

**WEDGEWOOD 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
Wedgewood at Lexington
Condominium Association, Inc.
Fort Myers, Florida

We have audited the accompanying financial statements of Wedgewood 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
Wedgewood at Lexington
Condominium Association, Inc.
Fort Myers, Florida
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Opinion

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

May 29, 2020

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

	FUNDS		
	Operating	Replacement	Total
ASSETS			
Cash and cash equivalents	\$ 160,090	\$ 350,225	\$ 510,315
Certificates of deposit	-	1,782,253	1,782,253
Accounts receivable - members	30,568	-	30,568
Prepaid insurance	410,542	-	410,542
Due from replacement fund	5,042	-	5,042
	<u>\$ 606,242</u>	<u>\$ 2,132,478</u>	<u>\$ 2,738,720</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable - trade	\$ 14,091	\$ -	\$ 14,091
Note payable - insurance	202,814	-	202,814
Federal income tax payable	4,638	-	4,638
Deferred special assessment	284,456	-	284,456
Assessments received in advance	2,624	-	2,624
Contract liabilities (assessments received in advance - replacement)	-	2,127,436	2,127,436
Due to operating fund	-	5,042	5,042
	<u>508,623</u>	<u>2,132,478</u>	<u>2,641,101</u>
FUND BALANCES	<u>97,619</u>	<u>-</u>	<u>97,619</u>
Total liabilities and fund balances	<u>\$ 606,242</u>	<u>\$ 2,132,478</u>	<u>\$ 2,738,720</u>

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

WEDGEWOOD 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	\$ 794,920	\$ 11,685	\$ 806,605
Special assessment	254,684	-	254,684
Interest income	1,824	34,417	36,241
Finance charges	841	-	841
	<u>1,052,269</u>	<u>46,102</u>	<u>1,098,371</u>
Total revenues			
EXPENSES			
Utilities	125,707	-	125,707
Maintenance	486,157	46,102	532,259
Insurance	400,930	-	400,930
Administrative	34,180	-	34,180
	<u>1,046,974</u>	<u>46,102</u>	<u>1,093,076</u>
Total expenses			
Excess of revenue over expenses	5,295	-	5,295
FUND BALANCES -			
Beginning balance - January 1, 2019	<u>80,324</u>	<u>-</u>	<u>80,324</u>
Ending balance - December 31, 2019	85,619	-	85,619
Working Capital - December 31, 2019	<u>12,000</u>	<u>-</u>	<u>12,000</u>
FUND BALANCES - December 31, 2019	<u>\$ 97,619</u>	<u>\$ -</u>	<u>\$ 97,619</u>

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 part of the financial statements.

WEDGEWOOD 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	\$ 765,588	\$ 193,048	\$ 958,636
Special assessment received	539,140	-	539,140
Interest income received	1,824	34,417	36,241
Finance charges received	841	-	841
Cash paid for operating expenditures	(1,091,907)	-	(1,091,907)
Cash paid for replacement expenditures	-	(46,102)	(46,102)
Interfund (receivable)/payable	(5,042)	5,042	-
	<u>210,444</u>	<u>186,405</u>	<u>396,849</u>
Net cash provided by operating activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds - line of credit	196,500	-	196,500
Payments - line of credit	(278,500)	-	(278,500)
Proceeds - note payable insurance	219,541	-	219,541
Payments - note payable insurance	(187,926)	-	(187,926)
	<u>(50,385)</u>	<u>-</u>	<u>(50,385)</u>
Net cash (used) by financing activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of certificates of deposit	-	(530,376)	(530,376)
	<u>-</u>	<u>(530,376)</u>	<u>(530,376)</u>
Net cash (used) by investing activities			
	<u>-</u>	<u>(530,376)</u>	<u>(530,376)</u>
Net increase (decrease) in cash	160,059	(343,971)	(183,912)
CASH AND CASH EQUIVALENTS - January 1, 2019	<u>31</u>	<u>694,196</u>	<u>694,227</u>
CASH AND CASH EQUIVALENTS - December 31, 2019	<u>\$ 160,090</u>	<u>\$ 350,225</u>	<u>\$ 510,315</u>

