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August 10, 2021

To the Board of Directors
Imperial Golf Estates Homeowners Association, Inc.

We have audited the financial statements of Imperial Golf Estates Homeowners Association, Inc., ("the Association") for the year ended December 31, 2019, and have issued our report thereon dated August 10, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 13, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Imperial Golf Estates Homeowners Association, Inc. are described in Note 3 to the financial statements. . Other than the implementation of FASB ASC 606, no new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no sensitive estimates affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. As applicable, management has corrected all such misstatements. Enclosed you will find the proposed adjusting journal entries approved by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 28, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Supplementary Information Accompanying the Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Imperial Golf Estates Homeowners Association, Inc.
August 10, 2021
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Required Supplementary Information

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

This information is intended solely for the use of the Board of Directors and management of Imperial Golf Estates Homeowners Association, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Gerstle, Rosen & Goldenberg, P.A.

GERSTLE, ROSEN & GOLDENBERG, P.A.
Certified Public Accountants



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Certified Public Accountants

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August 10, 2021

Board of Directors
Imperial Golf Estates
Homeowners Association, Inc.

Dear Board Members:

In planning and performing our audit of the financial statements of Imperial Golf Estates Homeowners Association, Inc., for the year ended December 31, 2019, we considered the internal control in order to determine our auditing procedures. As a result of our analysis we are bringing the following matters to your attention:

1. The Association has a low operating fund balance. We typically recommend that Association's maintain a fund balance of at least 10%, or 1-2 months of budgeted operating maintenance fees. The Association needs to give consideration to correcting the above, by passing a special assessment, increasing the assessment by a line item provision, or delaying expenditures, if possible.
2. Florida Statute requires that restricted funds (reserves and special assessments) be accounted for separately and be fully funded. The Due to restricted funds is \$22,471. The Association should make the necessary cash transfer in order to correct this situation.
3. The last reserve study was done in January 2008. A new study should be performed and updated annually in order for the proper budgeting to occur.
4. A separate bank account should be maintained for security deposit funds which should always equal the liability. The list should be reviewed and maintained on a regular basis.
5. The Association should include the warehouse in future funding for repair and replacement.

We welcome the opportunity to discuss the above.

Very truly yours,

Gerstle, Rosen & Goldenberg, P.A.

GERSTLE, ROSEN & GOLDENBERG, P.A.
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**IMPERIAL GOLF ESTATES
HOMEOWNERS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2019

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INDEPENDENT AUDITORS' REPORT

Brian K. Goldenberg, Partner
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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, 2019, 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 qualified audit opinion.

Basis for Qualified Opinion – Scope Limitation

As disclosed in Note 9 to the financial statements, we were unable to obtain sufficient and appropriate audit evidence for supportive documentation of certain transactions. The Board of Directors changed management companies and as a result, there were no 2019 invoices and contracts to review and no support schedules for certain balance sheet accounts.

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Qualified Opinion

In our opinion, except for the insufficient accounting records, the financial statements present fairly, in all material respects, the financial position of Imperial Golf Estates Homeowners Association, Inc., as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 4 to the financial statements, as of January 1, 2019, the Association adopted the new revenue guidance FASB ASC 606, *Revenue from Contracts with Customers*, the first applicable year. This new standard supersedes accounting standards that previously existed under GAAP and provides a comprehensive principle-based framework for recognizing revenue. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audit was conducted 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 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.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted information on future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Gerstle, Rosen & Goldenberg, P.A.

