

**SUTTON WALK 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
Sutton Walk at Lexington
Condominium Association, Inc.
Fort Myers, Florida

We have audited the accompanying financial statements of Sutton Walk 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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sutton Walk 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 pages 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

April 23, 2020

SUTTON WALK AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2019

	FUNDS		
	Operating	Replacement	Total
ASSETS			
Cash and cash equivalents	\$ 33,636	\$ 1,046,517	\$ 1,080,153
Certificates of deposit	-	313,192	313,192
Accounts receivable - members	7,601	-	7,601
Prepaid insurance	112,808	-	112,808
Prepaid expenses	17,594	-	17,594
Due from replacement fund	-	5,656	5,656
	<u>171,639</u>	<u>1,365,365</u>	<u>1,537,004</u>
Total assets	<u>\$ 171,639</u>	<u>\$ 1,365,365</u>	<u>\$ 1,537,004</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable - trade	\$ 45,858	\$ 23,121	\$ 68,979
Federal income tax payable	1,511	-	1,511
Assessment received in advance	76,872	-	76,872
Contract liabilities (assessments received in advance - replacement)	-	1,342,244	1,342,244
Due to operating fund	5,656	-	5,656
	<u>129,897</u>	<u>1,365,365</u>	<u>1,495,262</u>
Total liabilities	<u>129,897</u>	<u>1,365,365</u>	<u>1,495,262</u>
FUND BALANCES			
	<u>41,742</u>	<u>-</u>	<u>41,742</u>
Total liabilities and fund balances	<u>\$ 171,639</u>	<u>\$ 1,365,365</u>	<u>\$ 1,537,004</u>

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

SUTTON WALK 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	\$ 574,560	\$ 364,680	\$ 939,240
Late fees	1,018	-	1,018
Interest income	60	16,881	16,941
	<u>575,638</u>	<u>381,561</u>	<u>957,199</u>
Total revenues			
EXPENSES			
Administrative	232,316	-	232,316
Operating expenses	166,752	-	166,752
Common area and pool	46,658	-	46,658
Repairs and maintenance	166,283	-	166,283
Replacement	-	381,561	381,561
	<u>612,009</u>	<u>381,561</u>	<u>993,570</u>
Total expenses			
(Deficiency) of revenues over expenses	(36,371)	-	(36,371)
FUND BALANCES -			
Beginning balance - January 1, 2019	<u>69,713</u>	<u>-</u>	<u>69,713</u>
Ending balance - December 31, 2019	33,342	-	33,342
Working Capital - December 31, 2019	<u>8,400</u>	<u>-</u>	<u>8,400</u>
FUND BALANCES - December 31, 2019	<u><u>\$ 41,742</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 41,742</u></u>

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

	FUNDS		
	Operating	Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Maintenance fees received	\$ 576,824	\$ 340,896	\$ 917,720
Late fees received	1,018	-	1,018
Interest income received	60	16,881	16,941
Cash paid for taxes	(533)	-	(533)
Cash paid for operating expenditures	(637,626)	-	(637,626)
Cash paid for replacement expenditures	-	(358,440)	(358,440)
Interfund (receivable)/payable	26,562	(26,562)	-
Net cash (used) by operating activities	<u>(33,695)</u>	<u>(27,225)</u>	<u>(60,920)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Reinvestment in certificates of deposit	<u>-</u>	<u>(6,170)</u>	<u>(6,170)</u>
Net cash (used) by investing activities	<u>-</u>	<u>(6,170)</u>	<u>(6,170)</u>
Net (decrease) in cash	(33,695)	(33,395)	(67,090)
CASH AND CASH EQUIVALENTS - January 1, 2019	<u>67,331</u>	<u>1,079,912</u>	<u>1,147,243</u>
CASH AND CASH EQUIVALENTS - December 31, 2019	<u>\$ 33,636</u>	<u>\$ 1,046,517</u>	<u>\$ 1,080,153</u>

