

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**  
**REPORT ON AUDIT OF FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

# EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

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## **Report of Independent Auditors**

To the Board of Directors of  
Eagle Tree Condominium Association, Inc.

We have audited the accompanying financial statements of Eagle Tree Condominium Association, Inc., which comprise the balance sheet as of December 31, 2018, 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 Eagle Tree Condominium Association, Inc. as of December 31, 2018, 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.



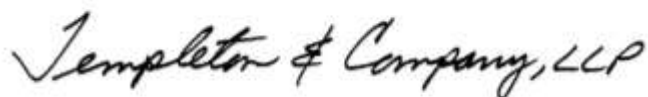
## **Other Matters**

### **Report on Supplemental Schedule of Revenue and Expenses**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenue and expenses – operating fund on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 14 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 (FASB), 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 response 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.



West Palm Beach, Florida  
April 29, 2019

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**

**BALANCE SHEET**

**December 31, 2018**

**(with comparative totals for 2017)**

	Operating Fund	Replacement Fund	Property Tax Fund	Totals	
				2018	2017
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,165,421	\$ -	\$ 265,404	\$ 6,430,825	\$ 6,845,404
Investments	-	3,794,756	279,091	4,073,847	4,161,235
Club dues receivable	-	17,587	(17,587)	-	-
Other receivables	45,863	-	-	45,863	29,493
Prepaid expenses	555,130	-	-	555,130	1,047,682
Foreclosed inventory	226,089	-	-	226,089	251,089
Deposits	6,540	-	-	6,540	6,540
Due from (to) funds	<u>(1,318,476)</u>	<u>1,165,628</u>	<u>152,848</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 5,680,567</u>	<u>\$ 4,977,971</u>	<u>\$ 679,756</u>	<u>\$ 11,338,294</u>	<u>\$ 12,341,443</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued expenses	\$ 423,500	\$ -	\$ -	\$ 423,500	\$ 343,369
Unearned maintenance fees	<u>4,686,537</u>	<u>552,874</u>	<u>-</u>	<u>5,239,411</u>	<u>6,344,728</u>
Total liabilities	5,110,037	552,874	-	5,662,911	6,688,097
Fund balances	<u>570,530</u>	<u>4,425,097</u>	<u>679,756</u>	<u>5,675,383</u>	<u>5,653,346</u>
Total liabilities and fund balances	<u>\$ 5,680,567</u>	<u>\$ 4,977,971</u>	<u>\$ 679,756</u>	<u>\$ 11,338,294</u>	<u>\$ 12,341,443</u>

See notes to financial statements.

