

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2021)**

# **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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 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.

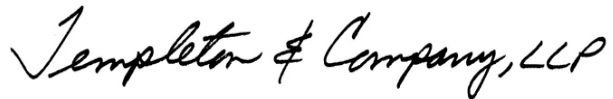
## **Other Matters**

### **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 budget to actual – operating fund on pages 16-17, 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 18 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.

A handwritten signature in black ink that reads "Templeton & Company, LLP". The signature is written in a cursive, flowing style.

West Palm Beach, Florida  
March 28, 2023

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**

**BALANCE SHEET**

**December 31, 2022**

**(with summarized comparative financial information as of December 31, 2021)**

	Operating Fund	Replacement Fund	Property Tax Fund	Totals	
				2022	2021
<b>ASSETS</b>					
Cash and cash equivalents	\$ 7,422,549	\$ 1,323,770	\$ -	\$ 8,746,319	\$ 9,598,938
Restricted cash	-	-	125,286	125,286	286,762
Investments	-	5,469,593	-	5,469,593	3,235,435
Club dues receivable, net	1,048,054	-	-	1,048,054	949,714
Other receivables	1,560	-	-	1,560	3,199
Prepaid expenses	1,047,176	-	-	1,047,176	1,385,642
Foreclosed inventory	189,489	-	-	189,489	243,889
Deposits	6,540	-	-	6,540	6,540
Right-of-use asset - operating lease	447,652	-	-	447,652	-
Due (to) from funds	<u>(1,079,933)</u>	<u>1,080,119</u>	<u>(186)</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 9,083,087</u>	<u>\$ 7,873,482</u>	<u>\$ 125,100</u>	<u>\$ 17,081,669</u>	<u>\$ 15,710,119</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities and fund balances:					
Accounts payable and accrued expenses	\$ 511,486	\$ -	\$ -	\$ 511,486	\$ 452,250
Unearned maintenance fees	7,308,909	-	-	7,308,909	6,875,260
Contract liabilities	-	7,551,164	-	7,551,164	6,484,193
Lease liability - operating lease	<u>446,708</u>	<u>-</u>	<u>-</u>	<u>446,708</u>	<u>-</u>
Total liabilities	8,267,103	7,551,164	-	15,818,267	13,811,703
Fund balances	<u>815,984</u>	<u>322,318</u>	<u>125,100</u>	<u>1,263,402</u>	<u>1,898,416</u>
Total liabilities and fund balances	<u>\$ 9,083,087</u>	<u>\$ 7,873,482</u>	<u>\$ 125,100</u>	<u>\$ 17,081,669</u>	<u>\$ 15,710,119</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, 2022**

