

**JACARANDA WEST HOMEOWNERS' ASSOCIATION #1, INC.
VENICE, FLORIDA**

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2019

(Together with Independent Accountant's Review Report)

JACARANDA WEST HOMEOWNERS' ASSOCIATION #1, INC.

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors and Residential Unit Owners
JACARANDA WEST HOMEOWNERS' ASSOCIATION #1, INC.
Venice, Florida

Report on the Financial Statements

We have reviewed the accompanying financial statements of Jacaranda West Homeowners' Association #1, Inc., which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to the Board of Directors' financial data and making inquiries of Association. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion on The Financial Statements

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Board of Directors and Residential Unit Owners
Jacaranda West Homeowners' Association #1, Inc.
Venice, Florida

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Supplementary Information

The supplementary information in the Schedule of Changes in Contract Liability and Replacement Fund Balance is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of the Board of Directors. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the supplementary information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the supplementary information and, accordingly, do not express an opinion on it.

Required Supplementary Information

The Board of Directors has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The results of our review of the basic financial statements are not affected by that missing information.



Kenneth F. Kandefer
Certified Public Accountant

Date available to be issued: March 16, 2020

Audit Release Date: April 13, 2020

JACARANDA WEST HOMEOWNERS' ASSOCIATION #1, INC.
BALANCE SHEET
DECEMBER 31, 2019
(See Independent Accountant's Review Report)

ASSETS

| | OPERATING | REPLACEMENT | TOTAL |
|-----------------------------|------------------|--------------------|----------------|
| Cash | \$ 231,601 | \$ 429,349 | \$ 660,950 |
| Investments | - | 112,663 | 112,663 |
| Assessments Receivable | 16,550 | - | 16,550 |
| Allowance for Uncollectable | (4,010) | - | (4,010) |
| Prepaid Expenses | 1,976 | - | 1,976 |
| TOTAL ASSETS | 246,117 | 542,012 | 788,129 |

LIABILITIES AND FUND BALANCES

| | | | |
|------------------------------------------------|-------------------|-------------------|-------------------|
| Accounts Payable | 8,366 | - | 8,366 |
| Contract Liability | - | 525,768 | 525,768 |
| Prepaid Assessments | 170,500 | - | 170,500 |
| TOTAL LIABILITIES | 178,866 | 525,768 | 704,634 |
| Fund Balances | 67,251 | 16,244 | 83,495 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 246,117 | \$ 542,012 | \$ 788,129 |

The accompanying notes are an integral part of these financial statements.

JACARANDA WEST HOMEOWNERS' ASSOCIATION #1, INC.

STATEMENT OF REVENUES AND EXPENSES

YEAR ENDED DECEMBER 31, 2019

(See Independent Accountant's Review Report)

