EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019)

EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

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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, 2020, 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, 2020, 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.

ESPERANTE CORPORATE CENTER
222 Lakeview Avenue, Suite 1200
West Palm Beach, FL 33401
P 561.798.9988 F 561.798.4053
TOLL FREE 866.558.7816

THE PLAZA AT LAS OLAS
301 East Las Olas Boulevard, Suite 800
Fort Lauderdale, FL 33301
P 954.333.0001 F 954.765.0719
www.templetonco.com

Other Matters

Report on Summarized Comparative Information

We have previously audited Eagle Tree Condominium Association, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 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
March 28, 2021

EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET
December 31, 2020
(with comparative financial information as of December 31, 2019)

	Operating Fund	Replacement Fund	Property Tax Fund	Totals 2020	Totals 2019
ASSETS					
Cash and cash equivalents	$ 6,270,050	$ 2,089,627	$ -	$ 8,359,677	$ 8,220,599
Restricted cash	-	-	433,479	433,479	-
Investments	-	3,614,572	-	3,614,572	3,532,837
Club dues receivable, net	1,124,686	-	-	1,124,686	1,104,984
Other receivables	96,078	-	-	96,078	27,379
Prepaid expenses	1,277,008	-	-	1,277,008	1,218,592
Foreclosed inventory	298,089	-	-	298,089	226,089
Deposits	6,540	-	-	6,540	6,540
Due from (to) funds	(566,088)	566,088	-	-	-
Total assets	$ 8,506,363	$ 6,270,287	$ 433,479	$ 15,210,129	$ 14,337,020
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	$ 514,851	$ -	$ -	$ 514,851	$ 288,168
Unearned maintenance fees	6,668,136	-	-	6,668,136	6,843,808
Contract liabilities	-	5,725,310	-	5,725,310	5,648,716
Total liabilities	7,182,987	5,725,310	-	12,908,297	12,780,692
Fund balances	1,323,376	544,977	433,479	2,301,832	1,556,328
Total liabilities and fund balances	$ 8,506,363	$ 6,270,287	$ 433,479	$ 15,210,129	$ 14,337,020

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, 2020
(with summarized financial information for the year ended December 31, 2019)

	Operating Fund	Replacement Fund	Property Tax Fund	Totals 2020	Totals 2019
Revenues:					
Operating club dues income, net	$ 6,353,102	$ -	$ -	$ 6,353,102	$ 6,380,434
Interest income	2,941	-	-	2,941	17,136
Operating interest and late fee income	49	-	-	49	21
Reserve for replacement	-	416,725	-	416,725	404,301
Member per diem	388,484	-	-	388,484	238,514
Investment and other income	214,172	238,551	-	452,723	431,198
Total revenues	6,958,748	655,276	-	7,614,024	7,471,604
Expenses:					
Common expenses:					
Rental	39,383	-	-	39,383	-
Accounting	248,808	-	-	248,808	208,831
Administration	738,020	-	-	738,020	786,910
Audit fees	17,242	-	-	17,242	11,592
Board of directors expenses	259	-	-	259	5,331
Owner services	619,372	-	-	619,372	742,239
Master association assessment	655,094	-	-	655,094	642,231
Florida Division of Land Sales fee	114	-	-	114	5,361
Human resources	194,096	-	-	194,096	190,447
Insurance	213,778	-	-	213,778	187,548
Income tax expense	20,992	-	-	20,992	1,980
Landscaping	298,065	-	-	298,065	293,685
Loss prevention	205,242	-	-	205,242	236,038
Maintenance and engineering	97,186	-	-	97,186	113,121
Management fees	328,505	-	-	328,505	298,455
Legal fees	42,923	-	-	42,923	43,888
Spa expense and recreation	360,100	-	-	360,100	346,243
Administrative utilities	5,787	-	-	5,787	14,884
Total common expenses	4,084,966	-	-	4,084,966	4,128,784
Vacation plan expenses:					
Club services and reservations	223,064	-	-	223,064	222,986
Electricity	180,115	-	-	180,115	180,944
Maintenance and engineering	291,559	-	-	291,559	339,362
Gas	94,248	-	-	94,248	109,089
Housekeeping	1,029,632	-	-	1,029,632	1,256,290
Insurance	15,682	-	-	15,682	20,398
Management fees	268,777	-	-	268,777	244,190
Water / sewer	127,501	-	-	127,501	133,342
Total vacation plan expenses	2,230,578	-	-	2,230,578	2,506,601
Replacement expenses:					
Fixtures	-	354,818	-	354,818	130,337
Exterior building maintenance	-	61,907	-	61,907	273,964
Total replacement expenses	-	416,725	-	416,725	404,301
Property tax fund expenses:					
Property taxes	-	-	136,251	136,251	125,876
Total property tax fund expenses	-	-	136,251	136,251	125,876
Total expenses	6,315,544	416,725	136,251	6,868,520	7,165,562
Excess (deficiency) of revenue over expenses	643,204	238,551	(136,251)	745,504	306,042
Fund balances, beginning of year	680,172	306,426	569,730	1,556,328	1,250,286
Fund balances, end of year	$ 1,323,376	$ 544,977	$ 433,479	$ 2,301,832	$ 1,556,328

