

**COCO WOOD LAKES ASSOCIATION,
INC.**

Financial Statements

***For the year ended
December 31, 2020***

HAFER

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
COCO WOOD LAKES ASSOCIATION, Inc.

We have audited the accompanying financial statements of COCO WOOD LAKES ASSOCIATION, Inc. ("the Association"), which comprise the balance sheet as of December 31, 2020, and the related statement of revenues and 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.

Auditor's Responsibility

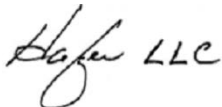
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of COCO WOOD LAKES ASSOCIATION, Inc. as of December 31, 2020, 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.



Palm Beach, Florida
May 11, 2021

COCO WOOD LAKES ASSOCIATION, INC.
BALANCE SHEET
December 31, 2020

	Operating Fund	Replacement Fund	Total Funds
Assets			
Cash and cash equivalents	\$ 97,092	\$ 127,567	\$ 224,659
Assessments receivable, net (Note 3)	13,683	-	13,683
Other receivables (Note 4)	44,425	-	44,425
Prepaid expenses	49,337	-	49,337
	Total assets	\$ 127,567	\$ 332,104
	\$ 204,537	\$ 127,567	\$ 332,104
 Liabilities and fund balances			
Accounts payable and accrued expenses	\$ 16,468	\$ -	\$ 16,468
Prepaid assessments	25,030	-	25,030
Deferred cable revenue (Note 7)	46,669	-	46,669
Contract liabilities (Note 9)	-	70,328	70,328
	Total liabilities	70,328	158,495
	88,167	70,328	158,495
Fund balances	116,370	57,239	173,609
	Total liabilities and fund balances	\$ 127,567	\$ 332,104
	\$ 204,537	\$ 127,567	\$ 332,104

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

COCO WOOD LAKES ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
For the year ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
Revenues			
Maintenance assessments	\$ 571,220	\$ -	\$ 571,220
Interest income	475	164	639
Other income	29,304	8,865	38,169
Total revenues	<u>600,999</u>	<u>9,029</u>	<u>610,028</u>
Expenses			
Building operations and maintenance	264,956	-	264,956
Utilities	45,958	-	45,958
Administration	223,006	-	223,006
Common area improvements	7,997	-	7,997
Major repairs and replacements	-	11,107	11,107
Total expenses	<u>541,917</u>	<u>11,107</u>	<u>553,024</u>
Excess (deficiency) of revenues over expenses	59,082	(2,078)	57,004
Fund balances, beginning	116,238	367	116,605
Interfund transfers (Note 8)	<u>(58,950)</u>	<u>58,950</u>	<u>-</u>
Fund balances, ending	<u>\$ 116,370</u>	<u>\$ 57,239</u>	<u>\$ 173,609</u>

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

COCO WOOD LAKES ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the year ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total Funds</u>
Cash flows from operating activities			
Excess (deficiency) of revenues over expenses	\$ 59,082	\$ (2,078)	\$ 57,004
<u>Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:</u>			
Provision for bad debt	1,914	-	1,914
<u>Changes in assets and liabilities:</u>			
Assessments receivable	(2,951)	-	(2,951)
Prepaid expenses	(18,386)	-	(18,386)
Accounts payable and accrued expenses	(3,489)	-	(3,489)
Prepaid assessments	(35,322)	-	(35,322)
Deferred cable revenue	46,669	-	46,669
Contract liabilities	-	29,000	29,000
Net cash provided by operating activities	<u>47,517</u>	<u>26,922</u>	<u>74,439</u>
Cash flows from financing activities			
Payments on insurance payable	(22,241)	-	(22,241)
Interfund transfers	(58,950)	58,950	-
Net cash (used) provided by financing activities	<u>(81,191)</u>	<u>58,950</u>	<u>(22,241)</u>
Net (decrease) increase in cash and cash equivalents	(33,674)	85,872	52,198
Cash and cash equivalents, beginning	<u>130,766</u>	<u>41,695</u>	<u>172,461</u>
Cash and cash equivalents, ending	<u>\$ 97,092</u>	<u>\$ 127,567</u>	<u>\$ 224,659</u>

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

COCO WOOD LAKES ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1: Organization

COCO WOOD LAKES ASSOCIATION, Inc. (“the Association”) was incorporated under the laws of the State of Florida as a not-for-profit corporation on December 12, 1977. The Association is responsible for maintaining and preserving the common property of the Association in accordance with the terms of Chapter 720, Florida Statutes (“FS §720”) and the provisions of its governing documents. The Association consists of 393 units on 5 acres in Delray Beach, Florida.

