

EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

**(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020)**

EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Eagle Tree Condominium Association, Inc., (the Association) which comprise the balance sheet as of December 31, 2021, 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.

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, 2021, 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.

Report on Summarized Comparative Information

We have previously audited Eagle Tree Condominium Association, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eagle Tree Condominium Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Eagle Tree Condominium Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Eagle Tree Condominium Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eagle Tree Condominium Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

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 on future major repairs and replacements on page 15 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Templeton & Company, LLP

West Palm Beach, Florida

April 27, 2022

EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**BALANCE SHEET****December 31, 2021****(with summarized comparative financial information as of December 31, 2020)**

	Operating Fund	Replacement Fund	Property Tax Fund	Totals	
				2021	2020
ASSETS					
Cash and cash equivalents	\$ 7,227,939	\$ 2,370,999	\$ -	\$ 9,598,938	\$ 8,359,677
Restricted cash	-	-	286,762	286,762	433,479
Investments	-	3,235,435	-	3,235,435	3,614,572
Club dues receivable, net	949,714	-	-	949,714	1,124,686
Other receivables	3,199	-	-	3,199	96,078
Prepaid expenses	1,385,642	-	-	1,385,642	1,277,008
Foreclosed inventory	243,889	-	-	243,889	298,089
Deposits	6,540	-	-	6,540	6,540
Due (to) from funds	(1,438,861)	1,438,861	-	-	-
Total assets	<u>\$ 8,378,062</u>	<u>\$ 7,045,295</u>	<u>\$ 286,762</u>	<u>\$ 15,710,119</u>	<u>\$ 15,210,129</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 452,250	\$ -	\$ -	\$ 452,250	\$ 514,851
Unearned maintenance fees	6,875,260	-	-	6,875,260	6,668,136
Contract liabilities	-	6,484,193	-	6,484,193	5,725,310
Total liabilities	7,327,510	6,484,193	-	13,811,703	12,908,297
Fund balances	<u>1,050,552</u>	<u>561,102</u>	<u>286,762</u>	<u>1,898,416</u>	<u>2,301,832</u>
Total liabilities and fund balances	<u>\$ 8,378,062</u>	<u>\$ 7,045,295</u>	<u>\$ 286,762</u>	<u>\$ 15,710,119</u>	<u>\$ 15,210,129</u>

See accompanying notes to financial statements.

EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2021

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

	Operating Fund	Replacement Fund	Property Tax Fund	Totals	
				2021	2020
Revenues:					
Operating club dues income, net	\$ 5,826,280	\$ -	\$ -	\$ 5,826,280	\$ 6,353,102
Interest income	3,358	-	347	3,705	2,941
Operating interest and late fee income	291	-	-	291	49
Reserve for replacement	-	683,671	-	683,671	416,725
Member per diem	394,163	-	-	394,163	388,484
Investment and other income	<u>233,478</u>	<u>16,125</u>	<u>30</u>	<u>249,633</u>	<u>452,723</u>
Total revenues	<u>6,457,570</u>	<u>699,796</u>	<u>377</u>	<u>7,157,743</u>	<u>7,614,024</u>
Expenses:					
Common expenses:					
Rental	44,434	-	-	44,434	39,383
Accounting	254,799	-	-	254,799	248,808
Administration	777,722	-	-	777,722	738,020
Audit fees	12,232	-	-	12,232	17,242
Board of directors expenses	3,216	-	-	3,216	259
Owner services	715,436	-	-	715,436	619,372
Master association assessment	661,139	-	-	661,139	655,094
Florida Division of Land Sales fee	5,200	-	-	5,200	114
Human resources	173,946	-	-	173,946	194,096
Insurance	263,188	-	-	263,188	213,778
Income tax expense	4,629	-	-	4,629	20,992
Landscaping	316,546	-	-	316,546	298,065
Loss prevention	188,636	-	-	188,636	205,242
Maintenance and engineering	137,821	-	-	137,821	97,186
Management fees	295,144	-	-	295,144	328,505
Legal fees	40,605	-	-	40,605	42,923
Spa expense and recreation	360,100	-	-	360,100	360,100
Administrative utilities	<u>817</u>	<u>-</u>	<u>-</u>	<u>817</u>	<u>5,787</u>
Total common expenses	<u>4,255,610</u>	<u>-</u>	<u>-</u>	<u>4,255,610</u>	<u>4,084,966</u>
Vacation plan expenses:					
Club services and reservations	149,518	-	-	149,518	223,064
Electricity	207,397	-	-	207,397	180,115
Maintenance and engineering	413,463	-	-	413,463	291,559
Gas	109,666	-	-	109,666	94,248
Housekeeping	1,193,123	-	-	1,193,123	1,029,632
Insurance	12,949	-	-	12,949	15,682
Management fees	241,481	-	-	241,481	268,777
Water / sewer	<u>147,187</u>	<u>-</u>	<u>-</u>	<u>147,187</u>	<u>127,501</u>
Total vacation plan expenses	<u>2,474,784</u>	<u>-</u>	<u>-</u>	<u>2,474,784</u>	<u>2,230,578</u>
Replacement expenses:					
Fixtures	-	650,692	-	650,692	354,818
Exterior building maintenance	<u>-</u>	<u>32,979</u>	<u>-</u>	<u>32,979</u>	<u>61,907</u>
Total replacement expenses	<u>-</u>	<u>683,671</u>	<u>-</u>	<u>683,671</u>	<u>416,725</u>
Property tax fund expenses:					
Property taxes	<u>-</u>	<u>-</u>	<u>147,094</u>	<u>147,094</u>	<u>136,251</u>
Total property tax fund expenses	<u>-</u>	<u>-</u>	<u>147,094</u>	<u>147,094</u>	<u>136,251</u>
Total expenses	<u>6,730,394</u>	<u>683,671</u>	<u>147,094</u>	<u>7,561,159</u>	<u>6,868,520</u>
Excess (deficiency) of revenues over expenses	(272,824)	16,125	(146,717)	(403,416)	745,504
Fund balances, beginning of year	<u>1,323,376</u>	<u>544,977</u>	<u>433,479</u>	<u>2,301,832</u>	<u>1,556,328</u>
Fund balances, end of year	<u>\$ 1,050,552</u>	<u>\$ 561,102</u>	<u>\$ 286,762</u>	<u>\$ 1,898,416</u>	<u>\$ 2,301,832</u>

EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

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

	Operating Fund	Replacement Fund	Property Tax Fund	Totals	
				2021	2020
Cash flows from operating activities:					
Excess (deficiency) of revenue over expenses	\$ (272,824)	\$ 16,125	\$ (146,717)	\$ (403,416)	\$ 745,504
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by (used in) operating activities:					
Fund transfers	872,773	(872,773)	-	-	-
Unrealized gains in fair value of investments	-	(16,125)	-	(16,125)	(238,551)
Changes in operating assets and liabilities:					
Club dues receivable	174,972	-	-	174,972	(19,702)
Other receivables	92,879	-	-	92,879	(68,699)
Prepaid expenses	(108,634)	-	-	(108,634)	(58,416)
Foreclosed inventory	54,200	-	-	54,200	(72,000)
Accounts payable and accrued expenses	(62,601)	-	-	(62,601)	226,683
Unearned maintenance fees	207,124	-	-	207,124	(175,672)
Contract liabilities	-	758,883	-	758,883	76,594
Net cash provided by (used in) operating activities	957,889	(113,890)	(146,717)	697,282	415,741
Cash flows from investing activities:					
Proceeds from sales of investments, net	-	395,262	-	395,262	156,816
Net cash provided by investing activities	-	395,262	-	395,262	156,816
Net increase (decrease) in cash and cash equivalents	957,889	281,372	(146,717)	1,092,544	572,557
Cash, cash equivalents and restricted cash at beginning of year	6,270,050	2,089,627	433,479	8,793,156	8,220,599
Cash, cash equivalents and restricted cash at end of year	\$ 7,227,939	\$ 2,370,999	\$ 286,762	\$ 9,885,700	\$ 8,793,156

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, 2021, 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 the 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 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.

