

**IMPERIAL GOLF ESTATES
HOMEOWNERS ASSOCIATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2015

INDEPENDENT AUDITORS' REPORT

Board of Directors and Unit Owners
Imperial Golf Estates Homeowners Association, Inc.

Dear Members:

Report on the Financial Statements

We have audited the accompanying financial statements of Imperial Golf Estates Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2015, and the related statements of revenues, expenses and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Imperial Golf Estates Homeowners Association, Inc., as of December 31, 2015, 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.

Report on Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Detailed Statement of Operating Revenues and Expenses Budget Comparison is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of 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 On Future Major Repairs and Replacements

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.

Gerstle, Rosen & Goldenberg, P.A.

GERSTLE, ROSEN & GOLDENBERG, P.A.
Certified Public Accountants
Fort Myers, Florida

January 10, 2017

**IMPERIAL GOLF ESTATES
HOMEOWNERS ASSOCIATION, INC.**

BALANCE SHEET

December 31, 2015

	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 173,888	\$ 493,564	\$ 667,452
Unit Owner Receivable	7,203		7,203
Prepaid Expenses	2,155		2,155
Prepaid Insurance	9,942		9,942
TOTAL ASSETS	\$ 193,188	\$ 493,564	\$ 686,752
LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 5,350	\$	\$ 5,350
Security Deposits	5,000		5,000
Prepaid Maintenance Fees	167,956		167,956
Deferred School Access Revenue	80,000		80,000
TOTAL LIABILITIES	258,306		258,306
Fund Balances	(65,118)	493,564	428,446
TOTAL LIABILITIES AND FUND BALANCES	\$ 193,188	\$ 493,564	\$ 686,752

The accompanying notes are an integral part of this financial statement.

**IMPERIAL GOLF ESTATES
HOMEOWNERS ASSOCIATION, INC.**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES**

Year Ended December 31, 2015

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
REVENUES			
Maintenance Fees	\$ 856,401	\$ 149,049	\$ 1,005,450
Special Assessment		12,866	12,866
Interest Income		3,595	3,595
Screening Fees	7,600		7,600
School Bus Access Fee	5,000		5,000
Late Fees	3,188		3,188
Gate Access	1,810		1,810
Gate Opener Income	2,609		2,609
Newsletter Income	9,701		9,701
Transfer Fees	50,500		50,500
Violation Fee Income	2,025		2,025
Miscellaneous Income	75		75
TOTAL REVENUES	<u>938,909</u>	<u>165,510</u>	<u>1,104,419</u>
EXPENSES			
(See Supplementary Information)			
Utilities	444,064		444,064
Maintenance	141,339		141,339
Grounds Care	122,282		122,282
Administrative	215,600		215,600
Replacement Fund Expenditures (Note 4)		68,913	68,913
TOTAL EXPENSES	<u>923,285</u>	<u>68,913</u>	<u>992,198</u>
EXCESS REVENUES (EXPENSES)	15,624	96,597	112,221
FUND BALANCES - BEGINNING	(61,088)	396,967	335,879
PRIOR PERIOD ADJUSTMENT	<u>(19,654)</u>		<u>(19,654)</u>
FUND BALANCES - ENDING	<u>\$ (65,118)</u>	<u>\$ 493,564</u>	<u>\$ 428,446</u>

The accompanying notes are an integral part of this financial statement.

**IMPERIAL GOLF ESTATES
HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2015**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
EXCESS REVENUES	\$ 15,624	\$ 96,597	\$ 112,221
ADJUSTMENTS TO RECONCILE EXCESS REVENUES (EXPENSES) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Prior Period Adjustment	(19,654)		(19,654)
DECREASE (INCREASE) IN ASSETS:			
Unit Owner Receivable (Net of Allowance)	7,508		7,508
Prepaid Expenses	7,117		7,117
Prepaid Insurance	(9,942)		(9,942)
INCREASE (DECREASE) IN LIABILITIES:			
Accounts Payable	(7,794)	(30,209)	(38,003)
Security Deposits	(2,500)		(2,500)
Prepaid Maintenance Fees	7,425		7,425
Deferred School Access Revenue	(5,000)		(5,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(7,216)</u>	<u>66,388</u>	<u>59,172</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Certificates of Deposit		251,066	251,066
NET CASH USED IN INVESTING ACTIVITIES		251,066	251,066
CASH FLOWS FROM FINANCING ACTIVITIES:			
NET INCREASE IN CASH	(7,216)	317,454	310,238
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>181,104</u>	<u>176,110</u>	<u>357,214</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 173,888</u>	<u>\$ 493,564</u>	<u>\$ 667,452</u>

The accompanying notes are an integral part of this financial statement.

