

CONQUISTADOR HOMEOWNERS ASSOCIATION, INC.

(A Not-For-Profit Corporation)

FINANCIAL STATEMENTS

DECEMBER 31, 2019

**FRIEDMAN, FELDMESSER & KARPELES, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANTS**

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FRIEDMAN, FELDMESSER & KARPELES, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members
Conquistador Maintenance Association, Inc.
Stuart, Florida

Report on the Financial Statements

We have audited the accompanying balance sheet of Conquistador Maintenance Association, Inc., as of December 31, 2019, 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Conquistador Homeowners Association, Inc., as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, in 2019, the entity adopted a new guidance that resulted in changes to the entity's accounting policies for maintenance assessment revenue recognition and deferred reserve assessments. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Operating Fund Revenues and Expenses Budget Comparison on pages 15-16 is presented for the purposes of additional analysis and is not required part of the 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. That information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole.

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 of common property on page 17 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.

Friedman, Feldmesser + Karpeles, CPA, LLC

Friedman, Feldmesser & Karpeles, CPA, LLC
Jupiter, Florida
October 22, 2020

CONQUISTADOR HOMEOWNERS ASSOCIATION, INC.
(A Not-For-Profit Corporation)
BALANCE SHEET
DECEMBER 31, 2019

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS			
Cash and Cash Equivalents	\$ 134,290	\$ 278,236	\$ 412,526
Certificates of Deposit	-	102,867	102,867
Maintenance Assessments Receivable	<u>22,501</u>	<u>-</u>	<u>22,501</u>
TOTAL ASSETS	<u>\$ 156,790</u>	<u>\$ 381,104</u>	<u>\$ 537,894</u>
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
Prepaid Assessments	\$ 3,987	\$ -	\$ 3,987
Deferred Cable TV Income - Homes	30,217	-	30,217
Deferred Reserve Assessments	-	375,551	375,551
Payroll Liabilities	<u>3,277</u>	<u>-</u>	<u>3,277</u>
TOTAL LIABILITIES	<u>37,481</u>	<u>375,551</u>	<u>413,032</u>
MEMBERS' EQUITY			
Fund Balances	<u>119,310</u>	<u>5,553</u>	<u>124,863</u>
MEMBERS' EQUITY	<u>119,310</u>	<u>5,553</u>	<u>124,863</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ 156,790</u></u>	<u><u>\$ 381,104</u></u>	<u><u>\$ 537,894</u></u>

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

CONQUISTADOR HOMEOWNERS ASSOCIATION, INC.
(A Not-For-Profit Corporation)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES			
Maintenance Assessments	\$ 544,836	\$ 28,318	\$ 573,154
Special Assessment Income	-	125,612	125,612
Interest Income	-	5,553	5,553
Reimbursements from Conquistador Condominiums	9,300	-	9,300
Cable Compensation Income	4,083	-	4,083
AT&T TV and Internet Income - Houses	42,240	-	42,240
Water and Sewer Income - Houses	49,885	-	49,885
Insurance Income - Houses and Condos	42,247	-	42,247
Other Income	1,050	-	1,050
TOTAL REVENUES	693,642	159,483	853,125
EXPENSES			
General Common Area	136,486	-	136,486
Clubhouse	70,824	-	70,824
General	115,614	-	115,614
Payroll Expenses	257,478	-	257,478
Insurance Expenses	92,414	-	92,414
Water & Sewer	27,565	-	27,565
Replacement Fund Expenses	-	28,318	28,318
Special Assessment Expenses	-	125,612	125,612
TOTAL EXPENSES	700,380	153,930	854,310
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(6,738)	5,553	(1,185)
FUND BALANCE, BEGINNING	126,048	6,757	132,805
RECLASSIFICATION OF INTRAFUND TRANSFERS	-	(6,757)	(6,757)
FUND BALANCE, ENDING	\$ 119,310	\$ 5,553	\$ 124,863

