

EAST LAKE WOODLANDS
COMMUNITY ASSOCIATION, INC.

AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2021

EAST LAKE WOODLANDS COMMUNITY ASSOCIATION, INC.
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To the Board of Directors
East Lake Woodlands Community Association, Inc.
Oldsmar, Florida

Independent Auditor's Report

Opinion

I have audited the accompanying financial statements of East Lake Woodlands Community Association, Inc., which comprise the balance sheet as of December 31, 2021, and the related statements of revenue and expenses, changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Lake Woodlands Community Association, Inc., as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of East Lake Woodlands Community Association, Inc., and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considering the aggregate, that raise substantial doubt about East Lake Woodlands Community Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I (1) exercise professional judgment and maintain professional skepticism throughout the audit; (2) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements; (3) obtain an understanding of internal control relevant to the audit 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 East Lake Woodlands Community Association, Inc.'s internal controls. Accordingly, no such opinion is expressed; (4) evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and (5) conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about East Lake Woodlands Community Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Supplementary Information on Future Major Repairs and Replacements be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Elizabeth Wadsworth, P.A.

ELIZABETH WADSWORTH, P.A.

March 30, 2022

EAST LAKE WOODLANDS COMMUNITY ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2021

	Operating Fund	Replacement Fund	Total
Assets			
Current assets			
Cash	\$ 222,545	\$ 563,362	\$ 785,907
Certificates of deposit	55,931	55,931	111,862
Member assessments receivable	10,429	-	10,429
Prepaid expenses	52,255	-	52,255
Total current assets	341,160	619,293	960,453
Deposits	1,433	-	1,433
Total assets	\$ 342,593	\$ 619,293	\$ 961,886
Liabilities and Fund Balance			
Current liabilities			
Accounts payable and accrued expenses	\$ 73,551	\$ -	\$ 73,551
Prepaid member assessments	59,446	-	59,446
Federal income taxes payable	1,581	-	1,581
Total current liabilities	134,578	-	134,578
Assessments received in advance	-	616,883	616,883
Total liabilities	134,578	616,883	751,461
Fund balance	208,015	2,410	210,425
Total liabilities and fund balance	\$ 342,593	\$ 619,293	\$ 961,886

See the Notes to Financial Statements

EAST LAKE WOODLANDS COMMUNITY ASSOCIATION, INC.
STATEMENTS OF REVENUE AND EXPENSES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Replacement Fund	Total
Revenue			
Member assessments	\$ 1,589,062	\$ 117,402	\$ 1,706,464
Gate card income	16,239	-	16,239
Shopping center fees	24,514	-	24,514
Usage fees	90,352	-	90,352
Interest income	2,093	1,304	3,397
	<hr/>	<hr/>	<hr/>
Total revenue	1,722,260	118,706	1,840,966
	<hr/>	<hr/>	<hr/>
Expenses			
Administrative	38,974	-	38,974
Bad debts	43	-	43
Insurance	68,321	-	68,321
Management fee	220,746	-	220,746
Newsletter and website	900	-	900
Professional fees	62,705	-	62,705
Repairs and maintenance, Drainage	89,742	-	89,742
Repairs and maintenance, General	72,021	-	72,021
Repairs and maintenance, Grounds	410,514	119,349	529,863
Security services	629,283	-	629,283
Utilities	95,123	-	95,123
Federal income taxes	1,581	-	1,581
	<hr/>	<hr/>	<hr/>
Total expenses	1,689,953	119,349	1,809,302
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenue over expenses	32,307	(643)	31,664
Fund balance, Beginning of year	175,708	3,053	178,761
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Fund balance, End of year	<u>\$ 208,015</u>	<u>\$ 2,410</u>	<u>\$ 210,425</u>

See the Notes to Financial Statements

EAST LAKE WOODLANDS COMMUNITY ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Replacement Fund	Total
	<hr/>	<hr/>	<hr/>
Cash flows from operating activities			
Cash received from member assessments	\$ 1,568,924	\$ 372,150	\$ 1,941,074
Cash received from special assessment	1,200	-	1,200
Cash paid to vendors	(1,769,707)	(119,349)	(1,889,056)
Interest income received	2,093	1,304	3,397
Other income received	106,591	-	106,591
Shopping center fees received	24,514	-	24,514
Transfer cash from special assessment to operating	6,079	-	6,079
Federal income taxes paid	(2,515)	-	(2,515)
	<hr/>	<hr/>	<hr/>
Net cash provided by operating activities	(62,821)	254,105	191,284
	<hr/>	<hr/>	<hr/>
Net increase in cash	(62,821)	254,105	191,284
Cash, Beginning of year	285,366	309,257	594,623
	<hr/>	<hr/>	<hr/>
Cash, End of year	\$ 222,545	\$ 563,362	\$ 785,907
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See the Notes to Financial Statements

