

**Key West Golf Club Homeowners'
Association, Inc.**

**FINANCIAL STATEMENTS (AND
SUPPLEMENTARY INFORMATION)**


December 31, 2019



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Key West Golf Club Homeowners' Association, Inc.
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December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of
Key West Golf Club Homeowners' Association, Inc.
Key West, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Key West Golf Club Homeowners' Association, Inc., which comprise the Balance Sheet as of December 31, 2019, and the related Statements of Revenue, 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.

Auditors' 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 auditors' 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 Key West Golf Club Homeowners' Association, Inc. as of December 31, 2019, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Association implemented new accounting guidance under FASB ASC 606, *Revenue from Contracts with Customers*. The Association's implementation of the new accounting standard significantly changes the recognition of replacement fund assessments, and as a result, the Association has restated its beginning fund balance. Our opinion is not modified with respect to the implementation of the new guidance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, contained in the Schedule of Changes in Accumulated Funds for Future Major Repairs and Replacements and Schedule of Operating Fund Revenue and Expenses – Budget and Actual, 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, except for that 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 any assurance on it.

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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
July 7, 2020

Key West Golf Club Homeowners' Association, Inc.
Balance Sheet

December 31,

2019

| | Operating Fund | Replacement Fund | Total |
|---|-------------------|---------------------|---------------------|
| Assets | | | |
| Cash | \$ 372,101 | \$ 188,978 | \$ 561,079 |
| Certificates of deposit | - | 418,744 | 418,744 |
| Accounts receivable | 20,165 | - | 20,165 |
| Prepaid expenses | 11,333 | - | 11,333 |
| Other assets | 2,977 | - | 2,977 |
| Property & equipment, net | 9,133 | - | 9,133 |
| Interfund balances | 11,316 | (11,316) | - |
| Total assets | \$ 427,025 | \$ 596,406 | \$ 1,023,431 |
| Liabilities and Fund Balance | | | |
| Liabilities | | | |
| Accounts payable | \$ 92,500 | \$ - | \$ 92,500 |
| Prepaid assessments | 47,426 | - | 47,426 |
| Other liabilities | 619 | - | 619 |
| Performance obligation | - | 596,406 | 596,406 |
| Total liabilities | 140,545 | 596,406 | 736,951 |
| Fund balance | 286,480 | - | 286,480 |
| Total liabilities and fund balance | \$ 427,025 | \$ 596,406 | \$ 1,023,431 |

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

Key West Golf Club Homeowners' Association, Inc.
Statement of Revenue, Expenses and Changes in Fund Balance

For the year ended December 31,

2019

| | Operating Fund | Replacement Fund | Total |
|--|-------------------|---------------------|-------------------|
| Revenue | | | |
| Regular assessments | \$ 1,374,594 | \$ 129,943 | \$ 1,504,537 |
| Cable assessments | 318,006 | - | 318,006 |
| Interest income | 1,728 | 6,523 | 8,251 |
| Recovery of bad debt | 9,857 | - | 9,857 |
| Miscellaneous income | 25,902 | - | 25,902 |
| Total revenue | 1,730,087 | 136,466 | 1,866,553 |
| Expenses | | | |
| Administrative | 195,567 | - | 195,567 |
| Courtesy patrol | 334,805 | - | 334,805 |
| Cable | 318,006 | - | 318,006 |
| Depreciation | 7,047 | - | 7,047 |
| Insurance | 25,141 | - | 25,141 |
| Landscaping | 273,356 | - | 273,356 |
| Maintenance and repairs | 329,845 | 136,466 | 466,311 |
| Professional fees | 147,467 | - | 147,467 |
| Utilities | 161,596 | - | 161,596 |
| Total expenses | 1,792,830 | 136,466 | 1,929,296 |
| Excess (deficit) of revenue over expenses | (62,743) | - | (62,743) |
| Capital contributions | 30,810 | - | 30,810 |
| Beginning fund balance, restated | 318,413 | - | 318,413 |
| Ending fund balance | \$ 286,480 | \$ - | \$ 286,480 |