| | <u>OPERATING</u> | <u>REPLACEMENT</u> | <u>TOTAL</u> |
|----------------------------------------|------------------|--------------------|------------------|
| REVENUES | | | |
| Members Assessments | \$ 213,856 | \$ 141,806 | \$ 355,662 |
| Interest | 378 | 4,638 | 5,016 |
| Other Income | 3,847 | - | 3,847 |
| TOTAL REVENUES | <u>218,081</u> | <u>146,444</u> | <u>364,525</u> |
| EXPENSES | | | |
| Administration Management | | | |
| Insurance - Property | 4,339 | - | 4,339 |
| Professional/ Legal | 36,473 | - | 36,473 |
| Audit/Review | 2,150 | - | 2,150 |
| Division Fees | 61 | - | 61 |
| Management Fee | 44,379 | - | 44,379 |
| Office Supplies | 4,674 | - | 4,674 |
| Postage | 726 | - | 726 |
| Copies/ Printing | 2,186 | - | 2,186 |
| Printing/ Mass Mailings | 7,885 | - | 7,885 |
| Bad Debt Expense | 532 | - | 532 |
| Total Administration Management | <u>103,405</u> | <u>-</u> | <u>103,405</u> |
| Maintenance | | | |
| Repairs & Maintenance | 1,851 | - | 1,851 |
| Pest Control | 40 | - | 40 |
| Maintenance - Self Help | 80 | - | 80 |
| Total Maintenance | <u>1,971</u> | <u>-</u> | <u>1,971</u> |
| Grounds | | | |
| Grounds Contract | 42,176 | - | 42,176 |
| Service/Replacement/Other | 5,454 | - | 5,454 |
| Cul-de-sac Maintenance | - | - | - |
| Lake Treatment | 22,932 | - | 22,932 |
| Tree Trimming | 5,727 | - | 5,727 |
| Sprinkler | 1,650 | - | 1,650 |
| Total Grounds | <u>77,939</u> | <u>-</u> | <u>77,939</u> |
| Utilities | | | |
| Electric | 666 | - | 666 |
| Gatehouse Electric Usage | 231 | - | 231 |
| Total Utilities | <u>897</u> | <u>-</u> | <u>897</u> |
| Total Replacement | <u>-</u> | <u>138,985</u> | <u>138,985</u> |
| TOTAL EXPENSES | <u>184,212</u> | <u>138,985</u> | <u>323,197</u> |
| EXCESS (DEFICIT) | | | |
| REVENUES OVER EXPENSES | <u>\$ 33,869</u> | <u>\$ 7,459</u> | <u>\$ 41,328</u> |

The accompanying notes are an integral part of these financial statements.

JACARANDA WEST HOMEOWNERS' ASSOCIATION #1, INC.
STATEMENT OF CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2019
(See Independent Accountant's Review Report)

| | <u>OPERATING</u> | <u>REPLACEMENT</u> | <u>TOTAL</u> |
|-------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|
| Fund Balance at Beginning of Year as Previously Stated | \$ 33,382 | \$ 8,785 | \$ 42,167 |
| Excess (Deficiency) of Revenues Over Expenses | <u>33,869</u> | <u>7,459</u> | <u>41,328</u> |
| Fund Balance at End of Year | <u><u>\$ 67,251</u></u> | <u><u>\$ 16,244</u></u> | <u><u>\$ 83,495</u></u> |

The accompanying notes are an integral part of these financial statements.

JACARANDA WEST HOMEOWNERS' ASSOCIATION #1, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(See Independent Accountant's Review Report)

| | <u>OPERATING</u> | <u>REPLACEMENT</u> | <u>TOTAL</u> |
|-------------------------------------------------------------|--------------------------|--------------------------|--------------------------|
| <u>Cash Flows From Operating Activities</u> | | | |
| Member Assessments | \$ 304,237 | \$ 101,044 | \$ 405,281 |
| Interest Received | 378 | 4,638 | 5,016 |
| Other Income Received | 3,847 | - | 3,847 |
| Cash Paid for Expenditures | (189,068) | (138,986) | (328,054) |
| Income Taxes Paid | - | - | - |
| Interest Paid | - | - | - |
| Net Cash Provided (Used) by Operations | <u>119,394</u> | <u>(33,304)</u> | <u>86,090</u> |
| <u>Cash Flows from Investing Activities</u> | | | |
| Sale of Investments | <u>-</u> | <u>165,517</u> | <u>165,517</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 119,394 | 132,213 | 251,607 |
| Cash and Cash Equivalents, Beginning of year | <u>112,207</u> | <u>297,136</u> | <u>409,343</u> |
| Cash and Cash Equivalents, End of year | <u><u>\$ 231,601</u></u> | <u><u>\$ 429,349</u></u> | <u><u>\$ 660,950</u></u> |

Cash and cash equivalents reflected in these financial statements include money market funds, certificates of deposit, standard checking and savings accounts.

The accompanying notes are an integral part of these financial statements.

