



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

**Financial Statements and Supplementary
Information**

December 31, 2022



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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

Opinion

We have audited the accompanying financial statements of Key West Golf Club Homeowners' Association, Inc., which comprise the balance sheet as of December 31, 2022, 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.

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, 2022, 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 Key West Golf Club Homeowners' 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 these 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 Key West Golf Club Homeowners' 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.

Auditors' 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risk. 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 Key West Golf Club Homeowners' 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Key West Golf Club Homeowners' 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 Summarized Comparative Information

We have previously audited Key West Golf Club Homeowners' Association, Inc. 's 2021 financial statements, and our report dated April 13, 2022 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 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.

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

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
June 29, 2023

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

<i>December 31,</i>	2022			2021	
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)	
Assets					
Cash	\$ 532,053	\$ 189,515	\$ 721,568	\$ 758,863	
Certificates of deposit	-	432,348	432,348	428,206	
Accounts receivable	15,954	-	15,954	16,954	
Prepaid expenses	15,089	-	15,089	12,045	
Other assets	3,427	-	3,427	2,977	
Property & equipment, net	1,841	-	1,841	4,642	
Interfund balances	8,897	(8,897)	-	-	
Total assets	\$ 577,261	\$ 612,966	\$ 1,190,227	\$ 1,223,687	
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 74,676	\$ -	\$ 74,676	\$ 60,274	
Prepaid assessments	68,834	-	68,834	54,133	
Other liabilities	10,024	-	10,024	10,024	
Notes Payable	2,769,390	-	2,769,390	2,922,966	
Performance obligation	-	612,966	612,966	551,479	
Total liabilities	2,922,924	612,966	3,535,890	3,598,876	
Fund balance (deficit)	(2,345,663)	-	(2,345,663)	(2,375,189)	
Total liabilities and fund balance	\$ 577,261	\$ 612,966	\$ 1,190,227	\$ 1,223,687	

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

<i>For the year ended December 31,</i>	2022			2021
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Revenue				
Regular assessments	\$ 1,625,286	\$ 77,513	\$ 1,702,799	\$ 1,658,337
Cable assessments	154,514	-	154,514	237,153
Interest income	380	6,306	6,686	3,603
Recovery of bad debt	-	-	-	26,348
Miscellaneous income	4,305	-	4,305	10,470
Total revenue	1,784,485	83,819	1,868,304	1,935,911
Expenses				
Administrative	209,468	-	209,468	205,089
Courtesy patrol	381,439	-	381,439	337,453
Cable	154,514	-	154,514	237,153
Depreciation	2,801	-	2,801	3,644
Insurance	35,877	-	35,877	42,675
Interest	111,363	-	111,363	55,435
Landscaping	290,326	-	290,326	257,302
Maintenance and repairs	285,836	83,819	369,655	420,111
Professional fees	121,471	-	121,471	163,330
Settlement fees	-	-	-	2,700,000
Utilities	215,984	-	215,984	192,313
Total expenses	1,809,079	83,819	1,892,898	4,614,505
Excess (deficit) of revenue over expenses	(24,594)	-	(24,594)	(2,678,594)
Capital contributions	54,120	-	54,120	56,800
Beginning fund balance	(2,375,189)	-	(2,375,189)	246,605
Ending fund balance (deficit)	\$ (2,345,663)	\$ -	\$ (2,345,663)	\$ (2,375,189)

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

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

<i>For the year ended December 31,</i>	2022			2021
	Operating Fund	Replacement Fund	Total	Total (For Comparative Purposes)
Operating activities				
Excess (deficit) of revenue over expenses	\$ (24,594)	\$ -	\$ (24,594)	\$ (2,678,594)
Adjustments to reconcile excess (deficit) of revenue over expenses to net cash provided (used) by operating activities:				
Depreciation expense	2,801	-	2,801	3,644
Bad debt recovery	-	-	-	(26,348)
Changes in operating assets and liabilities:				
Accounts receivable	1,000	-	1,000	22,078
Prepaid expenses	(3,044)	-	(3,044)	36,830
Other assets	(450)	-	(450)	-
Accounts payable	14,402	-	14,402	22,325
Prepaid assessments	14,701	-	14,701	(34,128)
Other liabilities	-	-	-	20
Performance obligation	-	61,487	61,487	(22,690)
Interfund balance	(99,993)	99,993	-	-
Net cash provided (used) by operating activities	(95,177)	161,480	66,303	(2,676,863)
Investing activities				
Purchase of certificates of deposit	-	(4,142)	(4,142)	(3,232)
Net cash provided (used) by investing activities	-	(4,142)	(4,142)	(3,232)
Financing activities				
Proceeds from notes payable	-	-	-	3,000,000
Payments on notes payable	(153,576)	-	(153,576)	(77,034)
Capital contributions	54,120	-	54,120	56,800
Net cash provided by financing activities	(99,456)	-	(99,456)	2,979,766
Net increase (decrease) in cash	(194,633)	157,338	(37,295)	299,671
Cash at beginning of year	726,686	32,177	758,863	459,192
Cash at end of year	\$ 532,053	\$ 189,515	\$ 721,568	\$ 758,863

