

**SOMMERSET VILLAS AT LEXINGTON  
CONDOMINIUM ASSOCIATION, INC.  
FORT MYERS, FLORIDA  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019**

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**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Sommerset Villas at Lexington Condominium Association, Inc., which comprise the balance sheet, as of December 31, 2019, 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.

***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  
Somerset Villas at Lexington  
Condominium Association, Inc.  
Fort Myers, Florida  
Page 2 of 2

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Somerset Villas at Lexington Condominium Association, Inc., as of December 31, 2019, 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 page 18 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

June 16, 2020

SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
BALANCE SHEET  
DECEMBER 31, 2019

	FUNDS		
	Operating	Replacement	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,078	\$ 515,016	\$ 516,094
Accounts receivable - members	2,004	-	2,004
Prepaid insurance	302,194	-	302,194
Due from replacement fund	1,689	-	1,689
Total assets	<u>\$ 306,965</u>	<u>\$ 515,016</u>	<u>\$ 821,981</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable - trade	\$ 3,991	\$ -	\$ 3,991
Line of credit	32,200	-	32,200
Note payable insurance	118,973	-	118,973
Assessment received in advance	5,805	-	5,805
Contract liabilities (assessments received in advance - replacement)	-	513,327	513,327
Due to operating fund	-	1,689	1,689
Total liabilities	160,969	515,016	675,985
FUND BALANCES	145,996	-	145,996
Total liabilities and fund balances	<u>\$ 306,965</u>	<u>\$ 515,016</u>	<u>\$ 821,981</u>

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

SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	FUNDS		
	Operating	Replacement	Total
REVENUES			
Maintenance fees	\$ 661,158	\$ 915	\$ 662,073
Interest income	14	4,668	4,682
Finance charges	690	-	690
	661,862	5,583	667,445
Total revenues			
EXPENSES			
Administrative	27,099	-	27,099
Insurance	388,082	-	388,082
Maintenance	209,407	-	209,407
Reserve expenditures	-	5,583	5,583
	624,588	5,583	630,171
Total expenses			
Excess of revenues over expenses	37,274	-	37,274
FUND BALANCES			
Beginning balance - January 1, 2019	98,522	-	98,522
Ending balance - December 31, 2019	135,796	-	135,796
Working Capital			
Ending balance - December 31, 2019	10,200	-	10,200
FUND BALANCES - December 31, 2019	\$ 145,996	\$ -	\$ 145,996

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SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	FUNDS		
	Operating	Replacement	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Maintenance fees received	\$ 660,687	\$ 139,312	\$ 799,999
Interest income received	14	4,668	4,682
Finance charges received	690	-	690
Cash paid for operating expenditures	(663,476)	-	(663,476)
Cash paid for replacement expenditures	-	(5,583)	(5,583)
Interfund (receivable)/payable	(1,689)	1,689	-
Net cash (used) provided by operating activities	<u>(3,774)</u>	<u>140,086</u>	<u>136,312</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from line of credit	200,700	-	200,700
Payments on line of credit	(230,900)	-	(230,900)
Proceeds from note payable - insurance	127,211	-	127,211
Payments on note payable - insurance	(95,292)	-	(95,292)
Net cash provided by investing activities	<u>1,719</u>	<u>-</u>	<u>1,719</u>
Net (decrease) increase in cash	(2,055)	140,086	138,031
CASH AND CASH EQUIVALENTS - January 1, 2019	<u>3,133</u>	<u>374,930</u>	<u>378,063</u>
CASH AND CASH EQUIVALENTS - December 31, 2019	<u>\$ 1,078</u>	<u>\$ 515,016</u>	<u>\$ 516,094</u>

	FUNDS		
	<u>Operating</u>	<u>Replacement</u>	<u>Total</u>
<b>RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>			
Excess of revenues over expenses	<u>\$ 37,274</u>	<u>\$ -</u>	<u>\$ 37,274</u>
Adjustments to reconcile excess of revenues over expenses to net cash (used) provided by operating activities:			
(Increase) in accounts receivable - members	(2,004)	-	(2,004)
Decrease in accounts receivable - other	29	-	29
(Increase) in prepaid insurance	(41,196)	-	(41,196)
Increase in accounts payable - trade	2,279	-	2,279
Increase in assessments received in advance	1,533	-	1,533
Increase in contract liabilities (assessments received in advance - replacement)	-	138,397	138,397
Interfund (receivable)/payable	<u>(1,689)</u>	<u>1,689</u>	<u>-</u>
Total adjustments	<u>(41,048)</u>	<u>140,086</u>	<u>99,038</u>
Net cash (used) provided by operating activities	<u>\$ (3,774)</u>	<u>\$ 140,086</u>	<u>\$ 136,312</u>

