

**WATERFORD 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
Waterford at Lexington
Condominium Association, Inc.
Fort Myers, Florida

We have audited the accompanying financial statements of Waterford 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
Waterford at Lexington
Condominium Association, Inc.
Naples, 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 Waterford 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 17 and 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

April 28, 2020

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

	FUNDS		
	Operating	Replacement	Total
ASSETS			
Cash and cash equivalents	\$ 205,303	\$ 926,115	\$ 1,131,418
Certificates of deposit	-	1,048,810	1,048,810
Accounts receivable - members	8,811	-	8,811
Special assessment - installments receivable	282,000	-	282,000
Prepaid insurance	263,427	-	263,427
Prepaid expenses	8,232	-	8,232
Due from replacement fund	3,518	-	3,518
	<u>\$ 771,291</u>	<u>\$ 1,974,925</u>	<u>\$ 2,746,216</u>
Total assets			
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable - trade	\$ 27,250	\$ -	\$ 27,250
Assessment received in advance	3,405	-	3,405
Federal income tax payable	2,728	-	2,728
Deferred special assessment	570,023	-	570,023
Note payable - insurance	180,459	-	180,459
Contract liabilities (assessments received in advance - replacement)	-	1,971,407	1,971,407
Due to operating fund	-	3,518	3,518
	<u>783,865</u>	<u>1,974,925</u>	<u>2,758,790</u>
Total liabilities			
FUND BALANCES (DEFICIT)	<u>(12,574)</u>	<u>-</u>	<u>(12,574)</u>
Total liabilities and fund balances	<u>\$ 771,291</u>	<u>\$ 1,974,925</u>	<u>\$ 2,746,216</u>

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

WATERFORD AT LEXINGTON CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2019

	FUNDS		
	Operating	Replacement	Total
REVENUES			
Maintenance fees	\$ 961,020	\$ 18,969	\$ 979,989
Special assessment	132,778	-	132,778
Interest income	66	27,356	27,422
Finance charges	2,039	-	2,039
	<u>1,095,903</u>	<u>46,325</u>	<u>1,142,228</u>
Total revenues			
EXPENSES			
Utilities	180,651	-	180,651
Maintenance	363,261	46,325	409,586
Insurance	336,477	-	336,477
Administrative	43,685	-	43,685
Special assessment	132,778	-	132,778
	<u>1,056,852</u>	<u>46,325</u>	<u>1,103,177</u>
Total expenses			
Excess of revenues over expenses	39,051	-	39,051
FUND BALANCES (DEFICIT) -			
Beginning balance - January 1, 2019	<u>(65,875)</u>	<u>-</u>	<u>(65,875)</u>
Ending balance - December 31, 2019	(26,824)	-	(26,824)
Working Capital - December 31, 2019	<u>14,250</u>	<u>-</u>	<u>14,250</u>
FUND BALANCES (DEFICIT) - December 31, 2019	<u>\$ (12,574)</u>	<u>\$ -</u>	<u>\$ (12,574)</u>

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WATERFORD 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	\$ 951,786	\$ 275,232	\$ 1,227,018
Special assessment	420,801	-	420,801
Interest income received	66	27,356	27,422
Finance charges received	2,039	-	2,039
Cash paid for operating expenditures	(1,053,892)	-	(1,053,892)
Cash paid for replacement expenditures	-	(46,325)	(46,325)
Interfund receivable/(payable)	(3,518)	3,518	-
 Net cash provided by operating activities	 <u>317,282</u>	 <u>259,781</u>	 <u>577,063</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds - line of credit	419,000	-	419,000
Payments - line of credit	(575,000)	-	(575,000)
Proceeds - note payable - insurance	215,458	-	215,458
Payments - note payable - insurance	(175,821)	-	(175,821)
 Net cash (used) by financing activities	 <u>(116,363)</u>	 <u>-</u>	 <u>(116,363)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Reinvestment in certificates of deposit	-	(18,560)	(18,560)
 Net cash (used) by investing activities	 <u>-</u>	 <u>(18,560)</u>	 <u>(18,560)</u>
 Net increase in cash	 200,919	 241,221	 442,140
CASH AND CASH EQUIVALENTS - January 1, 2019	 <u>4,384</u>	 <u>684,894</u>	 <u>689,278</u>
CASH AND CASH EQUIVALENTS - December 31, 2019	 <u>\$ 205,303</u>	 <u>\$ 926,115</u>	 <u>\$ 1,131,418</u>

