

VERANDAH COMMUNITY ASSOCIATION, INC.
FORT MYERS, FLORIDA
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Verandah Community Association, Inc.

We have audited the accompanying financial statements of Verandah Community Association, Inc., which comprise the balance sheet as of December 31, 2019, and the related statements of revenue, expenses and changes in fund balance 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 Verandah Community 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 accounting principles generally accepted in the United States of America.

To the Board of Directors of
Verandah Community Association, Inc.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 15 be presented to supplement the basic financial statements. Such information, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of operating fund revenue and expenses - budget to actual, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portion marked "unaudited," 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.



MYERS, BRETT HOLTZ & COMPANY, PA
Fort Myers, Florida
October 8, 2020

VERANDAH COMMUNITY ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2019

	Operating Fund	Replacement Fund	Total
Assets			
Cash	\$ 174,704	\$ 356,104	\$ 530,808
Certificates of deposit	-	2,850,000	2,850,000
Accounts receivable - members, net	52,286	-	52,286
Accounts receivable - other	37,346	-	37,346
Due from Developer	73,408	-	73,408
Interest receivable	-	1,523	1,523
Prepaid expenses	27,076	1,000	28,076
Deposits	864	-	864
Property and equipment, net	-	561,879	561,879
Total assets	\$ 365,684	\$ 3,770,506	\$ 4,136,190
Liabilities and Fund Balance			
Liabilities			
Accounts payable and accrued expenses	\$ 112,902	\$ -	\$ 112,902
Assessments received in advance	110,241	-	110,241
Total liabilities	223,143	-	223,143
Fund balance			
Fund balance	-	3,208,627	3,208,627
Designated for member distribution	142,541	-	142,541
Equity in property and equipment	-	561,879	561,879
Total fund balance	142,541	3,770,506	3,913,047
Total liabilities and fund balance	\$ 365,684	\$ 3,770,506	\$ 4,136,190

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

VERANDAH COMMUNITY ASSOCIATION, INC.
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019

	Operating Fund	Replacement Fund	Total
Revenue			
Assessments - residents	\$ 2,978,332	\$ -	\$ 2,978,332
Assessments - Club	50,000	-	50,000
Contra assessment revenue	(6,047)	-	(6,047)
Net assessment revenue	<u>3,022,285</u>	<u>-</u>	<u>3,022,285</u>
Developer subsidy	73,408	-	73,408
Late fees and interest	9,748	-	9,748
Interest	127	69,287	69,414
Other	<u>420,961</u>	<u>6,158</u>	<u>427,119</u>
 Total revenue	 <u>3,526,529</u>	 <u>75,445</u>	 <u>3,601,974</u>
Expenses			
Cost of sales	6,150	-	6,150
Administration	1,268,794	-	1,268,794
Community patrol	522,061	-	522,061
Grounds maintenance	1,320,964	-	1,320,964
Fairway Cove	120,708	-	120,708
Woodhaven	72,031	-	72,031
Willow Bend	31,681	-	31,681
Willow Ridge	26,499	-	26,499
Ambleswind	8,145	-	8,145
Royal Palm	6,259	-	6,259
Magnolia	351	-	351
Winding River	345	-	345
Depreciation	-	102,473	102,473
Replacement	<u>-</u>	<u>145,337</u>	<u>145,337</u>
 Total expenses	 <u>3,383,988</u>	 <u>247,810</u>	 <u>3,631,798</u>
 Excess (deficiency) of revenue over expenses	 142,541	 (172,365)	 (29,824)
 Fund balance, beginning of year	 -	 3,808,962	 3,808,962
 Capital contributions	 <u>-</u>	 <u>133,909</u>	 <u>133,909</u>
 Fund balance, end of year	 <u>\$ 142,541</u>	 <u>\$ 3,770,506</u>	 <u>\$ 3,913,047</u>

Read Independent Auditor's Report.
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part of the financial statements.