JACARANDA WEST HOMEOWNERS' ASSOCIATION #1, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(See Independent Accountant's Review Report)

CASH FLOWS FROM OPERATING ACTIVITIES

| | <u>OPERATING</u> | <u>REPLACEMENT</u> | <u>TOTAL</u> |
|-------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------|------------------|
| Excess (Deficit) Revenues Over Expenses | \$ 33,869 | \$ 7,459 | \$ 41,328 |
| RECONCILIATION OF EXCESS (DEFICIT) OF REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | |
| Bad Debt Expense | <u>532</u> | <u>-</u> | <u>532</u> |
| Total | <u>34,401</u> | <u>7,459</u> | <u>41,860</u> |
| (Increase) Decrease in: | | | |
| Due Between Funds | - | - | - |
| Accounts Receivable | (3,405) | - | (3,405) |
| Prepaid Expenses | 80 | - | 80 |
| Increase (Decrease) in: | | | |
| Payables | (5,468) | - | (5,468) |
| Contract Liability | - | (40,763) | (40,763) |
| Prepaid Maintenance | <u>93,786</u> | <u>-</u> | <u>93,786</u> |
| Total Adjustments | <u>84,993</u> | <u>(40,763)</u> | <u>44,230</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 119,394</u> | <u>\$ (33,304)</u> | <u>\$ 86,090</u> |

The accompanying notes are an integral part of these financial statements.

JACARANDA WEST HOMEOWNERS' ASSOCIATION #1, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(See Independent Accountant's Review Report)

NOTE 1 - NATURE OF ORGANIZATION

Jacaranda West Homeowners' Association #1, Inc. ("the Association") is a not-for-profit homeowners' association located in Venice, Florida, incorporated in the State of Florida on June 7, 1974. The Association is responsible for the operation and maintenance of the common property of *Jacaranda West Homeowners' Association #1, Inc.*, which consists of 900 units.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

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 and prepares its financial statements on the accrual basis of accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund--This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund--This fund is used to accumulate financial resources designated for future major repairs and replacements.

Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners.

The member assessment for the year ended December 31, 2019 was \$350 per residential unit of which \$112.28 was for replacement.

Income Tax

The Association qualifies as a tax-exempt homeowner's association under Internal Revenue Code Section 528 for the year ended December 31, 2019. Under that section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from non-members, is taxed at 30% by the federal government.

JACARANDA WEST HOMEOWNERS' ASSOCIATION #1, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(See Independent Accountant's Review Report)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash Equivalents

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board of Directors to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Allocation of Income and Expenses

The allocation of income and expenses to Association members is based on the governing documents, which state that Association members equally share the income and expenses of the Association.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

NOTE 3 – COMMITMENTS

A contract with Sunstate Association Management Group, Inc. was executed covering management and maintenance services. The contract began January 1, 2011. The contract renews automatically and may be cancelled by either party with 30 days notice. The amount paid on this contract for the year ended December 31, 2019 was \$44,379. Additionally, the Association has entered into various contracts for the performance of services as a part of the routine and ongoing activities of operating and maintaining the building, grounds and roadways.

NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds at December 31, 2019 are held in separate accounts and are generally not available for operating purposes. It is the Association's policy that interest earned on such funds is available for replacement purposes.

JACARANDA WEST HOMEOWNERS' ASSOCIATION #1, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(See Independent Accountant's Review Report)

NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS (cont'd)

The Board of Directors and Management annually estimate the reserve requirements of the Association but do not produce the required Supplementary Information on Future Major Repairs and Replacements.

Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE 5 - PROVISION FOR INCOME TAXES

As stated in Note 2, the Association is taxed on any non-membership income. For the year ended December 31, 2019 taxable non-membership income before allowable expenses was \$5,016. At December 31, 2019 no income tax was due.

NOTE 6 – UNCERTAINTY IN INCOME TAXES

The Association evaluates its uncertain tax position in compliance with requirements established by the financial standards board. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. Management has determined that there are no probable liabilities related to the current Association tax position.