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

Key West Golf Club Homeowners' Association, Inc.
Statement of Cash Flows

For the year ended December 31,

2019

| | Operating Fund | Replacement Fund | Total |
|---|-------------------|---------------------|-------------------|
| Operating activities | | | |
| Excess (deficit) of revenue over expenses | \$ (62,743) | \$ - | \$ (62,743) |
| Adjustments to reconcile excess (deficit) of revenue over expenses to net cash provided (used) by operating activities: | | | |
| Bad debt provision (recovery) | (9,857) | - | (9,857) |
| Depreciation expense | 7,047 | - | 7,047 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (10,308) | - | (10,308) |
| Prepaid expenses | 345 | - | 345 |
| Other assets | 3,173 | - | 3,173 |
| Accounts payable | 41,679 | - | 41,679 |
| Prepaid assessments | 15,455 | - | 15,455 |
| Performance obligation | - | 26,057 | 26,057 |
| Interfund balance | (5,998) | 5,998 | - |
| Net cash provided (used) by operating activities | (21,207) | 32,055 | 10,848 |
| Investing activities | | | |
| Purchase of certificates of deposit | - | (206,509) | (206,509) |
| Net cash provided (used) by investing activities | - | (206,509) | (206,509) |
| Financing activities | | | |
| Capital contributions | 30,810 | - | 30,810 |
| Net cash provided by financing activities | 30,810 | - | 30,810 |
| Net increase (decrease) in cash | 9,603 | (174,454) | (164,851) |
| Cash at beginning of year | 362,498 | 363,432 | 725,930 |
| Cash at end of year | \$ 372,101 | \$ 188,978 | \$ 561,079 |

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

Key West Golf Club Homeowners' Association, Inc. Notes to Financial Statements

NOTE 1: DESCRIPTION OF THE ORGANIZATION

Key West Golf Club Homeowners' Association, Inc., ("Association") a Florida not-for-profit Corporation, was formed on November 13, 1995. Membership in the Association consists of the 390 single-family residential unit owners of this Florida townhome planned unit development. The development is located on approximately 46.5 acres in Key West, Florida.

The Association was organized for the purpose of maintaining and protecting the elements owned by the unit owners in common, including buildings, roads and parking areas, pools, landscaping, fencing, and recreational areas and facilities. Disposition of common area property requires consent of the members in accordance with the governing documents and Florida Statutes.

All policy decisions, including the annual budget and owners' assessments, are formulated by the Board of Directors. Decisions are referred to the general Association membership before action is taken, when so required by the governing documents of the Association.

Management and accounting services are provided to the Association by The Community Association Company.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Cash and cash equivalents include cash and all highly-liquid debt instruments with an original maturity of 90 days or less.

Key West Golf Club Homeowners' Association, Inc.
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds

The Association is a not-for-profit organization which employs the fund method of accounting in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors, the Association voting membership, or applicable Florida Statute. The financial statements segregate the accounting for such funds as either Operating or Replacement Funds. At the end of the year, excess funds are retained by the fund generating such excess during the year.

The Operating Fund is used to account for financial resources available for the general operation of the Association. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors.

The Replacement Fund is generally used to account for assessments made for major repair and replacement of common property, and related expenses. Disbursements from the Replacement Fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association membership. Interest income earned in the Replacement Fund is allocated to the pooled items.

Accounts Receivable from Owners and Allowance for Doubtful Accounts

Accounts receivable from owners are reported at the outstanding balance due from owners, net of any allowance for doubtful accounts. The Association provides for doubtful accounts based on experience and analysis of individual accounts. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific accounts are determined to be uncollectable, they are written off by charging the allowance and crediting the receivable. Since management considers all receivables to be collectible at December 31, 2019, no allowance has been established at this time.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the Balance Sheet. These items will be expensed over the applicable usage period.

Key West Golf Club Homeowners' Association, Inc.
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalization and Depreciation

Real property acquired by the Association is capitalized when it (a) is used to generate significant cash flows from members on the basis of usage or from nonmembers or (b) can be disposed of for cash with the Association retaining the proceeds. Real property acquired by the Association that does not meet these guidelines is not capitalized, and accordingly, replacements, major repairs, and improvements to this property are not capitalized; instead, they are reported as expenses in the fund making the expenditure. Real property that does not meet the criteria to capitalize is identified in Note 1.

Personal property acquired by the Association is capitalized at cost and depreciated over its estimated useful lives, which range from five to seven years, using the straight line method of depreciation.

Contract Assets and Liabilities

Contract assets represent revenue recognized in excess of amounts billed. No such amounts are reported on the Balance Sheet as of December 31, 2019. Contract liabilities represent revenue collected in advance of the contract period or amounts billed in excess of revenue recognized. These liabilities are reported on the Balance Sheet as prepaid assessments and performance obligation liabilities.

