

**University Place Neighborhood
Association, Inc.**

Financial Statements

December 31, 2023

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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.

Opinion

We have audited the accompanying financial statements of University Place Neighborhood Association, Inc., which comprise the balance sheet as of December 31, 2023, 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.

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, 2023, 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of University Place Neighborhood Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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, considered in the aggregate, that raise substantial doubt about University Place Neighborhood 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

Our objectives are 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 our 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 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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.
- 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 University Place Neighborhood Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about University Place Neighborhood Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating fund expenses and schedule of replacement fund activity are presented for purposes of additional analysis and are 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 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. 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

March 15, 2024

University Place Neighborhood Association, Inc.

Balance Sheet
December 31, 2023

ASSETS

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 101,563	105,409	206,972
Certificates of deposit	29,080	159,457	188,537
Assessments receivable, net	10,625	-	10,625
Prepaid insurance	13,762	-	13,762
Prepaid expenses	<u>2,117</u>	<u>-</u>	<u>2,117</u>
Total assets	<u>\$ 157,147</u>	<u>264,866</u>	<u>422,013</u>

LIABILITIES AND FUND BALANCE

Liabilities:			
Accounts payable	\$ 10,758	-	10,758
Income tax payable	737	-	737
Prepaid assessments	44,133	-	44,133
Deferred revenue	5,490	-	5,490
Contract liabilities (assessment received in advance - replacement fund)	<u>-</u>	<u>264,866</u>	<u>264,866</u>
Total liabilities	61,118	264,866	325,984
Fund balance:	<u>96,029</u>	<u>-</u>	<u>96,029</u>
Total liabilities and fund balance	<u>\$ 157,147</u>	<u>264,866</u>	<u>422,013</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, 2023

	Operating Fund	Replacement Fund	Total
Revenues:			
Member assessments	\$ 416,964	206,623	623,587
Supplemental lot assessments	88,440	-	88,440
Interest income	1,833	4,319	6,152
Late fees and other	10,462	-	10,462
Total revenues	517,699	210,942	728,641
Expenses:			
Administration	37,332	-	37,332
Carriage Run expenses	88,440	-	88,440
Grounds	152,918	-	152,918
Lakes and aerators	46,423	-	46,423
Legal and professional	44,455	-	44,455
Pools	66,437	-	66,437
Recreation centers	64,198	-	64,198
Security	3,190	-	3,190
Utilities	42,572	-	42,572
Replacement expenditures	-	210,942	210,942
Total expenses	545,965	210,942	756,907
Deficiency of revenues over expenses	(28,266)	-	(28,266)
Beginning members' equity	124,295	-	124,295
Ending members' equity	\$ 96,029	-	96,029

See accompanying notes to financial statements.

University Place Neighborhood Association, Inc.

Statement of Cash Flows
Year Ended December 31, 2023

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities:			
Member assessments collected	\$ 506,785	61,800	568,585
Interest received	1,833	4,319	6,152
Other income received	10,462	-	10,462
Cash paid for expenses	(549,382)	(210,942)	(760,324)
Net cash flows from operating activities	(30,302)	(144,823)	(175,125)
Cash flows from investing activities:			
Purchase of certificates of deposit	(29,080)	(159,457)	(188,537)
Redemption of certificates of deposit	28,678	158,127	186,805
Net cash flows from investing activities	(402)	(1,330)	(1,732)
Net decrease in cash and cash equivalents	(30,704)	(146,153)	(176,857)
Cash and cash equivalents - beginning of year	132,267	251,562	383,829
Cash and cash equivalents - end of year	\$ 101,563	105,409	206,972
Reconciliation of deficiency of revenues over expenses to net cash flows from operating activities:			
Deficiency of revenues over expenses	\$ (28,266)	-	(28,266)
Adjustments to reconcile deficiency of revenues over expenses to net cash flows from operating activities:			
Decrease (increase) in:			
Assessments receivable	(2,056)	-	(2,056)
Prepaid insurance	(2,925)	-	(2,925)
Prepaid expense	550	-	550
Increase (decrease) in:			
Accounts payable	(1,779)	-	(1,779)
Income tax payable	737	-	737
Prepaid assessments	3,437	-	3,437
Contract liabilities (assessments received in advance-replacement fund)	-	(144,823)	(144,823)
Total adjustments	(2,036)	(144,823)	(146,859)
Net cash flows from operating activities	\$ (30,302)	(144,823)	(175,125)

See accompanying notes to financial statements.