	FUNDS		
	Operating	Replacement	Total
RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Excess of revenue over expenses	\$ 5,295	\$ -	\$ 5,295
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:			
(Increase) in accounts receivable - members	(30,555)	-	(30,555)
Decrease in prepaid taxes	417	-	417
(Increase) in prepaid insurance	(53,028)	-	(53,028)
Increase in accounts payable	3,040	-	3,040
Increase in taxes payable	4,638	-	4,638
Increase in deferred special assessment	284,456	-	284,456
Increase in assessments received in advance	1,223	-	1,223
Increase in contract liabilities (assessments received in advance - replacement)		181,363	181,363
Interfund (receivable)/payable	(5,042)	5,042	
Total adjustments	205,149	186,405	391,554
Net cash provided by operating activities	<u>\$ 210,444</u>	<u>\$ 186,405</u>	<u>\$ 396,849</u>

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

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

	Condominium Number			Neighborhood	Total
	1	2	3		
UTILITIES					
Electricity	\$ 1,993	\$ 2,046	\$ 1,979	\$ 8,478	\$ 14,496
Telephone	-	-	-	1,726	1,726
Water/sewer	32,245	38,645	36,316	2,279	109,485
Total utilities	<u>34,238</u>	<u>40,691</u>	<u>38,295</u>	<u>12,483</u>	<u>125,707</u>
MAINTENANCE					
Fire extinguisher/backflow inspection	1,335	741	1,069	-	3,145
Janitorial/supplies - pool	-	-	-	14,100	14,100
Landscaping/irrigation	35,816	40,580	38,900	-	115,296
Pool maintenance	-	-	-	11,370	11,370
Repairs and maintenance - pool	-	-	-	3,190	3,190
Repairs and maintenance - buildings	21,428	21,712	19,287	-	62,427
Plant/tree replacement	177	861	450	-	1,488
Special assessment expenses	-	-	-	254,684	254,684
Pest control	8,011	3,161	9,285	-	20,457
Total maintenance	<u>66,767</u>	<u>67,055</u>	<u>68,991</u>	<u>283,344</u>	<u>486,157</u>
INSURANCE					
	-	-	-	400,930	400,930
ADMINISTRATIVE					
Administrative fees	-	-	-	530	530
Interest expense	-	-	-	1,464	1,464
Postage	-	-	-	880	880
Licenses and taxes	-	-	-	875	875
Income taxes	-	-	-	5,055	5,055
Division fees	296	336	320	61	1,013
Accounting	-	-	-	5,050	5,050
Legal	-	-	-	1,985	1,985
Management fees	-	-	-	17,328	17,328
Total administrative	<u>296</u>	<u>336</u>	<u>320</u>	<u>33,228</u>	<u>34,180</u>
Total expenses before allocation	101,301	108,082	107,606	729,985	1,046,974
Allocation of Association expenses	<u>227,025</u>	<u>257,612</u>	<u>245,348</u>	<u>(729,985)</u>	<u>-</u>
Total operating fund expenses	<u>\$ 328,326</u>	<u>\$ 365,694</u>	<u>\$ 352,954</u>	<u>\$ -</u>	<u>\$ 1,046,974</u>

Read Independent Auditors' Report.

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

NOTE 1 - THE ASSOCIATION

Wedgewood at Lexington Condominium Association, Inc. ("Association") was incorporated on January 18, 1996, under the laws of Florida as a corporation not-for-profit, to operate and manage Wedgewood at Lexington Condominium numbers 1, 2, and 3. The Association consists of approximately 11 acres of land, surrounding 31 buildings with 238 residential condominium units, two pools and pool houses, 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 May 29, 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.

WEDGEWOOD 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 and is included in the operating fund.

Cash Flows

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

The Association made no cash payments for federal income taxes and no cash payments for state income taxes during the 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 balances at various financial institutions located in Southwest Florida. Accounts at the commercial banking institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of December 31, 2019, all cash balances were insured based on bank statement balances less FDIC insurance. The reconciled book balance, as of December 31, 2019, was \$510,315.

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

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

NOTE 5 - 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 6 - 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 tax expense of \$5,055 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.

NOTE 7 - 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.

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

NOTE 8 - 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 9 - LINE OF CREDIT

The Association has a \$250,000 line of credit, with a financial institution located in Southwest Florida. The note carries an interest rate of 5.5% and is payable in full on August 30, 2020. As of December 31, 2019, the balance due was zero.