Revenue Recognition

Effective January 1, 2019, the Association adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. This topic requires the recognition of revenue when performance obligations under the terms of the contracts with customers are satisfied. Revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. For purposes of this Association, the definition of customers includes the Association's members.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, July 7, 2020. See Note 14 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Key West Golf Club Homeowners' Association, Inc.
Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Adopted Accounting Guidance

In May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification. The Association elected to adopt the revenue recognition standard effective January 1, 2019 using the modified retrospective method. This method allows the standard to be adopted retrospectively through a cumulative adjustment recognized upon adoption. The cumulative adjustment recorded upon adoption of ASC 606 consisted of changes in the recognition of replacement fund assessments, and accordingly the accumulated funds for future major repairs and replacements are now largely classified as a performance obligation liability and not fund balance. As a result, the Association has restated its beginning fund balance as follows:

| <u>December 31,</u> | <u>2019</u> |
|--|-------------|
| Beginning replacement fund balance, before restatement | \$ 570,349 |
| Cummulative effect of change in accounting principle | (570,349) |
| Beginning replacement fund balance, as restated | \$ - |

NOTE 3: OWNERS' ASSESSMENTS

Revenue and expenses are allocated to each unit owner equally, and accordingly, assessment rates are established using this formula. The rate for 2019 for all unit owners was \$327 per month. Budgeted regular assessments for the year ended December 31, 2019 totaled \$1,530,594, of which \$156,000 was allocated to the Replacement Fund.

The Association also assesses all unit owners for cable services. For the year ended December 31, 2019, cable assessments totaled \$318,006 and all unit owners were charged \$68 per month for basic cable services. See Note 13 for discussion of Cable Agreement regarding cable assessments.

Key West Golf Club Homeowners' Association, Inc.
Notes to Financial Statements

NOTE 3: OWNERS' ASSESSMENTS (Continued)

The following table reconciles budgeted regular assessments to the amounts recognized as assessment revenue in the Statement of Revenue, Expenses and Changes in Fund Balance:

| <i>For the year ended December 31,</i> | 2019 | | | |
|--|---------------------------|-----------------------------|--------------|------------------|
| | Operating Fund | Replacement Fund | Total | |
| Budgeted regular assessments | \$ 1,374,594 | \$ 156,000 | \$ | 1,530,594 |
| Less additions to performance obligation | | - | (26,057) | (26,057) |
| Total assessments | \$ 1,374,594 | \$ 129,943 | \$ | 1,504,537 |

NOTE 4: REVENUE RECOGNITION

As disclosed in Note 2 to the financial statements, the Association's customers consist of its members, which are unit owners within the development. The contracts between these customers and the Association primarily relate to maintaining, managing and providing access to the property and amenities owned in common by the unit owners.

Performance Obligations

The Association's revenue is derived primarily from assessments to its members. The Association generally recognizes its revenue from contracts with customers over time with the exception of reserve assessments and recovery of bad debt, which are being recognized at a point in time, and interest income, which is not subject to ASC Topic 606. As of December 31, 2019, the Association has reported a performance obligation liability totaling \$596,406, relating to the future major repair and/or replacement of specific components of common property. The assessments related to this performance obligation are generally reported in the Replacement Fund and will be recognized as revenue at the point in time when the funds are expended for their designated purpose.

Key West Golf Club Homeowners' Association, Inc.
Notes to Financial Statements

NOTE 4: REVENUE RECOGNITION (Continued)

Significant Judgments

For those revenue items recognized over time, the Association generally utilizes the input method of measurement, where revenue is recognized based on the Association's efforts towards the satisfaction of a performance obligation. For operating fund amounts, except for recovery of bad debt, revenue is recognized as time elapses and the Association performs routine maintenance, protection and management of the common area property. For recovery of bad debt, revenue is recognized as delinquent owners make payments on or a court order demands that they make future payments on balances being offset by an allowance for doubtful accounts. For replacement fund amounts, the Association recognizes revenue at the point in time when reserve expenses are incurred.

Disaggregated Revenue

The Association derives its revenue from various activities and sources having different qualitative factors that may affect the amount, timing, or uncertainty of revenues and cash flows.

The following chart contains disaggregated revenue information that reflects these qualitative factors.

| <i>For the year ended December 31,</i> | 2019 |
|---|--------------|
| <i>Recognized over time</i> | |
| Operating fund assessments | \$ 1,374,594 |
| Cable assessment fees | 318,006 |
| Other revenue | 25,902 |
| <i>Recognized at a point in time</i> | |
| Replacement fund assessments | 129,943 |
| Recovery of bad debt | 9,857 |
| <i>Not subject to ASC Topic 606</i> | |
| Interest income | 8,251 |
| Total revenue | \$ 1,866,553 |

Key West Golf Club Homeowners' Association, Inc.
Notes to Financial Statements

NOTE 4: REVENUE RECOGNITION (Continued)

