



**The Meadows at Martin Downs  
Homeowners Association, Inc.**

**Financial Statements**

**December 31, 2021**



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Members of  
The Meadows at Martin Downs Homeowners Association, Inc.  
Palm City, FL

### **Opinion**

We have audited the accompanying financial statements of The Meadows at Martin Downs Homeowners Association, Inc. (the Association), which comprise the balance sheet as of December 31, 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Meadows at Martin Downs Homeowners Association, Inc. as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Meadows at Martin Downs Homeowners Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are condition or events, considered in the aggregate, that raise substantial doubt about The Meadows at Martin Downs Homeowners Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Meadows at Martin Downs Homeowners Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about The Meadows at Martin Downs Homeowners Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information contained in the schedule of changes in accumulated funds for future major repairs 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 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.

## **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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Carr, Riggs & Ingram, L.L.C.*

Stuart, Florida  
February 21, 2022

**The Meadows at Martin Downs Homeowners Association, Inc.**  
**Balance Sheet**

December 31,

2021

	Operating Fund	Replacement Fund	Total
<b>Assets</b>			
Cash	\$ 1,559,743	\$ 732,229	\$ 2,291,972
Certificates of deposit	250,000	350,000	600,000
Accounts receivable	11,512	872	12,384
Interfund balance	412	(412)	-
Prepaid expenses	7,568	-	7,568
Property and equipment, net	11,754	-	11,754
<b>Total assets</b>	<b>\$ 1,840,989</b>	<b>\$ 1,082,689</b>	<b>\$ 2,923,678</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 28,419	\$ -	\$ 28,419
Income taxes payable	1,357	-	1,357
Prepaid assessments	356,264	-	356,264
Accrued cable	836,953	-	836,953
Performance obligation	-	990,516	990,516
<b>Total liabilities</b>	<b>1,222,993</b>	<b>990,516</b>	<b>2,213,509</b>
<b>Fund balance</b>	<b>617,996</b>	<b>92,173</b>	<b>710,169</b>
<b>Total liabilities and fund balance</b>	<b>\$ 1,840,989</b>	<b>\$ 1,082,689</b>	<b>\$ 2,923,678</b>

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

**The Meadows at Martin Downs Homeowners Association, Inc.  
Statement of Revenue, Expenses and Changes in Fund Balance**

*For the year ended December 31,*

2021

	Operating Fund	Replacement Fund	Total
<b>Revenue</b>			
Regular assessments	\$ 3,215,697	\$ 48,334	\$ 3,264,031
Interest income	12,473	10,399	22,872
Miscellaneous income	219,154	-	219,154
<b>Total revenue</b>	<b>3,447,324</b>	<b>58,733</b>	<b>3,506,057</b>
<b>Expenses</b>			
Administrative	317,461	-	317,461
Cable television	875,662	-	875,662
Depreciation	6,743	-	6,743
Employee benefits	120,340	-	120,340
Insurance	329,378	-	329,378
Irrigation	105,373	-	105,373
Janitorial	24,693	-	24,693
Landscape	621,053	-	621,053
Maintenance and repairs	157,964	65,559	223,523
Master association fees	573,302	-	573,302
Other	89,079	-	89,079
Pest control and fertilization	80,555	-	80,555
Pool repair and maintenance	20,954	-	20,954
Pressure cleaning	58,492	-	58,492
Taxes	948	409	1,357
Tree trimming	74,975	-	74,975
Utilities	91,981	-	91,981
<b>Total expenses</b>	<b>3,548,953</b>	<b>65,968</b>	<b>3,614,921</b>
<b>Deficit of revenue over expenses</b>	<b>(101,629)</b>	<b>(7,235)</b>	<b>(108,864)</b>
<b>Beginning fund balance</b>	<b>781,217</b>	<b>37,816</b>	<b>819,033</b>
<b>Interfund transfer</b>	<b>(61,592)</b>	<b>61,592</b>	<b>-</b>
<b>Ending fund balance</b>	<b>\$ 617,996</b>	<b>\$ 92,173</b>	<b>\$ 710,169</b>