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



SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
STATEMENT OF OPERATING FUND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Condominium Number		
	One	Two	Three
ADMINISTRATIVE			
Management fees	\$ -	\$ -	\$ -
Administrative fee	-	-	-
Division fees	104	152	68
Legal	-	-	-
Accounting	-	-	-
Interest expense	-	-	-
Postage	-	-	-
Total administrative	<u>104</u>	<u>152</u>	<u>68</u>
INSURANCE	<u>-</u>	<u>-</u>	<u>-</u>
MAINTENANCE			
Landscaping/irrigation	14,888	21,756	9,633
Plant/tree replacement	811	501	677
Tree trimming	-	-	-
Maintenance - buildings	4,102	5,669	5,108
Hurricane Irma expenses	-	-	-
Pest control	<u>4,478</u>	<u>4,632</u>	<u>1,925</u>
Total maintenance	<u>24,279</u>	<u>32,558</u>	<u>17,343</u>
Total expenses before allocation	24,383	32,710	17,411
Allocation of Association expenses	<u>52,832</u>	<u>77,196</u>	<u>34,517</u>
Total expenses	<u>\$ 77,215</u>	<u>\$ 109,906</u>	<u>\$ 51,928</u>

<u>Condominium Number</u>				
<u>Four</u>	<u>Five</u>	<u>Six</u>	<u>Neighborhood</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 16,692	\$ 16,692
-	-	-	377	377
136	148	208	61	877
-	-	-	1,207	1,207
-	-	-	5,849	5,849
-	-	-	1,476	1,476
-	-	-	621	621
<u>136</u>	<u>148</u>	<u>208</u>	<u>26,283</u>	<u>27,099</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>388,082</u>	<u>388,082</u>
19,468	20,988	29,392	-	116,125
-	125	578	-	2,692
-	-	-	-	-
6,661	5,971	7,328	-	34,839
-	-	-	-	-
<u>10,868</u>	<u>20,112</u>	<u>13,736</u>	<u>-</u>	<u>55,751</u>
<u>36,997</u>	<u>47,196</u>	<u>51,034</u>	<u>-</u>	<u>209,407</u>
37,133	47,344	51,242	414,365	624,588
<u>69,075</u>	<u>75,166</u>	<u>105,579</u>	<u>(414,365)</u>	<u>-</u>
<u>\$ 106,208</u>	<u>\$ 122,510</u>	<u>\$ 156,821</u>	<u>\$ -</u>	<u>\$ 624,588</u>

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

SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 1 - THE ASSOCIATION**

Sommerset Villas at Lexington Condominium Association, Inc. ("Association") was incorporated on November 19, 1996, under the laws of Florida as a corporation not-for-profit, to operate and manage Sommerset Villas at Lexington Condominium, a whole ownership condominium consisting of six separate condominiums in 72 buildings containing 204 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 June 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 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.

SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**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 10.

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 no cash payments for federal or state income taxes during the year ended December 31, 2019.

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 AND CASH EQUIVALENTS**

The Association maintains its cash and cash equivalent balances at 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, 2019, all of these balances were insured based on bank statement balances less FDIC insurance. The reconciled book balance, as of December 31, 2019, was \$516,094.

SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**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, 2019.

**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 and no state income tax expense for the year ended December 31, 2019.

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.

SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019

**NOTE 8 - LINE OF CREDIT**

The Association has a \$200,000 line of credit with Bank of the Ozarks, due August 30, 2020, at a current interest rate of 5.50%. The balance, as of December 31, 2019, was \$32,200.

**NOTE 9 - ASSESSMENTS RECEIVED IN ADVANCE**

Assessments received in advance consist of unbilled maintenance fees, which were received by the Association, as of December 31, 2019.