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'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.

Replacement fund

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.

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 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 \$1,442,554 was included in the fiscal year 2021 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, cash equivalents, and restricted cash as of December 31, 2021 consist of the following:

Cash and cash equivalents	\$ 9,598,938
Restricted cash	<u>286,762</u>
Total cash, cash equivalents and restricted cash shown in statement of cash flows	<u>\$ 9,885,700</u>

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 deposits 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, 2021, the Association held cash of approximately \$8,195,000 in excess of FDIC limits.

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

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.

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

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

Concentrations of credit risk, continued

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 collections 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. As of December 31, 2021, the allowance for doubtful accounts was \$60,671.

Club dues are written off when deemed uncollectable. The provision for uncollectible accounts expense was \$348,000 for the year ended December 31, 2021. This amount is netted against operating club dues in the statement 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 stated 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 Accounting Standards Codification (ASC) 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.

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

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 (IRC). Assessments for major repairs and replacements are treated as non-taxable capital contributions. Under IRC 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 the regular corporate income tax rate of 21%. If the Association elects to be taxed under IRC 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 2021.

Income tax expense is reported in the operating fund, regardless of the fund in which the income was recorded, pursuant 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 2021. The Association is no longer subject to income tax examinations for years prior to 2018.

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.

Comparative summarized financial information for 2020

Comparative summarized financial information as of December 31, 2020 and for the year then ended is presented, in total, as 2020 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, 2020.

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

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.

Note 2 – Investments

Investments are summarized as follows as of December 31, 2021:

	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit (held to maturity)	\$ 3,197,225	\$ 3,235,435

For the year ended December 31, 2021, the certificates of deposit had an aggregate unrealized gain of \$16,125 which is included in the accompanying statement of revenues, expenses and changes in fund balances – Replacement Fund.

Note 3 – Income Taxes

Income tax expense for 2021 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 4 – 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, 2021, the cost under the Timbers Agreement approximated \$513,000.

The Timbers Agreement's annual cost through 2022 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 2021 budget. The incentive fee will be agreed upon by the Board after expense items for payment is requested, provided for and approved by the Board.

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

Note 5 – Exclusive Rental Agency Agreement

The Association has 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 2021 was \$92,047, 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 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 \$661,139 for the year ended December 31, 2021, 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 are presented as follows for the year ended December 31, 2021:

Components	Balances January 1, 2021	Assessments	Costs	Balances December 31, 2021
Roofing	\$ 822,304	\$ -	\$ -	\$ 822,304
Fixtures	2,137,484	-	(650,692)	1,486,792
Building painting	626,801	-	-	626,801
Exterior building maintenance	(245,722)	-	(32,979)	(278,701)
Pavement	263,204	-	-	263,204
Pooled reserve	<u>2,121,239</u>	<u>1,442,554</u>	<u>-</u>	<u>3,563,793</u>
Total	<u>\$ 5,725,310</u>	<u>\$ 1,442,554</u>	<u>\$ (683,671)</u>	<u>\$ 6,484,193</u>

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, 2021.