University Place Neighborhood Association, Inc.

Notes to Financial Statements

December 31, 2023

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 AI-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, 2023

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 are 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 \$1,188 per lot for 2023. This included \$153 per lot for funding of the Associations Replacement Fund. The Association collected the annual assessment in monthly installments of \$99. Members of the Carriage Run Neighborhood were also assessed a supplemental assessment of \$134 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, 2023 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, 2023, 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, 2023

Note 2 – Summary of Significant Accounting Policies- Continued:

Income Taxes

For Federal tax purposes, the Association is taxed on all net income from non-membership activities reduced only by losses from non-membership activities for which a profit motive exists. Non-membership 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, 2023. 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. There was \$737 of income tax expense for the year.

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, 2023

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 meetings 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 a 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 2021. The reserve study included an estimated future inflation rate of 2.5% and annual assessment increase of 3.0%. The calculation for 2023 called for full funding of \$61,800 and this amount is included in the 2023 budget. The calculation for 2024 called for full funding of \$63,654 and this amount is included in the 2024 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 \$549,292 insured valuation of the buildings, the first 3%, or \$16,478 would be the responsibility of the Association.

Note 6 – Subsequent Events:

Other subsequent events have been evaluated through March 15, 2024, which is the date the financial statements were available to be issued.

University Place Neighborhood Association, Inc.

Schedule of Operating Fund Expenses
Year Ended December 31, 2023

Administrative

Signage	\$	90
Income tax expense		737
Dog station supplies		1,104
Insurance		20,568
Website		1,200
Dues/licenses/fees		86
Social committee		2,802
HOA administration and supply		4,840
Postage and printing		5,905
Total		<u>37,332</u>

Carriage Run Expenses

Ground contract		<u>88,440</u>
Total		<u>88,440</u>

Grounds

Grounds contract		134,844
Property improvements		13,529
Tree trimming		4,195
Preserve cleanout		350
Total		<u>152,918</u>

Lakes and Aerators

Aeration maintenance contracts		1,028
Aeration repair and maintenance		794
Water management contract		34,767
Fountain maintenance contract		3,244
Fountain repair and maintenance		6,590
Total		<u>46,423</u>

Legal and Professional

Financial review		5,725
Legal fees - general		8,490
Management fees		30,240
Total		<u>44,455</u>

Continued on page 9

University Place Neighborhood Association, Inc.
Schedule of Operating Fund Expenses
Year Ended December 31, 2023

Pools

Pool contract	\$ 21,600
Pool repair and maintenance	33,582
Gas pool heating	10,630
Annual fees	<u>625</u>
Total	<u>66,437</u>

Recreation Centers

Janitorial services	12,000
Janitorial supplies	3,029
Repairs and maintenance	12,453
Exercise equipment contract	1,455
Exercise equipment repair	5,746
Pest control - pool area	2,778
Handyman services	19,647
Charleston internet and phone	3,207
Seven Oaks internet/TV/phone	<u>3,883</u>
Total	<u>64,198</u>

Security

Security repair and maintenance	<u>3,190</u>
Total	<u>3,190</u>

Utilities

Water/sewer/garbage	11,828
Electric	<u>30,744</u>
Total	<u>42,572</u>

Total expenses	<u>\$ 545,965</u>
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University Place Neighborhood Association, Inc.

Schedule of Replacement Fund Activity
Year Ended December 31, 2023

Beginning balance		\$ 409,689
Contributions		61,800
Interest income		4,319
Expenses:		
Recreation/pool	(17,701)	
Interior furnishings	(21,865)	
Grounds components	(11,324)	
Site improvements	<u>(160,052)</u>	<u>(210,942)</u>
Ending balance		<u>\$ 264,866</u>

University Place Neighborhood Association, Inc.

Supplementary Information on Future Major Repairs and Replacements
December 31, 2023
(unaudited)

The following table is based on information obtained from a reserve study conducted in 2021 and adjusted for the passage of time.

	<u>Estimated Remaining Useful Life (avg)</u>	<u>Estimated Current Replacement Cost</u>
Streets/asphalt	4	\$ 39,000
Roofing	14	64,800
Painting	5	9,000
Recreation/pool	1 - 25	436,400
Interior furnishings	18 - 21	50,000
Equipment	1 - 20	263,000
Grounds components	4 - 11	362,000
HVAC	0 - 2	10,000