See notes to financial statements.

EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020
(with comparative financial information for the year ended December 31, 2019)

	Operating Fund	Replacement Fund	Property Tax Fund	Totals 2020	Totals 2019
Cash flows from operating activities:					
Excess (deficiency) of revenue over expenses	$ 643,204	$ 238,551	$ (136,251)	$ 745,504	$ 306,042
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by (used in) operating activities:					
Unrealized gains in fair value of investments	-	(238,551)	-	(238,551)	(306,426)
Changes in operating assets and liabilities:					
Club dues receivable	(19,702)	-	-	(19,702)	(1,086,500)
Other receivables	(68,699)	-	-		
Prepaid expenses	(58,416)	-	-	(58,416)	(663,462)
Foreclosed inventory	(72,000)	-	-	(72,000)	-
Accounts payable and accrued expenses	226,683	-	-	226,683	(135,332)
Unearned maintenance fees	(175,672)	-	-	(175,672)	2,453,766
Contract liabilities	-	76,594	-	76,594	374,250
Change in interfund balances	(131,798)	(126,614)	258,412	-	-
Net cash provided by (used in) operating activities	343,600	(50,020)	122,161	415,741	942,338
Cash flows from investing activities:					
Proceeds from maturities of investments, net	-	156,816	-	156,816	847,436
Net cash provided by investing activities	-	156,816	-	156,816	847,436
Net increase in cash and cash equivalents	343,600	106,796	122,161	572,557	1,789,774
Cash, cash equivalents and restricted cash at beginning of year	5,926,450	1,982,831	311,318	8,220,599	6,430,825
Cash, cash equivalents and restricted cash at end of year	$ 6,270,050	$ 2,089,627	$ 433,479	$ 8,793,156	$ 8,220,599

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, 2020, 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 conducts 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 Association prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 of Directors (the Board) contracts with a third party to conduct a biennial study 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 $493,319 was included in the fiscal year 2020 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 all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents.

Restricted cash

Cash and cash equivalents as of December 31, 2020 consist of the following:

Cash and cash equivalents	$ 8,359,677
Restricted cash	433,479
Total cash and cash equivalents, and restricted cash shown in statement of cash flows	$ 8,793,156

Restricted cash represent funds held in the Property Tax Fund which are disbursed only to appropriate taxing authorities for property taxes assessed for the Association.

Uninsured cash balances

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, 2020, the Association held cash of approximately $7,700,000 in excess of FDIC limits.

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

Fair value of financial instruments

The carrying value of cash, cash equivalents, restricted cash, receivables, accounts payable and accrued expenses, unearned maintenance fees and contract liabilities approximates fair value due to the short-term nature of their maturities.