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

CONQUISTADOR HOMEOWNERS ASSOCIATION, INC.
(A Not-For-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	OPERATING FUND	REPLACEMENT FUND	TOTAL
OPERATING ACTIVITIES			
Maintenance Assessments Collected	\$ 549,615	\$ 103,932	\$ 653,547
Special Assessments Collected	-	80,825	80,825
Reimbursements from Conquistador Condominium Received	9,300	-	9,300
Cable Compensation Bonus Received	34,300	-	34,300
Interest Income - Bank Received	-	5,553	5,553
AT&T TV and Internet Income Received - Houses	42,240	-	42,240
Water and Sewer Income Received - Houses	49,885	-	49,885
Insurance Income Received - Houses and Condos	42,247	-	42,247
Other Income Received	1,050	-	1,050
Cash Paid to Suppliers of Goods and Services	(696,768)	(153,930)	(850,698)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>31,870</u>	<u>36,380</u>	<u>68,250</u>
INVESTING ACTIVITIES			
Reinvestment of Interest Income	-	(2,867)	(2,867)
NET CASH (USED IN) INVESTING ACTIVITIES	<u>-</u>	<u>(2,867)</u>	<u>(2,867)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>31,870</u>	<u>33,513</u>	<u>65,382</u>
CASH AND CASH EQUIVALENTS			
AT DECEMBER 31, 2018	<u>102,420</u>	<u>244,725</u>	<u>347,145</u>
CASH AND CASH EQUIVALENTS			
AT DECEMBER 31, 2019	<u>134,290</u>	<u>\$ 278,236</u>	<u>412,526</u>
RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Excess (Deficiency) of Revenues over Expenses	\$ (6,738)	\$ 5,553	\$ (1,185)
Reclassification of Intrafund Transfers	-	(6,757)	(6,757)
DECREASE IN ASSETS:			
Maintenance Assessments Receivable	792	-	792
Prepaid Expenses	1,231	-	1,231
(DECREASE) INCREASE IN LIABILITIES:			
Accounts Payable and Accrued Expenses	(896)	-	(896)
Deferred Reserve Assessments	-	37,584	37,584
Prepaid Maintenance Assessments	3,987	-	3,987
Deferred Cable TV Income	30,217	-	30,217
Payroll Liabilities	3,277	-	3,277
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 31,870</u>	<u>\$ 36,380</u>	<u>\$ 68,250</u>

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

CONQUISTADOR HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Conquistador Homeowners Association, Inc. (the Association) is presented to assist in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied to the preparation of the financial statements.

Organization

The Conquistador Homeowners Association, Inc. (Association) is a not-for-profit corporation incorporated in the State of Florida on January 21, 1976 and is responsible for preserving and maintaining the common property of the residential community known as Conquistador. The Association is organized as a homeowner's association consisting of 55 single-family residential units with recreational and other common facilities utilized by the Conquistador Community located in Stuart, Florida.

The Conquistador Community consists of the Association and 12 Condominiums each with 24 units (total 288 units) known as Conquistador Condominiums I through XII (Condominiums). The owners of the Condominiums have an easement and right of recreational areas and the commonly used facilities and are required to pay maintenance assessments to the Association for their share of the use and reimburse the Association for other direct costs.

All policy decisions are formulated by the Board of Directors.

Basis of Accounting

The Association follows the accrual basis of accounting. Maintenance Assessments are recorded as revenue when due and uncollected amounts are recorded as assessments receivable. Expenses are recorded in the period when incurred and unpaid expenses are recorded as accounts payable and accrued expenses.

Accounts Receivable

Accounts receivable include amounts owed by members of the Association for their share of the cost of maintaining the community's common areas and administration of the Association. These amounts have been determined based upon the budget approved by the Board of Directors of the Association. An allowance for uncollectible assessments is maintained by the Association as an estimate of the amount of assessments applicable to the Association that will be collected.

CONQUISTADOR HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONT'D)**

Fund Accounting

The Association is a not-for-profit organization which employs the fund method of accounting in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors, the Association voting membership, or applicable Florida Statute. The financial statements segregate the accounting for such funds as either Operating or Replacement Funds. At the end of the year, excess funds are retained by the fund generating such excess during the year.