NOTE 10 - REPLACEMENT FUND

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

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

Components	Balance January 1, 2019	Additions To Fund	Transfers	Charges To Fund	Balance December 31, 2019
<u>Condominium 1</u>					
General	\$ 614,052	\$ 62,160	\$ 10,939	\$ 14,016	\$ 673,135
Interest	-	10,939	(10,939)	-	-
	<u>614,052</u>	<u>73,099</u>	<u>-</u>	<u>14,016</u>	<u>673,135</u>
<u>Condominium 2</u>					
General	583,710	62,832	10,600	15,855	641,287
Interest	-	10,600	(10,600)	-	-
	<u>583,710</u>	<u>73,432</u>	<u>-</u>	<u>15,855</u>	<u>641,287</u>
<u>Condominium 3</u>					
General	617,233	55,680	10,525	12,981	670,457
Interest	-	10,525	(10,525)	-	-
	<u>617,233</u>	<u>66,205</u>	<u>-</u>	<u>12,981</u>	<u>670,457</u>

WEDGEWOOD 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	Transfers	Charges To Fund	Balance December 31, 2019
<u>Neighborhood</u>					
General	131,078	12,376	2,353	3,250	142,557
Interest	-	2,353	(2,353)	-	-
	<u>131,078</u>	<u>14,729</u>	<u>-</u>	<u>3,250</u>	<u>142,557</u>
Totals	<u>\$ 1,946,073</u>	<u>\$ 227,465</u>	<u>\$ -</u>	<u>\$ 46,102</u>	<u>\$ 2,127,436</u>
ASC 606 adjustment	<u>(1,946,073)</u>	<u>(181,363)</u>	<u>-</u>	<u>-</u>	<u>(2,127,436)</u>
ASC 606 adjusted balance	<u>\$ -</u>	<u>\$ 46,102</u>	<u>\$ -</u>	<u>\$ 46,102</u>	<u>\$ -</u>

Additions to fund include \$34,417 of interest income. The Association's policy for allocating interest is based on the balance by component.

During the year ended December 31, 2019, the Association funded major repairs and replacements based on the Board's estimates of current replacement costs on an eighteen-year cash flow program. The 2020 statutory (cash flow method) and approved budgeted funding is \$258,678 and \$224,056, 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 11 - FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

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

The Association adopted the new guidance as of 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.

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

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

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 report, at January 1, 2019	\$ 1,946,073
Adjustment	<u>(1,946,073)</u>
Fund balance, adjusted, at January 1, 2019	<u><u>\$ -</u></u>

The effect of the adoption is a decrease in 2019 assessments by \$181,363 and a recording of a contract liability at December 31, 2019 of \$2,127,436. 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:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
Liabilities			
Contract liabilities (assessments received in advance - replacement)	\$ -	\$ 2,127,436	\$ 2,127,436
Total liabilities	<u>\$ -</u>	<u>\$ 2,127,436</u>	<u>\$ 2,127,436</u>
Fund balance			
Ending fund balances	<u>\$2,127,436</u>	<u>\$(2,127,436)</u>	<u>\$ -</u>

WEDGEWOOD 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:

	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
<u>Revenue</u>	<u>\$ 227,465</u>	<u>\$ (181,363)</u>	<u>\$ 46,102</u>
<u>Cash flows</u>			
Excess of revenues over expenses	<u>\$ 181,363</u>	<u>\$ (181,363)</u>	<u>\$ -</u>
Increase in contract liabilities (assessments received in advance - replacement)	<u>\$ -</u>	<u>\$ 181,363</u>	<u>\$ 181,363</u>

NOTE 12 - SPECIAL ASSESSMENT

The Board of Directors, at a meeting held May 16, 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 \$4,250; option two would be to pay the special assessment over 20 quarterly installments, the first installment was a down payment of \$450, the remaining 20 installments will be \$213 each. As of December 31, 2019, 2 quarterly installments had been billed, leaving a balance of \$536,760 in unbilled receivable. As of December 31, 2019, \$254,684 had been expended on the project, leaving a balance of \$284,456 in deferred special assessment.

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 90 days notice.