**IMPERIAL GOLF ESTATES
HOMEOWNERS ASSOCIATION, INC.**

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1. ORGANIZATION

Imperial Golf Estates Homeowners Association, Inc. is a not-for-profit; non Stock Corporation organized pursuant to Chapter 720 of the Florida Statutes. The Association was formed to maintain and protect the common areas, and consists of 634 homes located in Naples, Florida.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Association uses the accrual method of accounting, i.e., revenues are recognized as earned and expenses are recorded in the period in which they are incurred.

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. 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.

Use of Estimates

The Association uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

For presentation purposes, the Association consolidates checking and money market funds.

Capitalization and Depreciation Policy

Real property not directly associated with units are recognized as assets by the Association when the Association has title to the property and either the asset can be disposed of by the Board of Directors or generates significant cash flows from members on the basis of usage or from nonmembers. Common personal property purchased with Association funds, with a useful life of more than one year, is capitalized on the Association's financial statements. Capitalized assets are depreciated over their estimated useful lives using the straight-line method of depreciation.

**IMPERIAL GOLF ESTATES
HOMEOWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Subsequent Events

The subsequent events have been evaluated through December 31, 2015, the date the financial statements were available to be issued. As of that date, there are no subsequent events to be reported.

Fair Value Measurement

Under FASB ASC 820, *Fair Value Measurements and Disclosures*, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Association has determined that there was no material difference between the carrying value and fair value of its financial assets and liabilities at December 31, 2015; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2015.

3. MAINTENANCE ASSESSMENTS / ACCOUNTS RECEIVABLE

The Association Declaration provides that each owner is chargeable for their proportionate share of common expenses based upon the budget adopted. The Association has lien rights in the event of delinquent assessments, which can be exercised through foreclosure proceedings.

Accounts receivable are recorded at the original billing amount plus late fees, if applicable. Management determines the allowance for doubtful accounts by identifying troubled accounts through periodic review of accounts receivable aging schedules. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

4. REPLACEMENT FUNDS

Florida Statutes provide that each proposed budget include provisions for reserves for capital improvements and deferred maintenance. These accounts, if adopted, are restricted to their intended purpose unless modified by a qualified unit owner vote. In addition, any special assessments adopted are also restricted to their specific purpose.

The approved budget includes provisions for reserves for capital improvements and deferred maintenance. The funds are being accumulated based on estimates of future needs for repairs and replacements of common property components as disclosed in the supplementary information. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**IMPERIAL GOLF ESTATES
HOMEOWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2015

4. REPLACEMENT FUNDS (Continued)

The balance at December 31, 2015, consists of the following:

COMPONENTS	BALANCE 12/31/2014	INTEREST/ ASSESSMENTS	TRANSFERS	EXPENDITURES	BALANCE 12/31/2015
Concrete	\$40,000	(\$889)		(\$2,960)	\$36,151
Drainage	82,204	67,808		(48,422)	101,590
Entry Gates	20,000	5,351			25,351
Equipment	41,502	8,178			49,680
Fence	21,476	3,599		(4,605)	20,470
Gatehouse	1,533	492			2,025
Generator	1,566	521			2,087
Irrigation	38,123	6,990			45,113
Landscaping	35,720	14,539			50,259
Roadway	3,880	42,460		(5,452)	40,888
Contingency	110,963	0		(7,474)	103,489
Interest	0	3,595			3,595
Special Assessment		12,866			12,866
TOTAL	\$396,967	\$165,510	\$0	(\$68,913)	\$493,564

The Association does not allocate interest earned on the replacements fund to specific replacement components as earned, but does so periodically depending on projected requirements.

Special Assessment

In 2009, the Association passed a special assessment to fund road work and repairs to the back gate. In 2015, the Association collected \$12,866 from delinquent homeowners (due to foreclosures and bankruptcies).

Commitments / Reserves / Expenditures

The Association entered into contracts and incurred expenses with multiple vendors including CCTV Camera Pros for \$4,035, Bonness, Inc. for \$39,874, Jim Mitchell Concrete for \$2,960, Carter Fence for \$4,605, Johnson Engineering for \$5,100, and miscellaneous repairs for \$12,339.