	FUNDS		
	<u>Operating</u>	<u>Replacement</u>	<u>Total</u>
RECONCILIATION OF (DEFICIENCY) OF REVENUES OVER EXPENSES TO NET CASH (USED) BY OPERATING ACTIVITIES			
(Deficiency) of revenues over expenses	<u>\$ (36,371)</u>	<u>\$ -</u>	<u>\$ (36,371)</u>
Adjustments to reconcile excess of revenues over expenses to net cash (used) provided by operating activities:			
(Increase) in accounts receivable - members	(5,019)	-	(5,019)
Decrease in prepaid insurance	132,260	-	132,260
(Increase) in prepaid expenses	(16,359)	-	(16,359)
(Decrease) increase in accounts payable	(143,009)	23,121	(119,888)
Increase in federal income taxes payable	958	-	958
Increase in assessments received in advance	7,283	-	7,283
(Decrease) in contract liabilities (assessments received in advance - replacement)	-	(23,784)	(23,784)
Interfund (receivable)/payable	<u>26,562</u>	<u>(26,562)</u>	<u>-</u>
Total adjustments	<u>2,676</u>	<u>(27,225)</u>	<u>(24,549)</u>
Net cash (used) by operating activities	<u>\$ (33,695)</u>	<u>\$ (27,225)</u>	<u>\$ (60,920)</u>

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part of the financial statements.

SUTTON WALK AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF OPERATING FUND REVENUES & EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Condominium Number			Total
	One	Two	Three	
REVENUES				
Maintenance fees	\$ 194,112	\$ 179,136	\$ 201,312	\$ 574,560
Late fees	70	392	556	1,018
Interest income	17	17	26	60
Total revenues	194,199	179,545	201,894	575,638
EXPENSES				
Administrative	72,776	73,379	86,161	232,316
Operating expenses	58,334	56,691	51,727	166,752
Common area and pool	15,197	15,160	16,301	46,658
Repairs and maintenance	57,514	44,668	64,101	166,283
Total expenses	203,821	189,898	218,290	612,009
(Deficiency) of revenues over expenses	(9,622)	(10,353)	(16,396)	(36,371)
FUND BALANCES -				
January 1, 2019	7,682	12,049	49,982	69,713
FUND (DEFICIT) BALANCES -				
December 31, 2019	<u>\$ (1,940)</u>	<u>\$ 1,696</u>	<u>\$ 33,586</u>	<u>\$ 33,342</u>

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SUTTON WALK AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - THE ASSOCIATION

Sutton Walk 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 Sutton Walk at Lexington Condominium. The Condominium consists of three condominiums, 2 each containing 48 residential units and 1 containing 72 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 April 23, 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 experience and susceptibility to factors outside the Association's control.

SUTTON WALK 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 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 \$533 for federal income taxes and no cash payments for 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, 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, 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 \$1,080,153.

The Association has certificates of deposit at various commercial banking institutions located in Southwest Florida. The accounts at the commercial banking institutions are issued under the CDARS program. As of December 31, 2019, all funds were insured.

SUTTON WALK 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. The accounts receivable are considered collectible; therefore no allowance for doubtful accounts has been recorded.

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 21% on its investment income and other non-exempt function income. The Association incurred a federal income tax expense, of \$2,311, 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.

SUTTON WALK AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019.