VERANDAH COMMUNITY ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash Flows From Operating Activities			
Excess (deficiency) of revenue over expenses	\$ 142,541	\$ (172,365)	\$ (29,824)
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash used by operating activities:			
Depreciation	-	102,473	102,473
Recovery of bad debt	(6,228)	-	(6,228)
Changes in:			
Accounts receivable - members	(8,504)	-	(8,504)
Accounts receivable - other	(20,801)	-	(20,801)
Due from Developer	(48,920)	-	(48,920)
Interest receivable	-	548	548
Prepaid expenses	(2,043)	(1,000)	(3,043)
Deposits	51	-	51
Accounts payable and accrued expenses	(15,375)	(7,500)	(22,875)
Assessments received in advance	(132,069)	-	(132,069)
	<u>(91,348)</u>	<u>(77,844)</u>	<u>(169,192)</u>
Net cash used by operating activities			
Cash Flows From Investing Activities			
Purchases of certificates of deposit	-	(2,850,000)	(2,850,000)
Proceeds from redemptions of certificates of deposit	-	2,350,000	2,350,000
Purchases of property and equipment	-	(47,270)	(47,270)
	<u>-</u>	<u>(547,270)</u>	<u>(547,270)</u>
Net cash used by investing activities			
Cash Flows From Financing Activities			
Interfund reimbursement	(4,000)	4,000	-
Capital contributions	-	133,909	133,909
	<u>(4,000)</u>	<u>137,909</u>	<u>133,909</u>
Net cash (used) provided by financing activities			
Net decrease	(95,348)	(487,205)	(582,553)
Cash, beginning of year	<u>270,052</u>	<u>843,309</u>	<u>1,113,361</u>
Cash, end of year	<u>\$ 174,704</u>	<u>\$ 356,104</u>	<u>\$ 530,808</u>
Supplemental Information			
Income tax paid	<u>\$ 3,290</u>	<u>\$ -</u>	<u>\$ 3,290</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Read Independent Auditor's Report.
The accompanying notes are an integral
part of the financial statements.

VERANDAH COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - THE ASSOCIATION

Verandah Community Association, Inc. (the “Association”) was incorporated on September 19, 2002, under the laws of Florida as a corporation not-for-profit, to operate and manage Verandah (the “Community”), a planned community consisting of 1,683 single and multi-family units developed in two phases, located in Fort Myers, Florida. The owners of all units in the Association are the only members. As of December 31, 2019, 1,283 units had been sold.

The Association’s geographical territory is encompassed within the Verandah East Community Development District and the Verandah West Community Development District, which are local limited purpose independent government agencies designed to provide the community related services to its residents by maintaining the infrastructure owned by the community development districts.

NOTE 2 - DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 8, 2020 the date that the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus surfaced and has spread around the world resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The effect of the virus on the financial position or operations of the Association is unknown at this time.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and presents them as separate funds based on its different funding policies for operations and major repairs and replacements.

The operating fund reflects the operating portion of the quarterly assessments billed to the members to meet the various day-to-day expenditures incurred in the administration, maintenance, and operation of the Community and recreational facilities. The Board of Directors (the “Board”) approved a credit be issued to each member related to the assessments budgeted for purchases of the sales center, which is designated for member distribution.

The replacement fund is composed of the initial and resale contributions designated in the budget to fund future major repairs and replacements and capital expenditures, as further described in Note 8.

VERANDAH COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from members. Accounts receivable are generally considered delinquent when the payment is not received on or before the due date. As of December 31, 2019, the Association had delinquent assessments of \$94,331. 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 balances of assessments receivable as of the beginning and end of the year are \$85,827 and \$94,331, respectively, as further described in Note 5.

Property and Equipment

The Association follows prevalent industry practice, as contained in ASC Subtopic 972-360, "Real Estate - Common Interest Realty Associations - Property, Plant and Equipment" in accounting for the common property of the Association, which it is responsible to preserve and maintain. Property is capitalized only if the Association has title or other evidence of ownership of the property, and either the Association can dispose of the property or the property is used by the Association to generate significant cash flow from members on the basis of usage or from nonmembers.