Operating Fund – Reflects the operating assessments paid by homeowners to meet the regular recurring costs of operation. Expenditures from the fund are limited to those connected with the day-to-day operation.

Replacement Fund – Is composed of all capital assessments paid by homeowners to fund future replacements and major repairs. Expenditures from this fund are restricted to those items for which assessments were levied.

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 reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers money market accounts and all highly liquid investments purchased with a maturity of three months or less (if any) to be cash equivalents.

Products and Services

The Association provides cable television and water and sewer services to all unit owners. Cable television is charged equally to all unit owners and water and sewer services are charges based on monthly meter readings at each unit. The Association also provides water and sewer services to the entire Conquistador Community and charges the members of the community on a monthly basis based on meter readings.

CONQUISTADOR HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Common Property

The Association's common property consists of clubhouse and recreational facilities including tennis courts, shuffleboard courts, pool, patio area, roads, gatehouse, screening and privacy walls, parking areas, drainage structures, pier and docks on submerged land owned by the State of Florida, recreational park and landscaped areas. Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

Capitalization Policy and Depreciation

Ownership of the commonly owned assets is vested directly or indirectly in the unit owners and these assets are not deemed to be severable. Disposition of real and personal common property by the Association's Board of Directors is restricted. As a result, commonly owned assets are not capitalized in the Association's financial statements. Maintenance and repair costs are charged to expense as incurred.

Maintenance Assessments

Maintenance assessments related to the recreational areas and community used facilities are paid equally by the Condominiums and are based on the annual operating budget for the maintenance cost and a reasonable reserve for those facilities. In the year ending December 31, 2019, the Condominiums paid \$132 per unit per month (\$456,192 for 288 units), which is recorded in the financial statements as regular assessments and the Association's unit owners paid \$132 per unit per month (\$87,120 for 55 units).

Reimbursement of Direct Costs – Fixed Costs

In an effort to work together for mutual benefit and obtain economies and efficiencies where appropriate, the Association also provides maintenance services to the Condominiums, which consist of management, building labor, pest control and elevator maintenance. These Costs are considered to be fixed, and are charged to the Condominiums monthly, based on budgeted amount.

Reimbursement of Direct Costs – Variable Costs

The Association also provides the Condominiums maintenance services that vary based upon usage. These costs are reimbursed to the Association by the Condominium based on their estimated use. Such costs consist of supplies and repairs related to the buildings, additional costs related to maintenance of limited recreational facilities such as pool heating and chemical expenses, electrical, and any fixed costs that are in excess of the amount budgeted.

CONQUISTADOR HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Reimbursement of Water and Sewer Charges

The Association also provides water and sewer services to the Condominiums, which are reimbursed based on monthly meter readings.

Reimbursements for Trash Removal and Grounds Maintenance Services

Trash removal and grounds maintenance services are reimbursed to the Association based on the budget plus any costs that are in excess of the amount budgeted.

Contract Liabilities (Deferred Reserve Assessments)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (deferred reserve assessment) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of deferred reserve assessments as of the beginning and end of the year are \$337,968 (as restated-see Note 3) and \$375,551, respectively.

Income Taxes

The Association may elect, on an annual basis, to file its Federal income tax return as a residential homeowners' association or as a regular corporation. A residential homeowners' association pays tax only on non-exempt income, such as interest and other non-pro-rata revenues less related expenses. The Association will file its 2019 federal tax return on Form 1120H under Section 528 of the Internal Revenue Code.

The Association follows the reporting and disclosure guidance for uncertainty in income taxes as defined in FASB ASC 740. The financial statement effects of a tax position taken or expected to be taken are recognized in the financial statement when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. As of December 31, 2019, the Association had no uncertain tax positions that qualify for recognition or disclosure in the financial statements. Generally, the Internal Revenue Service may review the returns for the past three years.

Interest Earned

The Association's policy is to allocate interest earned to the fund that holds the bank account.

Subsequent Events

The subsequent events have been evaluated through October 22, 2020, the date the financial statements were available to be issued.