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**

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

**For the Year Ended December 31, 2018**

**(with comparative totals for 2017)**

	Operating Fund	Replacement Fund	Property Tax Fund	Totals	
				2018	2017
Revenues:					
Operating club dues income	\$ 6,346,630	\$ -	\$ -	\$ 6,346,630	\$ 6,195,499
Operating bank income	6,783	-	8,840	15,623	9,750
Operating interest and late fee income	1,050	-	-	1,050	39,370
Reserve for replacement	-	716,898	-	716,898	716,898
Reserve interest income	-	-	-	-	14,008
Property tax assessment	-	-	-	-	-
Member per diem	184,292	-	-	184,292	244,051
Other income	150,044	(16,809)	-	133,235	193,284
Total revenues	<u>6,688,799</u>	<u>700,089</u>	<u>8,840</u>	<u>7,397,728</u>	<u>7,412,860</u>
Expenses:					
Common expenses:					
Accounting	179,662	-	-	179,662	200,907
Administration	795,784	-	-	795,784	786,433
Audit fees	11,528	-	-	11,528	12,436
Bad debt expenses	151,260	-	-	151,260	96,965
Board of directors expenses	812	-	-	812	3,206
Owner services	763,793	-	-	763,793	819,153
Master association assessment	546,000	-	-	546,000	526,300
Florida Division of Land Sales fee	5,450	-	-	5,450	5,375
Human resources	181,392	-	-	181,392	191,988
Insurance	143,208	-	-	143,208	156,145
Income tax expense	5,209	-	-	5,209	1,338
Landscaping	281,421	-	-	281,421	312,027
Loss prevention	233,357	-	-	233,357	200,652
Maintenance and engineering	122,475	-	-	122,475	128,713
Management fees	301,481	-	-	301,481	265,472
Legal fees	22,286	-	-	22,286	35,855
Spa expense and recreation	325,007	-	-	325,007	300,000
Administrative utilities	16,339	-	-	16,339	11,165
Total common expenses	<u>4,086,464</u>	<u>-</u>	<u>-</u>	<u>4,086,464</u>	<u>4,054,130</u>
Vacation plan expenses:					
Club services and reservations	203,911	-	-	203,911	208,339
Electricity	193,636	-	-	193,636	200,251
Maintenance and engineering	367,427	-	-	367,427	386,138
Gas	114,395	-	-	114,395	96,279
Housekeeping	1,296,719	-	-	1,296,719	1,275,736
Insurance	23,465	-	-	23,465	20,258
Management fees	246,666	-	-	246,666	217,204
Water / sewer	97,539	-	-	97,539	104,964
Total vacation plan expenses	<u>2,543,758</u>	<u>-</u>	<u>-</u>	<u>2,543,758</u>	<u>2,509,169</u>
Replacement expenses:					
Fixtures	-	540,543	-	540,543	669,691
Exterior building maintenance	-	90,187	-	90,187	535,650
Total replacement expenses	<u>-</u>	<u>630,730</u>	<u>-</u>	<u>630,730</u>	<u>1,205,341</u>
Property tax fund expenses:					
Property taxes	-	-	114,739	114,739	156,363
Total property tax fund expenses	<u>-</u>	<u>-</u>	<u>114,739</u>	<u>114,739</u>	<u>156,363</u>
Total expenses	<u>6,630,222</u>	<u>630,730</u>	<u>114,739</u>	<u>7,375,691</u>	<u>7,925,003</u>
Excess (deficiency) of revenue over expenses	58,577	69,359	(105,899)	22,037	(512,143)
Fund balances, beginning of year	<u>511,953</u>	<u>4,355,738</u>	<u>785,655</u>	<u>5,653,346</u>	<u>6,165,489</u>
Fund balances, end of year	<u>\$ 570,530</u>	<u>\$ 4,425,097</u>	<u>\$ 679,756</u>	<u>\$ 5,675,383</u>	<u>\$ 5,653,346</u>

See notes to financial statements.

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2018**  
**(with comparative totals for 2017)**

	Operating Fund	Replacement Fund	Property Tax Fund	Totals	
				2018	2017
Cash flows from operating activities:					
Excess (deficiency) of revenue over expenses	\$ 58,577	\$ 69,359	\$ (105,899)	\$ 22,037	\$ (512,143)
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by (used in) operating activities:					
Unrealized (gain) loss on fair value of investments	-	16,809	-	16,809	(76,706)
Changes in operating assets and liabilities:					
Club dues and other receivables	(16,370)	(17,587)	17,587	(16,370)	12,800
Prepaid expenses and deposits	492,552	-	-	492,552	(797,154)
Foreclosed inventory	25,000	-	-	25,000	(80,000)
Accounts payable and accrued expenses	80,131	-	-	80,131	18,692
Unearned maintenance fees	(1,019,187)	(86,130)	-	(1,105,317)	25,079
Change in interfund balances	<u>484,969</u>	<u>(332,121)</u>	<u>(152,848)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>105,672</u>	<u>(349,670)</u>	<u>(241,160)</u>	<u>(485,158)</u>	<u>(1,409,432)</u>
Cash flows from investing activities:					
Proceeds from maturities (purchases) of investments	<u>-</u>	<u>349,670</u>	<u>(279,091)</u>	<u>70,579</u>	<u>(1,548,729)</u>
Net cash provided by (used in) investing activities	<u>-</u>	<u>349,670</u>	<u>(279,091)</u>	<u>70,579</u>	<u>(1,548,729)</u>
Net increase (decrease) in cash and cash equivalents	105,672	-	(520,251)	(414,579)	(2,958,161)
Cash and cash equivalents, beginning of year	<u>6,059,749</u>	<u>-</u>	<u>785,655</u>	<u>6,845,404</u>	<u>9,803,565</u>
Cash and cash equivalents, end of year	<u>\$ 6,165,421</u>	<u>\$ -</u>	<u>\$ 265,404</u>	<u>\$ 6,430,825</u>	<u>\$ 6,845,404</u>

See notes to financial statements.

# EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Organization and Summary of Significant Accounting Policies

Eagle Tree Condominium Association, Inc. (the Association) was incorporated on September 24, 2001 in the State of Florida. The purpose of the Association is to operate and maintain, on behalf of the owners of Club Homes and/or Club Home Interests, the facilities known as Timbers Jupiter. As of December 31, 2018, there were 390 interests (362 five-week interests, 28 two and three week interests) and 3 wholly-owned Club Homes. Each owner of a Club Home Interest will own 1/8<sup>th</sup> fraction for a five week interest, 3/40<sup>th</sup> for a three week interest and 1/20<sup>th</sup> for a two-week interest, 21 days each year for a three-week interest and 14 days each year for a two-week interest. The Association's declaration of condominium provides that each Club Home Interest owner has an undivided interest in the common elements of the Association and, accordingly, the condominium assets are not recorded in the financial records of the Association. The Association began operations on November 8, 2003. The Association does business as Timbers Jupiter and is managed under an agreement with Timbers Jupiter Management, LLC (Timbers).

Eagle Tree Condominium Association, Inc., also known as the Club Owners' Association (COA), is a part of a greater community on property known as the Property Owners' Association (POA). The POA is the master association which takes care of all of the common elements on property for the greater resort, such as common roadways and landscaping. In addition to the POA, there is a golf course on property. The COA is managed by Timbers, the POA is managed by TNGC Jupiter Management, LLC, a related party of Jupiter Golf Club, LLC, which is the owner and operator of the golf course, clubhouse and spa.

The Association's significant accounting policies used in preparing the financial statements follow:

#### Basis of presentation

The financial statements of the Association have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

#### Fund accounting

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors and property manager. Disbursements from the Replacement Fund may be made only for purchases and maintenance of common property.

#### Operating fund

The Association's fees and earnings from operations, which are restricted for the use and benefit of Association members, are recorded in the Operating Fund.

#### Property tax fund

The Association established a fund for the accumulation of funds and the payments of assessed property taxes on the facility. Accumulated funds are held in separate savings accounts and generally are not available for normal operations.

#### Replacement fund

The Association accumulates funds for future major repairs and replacements which are held in separate savings accounts and generally are not available for normal operations.



**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 1 – Organization and Summary of Significant Accounting Policies, Continued**

Replacement fund, continued

The Association's Board (the Board) contracts with a third party to conduct on-going studies to estimate the remaining useful lives and the replacement costs of the components of common property.

The Board funds for major repairs and replacements based on the components' estimated remaining useful lives, estimates of current replacement costs, and considering amounts previously accumulated in the Replacement Fund. Accordingly, the funding requirement of \$716,898 was included in the fiscal year 2018 budget.

Funds are accumulated in the Replacement Fund based on estimates of future needs for repairs and replacement of common property 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, subject to the Board's approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Real and commonly-owned assets

The Association's policy for recognizing common property as assets on its balance sheet is to recognize (a) common personal property and (b) real property to which it has title and that it can dispose of for cash while retaining the proceeds or that is used to generate significant cash flows from members on the basis of usage or from nonmembers.

Accordingly, real and common area property acquired from the developer is not capitalized in the Association's financial statements as it is owned by the individual owners in common and not the Association. As a result, improvements made to the real property and common areas are not capitalized, but accounted for as expenses in the Replacement Fund.

Cash and cash equivalents

The Association considers money in checking accounts and money market funds and short-term investments with an original maturity of three months or less, at the date of purchase, to be cash equivalents.

The Association places its cash and cash equivalents and certificates of deposit with financial institutions in the United States of America. The Federal Deposit Insurance Corporation (FDIC) provides for deposit at FDIC insured institutions to be insured up to \$250,000. The Association has not incurred any losses on such accounts.

Investments

Investments consist of federally-insured certificates of deposit which are carried at fair market value. The Association's certificates of deposit are held in FDIC insured institutions, with balances under the insured limit.

In addition, certain investments held by the Association consist of equity-linked certificates of deposit which are principal protected structured products. These investments are bank issued certificates of deposit that are insured by the FDIC up to \$250,000 per certificate of deposit. At maturity, the Association will receive the principal plus a "supplemental payment" or minimum interest, if any, that is based on the performance of an underlying index or market measure.

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 1 – Organization and Summary of Significant Accounting Policies, Continued**

Investments, continued

Equity-linked certificates of deposit are accounted for under the fair value option at the end of each period with unrealized gains (losses) included in revenue.

Fair value measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The authoritative guidance describes a fair value hierarchy based on three levels of input, of which the first two are considered observable and the last is considered unobservable, that may be used to measure fair value.