	FUNDS		
	Operating	Replacement	Total
RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 39,051	\$ -	\$ 39,051
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) in accounts receivable - members	(5,448)	-	(5,448)
(Increase) special assessment installments	(282,000)	-	(282,000)
(Increase) in prepaid insurance	(11,485)	-	(11,485)
(Increase) in prepaid expenses	(120)	-	(120)
Increase in accounts payable	11,837	-	11,837
(Decrease) in assessments received in advance	(3,786)	-	(3,786)
Increase in federal income taxes payable	2,728	-	2,728
Increase in deferred special assessments	570,023	-	570,023
Increase in contract liabilities (assessments received in advance - replacement)	-	256,263	256,263
Interfund receivable/(payable)	(3,518)	3,518	-
Total adjustments	278,231	259,781	538,012
Net cash provided by operating activities	\$ 317,282	\$ 259,781	\$ 577,063

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

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

	Condominium Number				
	One	Two	Three	Neighborhood	Total
UTILITIES					
Electricity	\$ 3,782	\$ 3,852	\$ 3,753	\$ 6,650	\$ 18,037
Telephone	3,091	3,091	3,091	1,505	10,778
Water/sewer	39,531	39,722	39,465	3,156	121,874
Waste disposal	10,010	10,005	9,947	-	29,962
Total utilities	56,414	56,670	56,256	11,311	180,651
MAINTENANCE					
Elevator maintenance	15,821	15,523	20,333	-	51,677
Fire monitoring	4,768	4,768	4,768	-	14,304
Fire extinguisher/backflow inspections	11,827	8,320	4,887	-	25,034
Janitorial services and supplies	22,368	22,372	22,372	8,420	75,532
Landscaping/irrigation	26,028	26,028	26,024	-	78,080
Pool maintenance	-	-	-	5,690	5,690
Repairs and maintenance - pool	-	-	-	6,671	6,671
Repairs and maintenance - buildings	28,076	29,923	26,325	-	84,324
Plant/tree replacement	3,383	3,383	3,383	-	10,149
Pest control	2,745	2,745	6,310	-	11,800
Total maintenance	115,016	113,062	114,402	20,781	363,261
INSURANCE					
	-	-	-	336,477	336,477
ADMINISTRATIVE					
Accounting	-	-	-	4,850	4,850
Administrative fees	-	-	-	1,271	1,271
Entertainment	-	-	-	7,510	7,510
Corporate filing fee	380	380	380	61	1,201
Interest expense	-	-	-	3,191	3,191
Legal	-	-	-	1,925	1,925
Licenses and taxes	-	-	-	250	250
Management fees	-	-	-	18,968	18,968
Federal income tax expense	1,001	922	805	-	2,728
Postage	-	-	-	1,791	1,791
Total administrative	1,381	1,302	1,185	39,817	43,685
Total expenses before allocation	172,811	171,034	171,843	408,386	924,074
Allocation of Association expenses	136,128	136,129	136,129	(408,386)	-
Special assessment expense	44,259	44,259	44,260	-	132,778
Total operating fund expenses	\$ 353,198	\$ 351,422	\$ 352,232	\$ -	\$ 1,056,852

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

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

NOTE 1 - THE ASSOCIATION

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

NOTE 2 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 28, 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.

WATERFORD 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 \$1,131,418.

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.

WATERFORD 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 is subject to federal and state income taxes in accordance with the provisions of the Internal Revenue Code. Under this status, the Association is taxed on its non-function income in excess of its non-function expenses at applicable corporate rates. The Association incurred a federal income tax liability of \$2,311 and no state income tax liability 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.

WATERFORD 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:

<u>Components</u>	<u>January 1, 2019</u>	<u>Additions To Fund</u>	<u>Transfers</u>	<u>Charges To Fund</u>	<u>December 31, 2019</u>
<u>Condominium 1</u>					
Pooled	\$ 609,847	\$ 90,060	\$ 9,609	\$ 10,196	\$ 699,320
Interest	-	9,609	(9,609)	-	-
	<u>609,847</u>	<u>99,669</u>	<u>-</u>	<u>10,196</u>	<u>699,320</u>
<u>Condominium 2</u>					
Pooled	545,020	90,060	8,826	7,241	636,665
Interest	-	8,826	(8,826)	-	-
	<u>545,020</u>	<u>98,886</u>	<u>-</u>	<u>7,241</u>	<u>636,665</u>
<u>Condominium 3</u>					
Pooled	486,674	90,060	7,646	24,740	559,640
Interest	-	7,646	(7,646)	-	-
	<u>486,674</u>	<u>97,706</u>	<u>-</u>	<u>24,740</u>	<u>559,640</u>
<u>Neighborhood</u>					
Pooled	73,603	5,052	1,275	4,148	75,782
Interest	-	1,275	(1,275)	-	-
	<u>73,603</u>	<u>6,327</u>	<u>-</u>	<u>4,148</u>	<u>75,782</u>
Totals	1,715,144	302,588	-	46,325	1,971,407
ASC 606 adjustment	<u>(1,715,144)</u>	<u>(256,263)</u>	<u>-</u>	<u>-</u>	<u>(1,971,407)</u>
ASC 606 adjusted balance	<u>\$ -</u>	<u>\$ 46,325</u>	<u>\$ -</u>	<u>\$ 46,325</u>	<u>\$ -</u>