**IMPERIAL GOLF ESTATES
HOMEOWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2015

5. INCOME TAXES

The Association is subject to federal and state taxation and has essentially two methods to determine the amount of tax, if any, it must pay. Under one method, the excess of revenues from members over related expenditures is subject to taxation unless such excess is returned to the unit owners or applied to the following year's assessments (Section 277 of the Internal Revenue Code). The other method enables the Association to elect to exclude from taxation "exempt function income," (Section 528 of the Internal Revenue Code), which generally consists of revenue from unit owner assessments. Under either method, the Association may be subject to tax on investment income and other non-exempt income, but at different rates.

The Association will file its 2015 federal income tax return on Form 1120H under Section 528 of the Internal Revenue Code.

There is no current year provision for income taxes.

The Association has evaluated its tax positions and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Income Taxes Topic of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC").

The Association has no income tax returns under examination by the Internal Revenue Service. The Association believes it is no longer subject to income tax examinations for years prior to 2013.

6. CONCENTRATION OF CREDIT RISK

As of December 31, 2015, the Association maintained cash and cash equivalent balances which exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. The Association has not experienced any losses related to these cash balances and believes it is not exposed to any significant risk on these accounts.

7. COMMITMENTS

The Association has various contract services to maintain the common property including management services, cable television service, common area landscaping, trash service, pest control, gate access control and storage space rental. These contracts have different expiration dates and renewal terms.

8. CONTINGENCIES

Insurance Deductible

The current property insurance policy contains a deductible for hurricane damage. Should the Association incur an uninsured loss, the Association has the right to increase maintenance fees, pass a special assessment or delay repairs until funds are available.

**IMPERIAL GOLF ESTATES
HOMEOWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2015

8. CONTINGENCIES (Continued)

Legal

The Association is from time-to-time subject to complaints and claims, including litigation, arising in the ordinary course of business. Management believes that none of the claims and complaints of which it is currently aware will materially affect its business, financial position, or future operating results with the exception to increase in legal costs which may or may not be covered by the Association's director and officer's insurance, although no assurance can be given with respect to the ultimate outcome of any such claims or with respect to the occurrence of any future claims.

9. PRIOR PERIOD ADJUSTMENT

Prior period adjustments are transactions and corrections relating to prior accounting periods, and are made in order to reflect the current year without distortion. This year's prior period adjustment of \$19,654 is for 2014 expenses.

10. SECURITY DEPOSITS

The Association collects refundable security deposits from owners who rent their units. These funds are maintained in a separate non-interest bearing checking account and are reflected in the accompanying financial statements as security deposits. For the year ended December 31, 2015 the security deposit balance was \$5,000.

11. DEFERRED SCHOOL ACCESS FEE

The Association has a Roadway Use / Contribution Agreement with the District School Board of Collier County, Florida granting the School Board an easement and right to utilize Association roadways. The Association received \$100,000 under the agreement for a period of 20 years. The \$100,000 is being amortized over 20 years beginning January 1, 2012. The deferred balance at December 31, 2015 is \$80,000.

12. OPERATING FUND DEFICIT

The Association has an accumulated fund deficit of \$65,118. The Association could increase assessments, pass a special assessment or delay expenditures if possible in order to rectify this situation.

SUPPLEMENTARY INFORMATION

**IMPERIAL GOLF ESTATES
HOMEOWNERS ASSOCIATION, INC.**

**SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS**

**December 31, 2015
(Unaudited)**

In 2007, the Association conducted an independent study to estimate the remaining useful lives and the replacement costs of the components of common property. However, in 2014, management of the Association performed an in-house study and these findings are the basis of the information on the components of common property (below). Replacement costs were based on estimates from historical experience. Actual expenditures may vary from these estimated amounts and the variance may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The following presents significant information about the components of common property:

<u>COMPONENTS</u>	<u>ESTIMATED REMAINING USEFUL LIVES</u>	<u>ESTIMATED CURRENT REPLACEMENT COSTS</u>	<u>2016 FUNDING REQUIREMENT</u>
Contingency Fund	1 Year	\$45,404	\$0
Concrete	5-6 Years	40,000	(482)
Drainage	12 Years	828,000	57,608
Entry Gates	1 Year	20,000	6,644
Equipment	6 Years	41,502	3,156
Fence	12 Years	68,500	4,002
Gate House	16 Years	10,000	500
Generator	11 Years	8,000	534
Irrigation System	4 Years	41,000	4,049
Landscaping	8 Years	170,861	15,075
Professional Fee	1 Year	0	0
Seal Coating	5 Years	104,000	0
Roadway	10-23 Years	1,390,000	98,003
TOTAL		<u>\$2,767,267</u>	<u>\$189,089</u>

See independent auditors' report.