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

August 10, 2021

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

BALANCE SHEET

December 31, 2019

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS			
Cash and Cash Equivalents	\$ 169,234	\$ 58,539	\$ 227,773
Accounts Receivable, Net of Allowance For Uncollectible Accounts of \$ 8,085	8,387		8,387
Prepaid Insurance	8,136		8,136
Utility Deposits	5,384		5,384
Due To/From Funds	(22,471)	22,471	
TOTAL ASSETS	<u>\$ 168,670</u>	<u>\$ 81,010</u>	<u>\$ 249,680</u>
LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 10,185	\$	\$ 10,185
Accrued Expenses	10,123		10,123
Security Deposits	15,000		15,000
Prepaid Maintenance Fees	84,311		84,311
Deferred Reserves - Contract Liabilities		80,866	80,866
TOTAL LIABILITIES	<u>119,619</u>	<u>80,866</u>	<u>200,485</u>
Fund Balances	<u>49,051</u>	<u>144</u>	<u>49,195</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 168,670</u>	<u>\$ 81,010</u>	<u>\$ 249,680</u>

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, 2019

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES			
Maintenance Fees	\$ 1,113,091	\$ 404,232	\$ 1,517,323
Interest Income	729	144	873
Late Fees	3,155		3,155
Legal Fee Recovery	1,163		1,163
Sales and Transfer Fees	41,000		41,000
Newsletter	789		789
Miscellaneous Income	17		17
Application Fees	6,020		6,020
Gate Access	3,155		3,155
Violation Fees	2,000		2,000
TOTAL REVENUES	<u>1,171,119</u>	<u>404,376</u>	<u>1,575,495</u>
EXPENSES			
Administrative	174,407		174,407
Utilities	701,116		701,116
Insurance	21,583		21,583
Building Maintenance	19,531		19,531
Grounds Maintenance	269,626		269,626
Miscellaneous	174		174
Replacement Fund Expenses (Note 4)		810,020	810,020
TOTAL EXPENSES	<u>1,186,437</u>	<u>810,020</u>	<u>1,996,457</u>
EXCESS REVENUES (OVER EXPENSES)	(15,318)	(405,644)	(420,962)
FUND BALANCES - BEGINNING	64,369	486,654	551,023
CHANGE IN ACCOUNTING POLICY		(80,866)	(80,866)
FUND BALANCES - ENDING	<u>\$ 49,051</u>	<u>\$ 144</u>	<u>\$ 49,195</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, 2019

	OPERATING FUND	REPLACEMENT FUND	TOTAL
	<hr/>	<hr/>	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES			
EXCESS REVENUES (EXPENSES)	\$ (15,318)	\$ (405,644)	\$ (420,962)
ADJUSTMENTS TO RECONCILE EXCESS REVENUES (EXPENSES) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Change In Accounting Policy		(80,866)	(80,866)
DECREASE (INCREASE) IN ASSETS:			
Accounts Receivable - Net of Allowance	(3,703)		(3,703)
Prepaid Expenses	5,918		5,918
Prepaid Insurance	1,995		1,995
Utility Deposits	(5,384)		(5,384)
Due To/From Funds	22,471	(22,471)	
INCREASE (DECREASE) IN LIABILITIES:			
Accounts Payable	(4,825)		(4,825)
Accrued Expenses	1,610		1,610
Security Deposits	5,000		5,000
Prepaid Maintenance Fees	49,123		49,123
Deferred Reserves - Contract Liabilities		80,866	80,866
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<hr/> 56,887	<hr/> (428,115)	<hr/> (371,228)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Certificate of Deposit		236,659	236,659
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<hr/> 0	<hr/> 236,659	<hr/> 236,659
NET INCREASE (DECREASE) IN CASH	56,887	(191,456)	(134,569)
CASH AND CASH EQUIVALENTS			
AT BEGINNING OF PERIOD	<hr/> 112,347	<hr/> 249,995	<hr/> 362,342
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<hr/> \$ 169,234	<hr/> \$ 58,539	<hr/> \$ 227,773

The Accompanying Notes Are An Integral Part Of This Financial Statement.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

1. ORGANIZATION

Imperial Golf Estates Homeowners Association, Inc. is a statutory homeowners' association incorporated on May 22, 1979 in the State of Florida. The Association is responsible for the operation and maintenance of the common property of Imperial Golf Estates Homeowners Association, Inc., which consists of 634 homes located in Naples, Florida.

2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 10, 2021, the date that the financial statements were available to be issued.

3. 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.

