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Gerstle, Rosen & Goldenberg, P.A.

Certified Public Accountants

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November 5, 2018

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, 2017, and have issued our report thereon dated November 5, 2018. 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 April 26, 2017. 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 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. 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.

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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 November 2, 2018.

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.
November 5, 2018
Page 3

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.

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November 5, 2018

Board of Directors
Imperial Golf Estates Homeowners Association, Inc.

Dear Board Members:

As a result of our audit of the financial statements of Imperial Golf Estates Homeowners Association, Inc. for the year ended December 31, 2017, we are bringing the following matters to your attention:

1. The Association has a low operating fund balance. Industry standards suggest that Association's maintain a fund balance equal to one to two months of 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. 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. It is recommended that the Association engage a reserve study specialist to update the replacement fund analysis and determine the remaining useful lives of the replacement fund components and their associated replacement costs.
3. The balance of the accounts at Florida Community Bank exceeds \$250,000, which is the maximum deposit amount that the FDIC will insure. The Board should consider moving some of those funds to other accounts.
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. For future reserve schedules, the Association should include the warehouse.

We welcome the opportunity to discuss the above.

Very truly yours,

Gerstle, Rosen & Goldenberg, P.A.

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Certified Public Accountants

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

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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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, 2017, 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.

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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, 2017, 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.

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.

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.

Gerstle, Rosen & Goldenberg, P.A.

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

November 5, 2018

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

BALANCE SHEET

December 31, 2017

	OPERATING FUND	REPLACEMENT FUND	TOTAL
	<hr/>	<hr/>	<hr/>
ASSETS			
Cash and Cash Equivalents	\$ 179,427	\$ 41,383	\$ 220,810
Certificates of Deposit		394,771	394,771
Unit Owner Receivable	11,737		11,737
Marsilea / Entrada Receivable	439		439
Allowance for Uncollectible	(5,353)		(5,353)
Prepaid Insurance	14,081		14,081
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u><u>\$ 200,331</u></u>	<u><u>\$ 436,154</u></u>	<u><u>\$ 636,485</u></u>
LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 34,606	\$	\$ 34,606
Security Deposits	7,500		7,500
Prepaid Maintenance Fees	143,471		143,471
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>185,577</u>		<u>185,577</u>
Fund Balances	<u>14,754</u>	<u>436,154</u>	<u>450,908</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 200,331</u></u>	<u><u>\$ 436,154</u></u>	<u><u>\$ 636,485</u></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, 2017

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES			
Maintenance Fees	\$ 906,124	\$ 189,099	\$ 1,095,223
Sale of Boom Lift	3,500		3,500
Marsilea / Entrada	1,658		1,658
Legal Fee Recovery	13,105		13,105
Interest Income		6,732	6,732
Screening Fees	5,950		5,950
Late Fees	2,034		2,034
Gate Access	3,410		3,410
Newsletter Income	11,353		11,353
Transfer Fees	31,300		31,300
Violation Fee Income	1,576		1,576
TOTAL REVENUES	980,010	195,831	1,175,841
EXPENSES			
Administrative	215,420		215,420
Utilities	472,454		472,454
Building & Grounds Maintenance	268,011		268,011
Marsilea/Entrada - Shared Expenses	499		499
Miscellaneous	8,496		8,496
Hurricane Irma Expense	43,802		43,802
Insurance	14,769		14,769
Replacement Fund Expenditures (Note 4)		222,158	222,158
TOTAL EXPENSES	1,023,451	222,158	1,245,609
EXCESS REVENUES (EXPENSES)	(43,441)	(26,327)	(69,768)
FUND BALANCES - BEGINNING	58,195	462,481	520,676
FUND BALANCES - ENDING	\$ 14,754	\$ 436,154	\$ 450,908