CONQUISTADOR HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 – FUTURE MAJOR REPAIRS AND REPLACEMENT FUNDS

In 2017, the Board of Directors engaged an outside firm to conduct an independent reserve study to estimate the remaining useful lives and the replacement costs of the components of common property for the purpose of determining the appropriate level of funding necessary for the maintenance, repair and replacements of such components of common property. The table is included in the unaudited supplementary information on future major repairs and replacements and is based on the study.

The Association accumulates funds for future major repairs and replacements using the pooling method. The pooling method is a statutory accepted calculated whereby annual funding amounts are calculated to provide a positive cash flow and account balances that will adequately fund future expenditures. 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 to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The 2020 Approved Budget includes a provision to fund the Reserve Fund in the amount of \$111,118.

The balance at December 31, 2019, consists of the following:

Component	Fund Balance @ 1/1/19	Deferred Reserve Assessments @ 1/1/19	Budgeted Assessments	Special Assessments Received	Interest Income	Replacement Fund Expenses	Special Assessments Expenses	Intrafund Transfers	Deferred Reserve Assessments @ 12/31/19	Fund Balance @ 12/31/19
Flood Insurance	\$ -	\$ 344	\$ 1,212	\$ -	\$ -	\$ (1,227)	\$ -	\$ -	\$ 329	\$ -
Contingency	-	42,980	540	-	-	-	-	860	44,380	-
Chimney Roof	-	123	4,200	-	-	-	-	2	4,323	-
Exterior Paint	-	1,839	384	-	-	(2,259)	-	37	-	-
Chimney Renovation	-	79,347	17,100	-	-	-	(28,038)	1,588	69,977	-
Chimney Mouldings	-	15,076	6,504	-	-	-	-	302	21,881	-
Hadi House Roof	-	-	492	-	-	-	-	-	492	-
Chimney Pool & Dock	-	416	16,500	-	-	-	-	8	16,924	-
Tennis Courts	-	20,981	5,496	-	-	(10,791)	-	420	16,106	-
Maintenance Shed Roof	-	-	456	-	-	-	-	-	456	-
Roads Repaving	-	61,881	1,548	-	-	-	-	1,238	64,667	-
Docks	-	17,224	2,004	-	-	-	-	345	19,573	-
Storm Sewer	-	11,000	36,000	-	-	(14,040)	-	220	33,180	-
Landscape	-	2,602	1,500	-	-	-	-	52	4,155	-
Revitalization Projects	-	3,513	9,996	-	-	-	-	70	13,579	-
Capital Improvements - S.A.	-	80,642	-	80,825	-	-	(97,554)	1,614	65,526	-
Unallocated Interest	6,757	-	-	-	5,553	-	-	(6,757)	-	5,553
Total	\$ 6,757	\$ 337,068	\$ 103,932	\$ 80,825	\$ 5,553	\$ (28,318)	\$ (125,612)	\$ -	\$ 375,551	\$ 5,553

Pursuant to FASB ASC 606, the Association recognizes replacement fund revenue from members as the related performance obligations are satisfied. For the year-ended December 31, 2019, the Association recognized \$28,318 in member assessment revenue.

Supplementary Information

Supplementary information about future major repairs and replacements on page 17 presents significant information about the components of common property.

Interest

The Association does not allocate interest earned on the replacement fund to specific replacement components as earned but does so periodically depending on projected requirements. During the year-ended December 31, 2019, the Association recognized \$5,553 of interest income in the replacement fund.

CONQUISTADOR HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 — FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate—Common Interest Realty Associations, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and deferred reserve assessments, as previously described.