Property associated with the units is not capitalized. Property not directly associated with the units consists of a gate house, dog park, kayak livery and kayaks, landscaping, roads, sidewalks and buffer, boardwalks and trails. These items are not capitalized as they do not meet the capitalization criteria, since ownership of the commonly owned assets is vested in the members, those assets are not titled in the Association's name and disposition of those assets by the Board of Directors (the "Board") is restricted. Additions and improvements to common property are accounted for as major repair and replacement expenditures in the replacement fund.

Property and equipment that meets the criteria for capitalization is recorded at cost and depreciated on a straight-line basis over the estimated useful life of the related asset. The capitalization threshold is \$1,500. Management reviews property and equipment for possible impairments whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management evaluates the valuation and depreciation, as applicable, of the Association's long lived assets. Any write-down due to impairment is charged to operations at the time impairment is identified. No impairments have been recorded during the year ended December 31, 2019. Improvements and repairs are expensed in the period in which they occur. See Note 6 for additional information.

Income Taxes

The Association can elect to file its income tax return as a Homeowners' Association, in accordance with Internal Revenue Code Section 528. Under that section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association. The effect of the election is to tax the Association only on its "non-exempt function" income, reduced by a specific \$100 deduction at a flat 30% rate. If such election is not made, the Association's net income is subject to tax at statutory corporate rates.

VERANDAH COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Management has analyzed its various federal filing positions and believes that the Association's income tax filing positions and deductions are well documented, supported and contain no uncertain tax positions. Additionally, management believes that no accruals for tax liabilities, interest or penalties are required. Therefore, no reserves for uncertain income tax positions have been recorded. Further, no interest or penalties have been included since no reserves were recorded. When applicable, such interest and penalties will be reported as income tax expense. The Association's federal income tax returns remain subject to examination by the Internal Revenue Service, for three years from the date of filing.

The Association has elected to be taxed as a Homeowners' Association, which has resulted in a federal income tax liability of \$9,997 for the year ended December 31, 2019, included in accounts payable and accrued expenses. There is no state income tax imposed on the Association.

Fair Value of Financial Instruments

Substantially all of the Association's assets and liabilities, excluding prepaid expenses, property and equipment, deferred revenue and assessments received in advance, are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value because of the short maturity of the instrument.

Revenue Recognition

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. Any excess assessments at year-end are retained by the Association for use in the succeeding year.

Late charges and interest revenue is recognized when billed.

Cash Flows

The Association considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents.

The Association invests in federally insured certificates of deposit which are held-to-maturity. As a result, certificates of deposit are carried at amortized cost plus accrued interest. Subsequent write ups or write downs to fair value to recognize unrealized gains or losses are not recorded.

Use of Estimates

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

Read Independent Auditor's Report.

VERANDAH COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Association maintains cash balances and certificates of deposit at various financial institutions. Accounts and certificates of deposit at each commercial banking institution are insured by the Federal Deposit Insurance Corporation (the “FDIC”) up to \$250,000. As of December 31, 2019, the uninsured balance was \$76,764, based on the bank statement balances, less the FDIC insurance.

As of December 31, 2019, KH Verandah LLC (the “Developer”) owned 400 units or approximately 24% of the available units.

NOTE 5 - ACCOUNTS RECEIVABLE - MEMBERS

Accounts receivable - members, as of December 31, 2019, consisted of the following:

Assessments	\$	94,331
Less: allowance for uncollectible accounts		(42,045)
		\$ 52,286

NOTE 6 - PROPERTY AND EQUIPMENT

As of December 31, 2019, property and equipment consisted of the following:

	Estimated Useful Lives	
Walls and fences	7 - 15 years	\$ 23,247
Decks and gazebos	5 - 22 years	74,997
Furniture, fixtures and equipment	2 - 15 years	466,239
Bikepaths and sidewalks	5 - 40 years	490,830
Vehicles	2 years	23,415
Irrigation system	3 - 15 years	87,457
		1,166,185
Less: accumulated depreciation		(604,306)
		\$ 561,879

Depreciation expense for the year ended December 31, 2019, was \$102,473.

