

Strathmore Riverside Villas Association, Inc.
Financial Statements and Supplementary Information
December 31, 2020

Miller & Company, LLP
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Strathmore Riverside Villas Association, Inc.

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Strathmore Riverside Villas Association, Inc. which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Strathmore Riverside Villas 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.

Future Major Repairs and Replacements

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 4 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of operating fund expenses and the supplementary schedule of replacement fund activity on pages 12-14 are presented for purposes of additional analysis and are not a required part of the financial statements. Such 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 the supplementary information about future major repairs and replacements on page 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in 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.


Miller & Company, LLP
Certified Public Accountants
Sarasota, Florida
March 11, 2021

Strathmore Riverside Villas Association, Inc.

Balance Sheet

December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Assets			
Cash and cash restricted	\$ 232,198	\$ 349,444	\$ 581,642
Certificates of deposit	-	253,270	253,270
Assessments receivable, net	10	-	10
Prepaid insurance	166,145	-	166,145
Prepaid expenses	2,382	-	2,382
Deposits	900	-	900
Interfund receivable (payable)	<u>94,950</u>	<u>(94,950)</u>	<u>-</u>
 Total assets	 <u>\$ 496,585</u>	 <u>\$ 507,764</u>	 <u>\$ 1,004,349</u>
Liabilities and Fund Balances			
Accounts payable and accrued expenses	\$ 42,757	\$ 32,920	\$ 75,677
Income tax payable	73	-	73
Assessments received in advance	57,063	-	57,063
Security deposits	3,518	-	3,518
Contract liabilities	<u>-</u>	<u>445,044</u>	<u>445,044</u>
	103,411	477,964	581,375
 Fund Balances	 <u>393,174</u>	 <u>29,800</u>	 <u>422,974</u>
 Total liabilities and fund balances	 <u>\$ 496,585</u>	 <u>\$ 507,764</u>	 <u>\$ 1,004,349</u>

See independent auditor's report and accompanying notes.

Strathmore Riverside Villas Association, Inc.
Statement of Revenue, Expenses, and Change in Fund Balances
Year Ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Revenues			
Member assessments	\$ 1,289,301	\$ 186,448	\$ 1,475,749
Creekhouse income	14,400	-	14,400
Other income	10,655	-	10,655
Interest earned	476	4,482	4,958
Sales & lease fees	4,600	-	4,600
Advertising income	4,414	-	4,414
Total revenues	<u>1,323,846</u>	<u>190,930</u>	<u>1,514,776</u>
Expenses			
Utilities	464,915	-	464,915
Administration	441,333	-	441,333
Grounds	256,926	-	256,926
Payroll	107,393	-	107,393
Recreation facilities	19,565	-	19,565
Building maintenance	17,246	-	17,246
Replacements	-	186,448	186,448
Total expenses	<u>1,307,378</u>	<u>186,448</u>	<u>1,493,826</u>
Excess of revenues over expenses	16,468	4,482	20,950
Interfund transfers	(18,600)	18,600	-
Fund balances, beginning of year	<u>395,306</u>	<u>6,718</u>	<u>402,024</u>
Fund balances, end of year	<u>\$ 393,174</u>	<u>\$ 29,800</u>	<u>\$ 422,974</u>

See independent auditor's report and accompanying notes.

Strathmore Riverside Villsas Association, Inc.
Statement of Cash Flows
Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities			
Excess of revenues over expenses	\$ 16,468	\$ 4,482	\$ 20,950
Adjustments to reconcile excess of revenues over expenses to net cash provided (used) by operating activities			
Provision for doubtful accounts	(6,838)	-	(6,838)
Changes in operating assets and liabilities			
Assessments receivable	10,091	-	10,091
Accounts receivable other	2,791	-	2,791
Prepaid and other assets	(27,427)	-	(27,427)
Accounts payable and accrued expenses	22,652	32,920	55,572
Assessments paid in advance	(8,723)	-	(8,723)
Income tax payable	(539)	-	(539)
Contract liabilities	-	(36,383)	(36,383)
Net cash provided by operating activities	8,475	1,019	9,494
Cash flows from investing activities			
Investments in certificates of deposit	-	(253,270)	(253,270)
Redemptions of certificates of deposit	-	256,496	256,496
Net cash (used) in investing activities	-	3,226	3,226
Cash flows from financing activities			
Interfund transfers	(18,600)	18,600	-
Interfund borrowing	39,725	(39,725)	-
Net cash provided (used) in financing activities	21,125	(21,125)	-
Net increase (decrease) in cash	29,600	(16,880)	12,720
Cash and cash restricted, beginning of year	202,598	366,324	568,922
Cash and cash restricted, end of year	\$ 232,198	\$ 349,444	\$ 581,642
Cash paid during the year for			
Income taxes	\$ 612		

See independent auditor's report and accompanying notes.