The adoption of the new revenue recognition guidance resulted in the following change to Fund Balance as of January 1, 2019:

Fund Balance, as previously reported, at January 1, 2019	\$ 470,773
Adjustment for effects of ASC 606	<u>(337,968)</u>
Fund Balance, as adjusted, at January 1, 2019	<u><u>\$ 132,805</u></u>

The effect of the adoption is a decrease in 2019 assessments by \$37,584 and a recording of deferred reserve assessments at December 31, 2019 of \$375,551. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our 2019 financial statements. The following are the line items from our balance sheet as of December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
<u>Liabilities:</u>			
Deferred Reserve Assessments	\$ -	\$ 375,551	\$ 375,551
Total Liabilities	37,481	375,551	413,032
<u>Fund Balance:</u>			
Ending Fund Balances	\$ 500,414	\$ (375,551)	\$ 124,863

CONQUISTADOR HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 — FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION (CONT'D)

The following are the line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year-ended December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
<u>Revenue:</u>			
Regular Assessments	\$ 638,795	(37,584)	\$ 601,211
Excess (Deficiency) of Revenues Over Expenses	36,399	(37,584)	(1,185)
<u>Cash Flows:</u>			
Excess (Deficiency) of Revenues Over Expenses	\$ 36,399	\$ (37,584)	\$ (1,185)
Increase in Deferred Reserve Assessments	-	37,584	37,584

NOTE 4 – DEFERRED CABLE REVENUE AND CABLE REVENUE

In 2019, the single-family homes located within Conquistador Homeowners Association renewed their contract for bulk cable and high-speed internet services for a seven (7) year period commencing on February 28, 2019. This is at an initial rate equal to \$62.25 per residential dwelling unit excluding applicable taxes and applicable fees. After the first year, AT&T may increase the Bulk Monthly Fee by an amount equal to no more than four percent (4%) per calendar year, provided that the resulting Bulk Monthly Fee may not exceed the retail price for AT&T services that are functionally equivalent to the Bulk Services. This agreement shall automatically renew for successive one (1) year periods unless either part shall provide the other with a minimum 90 days' notice of its intention not to renew at the end of the then current term.

In 2019, the condominium units located within Conquistador Homeowners Association also renewed their contract for bulk cable and high-speed internet services for a seven (7) year period commencing on February 28, 2019. This is at an initial rate equal to \$62.25 per residential dwelling unit excluding applicable taxes and applicable fees. After the first year, AT&T may increase the Bulk Monthly Fee by an amount equal to no more than four percent (4%) per calendar year, provided that the resulting Bulk Monthly Fee may not exceed the retail price for AT&T services that are functionally equivalent to the Bulk Services. This agreement shall automatically renew for successive one (1) year periods unless either part shall provide the other with a minimum 90 days' notice of its intention not to renew at the end of the then current term.

CONQUISTADOR HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 – DEFERRED CABLE REVENUE AND CABLE REVENUE (CONT'D)

The Association as part of the single-family homes and condominium units located within the Conquistador Community agreeing to a new bulk cable agreement also received signing bonuses totaling \$5,500 and \$28,800, respectively, from AT&T for signing and executing the seven (7) year contracts. Total signing bonuses of \$34,300 have been recorded and included in deferred cable revenue totals and is being amortized over the seven (7) year term. Total annual amortized revenue is included cable revenue on the Statement of Revenue, Expenses and Fund Balances. The amortization at December 31, 2019 is as follows

The balance at December 31, 2019 consists of the following:

Deferred Cable Revenue:

Total Deferred Cable Revenue at Execution	\$ 34,300
Amortization Based on an 7-year	
Amortization of \$408/Month	<u>(4,083)</u>
Balance at December 31, 2019	<u>\$ 30,217</u>

For the year-ended December 31, 2019, the Association recognized \$4,083 of Cable Compensation Income, which is presented on the Statement of Revenues, Expenses and Changes in Fund Balances.

NOTE 5 – CONCENTRATION OF CREDIT RISK

At December 31, 2019, the Association maintained cash and cash equivalents balances which exceeded the Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000. As of December 31, 2019, the Association had approximately \$35,832 in excess of the insured limit. The Association places its cash and cash equivalents with stable, high-quality financial institutions. The Association has not experienced any losses related to these uninsured cash and cash equivalents balances and believes it is not exposed to any significant risk.

NOTE 6 – SPECIAL ASSESSMENTS

It is the Association's policy to approve a special assessment to fund major projects during the year. In December 2017, the Board of Directors approved a special assessment in the amount of \$248,940 in the Replacement Fund for the storm drain replacement project, maintenance building repairs, and infrastructure projects. At December 31, 2019, this special assessment has concluded and remaining special assessment funds totaling \$30,000 have been included in the financing of the special assessment passed by the Association in 2019.