**IMPERIAL GOLF ESTATES
HOMEOWNERS ASSOCIATION, INC.**

SUPPLEMENTAL INFORMATION

**DETAILED STATEMENT OF REVENUES AND EXPENSES
BUDGET COMPARISON
OPERATING FUND**

Year Ended December 31, 2015

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
<u>REVENUES:</u>			
Maintenance Fees	\$856,401	\$856,401	\$0
Screening Fees	7,600	0	7,600
School Bus Access Fee	5,000	0	5,000
Late Fees	3,188	0	3,188
Gate Access	1,810	0	1,810
Gate Opener Income	2,609	0	2,609
Newsletter Income	9,701	9,000	701
Transfer Fees	50,500	40,000	10,500
Violation Fee Income	2,025	0	2,025
Miscellaneous Income	75	0	75
Total Revenues	<u>938,909</u>	<u>905,401</u>	<u>33,508</u>
<u>EXPENSES:</u>			
<u>UTILITIES</u>			
Electric	40,475	37,000	(3,475)
Telephone	4,073	4,305	232
Television/Cable	397,667	396,361	(1,306)
Trash Removal	1,849	1,470	(379)
TOTAL UTILITIES	<u>444,064</u>	<u>439,136</u>	<u>(4,928)</u>
<u>MAINTENANCE</u>			
Maintenance Supplies	3,034	4,300	1,266
Gate Access Control	104,496	103,000	(1,496)
Lake Expenses	13,960	14,000	40
Site Signage	7,510	2,500	(5,010)
Fuel - Purchase Card	0	0	0
Entry & Gate Maintenance	12,339	14,000	1,661
TOTAL MAINTENANCE	<u>141,339</u>	<u>137,800</u>	<u>(3,539)</u>

See independent auditors' report.

**IMPERIAL GOLF ESTATES
HOMEOWNERS ASSOCIATION, INC.**

SUPPLEMENTAL INFORMATION

**DETAILED STATEMENT OF REVENUES AND EXPENSES
BUDGET COMPARISON
OPERATING FUND**

Year Ended December 31, 2015

<u>EXPENSES - Continued</u>	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
<u> GROUNDS CARE</u>			
Vehicle Expenses	789	0	(789)
Mulch	7,538	10,000	2,462
Fertilizer & Weed Control	14,037	4,000	(10,037)
Tree Trimming	7,054	4,900	(2,154)
Exotic Maintenance	17,085	9,000	(8,085)
Irrigation Maintenance/Improvements	9,976	14,000	4,024
Landscaping	9,212	14,500	5,288
Landscape Maintenance-Entrada	1,735	1,800	65
Landscape Contract	54,060	64,000	9,940
Fountain Maintenance	796	500	(296)
TOTAL GROUNDS CARE	122,282	122,700	418
<u> ADMINISTRATIVE EXPENSE</u>			
Payroll	75,648	68,000	(7,648)
Legal	7,943	6,000	(1,943)
Auditing & Accounting Fees	4,900	5,000	100
Office Expense	16,907	13,000	(3,907)
Credit Card Fees	93	0	(93)
Bad Debt Expense	8,119	5,300	(2,819)
Website Expense	1,265	1,215	(50)
Improvements/Additions/Repairs	1,665	4,400	2,735
Newsletters	16,849	13,000	(3,849)
Management Fees	55,800	55,800	0
Other Taxes Licenses Permits	(87)	600	687
Insurance	19,158	19,350	192
Board Meeting Expense	1,412	1,600	188
Holiday Event Expense	335	1,200	865
Gas & Oil	1,693	3,500	1,807
Rental Expenses	3,900	7,800	3,900
TOTAL ADMINISTRATIVE EXPENSE	215,600	205,765	(9,835)
Total Operating Expenses	923,285	905,401	(17,884)
Excess Operating Revenues (Expenses)	\$15,624	\$0	\$15,624

See independent auditors' report.