	1,800	(440)
Telephone	1,220	1,226	(6)
Water/sewer	27,000	27,370	(370)
	<u> </u>	<u> </u>	<u> </u>
Total operating expenses	<u>46,207</u>	<u>46,852</u>	<u>(645)</u>
Total expenses before allocation	92,477	80,070	12,407
Allocation of Association expenses	<u>71,502</u>	<u>68,830</u>	<u>2,672</u>
Total expenses	<u>\$ 163,979</u>	<u>\$ 148,900</u>	<u>\$ 15,079</u>

SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL
CONDOMINIUM 4
FOR THE PERIOD MAY 1, 2019 TO APRIL 30, 2020

	<u>Budget</u> <i>(unaudited)</i>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
ADMINISTRATIVE			
Management fees	\$ -	\$ -	\$ -
Administrative fee	-	-	-
Division fees	240	240	-
Accounting	-	-	-
Legal	-	-	-
Postage	-	-	-
Interest expense	-	-	-
Income tax expense	-	-	-
	<u>240</u>	<u>240</u>	<u>-</u>
Total administrative	<u>240</u>	<u>240</u>	<u>-</u>
INSURANCE			
	<u>-</u>	<u>-</u>	<u>-</u>
REPAIRS AND MAINTENANCE			
Elevators	14,268	6,794	7,474
Fire sprinklers/inspections	6,722	4,291	2,431
Landscaping/irrigation	12,748	12,694	54
Plant/tree replacement	3,640	1,759	1,881
Roof maintenance treatment	1,440	-	1,440
Maintenance - buildings	7,212	6,347	865
	<u>46,030</u>	<u>31,885</u>	<u>14,145</u>
Total repairs and maintenance	<u>46,030</u>	<u>31,885</u>	<u>14,145</u>
OPERATING EXPENSES			
Electricity	1,800	1,608	192
Waste disposal	4,016	4,024	(8)
Janitorial service	9,851	9,852	(1)
Dryer vent cleaning	960	960	-
Pest control	1,360	1,560	(200)
Telephone	1,220	1,226	(6)
Water/sewer	27,000	26,612	388
	<u>46,207</u>	<u>45,842</u>	<u>365</u>
Total operating expenses	<u>46,207</u>	<u>45,842</u>	<u>365</u>
Total expenses before allocation	92,477	77,967	14,510
Allocation of Association expenses	<u>71,502</u>	<u>68,830</u>	<u>2,672</u>
Total expenses	<u>\$ 163,979</u>	<u>\$ 146,797</u>	<u>\$ 17,182</u>

SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL
CONDOMINIUM 5
FOR THE PERIOD MAY 1, 2019 TO APRIL 30, 2020

	<u>Budget</u> <i>(unaudited)</i>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
ADMINISTRATIVE			
Management fees	\$ -	\$ -	\$ -
Administrative fee	-	-	-
Division fees	240	240	-
Accounting	-	-	-
Legal	-	-	-
Postage	-	-	-
Interest expense	-	-	-
Income tax expense	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total administrative	<u>240</u>	<u>240</u>	<u>-</u>
INSURANCE			
	<u>-</u>	<u>-</u>	<u>-</u>
REPAIRS AND MAINTENANCE			
Elevators	14,268	10,251	4,017
Fire sprinklers/inspections	6,722	9,351	(2,629)
Landscaping/irrigation	12,748	12,694	54
Plant/tree replacement	3,640	1,759	1,881
Roof maintenance treatment	1,440	-	1,440
Maintenance - buildings	7,212	5,614	1,598
	<u> </u>	<u> </u>	<u> </u>
Total repairs and maintenance	<u>46,030</u>	<u>39,669</u>	<u>6,361</u>
OPERATING EXPENSES			
Electricity	1,800	1,498	302
Waste disposal	4,016	4,024	(8)
Janitorial service	9,851	9,852	(1)
Dryer vent cleaning	960	960	-
Pest control	1,360	1,560	(200)
Telephone	1,220	1,226	(6)
Water/sewer	27,000	24,941	2,059
	<u> </u>	<u> </u>	<u> </u>
Total operating expenses	<u>46,207</u>	<u>44,061</u>	<u>2,146</u>
Total expenses before allocation	92,477	83,970	8,507
Allocation of Association expenses	<u>71,502</u>	<u>68,831</u>	<u>2,671</u>
Total expenses	<u>\$ 163,979</u>	<u>\$ 152,801</u>	<u>\$ 11,178</u>

SOUTHMONT COVE AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL
NEIGHBORHOOD
FOR THE PERIOD MAY 1, 2019 TO APRIL 30, 2020

	<u>Budget</u> <i>(unaudited)</i>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
ADMINISTRATIVE			
Management fees	\$ -	\$ -	\$ -
Administrative fee	500	1,180	(680)
Division fees	60	-	60
Accounting	5,300	4,873	427
Legal	1,500	2,095	(595)
Bad debt	5,000	-	5,000
Postage	750	971	(221)
Interest expense	6,000	4,086	1,914
Income tax expense	-	-	-
	<u>19,110</u>	<u>13,205</u>	<u>5,905</u>
Total administrative			
	<u>338,400</u>	<u>330,946</u>	<u>7,454</u>
INSURANCE			
REPAIRS AND MAINTENANCE			
Fire sprinklers/inspections	-	-	-
Landscaping/irrigation	-	-	-
Plant/tree replacement	-	-	-
Elevator maintenance	-	-	-
Maintenance - buildings	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total repairs and maintenance			
	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES			
Electricity	-	-	-
Waste disposal	-	-	-
Janitorial service	-	-	-
Dryer vent cleaning	-	-	-
Pest control	-	-	-
Telephone	-	-	-
Water/sewer	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses			
	<u>-</u>	<u>-</u>	<u>-</u>
HURRICANE EXPENSES			
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses before allocation	357,510	344,151	13,359
Allocation of Association expenses	<u>(357,510)</u>	<u>(344,151)</u>	<u>(13,359)</u>
Total expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>