Level 1	Quoted prices in active markets for identical assets or liabilities.
Level 2	Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The Association's fair value measurement for the mutual funds is considered to be level 1 input, and for the equity-linked certificates of deposit and certificates of deposit are considered to be level 2 input.

Concentrations of credit risk

Financial instruments which potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents and investments.

In an effort to fulfill its fiduciary responsibility to protect and maintain assets for the Association, the Board has implemented a formal investment policy statement in reference to all cash, cash equivalents and investable funds for the replacement, operating and property tax funds. The investment policy statement stipulates all funds shall be invested in federally insured or guaranteed vehicles with no risk to principal as long as these investments are held to maturity.

Since the Board has incorporated an analysis to identify the use of these funds at specific times; and the investments are structured with maturity dates to coincide with these anticipated expenditures; notwithstanding emergencies not under the control of the Board, the Association is able to, and has the ability to, hold these investments to their stated maturity dates.

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 1 – Organization and Summary of Significant Accounting Policies, Continued**

Club dues receivable

Club dues receivable are carried at the original charges amount less an estimate for doubtful receivables based on a review of all outstanding amounts on an annual basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Club dues are written off when deemed uncollectable. Recoveries of club dues receivable previously written off are recorded when received.

A club dues account is considered to be past due if not paid by the statement due date. An administrative late fee and interest is charged on club dues receivable amounts that are outstanding for more than 30 days.

Unearned maintenance fees

Club dues for all Club Home Interests and wholly-owned club homes are due as of the beginning of each fiscal year. Unearned club dues represent prepayment of the next year's club dues. The fees for the Club Home Interest and wholly-owned club homes for the current year's dues and assessments are classified as revenue.

Revenue recognition

Operating club dues, property tax and replacement assessments are recognized as revenue on a pro rata basis over the period covered by the billing. All other revenues are recognized when earned.

Foreclosed inventory

From time to time, the Association acquires inventory previously sold to an owner for unit week interests which hold no mortgage, but for which the owner is delinquent in the payment of assessments on that unit week interest. The inventory acquired is stated at the lower of cost or market.

Income taxes

For federal income tax purposes, the Association has the option of being treated as a regular corporation or as a homeowners' association under Section 528 of the Internal Revenue Code. For regular income tax purposes, assessments for major repairs and replacements are treated as non-taxable capital contributions. Under Section 528, income from all assessments required to be paid by unit owners is exempt from taxation. Non-exempt income, such as interest earned, is taxed at a rate of 32%.

If the Association elects to be taxed under Section 528, it is subject to tax at regular corporate rates. This choice is made on an annual basis and the Association elected to file as a homeowners' association for 2018.

The Association did not identify any tax positions for which it believes it is reasonably possible that the total amounts of any unrecognized taxes will significantly increase or decrease. Interest and penalties attributable to income taxes, if any, are included in operating expenses. No such interest or penalties were recorded for 2018. The Association is no longer subject to income tax examinations for years prior to 2015.

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 1 – Organization and Summary of Significant Accounting Policies, Continued**

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cost allocation methods

The Association has two classes of operating expenses which include common expenses and those specific to the vacation plan. These two classes of expenses are defined within the condominium declaration. All fifty homes participate in sharing the common expenses of the Association, while only the fractionalized homes (forty-seven homes total) share the vacation plan specific expenses. Vacation plan specific expenses are any expenses related to the interior of the fractionalized homes which include repairs and maintenance, furniture, fixtures and equipment, interior insurance coverage, and utilities. Because there are certain expenses which relate to both the common elements and interior portions of the homes, there are methods allocating these shared expenses. The allocation methods vary by department and type of expense, and include such bases as square footage, number of units or lots, etc. The shared costs to be allocated consist of engineering, management fees, insurance, utilities, and concierge operations.

Comparative summarized financial information for 2017

Comparative summarized financial information as of December 31, 2017 and for the year then ended is presented, in total, as 2017 information in the accompanying financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2017.

Accounting pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842), which is intended to increase transparency and comparability of accounting for lease transactions. The ASU will require all leases to be recognized on the balance sheet as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The new pronouncement is effective for years beginning after December 15, 2019, including interim periods within those years. Management is currently evaluating the effects the update will have on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU introduces a comprehensive, principles-based framework for recognizing revenue. The new revenue guidance introduces FASB Accounting Standards Codification (ASC) 606 and supersedes the revenue recognition requirements of FASB ASC 605 and most industry-specific guidance in the FASB ASC, including accounting guidance that common interest realty associations currently follow. The ASU is intended to improve generally accepted accounting principles by providing a framework to address revenue recognition issues, creating more consistency and comparability of revenue recognition practices across entities and industries, and improving the usefulness of information provided to financial statement users through more robust disclosure requirements. Management is currently evaluating the impact of the ASU on its financial statements for the year ending December 31, 2019.