NOTE 7 - ASSESSMENTS RECEIVED IN ADVANCE

Assessments received in advance consisted of future year assessments received by the Association prior to January 1, 2020.

VERANDAH COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$3,770,056 and are presented on the accompanying balance sheet as fund balance as of December 31, 2019, are held in separate accounts and are generally not available for operating purposes. The Association's policy is to retain the interest earned on replacement cash, in the replacement fund. The Association has adopted the pooling method of funding.

Capital contributions are collected when units are sold and when an owner resells a unit. For the year ended December 31, 2019, capital contributions on sales were \$117,000.

During the year ended December 31, 2019, the Shady Bend roadways were turned over to the Association along with \$16,909 of accumulated roadway reserve funds. The amount has been included in capital contributions.

The 2020 proposed budgeted funding is \$145,000, as shown in the unaudited supplementary information. The components' actual replacement costs, useful lives, and investment income may vary from estimated amounts and the variation may be material. Therefore, the Association's replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board, on behalf of the Association, has the power to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 9 - ASSESSMENTS - CLUB

In consideration of its access and use of the access areas and the benefits which are derived from the proper maintenance of the Verandah Club (the "Club"), the Club pays the Association an annual maintenance fee. The fee is based on the lesser of 15% of the joint area cost or \$50,000 as defined in the Verandah Covenant to Share Cost Agreement between the Club and the Association. The annual maintenance fee assessed to the Club was \$50,000 for the year ended December 31, 2019. As of December 31, 2019, \$12,500 was due to the Association, included in accounts receivable - other.

NOTE 10 - DEVELOPER SUBSIDY

In accordance with Article 8.7(b) of the Declaration of Covenants, Conditions and Restrictions for Verandah, during the Class "B" membership, Declarant may satisfy its obligation for assessments on units which it owns and are subject to assessments or for which is it contractually obligated to fund a builder's assessment obligation either by: (i) paying such assessments in the same manner as any other owner, or (ii) by paying the difference between the amount of assessments levied on all other units subject to assessments plus other income of the Association and the amount of actual expenditures by the Association (excluding any amounts in the budget of common expenses for capital and contingency reserves) during the fiscal year. Unless the Declarant otherwise notifies the Board in writing at least 60 days before the beginning of each fiscal year, the Declarant shall be deemed to have elected to continue paying on the same basis as during the immediately preceding fiscal year. Regardless of the Declarant's election, the Declarant's obligations hereunder may be satisfied in the form of cash or by "in kind" contributions of services or materials, or by a combination of these. After termination of the Class "B" membership, the Declarant shall pay assessments on its unsold units in the same manner as any other owner.

The Developer is the subsequent developer of the Community. Certain Board members are employees of the Developer. The Developer's subsidy obligation for the year ended December 31, 2019, was \$73,408. As of December 31, 2019, \$73,408 was due to the Association from the Developer.

Read Independent Auditor's Report.

VERANDAH COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 11 - RETIREMENT PLAN

The Association participates in the Veritas Employer Services Retirement Savings Plan which covers all employees with at least one year of service having completed a minimum of 1,000 hours of service. Under the terms of the Plan, the Association contributes an amount determined by management.

NOTE 12 - OPERATING LEASE

The Association has a copier and printer lease ending October 31, 2023. The lease requires 63 monthly payments of \$225. Total expense for the year ended December 31, 2019, was \$1,621, included in administration expenses.

Future minimum payments required under the lease are as follows:

<u>Years ending December 31,</u>	
2020	\$ 2,700
2021	2,700
2022	2,700
2023	2,250
	<u>\$ 10,350</u>

NOTE 13 - COMMITMENTS

The Association has a ten-year water service agreement ending October 5, 2022. The contract automatically renews for two successive five-year periods.