Member Assessments

Association members are subject to periodic assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments plus late fees, if applicable from unit owners. The Association's policy is to retain

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

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Member Assessments - Continued

legal counsel and place liens on the properties of owners whose assessments are delinquent according to its collection policy. Management determines the allowance for doubtful accounts by identifying troubled accounts through periodic review of accounts receivable aging schedules. No allowance for uncollectible accounts is deemed necessary. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments receivable, presented as net of allowance, as of the beginning and end of the year are \$4,246 and \$8,387, respectively.

Deferred Reserves - Contract Liabilities (Replacement Fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance – Replacement Fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liabilities (assessments received in advance – Replacement Fund) as of the beginning and end of the year are \$-0- and \$80,866, respectively.

Cash and Cash Equivalents

For presentation purposes, cash and cash equivalents consists of checking, money market, certificates of deposit, and treasury bills with an original maturity of 90 days or less.

Property and Equipment

Real property and common area property acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the owners in common and not by the Association. Capital Expenditures are charged to the designated funds. Generally, personal property purchased by the Association is expensed.

Warehouse / Storage Shed

The Association has title to a storage structure valued at \$120,000. Although the Association has title to the storage structure there are no significant revenues to the association. The cost of maintaining structure is absorbed into the assessment structure of the Association, nor is it severable and saleable at the board's discretion because it is common area property of the Association. Accordingly, the Association does not capitalize the structure as an asset.

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

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2019; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2019.

4. DEFERRED RESERVES – CONTRACT LIABILITIES - FUTURE MAJOR REPAIRS AND REPLACEMENTS / ACCOUNTING POLICY RESTATED

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.

Information about the estimates of future costs of major repairs and replacements, as required by the Financial Accounting Standards Board, has not been presented. The Association has not conducted a study to estimate the remaining useful lives and the replacement costs of the Replacement Fund components. 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 levy 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, 2019

4. DEFERRED RESERVES – CONTRACT LIABILITIES - FUTURE MAJOR REPAIRS AND REPLACEMENTS / ACCOUNTING POLICY RESTATED - Continued

The balance of the Contract Liability / Replacement Fund at December 31, 2019, consists of the following:

COMPONENTS	BALANCE 12/31/2018	INTEREST/ ASSESSMENTS	TRANSFERS	EXPENDITURES	BALANCE 12/31/2019
Concrete	\$32,322	\$3,905		(\$47,052)	(\$10,825)
Cul de Sacs	0	193,162		0	193,162
Drainage	149,285	90,550		(67,955)	171,880
Entry Gates	29,357	0		0	29,357
Equipment	27,002	15,337		0	42,339
Fence	29,465	3,916		0	33,381
Gatehouse	3,030	499		0	3,529
Generator	3,107	491		0	3,598
Irrigation	57,757	0		0	57,757
Landscaping	65,544	17,598		0	83,142
Marsilea/Entrada Maint.	21,660	0		0	21,660
Roadway	68,125	78,774		(695,013)	(548,114)
					0
SUB-TOTAL CONTRACT LIABILITY- DEFERRED RESERVES	486,654	404,232	0	(810,020)	80,866
Unallocated Interest (Fund Balance as of December 31, 2019)	0	144	0	0	144
TOTAL LIABILITIES AND FUND BALANCE	\$486,654	\$404,376	\$0	(\$810,020)	\$81,010

Reserves-Expenditures

The Association had expenditures in 2019 with the following vendors; Bonness for new asphalt, sidewalks and pipe in the amount of \$800,601 and Metro Concrete in the amount of \$11,150. In addition, the Association received \$1,731 from the golf club due to road damage.

Due to / From

Florida Statute requires that replacement funds be accounted for separately and be fully funded. The Due To/From reflects an amount of \$22,471, by which the reserves are underfunded. The Association should make the necessary cash transfer in order to correct this situation.