EAST LAKE WOODLANDS COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 – ORGANIZATION

East Lake Woodlands Community Association, Inc. (Association) is a not-for-profit corporation which was incorporated in the State of Florida in 1983. The purpose of the Association is to protect and enhance the value of various single-family homes, patio homes, cluster homes and condominium developments located in Northern Pinellas County known as East Lake Woodlands and The Woodlands on East Lake Road and to maintain and preserve certain common property. The common property consists of gates, controlled access facilities, parkways and other roadways, streetlights, community signs, entrance facilities, guardhouses and lakes. The Association's members consist of owners of a unit or lot and condominium or homeowners' associations within the community.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying statements follows:

Basis of Accounting

The Association's policy is to prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles and Florida Statute 720. Assessment revenue is recognized as the related performance obligations are satisfied. The Association's performance obligations related to its operating assessments are satisfied each month with the payment of the operating expenses. The performance obligations related to the replacement fund assessments are satisfied when the funds are expended for their designated purpose.

The Association uses fund accounting to observe the limitations and restrictions placed on its financial resources by its governing documents. 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 operation of the Association.

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

Statement of Cash Flows

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

Concentrations of Credit Risk

The Association maintains its cash balances at various financial institutions. Accounts at financial institutions are secured by the FDIC up to \$250,000. At times during the year ended December 31, 2021, the Association's cash balances may have exceeded the federally insured limit.

Allocations of Expenses

The Association assesses the bound and unbound members on a pro rata basis. For 2021, there were 2,765 homeowners. Any excess revenues over expenses are designated for operating expenditures in the following year or can be transferred to the replacement fund.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Common Property

The Association's policy for recognizing common property as assets in its balance sheet is to recognize (a) common personal property and (b) real property to which it has title and that it can dispose of for cash while retaining the proceeds or that is used to generate significant cash flows from members on the basis of usage or from nonmembers.

Certain real property and common areas are vested directly or indirectly in the unit owners and these assets are not deemed to be severable. Thus, such property may not be sold by the Association, nor does it produce positive cash flow. As a result, commonly owned property is not reflected in the Association's financial statements.

Member Assessments

Association members are subject to annual assessments. Certain Association members pay the assessments on a monthly basis while other members pay on a quarterly basis. The assessments provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied. The Association's performance obligations related to its operating assessments are satisfied each month with the payment of the operating expenses. The performance obligations related to the replacement fund assessments are satisfied when the funds are expended for their designated purpose. Assessments receivable at the balance sheet date are stated at the amount 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 in arrears for a specified time. Any excess of assessments at year end are retained by the Association for use in the succeeding year. The member assessments receivables on December 31, 2020 and 2021 were \$4,739 and \$10,429, respectively.

The Association provides an allowance for doubtful accounts, as needed, for accounts deemed uncollectible based on consideration of past experience and susceptibility to factors outside the Association's control. On December 31, 2021, no allowance for doubtful accounts has been provided as all accounts are deemed to be collectible.

Assessments Received in Advance

The Association recognizes revenue from members as the related performance obligations are satisfied. Assessments Received in Advance are recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement fund assessments. The balance of Assessments Received in Advance on December 31, 2020 and 2021, were \$365,187 and \$616,883, respectively.

Interest Earned

The Board's policy is to allocate to the replacement fund interest earned on the fund's cash accounts.

Fair Value of Financial Instruments

The Association's financial instruments consist primarily of cash and cash equivalents, assessments receivable, and accounts payable. The carrying amount of such financial instruments approximate their respective estimated fair values due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair values are not necessarily indicative of the amounts the Association would realize in a current market exchange or from future earnings or cash flows.

NOTE 3 – FEDERAL AND STATE TAXES

Associations may be taxed as homeowners' associations or as regular corporations. In 2021, the Association elected to be taxed as a homeowners' association in accordance with Internal Revenue Code 528. Under this Section, the Association is not taxed on uniform assessments to members and other income received from association members solely as a function of their membership in the Association. The association is taxed at the rate of 30% on its nonexempt function income, which includes interest income and revenue received from nonmembers. Income tax expense was \$1,581 for the year ended December 31, 2021.

The Association has analyzed tax positions taken for filing with the Internal Revenue Service and the State of Florida. The Association believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Association's financial condition, results of operations or cash flows. Accordingly, the Association has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at December 31, 2021.