**(with summarized comparative financial information for the year ended December 31, 2021)**

	Operating Fund	Replacement Fund	Property Tax Fund	Totals	
				2022	2021
<b>Revenues:</b>					
Operating club dues income, net	\$ 6,524,772	\$ -	\$ -	\$ 6,524,772	\$ 5,826,280
Interest income	1,516	-	-	1,516	3,705
Operating interest and late fee income	98	-	-	98	291
Reserve for replacement	-	32,016	-	32,016	683,671
Member per diem	234,780	-	-	234,780	394,163
Investment and other income (loss), net	<u>255,092</u>	<u>(238,784)</u>	<u>712</u>	<u>17,020</u>	<u>249,633</u>
Total revenues	<u>7,016,258</u>	<u>(206,768)</u>	<u>712</u>	<u>6,810,202</u>	<u>7,157,743</u>
<b>Expenses:</b>					
Common expenses:					
Rental	10,773	-	-	10,773	44,434
Accounting	256,260	-	-	256,260	254,799
Administration	766,557	-	-	766,557	777,722
Audit fees	14,948	-	-	14,948	12,232
Board of directors expenses	1,232	-	-	1,232	3,216
Owner services	826,203	-	-	826,203	715,436
Master association assessment	682,675	-	-	682,675	661,139
Florida Division of Land Sales fee	5,261	-	-	5,261	5,200
Human resources	194,756	-	-	194,756	173,946
Insurance	295,546	-	-	295,546	263,188
Income tax expense	3,670	-	-	3,670	4,629
Landscaping	339,626	-	-	339,626	316,546
Loss prevention	-	-	-	-	188,636
Maintenance and engineering	211,894	-	-	211,894	137,821
Management fees	308,305	-	-	308,305	295,144
Legal fees	15,603	-	-	15,603	40,605
Spa expense and recreation	378,105	-	-	378,105	360,100
Lease expense	38,721	-	-	38,721	-
Administrative utilities	<u>2,790</u>	<u>-</u>	<u>-</u>	<u>2,790</u>	<u>817</u>
Total common expenses	<u>4,352,925</u>	<u>-</u>	<u>-</u>	<u>4,352,925</u>	<u>4,255,610</u>
Vacation plan expenses:					
Club services and reservations	134,264	-	-	134,264	149,518
Electricity	259,160	-	-	259,160	207,397
Maintenance and engineering	635,681	-	-	635,681	413,463
Gas	112,442	-	-	112,442	109,666
Housekeeping	1,322,395	-	-	1,322,395	1,193,123
Insurance	14,692	-	-	14,692	12,949
Management fees	252,249	-	-	252,249	241,481
Water / sewer	<u>167,018</u>	<u>-</u>	<u>-</u>	<u>167,018</u>	<u>147,187</u>
Total vacation plan expenses	<u>2,897,901</u>	<u>-</u>	<u>-</u>	<u>2,897,901</u>	<u>2,474,784</u>
Replacement expenses:					
Fixtures	-	32,016	-	32,016	650,692
Exterior building maintenance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,979</u>
Total replacement expenses	<u>-</u>	<u>32,016</u>	<u>-</u>	<u>32,016</u>	<u>683,671</u>
Property tax fund expenses:					
Property taxes	<u>-</u>	<u>-</u>	<u>162,374</u>	<u>162,374</u>	<u>147,094</u>
Total property tax fund expenses	<u>-</u>	<u>-</u>	<u>162,374</u>	<u>162,374</u>	<u>147,094</u>
Total expenses	<u>7,250,826</u>	<u>32,016</u>	<u>162,374</u>	<u>7,445,216</u>	<u>7,561,159</u>
Deficiency of revenues over expenses	(234,568)	(238,784)	(161,662)	(635,014)	(403,416)
Fund balances, beginning 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>
Fund balances, end of year	<u>\$ 815,984</u>	<u>\$ 322,318</u>	<u>\$ 125,100</u>	<u>\$ 1,263,402</u>	<u>\$ 1,898,416</u>

See accompanying notes to financial statements.

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2022**

**(with summarized comparative financial information for the year ended December 31, 2021)**

	Operating Fund	Replacement Fund	Property Tax Fund	Totals	
				2022	2021
Cash flows from operating activities:					
Deficiency of revenue over expenses	\$ (234,568)	\$ (238,784)	\$ (161,662)	\$ (635,014)	\$ (403,416)
Adjustments to reconcile deficiency of revenue over expenses to net cash provided by (used in) operating activities:					
Fund transfers	(358,928)	358,742	186	-	-
Unrealized (gain) loss in fair value of investments	-	238,784	-	238,784	(16,125)
Changes in operating assets and liabilities:					
Club dues receivable, net	(98,340)	-	-	(98,340)	174,972
Other receivables	1,639	-	-	1,639	92,879
Prepaid expenses	338,466	-	-	338,466	(108,634)
Foreclosed inventory	54,400	-	-	54,400	54,200
Right-of-use asset - operating leases	(944)	-	-	(944)	-
Accounts payable and accrued expenses	59,236	-	-	59,236	(62,601)
Unearned maintenance fees	433,649	-	-	433,649	207,124
Contract liabilities	-	1,066,971	-	1,066,971	758,883
Net cash provided by (used in) operating activities	<u>194,610</u>	<u>1,425,713</u>	<u>(161,476)</u>	<u>1,458,847</u>	<u>697,282</u>
Cash flows from investing activities:					
Purchases of investments, net of proceeds from sales	-	(2,472,942)	-	(2,472,942)	395,262
Net cash provided by (used in) investing activities	-	(2,472,942)	-	(2,472,942)	395,262
Net increase (decrease) in cash, cash equivalents and restricted cash	194,610	(1,047,229)	(161,476)	(1,014,095)	1,092,544
Cash, cash equivalents and restricted cash at beginning of year	<u>7,227,939</u>	<u>2,370,999</u>	<u>286,762</u>	<u>9,885,700</u>	<u>8,793,156</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 7,422,549</u>	<u>\$ 1,323,770</u>	<u>\$ 125,286</u>	<u>\$ 8,871,605</u>	<u>\$ 9,885,700</u>



# 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, 2022, there were 390 interests (362 five-week interests, 28 two and three-week interests) and 3 wholly-owned Club Homes. Each owner of a Club Home Interest will own 1/8<sup>th</sup> fraction for a five-week interest, 3/40<sup>th</sup> for a three-week interest and 1/20<sup>th</sup> for a two-week interest, 21 days each year for a three-week interest and 14 days each year for a two-week interest. The Association's declaration of condominium provides that each Club Home Interest owner has an undivided interest in the common elements of the Association and, accordingly, the condominium assets are not recorded in the financial records of the Association. The Association began operations on November 8, 2003. The Association conducts business as Timbers Jupiter and is managed under an agreement with Timbers Jupiter Management, LLC (Timbers). The Association also provides a vacation plan for its customers. The vacation plan pays for on-site property services such as water, wastewater, electricity, gas, housekeeping, insurance (interior), management fee, engineering, and club reservations. This vacation plan excludes the 3 wholly-owned Club Homes, which are owned and maintained by separate third parties.