NOTE 2: Summary of significant accounting policies

Fund accounting

The Association prepares its financial statements on the accrual basis of accounting and presents them using fund accounting, using separate funds for operations and future major repairs and replacements. Disbursements from the operating fund are generally for the day-to-day operations and non-recurring unanticipated expenditures of the Association and are made at the discretion of the Board of Directors. Disbursements from the replacement fund generally are made only for designated purposes.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Short-term financial instruments

The carrying amount of the Association’s financial instruments, which include cash and cash equivalents, assessments and other receivables, prepaid expenses, accounts payable and accrued expenses, prepaid assessments, and other assets and liabilities, approximate their fair values due to their short-term maturities.

Cash and cash equivalents

Cash and cash equivalents include all monies in banks including money market funds. Cash equivalents include highly liquid securities, including certificates of deposit, with original maturities of 90 days or less.

Owners’ assessments and allowance for uncollectible accounts

Quarterly assessments to owners are based upon a share of the budgeted operating expenses and future major repairs and replacements. The Association retains excess operating funds at the end of the year for use in future operating periods. Assessments receivable at the balance sheet date represent fees due from owners. Assessments paid in advance are included on the balance sheet as prepaid assessments. The Association’s policy is to retain legal counsel and place liens or foreclose on homes of members whose assessments are delinquent. The Association’s estimate of the allowance for uncollectible accounts is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of reported amounts.

Property and equipment

Common property of the Association is accounted for in accordance with ASC 972-360 and prevalent industry practices. Common areas owned by the Association are reserved for the use of the owners and/or are required to be maintained as common areas under the Declaration and/or governmental restrictions; therefore, the sale of such common areas for revenue is remote. Accordingly, such common areas are not recorded in the financial records of the Association. The Association capitalizes, at cost, certain personal and real property which it purchases. Capitalized property and equipment are depreciated over the estimated useful lives of the assets using the straight-line method of depreciation.

COCO WOOD LAKES ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2: Summary of significant accounting policies (continued)

Revenue recognition

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the considerations we expect to be entitled to in exchange for those goods or services. The Association derives its revenue from operating assessments, reserve assessments, and other ancillary sources. The Association has applied FASB ASC 606-10-10-4 since all contracts with its customers have similar characteristics and the Association expects that the effects on the financial statements of applying this guidance would not differ materially from applying the guidance to the individual contracts.

The Association has identified the following performance obligations:

- *Operating assessments* – the performance obligation is the maintenance and management of the common area property and is met on a periodic basis throughout the year. Operating assessments revenue is recognized on a periodic basis, as billed, and it is probable it will be collected.
- *Reserve assessments* – the performance obligation is the expenditure of the assessed funds for the intended purpose. Reserve assessments revenue is recognized when the related expenditures are made.
- *Other ancillary revenues* – the performance obligation is delivery of the underlying services. Revenue is recognized as the services are rendered.

In evaluating whether collectability of an amount of consideration is probable, the Association must consider the customer's (owner's) ability and intention to pay that amount of consideration when it is due. In instances where the Association's collection of fees is not probable (delinquent owners, foreclosures, etc.), it cannot recognize revenue.

Contract liabilities

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of the performance obligations.

Interest earned

Interest earned by each fund is allocated to the appropriate fund. Income taxes on the interest earned are paid from the operating fund.

Income taxes (Form 1120-H)

The Association makes a yearly election to be taxed either under Internal Revenue Code ("IRC") §528 as a homeowners' association or under IRC §277 as a regular corporation. For 2020, the Association elected to be taxed under §528. Under this election, the Association is generally taxed only on non-exempt function income, such as interest earnings, at applicable rates. From time to time, certain temporary differences may arise between financial and taxable income, the overall effects of which are not material to the financial statements taken as whole. As such, the Association has not recorded deferred income taxes at the balance sheet date. The Association's policy on income statement classification of interest and penalties related to income tax obligations is to include such items as part of income tax expense. The Association's tax filings are generally subject to examination by taxing authorities for three years after the returns are filed.

COCO WOOD LAKES ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2: Summary of significant accounting policies (continued)

Recently issued accounting pronouncements, not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard will affect all entities that lease assets and will require lessees to recognize a lease liability and a right-of-use asset for all leases (except short-term leases that have a duration of less than one year) as of the date on which the lessor makes the underlying asset available to the lessee. Upon the issuance of ASU No. 2020-05, for non-public entities, such as the Association, the new standard is effective for annual periods beginning after December 15, 2021. While the Association expects the adoption of this standard to result in an increase to its reported assets and liabilities, the Association has not yet determined the full impact that the adoption of this standard will have on its financial statements and related disclosures.