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

**The Meadows at Martin Downs Homeowners Association, Inc.**  
**Statement of Cash Flows**

*For the year ended December 31,*

2021

	Operating Fund	Replacement Fund	Total
<b>Operating Activities</b>			
Deficit of revenue over expenses	\$ (101,629)	\$ (7,235)	\$ (108,864)
Adjustments to reconcile deficit of revenue over expenses to net cash provided by operating activities:			
Depreciation	6,743	-	6,743
PPP loan forgiveness	(82,900)	-	(82,900)
Changes in operating assets and liabilities:			
Accounts receivable	(2,498)	2,040	(458)
Prepaid expenses	334,585	-	334,585
Accounts payable	5,674	-	5,674
Income taxes payable	(7,616)	-	(7,616)
Prepaid assessments	173,939	-	173,939
Accrued cable	26,298	-	26,298
Performance obligation	-	63,881	63,881
Interfund balance	2,376	(2,376)	-
Net cash provided by operating activities	354,971	56,311	411,282
<b>Investing Activities</b>			
Maturity of CDs	375,000	525,000	900,000
Purchase of CDs	(50,000)	(225,000)	(275,000)
Net cash provided by investing activities	325,000	300,000	625,000
<b>Financing Activities</b>			
Interfund transfer	(61,592)	61,592	-
Net cash provided by (used in) investing activities	(61,592)	61,592	-
<b>Net increase in cash</b>	<b>618,379</b>	<b>417,903</b>	<b>1,036,282</b>
<b>Cash at beginning of year</b>	<b>941,364</b>	<b>314,326</b>	<b>1,255,690</b>
<b>Cash at end of year</b>	<b>\$ 1,559,743</b>	<b>\$ 732,229</b>	<b>\$ 2,291,972</b>

Supplemental disclosures of cash flow (see Note 12).

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



## **The Meadows at Martin Downs Homeowners Association, Inc. Notes to Financial Statements**

### **Note 1: DESCRIPTION OF THE ORGANIZATION**

The Meadows at Martin Downs Homeowners Association, Inc., (the Association) a Florida not-for-profit corporation, was formed in 1988. Membership in the Association consists of the 832 residential lot owners of this Florida development. The development is located on 54 acres in Palm City, Florida.

The Association was organized for the purpose of maintaining and protecting the elements owned by the lot owners in common, including right of ways, vacant land, a recreation building, tennis courts and other amenities. Disposition of common area property requires consent of the members in accordance with the Association's governing documents and Florida Statutes.

All policy decisions, including the annual budget and owners' assessments, are formulated by the Board of Directors. Decisions are referred to the general Association membership before action is taken, when so required by the governing documents of the Association.

The Association is self-managed.

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

#### ***Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Funds***

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 operating or replacement funds. At the end of the year, excess funds are retained by the fund generating such excess during the year.

## **The Meadows at Martin Downs Homeowners Association, Inc.**

### **Notes to Financial Statements**

#### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### ***Funds (Continued)***

The operating fund is used to account for financial resources available for the general operation of the Association. Disbursements from the operating fund are generally at the discretion of the Board of Directors.

The replacement fund is generally used to account for assessments made for major repair and replacement of common property, and related expenses. Disbursements from the replacement fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association membership. Interest income earned in the replacement fund is maintained in a separate component.

##### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash and all highly-liquid debt instruments with an original maturity of 90 days or less.

##### ***Accounts Receivable from Owners and Allowance for Doubtful Accounts***

Accounts receivable from owners are reported at the outstanding balance due from owners, net of any allowance for doubtful accounts. The Association provides an allowance for doubtful accounts based on experience and analysis of individual accounts. When specific accounts are determined to be uncollectible, they are written off by charging the allowance and crediting the receivable. The Association also provides a credit risk allowance for the portion of current year assessment revenue that is not expected to be received from an owner. At December 31, 2021, there is no allowance for doubtful accounts or credit risk allowance.