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

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2019

4. DEFERRED RESERVES – CONTRACT LIABILITIES - FUTURE MAJOR REPAIRS AND REPLACEMENTS / ACCOUNTING POLICY RESTATED - Continued

FASB ASC 606 New Accounting Standard Implementation

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate – Common Interest Realty Association (CIRA), Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to the beginning fund balances. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to Replacement Fund expenditures/contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liability (assessments– received in advance Replacement Fund).

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our current year financial statements. The line items from our Balance Sheet as of year-end that were affected, the amounts that would have been reported under the previous policy, the effects of applying the new guidance, and the balances reported under the guidance are as follows:

	<u>Replacement Fund Old Standard</u>	<u>Replacement Fund New Standard</u>
LIABILITIES AND FUND BALANCES		
Contract Liability - Deferred Reserves	<u>\$0</u>	<u>\$80,866</u>
TOTAL LIABILITIES	<u>0</u>	<u>80,866</u>
Fund Balances	<u>81,010</u>	<u>144</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$81,010</u></u>	<u><u>\$81,010</u></u>

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

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2019

4. DEFERRED RESERVES – CONTRACT LIABILITIES - FUTURE MAJOR REPAIRS AND REPLACEMENTS / ACCOUNTING POLICY RESTATED - Continued

As a result of the above reference change, line items from the Statement of Revenues, Expenses and Changes in Fund Balances as of year-end were affected. The recognized maintenance fees for the reserve funds changed as follows:

	Replacement Fund Old Standard (Per) (Budget)	Replacement Fund New Standard (Expenses Less Any) (Allocated Interest)	Variance
Maintenance Fees	<u>\$404,232</u>	<u>\$404,232</u>	<u>\$0</u>

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 has filed its 2019 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 2016.

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

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2019

6. COMMITMENTS

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

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 a total of \$100,000 under the agreement for a period of 20 years ending in 2031.

In the event the school board is prohibited from utilizing the roadway during the 20-year period, the Board of Directors have agreed to refund a portion of the contribution for the period of time the roadway is unavailable to the school board.

The Association has determined no significant risk of forfeiture exists and therefore, has elected to record the \$80,000 as settlement income and not a deferred liability. The Association previously had deferred the amount received in advance as a deferred liability, but subsequently recognized the \$80,000 in deferred school access revenue in 2015.

7. SECURITY DEPOSITS

The Association requires the collection of refundable security deposits at the time of construction of new homes. For the year ended December 31, 2019 the security deposit balance was \$15,000.

8. TRANSFER FEE INCOME

Upon the resale of a unit, the purchaser is obligated to pay a transfer fee in the amount of \$1,000. For the year-ended December 31, 2019, the total amount collected by the Association was \$41,000.

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

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2019

9. CONTINGENCIES

Scope Limitation - Accounting Records

The Association did not maintain adequate accounting records for the year ended December 31, 2019. The Board of Directors changed Management Companies and as a result there were missing invoices, contracts and support schedules for 2019. We were not able to apply alternative procedures to accounting records provided to estimate and allocate expenditures. Had we been provided these documents, there may have been adjustments that might have been determined to be necessary.

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.

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.