Additions to fund include \$27,356 of interest income.

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

NOTE 9 - REPLACEMENT FUND (Continued)

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 \$321,765 and \$297,540, 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.

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	\$ 1,715,144
Adjustment	<u>(1,715,144)</u>
Fund balance, adjusted, at January 1, 2019	<u><u>\$ -</u></u>

The effect of the adoption is a decrease in 2019 assessments by \$256,263 and a recording of a contract liability at December 31, 2019 of \$1,971,407. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

WATERFORD 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)	\$ -	\$ 1,971,407	\$ 1,971,407
Total liabilities	<u>\$ -</u>	<u>\$ 1,971,407</u>	<u>\$ 1,971,407</u>
<u>Fund balance</u>			
Ending fund balance	<u>\$1,971,407</u>	<u>\$(1,971,407)</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>\$ 302,588</u>	<u>\$ (256,263)</u>	<u>\$ 46,325</u>
<u>Cash flows</u>			
Excess of revenues over expenses	<u>\$ 256,263</u>	<u>\$ (256,263)</u>	<u>\$ -</u>
Increase in contract liabilities (assessments received in advance - replacement)	<u>\$ -</u>	<u>\$ 256,263</u>	<u>\$ 256,263</u>

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

NOTE 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 - SPECIAL ASSESSMENT

The Board of Directors, at a meeting held May 30, 2019, authorized a special assessment to provide funds for lining or replacing the Association's cast-iron pipes. The owners were given two options to pay; if paid in full by June 30, 2019 the amount due would be \$2,400; option two would be to pay the special assessment over 8 quarterly installments, the first installment was a down payment of \$500, the remaining 8 installments will be \$250 each. As of December 31, 2019, 2 quarterly installments had been billed, leaving a balance of \$282,000 in unbilled receivable.

As of December 31, 2019, the project had begun, and it is anticipated that the project will be completed in 2020.

NOTE 13 - COMMITMENTS

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

SUPPLEMENTARY INFORMATION

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

The following table is based on estimates provided to the Board by a professional reserve study done in 2010.

Components	Estimated Useful Lives	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2020 Statutory (Pooling) Funding	2020 Approved (Pooling) Budgeted Funding
<u>Condominium 1</u>					
Painting	7 years	2 years	\$ 107,000	\$ -	\$ -
Gutter replacements	20 years	15 years	12,000	-	-
Roof	27 years	3 years	897,700	-	-
Parking - overlay	20 years	17 years	60,000	-	-
Parking - sealing	5 years	0 years	7,000	-	-
Elevators	22-30 years	5 years	354,000	-	-
Paint - walks and halls	2 years	0 years	12,250	-	-
Landscape improvements	- years	0 years	46,200	-	-
Dumpster enclosures	25 years	1 year	150,000	-	-
Miscellaneous building components	19-36 years	0 years	197,000	-	-
General reserves	-	-	-	106,115	98,040
			<u>1,843,150</u>	<u>106,115</u>	<u>98,040</u>
<u>Condominium 2</u>					
Painting	7 years	2 years	107,000	-	-
Gutter replacements	20 years	15 years	12,000	-	-
Roof	27 years	4 years	897,700	-	-
Parking - overlay	20 years	17 years	60,000	-	-
Parking - sealing	5 years	0 years	7,000	-	-
Elevators	22-30 years	6 years	354,000	-	-
Landscape improvements	- years	0 years	46,200	-	-
Paint - walks and halls	2 years	0 years	12,250	-	-
Dumpster enclosures	25 years	1 year	150,000	-	-
Miscellaneous building components	19-36 years	0 years	197,000	-	-
General reserves	-	-	-	106,115	98,040
			<u>1,843,150</u>	<u>106,115</u>	<u>98,040</u>