##### ***Prepaid Expenses***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the balance sheet. These items will be expensed over the applicable usage period.

##### ***Capitalization and Depreciation***

Real property acquired by the Association is capitalized when it (a) is used to generate significant cash flows from members on the basis of usage or from nonmembers or (b) can be disposed of for cash with the Association retaining the proceeds. Real property acquired by the Association that does not meet these guidelines is not capitalized, and accordingly, replacements, major repairs, and improvements to this property are not capitalized; instead, they are reported as expenses in the fund making the expenditure. Real property that has not been capitalized is identified in Note 1.

Personal property acquired by the Association is capitalized at cost and is depreciated over its estimated useful lives, which range from 5 to 10 years, using the straight-line method of depreciation.

## The Meadows at Martin Downs Homeowners Association, Inc. Notes to Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Contract Assets and Liabilities***

Contract assets represent revenue recognized in excess of amounts billed. No such amounts are reported on the balance sheet as of December 31, 2021. Contract liabilities represent revenue collected in advance of the contract period or amounts billed in excess of revenue recognized. These liabilities are reported on the balance sheet as prepaid assessments and performance obligation liabilities.

#### ***Revenue Recognition***

The Association recognizes revenue when performance obligations under the terms of the contracts with customers are satisfied. Revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. For purposes of this Association, the definition of customers includes the Association's members.

#### ***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 21, 2022, and determined there are no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

### Note 3: OWNERS' ASSESSMENTS

Revenue and expenses are allocated to the homeowners based on the type of home (single/multi-family) and the neighborhood in which it is located, and accordingly, assessment rates are established using this formula. The rates for 2021 ranged from \$912 to \$1,103 per quarter. Budgeted regular assessments for the year ended December 31, 2021 totaled \$3,327,912, of which \$112,215 was allocated to the replacement fund.

The following table reconciles budgeted regular assessments to the amounts recognized as assessment revenue in the statement of revenue, expenses, and changes in fund balance:

<i>For the year ended December 31,</i>	2021		
	Operating Fund	Replacement Fund	Total
Budgeted regular assessments	\$ 3,215,697	\$ 112,215	\$ 3,327,912
Less additions to performance obligation	-	(63,881)	(63,881)
<b>Total assessments</b>	<b>\$ 3,215,697</b>	<b>\$ 48,334</b>	<b>\$ 3,264,031</b>

## The Meadows at Martin Downs Homeowners Association, Inc. Notes to Financial Statements

### Note 3: OWNERS' ASSESSMENTS (Continued)

During 2021, the Association levied a special assessment of \$609,024 for the purpose of repair and replacement of the tennis and pickle ball courts, the playground, and the pool lavatories. The special assessment is \$732 per household and is due January 31, 2022.

### Note 4: CERTIFICATE OF DEPOSITS

At December 31, 2021, the Association had \$600,000 of operating and replacement fund monies in certificate of deposits at a local financial institution. The carrying value of these certificates of deposit is cost plus accrued interest, which approximates fair value.

### Note 5: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<i>December 31,</i>	2021
Computer equipment	\$ 6,880
Maintenance equipment	178,776
Total cost	185,656
Accumulated depreciation	(173,902)
Property and equipment, net	\$ 11,754

Depreciation expense for the year ended December 31, 2021 totaled \$6,743.

### Note 6: REVENUE RECOGNITION

As disclosed in Note 2 to the financial statements, the Association's customers consist of its members, which are homeowners within the neighborhood. The contracts between these customers and the Association primarily relate to maintaining, managing and providing access to the property and amenities owned in common by the homeowners.