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). The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

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.

Key West Golf Club Homeowners' Association, Inc.

Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

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

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, 2022, 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, 2022. 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

The Association recognizes 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, June 29, 2023, and determined there were no events that occurred that required 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 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 2022 for all unit owners was approximately \$410 per month including cable and approximately \$377 per month excluding cable assessment fees. Budgeted regular assessments for the year ended December 31, 2022 totaled \$1,764,286, of which \$139,000 was allocated to the replacement fund.

The Association also negotiates with a cable service provider for bulk cable services on behalf of participating unit owner. The Association pays for these bulk cable services and then assesses each participating unit owner for their share of service. Throughout the entire year and as of December 31, 2022, all 390 unit owners participated. For the year ended December 31, 2022, cable assessments totaled \$154,514 and all unit owners were charged approximately \$33 per month for basic cable services throughout the year. See Note 12 for further discussion of cable agreement and settlement involving cable assessments.

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>	2022		
	Operating Fund	Replacement Fund	Total
Budgeted regular assessments	\$ 1,625,286	\$ 139,000	\$ 1,764,286
Amounts released from performance obligation	-	(61,487)	(61,487)
Total assessments	\$ 1,625,286	\$ 77,513	\$ 1,702,799

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.

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

NOTE 4: REVENUE RECOGNITION (Continued)

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, which are being recognized at a point in time, and interest income, which is not subject to ASC Topic 606. As of December 31, 2022, the Association has reported a performance obligation liability totaling \$612,966, 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.

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 replacement fund amounts and recovery of bad debt, the Association recognizes revenue at the point in time when reserve expenses are incurred or when a members past due account is made current.

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.

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

<i>For the year ended December 31,</i>	2022
<i>Recognized over time</i>	
Operating fund assessments	\$ 1,625,286
Cable assessment fees	154,514
Miscellaneous revenue	4,305
<i>Recognized at a point in time</i>	
Replacement fund assessments	77,513
<i>Not subject to ASC Topic 606</i>	
Interest income	6,686
<hr/>	
Total revenue	\$ 1,868,304
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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>	<i>2022</i>
Accounts receivable, net - beginning balance	\$ 16,954
Accounts receivable - ending balance	15,954
Contract assets - no beginning or ending balance for the year	-
Contract liabilities	
Prepaid assessments - beginning balance	54,133
Prepaid assessments - ending balance	68,834
Performance obligation liabilities - beginning balance	551,479
Performance obligation liabilities - ending balance	612,966

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 2022.

The Association is funding for future major repairs and replacements over the estimated remaining useful lives of the components based on their study’s estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of \$139,000, based on a full funding plan, was included in the 2022 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 2022 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, 2022, the Association had net nonexempt function income of \$0, which resulted in no federal income taxes for 2022. 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, 2022, 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, 2022, 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 2019.

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.

The Association places its cash and certificates of deposit with federally insured financial institutions. At times, the balances at these financial institutions may exceed the FDIC insured limit.

NOTE 8: CERTIFICATES OF DEPOSIT

At December 31, 2022, the Association had \$432,348 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, which approximates fair value.

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

NOTE 9: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<i>December 31,</i>	2022
Machinery and equipment	\$ 63,817
Accumulated depreciation	(61,976)
Property and equipment, net	\$ 1,841

Depreciation expense for the year ended December 31, 2022 was \$2,801.

NOTE 10: 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 September 8, 2023, 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, 2022.

NOTE 11: 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, 2022, capital contributions totaled \$54,120 as shown on the accompanying statement of revenue, expenses and changes in fund balance.

