

**University Place Neighborhood
Association, Inc.**

Financial Statements

December 31, 2020

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CAVANAUGH & CO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
University Place Neighborhood Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of University Place Neighborhood Association, Inc., which comprise the balance sheet as of December 31, 2020, 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.

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 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 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 University Place Neighborhood 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of expenses and replacement fund activity 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 the supplementary information on future major repairs and replacements 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.



Sarasota, Florida
September 14, 2021

University Place Neighborhood Association, Inc.

Balance Sheet
December 31, 2020

ASSETS

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 154,086	302,432	456,518
Certificates of deposit	28,164	155,386	183,550
Assessments receivable, net	5,843	-	5,843
Prepaid insurance	7,953	-	7,953
Prepaid expenses	<u>4,486</u>	<u>-</u>	<u>4,486</u>
Total assets	<u>\$ 200,532</u>	<u>457,818</u>	<u>658,350</u>

LIABILITIES AND FUND BALANCE

Liabilities:			
Accounts payable	\$ 14,277	-	14,277
Income tax payable	837	-	837
Prepaid assessments	40,351	-	40,351
Deferred revenue	5,490	-	5,490
Contract liabilities (assessment received in advance - replacement fund)	<u>-</u>	<u>457,818</u>	<u>457,818</u>
Total liabilities	60,955	457,818	518,773
Fund balance:	<u>139,577</u>	<u>-</u>	<u>139,577</u>
Total liabilities and fund balance	<u>\$ 200,532</u>	<u>457,818</u>	<u>658,350</u>

See accompanying notes to financial statements.

University Place Neighborhood Association, Inc.

Statements of Revenues, Expenses and Changes in Fund Balance
Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
Revenues:			
Member assessments	\$ 463,260	47,459	510,719
Supplemental lot assessments	76,596	-	76,596
Interest income	1,277	4,953	6,230
Late fees and other	10,313	-	10,313
Total revenues	551,446	52,412	603,858
Expenses:			
Administration	36,220	-	36,220
Carriage Run expenses	76,596	-	76,596
Grounds	191,856	-	191,856
Lakes and aerators	35,939	-	35,939
Legal and professional	41,562	-	41,562
Other expenses	8,033	-	8,033
Pools	34,217	-	34,217
Recreation centers	63,964	-	63,964
Security	345	-	345
Utilities	23,755	-	23,755
Replacement expenditures	-	116,412	116,412
Total expenses	512,487	116,412	628,899
Excess (deficiency) of revenues over expenses	38,959	(64,000)	(25,041)
Transfers	(64,000)	64,000	-
Beginning members' equity	164,618	-	164,618
Ending members' equity	\$ 139,577	-	139,577

See accompanying notes to financial statements.

University Place Neighborhood Association, Inc.

Statement of Cash Flows
Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities:			
Member assessments collected	\$ 549,459	68,700	618,159
Interest received	1,277	4,953	6,230
Other income received	10,313	-	10,313
Income taxes paid	(562)	-	(562)
Transfers	(64,000)	64,000	-
Cash paid for expenses	(518,404)	(123,612)	(642,016)
Net cash flows from operating activities	(21,917)	14,041	(7,876)
Cash flows from investing activities:			
Purchase of certificates of deposit	(28,164)	(155,386)	(183,550)
Redemption of certificates of deposit	27,620	151,716	179,336
Net cash flows from investing activities	(544)	(3,670)	(4,214)
Net increase (decrease) in cash and cash equivalents	(22,461)	10,371	(12,090)
Cash and cash equivalents - beginning of year	176,547	292,061	468,608
Cash and cash equivalents - end of year	\$ 154,086	302,432	456,518
Reconciliation of excess (deficiency) of revenues over expenses to net cash flows from operating activities:			
Excess (deficiency) of revenues over expenses	\$ 38,959	(64,000)	(25,041)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash flows from operating activities:			
Transfers	(64,000)	64,000	-
(Increase) decrease in:			
Assessments receivable	3,339	-	3,339
Due (to) from other fund	7,200	(7,200)	-
Prepaid insurance	1,650	-	1,650
Prepaid expense	(4,486)	-	-
Increase (decrease) in:			
Accounts payable	(11,118)	-	(11,118)
Income tax payable	275	-	275
Prepaid assessments	3,660	-	3,660
Deferred revenue	2,604	-	2,604
Contract liabilities (assessments received in advance-replacement fund)	-	21,241	21,241
Total adjustments	(60,876)	78,041	21,651
Net cash flows from operating activities	\$ (21,917)	14,041	(7,876)

See accompanying notes to financial statements.

University Place Neighborhood Association, Inc.