The following table presents information about accounts receivable, contract assets, and contract liabilities:

| <i>December 31,</i> | 2019 |
|---|-------------|
| Accounts receivable, net - beginning balance | \$ - |
| Accounts receivable - ending balance | 20,165 |
| Contract assets - no beginning or ending balance for the year | |
| Contract liabilities | |
| Prepaid assessments - beginning balance | 31,971 |
| Prepaid assessments - ending balance | 47,426 |
| Performance obligation liabilities - beginning balance | 570,349 |
| Performance obligation liabilities - ending balance | 596,406 |

NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association’s governing documents and Florida Statutes require the Association to accumulate funds for future major repairs and replacements, unless otherwise decided by the voting membership. The Association has adopted a program to accumulate funds for estimated future major repairs and replacements through regular assessments.

The Board of Directors annually reviews the major components of common property. As a part of this review, the Board re-evaluates the estimated remaining useful lives and the estimated replacement costs of each of the components of the Replacement Fund. Where applicable, licensed contractors and architects are consulted regarding useful lives and replacement costs. The Board of Directors last performed a review of the estimated replacement costs, remaining lives, and funding requirements for the reserve components in 2019 based on a professional study performed in 2012.

The Association is funding for future major repairs and replacements over the estimated useful lives of the components based on the study’s estimates of replacement costs and considering amounts previously accumulated in the Replacement Fund. Accordingly, the funding amount of \$156,000, based on a full funding plan, was included in the 2019 budget.

Actual expenditures may vary from the estimated amounts and the variations may be significant. Therefore, amounts accumulated in the Replacement Fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

Key West Golf Club Homeowners' Association, Inc.

Notes to Financial Statements

NOTE 6: INCOME TAXES

The Association elected to file its tax return for 2019 as a homeowner association on Form 1120H. As such, the Association must comply with Internal Revenue Code (IRC) Section 528, which applies specifically to homeowner associations. Under IRC Section 528, the Association is not taxed on income and expenses directly related to its exempt purpose, which is the management, maintenance and protection of Association property. However, net nonexempt function income, such as interest income and revenues from nonmembers, is taxed for federal purposes at a flat 30% rate. For the year ended December 31, 2019, the Association had net nonexempt function income of \$0, which resulted in no federal income taxes for 2019. State income taxes do not apply to associations that qualify under IRC Section 528.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association's policy is to record interest expense or penalties related to income tax in (operating) expense. For the year ended December 31, 2019, no interest or penalties were paid or accrued. The Association is subject to routine audits by taxing jurisdictions; however, there are no audits for any tax periods in progress. The Association's management believes it is no longer subject to income tax examinations for years prior to 2016.

NOTE 7: CREDIT RISK

The Association assesses regular and special assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual units. Should the collection of any such liens be enforced by the sale of the unit, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens that have priority. Market value may be influenced by the real estate market in Key West, Florida.

NOTE 8: CERTIFICATES OF DEPOSIT

At December 31, 2019, the Association had \$418,744 of Replacement Fund monies in certificates of deposits at a local financial institution. The carrying value of these certificates of deposits is cost plus accrued interest.

Key West Golf Club Homeowners' Association, Inc.
Notes to Financial Statements

NOTE 9: WINDSTORM DEDUCTIBLE

The insurance policy for windstorm coverage renewed in January 2020. The deductible amount for named hurricane storms is estimated at \$10,200 which represents 3% of the insured value of the residential building. In addition, the Association's windstorm policy is underwritten by the State of Florida's Citizens Property Insurance Corporation (Citizens). In the event Citizens incurs a deficit that exceeds the amount collected via regular premiums, an emergency assessment may be levied. The Association may be required to pay substantially more in insurance premiums relating to the year for which the emergency assessment is levied.

NOTE 10: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

| <i>December 31,</i> | 2019 |
|-----------------------------|-----------|
| Machinery and equipment | \$ 60,317 |
| Accumulated depreciation | (51,184) |
| Property and equipment, net | \$ 9,133 |

Depreciation expense for the year ended December 31, 2019 was \$7,047.

NOTE 11: SHORT-TERM BORROWINGS

The Association has secured a line of credit with a financial institution with a maximum borrowing potential of \$350,000 and a variable interest rate of prime plus .75%. The line will expire on October 14, 2020, requires monthly payments of interest, and is secured by assignment of owners' assessments. There was no outstanding balance on the line of credit at December 31, 2019.