NOTE 12: CABLE AGREEMENT AND SETTLEMENT

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 had 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.

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

NOTE 12: CABLE AGREEMENT AND SETTLEMENT (Continued)

In June 2021, the Association reached a settlement with Singh Cable to purchase the Telecommunications Parcel and all cable infrastructure. The total settlement fees were \$2.7 million which were reported as settlement fee expense in the 2021 statement of revenue, expenses and changes in fund balance. The settlement fee expense was funded by the \$3 million note payable with Truist Bank described in Note 13 below. This settlement allows the Association to negotiate directly with the actual cable service provider, instead of with the Developer, for bulk cable services at significantly lower rates for all future years. The Association has not capitalized the telecommunication parcel, cable infrastructure and cable rights since these assets are considered common property and has not resulted in additional significant cash flows for the Association from its members. See Note 2 for further details on the Association capitalization policy.

NOTE 13: NOTES PAYABLE

In June 2021, the Association signed a promissory note payable agreement with Truist Bank to receive \$3 million to pay for the settlement with Singh Cable. Of the \$3 million borrowed, \$2.7 million went to Singh Cable for the settlement and the remaining funds borrowed are being used to pay for ongoing Association expenses until a new agreement with a cable service provider can be negotiated. The fixed interest rate on the loan is 3.85% per annum. Monthly principal and interest payments of \$22,078 were due commencing on July 20, 2021 and will conclude on May 20, 2036. The loan is secured by current and future Association member assessments and receivables.

A schedule of maturities of long-term debt is as follows:

<i>For the years ending December 31,</i>	2022
2023	\$ 161,132
2024	167,446
2025	174,008
2026	180,827
2027	187,913
Thereafter	1,898,064
Total	\$ 2,769,390

The Association believes that it is in material compliance with its loan covenants.

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

NOTE 14: DEFICIT FUND BALANCE AND MANAGEMENT'S PLANS

At December 31, 2022, the Association has a fund balance deficit of \$2,347,156 which was the result of a 2021 year cable settlement payment. Management funded this fund balance deficit by obtaining an installment loan in 2021 for \$3,000,000 that matures in May 20, 2036. See note 13 for further details. The Association has budgeted annual increases to its assessments to provide the Association with resources to service the annual debt requirements for this loan. The Association has paid this loan down by approximately \$230,000 as of December 31, 2022. Management believes that the level of assessment fees levied in 2023 through 2036 will completely eliminate the Association's fund balance deficit by May 2036.

SUPPLEMENTARY INFORMATION

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

<i>For the year ended December 31,</i>		2022		
Component	Beginning Balance	Additions	Subtractions	Ending Balance
Pooled items:				
Infrastructure			\$ (15,680)	
Pool			(68,139)	
Total	\$ 551,479	\$ 145,306	\$ (83,819)	\$ 612,966

<i>December 31,</i>		2022
Performance obligation liability		\$ 612,966
Replacement fund balance		-
Total		\$ 612,966

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

<i>For the year ended December 31,</i>	2022		
	Actual	Budget (Unaudited)	Variance Favorable (Unfavorable) (Unaudited)
Revenue			
Regular assessments	\$ 1,625,286	\$ 1,625,286	\$ -
Cable assessments	154,514	154,514	-
Interest income	380	660	(280)
Miscellaneous income	4,305	11,460	(7,155)
Total revenue	1,784,485	1,791,920	(7,435)
Expenses			
Administrative	209,468	213,622	4,154
Courtesy patrol	381,439	351,460	(29,979)
Cable	154,514	147,938	(6,576)
Depreciation	2,801	-	(2,801)
Insurance	35,877	34,152	(1,725)
Interest	111,363	108,000	(3,363)
Landscaping	290,326	304,800	14,474
Maintenance and repairs	285,836	289,965	4,129
Professional fees	121,471	120,554	(917)
Utilities	215,984	174,000	(41,984)
Total expenses	1,809,079	1,744,491	(64,588)
Excess (deficit) of revenue over expenses	\$ (24,594)	\$ 47,429	\$ (72,023)

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 12/31/22
Pooled items			
Clubhouse	0 - 13	\$ 170,000	
Infrastructure	0 - 17	431,000	
Painting	0	59,520	
Paving	0 - 7	632,000	
Pool	0 - 14	123,400	
Total		\$ 1,415,920	\$ 612,966