

**ENCLAVE AT NAPLES CONDOMINIUM
ASSOCIATION, INC.**

**AUDITED FINANCIAL STATEMENTS
Year Ended December 31, 2020**

ENCLAVE AT NAPLES CONDOMINIUM
ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Enclave at Naples Condominium Association, Inc.

We have audited the accompanying financial statements of Enclave at Naples 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.

Auditors' 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 Enclave at Naples 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Report on Supplementary Information

The supplementary information included in the Schedule of Operating Fund Revenues and Expenses — Budget and Actual on pages 8 through 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information 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 future major repairs and replacements information on page 11 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, 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.

Bruce CPA, P.A.

Certified Public Accountants

Bonita Springs, FL
February 8, 2021

**Member of American Institute of Certified Public Accountants
Member of Florida Institute of Certified Public Accountants**

**ENCLAVE AT NAPLES CONDOMINIUM
ASSOCIATION, INC.**

**BALANCE SHEET
As of December 31, 2020**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,468	\$ 520,412	\$ 521,880
Accounts receivable-members, net	6,848	-	6,848
Prepaid expenses	1,520	-	1,520
Prepaid insurance	176,877	-	176,877
	<u>176,877</u>	<u>-</u>	<u>176,877</u>
TOTAL ASSETS	<u>\$ 186,713</u>	<u>\$ 520,412</u>	<u>\$ 707,125</u>
 LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 41,478	\$ -	\$ 41,478
Accrued payroll	4,777	-	4,777
Assessments received in advance	1,221	-	1,221
Credit card payable	1,497	-	1,497
Notes payable	125,213	-	125,213
Accrued liabilities - roof contract	-	274,185	274,185
Contract liability	-	246,227	246,227
	<u>174,186</u>	<u>520,412</u>	<u>694,598</u>
TOTAL LIABILITIES	<u>174,186</u>	<u>520,412</u>	<u>694,598</u>
FUND BALANCES	<u>12,527</u>	<u>-</u>	<u>12,527</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 186,713</u>	<u>\$ 520,412</u>	<u>\$ 707,125</u>

The accompanying notes are an integral part of these financial statements.
Read independent auditors' report.

**ENCLAVE AT NAPLES CONDOMINIUM
ASSOCIATION, INC.**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2020**

	Operating Fund	Replacement Fund	Total
REVENUES			
Member assessments	\$ 1,283,952	\$ 44,616	\$ 1,328,568
Gate key income	4,850	-	4,850
Interest income	13	1,077	1,090
Late fees	6,092	-	6,092
Other income	12,665	-	12,665
	1,307,572	45,693	1,353,265
EXPENSES			
Management and administrative	40,072	-	40,072
Maintenance	308,217	-	308,217
Utilities	326,350	-	326,350
Insurance	201,438	-	201,438
Contracts	191,661	-	191,661
Salaries	149,127	-	149,127
Replacement expenditures	-	45,693	45,693
	1,216,865	45,693	1,262,558
Excess of revenues over expenses	90,707	-	90,707
BEGINNING FUND BALANCE	(78,180)	-	(78,180)
ENDING FUND BALANCE	\$ 12,527	\$ -	\$ 12,527

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**ENCLAVE AT NAPLES CONDOMINIUM
ASSOCIATION, INC.**

**STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2020**

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 90,707	\$ -	\$ 90,707
Adjustments to reconcile excess of revenues to net cash provided by operating activities:			
(Increase) decrease in:			
Accounts receivable-members	9,248	-	9,248
Prepaid insurance	(15,254)	-	(15,254)
Increase (decrease) in:			
Accounts payable	(85,565)	-	(85,565)
Accrued payroll	4,777	-	4,777
Assessments received in advance	1,221	-	1,221
Credit card payable	96	-	96
Contract liability	-	161,384	161,384
Net cash provided by operating activities	5,230	161,384	166,614
CASH FLOWS FROM FINANCING ACTIVITIES			
Notes payable	(11,538)	-	(11,538)
Net cash used by financing activities	(11,538)	-	(11,538)
Net change in cash and cash equivalents	(6,308)	161,384	155,076
CASH AND CASH EQUIVALENTS, Beginning of Year	7,776	359,028	366,804
CASH AND CASH EQUIVALENTS, End of Year	\$ 1,468	\$ 520,412	\$ 521,880

The accompanying notes are an integral part of these financial statements.
Read independent auditors' report.