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, 2019	Additions To Fund	Transfers	Charges To Fund	Balance December 31, 2019
<u>Condominium 1</u>					
Painting	\$ 82,903	\$ 37,632	\$ 2,496	\$ 123,031	\$ -
Roof	173,680	51,072	3,786	-	228,538
Paving	15,285	1,728	-	-	17,013
Ventilation fans	3,786	-	(3,786)	-	-
Elevator	95,444	5,376	-	-	100,820
Roof painting	-	3,072	-	-	3,072
Backflow	14,000	(3,264)	-	-	10,736
Lobby décor	5,635	4,416	-	50	10,001
Backflow - pump house	-	1,344	-	-	1,344
Fire pump	8,820	576	-	-	9,396
Interest	10,359	5,206	(2,496)	-	13,069
	<u>409,912</u>	<u>107,158</u>	<u>-</u>	<u>123,081</u>	<u>393,989</u>
<u>Condominium 2</u>					
Painting	82,903	37,632	6,224	126,759	-
Roof	206,322	47,232	3,201	-	256,755
Paving	15,101	1,728	-	-	16,829
Ventilation fans	3,201	-	(3,201)	-	-
Elevator	83,297	6,336	-	-	89,633
Roof painting	-	3,072	-	-	3,072
Backflow	14,000	(6,720)	-	-	7,280
Lobby décor	7,734	4,032	-	3,870	7,896
Backflow - pump house	-	1,344	-	-	1,344
Fire pump	8,820	576	-	-	9,396
Interest	10,337	5,321	(6,224)	-	9,434
	<u>431,715</u>	<u>100,553</u>	<u>-</u>	<u>130,629</u>	<u>401,639</u>

SUTTON WALK AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 - REPLACEMENT FUND (Continued)

Components	Balance January 1, 2019	Additions To Fund	Transfers	Charges To Fund	Balance December 31, 2019
<u>Condominium 3</u>					
Painting	43,655	61,920	3,080	108,655	-
Roof	277,837	55,872	-	-	333,709
Paving	21,679	864	-	-	22,543
Elevators	117,204	7,776	-	5,160	119,820
Roof painting	-	5,472	-	-	5,472
Backflow	13,669	5,760	-	-	19,429
Interest	11,929	5,913	(3,080)	-	14,762
	<u>485,973</u>	<u>143,577</u>	<u>-</u>	<u>113,815</u>	<u>515,735</u>
<u>Association</u>					
Painting	1,488	1,478	-	2,435	531
Roof	14,561	1,008	-	-	15,569
Paving	8,291	874	-	1,950	7,215
Resurface pool	-	2,016	-	-	2,016
Pool deck	12,656	672	-	9,651	3,677
Fire pump	-	-	-	-	-
Interest	1,432	441	-	-	1,873
	<u>38,428</u>	<u>6,489</u>	<u>-</u>	<u>14,036</u>	<u>30,881</u>
Totals	1,366,028	357,777	-	381,561	1,342,244
ASC 606 adjustment	<u>(1,366,028)</u>	<u>23,784</u>	<u>-</u>	<u>-</u>	<u>(1,342,244)</u>
ASC 606 adjusted balance	<u>\$ -</u>	<u>\$ 381,561</u>	<u>\$ -</u>	<u>\$ 381,561</u>	<u>\$ -</u>

Additions to fund include \$16,881 of interest income.

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 \$265,344, 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.

SUTTON WALK AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10 - 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 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	\$ 1,366,028
Adjustment	<u>(1,366,028)</u>
Fund balance, adjusted, at January 1, 2019	<u><u>\$ -</u></u>

The effect of the adoption is an increase in 2019 assessments by \$23,784 and a recording of a contract liability at December 31, 2019 of \$1,342,244. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

SUTTON WALK AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10 - 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:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
<u>Liabilities</u>			
Contract liabilities (assessments received in advance - replacement)	\$ -	\$ 1,342,244	\$ 1,342,244
Total liabilities	<u>\$ -</u>	<u>\$ 1,342,244</u>	<u>\$ 1,342,244</u>
<u>Fund balance</u>			
Ending fund balance	<u>\$ 1,342,244</u>	<u>\$ (1,342,244)</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:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
<u>Revenue</u>	<u>\$ 357,777</u>	<u>\$ 23,784</u>	<u>\$ 381,561</u>
<u>Cash flows</u>			
(Deficiency) of revenue over expenses	<u>\$ (23,784)</u>	<u>\$ 23,784</u>	<u>\$ -</u>
(Decrease) in contract liabilities (assessment received in advance - replacement)	<u>\$ -</u>	<u>\$ (23,784)</u>	<u>\$ (23,784)</u>

SUTTON WALK AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOT 11 - LINE OF CREDIT

The Association received a line of credit on August 1, 2019 in the amount of \$200,000. The loan has an annual interest rate of 5.5% and expires on August 30, 2020. The balance as of December 31, 2019 was zero.