Note 8 – Subsequent Events

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 27, 2022, the date which the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULES

EAGLE TREE CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENSES - OPERATING FUND

For the Year Ended December 31, 2021

	Actual	Budget (Unaudited)	Variance (Unaudited)
Common revenue:			
Operating club dues	\$ 4,495,145	\$ 4,738,168	\$ 243,023
Common operating surplus	-	118,124	118,124
Less: bad debt	(348,000)	(348,000)	-
Less: Reserve for replacement - common	(53,519)	(296,542)	(243,023)
Total common revenue	<u>4,093,626</u>	<u>4,211,750</u>	<u>118,124</u>
Common expenses:			
Accounting	254,799	243,559	(11,240)
Administration	649,948	574,546	(75,402)
Audit fees	12,232	12,500	268
Billing and collections	-	4,500	4,500
Board of directors expenses	3,216	6,400	3,184
Cable television	84,906	73,542	(11,364)
Owner services	630,530	618,836	(11,694)
Master association assessment	661,139	661,644	505
Marketing	70,721	59,682	(11,039)
Florida Division of Land Sales fee	5,200	5,200	-
Human resources	173,946	203,453	29,507
Insurance	263,188	256,000	(7,188)
Income tax expense	4,629	2,500	(2,129)
Landscaping	316,546	327,756	11,210
Loss prevention	188,636	214,467	25,831
Maintenance and engineering	90,275	109,814	19,539
Management fees	295,144	282,075	(13,069)
Legal fees	40,605	51,000	10,395
Pest control	16,621	17,409	788
Pool maintenance	30,925	37,800	6,875
Rent for facilities	57,053	62,732	5,679
Exclusive rental agency	44,434	-	(44,434)
Spa expense and recreation	360,100	367,302	7,202
Administrative utilities	817	19,033	18,216
Total common expenses	<u>4,255,610</u>	<u>4,211,750</u>	<u>(43,860)</u>
Common deficit	<u>(161,984)</u>	<u>-</u>	<u>(161,984)</u>
Vacation plan revenue:			
Maintenance fees - Vacation plan	2,362,806	2,362,806	-
Operating bank income	3,358	-	3,358
Operating interest and late fee income	291	-	291
Member per diem	394,163	-	394,163
Other income	233,478	371,041	(137,563)
Operating life to date surplus	-	406,875	(406,875)
	2,994,096	3,140,722	(146,626)
Less: Reserve for replacement - vacation plan	<u>630,152</u>	<u>630,152</u>	<u>-</u>
Total vacation plan revenue	<u>2,363,944</u>	<u>2,510,570</u>	<u>(146,626)</u>
Vacation plan expenses:			
Club services and reservations	149,518	284,822	135,304
Electricity	207,397	207,250	(147)
Maintenance and engineering	413,463	329,443	(84,020)
Gas	109,666	102,107	(7,559)
Housekeeping	1,193,123	1,209,706	16,583
Insurance	12,949	22,397	9,448
Management fees	241,481	230,788	(10,693)
Water / sewer	147,187	124,057	(23,130)
Total vacation plan expenses	<u>2,474,784</u>	<u>2,510,570</u>	<u>35,786</u>
Vacation plan deficit	<u>(110,840)</u>	<u>-</u>	<u>(110,840)</u>
Operating deficit	<u>\$ (272,824)</u>	<u>\$ -</u>	<u>\$ (272,824)</u>

EAGLE TREE CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION - SCHEDULE OF DEFERRED
MAINTENANCE AND CAPITAL EXPENDITURE RESERVES
December 31, 2021
(UNAUDITED)

The Board authorized a biennial study dated April 30, 2021 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 2022 budgeted funding requirement.

Components	Estimated Remaining Useful Lives (Years)	Estimated Cost for Deferred Maintenance or Capital Expenditures	2022 Proposed Budgeted Funding	Replacement Fund December 31, 2021 (Liability)
Roofing	26	\$ 2,903,182	\$ -	\$ 822,304
Fixtures	12	19,451,304	-	1,486,792
Building painting	10	581,417	-	626,801
Exterior building maintenance	8	438,057	-	(277,972)
Mechanical	8	2,460	-	-
Pavement	20	594,044	-	263,204
Common areas	15	173,429	-	-
Pooled reserve	n/a	-	1,009,180	3,563,064
		<u>\$ 24,143,893</u>	<u>\$ 1,009,180</u>	<u>\$ 6,484,193</u>