EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

**(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018)**

EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

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templeton
& COMPANY
Certified Public Accountants and Consultants

Report of Independent Auditors

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

We have audited the accompanying financial statements of Eagle Tree Condominium 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 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, 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.

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Other Matters

Report on Summarized Comparative Information

We have previously audited Eagle Tree Condominium Association, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental Schedule

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 14, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked "unaudited", 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. 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 of deferred maintenance and capital expenditure reserves on page 15 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 conformity 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 a conclusion or provide any assurance.

Templeton & Company, LLP

West Palm Beach, Florida
June 24, 2020

EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET
December 31, 2019
(with comparative financial information as of December 31, 2018)

	Operating Fund	Replacement Fund	Property Tax Fund	Totals 2019	Totals 2018
ASSETS					
Cash and cash equivalents	$ 5,926,450	$ 1,982,831	$ 311,318	$ 8,220,599	$ 6,430,825
Investments	-	3,532,837	-	3,532,837	4,073,847
Club dues receivable, net	1,104,984	-	-	1,104,984	-
Other receivables	27,379	-	-	27,379	45,863
Prepaid expenses	1,218,592	-	-	1,218,592	555,130
Foreclosed inventory	226,089	-	-	226,089	226,089
Deposits	6,540	-	-	6,540	6,540
Due from (to) funds	(697,886)	439,474	258,412	-	-
Total assets	$ 7,812,148	$ 5,955,142	$ 569,730	$ 14,337,020	$ 11,338,294
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	$ 288,168	$ -	$ -	$ 288,168	$ 423,500
Unearned maintenance fees	6,843,808	849,369	-	7,693,177	5,239,411
Contract liabilities	-	4,799,347	-	4,799,347	-
Total liabilities	7,131,976	5,648,716	-	12,780,692	5,662,911
Fund balances	680,172	306,426	569,730	1,556,328	5,675,383
Total liabilities and fund balances	$ 7,812,148	$ 5,955,142	$ 569,730	$ 14,337,020	$ 11,338,294

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, 2019
(with summarized financial information for the year ended December 31, 2018)

	Operating Fund	Replacement Fund	Property Tax Fund	Totals 2019	Totals 2018
Revenues:					
Operating club dues income	$ 6,380,434	$ -	$ -	$ 6,380,434	$ 6,195,370
Operating bank income	17,136	-	-	17,136	15,623
Operating interest and late fee income	21	-	-	21	1,050
Reserve for replacement	-	404,301	-	404,301	716,898
Member per diem	238,514	-	-	238,514	184,292
Investment and other income	108,922	306,426	15,850	431,198	133,235
Total revenues	6,745,027	710,727	15,850	7,471,604	7,246,468
Expenses:					
Common expenses:					
Accounting	208,831	-	-	208,831	179,662
Administration	786,910	-	-	786,910	795,784
Audit fees	11,592	-	-	11,592	11,528
Board of directors expenses	5,331	-	-	5,331	812
Owner services	742,239	-	-	742,239	763,793
Master association assessment	642,231	-	-	642,231	546,000
Florida Division of Land Sales fee	5,361	-	-	5,361	5,450
Human resources	190,447	-	-	190,447	181,392
Insurance	187,548	-	-	187,548	143,208
Income tax expense	1,980	-	-	1,980	5,209
Landscaping	293,685	-	-	293,685	281,421
Loss prevention	236,038	-	-	236,038	233,357
Maintenance and engineering	113,121	-	-	113,121	122,475
Management fees	298,455	-	-	298,455	301,481
Legal fees	43,888	-	-	43,888	22,286
Spa expense and recreation	346,243	-	-	346,243	325,007
Administrative utilities	14,884	-	-	14,884	16,339
Total common expenses	4,128,784	-	-	4,128,784	3,935,204
Vacation plan expenses:					
Club services and reservations	222,986	-	-	222,986	203,911
Electricity	180,944	-	-	180,944	193,636
Maintenance and engineering	339,362	-	-	339,362	367,427
Gas	109,089	-	-	109,089	114,395
Housekeeping	1,256,290	-	-	1,256,290	1,296,719
Insurance	20,398	-	-	20,398	23,465
Management fees	244,190	-	-	244,190	246,666
Water / sewer	133,342	-	-	133,342	97,539
Total vacation plan expenses	2,506,601	-	-	2,506,601	2,543,758
Replacement expenses:					
Fixtures	-	130,337	-	130,337	540,543
Exterior building maintenance	-	273,964	-	273,964	90,187
Total replacement expenses	-	404,301	-	404,301	630,730
Property tax fund expenses:					
Property taxes	-	-	125,876	125,876	114,739
Total property tax fund expenses	-	-	125,876	125,876	114,739
Total expenses	6,635,385	404,301	125,876	7,165,562	7,224,431
Excess (deficiency) of revenue over expenses	109,642	306,426	(110,026)	306,042	22,037
Fund balances, beginning of year	570,530	4,425,097	679,756	5,675,383	5,653,346
Change in accounting principle (see Note 2)	-	(4,425,097)	-	(4,425,097)	-
Fund balances, end of year	$ 680,172	$ 306,426	$ 569,730	$ 1,556,328	$ 5,675,383