Strathmore Riverside Villas Association, Inc.
Notes to Financial Statements
Year Ended December 31, 2020

Note 1-Nature of Organization

The Association is a not-for-profit corporation organized in 1983 to provide an entity pursuant to Florida Statute 718 for the administration, maintenance, operation, and management of Strathmore Riverside Villas, a condominium, located in Sarasota, Florida. Strathmore Riverside Villas Association, Inc. consists of 336 residential condominium units.

Assessments against the owners of the condominium units, which are the principal source of revenue, are based on the estimated amounts required to protect and maintain the property owned by the owners in common of Strathmore Riverside Villas Association, Inc. and are allocated equally among the units. Common property expenses include building exteriors, paving, elevators, and recreational areas.

All policy decisions are formulated by the Board of Directors. Certain major decisions are referred to the general membership before action is taken. Assessments are determined annually by the Board of Directors based upon maintenance and other operating requirements of the Association.

Note 2-Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared using the fund method of accounting on the accrual basis. The accrual basis of accounting recognizes revenues when earned and expenses when the obligations are incurred.

The fund method of accounting requires funds such as operating funds and funds for future major repairs and replacements, to be classified separately for accounting and reporting purposes.

Fund accounting is helpful in segregating funds having restrictions on their use. Disbursements from the operating fund are generally made at the discretion of the Board of Directors. Disbursements from the replacement fund may be made only for repair and replacement of the common element.

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 account for financials resources, including assessments paid by unit owners to fund future replacements, major repairs and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied.

Strathmore Riverside Villas Association, Inc.
Notes to Financial Statements
Year Ended December 31, 2020

Note 2-Summary of Significant Accounting Policies (Continued)

Cash Restricted

Cash restricted consist of rental security deposits held by the Association. The total amount of restricted cash was \$3,518 as of December 31, 2020.

Commonly Owned Assets

The Association has the responsibility to preserve and maintain the commonly owned assets. The commonly owned assets include property that is directly associated with the unit which includes property without which the units could not be occupied and exterior property that is normally part of freestanding units. Commonly owned assets also include the property that is not directly associated with the unit and is not necessary for the primary use of the unit, although individual unit owners may benefit from its use.

The Association's policy is not to capitalize and depreciate the commonly owned assets as ownership is vested directly or indirectly to the unit owners and these assets are not deemed to be severable. In addition, the Association directly expenses any purchases of personal property such as furnishings.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessments revenue is recognized as the related performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when the funds are expended for their designated purpose. Any excess operating assessments at year end are retained by the Association for use in the succeeding year.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from owners. The Association treats uncollectible assessments as variable consideration. Methods, inputs and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The Association's policy is to retain legal counsel to collect delinquent assessments. A provision for doubtful accounts of \$10,754 was deemed necessary at December 31, 2020.

Revenue from member assessments is reported net of amounts deemed uncollectible from owners.

Strathmore Riverside Villas Association, Inc.
Notes to Financial Statements
Year Ended December 31, 2020

Note 2-Summary of Significant Accounting Policies (Continued)

Contract Liabilities – Replacement Fund

The Association recognizes revenue from members 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 payment in advance of the satisfaction of performance obligations related to the replacement fund assessments. During the current period, the Association assessed and received \$150,065 for the replacement fund. The balances of contract liabilities – replacement fund as of the beginning and end of the year are \$481,427 and \$445,044, respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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.

Estimates and assumptions include the valuation of Association's commonly owned assets for obtaining insurance coverage and the estimated costs, useful lives, and the timing of repairs and replacement for components in replacement fund.