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 2 – Investments**

Investments are summarized as follows as of December 31, 2018:

	<u>Amortized Cost</u>	<u>Fair Market Value</u>
Equity-linked certificates of deposit	\$ 764,086	\$ 698,850
Certificates of deposit (held to maturity)	<u>3,422,709</u>	<u>3,374,997</u>
	<u>\$ 4,186,795</u>	<u>\$ 4,073,847</u>

For the year ended December 31, 2018, the equity-linked certificates of deposit and certificates of deposit had unrealized losses of \$16,809 which are included in the accompanying statement of revenues, expenses and changes in fund balance – Replacement Fund.

**Note 3 – Line of Credit**

The Association has a working capital line of credit with a financial institution which allows for borrowings based on eligible certificates of deposit which approximated \$1,209,000 at December 31, 2018. The line of credit bears interest at a variable interest rate based on assets under management by the financial institution. There were no borrowings outstanding as of December 31, 2018.

**Note 4 – Income Taxes**

Income tax expense for 2018 consisted of current federal income taxes. The difference between income tax expense (benefit) and the provision calculated by applying the statutory federal rate to the excess of revenue over expenses, primarily relates to the exclusion of exempt function income.

Pursuant to the applicable Florida Statutes, the total income tax expense (refund) is reported in the Operating Fund, regardless of the fund in which the income was recorded.

**Note 5 – Management Agreement**

The Association has a management agreement with Timbers Jupiter Management, LLC (Timbers Agreement) which provides management services beginning September 13, 2014 and expiring September 2017 when the Timbers Agreement automatically extended for an additional three years through 2020. The Timbers Agreement includes all management services not assumed by the Board. For the year ended December 31, 2018, the cost under the Timbers Agreement totaled approximately \$548,000. The Timbers Agreement's annual cost through 2019 is expected to approximate \$513,000 or 7% of all Association expenses estimated in the budget of agreed-upon budget years. The Timbers Agreement also includes an incentive fee in addition to the base management fee equal to 10% of the cost of savings in any major line item as categorized in the 2018 budget. The incentive fee will be agreed upon by the Board of Directors after expense items for payment is requested, provided for and approved by the Board.

**Note 6 – Eagle Tree Property Owners' Association, Inc. Assessment**

A portion of the operating fund maintenance fees received by the Association is remitted to a related master association which is responsible for maintaining all of the common property within the boundaries of the master association, except for those obligations of the Association. The Association's share of the Eagle Tree Property Owners' Association, Inc. dues was \$546,000 for the year ended December 31, 2018, which is included in the accompanying statement of revenues, expenses and changes in fund balance.

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 7 – Replacement Fund**

Changes in the components of the Replacement Fund balance for the year ended December 31, 2018 follow:

	Components of Fund Balance as of January 1, 2018	Revenue and Transfers	Expenses	Components of Fund Balance as of December 31, 2018
Roof	\$ 710,468	\$ 111,836	\$ -	\$ 822,304
Furniture and fixtures	2,750,941	412,241	540,543	2,622,639
Building painting	606,041	20,760	-	626,801
External building maintenance	50,665	129,671	90,187	90,149
Pavement resurfacing	<u>237,623</u>	<u>25,581</u>	<u>-</u>	<u>263,204</u>
	<u>\$ 4,355,738</u>	<u>\$ 700,089</u>	<u>\$ 630,730</u>	<u>\$ 4,425,097</u>

Interest earned on reserve fund bank accounts is returned to the reserve fund for future use in that fund. The Board approved and adopted the Association's reserves and budget for the year ended December 31, 2018.

**Note 8 – Subsequent Events**

The Association evaluated events occurring subsequent to December 31, 2018 through April 29, 2019, the date on which the financial statements were available to be issued, for matters that should be recorded in the financial statements or disclosed in the footnotes thereto.