See notes to financial statements.

EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019
(with comparative financial information for the year ended December 31, 2018)

	Operating Fund	Replacement Fund	Property Tax Fund	Totals 2019	Totals 2018
Cash flows from operating activities:					
Excess (deficiency) of revenue over expenses	$ 109,642	$ 306,426	$ (110,026)	$ 306,042	$ 22,037
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	-	(306,426)	-	(306,426)	16,809
Changes in operating assets and liabilities:					
Club dues receivable	(1,086,500)	-	-	(1,086,500)	(16,370)
Other receivables	-	17,587	(17,587)		
Prepaid expenses	(663,462)	-	-	(663,462)	492,552
Foreclosed inventory	-	-	-	-	25,000
Accounts payable and accrued expenses	(135,332)	-	-	(135,332)	80,131
Unearned maintenance fees	2,157,271	296,495	-	2,453,766	(1,105,317)
Contract liabilities	-	374,250	-	374,250	-
Change in interfund balances	(620,590)	726,154	(105,564)	-	-
Net cash provided by (used in) operating activities	(238,971)	1,414,486	(233,177)	942,338	(485,158)
Cash flows from investing activities:					
Proceeds from maturities of investments, net	-	568,345	279,091	847,436	70,579
Net cash provided by investing activities	-	568,345	279,091	847,436	70,579
Net increase (decrease) in cash and cash equivalents	(238,971)	1,982,831	45,914	1,789,774	(414,579)
Cash and cash equivalents, beginning of year	6,165,421	-	265,404	6,430,825	6,845,404
Cash and cash equivalents, end of year	$ 5,926,450	$ 1,982,831	$ 311,318	$ 8,220,599	$ 6,430,825

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, 2019, 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 1/8th fraction for a five week interest, 3/40th for a three week interest and 1/20th 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:

<u>Basis of presentation</u>

The financial statements of the Association have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and presents them as separate funds based on its different funding policies for operations, replacement expenditures, and property taxes.

<u>Fund accounting</u>

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.

<u>Operating fund</u>

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.

<u>Property tax fund</u>

The Association's property tax fund collects money needed to pay annual property taxes assessed by Palm Beach County. Accumulated funds are held in separate savings accounts and generally are not available for normal operations.

<u>Replacement fund</u>

The Association's replacement fund is composed of annual assessments designated in the budget to fund major repairs and replacements. Such collections on assessments are held in separate savings accounts and generally are not available for normal operations.

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.

Funds for major repairs and replacements are 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 $778,551 was included in the fiscal year 2019 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. As of December 31, 2019, the Association held cash of approximately $7,500,000 in excess of FDIC limits.

Investments

Investments consist of certificates of deposit which are recorded at fair value. A portion of 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 specified market measure.

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

Accounting guidance 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 three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of the fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The Association's fair value measurement for the equity-linked certificates of deposit and certificates of deposit are considered to have level 2 inputs.

Concentrations of credit risk

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

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.

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. The provision for uncollectible accounts expense was $209,755 for the year ended December 31, 2019. Due to the new accounting guidance on revenue recognition, this amount is netted against operating club dues income in the statements of revenues, expenses and changes in fund balances.

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 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 and are classified as unearned fees. The fees for the Club Home Interest and wholly-owned club homes for the current year's dues and assessments are classified as revenue.

Contract liabilities

The Association recognizes revenue from members in the replacement fund as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payments in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liabilities as of the beginning and end of the year ended December 31, 2019 are $4,425,097 and $4,799,347, respectively.

Revenue recognition

Operating club dues, assessments and property tax assessments are recognized as revenue on a pro rata basis over the period covered by the billing as services are provided over the related period. 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. 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 30% or under regular corporate income tax rate of 21%.