Investments

Investments include certificates of deposit which are measured 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.

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, cash equivalents, restricted cash, investments, and receivables.

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

Concentrations of credit risk

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 and 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.

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 $349,355 for the year ended December 31, 2020.

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.

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.

Performance obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under Topic 606. The Association considers a performance obligation satisfied once it has transferred control of a good or service to the member, meaning the member has the ability to use and obtain the benefit of the good or service. The Association recognizes revenue for satisfied performance obligations only when it determines there are no uncertainties regarding payment terms or transfer of control.

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

Contract liabilities

The Association recognizes revenue from members in the replacement fund as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is recorded when the Association has the right to receive payments in advance of the satisfaction of performance obligations related to replacement reserve assessments. The Association's contract liabilities are expected to be recorded as revenue when the funds are expended for repairs and replacements.

The Association elects to treat similar contracts as part of a portfolio of contracts, primarily maintenance assessments and replacement and capital improvement fund assessments. The contracts have the same provision terms and management has the expectation that the result will not be materially different from the consideration of each individual contract.

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%. 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 2020.

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 2020. The Association is no longer subject to income tax examinations for years prior to 2017.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect certain 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 the estimates.

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

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 2019

Comparative summarized financial information as of December 31, 2019 and for the year then ended is presented, in total, as 2019 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, 2019.

Reclassifications

Certain amounts in the 2019 comparative summarize financial information were reclassified to conform to the presentation in the 2020 financial statements.

Note 2 – Investments

Investments are summarized as follows as of December 31, 2020:

	Cost	Fair Value
Equity-linked certificates of deposit	$ 1,054,090	$ 1,131,138
Certificates of deposit (held to maturity)	2,360,000	2,483,434
	$ 3,414,090	$ 3,614,572

For the year ended December 31, 2020, the equity-linked certificates of deposit and certificates of deposit had an aggregate unrealized gain of $238,551 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 $487,000 at December 31, 2020. 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, 2020.

Note 4 – Income Taxes

Income tax expense for 2020 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 to the Association. The Timbers Agreement, which runs through September 2023, renews for successive three year periods until terminated and can be cancelled by either party with written notice. The Timbers Agreement includes all management services not assumed by the Board. For the year ended December 31, 2020, the cost under the Timbers Agreement approximated $513,000.

The Timbers Agreement's annual cost through 2021 is expected to approximate $513,000 or 6% 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 2020 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 – Exclusive Rental Agency Agreement

On July 31, 2020, the Association executed an Exclusive Rental Agency Agreement (the Rental Agency Agreement) with Timbers Rental, LLC (Timbers). Timbers acts as the Association's exclusive rental agent to actively promote and rent the interest the Board has allotted time for. The amount of rental revenue generated during 2020 was $56,420, and is included in other income in the Operating Fund in the accompanying statement of revenues, expenses and changes in fund balances. The details of nightly rates, allotted time and fees are included in the Rental Agency Agreement.

Note 7 – 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 $655,094 for the year ended December 31, 2020, which is included in the accompanying statement of revenues, expenses and changes in fund balances.

Note 8 – 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.

Note 8 – Contract Liabilities, Continued

Contract liabilities is presented as follows for the year ended December 31, 2020:

Components	Balances January 1, 2020	Assessments	Costs	Balances December 31, 2020
Roofing	$ 822,304	$ -	$ -	$ 822,304
Furniture and fixtures	2,492,302	-	(354,818)	2,137,484
Building painting	626,801	-	-	626,801
External building maintenance	(183,815)	-	(61,907)	(245,722)
Pavement	263,204	-	-	263,204
Pooled reserve	1,627,920	493,319	-	2,121,239
Total	$ 5,648,716	$ 493,319	$ (416,725)	$ 5,725,310

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, 2020.

Note 9 - Significant Uncertainty – Impact of COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency due to a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally and, as a result, the United States President declared a national emergency.