SUPPLEMENTARY INFORMATION

WEDGEWOOD 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 a professional reserve study done during 2010, based on current replacement costs, 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 (Cash Flow Method) Funding</u>	<u>2020 Approved Budgeted Funding</u>
<u>Condominium 1</u>					
Roof	27 years	3 years	\$ 1,138,500	\$ -	\$ -
Painting	8 years	1 year	88,805	-	-
Driveway maintenance	4 years	0 years	32,000	-	-
Tree trimming	0 years	0 years	2,500	-	-
Lineset replacement	0 years	0 years	6,000	-	-
Building fascias	27 years	3 years	35,840	-	-
General reserves	-	-	-	88,874	72,816
			<u>1,303,645</u>	<u>88,874</u>	<u>72,816</u>
<u>Condominium 2</u>					
Roof	27 years	5 years	1,293,300	-	-
Painting	8 years	1 year	100,805	-	-
Driveway maintenance	4 years	0 years	42,000	-	-
Tree trimming	0 years	5 years	2,500	-	-
Lineset replacement	0 years	0 years	6,000	-	-
Building fascias	27 years	5 years	35,800	-	-
General reserves	-	-	-	82,068	73,584
			<u>1,480,405</u>	<u>82,068</u>	<u>73,584</u>
<u>Condominium 3</u>					
Roof	27 years	4 years	1,233,000	-	-
Painting	8 years	1 year	92,314	-	-
Driveway maintenance	4 years	0 years	40,000	-	-
Tree trimming	0 years	0 years	2,500	-	-
Lineset replacement	0 years	0 years	6,000	-	-
Building fascias	27 years	4 years	35,700	-	-
General reserves	-	-	-	75,360	65,280
			<u>1,409,514</u>	<u>75,360</u>	<u>65,280</u>

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

<u>Components</u>	<u>Estimated Useful Lives</u>	<u>Estimated Remaining Useful Lives</u>	<u>Estimated Current Replacement Costs</u>	<u>2020 Statutory (Cash Flow Method) Funding</u>	<u>2020 Approved Budgeted Funding</u>
<u>Neighborhood</u>					
Roof replacement	27 years	3 years	28,600	-	-
Painting and waterproofing	8 years	1 year	7,649	-	-
Pavement - overlay	18 years	8 years	14,000	-	-
Pavement - sealcoat	4 years	0 years	3,915	-	-
Pool equipment	10-26 years	0 years	25,000		
Pool fence	15 years	2 years	21,749	-	-
Pool filter	15 years	2 years	25,196		
General reserves	-	-	-	12,376	12,376
			<u>126,109</u>	<u>12,376</u>	<u>12,376</u>
Totals			<u>\$ 4,319,673</u>	<u>\$ 258,678</u>	<u>\$ 224,056</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.

WEDGEWOOD 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>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
UTILITIES			
Electricity	\$ 1,866	\$ 1,993	\$ (127)
Telephone	-	-	-
Water/sewer	<u>36,378</u>	<u>32,245</u>	<u>4,133</u>
Total utilities	<u>38,244</u>	<u>34,238</u>	<u>4,006</u>
MAINTENANCE			
Fire extinguisher/backflow inspections	1,965	1,335	630
Janitorial/supplies - pool	-	-	-
Landscaping/irrigation	36,142	35,816	326
Pool maintenance	-	-	-
Repairs and maintenance - pool	-	-	-
Repairs and maintenance - buildings	17,612	21,428	(3,816)
Plant/tree replacement	1,244	177	1,067
Pest control	<u>3,265</u>	<u>8,011</u>	<u>(4,746)</u>
Total maintenance	<u>60,228</u>	<u>66,767</u>	<u>(6,539)</u>
INSURANCE			
	<u>-</u>	<u>-</u>	<u>-</u>
ADMINISTRATIVE			
Administrative fees	-	-	-
Interest expense	-	-	-
Postage	-	-	-
Licenses and taxes	-	-	-
Income tax	-	-	-
Division fees	295	296	(1)
Accounting	-	-	-
Legal	-	-	-
Management fees	<u>-</u>	<u>-</u>	<u>-</u>
Total administrative	<u>295</u>	<u>296</u>	<u>(1)</u>
Total expenses before allocation	98,767	101,301	(2,534)
Allocation of Association expenses	<u>148,647</u>	<u>227,025</u>	<u>(78,378)</u>
Total expenses	<u>\$ 247,414</u>	<u>\$ 328,326</u>	<u>\$ (80,912)</u>