**ENCLAVE AT NAPLES CONDOMINIUM
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 1 – NATURE OF ORGANIZATION

Enclave at Naples Condominium Association, Inc. (the "Association") was incorporated in the State of Florida on February 1, 2005. The Association is a not-for-profit corporation under Chapter 617 of the Florida Statutes. The Association is responsible for the operation and maintenance of the common property within the Enclave at Naples development. The Declaration of Condominium was recorded in the official records of Collier County, Florida, on February 9, 2005 as a condominium pursuant to Chapter 718 of the Florida Statutes. The Association consists of 380 residential units located in Naples, Florida. The Association's unit owners are the only members.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

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

Basis of Accounting- Fund Accounting

The Association prepares its financial statements on the accrual basis of accounting in accordance with Topic 972 of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), "Real Estate – Common Interest Realty Associations".

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 purposes in the following funds established according to their nature and purposes:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and Cash Equivalents

The Association considers cash and cash equivalents to include all short-term highly liquid investments purchased with an original maturity of three months or less.

Concentration of Credit Risk

The majority of the Association's cash is placed in various financial institutions. At times, these balances may exceed federally insured limits. To date, the Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. As of December 31, 2020, the Association had deposits in one financial institution, which in the aggregate, exceeded federally insured limits. The total amount in excess of the federally insured limit was \$271,879.

Read independent auditors' report.

ENCLAVE AT NAPLES CONDOMINIUM
ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Real common property acquired by the Association that is reserved for the use of certain unit or units to the exclusion of the other units is not capitalized because the individual unit owner owns that property. The Association has limited common property consisting of carports. There were no assessments related to carports for the year ended December 31, 2020. There were no expenses directly related to the limited common property during the year ended December 31, 2020.

Common property of the Association is accounted for in accordance with ASC Subtopic 972-360, "Real Estate – Common Interest Realty Associations- Property, Plant, and Equipment". It is the Association's responsibility to preserve and maintain the common property.

Real property is not recognized as assets.

Common real property to which the Association has title, or other evidence of ownership, that is not recognized as assets in the Association's balance sheet consists of buildings, roadways, clubhouse, pool and spa, pool equipment, gates, lake fountain equipment, canvas and awnings.

Owners' Assessments-Revenue Recognition

All owners of the units are obligated to pay annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements.

The annual budget and assessments of the owners are proposed by the Board of Directors and presented to the owners for approval. If a quorum of owners is not present for approval, the Board of Directors has the authority to approve the budget. The Association retains any excess operating funds at the end of the operating year for use in future periods.

Assessments Receivable

Assessments receivable are carried at the original charge amount less an estimate made for doubtful receivables, if any, based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Assessments receivable are written off when deemed uncollectible. Recoveries of assessments receivable previously written off are recorded as income when received.

An assessment receivable is considered to be past due if any portion of the receivable balance is outstanding for more than one month. A late fee is charged on assessments receivable that are outstanding for more than one month and is recognized as income as it is charged.

Interest Income

Interest income is allocated to the operating and replacement fund in proportion to the interest-bearing deposit of each fund.

Read independent auditors' report.

**ENCLAVE AT NAPLES CONDOMINIUM
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Homeowner's associations may be taxed as either homeowner's associations or regular corporations. Enclave at Naples Condominium Association, Inc. has elected to be taxed as a homeowner's association in accordance with Internal Revenue Code Section 528. Under this election, the Association is taxed on its nonexempt function income, such as interest earnings and other investment income. Exempt function income, which consists primarily of member assessments, is not taxable. No income tax expense was recognized by the Association during the 2020 fiscal year.

As of December 31, 2020, the statute of limitations remains open for tax returns filed subsequent to and including 2018; however, no tax return examinations are in process or anticipated.

NOTE 3 – ASSESSMENTS RECEIVED IN ADVANCE

Revenue from owners' assessments is recorded as earned. Prepaid assessments are recorded as a deferred liability until such time as they are deemed due, at which time, the prepaid assessments are recognized as income to the Association. At December 31, 2020 the Association has \$1,221 of assessments received in advance.

NOTE 4 – ACCOUNTS RECEIVABLE – UNIT OWNERS

Accounts receivable consists of the following as of December 31, 2020:

Assessments receivable	\$ 13,696
Allowance for doubtful accounts	<u>(6,848)</u>
Total	<u>\$ 6,848</u>

NOTE 5 – ACCRUED LIABILITIES

The Association entered a contract for \$2,500,000 in order to replace the roofs in their community which were damaged by Hurricane Irma. The full amount of the contract was recorded as an accrued liability on the balance sheet dated December 31, 2018. During the 2019 fiscal year, the Association made three payments towards the roof contract totaling \$2,225,815. No payments were made in 2020, accordingly, as of December 31, 2020 an accrued liability of \$274,185 remains on the balance sheet. This liability will be eliminated when the final payment is made.