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's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are presented as separate funds based on its different funding policies for operations, replacement expenditures, and property taxes.

#### Fund accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

##### Operating fund

The Association's fees and earnings from operations, which are restricted for the use and benefit of Association members and/or general operations of the Association, 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.

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

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

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.

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 \$1,098,987 was included in the fiscal year 2022 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.

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.

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. These items are accounted for as expenditures 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.

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

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

Restricted cash

Cash, cash equivalents, and restricted cash as of December 31, 2022 consist of the following:

Cash and cash equivalents	\$ 8,746,319
Restricted cash	<u>125,286</u>
Total cash, cash equivalents and restricted cash shown in statement of cash flows	<u>\$ 8,871,605</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, 2022, the Association held bank deposits in excess of FDIC limits as detailed below. No restricted escrow deposits were in excess of FDIC limits as of December 31, 2022.

Operating cash deposits in excess of FDIC limits	\$ 6,885,056
Reserve cash deposits in excess of FDIC limits	<u>62,099</u>
Total cash deposits in excess of FDIC limits	<u>\$ 6,947,155</u>

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 their 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 fixed income 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.

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

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 operating, replacement 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, net

Club dues receivable, net are carried at the original charge 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, 2022, the allowance for doubtful accounts was \$84,250.

Club dues are written off when deemed uncollectable. The provision for uncollectible accounts expense was \$313,200 for the year ended December 31, 2022. This amount is presented net 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 maintenance fees

Club dues for all Club Home Interests and wholly-owned club homes are due as of the beginning of each fiscal year. Unearned club dues represent prepayment of the next year's club dues and are classified as unearned fees. The balance of unearned maintenance fees received in advance as of the beginning and end of year are \$6,875,260 and \$7,308,909, respectively.

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 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.

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

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

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 2022.

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 2022. The Association is no longer subject to income tax examinations for years prior to 2019.

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 2021

Comparative summarized financial information as of December 31, 2021 and for the year then ended is presented, in total, as 2021 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, 2021.

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.

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

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

Leases

As of January 1, 2022, the Association adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases*, (ASC 842). The Association classifies a lease as operating or finance using the classification criteria set forth in ASC 842. The Association recognizes a right-of-use (ROU) asset and corresponding lease liability on its balance sheet as of the lease commencement date based on the present value of the lease payments over the lease term. The Association applied a practical expedient under ASC 842 using the risk-free rate as the discount rate used to calculate the present value of the Association's leases at the lease's measurement date. The term of the lease is inclusive of any option to renew, extend or terminate the lease when it is reasonably certain that the Association will exercise such option. For operating leases, lease expense is recognized on a straight-line basis over the lease term. For finance leases, ROU assets are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the leased asset.

Recently adopted accounting pronouncement

As of January 1, 2022, the Association adopted Accounting Standards Update ("ASU") 2016-02, *Leases*, which as amended, was codified as ASC Topic 842, *Leases*. ASU 2016-02 requires lessees to recognize most leases on the balance sheet as liabilities, with corresponding ROU assets. For recognition purposes in the statement of changes in revenues, expenses and fund balance, lease expense is classified as either finance or operating leases in a manner similar to the requirement under the previous lease accounting literature but without relying on bright-line tests.

On the date of adoption, the Association applied the optional modified retrospective transitional method. The Association elected certain practical expedients, including the package of transition practical expedients allowing it to: (1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; (2) not reassess the lease classification for any expired or existing leases; and (3) not reassess initial direct costs for any existing leases.

**Note 2 – Investments**

The cost, fair value, and unrealized loss attributable to the Association's investments at December 31, 2022 are presented as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Loss)</u>
Certificates of deposit (held to maturity)	\$ 5,777,099	\$ 5,469,593	\$ (238,784)

**Note 3 – 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.

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

**Note 3 – Fair Value Measurements, Continued**

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 classifies its investments, measured on a recurring basis, as Level 2 within the fair value hierarchy.