NOTE 3: Assessments receivable, net

The Association's assessments receivable was as follows at December 31, 2020:

Assessments receivable	\$ 25,744
Less: allowance for doubtful accounts	<u>(12,061)</u>
	<u>\$ 13,683</u>

NOTE 4: Other receivable

The Association's other receivable was as follows at December 31, 2020:

Settlement receivable	<u>\$ 44,425</u>
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NOTE 5: Concentration of credit risk

The Association maintains its cash and cash equivalents at various financial institutions whereby deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At December 31, 2020, the Association did not have any uninsured deposits.

NOTE 6: Commitments and contingencies

Insurance windstorm deductible

In the event of a loss due to a hurricane the Association would be responsible for a deductible of 3% of the total insured value of the property under the provisions of the hurricane loss insurance contract.

Litigation

The Association, from time-to-time, may become party to various legal actions normally associated with homeowners associations, such as the collection of delinquent assessments and covenant compliance matters, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

Other commitments and contingencies

The Association has contracted with various vendors for various services to maintain the common property related to certain administration and building operations and maintenance expenses. These contracts are approved, as necessary, by the Board of Directors and have varying expiration dates and renewal terms.

COCO WOOD LAKES ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 7: Deferred cable revenue

On September 30, 2019, the Association entered into a bulk cable contract with a cable provider. As consideration for entering into a six-year contract, the cable provider agreed to pay the Association \$58,950. The Association, in accordance with accounting principles generally accepted in the United States of America, is amortizing the revenue over the life of the contract. For the year ended December 31, 2020, the Association recognized \$12,281 as other income. At December 31, 2020, the remaining balance of \$46,669 was recorded as deferred cable revenue and will be recognized over the remaining life of the contract.

NOTE 8: Future major repairs and replacements

The Association has not established statutory reserves under FS §720. The Association is voluntarily accumulating funds for future major repairs and replacements (non-statutory reserves). Accumulated funds are held in separate interest-bearing accounts and are used at the discretion of the Board of Directors, generally not for operating purposes.

Reserve funds are accumulated based on estimated current costs of the components of common property. 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, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The Board of Directors has not contracted with a reserve specialist to conduct an independent study to estimate the useful lives, the remaining useful lives, and replacement costs of the common property components.

For the year ended December 31, 2020, the Association voluntarily funded reserves in the amount of \$29,000. For the year ending December 31, 2021, the Association is voluntarily funding reserves in the amount of \$28,000.

Components of the replacement fund are as follows:

	Contract Liabilities and Fund Balance, January 1, 2020	Additions	Interest Income	Expenses	Transfers	Contract Liabilities and Fund Balance, December 31, 2020
Clubhouse	\$ 16,803	\$ -	\$ -	\$ -	\$ -	\$ 16,803
Grounds	2,928	-	-	-	-	2,928
Pool and spa	(1,194)	-	-	-	-	(1,194)
Deferred maint.	22,791	37,865 ¹	-	11,107	58,950 ²	108,499
Interest	367	-	164	-	-	531
	<u>\$ 41,695</u>	<u>\$ 37,865</u>	<u>\$ 164</u>	<u>\$ 11,107</u>	<u>\$ 58,950</u>	<u>\$ 127,567</u>

¹ Additions of \$37,865 is composed of budgeted funding of \$29,000 and insurance proceeds of \$8,865.

² During 2020, the Association transferred the bulk cable compensation contract of \$58,950 to the reserve fund.

COCO WOOD LAKES ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 8: Future major repairs and replacements (continued)

A reconciliation of the table above to the balance sheet replacement fund reporting is as follows:

Contract liabilities	\$ 70,328
Fund balance	<u>57,239</u>
	<u>\$ 127,567</u>

THE BUDGET OF THE ASSOCIATION DOES NOT PROVIDE FOR RESERVE ACCOUNTS FOR CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE THAT MAY RESULT IN SPECIAL ASSESSMENTS. OWNERS MAY ELECT TO PROVIDE FOR RESERVE ACCOUNTS PURSUANT TO SECTION 720.303(6), FLORIDA STATUTES, UPON OBTAINING THE APPROVAL OF A MAJORITY OF THE TOTAL VOTING INTEREST OF THE ASSOCIATION BY VOTE OF THE MEMBERS AT A MEETING OR BY WRITTEN CONSENT.