NOTE 6 – NOTE PAYABLE

The Association entered into an agreement with a financing company to finance insurance premiums. The note calls for 9 monthly payments of \$16,158 with the final payment due in September 2021 and an interest rate of 6.00%. As of December 31, 2020, the principal balance remaining was \$125,213. The financing company has a security interest in the unearned premiums or other sums which may be payable under the related insurance policies.

Read independent auditors' report.

**ENCLAVE AT NAPLES CONDOMINIUM
ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2020**

NOTE 6 – NOTE PAYABLE (Continued)

The Association had an agreement with a financing company to finance insurance premiums in 2019. The note was payable in monthly payments of \$12,741 with an interest rate of 4.24%. The final payment was due and paid in full in November 2020. As of December 31, 2020, Interest expense recognized on this note was \$2,916.

NOTE 7 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

In addition to the regular assessments, the Association's governing documents require funds be accumulated for future major repairs and replacements for the common areas. A portion of the quarterly assessments is designated for this purpose. Accumulated funds, which aggregated \$246,277 as of December 31, 2020, have been designated for this purpose. These funds are placed in separate accounts and are, generally, not available for other purposes.

The Association performs a reserve study to estimate the remaining useful lives and replacement costs of the common property components.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material.

The following is a table of the activity in contract liabilities:

Fund Description	December 31, 2019	Additions	Interest	Expenses	December 31, 2020
Reserves - Pooled	\$ 84,843	\$ 206,000	\$ 1,077	\$ (45,693)	\$ 246,227
Total	\$ 84,843	\$ 206,000	\$ 1,077	\$ (45,693)	\$ 246,227

NOTE 9 – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 8, 2021, the date that the financial statements were available for issuance.

Read independent auditors' report.

SUPPLEMENTARY INFORMATION

**ENCLAVE AT NAPLES CONDOMINIUM
ASSOCIATION, INC.**

**SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES
BUDGET TO ACTUAL
For the Year Ended December 31, 2020**

	<i>(Unaudited)</i> Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Member assessments	\$ 1,288,304	\$ 1,283,952	\$ (4,352)
Gate key income	4,000	4,850	850
Interest income	-	13	13
Late fees	4,500	6,092	1,592
Other income	2,448	12,665	10,217
Total operating revenues	<u>1,299,252</u>	<u>1,307,572</u>	<u>8,320</u>
EXPENSES			
Management and administrative			
Annual report filing fee	61	61	-
Bad debt	5,000	(15,799)	20,799
Bank service charges	100	129	(29)
Credit card processing fee	-	-	-
Division filing fees	1,520	1,520	-
Licenses & permits	875	875	-
Miscellaneous	-	580	(580)
Office expense	1,600	877	723
Computers	3,500	1,595	1,905
Electric	14,500	-	14,500
Internet	3,550	3,718	(168)
Postage	4,500	5,188	(688)
Supplies	8,000	4,967	3,033
Accounting	13,600	15,867	(2,267)
Professional fees - legal	15,000	925	14,075
Uniforms	175	268	(93)
Sales tax	-	4,508	(4,508)
Interest expense	-	2,916	(2,916)
Telephone	14,000	11,877	2,123
Total management and administrative	<u>85,981</u>	<u>40,072</u>	<u>45,909</u>
Maintenance			
Billiards room	-	641	(641)
Fire alarm - inspections	1,750	1,900	(150)
Fire alarm - maintenance & repairs	15,000	16,743	(1,743)
Fire sprinkler - maintenance	1,855	3,465	(1,610)
Fire sprinkler - quarterly inspections	2,850	3,988	(1,138)
Fire sprinkler - annual inspection	4,940	1,900	3,040
Gate - maintenance & repair	6,000	8,309	(2,309)
Gate - transponders	2,850	-	2,850
Janitorial supplies	3,250	1,359	1,891
Fitness room	1,500	240	1,260

The accompanying notes are an integral part of these financial statements.

Read independent auditors' report.