Notes to Financial Statements

December 31, 2020

Note 1 – Nature of Organization:

University Place Neighborhood Association, Inc. is a not-for-profit corporation under chapter 617 Florida Statutes. The Association was organized to provide an entity under chapter 720 Florida Statutes for the maintenance, preservation, and management of the lots and common property within the single-family residential community known as University Place, a subdivision located in the unincorporated area of Manatee County Florida. University Place consists of the following seven neighborhoods: Charleston Point Phase A-26 lots, Charleston Point Phase A1-20 lots, Hampton Terrace-70 lots, Ashley Trace-116 lots, Carriage Run-55 lots, Magnolia Hammock-46 lots, and Indigo Ridge-70 lots. The total neighborhood association consists of 403 residential lots.

The University Place Community is located within the University Place Community Development District. The Community Development District constructed, operates and maintains certain improvements and facilities, including some within the neighborhood and will impose taxes and/or assessments on property located within its district through a special taxing district. These taxes and/or assessments pay the debt service on the bonds and other costs associated with the construction, operation, and maintenance of the improvements and facilities of the district and are set annually by the districts governing board. Each owner of a lot is responsible to pay the community development district taxes and/or assessments as to the lot owned in addition to county and any other taxes.

All policy decisions are formulated by the Board of Directors. Certain major decisions are referred to the general membership before action is taken.

Note 2 – Summary of 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.

Cash and Cash Equivalents

The Association considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

University Place Neighborhood Association, Inc.

Notes to Financial Statements

December 31, 2020

Note 2 – Summary of Significant Accounting Policies- Continued:

Assessments Receivable

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions 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 is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

The association's annual assessment to owners was \$1,320 per lot for 2020. This included \$170 per lot for funding of the Associations Replacement Fund. The Association collected the annual assessment in monthly installments of \$110. Members of the Carriage Run Neighborhood were also assessed a supplemental assessment of \$120 per month. Supplemental assessments collected in excess of Carriage Run lot expenses are recorded as deferred revenue to be applied against the subsequent years Carriage Run lot expenses. Carriage Run lot expenses in excess of supplemental assessments are recorded as deferred expenses to be applied against the subsequent years' supplemental assessments. Deferred revenue as of December 31, 2020 was \$5,490.

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. As of December 31, 2020, the Association has recorded an allowance of \$62,589.

Commonly Owned Assets

The Association has the responsibility to preserve and maintain the commonly owned assets. With the exception for any property of the Community Development District or other government entity, the Association's commonly owned assets include but are not limited to certain landscaping, signage, structures and installations as more fully described in section 2.05 of the Association's Declaration of Covenants, Conditions and Restrictions.

The Association's policy is not to capitalize and depreciate the commonly owned real property as ownership is vested directly or indirectly in the lot owners and these assets are not deemed to be severable.

Contract Liabilities (Assessments received in advance-replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments.

University Place Neighborhood Association, Inc.

Notes to Financial Statements

December 31, 2020

Note 2 – Summary of Significant Accounting Policies- Continued:

Income Taxes

For Federal tax purposes, the Association is taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses, and any net membership losses may only be carried forward to offset membership income of future tax periods. Any net membership income not applied to the subsequent tax year is subject to taxation.

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, nonmembership transactions, and capital transactions.

Management has evaluated the effect of an accounting standard relating to accounting for uncertainty in income taxes. Management has determined that the Association had no uncertain income tax positions that could have a significant effect on the financial statements for the year ended December 31, 2020. The Association's federal income tax returns are subject to examination by the Internal Revenue Service, generally for three years after the federal income tax returns were filed. The income tax expense for the year was \$837.

Allocation of Income and Expenses

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Actual results could differ from those estimates.

Note 3 – Uninsured Cash Balances:

The Association's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and short-term asset management accounts. The Association places its cash and cash equivalents with local financial institutions. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation insurance limit of \$250,000. Management considers the risk to be minimal.

University Place Neighborhood Association, Inc.

Notes to Financial Statements

December 31, 2020

Note 4 – Future Major Repairs and Replacements:

The Association's governing documents allow funds to be accumulated for future major repairs and replacements and the board of directors has elected to do so. The Association prepares its annual budget with calculations of estimates of future costs for the repair and/or replacement of certain common property. These calculations provide the basis for the establishment and ratable funding of reserves over a period of time.

Any decision of the Board with respect to reserves, including but not necessarily limited to, the establishment, non-establishment, continuation, discontinuation, level of funding or designation of purpose as to any particular reserve category, shall be subject to being modified or rescinded by the vote of Owners of sixty percent (60%) or more of the Lots at any regular or special meeting of the Association called for such purpose. Use of any reserve for other than its designated purpose, other than the above provided, may be authorized only by a vote of Owners of sixty percent (60%) or more of the Lots.