WATERFORD 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 (Pooling) Funding	2020 Approved (Pooling) Budgeted Funding
<u>Condominium 3</u>					
Painting	7 years	3 years	107,000	-	-
Gutter replacements	20 years	15 years	12,000	-	-
Roof	27 years	6 years	897,700	-	-
Parking - overlay	20 years	18 years	60,000	-	-
Parking - sealing	5 years	0 years	7,000	-	-
Elevators	22-30 years	7 years	354,000	-	-
Paint - walks and halls	2 years	1 year	12,250	-	-
Landscape improvements	years	0 years	46,200	-	-
Dumpster enclosures	25 years	2 years	150,000	-	-
Miscellaneous building components	19-36 years	0 years	197,000	-	-
General reserves	-	-	-	106,115	98,040
			<u>1,843,150</u>	<u>106,115</u>	<u>98,040</u>
<u>Neighborhood</u>					
Painting	7 years	3 years	1,575	-	-
Roof	27 years	4 years	24,000	-	-
Pool resurfacing	10 years	4 years	19,400	-	-
Pool fence	9-13 years	0 years	47,825	-	-
Pool deck refinish	10 years	0 years	25,000	-	-
Pool filter and pumps	10-24 years	0 years	15,000	-	-
General reserves	-	-	-	3,420	3,420
			<u>132,800</u>	<u>3,420</u>	<u>3,420</u>
Totals			<u>\$ 5,662,250</u>	<u>\$ 321,765</u>	<u>\$ 297,540</u>

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

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

	<u>Budget</u> <i>(Unaudited)</i>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
UTILITIES			
Electricity	\$ 4,333	\$ 3,782	\$ 551
Telephone	3,050	3,091	(41)
Water/sewer	38,334	39,531	(1,197)
Waste disposal	<u>13,433</u>	<u>10,010</u>	<u>3,423</u>
Total utilities	<u>59,150</u>	<u>56,414</u>	<u>2,736</u>
MAINTENANCE			
Elevator maintenance	16,667	15,821	846
Fire monitoring	5,057	4,768	289
Fire extinguisher/backflow inspections	8,333	11,827	(3,494)
Janitorial services and supplies	22,833	22,368	465
Landscaping/irrigation	26,240	26,028	212
Pool maintenance	-	-	-
Repairs and maintenance - pool	-	-	-
Repairs and maintenance - buildings	23,356	28,076	(4,720)
Plant/tree replacement	1,667	3,383	(1,716)
Professional arborist	2,333	-	2,333
Pest control	<u>7,395</u>	<u>2,745</u>	<u>4,650</u>
Total maintenance	<u>113,881</u>	<u>115,016</u>	<u>(1,135)</u>
INSURANCE			
	<u>-</u>	<u>-</u>	<u>-</u>
ADMINISTRATIVE			
Accounting	-	-	-
Administrative fees	-	-	-
Division fees	380	380	-
Interest expense	-	-	-
Legal	-	-	-
Licenses and taxes	-	-	-
Management fees	-	-	-
Federal income tax expense	-	1,001	(1,001)
Postage	<u>-</u>	<u>-</u>	<u>-</u>
Total administrative	<u>380</u>	<u>1,381</u>	<u>(1,001)</u>
Total expenses before allocation	173,411	172,811	600
Allocation of Association expenses	<u>133,750</u>	<u>136,128</u>	<u>(2,378)</u>
Total expenses	<u>\$ 307,161</u>	<u>\$ 308,939</u>	<u>\$ (1,778)</u>