The Association has a five-year cable service agreement ending October 25, 2023. The agreement automatically renews for three successive periods of 30 days, unless terminated under the terms of the agreement.

NOTE 14 - 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 requirements of 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 the accounting policies for assessment revenue, as previously described.

The adoption of the new revenue recognition guidance resulted in no change to fund balance as of January 1, 2019.

VERANDAH COMMUNITY ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2019

NOTE 14 - FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION (Continued)

The effect of the adoption is a decrease in 2019 assessments and bad debt expense by \$6,047. The Association has no customer contract modifications that had an effect on the Association's transition of the new guidance.

The modified retrospective method of transition requires the effect of applying the new guidance on each item included in the 2019 financial statements be disclosed.

The following are the line items from the statement of revenue, expenses, and changes in fund balance 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>Revenue and Expenses</u>	<u>Amounts That Would Have Been Reported</u>	<u>Effects of Applying Topic 606 Guidance</u>	<u>As Reported</u>
Maintenance fees	\$ 3,028,332	\$ (6,047)	\$ 3,022,285
Bad debt expense	\$ 6,047	\$ (6,047)	\$ -
Deficiency of revenue over expenses	\$ (29,824)	\$ -	\$ (29,824)

SUPPLEMENTARY INFORMATION

VERANDAH COMMUNITY ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2019
 (Unaudited)

An independent appraiser conducted a study during 2019, to estimate the remaining lives and the replacement costs of the components of common property. The following table is based on the study and presents significant information about the components of common property. Amounts are based on normal operation and without the effect of potential catastrophic occurrences.

Components	Average Estimated Useful Lives	Average Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2020 Proposed Budgeted Funding
Asphalt pavement	3 - 20 years	5 - 24 years	\$ 3,186,801	
Maintenance equipment	5 - 10 years	2 - 4 years	10,000	
Catch basins	15 - 20 years	7 - 16 years	144,000	
Concrete curbs and gutters	65 years	0 - 29 years	7,246,300	
Equipment pressure washer	5 - 10 years	0 - 7 years	92,000	
Fences	25 years	0 - 1 years	135,520	
Gate house and gates	5 - 35 years	0 - 18 years	304,200	
Kayaks	5 years	1 year	10,000	
Landscape	3 years	0 years	40,000	
Light poles and fixtures	15 years	11 years	25,000	
Pavers	15 - 20 years	5 - 6 years	207,000	
Perimeter walls	5 - 10 years	2 years	134,750	
Playground equipment	15 - 25 years	5 - 10 years	72,000	
Shade structures	6 - 8 years	2 years	12,000	
Signage	10 - 20 years	0 - 29 years	170,000	
Vehicles	3 - 5 years	1 - 5 years	68,800	
Reserve study update	2 years	1 year	5,500	
			<u>\$ 11,863,871</u>	<u>\$ 145,000</u>

Estimated current replacement costs are based on the assumption that the rate of investment income earned on replacement funds will be 1.2% and the rate of inflation 3%.

VERANDAH COMMUNITY ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUE AND EXPENSES -
BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget <i>(Unaudited)</i>	Actual	Variance
Revenue			
Assessments - residents	\$ 3,019,136	\$ 2,978,332	\$ (40,804)
Assessments - Club	50,000	50,000	-
Contra assessment revenue	-	(6,047)	(6,047)
Net assessment revenue	<u>3,069,136</u>	<u>3,022,285</u>	<u>(46,851)</u>
Developer subsidy	-	73,408	73,408
Late fees and interest	10,250	9,748	(502)
Interest	325	127	(198)
Other	<u>402,088</u>	<u>420,961</u>	<u>18,873</u>
Total operating fund revenue	<u>3,481,799</u>	<u>3,526,529</u>	<u>44,730</u>
Expenses			
Cost of sales	<u>8,000</u>	<u>6,150</u>	<u>1,850</u>
Administration			
Compensation and benefits			
Exempt	94,198	96,475	(2,277)
Human resource administration	2,025	23	2,002
Billed labor	12,000	-	12,000
Other benefits	1,125	-	1,125
Total compensation and benefits	<u>109,348</u>	<u>96,498</u>	<u>12,850</u>
Office			
Banking fees	600	-	600
Licenses and fees	1,000	10,097	(9,097)
Postage	2,775	7,184	(4,409)
Paper and printing	2,700	1,259	1,441
Service agreements	300	-	300
Residence meeting	450	237	213
Dues and subscriptions	400	175	225
Office supplies	4,750	3,992	758
Total office	<u>12,975</u>	<u>22,944</u>	<u>(9,969)</u>
Operating and maintenance			
Decorations	2,000	1,045	955
Expendable	550	384	166
Noncapital equipment	1,500	1,401	99
Total operating and maintenance	<u>4,050</u>	<u>2,830</u>	<u>1,220</u>