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 60 days notice.

SUPPLEMENTARY INFORMATION

SUTTON WALK 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 to the Board by a professional reserve study done in 2019.

Components	Estimated Useful Lives	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2020 Statutory & Approved Budgeted Funding
<u>Condominium 1</u>				
Painting	10 years	10 years	\$ 160,000	\$ 16,011
Roof	30 years	7 years	586,800	51,216
Paving	20 years	3 years	22,160	1,716
Elevator	30 years	11 years	160,000	5,384
Roof painting	15 years	12 years	45,000	3,496
Backflow - buildings	15 years	1 year	7,400	(3,338)
Lobby	10 years	2 years	20,000	5,003
Backflow - pump house	15 years	1 year	2,750	1,406
Fire pump	40 years	20 years	20,000	514
			<u>1,001,360</u>	<u>81,408</u>
<u>Condominium 2</u>				
Painting	10 years	10 years	160,000	16,012
Roof	30 years	7 years	586,800	47,182
Paving	20 years	3 years	22,160	1,778
Elevator	30 years	11 years	160,000	6,401
Roof painting	15 years	12 years	45,000	3,496
Backflow - buildings	15 years	1 year	7,280	-
Lobby	10 years	2 years	20,000	5,003
Backflow - pump house	15 years	1 year	2,750	1,406
Fire pump	40 years	20 years	20,000	514
			<u>1,023,990</u>	<u>81,792</u>

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

Components	Estimated Useful Lives	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2020 Statutory & Approved Budgeted Funding
<u>Condominium 3</u>				
Painting	10 years	10 years	150,000	15,358
Roof	30 years	7 years	744,540	60,090
Paving	20 years	3 years	25,575	1,035
Elevators	30 years	11 years	210,000	7,913
Roof painting	15 years	12 years	60,000	4,652
Backflow	15 years	1 year	25,000	5,704
			1,215,115	94,752
<u>Association</u>				
Painting	10 years	10 years	8,000	808
Roof	30 years	7 years	26,000	1,504
Paving	20 years	3 years	11,820	893
Resurface pool	13 years	12 years	28,000	2,186
Pool deck	25 years	6 years	16,185	2,001
			90,005	7,392
Totals			\$ 3,330,470	\$ 265,344

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.

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

	<u>Budget</u> <i>(Unaudited)</i>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES			
Maintenance fees	\$ 194,112	\$ 194,112	\$ -
Late fees	-	70	70
Interest income	-	17	17
	<u>194,112</u>	<u>194,199</u>	<u>87</u>
EXPENSES			
ADMINISTRATIVE			
Property management	3,648	3,620	28
Insurance - property	51,704	46,007	5,697
Insurance - flood	17,195	14,548	2,647
Insurance - D&O	568	515	53
Insurance - fidelity	285	273	12
Insurance - umbrella	826	789	37
Insurance - general liability	1,917	2,019	(102)
Insurance - worker's comp	204	193	11
Corporate filing fee	18	18	-
Accounting fees	1,843	1,456	387
Legal fees	345	1,616	(1,271)
Division fee	192	192	-
Bank fees	290	238	52
Federal income tax expense	-	738	(738)
Administrative expense	430	554	(124)
	<u>79,465</u>	<u>72,776</u>	<u>6,689</u>
OPERATING EXPENSES			
Electric	13,260	12,094	1,166
Telephone	1,150	1,142	8
Janitorial services	15,336	15,024	312
Pest control	2,010	3,093	(1,083)
Water and sewer	23,640	23,005	635
Waste removal	3,990	3,976	14
	<u>59,386</u>	<u>58,334</u>	<u>1,052</u>