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

Income taxes, continued

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 2019.

Income tax expense is reported in the operating fund, regardless of the fund in which the income was recorded, pursuit to Florida Statutes.

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 2019. The Association is no longer subject to income tax examinations for years prior to 2016.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues 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 2018

Comparative summarized financial information as of December 31, 2018 and for the year then ended is presented, in total, as 2018 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, 2018. The 2018 financial information does not reflect the change in accounting principle adopted in 2019.

Change in accounting principle

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 Associations, 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.

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

Change in accounting principle, continued

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 balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to the accounting policies for assessment revenue and contract liabilities, as previously described.

The adoption of the new revenue recognition guidance resulted in the following change to the replacement fund balance as of January 1, 2019:

Fund balance, as previously reported, at January 1, 2019	$ 4,425,097
Adjustment to recognize contract liabilities	(4,425,097)
Fund balance, as adjusted, at January 1, 2019	$ -

The effect of the adoption is a decrease in 2019 assessment revenues by $374,250 and a recording of a contract liability at December 31, 2019 of $4,799,347. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

The modified retrospective method of transition requires disclosure of the effect of applying the new guidance on each item included in the 2019 financial statements. Following are the line items from the replacement fund balance sheet as of December 31, 2019 that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

Replacement Fund	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
Liabilities:			
Contract liabilities	$ -	$ 4,799,347	$ 4,799,347
Total liabilities	$ 849,369	$ 4,799,347	$ 5,648,716
Fund balance:			
Ending fund balance	$ 5,105,773	$ (4,799,347)	$ 306,426

The following are the line items from the statements of revenues, expenses, and changes in fund balances and cash flows for the year ended December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

Operating Fund	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
Revenues:			
Club dues	$ 6,590,189	$ (209,755)	$ 6,380,434
Total revenues	$ 6,954,782	$ (209,755)	$ 6,745,027
Expenses:			
Administration	$ 996,665	$ (209,755)	$ 786,910
Total expenses	$ 6,845,140	$ (209,755)	$ 6,635,385

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

Change in accounting principle, continued

Replacement Fund	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
Revenues:			
Reserves for replacement	$ 778,551	$ (374,250)	$ 404,301
Total revenues	$ 1,084,977	$ (374,250)	$ 710,727
Excess of revenues over expenses	$ 680,676	$ (374,250)	$ 306,426
Cash flows:			
Excess of revenues over expenses	$ 680,676	$ (374,250)	$ 306,426
Increase in contract liabilities	$ -	$ 374,250	$ 374,250
Change in accounting principle	$ -	$ (4,425,097)	$ (4,425,097)

Note 2 – Investments

Investments are summarized as follows as of December 31, 2019:

	Cost	Fair Value
Equity-linked certificates of deposit	$ 1,038,380	$ 1,071,393
Certificates of deposit (held to maturity)	2,405,000	2,461,444
	$ 3,443,380	$ 3,532,837

For the year ended December 31, 2019, the equity-linked certificates of deposit and certificates of deposit had unrealized gain of $306,426 which is included in the accompanying statement of revenues, expenses and changes in fund balances – 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, 2019. 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, 2019.

Note 4 – Income Taxes

Income tax expense for 2019 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 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, 2017 and expiring in September 2020. The Timbers Agreement includes all management services not assumed by the Board. For the year ended December 31, 2019, the cost under the Timbers Agreement totaled approximately $512,000.

Note 5 – Management Agreement, Continued

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 2019 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 totaled $642,231 for the year ended December 31, 2019, which is included in the accompanying statement of revenues, expenses and changes in fund balances.

Note 7 – Contract Liabilities

The Association's replacement fund is utilized to accumulate funds for future major repairs and replacements, by an allocation of the maintenance fee assessments charged to each interval owner, and specifically designated for the fund in the annual budget. Deductions from the fund are recorded as costs, as incurred, which are determined by the Board to meet the objective for which the fund was established.

Contract liabilities is presented as follows for the year ended December 31, 2019:

Components	Balances January 1, 2019	Assessments	Costs	Balances December 31, 2019
Roofing	$ 822,304	$ -	$ -	$ 822,304
Furniture and fixtures	2,622,639	-	(130,337)	2,492,302
Building painting	626,801	-	-	626,801
External building maintenance	90,149	-	(273,964)	(183,815)
Pavement	263,204	-	-	263,204
Pooled reserve	-	778,551	-	778,551
	$ 4,425,097	$ 778,551	$ (404,301)	$ 4,799,347

Earnings on reserve fund cash and investment accounts are returned to the reserve fund for future use. The Board approved and adopted the Association's estimated reserves and budget for the year ended December 31, 2019.