**ENCLAVE AT NAPLES CONDOMINIUM
ASSOCIATION, INC.**

**SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES
BUDGET TO ACTUAL**

For the Year Ended December 31, 2020 -- continued

	<i>(Unaudited)</i> Budget	Actual	Variance Favorable (Unfavorable)
EXPENSES -- Continued			
Maintenance (continued)			
Landscaping - irrigation	4,000	13,067	(9,067)
Landscaping - labor	12,500	6,985	5,515
Landscaping - miscellaneous	30,000	9,239	20,761
Landscaping - mulch	60,000	22,055	37,945
Landscaping - plant replacement/removal	30,000	43,040	(13,040)
Landscaping - sod	15,000	4,967	10,033
Landscaping - stump grinding	-	100	(100)
Landscaping - tree replacement/removal	23,000	11,066	11,934
Landscaping - tree trimming	18,500	12,308	6,192
Lift station	1,320	13,673	(12,353)
Maintenance & repairs - misc.	45,000	81,825	(36,825)
Pest control - other treatments	2,880	7,130	(4,250)
Plumbing	700	1,501	(801)
Pool & spa - maintenance & repair	2,000	6,513	(4,513)
Pool & spa - furniture	-	1,190	(1,190)
Roofs & soffits	-	17,003	(17,003)
Roadways & sidewalks	-	15,855	(15,855)
Security - fire watch	-	748	(748)
Security - key fobs & lock system	770	-	770
Security - parking	585	981	(396)
Security - towing reimbursement	-	365	(365)
Sales tax	2,750	-	2,750
Other expenses	1,000	-	1,000
Total maintenance	290,000	308,156	(18,156)
Utilities			
Utilities - electric	24,500	32,676	(8,176)
Utilities - gas	19,800	13,052	6,748
Utilities - trash	86,000	87,440	(1,440)
Utilities - water/sewer	255,000	193,182	61,818
Total utilities	385,300	326,350	58,950
Insurance			
Crime	-	81	(81)
Employee	20,000	20,150	(150)
Property & general liability	184,726	181,207	3,519
Total insurance	204,726	201,438	3,288

The accompanying notes are an integral part of these financial statements.

Read independent auditors' report.

**ENCLAVE AT NAPLES CONDOMINIUM
ASSOCIATION, INC.**

**SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES
BUDGET TO ACTUAL**

For the Year Ended December 31, 2020 -- continued

	<i>(Unaudited)</i> <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENSES -- Continued			
Contracts			
Fire alarm - monitoring	13,425	13,418	7
Lake & preserve	10,000	12,686	(2,686)
Landscaping - contract	76,140	76,140	-
Pest control - contract	5,700	5,379	321
Pool & spa - contract	8,880	8,140	740
Security - contract	75,000	75,898	(898)
Total contracts	<u>189,145</u>	<u>191,661</u>	<u>(2,516)</u>
Salaries			
Employee	107,500	136,316	(28,816)
Fees	2,100	1,609	491
Taxes	34,500	11,202	23,298
Total salaries	<u>144,100</u>	<u>149,127</u>	<u>(5,027)</u>
 Total operating expenses	 <u>1,299,252</u>	 <u>1,216,804</u>	 <u>82,448</u>
 EXCESS OF REVENUES OVER EXPENSES	 <u>\$ -</u>	 <u>\$ 90,768</u>	 <u>\$ 90,768</u>

The accompanying notes are an integral part of these financial statements.
Read independent auditors' report.

**ENCLAVE AT NAPLES CONDOMINIUM
ASSOCIATION, INC.**

**SUPPLEMENTAL INFORMATION OF
FUTURE MAJOR REPAIRS AND REPLACEMENTS - REPLACEMENT FUND
As of December 31, 2020
(Unaudited)**

The following table is based on estimates provided by the 2019 reserve study at the time of the financial audit, using replacement costs and estimates from licensed contractors. The following table presents significant information about the components of the common property:

Components	Estimated Useful Lives	Remaining Useful Lives	Estimated Future Replacement Costs	2021 Fund (Expenditure) Requirements	2021 Approved Budgeted Funding
Multifamily buildings - roofs	25	24	\$ 1,700,000	\$ -	\$ -
Clubhouse - roofs	25	24	50,000	-	-
Carport/garage - roofs	25	24	280,000	-	-
Multifamily buildings - paint	7	6	300,000	-	-
Pool/spa - resurfacing	15	14	75,000	-	-
Pool/spa - equipment	15	14	20,000	5,000	-
Pool/spa - deck resurfacing	30	28	175,000	-	-
Lake foundation equipment	15	14	15,000	5,000	-
Mechanical gate arms replacement	15	11	14,000	-	-
Canvas awnings	14	14	90,000	-	-
Front entrance roadway pavers	30	16	91,000	-	-
Asphalt paving	20	6	386,750	-	-
Asphalt seal coating	4	-	66,300	-	-
Pooled - reserves	-	-	-	-	170,500
			<u>\$ 3,263,050</u>	<u>\$ 10,000</u>	<u>\$ 170,500</u>
Contract liability balance at December 31, 2020			<u>\$ 246,227</u>		

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