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, 2017

	OPERATING FUND	REPLACEMENT FUND	TOTAL
	<hr/>	<hr/>	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES			
EXCESS REVENUES (EXPENSES)	\$ (43,441)	\$ (26,327)	\$ (69,768)
ADJUSTMENTS TO RECONCILE EXCESS REVENUES (EXPENSES) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
DECREASE (INCREASE) IN ASSETS:			
Unit Owner Receivable - Net of Allowance	(4,343)		(4,343)
Marsilea / Entrada Receivable	(439)		(439)
Prepaid Expenses	994		994
Prepaid Insurance	(3,896)		(3,896)
INCREASE (DECREASE) IN LIABILITIES:			
Accounts Payable	20,185		20,185
Security Deposits	2,500		2,500
Prepaid Maintenance Fees	1,075		1,075
	<hr/>	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(27,365)	(26,327)	(53,692)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Certificates of Deposit		(144,771)	(144,771)
	<hr/>	<hr/>	<hr/>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	0	(144,771)	(144,771)
	<hr/>	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH	(27,365)	(171,098)	(198,463)
CASH AND CASH EQUIVALENTS			
AT BEGINNING OF PERIOD	206,792	212,481	419,273
	<hr/>	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 179,427	\$ 41,383	\$ 220,810
	<hr/>	<hr/>	<hr/>

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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.

Certificates of Deposit

Certificates of Deposit totaling \$396.189 consist of highly liquid interest earning investments. The certificates bear interest ranging from 1.20% to 2.18% and have original maturities of greater than 90 days, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements. Investments with maturities beyond one year may be included in this classification based on their highly liquid nature and because such marketable securities represent the investment of cash that is available for current operations.

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

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Subsequent Events

The subsequent events have been evaluated through November 4, 2018, 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, 2017; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2017.

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.

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

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2017

4. REPLACEMENT FUNDS

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.

The balance at December 31, 2017, consists of the following:

COMPONENTS	BALANCE 12/31/2016	INTEREST/ ASSESSMENTS	TRANSFERS	EXPENDITURES	BALANCE 12/31/2017
Concrete	\$30,971	\$751	\$0		\$31,722
Cul De Sac Replace	0	50,000	3,074	(53,074)	0
Drainage	109,343	51,035		(30,964)	129,414
Entry Gates	27,679	1,132			28,811
Equipment	52,934	4,511			57,445
Fence	24,566	4,351			28,917
Gatehouse	2,535	439			2,974
Generator	2,632	417			3,049
Irrigation	49,272	7,411			56,683
Landscaping	62,633	12,102	(61,736)	(11,295)	1,704
Maintenance Shed	0	0	126,825	(126,825)	0
Marsilea/Entrada Maint	0	8,391	12,866		21,257
Roadway	11,034	57,129	(68,163)		0
Contingency	72,421	1,757			74,178
Interest	3,595	(3,595)			0
Special Assessment	12,866	0	(12,866)		0
TOTAL	\$462,481	\$195,831	\$0	(\$222,158)	\$436,154

The Association allocates any interest earned on replacement fund based on the average annual balance of the replacement fund components.

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

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2017

4. REPLACEMENT FUNDS (Continued)

Special Assessment / Transfer

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). In 2017, the Association transferred the balance to the Marsilea / Entrada Maintenance component in the reserve fund.

Commitments / Reserves / Expenditures

The Association entered into contracts and incurred expenses with multiple vendors including Seaton Paving & Sitework for \$53,074 for new brick islands; Metro Concrete for \$14,600 for boat ramp & sidewalks; Carlos Aviles Tree Service for \$11,295 for tree trimming; \$126,825 for purchase of property and warehouse; and \$16,364 for miscellaneous smaller reserve expenses.

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 2017 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 2014.

6. CONCENTRATION OF CREDIT RISK

As of December 31, 2017, 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.

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

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2017

7. 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.

8. 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, 2017 the security deposit balance was \$7,500.

9. 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, 2017, the total amount collected by the Association was \$31,300.

10. HURRICANE IRMA EXPENSES

In September 2017, the Association experienced a weather event, Hurricane Irma. The Association has recorded \$43,802 for repairs and cleanup in 2017. Additional damages or claims caused by this event may not be known as of the date these financials were available to be issued and therefore no adjustments or accruals have been made to this report.