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

	Budget	Actual	Variance Favorable (Unfavorable)
	<i>(Unaudited)</i>		
UTILITIES			
Electricity	\$ 2,118	\$ 2,046	\$ 72
Telephone	-	-	-
Water/sewer	41,294	38,645	2,649
	<u>43,412</u>	<u>40,691</u>	<u>2,721</u>
MAINTENANCE			
Fire extinguisher/backflow inspections	2,231	741	1,490
Janitorial/supplies - pool	-	-	-
Landscaping/irrigation	41,026	40,580	446
Pool maintenance	-	-	-
Repairs and maintenance - pool	-	-	-
Repairs and maintenance - buildings	19,992	21,712	(1,720)
Plant/tree replacement	1,412	861	551
Pest control	3,706	3,161	545
	<u>68,367</u>	<u>67,055</u>	<u>1,312</u>
INSURANCE			
	<u>-</u>	<u>-</u>	<u>-</u>
ADMINISTRATIVE			
Administrative fees	-	-	-
Interest expense	-	-	-
Postage	-	-	-
Licenses and taxes	-	-	-
Income taxes	-	-	-
Division fees	335	336	(1)
Accounting	-	-	-
Legal	-	-	-
Management fees	-	-	-
	<u>335</u>	<u>336</u>	<u>(1)</u>
Total administrative			
	<u>335</u>	<u>336</u>	<u>(1)</u>
Total expenses before allocation	112,114	108,082	4,032
Allocation of Association expenses	168,674	257,612	(88,938)
Total expenses	<u>\$ 280,788</u>	<u>\$ 365,694</u>	<u>\$ (84,906)</u>

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

	Budget	Actual	Variance Favorable (Unfavorable)
	<i>(Unaudited)</i>		
UTILITIES			
Electricity	\$ 2,017	\$ 1,979	\$ 38
Telephone	-	-	-
Water/sewer	39,328	36,316	3,012
	<u>41,345</u>	<u>38,295</u>	<u>3,050</u>
MAINTENANCE			
Fire extinguisher/backflow inspections	2,124	1,069	1,055
Janitorial/supplies - pool	-	-	-
Landscaping/irrigation	39,072	38,900	172
Pool maintenance	-	-	-
Repairs and maintenance - pool	-	-	-
Repairs and maintenance - buildings	19,040	19,287	(247)
Plant/tree replacement	1,345	450	895
Pest control	3,529	9,285	(5,756)
	<u>65,110</u>	<u>68,991</u>	<u>(3,881)</u>
INSURANCE			
	<u>-</u>	<u>-</u>	<u>-</u>
ADMINISTRATIVE			
Administrative fees	-	-	-
Interest expense	-	-	-
Postage	-	-	-
Licenses and taxes	-	-	-
Income taxes	-	-	-
Division fees	319	320	(1)
Accounting	-	-	-
Legal	-	-	-
Management fees	-	-	-
	<u>319</u>	<u>320</u>	<u>(1)</u>
Total expenses before allocation	106,774	107,606	(832)
Allocation of Association expenses	160,644	245,348	(84,704)
Total expenses	<u>\$ 267,418</u>	<u>\$ 352,954</u>	<u>\$ (85,536)</u>

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

	<u>Budget</u> <i>(Unaudited)</i>	<u>Actual</u>	Variance Favorable <i>(Unfavorable)</i>
UTILITIES			
Electricity	\$ 10,500	\$ 8,478	\$ 2,022
Telephone	1,800	1,726	74
Water/sewer	4,000	2,279	1,721
	<u>16,300</u>	<u>12,483</u>	<u>3,817</u>
MAINTENANCE			
Fire extinguisher/backflow inspection	-	-	-
Janitorial/supplies - pool	14,100	14,100	-
Landscaping/irrigation	-	-	-
Pool maintenance	11,370	11,370	-
Repairs and maintenance - pool	3,500	3,190	310
Repairs and maintenance - buildings	-	-	-
Plant/tree replacement	-	-	-
Special assessment expenses	-	254,684	(254,684)
Pest control	-	-	-
	<u>28,970</u>	<u>283,344</u>	<u>(254,374)</u>
	<u>399,580</u>	<u>400,930</u>	<u>(1,350)</u>
INSURANCE			
ADMINISTRATIVE			
Administrative fees	450	530	(80)
Interest expense	500	1,464	(964)
Postage	800	880	(80)
Licenses and taxes	375	875	(500)
Income taxes	-	5,055	(5,055)
Division fees	60	61	(1)
Accounting	11,600	5,050	6,550
Legal	2,000	1,985	15
Management fees	17,330	17,328	2
	<u>33,115</u>	<u>33,228</u>	<u>(113)</u>
Total expenses before allocation	477,965	729,985	(252,020)
Allocation of Association expenses	<u>(477,965)</u>	<u>(729,985)</u>	<u>252,020</u>
Total expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>