Note 8 – Subsequent Events

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions including the State of Florida and the federal government have declared a state of emergency. It is anticipated that these impacts will continue for some time. The Association is currently assessing the impact to its operations. Future potential impacts may include disruptions to the Association's workforce, members' ability to pay and the performance of suppliers and contractors. Changes to the operating environment may increase operating costs. The future of these issues is unknown.

The Association evaluated events occurring subsequent to December 31, 2019 through June 24, 2020, 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.

SUPPLEMENTAL SCHEDULE

EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENSES - OPERATING FUND
For the Year Ended December 31, 2019

	Actual	Budget (Unaudited)	Variance (Unaudited)
Common revenue:			
Maintenance fees - common	$ 4,763,912	$ 4,763,913	$ 1
Less: bad debt	(209,755)	(245,112)	(35,357)
Less: Reserve for replacement - common	320,108	320,108	-
Total common revenue	4,234,049	4,198,693	(35,356)
Common expenses:			
Accounting	208,831	215,296	6,465
Administration	658,638	648,774	(9,864)
Audit fees	11,592	12,500	908
Billing and collections	895	4,500	3,605
Board of directors expenses	5,331	6,400	1,069
Cable television	75,650	73,542	(2,108)
Credit card fees	594	-	(594)
Owner services	665,100	702,264	37,164
Master association assessment	642,231	634,150	(8,081)
Marketing	70,966	59,500	(11,466)
Florida Division of Land Sales fee	5,361	5,382	21
Human resources	190,447	179,849	(10,598)
Insurance	187,548	181,911	(5,637)
Income tax expense	1,980	2,500	520
Landscaping	293,685	292,500	(1,185)
Loss prevention	236,038	250,328	14,290
Maintenance and engineering	58,361	115,672	57,311
Management fees	298,455	282,075	(16,380)
Legal fees	43,888	51,000	7,112
Pest control	16,960	17,409	449
Pool maintenance	37,800	37,800	-
Rent for facilities	57,306	57,228	(78)
Spa expense and recreation	346,243	350,000	3,757
Administrative utilities	14,884	18,113	3,229
Total common expenses	4,128,784	4,198,693	69,909
Common surplus	105,265	-	105,265
Vacation plan revenue:			
Maintenance fees - Vacation plan	2,604,828	2,604,828	-
Operating bank income	17,136	-	17,136
Operating interest and late fee income	21	-	21
Member per diem	238,514	-	238,514
Other income	108,922	359,452	(250,530)
Operating life to date surplus	-	100,000	(100,000)
	2,969,421	3,064,280	(94,859)
Less: Reserve for replacement - vacation plan	458,443	458,443	-
Total vacation plan revenue	2,510,978	2,605,837	(94,859)
Vacation plan expenses:			
Club services and reservations	222,986	267,298	44,312
Electricity	180,944	207,250	26,306
Maintenance and engineering	339,362	347,017	7,655
Gas	109,089	102,107	(6,982)
Housekeeping	1,256,290	1,309,901	53,611
Insurance	20,398	20,105	(293)
Management fees	244,190	230,788	(13,402)
Water / sewer	133,342	121,371	(11,971)
Total vacation plan expenses	2,506,601	2,605,837	99,236
Vacation plan surplus	4,377	-	4,377
Operating surplus	$ 109,642	$ -	$ 109,642

EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION - SCHEDULE OF DEFERRED MAINTENANCE AND CAPITAL EXPENDITURE RESERVES
December 31, 2019
(UNAUDITED)

The Board of Directors authorized a study dated June 24, 2019 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 2020 budgeted funding requirement.

Components	Estimated Remaining Useful Lives (Years)	Estimated Cost for Deferred Maintenance or Capital Expenditures	2020 Proposed Budgeted Funding	Replacement Fund December 31, 2019 (Liability)
Roofing	12	$ 2,738,849	$ -	$ 822,304
Furniture and fixtures	7	18,756,698	-	2,492,302
Building painting	4	549,308	-	626,801
External building maintenance	4	414,470	-	(183,815)
Mechanical	3	6,938	-	-
Pavement	5	560,585	-	263,204
Common areas	8	163,601	-	-
Pooled reserve	n/a	-	849,369	778,551
		$ 23,190,449	$ 849,369	$ 4,799,347