VERANDAH COMMUNITY ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUE AND EXPENSES -
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget <i>(Unaudited)</i>	Actual	Variance
Utilities			
Electric	12,000	-	12,000
Phone	3,275	2,633	642
Sewer/water	600	101	499
Utilities - other	999,556	972,744	26,812
Total utilities	<u>1,015,431</u>	<u>975,478</u>	<u>39,953</u>
Outside services			
Accounting services	8,500	8,409	91
Contract services	20,000	16,538	3,462
Legal	-	16,934	(16,934)
Total outside services	<u>28,500</u>	<u>41,881</u>	<u>(13,381)</u>
Repairs and maintenance	<u>13,000</u>	<u>11,400</u>	<u>1,600</u>
Taxes and insurance	<u>18,500</u>	<u>24,703</u>	<u>(6,203)</u>
Management fees	<u>79,694</u>	<u>79,760</u>	<u>(66)</u>
Capitalized and allocated			
Interest and principal	87,000	-	87,000
Sales center	40,000	13,300	26,700
Total capitalized and allocated	<u>127,000</u>	<u>13,300</u>	<u>113,700</u>
Total administration	<u>1,408,498</u>	<u>1,268,794</u>	<u>139,704</u>
Community patrol			
Compensation and benefits			
Exempt	50,501	62,920	(12,419)
Human resources	9,445	-	9,445
Nonexempt	384,143	403,615	(19,472)
Total compensation and benefits	<u>444,089</u>	<u>466,535</u>	<u>(22,446)</u>
Office			
Cleaning	2,200	2,158	42
Paper and printing	5,500	5,487	13
Office supplies	3,500	3,304	196
Total office	<u>11,200</u>	<u>10,949</u>	<u>251</u>
Operating and maintenance			
Expendable	1,000	488	512
Fuel	10,000	7,367	2,633
Noncapital equipment	500	475	25
Safety equipment	150	-	150

Read Independent Auditor's Report.

VERANDAH COMMUNITY ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUE AND EXPENSES -
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget <i>(Unaudited)</i>	Actual	Variance
Operating and maintenance (continued)			
Uniforms	2,500	1,775	725
Total operating and maintenance	<u>14,150</u>	<u>10,105</u>	<u>4,045</u>
Utilities			
Electric	2,323	2,170	153
Phone	10,000	7,101	2,899
Sewer and water	1,245	1,427	(182)
Total utilities	<u>13,568</u>	<u>10,698</u>	<u>2,870</u>
Outside services	<u>6,335</u>	<u>8,495</u>	<u>(2,160)</u>
Repairs and maintenance			
Building repairs and maintenance	6,750	6,754	(4)
Equipment - repairs	1,800	1,975	(175)
Access control repairs and maintenance	2,000	1,760	240
Pest control	1,800	290	1,510
Vehicle	2,500	1,872	628
Total repairs and maintenance	<u>14,850</u>	<u>12,651</u>	<u>2,199</u>
Other operating	<u>250</u>	<u>246</u>	<u>4</u>
Taxes and insurance	<u>1,900</u>	<u>2,382</u>	<u>(482)</u>
Total community patrol	<u>506,342</u>	<u>522,061</u>	<u>(15,719)</u>
Grounds maintenance			
Compensation and benefits			
Exempt	72,438	68,713	3,725
Human resources	2,702	-	2,702
Nonexempt	54,386	68,691	(14,305)
Total compensation and benefits	<u>129,526</u>	<u>137,404</u>	<u>(7,878)</u>
Office	<u>6,000</u>	<u>7,140</u>	<u>(1,140)</u>
Leasing/rental	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Operating and maintenance			
Annuals	14,368	14,215	153
Expendable	4,000	4,321	(321)
Pesticides	6,000	3,324	2,676
Fertilizer	1,100	-	1,100
Fuel	7,750	8,173	(423)
Sub-irrigation	6,500	4,269	2,231
Tools	1,500	1,247	253