**Note 4 – Income Taxes**

Income tax expense for 2022 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, 2022, the cost under the Timbers Agreement was \$560,554.

**Note 6 – 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 2022 was \$35,215, 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. – Assessments**

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 \$682,675 for the year ended December 31, 2022, 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.

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

**Note 8 – Contract Liabilities, Continued**

Contract liabilities are presented as follows for the year ended December 31, 2022:

Components	Balances January 1, 2022	Assessments	Costs	Balances December 31, 2022
Roofing	\$ 822,304	\$ -	\$ -	\$ 822,304
Fixtures	1,486,792	-	(32,016)	1,454,776
Building painting	626,801	-	-	626,801
Exterior building maintenance	(278,701)	-	-	(278,701)
Pavement	263,204	-	-	263,204
Pooled reserve	<u>3,563,793</u>	<u>1,098,987</u>	<u>-</u>	<u>4,662,780</u>
Total	<u>\$ 6,484,193</u>	<u>\$ 1,098,987</u>	<u>\$ (32,016)</u>	<u>\$ 7,551,164</u>

Earnings on replacement 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, 2022.

**Note 9 – Leases**

The Association adopted of ASC 842, *Leases*, as of January 1, 2022 by applying the modified transition approach, as described as Note 1, and did not adjust prior periods. The Association determines if an arrangement contains a lease at inception based on whether the Association has the right to control the asset during the contract period and other facts and circumstances.

The Association leases pertain primarily to certain vehicles and office equipment from unrelated third-parties under non-cancelable operating lease agreements. The Association considered the likelihood of exercising renewal or termination terms in measuring its Right-of-use (ROU) assets and lease liabilities and has included renewal periods in its assessment of lease terms. The exercise of renewal options is at the sole discretion of the Association, and only lease options that the Association believes it is reasonably certain to exercise are included in the measurement of the lease assets and liabilities. Variable payments not determinable at the lease commencement date are not included in the measurement of the lease assets and liabilities. The Association elected the practical expedient to use the risk free rate as the discount rate used to calculate the present value of the Association's leases as of the commencement date since the Association's leases do not provide a readily determinable implicit rate. The Association's lease agreements do not include any material residual value guarantees or restrictive covenants. The Association elected to apply the practical expedient to record lease expense for short-term leases in the period in which they are incurred. The Association accounts for lease and non-lease components as a single lease component.

Variable lease payments that depend on an index or a rate are included in the determination of ROU assets and lease liabilities using the index or rate at the lease commencement date. Variable lease payments that do not depend on an index or rate or result from changes in an index or rate subsequent to the lease commencement date are recorded as lease expense in the period in which the obligation for the payment is incurred. The Association's ROU assets are increased by any prepaid lease payments and initial direct costs and reduced by any lease incentives.

As of December 31, 2022, the Association's operating lease ROU assets are included as a noncurrent asset and its operating lease liabilities as lease liability in the Association's balance sheet.



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

**Note 9 – Leases, Continued**

The following presents the Association's operating lease ROU assets and lease liabilities as of December 31, 2022:

Operating lease right-of-use assets	<u>\$ 447,652</u>
Operating lease liabilities	<u>\$ 446,708</u>

For the year ended December 31, 2022, the Association's operating lease expense is recorded within the lease expense in the accompanying statement of revenues, expenses and changes in fund balances. The following table represents the components of lease expense for the year ended December 31, 2022:

Operating leases:	
Lease expense	\$ 38,721
Short-term leases	<u>10,773</u>
Total operating lease expense	<u>\$ 49,494</u>

The following summarizes the cash flow information related to the operating leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows	<u>\$ 39,665</u>

Weighted average lease term (in years) and discount rate as of December 31, 2022:

Weighted average remaining lease term (in years)	3.69 years
Weighted average discount rate	3.56%

The following table presents a maturity analysis of the Association's operating lease liabilities as of December 31, 2022 and for the subsequent years:

Year Ending December 31,	Operating Leases
2023	\$ 137,775
2024	122,953
2025	117,732
2026	<u>98,110</u>
Total minimum lease payments	476,570
Less: imputed interest	<u>(29,862)</u>
Present value of minimum lease payments	<u>\$ 446,708</u>

**Note 10 – Subsequent Events**

In preparing the financial statements, the Association evaluated events and transactions for potential recognition or disclosure through March 28, 2023, the date which the financial statements were available to be issued.