THE BUDGET OF THE ASSOCIATION PROVIDES FOR THE LIMITED VOLUNTARY DEFERRED EXPENDITURE ACCOUNTS, INCLUDING CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE, SUBJECT TO LIMITS ON FUNDING CONTAINED IN OUR 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.

NOTE 9: Contract liabilities

A schedule of contract liabilities at December 31, 2020 is as follows:

Contract liabilities, beginning	\$ 41,328
Plus: amounts assessed	29,000
Less: amounts recognized as performance obligations have been satisfied	<u>-</u>
Contract liabilities, ending	<u>\$ 70,328</u>

NOTE 10: Subsequent events

Management has evaluated subsequent events through May 11, 2021, the date the financial statements were available to be issued.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
COCO WOOD LAKES ASSOCIATION, Inc.

Report on the Financial Statements

We have audited the financial statements of COCO WOOD LAKES ASSOCIATION, Inc. ("the Association") as of and for the year ended December 31, 2020, and our report thereon dated May 11, 2021, which expressed an unmodified opinion on those financial statements, appears on Page 1.

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 expenses compared to budget on Pages 11 and 12, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked "unaudited," 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. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide assurance on it.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted the Schedule of Future Major Repairs and Replacements 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. Our opinion on the basic financial statements is not affected by the missing information.



Palm Beach, Florida
May 11, 2021

COCO WOOD LAKES ASSOCIATION, INC.
SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET
For the year ended December 31, 2020

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance Favorable (Unfavorable)</u>
Building operations and maintenance			
Building maintenance and repairs	\$ 3,331	\$ 6,000	\$ 2,669
Cable TV	214,280	186,000	(28,280)
Cleaning supplies	758	1,000	242
Common area supplies	779	800	21
Fire safety maintenance	-	100	100
Fitness machine maintenance	877	1,000	123
General	207	3,500	3,293
Hardware supplies	145	200	55
HVAC	817	1,400	583
HVAC supplies	-	400	400
Lakes, canals and preserves	6,180	6,000	(180)
Landscape extras	2,360	3,500	1,140
Landscaping	20,407	20,500	93
Lighting	-	1,000	1,000
Lock and key supplies	61	300	239
Pest control	886	900	14
Pest control - termite	463	530	67
Plumbing	70	100	30
Pool	1,063	1,900	837
Pool and spa maintenance	4,965	5,200	235
Pool and spa supplies	52	500	448
Security alarm monitoring	257	257	-
Signage	12	100	88
Sprinklers	486	750	264
Tree trimming	6,500	7,000	500
	<u>264,956</u>	<u>248,937</u>	<u>(16,019)</u>
Utilities			
Electric - clubhouse	13,168	20,000	6,832
Electric - street lights	21,848	23,000	1,152
Telephone	5,215	5,000	(215)
Trash removal	947	950	3
Water and sewer	4,780	5,000	220
	<u>\$ 45,958</u>	<u>\$ 53,950</u>	<u>\$ 7,992</u>

See auditor's report on supplementary information.

COCO WOOD LAKES ASSOCIATION, INC.
SCHEDULE OF OPERATING EXPENSES COMPARED TO BUDGET (CONTINUED)
For the year ended December 31, 2020

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Variance Favorable (Unfavorable)</u>
Administration			
Administrative and general	\$ 2,250	\$ 4,000	\$ 1,750
Annual corporate report	61	62	1
Audit fee	4,200	4,500	300
Bad debt expense	3,007	5,000	1,993
Bank fees	60	150	90
Computer equipment and rental	138	1,000	862
Fire extinguisher inspection	87	100	13
Gate and key cards	-	500	500
Insurance	29,453	31,495	2,042
Insurance doc stamp	76	-	(76)
Interest - insurance	614	500	(114)
Legal - document expense	235	5,000	4,765
Legal - litigation	36,383	23,000	(13,383)
Legal fees	12,595	13,000	405
Licenses, taxes and permits	2,142	2,400	258
Management fee	120,345	122,001	1,656
Newsletters	1,117	3,500	2,383
Office and equipment rental	4,228	3,900	(328)
Office supplies	612	1,000	388
Other professional fees	1,730	1,000	(730)
Postage	1,240	2,000	760
Salary expenses	2,283	3,000	717
Subscriptions and memberships	150	150	-
	<u>223,006</u>	<u>227,258</u>	<u>4,252</u>
 Common area improvements	 <u>7,997</u>	 <u>48,000</u>	 <u>40,003</u>
 Total budgeted expenses	 <u><u>\$ 541,917</u></u>	 <u><u>\$ 578,145</u></u>	 <u><u>\$ 36,228</u></u>

See auditor's report on supplementary information.