NOTE 7 – UNINSURED CASH BALANCES

The Association maintains its cash balances at various financial institutions located in Sarasota, Florida. Accounts at the institutions are secured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2019, there was \$7,119 in uninsured balances.

NOTE 8 – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date that the financial statements were available to be issued.

JACARANDA WEST HOMEOWNERS' ASSOCIATION #1, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(See Independent Accountant's Review Report)

NOTE 9 — 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 requirements of 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 related to the replacement fund, 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 | \$ 608,698 |
| Adjustment | <u>(566,531)</u> |
| Fund balance, as adjusted, at January 1, 2019 | <u>\$ 42,167</u> |

The effect of the adoption is an increase in 2019 assessments by \$40,762 and a recording of a contract liability (assessments received in advance-replacement fund) at December 31, 2019, of \$525,768. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

JACARANDA WEST HOMEOWNERS' ASSOCIATION #1, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(See Independent Accountant's Review Report)

NOTE 9 — FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION (cont'd)

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

| | <u>Amounts That Would Have Been Reported</u> | <u>Effects of Applying New Guidance</u> | <u>As Reported</u> |
|-----------------------------|----------------------------------------------------------|-----------------------------------------------------|------------------------|
| <u>Liabilities:</u> | | | |
| Contract liabilities | \$ - | \$525,768 | \$525,768 |
| Total liabilities | 178,866 | 525,768 | 704,634 |
| <u>Fund Balance:</u> | | | |
| Ending fund balances | \$609,263 | \$(525,768) | \$83,495 |

The following are the line items from the statement of revenues, expenses, and changes in fund balances 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> | | | |
| Regular assessments | \$314,900 | \$ 40,762 | \$ 355,662 |
| Excess of revenues over expenses | \$ 566 | \$ (40,762) | \$ 41,328 |

JACARANDA WEST HOMEOWNERS' ASSOCIATION #1, INC.
SCHEDULE OF CHANGES CONTRACT LIABILITY AND REPLACEMENT FUND BALANCE
YEAR ENDED DECEMBER 31, 2019
(See Independent Accountant's Review Report)

CONTRACT LIABILITY

| | <u>Beginning Fund Balance</u> | <u>Assessments and Other</u> | <u>Revenue Recognized</u> | <u>Charges</u> | <u>Ending Fund Balance</u> |
|----------------------|---------------------------------------|----------------------------------|-------------------------------|----------------|------------------------------------|
| Grounds & Lakes | \$ 120,423 | \$ 11,836 | \$ - | \$ - | \$ 132,259 |
| Infrastructure | 103,291 | - | - | - | 103,291 |
| Gatehouse Build | 1,898 | 12,746 | (29,756) | - | (15,112) |
| Paving & Sealcoating | 340,918 | 72,365 | (109,219) | - | 304,064 |
| Wall Painting | - | 4,097 | (2,831) | - | 1,266 |
| TOTAL | <u>\$ 566,530</u> | <u>\$ 101,044</u> | <u>\$ (141,806)</u> | <u>\$ -</u> | <u>\$ 525,768</u> |

REPLACEMENT FUND

| | | | | | |
|----------------------|-----------------|-----------------|-------------------|---------------------|------------------|
| Grounds & Lakes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Infrastructure | - | - | - | - | - |
| Gatehouse Build | - | - | 29,756 | (29,756) | - |
| Paving & Sealcoating | - | - | 109,219 | (109,219) | - |
| Wall Painting | (2,831) | - | 2,831 | - | - |
| Reserve Interest | 11,616 | 4,638 | - | (10) | 16,244 |
| TOTAL | <u>\$ 8,785</u> | <u>\$ 4,638</u> | <u>\$ 141,806</u> | <u>\$ (138,985)</u> | <u>\$ 16,244</u> |

The accompanying notes are an integral part of these financial statements.