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

	<u>Budget</u> <i>(Unaudited)</i>	<u>Actual</u>	Variance Favorable <i>(Unfavorable)</i>
UTILITIES			
Electricity	\$ 4,333	\$ 3,852	\$ 481
Telephone	3,050	3,091	(41)
Water/sewer	38,333	39,722	(1,389)
Waste disposal	<u>13,434</u>	<u>10,005</u>	<u>3,429</u>
Total utilities	<u>59,150</u>	<u>56,670</u>	<u>2,480</u>
MAINTENANCE			
Elevator maintenance	16,666	15,523	1,143
Fire monitoring	5,056	4,768	288
Fire extinguisher/backflow inspections	8,334	8,320	14
Janitorial services and supplies	22,833	22,372	461
Landscaping/irrigation	26,240	26,028	212
Pool maintenance	-	-	-
Repairs and maintenance - pool	-	-	-
Repairs and maintenance - buildings	23,356	29,923	(6,567)
Plant/tree replacement	1,666	3,383	(1,717)
Professional arborist	2,334	-	2,334
Pest control	<u>7,395</u>	<u>2,745</u>	<u>4,650</u>
Total maintenance	<u>113,880</u>	<u>113,062</u>	<u>818</u>
INSURANCE			
	<u>-</u>	<u>-</u>	<u>-</u>
ADMINISTRATIVE			
Accounting	-	-	-
Administrative fees	-	-	-
Division fees	380	380	-
Interest expense	-	-	-
Legal	-	-	-
Licenses and taxes	-	-	-
Management fees	-	-	-
Federal income tax expense	-	922	(922)
Postage	<u>-</u>	<u>-</u>	<u>-</u>
Total administrative	<u>380</u>	<u>1,302</u>	<u>(922)</u>
Total expenses before allocation	173,410	171,034	2,376
Allocation of Association expenses	<u>133,750</u>	<u>136,129</u>	<u>(2,379)</u>
Total expenses	<u>\$ 307,160</u>	<u>\$ 307,163</u>	<u>\$ (3)</u>

WATERFORD 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)
UTILITIES			
Electricity	\$ 4,334	\$ 3,753	\$ 581
Telephone	3,050	3,091	(41)
Water/sewer	38,334	39,465	(1,131)
Waste disposal	13,433	9,947	3,486
Total utilities	59,151	56,256	2,895
MAINTENANCE			
Elevator maintenance	16,667	20,333	(3,666)
Fire monitoring	5,057	4,768	289
Fire extinguisher/backflow inspections	8,333	4,887	3,446
Janitorial services and supplies	22,834	22,372	462
Landscaping/irrigation	26,240	26,024	216
Pool maintenance	-	-	-
Repairs and maintenance - pool	-	-	-
Repairs and maintenance - buildings	23,356	26,325	(2,969)
Plant/tree replacement	1,667	3,383	(1,716)
Professional arborist	2,333	-	2,333
Pest control	7,395	6,310	1,085
Total maintenance	113,882	114,402	(520)
INSURANCE			
	-	-	-
ADMINISTRATIVE			
Accounting	-	-	-
Administrative fees	-	-	-
Division fees	380	380	-
Interest expense	-	-	-
Legal	-	-	-
Legal special fund	-	-	-
Licenses and taxes	-	-	-
Management fees	-	-	-
Federal income tax expense	-	805	(805)
Postage	-	-	-
Total administrative	380	1,185	(805)
Total expenses before allocation	173,413	171,843	1,570
Allocation of Association expenses	133,750	136,129	(2,379)
Total expenses	\$ 307,163	\$ 307,972	\$ (809)

WATERFORD 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)
UTILITIES			
Electricity	\$ 7,500	\$ 6,650	\$ 850
Telephone	1,460	1,505	(45)
Water/sewer	3,000	3,156	(156)
Waste disposal	-	-	-
	<u>11,960</u>	<u>11,311</u>	<u>649</u>
MAINTENANCE			
Elevator maintenance	-	-	-
Fire monitoring	-	-	-
Fire extinguisher/backflow inspections	-	-	-
Janitorial services and supplies	8,420	8,420	-
Landscaping/irrigation	-	-	-
Pool maintenance	5,690	5,690	-
Repairs and maintenance - pool	8,000	6,671	1,329
Repairs and maintenance - buildings	-	-	-
Repairs and maintenance - lighting project	-	-	-
Plant/tree replacement	-	-	-
Pest control	-	-	-
Professional arborist	-	-	-
	<u>22,110</u>	<u>20,781</u>	<u>1,329</u>
INSURANCE	<u>327,970</u>	<u>336,477</u>	<u>(8,507)</u>
ADMINISTRATIVE			
Accounting	6,450	4,850	1,600
Administrative fees	500	1,271	(771)
Entertainment	8,000	7,510	490
Corporate filing fee	60	61	(1)
Interest expense	2,600	3,191	(591)
Legal	1,250	1,925	(675)
Licenses and taxes	250	250	-
Management fees	19,100	18,968	132
Postage	1,000	1,791	(791)
	<u>39,210</u>	<u>39,817</u>	<u>(607)</u>
Total expenses before allocation	401,250	408,386	(7,136)
Allocation of Association expenses	<u>(401,250)</u>	<u>(408,386)</u>	<u>7,136</u>
Total expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>