## **SUPPLEMENTARY INFORMATION**

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENSES - OPERATING FUND**

**For the Year Ended December 31, 2018**

	<u>Actual</u>	<u>Budget</u> <u>(Unaudited)</u>	<u>Variance</u> <u>(Unaudited)</u>
Common revenue:			
Maintenance fees - Common	\$ 4,546,044	\$ 4,546,048	\$ (4)
Less: Reserve for Replacement - Common	<u>294,759</u>	<u>294,759</u>	<u>-</u>
Total common revenue	<u>4,251,285</u>	<u>4,251,289</u>	<u>(4)</u>
Common expenses:			
Accounting	179,662	252,388	72,726
Administration	648,822	697,532	48,710
Audit fees	11,528	12,500	972
Bad debt expenses	151,260	245,112	93,852
Billing and collections	-	4,500	4,500
Board of directors expenses	812	6,400	5,588
Cable television	72,066	71,400	(666)
Credit card fees	7,256	-	(7,256)
Owner services	684,471	671,707	(12,764)
Master association assessment	546,000	526,300	(19,700)
Marketing	86,643	59,500	(27,143)
Florida Division of Land Sales fee	5,450	5,382	(68)
Human resources	181,392	188,349	6,957
Insurance	143,208	165,742	22,534
Income tax expense	5,209	2,500	(2,709)
Landscaping	281,421	280,352	(1,069)
Loss prevention	233,357	242,455	9,098
Maintenance and engineering	77,434	121,533	44,099
Management fees	301,481	282,075	(19,406)
Legal fees	22,286	51,000	28,714
Pest control	16,692	17,409	717
Pool maintenance	28,350	34,380	6,030
Rent for facilities	60,318	55,024	(5,294)
Spa expense and recreation	325,007	325,000	(7)
Waste removal	<u>16,339</u>	<u>20,000</u>	<u>3,661</u>
Total common expenses	<u>4,086,464</u>	<u>4,338,540</u>	<u>252,076</u>
Common surplus (deficit)	<u>164,821</u>	<u>(87,251)</u>	<u>252,072</u>
Vacation plan revenue:			
Maintenance fees - Vacation plan	2,517,484	2,517,484	-
Operating bank income	6,783	1,800	4,983
Operating interest and late fee income	1,050	10,000	(8,950)
Reserve for replacement	-	-	-
Member per diem	184,292	199,817	(15,525)
Other income	<u>150,044</u>	<u>131,338</u>	<u>18,706</u>
	2,859,653	2,860,439	(786)
Less: Reserve for Replacement - Vacation plan	<u>422,139</u>	<u>422,139</u>	<u>-</u>
Total vacation plan revenue	<u>2,437,514</u>	<u>2,438,300</u>	<u>(786)</u>
Vacation plan expenses:			
Club services and reservations	203,911	301,030	97,119
Electricity	193,636	216,360	22,724
Maintenance and engineering	367,427	364,600	(2,827)
Gas	114,395	100,801	(13,594)
Housekeeping	1,296,719	1,306,293	9,574
Insurance	23,465	19,148	(4,317)
Membership program fee	-	-	-
Management fees	246,666	230,788	(15,878)
Water / sewer	<u>97,539</u>	<u>114,217</u>	<u>16,678</u>
Total vacation plan expenses	<u>2,543,758</u>	<u>2,653,237</u>	<u>109,479</u>
Vacation plan surplus (deficit)	<u>(106,244)</u>	<u>(214,937)</u>	<u>108,693</u>
Operating surplus / (deficit)	<u>\$ 58,577</u>	<u>\$ (302,188)</u>	<u>\$ 360,765</u>



**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.****SUPPLEMENTARY INFORMATION ON FUTURE  
MAJOR REPAIRS AND REPLACEMENTS  
December 31, 2018  
(UNAUDITED)**

The Board of Directors authorized a study dated September 22, 2017 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from a reserve specialist together with more current replacement cost information as provided by management. The following table summarizes the estimated remaining useful lives and estimated current replacement costs of common property together with the 2019 budgeted funding requirement.

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	2019 Budgeted Funding	Replacement Fund Balance at December 31, 2018
Roof	13	\$ 2,581,648		
Furniture and fixtures	6 - 19	16,460,686		
Painting and restoration	5	517,210		
Building maintenance	4	397,215		
Pavement resurfacing	6	528,300		
Common area maintenance	8	155,005		
Pooled reserve	n/a		\$ 778,551	\$ 4,425,097
		<u>\$ 20,640,064</u>	<u>\$ 778,551</u>	<u>\$ 4,425,097</u>