**The Meadows at Martin Downs Homeowners Association, Inc.**  
**Notes to Financial Statements**

**Note 6: REVENUE RECOGNITION (Continued)**

***Performance Obligations***

The Association’s revenue is derived primarily from assessments to its members. The Association generally recognizes its revenue from contracts with customers over time with the exception of replacement fund assessments, which are being recognized at a point in time. As of December 31, 2021, the Association has reported a performance obligation liability totaling \$990,516, relating to the future major repair and/or replacement of specific components of common property. The assessments related to this performance obligation are generally reported in the replacement fund and will be recognized as revenue at the point in time when the funds are expended for their designated purpose.

***Significant Judgments***

For those revenue items recognized over time, the Association generally utilizes the input method of measurement, where revenue is recognized based on the Association’s efforts towards the satisfaction of a performance obligation. For operating fund amounts, revenue is recognized as time elapses and the Association performs routine maintenance, protection and management of the common area property. For replacement fund amounts, the Association recognizes revenue at the point in time when major repair and replacement expenses are incurred.

***Disaggregated Revenue***

The Association derives its revenue from various activities and sources having different qualitative factors that may affect the amount, timing, or uncertainty of revenues and cash flows. The following chart contains disaggregated revenue information that reflects these qualitative factors.

<i>For the year ended December 31,</i>	<i>2021</i>
<b><i>Recognized over time</i></b>	
Operating fund assessments	\$ 3,215,697
Miscellaneous income	136,254
<b><i>Recognized at a point in time</i></b>	
Replacement fund assessments	48,334
<b><i>Not subject to ASC Topic 606</i></b>	
Interest income	22,872
PPP loan forgiveness	82,900
Total revenue	\$ 3,506,057

**The Meadows at Martin Downs Homeowners Association, Inc.**  
**Notes to Financial Statements**

**Note 6: REVENUE RECOGNITION (Continued)**

***Disaggregated Revenue (Continued)***

The following table presents information about accounts receivable, contract assets, and contract liabilities:

<i>For the year ended December 31,</i>	2021
Accounts receivable - beginning balance	\$ 11,926
Accounts receivable - ending balance	12,384
Contract assets - no beginning or ending balance for the year	
Contract liabilities	
Prepaid assessments - beginning balance	182,325
Prepaid assessments - ending balance	356,264
Performance obligation liabilities - beginning balance	926,635
Performance obligation liabilities - ending balance	990,516

**Note 7: FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association’s governing documents and Florida Statutes require the Association to accumulate funds for future major repairs and replacements, unless otherwise decided by the voting membership. The Association has adopted a program to accumulate funds for estimated future major repairs and replacements through regular assessments.

The Board of Directors annually reviews the major components of common property. As a part of this review, the Board re-evaluates the estimated remaining useful lives and the estimated replacement costs of each of the components of the replacement fund. Where applicable, licensed contractors and architects are consulted regarding useful lives and replacement costs. The Board of Directors last performed a review of the estimated replacement costs, remaining lives, and funding requirements for the reserve components in November 2021.

The Association is funding for future major repairs and replacements over the estimated useful lives of the components based on their study's estimates of replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding amount of \$112,215 based on a full funding plan, was included in the 2021 budget.

Actual expenditures may vary from the estimated amounts and the variations may be significant. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

## **The Meadows at Martin Downs Homeowners Association, Inc.**

### **Notes to Financial Statements**

#### **Note 8: INCOME TAXES**

The Association elected to file its tax return for 2021 as a homeowner association on Form 1120H. As such, the Association must comply with Internal Revenue Code (IRC) Section 528, which applies specifically to homeowner associations. Under IRC Section 528, the Association is not taxed on income and expenses directly related to its exempt purpose, which is the management, maintenance and protection of Association property. However, net nonexempt function income, such as interest income and revenue from nonmembers, is taxed for federal purposes at a flat 30% rate. For the year ended December 31, 2021, the Association's net nonexempt function income was \$4,522, which resulted in federal income tax expense of \$1,357. State income taxes do not apply to associations that qualify under IRC Section 528.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association's policy is to record interest expense or penalties related to income tax in administrative expense. For the year ended December 31, 2021, no interest or penalties were paid or accrued. The Association is subject to routine audits by taxing jurisdictions; however, there are no audits for any tax periods in progress. The Association's management believes it is no longer subject to income tax examinations for years prior to 2018.