SUPPLEMENTARY INFORMATION

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

SUPPLEMENTAL INFORMATION

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

Year Ended December 31, 2019

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
REVENUES:			
Maintenance Fees	\$1,113,091	\$1,122,493	(\$9,402)
Interest	729	0	729
Late Fees	3,155	0	3,155
Legal Fee Recovery	1,163	0	1,163
Sales and Transfer Fees	41,000	25,000	16,000
Newsletter	789	6,000	(5,211)
Miscellaneous Income	17	0	17
Application Fees	6,020	3,000	3,020
Gate Access	3,155	1,000	2,155
Violation Fees	2,000	1,000	1,000
Total Revenues	<u>1,171,119</u>	<u>1,158,493</u>	<u>12,626</u>
EXPENSES:			
<u>ADMINISTRATIVE</u>			
Corporate Filing Fee	61	61	0
Management and Accounting Fee	50,326	50,326	0
Payroll	76,030	75,000	(1,030)
Office Expense	9,095	15,000	5,905
Website Expenses	1,665	1,700	35
Newsletters	8,749	10,000	1,251
Credit Card Fees	1,110	0	(1,110)
Application Fees	1,200	1,950	750
Legal	17,240	30,000	12,760
Accounting / Tax Prep	4,700	4,500	(200)
Engineering Expense	2,000	0	(2,000)
Board Meeting Expenses	1,028	1,900	872
Smart Passes	934	300	(634)
Taxes, Licenses, and Dues	269	100	(169)
TOTAL ADMINISTRATIVE	<u>174,407</u>	<u>190,837</u>	<u>16,430</u>
<u>UTILITIES</u>			
Electric	37,532	41,000	3,468
Trash Collection	1,831	1,500	(331)
Cable / Internet	658,058	610,334	(47,724)
Telephone / Communications	3,449	4,400	951
Gas & Oil	223	0	(223)
Electric - Marsilea Entrada	23	0	(23)
TOTAL UTILITIES	<u>701,116</u>	<u>657,234</u>	<u>(43,882)</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, 2019

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
EXPENSES - Continued			
<u>INSURANCE</u>			
Insurance - Package	17,007	12,927	(4,080)
Insurance - Fidelity Bond	0	557	557
Insurance - D & O	4,576	4,114	(462)
Insurance - Workers Compensation	0	800	800
TOTAL INSURANCE	<u>21,583</u>	<u>18,398</u>	<u>(3,185)</u>
<u>BUILDING MAINTENANCE</u>			
Building	13,051	4,500	(8,551)
Entry & Gate	6,480	5,000	(1,480)
TOTAL BUILDING MAINTENANCE	<u>19,531</u>	<u>9,500</u>	<u>(10,031)</u>
<u>GROUNDS MAINTENANCE</u>			
Irrigation	10,115	6,500	(3,615)
Grounds	17,851	20,000	2,149
Lake	17,925	14,000	(3,925)
Fountain	325	0	(325)
Site Signage	740	2,500	1,760
Landscape Contract	72,200	76,800	4,600
Landscape Maintenance - Entrance	1,800	2,000	200
Fertilizer and Weed Control	15,415	12,000	(3,415)
Landscaping	7,203	5,000	(2,203)
Tree Trimming and Replacement	6,703	8,000	1,297
Exotic Maintenance	0	9,500	9,500
Mulch - Annual	2,485	5,000	2,515
Street Lights Maintenance	117,924	117,924	0
Building Maintenance	(1,060)	1,000	2,060
TOTAL GROUNDS MAINTENANCE	<u>269,626</u>	<u>280,224</u>	<u>10,598</u>
<u>MISCELLANEOUS</u>			
Miscellaneous	15	1,800	1,785
Holiday Events	159	500	341
TOTAL MISCELLANEOUS	<u>174</u>	<u>2,300</u>	<u>2,126</u>
Total Operating Expenses	<u>1,186,437</u>	<u>1,158,493</u>	<u>(27,944)</u>
Excess Operating Revenues (Expenses)	<u>(\$15,318)</u>	<u>\$0</u>	<u>(\$15,318)</u>