11. DEFERRED SCHOOL ACCESS FEE

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 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 and restated the operating fund balance as of December 31, 2015.

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

**NOTES TO FINANCIAL STATEMENTS
Continued**

December 31, 2017

12. 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.

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.**

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

**December 31, 2017
(Unaudited)**

In 2008, 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>2018 FUNDING REQUIREMENT</u>
Contingency Fund	0 Years	\$45,404	\$0
Concrete	3 Years	40,000	0
Cul De Sac Replace	1 Year	100,000	50,000
Drainage	13 Years	828,000	47,970
Entry Gates	8 Years	20,000	451
Equipment	4 Years	41,502	3,150
Fence	11 Years	68,500	3,667
Gate House	15 Years	10,000	369
Generator	11 Years	8,000	345
Irrigation System	1 Year	41,000	6,069
Landscaping	7 Years	170,861	12,061
Marsilea/Entrada Maint	0 Years	7,888	7,888
Seal Coating/All	0 Year	104,000	0
Roadway-Phase 1-5	24 Years	1,410,000	57,119
TOTAL		<u><u>\$2,895,155</u></u>	<u><u>\$189,089</u></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, 2017

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
REVENUES:			
Maintenance Fees	\$906,124	\$906,124	\$0
Sale of Boom Lift	3,500	0	3,500
Marsilea/Entrada	1,658	0	1,658
Legal Fee Recovery	13,105	0	13,105
Screening Fees	5,950	5,000	950
Late Fees	2,034	2,500	(466)
Gate Access	3,410	1,000	2,410
Newsletter Income	11,353	12,000	(647)
Sales/Overage Income/Transfer Fees	31,300	40,000	(8,700)
Violation Fines / Miscellaneous Income	1,576	1,000	576
Total Revenues	<u>980,010</u>	<u>967,624</u>	<u>12,386</u>
EXPENSES:			
<u>ADMINISTRATIVE EXPENSE</u>			
Corporate Filing Fee	61	61	0
Management/Accounting Fee	45,600	45,600	0
Website Expenses	1,265	1,500	235
Office Expense/Postage	16,265	20,000	3,735
Payroll	73,758	75,000	1,242
Bad Debt Expense	3,353	2,000	(1,353)
Credit Card Fees	205	0	(205)
Newsletters	19,244	17,000	(2,244)
Board Meeting Expenses	1,636	1,900	264
Professional/Legal	47,319	25,000	(22,319)
Audit/Accounting Fees	4,500	2,500	(2,000)
Application Fees Expense	1,620	0	(1,620)
Smart Passes	594	350	(244)
Taxes, Licenses, Dues	0	100	100
TOTAL ADMINISTRATIVE EXPENSE	<u>215,420</u>	<u>191,011</u>	<u>(24,409)</u>

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

SUPPLEMENTAL INFORMATION

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

Year Ended December 31, 2017

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
EXPENSES - Continued			
<u>UTILITIES</u>			
Electric	40,258	41,000	742
Trash Removal	1,544	1,500	(44)
Cable TV	426,120	410,000	(16,120)
Telephone	4,532	5,000	468
TOTAL UTILITIES	<u>472,454</u>	<u>457,500</u>	<u>(14,954)</u>
<u>BUILDING & GROUNDS MAINTENANCE</u>			
Irrigation System	5,771	13,163	7,392
Grounds Maintenance/Supplies	3,959	7,000	3,041
Lake Maintenance	12,190	14,000	1,810
Fountain Maintenance	1,181	1,000	(181)
Site Signage	2,042	2,500	458
Landscape Contract	75,600	76,800	1,200
Landscape Maintenance - Entrance	800	3,000	2,200
Fertilizer & Weed Control	14,190	12,000	(2,190)
Landscaping	18,698	14,500	(4,198)
Tree Trimming/ Replacement	6,400	8,000	1,600
Exotic Maintenance	0	9,000	9,000
Mulch - Annual	3,105	10,000	6,895
Gate Access Control	106,789	107,000	211
Entry & Gate Maintenance	15,239	12,000	(3,239)
Gas & Oil	949	1,800	851
Fuel - Purchase Card	112	0	(112)
Vehicle Expense	986	500	(486)
TOTAL BUILDING & GROUNDS MAINTENANCE	<u>268,011</u>	<u>292,263</u>	<u>24,252</u>
<u>MARSILEA / ENTRADA - SHARED EXPENSE</u>			
Street Lights - Electricity	499	0	(499)
TOTAL MISCELLANEOUS	<u>499</u>	<u>0</u>	<u>(499)</u>