NOTE 4 – MANAGEMENT AGREEMENT

In 2017, the Association entered into a new one-year cancelable management agreement with Management & Associates effective January 1, 2018. In December 2020, the Association entered into a new four-year cancellable management agreement with Management & Associates effective January 1, 2021. At the end of the four years the agreement will automatically renew for additional periods of one year unless not renewed based on the terms of the agreement. The management fee for 2021 was \$220,746.

NOTE 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 30, 2022, the date on which the financial statements were available to be issued.

In January 2022, the Board approved entering into a contract with Asphalt Millings, Inc. for a stormwater project to replace the Elk Way pipe in the amount of \$402,974.

NOTE 6 – FUTURE REPAIRS AND REPLACEMENTS

The Association is accumulating funds for future major repairs and replacements. Accumulated funds are held in interest-bearing accounts and certificates of deposit and are generally not available for operating purposes.

The Association provides for limited voluntary deferred expenditure accounts, including capital expenditures and deferred maintenance, subject to limits on funding contained in the Association's governing documents. Because the owners have not elected to provide for reserve accounts pursuant to Section 720.303(6), Florida Statutes, these funds are not subject to the restrictions on use of such funds set forth in that statute, nor are reserves calculated in accordance with that statute.

The Association had a reserve study conducted to estimate the remaining useful lives and replacement costs of the components of common property. The study has been updated over the years and was updated in 2021 by Reserve Advisors. The estimates are based on future estimated replacement costs. The study does consider the effects of inflation and interest earned on funds between the date of the study and the date that the components will require repair or replacement. The study recommends a 2022 contribution in the amount of \$450,000 if the Cash Flow Method is used. The Association has included \$450,000 for the Replacement Fund and an additional \$15,113 for capital improvements in the Replacement Fund 2022 budget.

Actual expenditures may vary from the estimated amounts and the variations 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, however, the Association has the right to increase regular assessments, levy special assessments, or it may delay major repairs and replacements until funds are available.

Based on the requirements of Florida Statute 720, the activity in the Replacement Fund for the year ended December 31, 2021, is as follows:

	<u>Beginning Balance</u>	<u>Additions to Fund</u>	<u>Charges to Fund</u>	<u>Transfers</u>	<u>Ending Balance</u>
Deferred maintenance	\$ 131,199	\$ 3,750	\$ -0-	\$ 1,106	\$ 136,055
General	230,936	368,400	(119,349)	1,947	481,934
Interest	3,053	1,304	-0-	(3,053)	1,304
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ 365,188	\$ 373,454	\$(119,349)	\$ -0-	\$ 619,293
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NOTE 7 – LINE OF CREDIT

In 2020, the Association entered into an agreement for a \$300,000 advised revolving line of credit and a \$200,000 advised guidance line of credit with Servis 1st Bank to be used for capital improvements. In 2021, the Association entered into a new agreement on the lines of credit. The lines of credit are secured by the Association's rights to levy and collect assessments and to attach liens. The interest rate on each line of credit is 4.5%. There have been no borrowings on the lines of credit in 2021.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Association entered into a contract with Performance Standard Assurance, Inc. (PSA) in 2007 for horticultural inspections. The contract was renewed in 2014. The owner of Management & Associates (the management company for the Association) is also an owner in PSA. The amount paid to PSA in 2021 for horticultural services was \$13,780.

SUPPLEMENTARY INFORMATION

EAST LAKE WOODLANDS COMMUNITY ASSOCIATION, INC.
SUPPLEMENTARY FINANCIAL INFORMATION
ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

The Association had a reserve study conducted to estimate the remaining useful lives and replacement costs of the components of common property. The study has been updated over the years and was updated in 2021 by Reserve Advisors. The estimates are based on future estimated replacement costs. The study does consider the effects of inflation and interest earned on funds between the date of the study and the date that the components will require repair or replacement. The study recommends a 2022 contribution in the amount of \$450,000 if the Cash Flow Method is used.

	Estimated Remaining Useful Life (Years)	Estimated Future Replacement Cost	Fully Funded Requirement 2022
Pavement and roads	1-19	\$1,699,965	
Catch basins and concrete curbs and sidewalks	1-30	5,319,530	
Fences	1-2	95,280	
Guardhouses and security	1-19	368,400	
Signage	1-16	139,000	
Pipes and stormwater drainage	1-29	652,900	
Ponds and irrigation system	5-30	310,440	
Miscellaneous property site elements	1-14	264,725	
Reserve Study Update	1	6,700	
		\$8,856,940	\$ 450,000