The Board of Directors annually reviews the funding requirements of major components of common property as part of the budget process and has adopted the pooling method for funding reserves. The pooling method allows funding to be calculated based on the cash needs of future expenditures as whole rather than by component. Reserve funds are allowed to be "pooled" and used for any authorized purpose. Amounts previously accumulated are considered in determining the annual funding requirement. In order to estimate the remaining useful lives, the replacement costs of the common property components and funding requirements a study was performed by professional reserve specialist in 2018. The study's calculations include an estimated future inflation rate for estimating future replacement costs of 1.4%. This information was then used to calculate estimated full funding of reserves for 2020 of \$48,700 and this amount was included in the 2020 budget. The calculation for 2021 called for full funding of \$49,400 and this amount is included in the 2021 budget.

Actual expenditures, however, 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 future needs. If additional funds are needed, however, the Association has the right, subject to Board approval, to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available.

Note 5 – Contingencies:

The Association's current windstorm insurance policy contains a 3% deductible clause. Based on the approximate \$534,000 insured valuation of the buildings, the first 3%, or \$16,020 would be the responsibility of the Association.

Note 6 – Subsequent Events:

Other subsequent events have been evaluated through September 14, 2021, which is the date the financial statements were available to be issued.

University Place Neighborhood Association, Inc.

Supplementary Schedule of Expenses
Year Ended December 31, 2020

Administrative

Signage	\$ 1,397
Income tax expense	837
Dog station supplies	2,379
Insurance	14,052
Website	600
Dues/licenses/fees	81
Social committee	4,443
HOA administration and supply	8,439
Postage and printing	<u>3,992</u>
Total	<u>36,220</u>

Carriage Run Expenses

Ground contract	<u>76,596</u>
Total	<u>76,596</u>

Grounds

Grounds contract	135,852
Property improvements	31,627
Tree trimming	16,529
Nature trail pest control	570
Swale maintenance	<u>7,278</u>
Total	<u>191,856</u>

Lakes and Aerators

Lake repair and maintenance	1,524
Aeration maintenance contracts	961
Water management contract	27,939
Fountain maintenance contract	3,032
Fountain repair and maintenance	<u>2,483</u>
Total	<u>35,939</u>

Legal and Professional

Financial review	4,600
Legal fees - general	8,162
Management fees	<u>28,800</u>
Total	<u>41,562</u>

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University Place Neighborhood Association, Inc.

Supplementary Schedule of Expenses
Year Ended December 31, 2020

Other Expenses

New capital purchases	\$ 8,033
Total	<u>8,033</u>

Pools

Pool contract	16,800
Pool repair and maintenance	5,584
Gas pool heating	11,208
Annual fees	<u>625</u>
Total	<u>34,217</u>

Recreation Centers

Janitorial services	8,502
Janitorial supplies	3,071
Repairs and maintenance	12,053
Exercise equipment contract	1,070
Exercise equipment repair	2,133
Pest control - pool area	750
Handyman services	31,078
Charleston internet and phone	2,891
Seven Oaks internet/TV/phone	<u>2,416</u>
Total	<u>63,964</u>

Security

Security repair and maintenance	<u>345</u>
Total	<u>345</u>

Utilities

Water/sewer/garbage	6,391
Electric	<u>17,364</u>
Total	<u>23,755</u>

Total expenses	<u>\$ 512,487</u>
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University Place Neighborhood Association, Inc.

Schedule of Replacement Fund Activity
Year Ended December 31, 2020

Beginning balance		\$ 436,577
Contributions		68,700
Interest income		4,953
Transfer from operating		64,000
Expenses:		
Property site elements:		
Light poles	(9,708)	
Pool house elements:		
Kitchen renovation	(3,875)	
Office renovation	(36,243)	
Restrooms	(49,512)	
Security system	(10,374)	
Pool elements:		
Equipment	<u>(6,700)</u>	<u>(116,412)</u>
Ending balance		<u>\$ 457,818</u>

University Place Neighborhood Association, Inc.

Supplementary Information on Future Major Repairs and Replacements

December 31, 2020

(unaudited)

The following table is based on information obtained from a reserve study conducted in 2018

	<u>Estimated Remaining Useful Life (avg)</u>	<u>Estimated Current Replacement Cost</u>
Property site elements:		
Light poles	13	\$ 20,700
Mailboxes	11 - 14	113,120
Playground equipment	0 - 1	23,000
Ponds, fountains	0 - 4	106,800
Ponds, dredging	5 - 8	17,000
Pool house elements:		
Paving repairs	0	8,125
Paving replacement	14	30,000
Paving curbs	16 - 30	18,900
Exercise equipment	3 - 18	36,500
Grills	2	9,400
HVAC	1 - 6	12,600
Kitchen renovation	16	18,000
Light fixtures	8	8,875
Office renovation	8	13,000
Painting	0	11,000
Restrooms	2 - 17	34,000
Roofs	7	37,100
Security system	0 - 7	30,000
Windows/doors	0	37,050
Pool elements:		
Decking	0 - 6	37,790
Fencing	6 - 7	42,300
Furniture	0 - 3	26,000
Equipment	0 - 12	47,000
Plaster finish	1 - 3	73,950
Water features	2 - 6	47,000