SUTTON WALK AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUES & EXPENSES - BUDGET TO ACTUAL
CONDOMINIUM 1 - (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
COMMON AREA AND POOL	<i>(Unaudited)</i>		
Insurance - property fire pump	141	68	73
Insurance - property pool	126	313	(187)
Insurance - flood fire pump	1,680	1,728	(48)
Insurance - flood pool	245	393	(148)
Fire pump utilities	400	369	31
Electricity - pool	1,592	1,779	(187)
Pool license	71	71	-
Pool service	4,029	4,028	1
Pool repairs and maintenance	1,000	1,885	(885)
Telephone - pool	440	453	(13)
Water and sewer - pool	725	534	191
Landscape and irrigation - pool	1,423	1,411	12
Fire pump inspection and maintenance	1,850	2,165	(315)
	<u>13,722</u>	<u>15,197</u>	<u>(1,475)</u>
Total common area and pool			
REPAIRS AND MAINTENANCE			
Elevator contract	4,960	4,959	1
Fire monitoring	1,910	1,769	141
Fire sprinkler contract	300	213	87
Elevator inspections	430	660	(230)
Elevator repairs and maintenance	3,800	6,613	(2,813)
Fire alarm repairs	1,800	983	817
Sprinkler and extinguisher expense	1,560	3,859	(2,299)
Repairs and maintenance building	16,130	23,593	(7,463)
Plant and tree replacement	1,000	1,824	(824)
Landscape and irrigation	13,145	13,041	104
	<u>45,035</u>	<u>57,514</u>	<u>(12,479)</u>
Total repairs and maintenance			
Total expenses	<u>197,608</u>	<u>203,821</u>	<u>(6,213)</u>
(Deficiency) of revenues over expenses	<u>\$ (3,496)</u>	<u>\$ (9,622)</u>	<u>\$ (6,126)</u>

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

	<u>Budget</u> <i>(Unaudited)</i>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES			
Maintenance fees	\$ 179,136	\$ 179,136	\$ -
Late fees	-	392	392
Interest income	-	17	17
	<u>179,136</u>	<u>179,545</u>	<u>409</u>
EXPENSES			
ADMINISTRATIVE			
Property management	3,648	3,620	28
Insurance - property	51,705	46,007	5,698
Insurance - flood	17,195	15,366	1,829
Insurance - D&O	568	515	53
Insurance - fidelity	285	273	12
Insurance - umbrella	826	789	37
Insurance - general liability	1,917	2,019	(102)
Insurance - worker's comp	204	193	11
Corporate filing fee	18	18	-
Accounting fees	1,843	1,456	387
Legal fees	345	1,586	(1,241)
Division fee	192	244	(52)
Bank fees	286	186	100
Federal income tax expense	-	753	(753)
Administrative expense	429	354	75
	<u>79,461</u>	<u>73,379</u>	<u>6,082</u>
OPERATING EXPENSES			
Electric	10,660	11,051	(391)
Telephone	1,150	1,142	8
Janitorial services	15,336	15,024	312
Pest control	2,008	2,008	-
Water and sewer	23,640	23,490	150
Waste removal	3,990	3,976	14
	<u>56,784</u>	<u>56,691</u>	<u>93</u>

SUTTON WALK AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUES & EXPENSES - BUDGET TO ACTUAL
CONDOMINIUM 2 - (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Budget</u> <i>(Unaudited)</i>	<u>Actual</u>	Variance Favorable <i>(Unfavorable)</i>
COMMON AREA AND POOL			
Insurance - property fire pump	141	68	73
Insurance - property pool	126	313	(187)
Insurance - flood fire pump	1,680	1,728	(48)
Insurance - flood pool	245	393	(148)
Fire pump utilities	400	369	31
Electric	1,592	1,742	(150)
Pool license	71	71	-
Pool service	4,029	4,028	1
Pool repairs and maintenance	1,000	1,885	(885)
Telephone - pool	440	453	(13)
Water and sewer - pool	725	534	191
Landscape and irrigation - pool	1,423	1,411	12
Fire pump inspection and maintenance	<u>1,850</u>	<u>2,165</u>	<u>(315)</u>
 Total common area and pool	 <u>13,722</u>	 <u>15,160</u>	 <u>(1,438)</u>
REPAIRS AND MAINTENANCE			
Elevator contract	4,960	4,959	1
Fire monitoring	1,910	1,769	141
Fire sprinkler contract	300	213	87
Elevator inspections	430	660	(230)
Elevator repairs and maintenance	3,800	3,965	(165)
Fire alarm repairs	1,800	-	1,800
Sprinkler and extinguisher expense	2,380	2,363	17
Repairs and maintenance building	16,040	15,422	618
Plant and tree replacement	1,000	2,276	(1,276)
Landscape and irrigation	<u>13,145</u>	<u>13,041</u>	<u>104</u>
 Total repairs and maintenance	 <u>45,765</u>	 <u>44,668</u>	 <u>1,097</u>
 Total expenses	 <u>195,732</u>	 <u>189,898</u>	 <u>5,834</u>
 (Deficiency) of revenues over expenses	 <u>\$ (16,596)</u>	 <u>\$ (10,353)</u>	 <u>\$ 6,243</u>