NOTE 12: CAPITAL CONTRIBUTIONS

Per the Declaration of Condominium/Covenants, each new owner shall pay a one-time start-up fee for working capital in the amount of 2 months of the total general assessment applicable to such lot for the year in which the purchase occurs. For the year ended December 31, 2019, Capital contributions totaled \$30,810 as shown on the accompanying Statement of Revenue, Expenses and Changes in Fund Balance.

Key West Golf Club Homeowners' Association, Inc.

Notes to Financial Statements

NOTE 13: CABLE AGREEMENT

In 2011, the Association signed a Cable Agreement allowing the Developer (“SinghCo” dba “Singh Cable”) to retain ownership of the Telecommunications Parcel and all cable infrastructure on the Association’s property. As part of this Cable Agreement, the Developer has the exclusive right to provide basic bulk cable services without limitation to all unit owners in the Association as of the effective date of the agreement and through all times in the future. As part of this agreement, the Association has also agreed not to challenge the Developer’s right to provide these services; however, the Association does maintain the right to dispute the amount of the monthly charge by Singh Cable if the monthly charge exceeds the standard charge for similar services to individual residential units on a non-bulk basis.

As a result of this agreement, the Association assesses all unit owners for their portion of cable fees billed to the Association by the Developer (“Singh Cable”).

In 2019, the Association filed a lawsuit against Singh Cable seeking declaratory judgement to nullify the existing Cable Agreement and allow the Association to switch to an alternative provider. The lawsuit is in an early stage of development and the ultimate outcome is unknown.

NOTE 14: SUBSEQUENT EVENT

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Association. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

SUPPLEMENTARY INFORMATION

Key West Golf Club Homeowners' Association, Inc.
Schedule of Changes in Accumulated Funds for Future Major Repairs and Replacements

For the year ended December 31,

2019

| Component | Beginning Balance | Additions | Subtractions | Ending Balance |
|----------------------|------------------------------|-------------------|---------------------|---------------------------|
| Pooled items: | | | | |
| Clubhouse | | | \$ (6,127) | |
| Infrastructure | | | (16,829) | |
| Paving | | | (71,965) | |
| Pool | | | (41,545) | |
| Total | \$ 570,349 | \$ 162,523 | \$ (136,466) | \$ 596,406 |

December 31,

2019

| | |
|----------------------------------|-------------------|
| Performance obligation liability | \$ 596,406 |
| Replacement fund balance | - |
| Total | \$ 596,406 |

Key West Golf Club Homeowners' Association, Inc.
Schedule of Operating Fund Revenue and Expenses – Budget and Actual

For the year ended December 31,

2019

| | Actual | Budget (Unaudited) | Variance Favorable (Unfavorable) (Unaudited) |
|---|---------------|-------------------------------|---|
| Revenue | | | |
| Regular assessments | \$ 1,374,594 | \$ 1,374,594 | \$ - |
| Cable assessments | 318,006 | 318,006 | - |
| Interest income | 1,728 | 600 | 1,128 |
| Recovery of bad debt | 9,857 | - | 9,857 |
| Miscellaneous income | 25,902 | 45,600 | (19,698) |
| Total revenue | 1,730,087 | 1,738,800 | (8,713) |
| Expenses | | | |
| Administrative | 195,567 | 167,539 | (28,028) |
| Courtesy patrol | 334,805 | 317,579 | (17,226) |
| Cable | 318,006 | 318,006 | - |
| Depreciation | 7,047 | - | (7,047) |
| Insurance | 25,141 | 26,359 | 1,218 |
| Landscaping | 273,356 | 276,000 | 2,644 |
| Maintenance and repairs | 329,845 | 336,132 | 6,287 |
| Professional fees | 147,467 | 120,785 | (26,682) |
| Utilities | 161,596 | 177,000 | 15,404 |
| Total expenses | 1,792,830 | 1,739,400 | (53,430) |
| Excess (deficit) of revenue over expenses | \$ (62,743) | \$ (600) | \$ (62,143) |

Key West Golf Club Homeowners' Association, Inc.
Supplementary Information on Future Major Repairs and Replacements
(Unaudited)

The following table is based on the Board's review and presents significant information about the components of common property:

| Component | Estimated Remaining Useful Life (Years) | Estimated Replacement Cost | Accumulated Funds at 12/31/19 |
|----------------------|--|----------------------------------|-------------------------------------|
| Pooled items: | | | |
| Clubhouse | 0 - 16 | \$ 170,000 | |
| Infrastructure | 0 - 20 | 431,000 | |
| Painting | 0-3 | 59,520 | |
| Paving | 0 - 10 | 632,000 | |
| Pool | 0-17 | 123,400 | |
| Total | | \$ 1,415,920 | \$ 596,406 |