**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:

<u>Components</u>	Balance January 1, 2019	Additions To Fund	Interest Allocation	Charges To Fund	Balance December 31, 2019
<u>Condominium 1</u>					
Painting	\$ 897	\$ 3,450	\$ 11	\$ -	\$ 4,358
Roof replacement	47,155	15,374	570	1,689	61,410
Interest	-	581	(581)	-	-
	<u>48,052</u>	<u>19,405</u>	<u>-</u>	<u>1,689</u>	<u>65,768</u>
<u>Condominium 2</u>					
Painting	(417)	5,089	(5)	-	4,667
Roof replacement	67,822	22,575	846	3,894	87,349
Interest	-	841	(841)	-	-
	<u>67,405</u>	<u>28,505</u>	<u>-</u>	<u>3,894</u>	<u>92,016</u>
<u>Condominium 3</u>					
Painting	822	2,222	10	-	3,054
Roof replacement	25,133	10,698	293	-	36,124
Interest	-	303	(303)	-	-
	<u>25,955</u>	<u>13,223</u>	<u>-</u>	<u>-</u>	<u>39,178</u>
<u>Condominium 4</u>					
Painting	990	4,507	12	-	5,509
Roof replacement	63,229	17,933	783	-	81,945
Interest	-	795	(795)	-	-
	<u>64,219</u>	<u>23,235</u>	<u>-</u>	<u>-</u>	<u>87,454</u>

SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE 10 - REPLACEMENT FUND (Continued)**

Components	Balance January 1, 2019	Additions To Fund	Interest Allocation	Charges To Fund	Balance December 31, 2019
<u>Condominium 5</u>					
Painting	1,740	4,555	22	-	6,317
Roof replacement	69,293	19,421	859	-	89,573
Interest	-	881	(881)	-	-
	<u>71,033</u>	<u>24,857</u>	<u>-</u>	<u>-</u>	<u>95,890</u>
<u>Condominium 6</u>					
Painting	4,046	6,603	52	-	10,701
Roof replacement	94,220	26,885	1,215	-	122,320
Interest	-	1,267	(1,267)	-	-
	<u>98,266</u>	<u>34,755</u>	<u>-</u>	<u>-</u>	<u>133,021</u>
Totals	374,930	143,980	-	5,583	513,327
ASC 606 adjustment	<u>(374,930)</u>	<u>(138,397)</u>	<u>-</u>	<u>-</u>	<u>(513,327)</u>
ASC 606 adjusted balance	<u>\$ -</u>	<u>\$ 5,583</u>	<u>\$ -</u>	<u>\$ 5,583</u>	<u>\$ -</u>

Additions to the fund include \$4,668 of interest income. The Association's policy for allocating interest to the components is based on funding.

During the year ended December 31, 2019, the Association funded major repairs and replacements based on the Board's estimates of current replacement costs. The 2020 statutory and approved budgeted funding is \$441,996 and \$136,804 respectively, 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. At the annual membership meeting, the members voted to waive full funding of roofs.

**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.

SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

The Association adopted the new guidance as of January 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 January 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 January 1, 2019:

Fund balance, as previously reported, at January 1, 2019	\$ 374,930
Adjustment	<u>(374,930)</u>
Fund balance, adjusted, at January 1, 2019	<u>\$ -</u>

The effect of the adoption is a decrease in 2019 assessments by \$138,397 and a recording of a contract liability at December 31, 2019 of \$513,327. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

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)	\$ -	\$ 513,327	\$ 513,327
Total liabilities	<u>\$ -</u>	<u>\$ 513,327</u>	<u>\$ 513,327</u>
<u>Fund balance</u>			
Ending fund balance	<u>\$ 513,327</u>	<u>\$ (513,327)</u>	<u>\$ -</u>



SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

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:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
	<u>          </u>	<u>          </u>	<u>          </u>
<u>Revenue</u>	<u>\$ 143,980</u>	<u>\$(138,397)</u>	<u>\$ 5,583</u>
 <u>Cash flows</u>			
Excess of revenues over expenses	<u>\$ 138,397</u>	<u>\$(138,397)</u>	<u>\$ -</u>
Increase in contract liabilities (assessments received in advance - replacement	<u>\$ -</u>	<u>\$ 138,397</u>	<u>\$ 138,397</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 notice.