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

	<u>Budget</u> <i>(Unaudited)</i>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES			
Maintenance fees	\$ 201,312	\$ 201,312	\$ -
Late fees	-	556	556
Interest income	-	26	26
	<u>201,312</u>	<u>201,894</u>	<u>582</u>
EXPENSES			
ADMINISTRATIVE			
Property management	5,472	5,428	44
Insurance - property	51,565	43,062	8,503
Insurance - flood	28,113	27,323	790
Insurance - D&O	852	773	79
Insurance - fidelity	427	410	17
Insurance - umbrella	1,240	1,184	56
Insurance - general liability	2,876	3,028	(152)
Insurance - worker's comp	307	289	18
Corporate filing fee	27	26	1
Accounting fees	2,764	2,184	580
Legal fees	515	438	77
Division fee	288	366	(78)
Bank fees	429	280	149
Federal income tax expense	-	838	(838)
Administrative expense	643	532	111
	<u>95,518</u>	<u>86,161</u>	<u>9,357</u>
OPERATING EXPENSES			
Electric	2,080	2,246	(166)
Telephone	1,720	1,713	7
Janitorial services	7,668	7,512	156
Pest control	2,411	2,477	(66)
Water and sewer	33,390	31,687	1,703
Waste removal	5,985	6,092	(107)
	<u>53,254</u>	<u>51,727</u>	<u>1,527</u>

SUTTON WALK AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUES & EXPENSES - BUDGET TO ACTUAL
CONDOMINIUM 3 - (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
	<i>(Unaudited)</i>		
COMMON AREA AND POOL			
Insurance - property pool	189	469	(280)
Insurance - flood pool	369	589	(220)
Electricity - pool	2,382	2,668	(286)
Pool license	108	107	1
Pool service	6,042	6,043	(1)
Pool repairs and maintenance	1,500	2,828	(1,328)
Telephone - pool	670	679	(9)
Water and sewer - pool	1,084	801	283
Landscape and irrigation - pool	2,134	2,117	17
	<u>14,478</u>	<u>16,301</u>	<u>(1,823)</u>
REPAIRS AND MAINTENANCE			
Elevator contract	6,565	6,564	1
Fire monitoring	2,860	2,653	207
Fire sprinkler contract	450	470	(20)
Elevator inspections	645	735	(90)
Elevator repairs and maintenance	4,300	3,781	519
Fire alarm repairs	2,050	330	1,720
Sprinkler and extinguisher expense	2,790	3,237	(447)
Repairs and maintenance building	24,150	18,819	5,331
Plant and tree replacement	1,500	3,634	(2,134)
Landscape and irrigation	24,080	23,878	202
	<u>69,390</u>	<u>64,101</u>	<u>5,289</u>
Total repairs and maintenance	<u>69,390</u>	<u>64,101</u>	<u>5,289</u>
Total expenses	<u>232,640</u>	<u>218,290</u>	<u>14,350</u>
(Deficiency) of revenues over expenses	<u>\$ (31,328)</u>	<u>\$ (16,396)</u>	<u>\$ 14,932</u>