Read Independent Auditor's Report.

VERANDAH COMMUNITY ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUE AND EXPENSES -
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget <i>(Unaudited)</i>	Actual	Variance
Operating and maintenance (Continued)			
Mulch	174,000	166,054	7,946
Noncapital equipment	3,500	3,161	339
Uniforms	1,300	1,216	84
Total operating and maintenance	<u>220,018</u>	<u>205,980</u>	<u>14,038</u>
Utilities			
Electric	2,160	4,354	(2,194)
Phone	725	866	(141)
Irrigation - utility	120,000	113,391	6,609
Electric - landscape sign	1,216	1,074	142
Street lights	63,600	63,056	544
Total utilities	<u>187,701</u>	<u>182,741</u>	<u>4,960</u>
Outside services	<u>83,000</u>	<u>80,045</u>	<u>2,955</u>
Repairs and maintenance			
Equipment - repairs	18,000	16,427	1,573
Irrigation - repair	15,400	13,627	1,773
Mowing contract common	698,153	677,600	20,553
Total repairs and maintenance	<u>731,553</u>	<u>707,654</u>	<u>23,899</u>
Total grounds maintenance	<u>1,359,298</u>	<u>1,320,964</u>	<u>38,334</u>
Fairway Cove			
Mulch	25,373	30,644	(5,271)
Electric	2,220	2,458	(238)
Mowing contract	87,885	87,606	279
Total Fairway Cove	<u>115,478</u>	<u>120,708</u>	<u>(5,230)</u>
Woodhaven			
Mulch	14,000	12,677	1,323
Electric	3,150	3,234	(84)
Mowing contract	62,000	56,120	5,880
Total Woodhaven	<u>79,150</u>	<u>72,031</u>	<u>7,119</u>
Willow Bend			
Mulch	5,940	5,929	11
Electric	1,272	1,260	12
Mowing contract	24,570	24,492	78
Total Willow Bend	<u>31,782</u>	<u>31,681</u>	<u>101</u>

VERANDAH COMMUNITY ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUE AND EXPENSES -
BUDGET TO ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget <i>(Unaudited)</i>	Actual	Variance
Willow Ridge			
Mulch	5,000	4,893	107
Electric	966	1,662	(696)
Mowing contract	18,900	19,944	(1,044)
Total Willow Ridge	<u>24,866</u>	<u>26,499</u>	<u>(1,633)</u>
Ambleswind			
Mulch	1,560	-	1,560
Electric	-	1,472	(1,472)
Mowing contract	8,250	6,673	1,577
Total Ambleswind	<u>9,810</u>	<u>8,145</u>	<u>1,665</u>
Royal Palm			
Mowing contract	<u>4,500</u>	<u>6,259</u>	<u>(1,759)</u>
Magnolia			
Electric	<u>-</u>	<u>351</u>	<u>(351)</u>
Winding River			
Mowing contract	<u>-</u>	<u>345</u>	<u>(345)</u>
Total operating fund expenses	<u>3,547,724</u>	<u>3,383,988</u>	<u>163,736</u>
(Deficiency) excess of revenue over expenses	<u>\$ (65,925)</u>	<u>\$ 142,541</u>	<u>\$ 208,466</u>