Fair Value of Financial Instruments

Professional standards require disclosure of an estimate of fair value of certain financial instruments. The Association's significant financial instruments are cash, certificates of deposit, assessments receivable, and accrued expenses. For these financial instruments, which carrying values approximates fair value.

Note 3-Member Assessments

The Association bills its maintenance fees in advance on a monthly basis. Maintenance fees received in advance for 2021 amounted to \$57,063.

Monthly assessments to owners were \$355 in 2020. Of that amount, \$36 was designated to the replacement fund.

Strathmore Riverside Villas Association, Inc.
Notes to Financial Statements
Year Ended December 31, 2020

Note 4-Future Major Repairs and Replacements

The Board of Directors conducted a study while preparing the 2021 budget to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information about future major repairs and replacements is based on the study.

The Association is funding for major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund utilizing the straight-line method. The funding requirement of \$174,788 has been included in the 2021 budget.

Accumulated funds are held in a separate bank account and generally are not available for expenditures for normal operations.

Funds are currently being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Amounts are based on normal operations and without the effect of potential catastrophic occurrences. 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 Florida Statutes, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Note 5-Income Taxes

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended December 31, 2020. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, non-membership transactions, and capital transactions.

The Association has an option for income tax purposes to elect on an annual basis to be taxed as a regular corporation under Section 277 of the Internal Revenue Code whereby non-exempt function income is taxed at regular corporate rates, or to be taxed at a special corporate rate of 30% on its net, non-function income, less \$100 exclusion, in accordance with Section 528 of the Internal Revenue Code. For 2020, the Association has elected to file under section 528, and incurred \$73 of income tax expense.

Strathmore Riverside Villas Association, Inc.
Notes to Financial Statements
Year Ended December 31, 2020

Note 5-Income Taxes (Continued)

The Association's income tax returns are subject to examination, by the applicable taxing authorities, generally for three years after the returns are filed. Currently, there are no audits in progress for any tax periods.

Note 6-Contingent Liability

The Association's current windstorm insurance policy effective contains a 5% hurricane deductible clause. Based on the insured \$42.1 million valuation of the property, the first \$2.1 million of damages caused by a named storm would be the responsibility of the Association.

Note 7-Interfund Receivable (Payable)

As of December 31, 2020, the Association's Replacement Fund owed the Operating Fund the sum of \$94,950. The amounts are comingled for investment purposes.

Note 8-Commitments - Cable Services

The Association entered into a bulk service agreement with a cable communications provider for television and internet service for the neighborhood. The initial term of the agreement is for 62 months ending December 2023. The agreement automatically renews for successive periods of 24 months unless either party provide the other with a minimum 90-day notice of its intention not to renew at the end of the then current term. The service provider is entitled to increase the bulk services fees 4% per year. Expenses related to this agreement for the year ended December 31, 2020 were \$166,271.

Future minimum payments under this agreement are as follows:

Year ended December 31,	Amount
2021	\$ 153,090
2022	159,213
2023	<u>165,582</u>
	<u>\$ 477,885</u>

Note 9-Covid-19 Impact

The United States is presently in the midst of a national health emergency related to a virus commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Association and its future financial position and results of operations is not presently determinable.

Strathmore Riverside Villas Association, Inc.
Notes to Financial Statements
Year Ended December 31, 2020

Note 10-Subsequent Events

Management has evaluated the events and transactions that have occurred through March 11, 2021, the date the financial statements were available to be issued and noted no items requiring adjustment of the financial statements or additional disclosure.

Supplementary Information

Strathmore Riverside Villas Association, Inc.
 Supplementary Schedule of Operating Fund Expenses
 Year Ended December 31, 2020

Grounds	
Grounds contract	\$ 162,600
Lawn & grounds supplies	6,152
Mulch/ground cover	22,399
Plants/shrubs/trees	8,446
Sod replacement	1,465
Tree trimming	22,344
Sprinkler/irrigation contract	33,180
Equipment/maintenance	340
	<u>256,926</u>
Building Maintenance	
General maintenance	7,055
Termite control	2,810
Creekhouse expense	1,600
A/C service/maintenance	442
Pool contract/supplies/repairs	5,339
	<u>17,246</u>
Recreation Facilities	
Recreation utilities	9,955
Pest service	776
Facility maintenance/supply	8,450
Exercise equipment maintenance	384
	<u>19,565</u>