#### **Note 9: CREDIT RISK**

The Association assesses regular and special assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual lots. Should the collection of any such liens be enforced by the sale of the lot, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens that have priority. Market value may be influenced by the real estate market in Palm City, Florida.

The Association places its cash and certificates of deposit with federally insured financial institutions. At times, the balances at these financial institutions may exceed the FDIC insured limit. The Association has cash deposits with financial institutions at December 31, 2021, in excess of federally insured limits by approximately \$1,700,000.

## The Meadows at Martin Downs Homeowners Association, Inc. Notes to Financial Statements

### **Note 10: PAYCHECK PROTECTION PROGRAM**

In 2020, the Association received a forgivable loan from the Small Business Administration (SBA) in the amount of \$82,900 under the PPP pursuant to the CARES Act. The Association believes it has met all the criteria for forgiveness and the likelihood of repayment is remote; therefore, it has reported it in miscellaneous income in the accompanying statement of revenue, expenses and changes in fund balance. The PPP provides forgivable loans to qualifying organizations. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll costs, rent and utilities and the borrower uses the loan proceeds for eligible purposes, including payroll costs, rent and utilities and the borrower maintains specified levels of payroll and employment.

In March 2021, the Association formally received forgiveness of the PPP loan from the SBA, which paid the lender on behalf of the Association. Further, loans issued under \$2 million may be subject to audit by the SBA. The Association may be required to return a portion of the loan proceeds. Any proceeds required to be returned will be repaid under the statutory terms of the PPP Program, including interest at 1%.

### **Note 11: COMMITMENTS AND CONTINGENCIES**

In December 2017, the Board of Directors negotiated a long term contract with Hotwire Communications Ltd (“Hotwire”) to provide cable television and internet services to the homeowners of the Association. The term of the contract is for ten years commencing with the first month that service is provided plus an automatic renewal of one additional year.

Under the terms of the contract, the Association received an up-front credit of \$591,934 which would be recognized over the first year of the contract. With service commencing on June 1, 2018, the Association recognized \$425,036 of the credit during the year ended December 31, 2018. The remainder of the credit of \$166,898 was recognized in 2019. During the periods that the Association used the credit, it was still obligated to pay federal and state communications tax which amounted to approximately \$6,200 per month.

Upon using all of the up-front credit, the contract provides that the Association will be billed at full service cost of \$66,926 per month. On an annual basis, the monthly charge for service will be increased at a rate of 3.5%. The first month that this adjustment was effective was June 2019 and will be adjusted annually, thereafter, through the end of the contract.

Based upon the terms of the contract, a total of \$9,632,280 will be paid for their services. This amount will be accrued on a monthly basis at the rate of \$72,972 over the term of the contract. As of and for the year ended December 31, 2021, the Association has accrued cable television expense of \$836,953.



**The Meadows at Martin Downs Homeowners Association, Inc.**  
**Notes to Financial Statements**

**Note 11: COMMITMENTS AND CONTINGENCIES (Continued)**

As part of its obligation to operate the Association and maintain the community, the Board of Directors enters into contracts for extended periods of time to obtain the benefit of cost savings that would not be available under a typical one-year contract. The following is a summary of contracts entered into by the Association for periods beyond one year.

<u>Service</u>	<u>Length of Contract</u>	<u>Year of Expiration</u>
Landscape maintenance	3 Years	2023
Fertilizing/pest control	3 Years	2022
Tree trimming	3 Years	2022
Cable services	10 Years	2028

The insurance policy for windstorm coverage renewed January 1, 2021. The deductible amount for named hurricane storms is estimated at approximately \$1,562,000, which represents 3% of the insured value of the residential buildings. The policy was renewed on January 1, 2022 with the same coverage.