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

SUPPLEMENTAL INFORMATION

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

Year Ended December 31, 2017

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
EXPENSES - Continued			
<u>MISCELLANEOUS</u>			
Recreation Improvement/Repairs	0	2,000	2,000
Holiday Event Expense	696	500	(196)
Rental Expense/Facilities	7,800	7,800	0
TOTAL MISCELLANEOUS	<u>8,496</u>	<u>10,300</u>	<u>1,804</u>
<u>HURRICANE IRMA EXPENSE</u>			
Hurricane Irma Expense	43,802	0	(43,802)
TOTAL HURRICANE IRMA EXPENSE	<u>43,802</u>	<u>0</u>	<u>(43,802)</u>
<u>INSURANCE</u>			
Insurance - Package	10,861	11,000	139
Insurance - Fidelity Bond	773	450	(323)
Insurance - D & O	3,135	4,300	1,165
Insurance - Workers Compensation	0	800	800
TOTAL INSURANCE	<u>14,769</u>	<u>16,550</u>	<u>1,781</u>
Total Operating Expenses	<u>1,023,451</u>	<u>967,624</u>	<u>(55,827)</u>
Excess Operating Revenues (Expenses)	<u>(\$43,441)</u>	<u>\$0</u>	<u>(\$43,441)</u>

IMPERIAL GOLF ESTATES HOMEOWNERS ASSOCIATION, INC.
PROPOSED ADJUSTING JOURNAL ENTRIES
December 31, 2017

	CLIENT ACCOUNT NUMBER	DEBIT	CREDIT
1			
FUND BALANCE	3300	3,000	
AUDIT/ACCOUNTING FEE	6057		3,000
<i>AJE for 2018 - to reverse the 2017 audit expense accrual</i>			
2			
FUND BALANCE (BAD DEBT EXPENSE)	3300	3,353	
ALLOWANCE FOR BAD DEBT	1452		3,353
<i>to increase allowance for over 90 days delinquent</i>			
3			
INSURANCE EXPENSE - PACKAGE	6310	4,030	
INSURANCE EXPENSE -D&O	6320	1,204	
FUND BALANCE	3300		5,234
<i>AJE for 2018 - for 2017 adjustment to prepaid insurance</i>			
4			
FUND BALANCE	3300	8,223	
HURRICANE IRMA EXPENSE	6303		6,925
NEWSLETTER EXPENSE	6054		1,298
<i>to reverse in 2018 the audit accruals at 12/31/17</i>			
5			
CASH - RESERVES - EVERBANK CD	1022	1,418	
RESERVES - INTEREST	3000		1,418
<i>to record interest income as 12/31/17</i>			
6			
CASH - RESERVES - FLORIDA COMM BANK CD	1024	4,771	
RESERVES - INTEREST	3000		4,771
<i>to record interest income as 12/31/17 (2016 & 2017)</i>			
7			
RESERVES - INTEREST	3000	12,611	
CASH - RESERVES - FLORIDA COMMUNITY C	1024		12,611
<i>to reverse entry for funds that were transferred to Everbank</i>			
8			
RESERVES - LANDSCAPING	3022	61,736	
RESERVES - ROADWAY	3028	68,163	
RESERVES - CUL DE SAC REPLACEMENT	3007		3,074
RESERVES - MAINTENANCE SHED	3023		126,825
<i>to reallocate balances to eliminate negative balance components</i>			
9			
RESERVES - CONCRETE	3006	467	
RESERVES - CUL DU SAC REPLACEMENT	3007		121
RESERVES - DRAINAGE	3008	1,905	
RESERVES - ENTRY GATES	3010	425	
RESERVES - EQUIPMENT	3012	846	
RESERVES - FENCE	3014	426	
RESERVES - GATEHOUSE	3016	44	
RESERVES - GENERATOR	3018	45	
RESERVES - IRRIGATION	3020	835	
RESERVES - LANDSCAPING	3022	2,453	
RESERVES - MAINTENANCE SHED	3023		4,989
RESERVES - MARSLEA / ENTRADA MAINT	3024	313	
RESERVES - ROADWAY	3028	2,681	
RESERVES - CONTINGENCY	3030	1,092	
RESERVES - INTEREST	3000		6,422
<i>to reallocate interest to components based on new ending balances</i>			
		180,041	180,041