Strathmore Riverside Villas Association, Inc.
 Supplementary Schedule of Operating Fund Expenses
 Year Ended December 31, 2020

Utilities	
Water	105,311
Sewer	186,728
Electric	6,257
Electric-maintenance shed	348
Cable TV	166,271
	<u>464,915</u>
Payroll	
Contract services	51,678
Contract labor	32,153
Contract service taxes/insurance	23,562
	<u>107,393</u>
Administration	
Insurance - property	339,287
Insurance - flood	19,827
Legal/professional	23,501
Fees, dues, licenses	1,805
Income tax	73
Property tax	3,242
Advertising	1,575
Management fee	33,696
Telephone	6,516
Office supplies, postage, etc.	11,756
Bank service charge	55
	<u>441,333</u>
Total operating fund expenses	<u>\$ 1,307,378</u>

Strathmore Riverside Villas Association, Inc.
 Supplementary Schedule of Changes in Replacement Fund Balances
 For the Year Ended December 31, 2020

The Association's policy is to recognize replacement fund interest income as received.
 Expenditures from replacement fund interest are made at the discretion of the Board of Directors.

The following is the activity in the replacement fund by component for the year ended December 31, 2020:

	Contract Liabilities			Balance 12/31/20	Fund Balance 12/31/20	Total 12/31/20
	Balance 1/1/20	Additions	Charges			
Deck resurfacing	\$ 4,982	\$ 783	\$ -	\$ 5,765	\$ -	\$ 5,765
Pool structural	9,380	3,828	(5,700)	7,508	-	7,508
Pool heater	13,198	2,209	(296)	15,111	-	15,111
Exercise equipment	2,892	888	(933)	2,847	-	2,847
Maintenance equipment & building	10,061	-	(1,905)	8,156	-	8,156
Fence	9,613	3,543	(10,300)	2,856	3,000	5,856
Paving	176,385	25,685	(882)	201,188	-	201,188
Painting	11,059	79,002	(77,168)	12,893	-	12,893
A/C Rec building	5,633	2,855	(220)	8,268	-	8,268
Clubhouse roof	22,488	1,761	-	24,249	-	24,249
Clubhouse improvements	3,899	1,841	(5,936)	(196)	600	404
Creekhouse projects	8,492	4,169	(37,365)	(24,704)	24,876	172
Seawall/ satellite docks (common area)	130,984	9,957	(22,740)	118,201	-	118,201
Sewer/water lines	63,355	4,038	(22,722)	44,671	-	44,671
Marina/docks	7,026	8,006	-	15,032	-	15,032
Utility carts	1,980	1,500	(281)	3,199	-	3,199
Unallocated interest	-	-	-	-	1,324	1,324
Total	<u>\$ 481,427</u>	<u>\$ 150,065</u>	<u>\$ (186,448)</u>	<u>\$ 445,044</u>	<u>\$ 29,800</u>	<u>\$ 474,844</u>

Strathmore Riverside Villas Association, Inc.
 Supplementary Schedule of Changes in Replacement Fund Balances
 December 31, 2020

The Board of Directors conducted a study to estimate the remaining useful lives and the replacement costs of the components of common property during the preparation of the 2021 budget.

Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following table is based on the study and presents significant information about the components of common property:

<u>Components</u>	<u>Estimated Remaining Lives (Years)</u>	<u>Estimated Cost to Replace</u>	<u>2021 Funding Requirement</u>
Deck resurfacing	14	\$ 24,300	\$ 1,324
Pool structural	5	35,000	5,498
Pool heater	5	37,500	4,458
Exercise equipment	3	10,000	2,384
Maintenance equipment & building	20	10,000	491
Fence	20	127,250	6,220
Paving	10	510,000	30,881
Painting	4	358,894	85,968
A/C Rec building	5	28,750	4,052
Clubhouse roof	15	71,800	3,170
Clubhouse improvements	10	41,200	3,655
Creekhouse projects	2	15,000	6,016
Seawall/ satellite docks (common area)	22	360,000	10,244
Water lines	5	100,000	8,952
Utility carts	8	15,000	1,475
		<u>\$ 1,744,694</u>	<u>\$ 174,788</u>