From time to time, the Association is involved in various legal matters due to the nature of their operations. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the financial position, results of operations, or liquidity.

**Note 12: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

During 2021, the Association paid \$0 for interest expense and \$8,973 for income tax.

**Note 13: UNCERTAINTIES**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Association. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meeting, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

## **SUPPLEMENTARY INFORMATION**

**The Meadows at Martin Downs Homeowners Association, Inc.**  
**Schedule of Changes in Accumulated Funds for Future Major Repairs and**  
**Replacements**

*For the year ended December 31,*

**2021**

Component	Beginning Balance	Additions	Subtractions	Transfers	Ending Balance
<b>Nonpooled items</b>					
Bathroom refurbishing	\$ 5,715	\$ 5,714	\$ -	\$ -	\$ 11,429
Catastrophic landscape replacement	47,141	-	-	-	47,141
Common roof replacement	25,551	1,000	-	-	26,551
Equipment replacement	65,187	7,000	-	-	72,187
Gate entry system	31,647	2,500	5,821	-	28,326
Meadows house refurbishing	8,158	1,000	11,811	33,295	30,642
Painting - multi-family Capri	125,960	14,000	-	-	139,960
Painting - multi-family ST	98,795	8,000	30,078	-	76,717
Playground and bocci	15,105	3,000	-	-	18,105
Pool amenities	5,270	10,000	12,999	-	2,271
Pumps and motors	7,315	15,000	-	-	22,315
Road resurfacing:					
Common	88,026	4,500	-	31,000	123,526
Multi-family Capri	92,992	7,500	-	-	100,492
Multi-family ST	72,226	2,000	-	-	74,226
Single-family	177,926	10,500	4,850	50,000	233,576
Roof replacement - multi-family	15,052	-	-	(15,052)	-
Tennis courts	14,356	10,500	-	-	24,856
Termite treatment - multi-family Capri	18,866	6,115	-	-	24,981
Termite treatment - multi-family ST	15,497	3,885	-	-	19,382
Unallocated interest	33,666	10,399	409	(37,650)	6,006
<b>Total</b>	<b>\$ 964,451</b>	<b>\$ 122,613</b>	<b>\$ 65,968</b>	<b>\$ 61,593</b>	<b>\$ 1,082,689</b>

*December 31,*

2021

Performance obligation liability	\$ 990,516
Replacement fund balance	92,173
<b>Total</b>	<b>\$ 1,082,689</b>

**The Meadows at Martin Downs Homeowners Association, Inc.  
Supplementary Information on Future Major Repairs and Replacements  
(Unaudited)**

The following table is based on the Board's review and presents significant information about the components of common property:

<b>Component</b>	<b>Estimated Remaining Useful Life (Years)</b>	<b>Estimated Replacement Cost</b>	<b>Accumulated Funds at 12/31/21</b>
Building roofs	1 - 12	\$ 134,200	\$ 26,551
Equipment	1 - 4	73,300	72,187
Gate entry system	1 - 5	40,000	28,325
Landscape replacement	N/A	N/A	47,141
Meadows house	N/A	N/A	30,641
Painting - multifamily buildings	1 - 10	424,100	216,677
Playground and bocci	1 - 11	165,244	18,105
Pool amenities	2-13	108,900	2,270
Pool bathroom	N/A	86,515	11,430
Pumps and motors	1 - 13	126,443	22,317
Road resurfacing	1 - 13	1,578,434	531,820
Tennis courts	1 - 11	396,343	24,856
Termite treatment	N/A	N/A	44,363
Unallocated interest	N/A	N/A	6,006
<b>Total</b>		<b>\$ 3,133,479</b>	<b>\$ 1,082,689</b>