CONQUISTADOR HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 – SPECIAL ASSESSMENTS (CONT'D)

In December 2019, the Board of Directors approved a special assessment in the amount of \$378,000 in the Replacement Fund for capital improvements to improve the security, accessibility, storm protection and appearance of the clubhouse. For the year-ended December 31, 2019, the Association has incurred expenses associated with the Special Assessment totaling \$125,612 and at December 31, 2019, the Association has recognized corresponding Special Assessment Income in the amount of \$125,612.

To finance the Special Assessment, the Association is proposing a drawdown on existing Replacement Fund Components. Replacement Fund Components to be drawn from are: Clubhouse Renovation Funds in the amount of \$65,000, Revitalization Projects Funds in the amount of \$10,000, and remaining special assessment funds from the special assessment passed in 2017 totaling \$30,000. In 2019, the Association has drawn down \$28,058 of Clubhouse Renovation Funds to finance Special Assessment activity.

The Association is also special assessing unit owners in the amount of \$273,000 to fund the capital improvements project. The unit owners were offered two payment options: payment of the \$795 in full or paid in two payments of \$397 and \$398, respectively. The due date for all Special Assessment monies due is March 1, 2020. If unit owners choose to make two payments, the second payment must be received no later than March 1, 2021. As of December 31, 2019, the Association has received \$80,825 in Special Assessments.

NOTE 7 – CERTIFICATES OF DEPOSIT

At December 31, 2019, the Association had \$102,867 of Replacement Fund monies in a Certificate of Deposit (CD) with interest of 2.08% and maturity date of August 14, 2020. In August 2020, the Association did not renew the CD and matured funds were subsequently deposited into the Replacement Fund money market account.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The common property is insured for hurricane, windstorm, and liability. The hurricane policy requires a two percent (2%) deductible of the appraised value, per building. In the event of a catastrophic event, such as a hurricane, the unit owners may be subject to significant special assessments to address the deductible portion and uninsured common property repairs.

The Association has various contract services to maintain the common property and business operations, including management fees, copier leases, lawn maintenance, pest control, and irrigation maintenance. These contracts have different expiration dates and renewal terms.

SUPPLEMENTARY INFORMATION

CONQUISTADOR HOMEOWNERS ASSOCIATION, INC.
(A Not-for-Profit Corporation)
SUPPLEMENTARY INFORMATION
STATEMENT OF OPERATING FUND REVENUES AND EXPENSES BUDGET COMPARISON
FOR THE YEAR ENDED DECEMBER 31, 2019

	ACTUAL	BUDGET (Unaudited)	VARIANCE
REVENUES:			
Maintenance Assessments	\$ 544,836	\$ 544,836	\$ -
Cable Contract Income	4,083	-	4,083
Reimbursements from Conquistador Condominiums	9,300	-	9,300
AT&T TV and Internet Income - Houses	42,240	42,240	-
Water and Sewer Income - Houses	49,885	46,236	3,649
Insurance Income - Houses and Condos	42,247	-	42,247
Other Income	1,050	2,856	(1,806)
Total Revenues:	693,642	636,168	57,474
EXPENSES:			
<u>General Common Area</u>			
Electric	2,352	2,388	36
Grounds Maintenance	37,472	37,200	(272)
Tree Trimming	2,299	2,256	(43)
Sewer	346	348	2
North Wall Irrigation	3,213	1,716	(1,497)
Irrigation Water	30,317	30,000	(317)
Dock	177	96	(81)
Repairs	5,682	7,380	1,698
Supplies	3,172	5,472	2,300
Trash Removal	9,777	9,756	(21)
Other Expenses	2,643	876	(1,967)
Landscape Expenses	4,164	6,120	1,956
Special Projects Expense	34,673	-	(34,673)
Total General Common Area	136,486	103,608	(32,878)
<u>Clubhouse</u>			
Electric	18,450	16,440	(2,010)
Exterminator	678	672	(6)
Supplies & Repairs	6,763	6,912	149
Pool Gas	-	2,760	2,760
Pool Supply & Expenses	14,610	12,900	(1,710)
Irrigation Expense	666	1,128	462
Tree Trimming	274	624	350
Sewer	3,371	2,400	(971)
Water	2,862	2,040	(822)
Cleaning Service	15,660	17,256	1,596
Lock-Up	4,374	4,380	6
Other Expense	3,117	4,008	891
Total Clubhouse	70,824	71,520	696
<u>General</u>			
Tax Prep / Audit	1,100	1,104	4
Legal Services	1,894	3,360	1,467
Fees & Licenses	1,365	1,320	(45)
Bank Fees	12	12	(0)
Bad Debt Expense	-	600	600
Office - Telephone	5,201	5,712	511
Office Supplies	3,963	3,540	(423)
Office - Service & Misc	19,370	4,608	(14,762)
Cleaning Service	47,502	48,096	594
AT&T TV & Internet - Houses	35,207	42,240	7,033
Total General	115,614	110,592	(5,022)