IMPERIAL GOLF ESTATES HOMEOWNERS ASSOCIATION, INC.
POST CLOSING TRIAL BALANCE
December 31, 2017

ACCOUNT TITLE	CLIENT ACCOUNT NUMBER	CLIENT T/B		ADJUSTMENTS		CPA F/S	
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
<u>BALANCE SHEET</u>							
<u>ASSETS</u>							
CASH - OPERATING - IBERIA BANK		\$ 168,208		-	-	\$ 168,208	
CASH - OPERATING - FLORIDA COMMUNITY BANK		10,000		-	-	10,000	
CASH - OPERATING - IBERIA BANK - MARSILEA/ENTRADA		1,219		-	-	1,219	
CASH - RESERVE - VALLEY NATIONAL BANK		39,965		-	-	39,965	
CASH - RESERVE - EVERBANK CD 4/4/18		152,611		1,418	-	154,029	
CASH - RESERVE - FLORIDA COMMUNITY BANK CD 3/17/17		250,000		-	7,840	242,160	
OWNERS RECEIVABLE		11,737		-	-	11,737	
ALLOWANCE FOR DOUBTFUL ACCOUNTS			2,000	-	3,353		5,353
MARSILEA/ENTRADA RECEIVABLE		439		-	-	439	
PREPAID EXPENSE		0		-	-	-	
PREPAID INSURANCE		8,847		5,234	-	14,081	
<u>LIABILITIES AND FUND BALANCE</u>							
ACCOUNTS PAYABLE			23,383	-	11,223		34,606
SECURITY DEPOSITS			7,500	-	-		7,500
PREPAID MAINTENANCE			143,472	1	-		143,471
FUND RESERVES - UNALLOCATED INTEREST			0	-	-		0
FUND RESERVES - CONCRETE/SIDEWALK/DRIVEWAY			32,189	467	-		31,722
FUND RESERVES - CUL DE SAC REPLACE		3,195		-	3,195		0
FUND RESERVES - DRAINAGE			131,319	1,905	-		129,414
FUND RESERVES - ENTRY GATE			29,236	425	-		28,811
FUND RESERVES - EQUIPMENT			58,291	846	-		57,445
FUND RESERVES - FENCE			29,343	426	-		28,917
FUND RESERVES - GATE HOUSE			3,018	44	-		2,974
FUND RESERVES - GENERATOR			3,094	45	-		3,049
FUND RESERVES - IRRIGATION SYSTEM			57,518	835	-		56,683
FUND RESERVES - LANDSCAPING			65,893	64,189	-		1,704
FUND RESERVES - MAINTENANCE SHED		131,814		-	131,814		0
FUND RESERVES - MARSILEA/ENTRADA MAINTENANCE			21,571	314	-		21,257
FUND RESERVES - ROADWAY PHASE 1-5			70,844	70,844	-		0
FUND RESERVES - CONTINGENCY			75,270	1,092	-		74,178
							0
FUND BALANCE			50,469	-	7,726		58,195
PRIOR PERIOD ADJUSTMENT				-	-		
CURRENT YEAR INCOME / LOSS	-----	26,375		17,066	-	43,441	
		\$ 804,410	\$ 804,410	\$ 165,151	\$ 165,151	\$ 685,279	\$ 685,279
		\$0		\$0		\$0	

ENDING FUND BALANCE PER CPA F/S SHOULD EQUAL:

\$14,754