**IMPERIAL GOLF ESTATES
HOMEOWNERS ASSOCIATION, INC.
PROPOSED ADJUSTING JOURNAL ENTRIES
Year Ended December 31, 2019**

		DEBIT	CREDIT
1			
FUND BALANCE		6,085	
ALLOWANCE FOR BAD DEBT			6,085
<i>(to record 2018 audit AJE not posted)</i>			
2			
FUND BALANCE (ACCOUNTING FEES 2019)		4,700	
ACCRUED EXPENSE - CPA FEE			4,700
<i>(to accrue for the 2019 CPA Fee)</i>			
3			
RSV - ROADWAY PHASE 1-5		3,012	
RSV - CONTINGENCY		75,581	
RSV - MAINTENANCE SHED			6,214
RSV - CUL DE SAC REPLACE			72,380
<i>(to record 2018 audit AJE not posted)</i>			
4			
RESERVES-CONCRETE/SIDEWALK/DRIVEWAY		976	
RESERVES-CUL DE SAC		48,290	
RESERVES-DRAINAGE		22,638	
RESERVES-EQUIPMENT		3,835	
RESERVES-FENCE		979	
RESERVES-GATE HOUSE		125	
RESERVES-GENERATOR		123	
RESERVES-LANDCAPING		4,399	
RESERVES-ROADWAY 1-5			81,364
<i>(to reclass reserves to correct mispostings)</i>			
5			
UTILITY DEPOSITS		2,305	
FUND BALANCE (ELECTRICITY)			2,305
<i>to adjust utility deposits per management</i>			
6			
FUND BALANCE (ELECTRICITY)		5,918	
FPL - SALES TAX REFUND			5,918
<i>to write off old balance per management</i>			
		178,966	178,966

**IMPERIAL GOLF ESTATES
HOMEOWNERS ASSOCIATION, INC.
POST CLOSING TRIAL BALANCE
December 31, 2019**

ACCOUNT TITLE		CLIENT T/B		ADJUSTMENTS			CPA F/S	
		DEBIT	CREDIT	DEBIT		CREDIT	DEBIT	CREDIT
<u>BALANCE SHEET</u>								
<u>ASSETS</u>								
CASH - OPERATING - CENTERSTATE		\$ 167,354		-		-	\$ 167,354	
CASH - OPERATING - CENTERSTATE - MARSILEA/ENTRADA		1,880		-		-	1,880	
CASH - RESERVE - CENTERSTATE		58,539		-		-	58,539	
OWNERS RECEIVABLE		16,033		-		-	16,033	
ALLOWANCE FOR DOUBTFUL ACCOUNTS			2,000	-	1	6,085		8,085
MARSILEA/ENTRADA RECEIVABLE		439		-		-	439	
UTILITY DEPOSITS		3,079		2,305	5		5,384	
FPL - LIGHT REFUND		5,918		-	6	5,918	0	
PREPAID INSURANCE		8,136		-		-	8,136	
<u>LIABILITIES AND FUND BALANCE</u>								
ACCOUNTS PAYABLE			10,185	-		-		10,185
ACCRUED EXPENSES			5,423	-	2	4,700		10,123
ARC SECURITY DEPOSITS			15,000	-		-		15,000
PREPAID OWNER ASSESSMENT			84,311	-		-		84,311
						0		
RSV - INTEREST			144			0		144
RSV - CONCRETE/SIDEWALK/DRIVEWAY			(9,849)	976	4	-		(10,825)
RSV - CUL DE SAC REPLACE			169,072	-	3,4	24,090		193,162
RSV - DRAINAGE			194,518	22,638	4	-		171,880
RSV -ENTRY GATE			29,357	-		-		29,357
RSV -EQUIPMENT			46,174	3,835	4	-		42,339
RSV - FENCE			34,360	979	4	-		33,381
RSV -GATE HOUSE			3,654	125	4	-		3,529
RSV - GENERATOR			3,721	123	4	-		3,598
RSV - IRRIGATION SYSTEM			57,757	-		-		57,757
RSV - LANDSCAPING			87,541	4,399	4	-		83,142
RSV - MAINTENANCE SHED			(6,214)	-	3	6,214		0
RSV - MARSILEA/ENTRADA MAINTENANCE			21,660	-		-		21,660
RSV - ROADWAY PHASE 1-5			(626,466)	-	3,4	78,352		(548,114)
RSV - CONTINGENCY			75,581	75,581	3	0		
				-		-		
FUND BALANCE			76,159	11,790		-		64,369
CURRENT YEAR INCOME / LOSS		12,710		2,608		-	15,318	
		\$ 274,088	\$ 274,088	\$ 125,359		\$ 125,359	\$ 273,083	\$ 273,083
		\$0		\$0			\$0	

ENDING FUND BALANCE PER CPA F/S SHOULD EQUAL:

\$49,051