**SUPPLEMENTARY INFORMATION**

SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
 SUPPLEMENTARY INFORMATION ON  
 FUTURE MAJOR REPAIRS AND REPLACEMENTS  
 DECEMBER 31, 2019  
 (Unaudited)

The following table is based on estimates provided by the Board of Directors and management during 2019, using replacement costs and estimates from vendors, and presents significant information about the components of common property:

<u>Components</u>	<u>Estimated Useful Lives</u>	<u>Estimated Remaining Useful Lives</u>	<u>Estimated Current Replacement Costs</u>	<u>2020 Statutory Funding</u>	<u>2020 Approved Budgeted Funding</u>
<u>Condominium 1</u>					
Painting	7 years	6 years	\$ 23,000	\$ 3,107	\$ 3,323
Roof	30 years	8 years	<u>529,200</u>	<u>58,474</u>	<u>15,293</u>
			552,200	61,581	18,616
<u>Condominium 2</u>					
Painting	7 years	6 years	33,600	4,822	5,154
Roof	30 years	8 years	<u>774,000</u>	<u>85,831</u>	<u>22,966</u>
			807,600	90,653	28,120
<u>Condominium 3</u>					
Painting	7 years	6 years	15,100	2,008	2,130
Roof	30 years	8 years	<u>345,600</u>	<u>38,685</u>	<u>10,654</u>
			360,700	40,693	12,784
<u>Condominium 4</u>					
Painting	7 years	6 years	30,300	4,132	4,408
Roof	30 years	9 years	<u>691,200</u>	<u>67,695</u>	<u>17,760</u>
			721,500	71,827	22,168
<u>Condominium 5</u>					
Painting	7 years	6 years	32,800	4,414	4,733
Roof	30 years	9 years	<u>752,400</u>	<u>73,647</u>	<u>19,391</u>
			785,200	78,061	24,124
<u>Condominium 6</u>					
Painting	7 years	6 years	46,300	5,933	6,329
Roof	30 years	10 years	<u>1,054,800</u>	<u>93,248</u>	<u>24,663</u>
			<u>1,101,100</u>	<u>99,181</u>	<u>30,992</u>
Totals			<u>\$ 4,328,300</u>	<u>\$ 441,996</u>	<u>\$ 136,804</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.

SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL  
CONDOMINIUM 1  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
ADMINISTRATIVE			
Management fees	\$ -	\$ -	\$ -
Administrative fee	-	-	-
Division fees	104	104	-
Legal	-	-	-
Accounting	-	-	-
Postage	-	-	-
	-	-	-
Total administrative	104	104	-
INSURANCE	-	-	-
MAINTENANCE			
Landscaping/irrigation	14,909	14,888	21
Plant/tree replacement	1,593	811	782
Tree trimming	319	-	319
Maintenance - buildings	6,601	4,102	2,499
Pest control	1,275	4,478	(3,203)
	24,697	24,279	418
Total maintenance	24,697	24,279	418
Total expenses before allocation	24,801	24,383	418
Allocation of Association expenses	56,013	52,832	3,181
Total expenses	\$ 80,814	\$ 77,215	\$ 3,599

SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL  
CONDOMINIUM 2  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
ADMINISTRATIVE			
Management fees	\$ -	\$ -	\$ -
Administrative fee	-	-	-
Division fees	152	152	-
Legal	-	-	-
Accounting	-	-	-
Postage	-	-	-
	-	-	-
Total administrative	152	152	-
INSURANCE	-	-	-
MAINTENANCE			
Landscaping/irrigation	21,790	21,756	34
Plant/tree replacement	2,328	501	1,827
Tree trimming	319	-	319
Maintenance - buildings	9,647	5,669	3,978
Pest control	1,863	4,632	(2,769)
	1,863	4,632	(2,769)
Total maintenance	35,947	32,558	3,389
Total expenses before allocation	36,099	32,710	3,389
Allocation of Association expenses	81,844	77,196	4,648
Total expenses	\$ 117,943	\$ 109,906	\$ 8,037

SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL  
CONDOMINIUM 3  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
ADMINISTRATIVE			
Management fees	\$ -	\$ -	\$ -
Administrative fee	-	-	-
Division fees	68	68	-
Legal	-	-	-
Accounting	-	-	-
Postage	-	-	-
	-	-	-
Total administrative	68	68	-
INSURANCE	-	-	-
MAINTENANCE			
Landscaping/irrigation	9,748	9,633	115
Plant/tree replacement	1,042	677	365
Tree trimming	208	-	208
Maintenance - buildings	4,316	5,108	(792)
Pest control	833	1,925	(1,092)
	833	1,925	(1,092)
Total maintenance	16,147	17,343	(1,196)
Total expenses before allocation	16,215	17,411	(1,196)
Allocation of Association expenses	36,595	34,517	2,078
Total expenses	\$ 52,810	\$ 51,928	\$ 882

SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL  
CONDOMINIUM 4  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
ADMINISTRATIVE			
Management fees	\$ -	\$ -	\$ -
Administrative fee	-	-	-
Division fees	136	136	-
Legal	-	-	-
Accounting	-	-	-
Postage	-	-	-
	-	-	-
Total administrative	136	136	-
INSURANCE	-	-	-
MAINTENANCE			
Landscaping/irrigation	19,497	19,468	29
Plant/tree replacement	2,083	-	2,083
Tree trimming	417	-	417
Maintenance - buildings	8,632	6,661	1,971
Pest control	1,667	10,868	(9,201)
	1,667	10,868	(9,201)
Total maintenance	32,296	36,997	(4,701)
Total expenses before allocation	32,432	37,133	(4,701)
Allocation of Association expenses	73,234	69,075	4,159
Total expenses	\$ 105,666	\$ 106,208	\$ (542)

SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL  
CONDOMINIUM 5  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
ADMINISTRATIVE			
Management fees	\$ -	\$ -	\$ -
Administrative fee	-	-	-
Division fees	148	148	-
Legal	-	-	-
Accounting	-	-	-
Postage	-	-	-
	-	-	-
Total administrative	148	148	-
INSURANCE	-	-	-
MAINTENANCE			
Landscaping/irrigation	21,217	20,988	229
Plant/tree replacement	2,267	125	2,142
Tree trimming	453	-	453
Maintenance - buildings	9,393	5,971	3,422
Pest control	1,814	20,112	(18,298)
	1,814	20,112	(18,298)
Total maintenance	35,144	47,196	(12,052)
Total expenses before allocation	35,292	47,344	(12,052)
Allocation of Association expenses	79,692	75,166	4,526
Total expenses	\$ 114,984	\$ 122,510	\$ (7,526)



SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL  
CONDOMINIUM 6  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
ADMINISTRATIVE			
Management fees	\$ -	\$ -	\$ -
Administrative fee	-	-	-
Division fees	208	208	-
Legal	-	-	-
Accounting	-	-	-
Postage	-	-	-
	-	-	-
Total administrative	208	208	-
INSURANCE	-	-	-
MAINTENANCE			
Landscaping/irrigation	29,818	29,392	426
Plant/tree replacement	3,186	578	2,608
Tree trimming	637	-	637
Maintenance - buildings	13,202	7,328	5,874
Pest control	2,549	13,736	(11,187)
	2,549	13,736	(11,187)
Total maintenance	49,392	51,034	(1,642)
Total expenses before allocation	49,600	51,242	(1,642)
Allocation of Association expenses	111,936	105,579	6,357
Total expenses	\$ 161,536	\$ 156,821	\$ 4,715

SOMMERSET VILLAS AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.  
SCHEDULE OF OPERATING FUND EXPENSES - BUDGET TO ACTUAL  
NEIGHBORHOOD  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget <i>(Unaudited)</i>	Actual	Variance Favorable (Unfavorable)
ADMINISTRATIVE			
Management fees	\$ 16,800	\$ 16,692	\$ 108
Administrative fee	504	377	127
Division fees	60	61	(1)
Legal	2,000	1,207	793
Accounting	6,500	5,849	651
Interest expense	2,000	1,476	524
Postage	600	621	(21)
Total administrative	28,464	26,283	2,181
INSURANCE	410,850	388,082	22,768
MAINTENANCE			
Landscaping/irrigation	-	-	-
Plant/tree replacement	-	-	-
Tree trimming	-	-	-
Maintenance - buildings	-	-	-
Hurricane Irma expenses	-	-	-
Pest control	-	-	-
Total maintenance	-	-	-
Total expenses before allocation	439,314	414,365	24,949
Allocation of Association expenses	(439,314)	(414,365)	(24,949)
Total expenses	\$ -	\$ -	\$ -