See Independent auditors' report.

CONQUISTADOR HOMEOWNERS ASSOCIATION, INC.
(A Not-for-Profit Corporation)
SUPPLEMENTARY INFORMATION
STATEMENT OF OPERATING FUND REVENUES AND EXPENSES BUDGET COMPARISON (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	ACTUAL	BUDGET (Unaudited)	VARIANCE
EXPENSES (CONT'D):			
<u>Payroll Expenses</u>			
Simple IRA - Employer	3,593	-	(3,593)
Payroll Expenses - Other	253,884	248,808	(5,076)
<i>Total Payroll Expenses</i>	<u>257,478</u>	<u>248,808</u>	<u>(8,670)</u>
<u>Insurance Expenses</u>			
General Liability Insurance	42,248	-	(42,248)
Health Insurance	44,997	47,256	2,259
Worker's Compensation	5,169	8,148	2,979
<i>Total Insurance Expenses</i>	<u>92,414</u>	<u>55,404</u>	<u>(37,010)</u>
<u>Water & Sewer</u>			
Water & Sewer - Houses	27,565	46,236	18,671
<i>Total Water & Sewer</i>	<u>27,565</u>	<u>46,236</u>	<u>18,671</u>
TOTAL EXPENSES	<u>700,380</u>	<u>636,168</u>	<u>64,212</u>
(DEFICIENCY) OF REVENUES OVER EXPENSES	<u>\$ (6,738)</u>	<u>\$ -</u>	<u>\$ (6,738)</u>

See independent auditors' report.

CONQUISTADOR HOMEOWNERS ASSOCIATION, INC.
(A Not-For-Profit Corporation)
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2019
UNAUDITED

The Association conducted an independent study in 2017 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on estimated costs to repair and replace the common property components at the date of the study. Actual expenditures may vary from the estimated amounts and the differences may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs for major repairs and replacements. If additional funds are needed, however, the Association has the right to increase regular assessments, pass a special assessment, or it may delay major repairs and replacements until funds are available.

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

<u>Components:</u>	<u>Estimated Useful Life Remaining</u>	<u>Estimated Current Replacement Cost</u>	<u>2020 Funding</u>
Contingency	1	\$ 45,000	\$ 620
Clubhouse Roof	19	91,000	4,205
Exterior Paint	1	2,500	1,540
Clubhouse Renovation	1	150,000	25,500
Clubhouse Mansards	13	180,000	7,850
Bath House Roof	19	7,000	343
Clubhouse Pool and Deck	1	32,000	15,000
Tennis Courts	4	26,500	3,000
Maintenance Shed Roof	19	9,750	100
Roads, Gutters Repaved	14	154,000	1,550
Dock	12	60,000	3,000
Storm Sewer and Valves	4	200,000	39,000
Landscaping	5	20,000	1,500
Revitalization Projects	1	30,000	7,910
		<u>\$ 1,007,750</u>	<u>\$ 111,118</u>