## **SUPPLEMENTAL SCHEDULES**

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENSES BUDGET TO ACTUAL -  
OPERATING FUND**

**For the Year Ended December 31, 2022**

	<u>Actual</u>	<u>Budget</u> (Unaudited)	<u>Variance</u> (Unaudited)
Common revenue:			
Operating club dues income	\$ 3,940,173	\$ 4,917,338	\$ (977,165)
Less: bad debt	(313,200)	(313,200)	-
Less: reserve for replacement - common	<u>765,550</u>	<u>(211,614)</u>	<u>977,164</u>
Total common revenue	<u>4,392,523</u>	<u>4,392,524</u>	<u>1</u>
Common expenses:			
Accounting	256,260	261,170	(4,910)
Administration	666,879	595,235	71,644
Audit fees	14,948	12,500	2,448
Board of directors expenses	1,232	6,400	(5,168)
Cable television	87,101	78,195	8,906
Owner services	739,102	783,865	(44,763)
Master association assessment	682,675	689,500	(6,825)
Marketing	99,678	95,600	4,078
Florida Division of Land Sales fee	5,261	5,200	61
Human resources	194,756	200,521	(5,765)
Insurance	295,546	278,421	17,125
Income tax expense	3,670	3,000	670
Landscaping	339,626	327,756	11,870
Maintenance and engineering	161,747	152,696	9,051
Management fees	308,305	282,075	26,230
Legal fees	15,603	51,000	(35,397)
Pest control	16,692	17,409	(717)
Pool maintenance	33,455	37,800	(4,345)
Lease expense	38,721	65,400	(26,679)
Commissions	10,773	47,000	(36,227)
Spa expense and recreation	378,105	382,750	(4,645)
Administrative utilities	<u>2,790</u>	<u>19,031</u>	<u>(16,241)</u>
Total common expenses	<u>4,352,925</u>	<u>4,392,524</u>	<u>(39,599)</u>
Common surplus	<u>39,598</u>	<u>-</u>	<u>39,598</u>
Vacation plan revenue:			
Maintenance fees - Vacation plan	2,929,815	2,929,815	-
Operating bank income	1,516	-	1,516
Operating interest and late fee income	98	-	98
Member per diem	234,780	-	234,780
Other income	255,092	469,551	(214,459)
Operating life to date surplus	<u>-</u>	<u>400,000</u>	<u>(400,000)</u>
	3,421,301	3,799,366	(378,065)
Less: reserve for replacement - vacation plan	<u>797,566</u>	<u>797,566</u>	<u>-</u>
Total vacation plan revenue	<u>2,623,735</u>	<u>3,001,800</u>	<u>(378,065)</u>

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**

**SUPPLEMENTAL SCHEDULE OF REVENUE AND EXPENSES BUDGET TO ACTUAL -  
OPERATING FUND, CONTINUED  
For the Year Ended December 31, 2022**

	<u>Actual</u>	<u>Budget</u> <u>(Unaudited)</u>	<u>Variance</u> <u>(Unaudited)</u>
Vacation plan expenses:			
Club services and reservations	134,264	221,614	(87,350)
Electricity	259,160	213,529	45,631
Maintenance and engineering	635,681	458,087	177,594
Gas	112,442	113,036	(594)
Housekeeping	1,322,395	1,618,293	(295,898)
Insurance	14,692	22,397	(7,705)
Management fees	252,249	230,788	21,461
Water / sewer	<u>167,018</u>	<u>124,056</u>	<u>42,962</u>
Total vacation plan expenses	<u>2,897,901</u>	<u>3,001,800</u>	<u>(103,899)</u>
Vacation plan deficit	<u>(274,166)</u>	<u>-</u>	<u>(274,166)</u>
Operating deficit	<u>\$ (234,568)</u>	<u>\$ -</u>	<u>\$ (234,568)</u>

**EAGLE TREE CONDOMINIUM ASSOCIATION, INC.**

**SUPPLEMENTARY INFORMATION - SCHEDULE OF DEFERRED  
MAINTENANCE AND CAPITAL EXPENDITURE RESERVES**

**December 31, 2022**

**(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 2023 budgeted funding requirement.

Components	Estimated Remaining Useful Lives (Years)	Estimated Cost for Deferred Maintenance or Capital Expenditures	2023 Proposed Budgeted Funding	Replacement Fund December 31, 2022 (Liability)
Roofing	26	\$ 2,903,182	\$ -	\$ 822,304
Fixtures	12	19,451,304	-	1,454,776
Building painting	10	581,417	-	626,801
Building equipment	8	438,057	-	(278,701)
Mechanical	8	2,460	-	-
Pavement	20	594,044	-	263,204
Common areas	15	173,429	-	-
Pooled reserve	n/a	-	1,098,987	4,662,780
		<u>\$ 24,143,893</u>	<u>\$ 1,098,987</u>	<u>\$ 7,551,164</u>