The ultimate impact of the COVID-19 pandemic on the Association's operations is uncertain and will depend on future developments, which cannot be predicted with confidence. These include the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that governments, or the Association, may direct, which may result in an extended period of operational disruption. Any resulting financial impact cannot be reasonably estimated at this time but could be anticipated to have a material adverse impact on the Association's business operations, balance sheet, and results of operations for fiscal year 2021.

Note 10 – Subsequent Events

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 28, 2021, the date which the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULE

EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENSES - OPERATING FUND
For the Year Ended December 31, 2020

	Actual	Budget (Unaudited)	Variance (Unaudited)
Common revenue:			
Maintenance fees - common	$ 4,393,860	$ 4,826,503	$ 432,643
Less: bad debt	(349,355)	(245,112)	104,243
Less: Reserve for replacement - common	(152,664)	279,980	(432,644)
Total common revenue	4,197,169	4,301,411	104,242
Common expenses:			
Accounting	248,808	212,303	(36,505)
Administration	590,711	666,527	75,816
Audit fees	17,242	12,500	(4,742)
Billing and collections	62	4,500	4,438
Board of directors expenses	259	6,400	6,141
Cable television	73,262	73,542	280
Owner services	546,048	710,526	164,478
Master association assessment	655,094	655,300	206
Marketing	81,500	59,500	(22,000)
Florida Division of Land Sales fee	114	5,382	5,268
Human resources	194,096	196,900	2,804
Insurance	213,778	189,187	(24,591)
Income tax expense	20,992	2,500	(18,492)
Landscaping	298,065	300,996	2,931
Loss prevention	205,242	258,820	53,578
Maintenance and engineering	42,302	116,611	74,309
Management fees	328,505	282,075	(46,430)
Legal fees	42,923	51,000	8,077
Pest control	17,084	17,409	325
Pool maintenance	37,800	37,800	-
Rent for facilities	65,809	59,520	(6,289)
Exclusive rental agency	39,383	-	(39,383)
Spa expense and recreation	360,100	364,000	3,900
Administrative utilities	5,787	18,113	12,326
Total common expenses	4,084,966	4,301,411	216,445
Common surplus	112,203	-	112,203
Vacation plan revenue:			
Maintenance fees - Vacation plan	2,725,322	2,725,322	-
Operating bank income	2,941	-	2,941
Operating interest and late fee income	49	-	49
Member per diem	388,484	-	388,484
Other income	214,172	365,041	(150,869)
Operating life to date surplus	-	100,000	(100,000)
	3,330,968	3,190,363	140,605
Less: Reserve for replacement - vacation plan	569,389	569,389	-
Total vacation plan revenue	2,761,579	2,620,974	140,605
Vacation plan expenses:			
Club services and reservations	223,064	291,502	68,438
Electricity	180,115	207,250	27,135
Maintenance and engineering	291,559	349,834	58,275
Gas	94,248	102,107	7,859
Housekeeping	1,029,632	1,297,212	267,580
Insurance	15,682	20,909	5,227
Management fees	268,777	230,788	(37,989)
Water / sewer	127,501	121,372	(6,129)
Total vacation plan expenses	2,230,578	2,620,974	390,396
Vacation plan surplus	531,001	-	531,001
Operating surplus	$ 643,204	$ -	$ 643,204

EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION - SCHEDULE OF DEFERRED MAINTENANCE AND CAPITAL EXPENDITURE RESERVES
December 31, 2020
(UNAUDITED)

The Board authorized a biennial 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	2021 Proposed Budgeted Funding	Replacement Fund December 31, 2020 (Liability)
Roofing	11	$ 2,738,849	$ -	$ 822,304
Furniture and fixtures	6	18,756,698	-	2,137,484
Building painting	3	549,308	-	626,801
External building maintenance	3	414,470	-	(245,722)
Mechanical	2	6,938	-	-
Pavement	4	560,585	-	263,204
Common areas	7	163,601	-	-
Pooled reserve	n/a	-	926,694	2,121,239
		$ 23,190,449	$ 926,694	$ 5,725,310