

**THE LAKES OF WINDERMERE
COMMUNITY ASSOCIATION, INC.**

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT

For the Year Ended
December 31, 2024

THE LAKES OF WINDERMERE COMMUNITY ASSOCIATION, INC.

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The Board of Directors
The Lakes of Windermere Community Association, Inc.
Orlando, Florida

INDEPENDENT AUDITOR’S REPORT

Opinion

We have audited the accompanying financial statements of The Lakes of Windermere Community Association, Inc. (the “Association”) which comprise the balance sheet as of December 31, 2024, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lakes of Windermere Community Association, Inc. as of December 31, 2024, 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.

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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association 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.

Emphasis of Matter

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

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 conditions or events, considered in the aggregate, that raise substantial doubt about the Association’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the 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 auditor's 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 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 Association'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 Association'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.

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 10 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 the 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.



TONY L. GREGORY, CPA, LLC
Orlando, Florida
March 4, 2025

THE LAKES OF WINDERMERE COMMUNITY ASSOCIATION, INC.

BALANCE SHEET

December 31, 2024

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and cash equivalents	\$ 298,599	\$ 162,696	\$ 461,295
Certificates of deposit	—	757,380	757,380
Assessments receivable	823	—	823
Other receivable	9,490	—	9,490
Prepaid expenses	24,648	—	24,648
Deposits	7,572	—	7,572
	<u>341,132</u>	<u>920,076</u>	<u>1,261,208</u>
Total assets	<u>\$ 341,132</u>	<u>\$ 920,076</u>	<u>\$ 1,261,208</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 12,760	\$ —	\$ 12,760
Prepaid assessments	117,963	—	117,963
Contract liability (unspent reserve assessments)	—	919,512	919,512
	<u>130,723</u>	<u>919,512</u>	<u>1,050,235</u>
Total liabilities	130,723	919,512	1,050,235
FUND BALANCES	<u>210,409</u>	<u>564</u>	<u>210,973</u>
Total liabilities and fund balances	<u>\$ 341,132</u>	<u>\$ 920,076</u>	<u>\$ 1,261,208</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

THE LAKES OF WINDERMERE COMMUNITY ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

For The Year Ended December 31, 2024

	Operating Fund	Replacement Fund	Total
REVENUES			
Member assessments (billed)	\$ 429,888	\$ 115,512	\$ 545,400
plus: constrained assessments recoveries (Note B)	3,588	—	3,588
less: deferred reserve assessments (Note E)	—	(115,512)	(115,512)
Net member assessments recognized	433,476	—	433,476
Interest income	9,130	25,683	34,813
Other income	5,824	—	5,824
	<u>448,430</u>	<u>25,683</u>	<u>474,113</u>
Total revenues			
EXPENSES			
General and administrative	107,166	—	107,166
Grounds maintenance	266,089	—	266,089
Income tax	9,545	—	9,545
Major repairs and replacements	—	31,130	31,130
Pool and cabana expenses	40,122	—	40,122
Recreational expenses	4,085	—	4,085
Utilities	77,066	—	77,066
	<u>504,073</u>	<u>31,130</u>	<u>535,203</u>
Total expenses			
Excess of revenues over (under) expenses	(55,643)	(5,447)	(61,090)
Fund Balances - Beginning of year	<u>266,052</u>	<u>6,011</u>	<u>272,063</u>
Fund Balances - End of year	<u>\$ 210,409</u>	<u>\$ 564</u>	<u>\$ 210,973</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

THE LAKES OF WINDERMERE COMMUNITY ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2024

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from residents	\$ 482,335	\$ 115,513	\$ 597,848
Cash paid to suppliers and employees	(514,608)	(31,130)	(545,738)
Interest income received	9,130	25,683	34,813
Other income received	5,824	—	5,824
	<hr/>	<hr/>	<hr/>
Net cash flows from operating activities	(17,319)	110,066	92,747
	<hr/>	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Redemptions (purchases) of certificates of deposits	—	(757,380)	(757,380)
	<hr/>	<hr/>	<hr/>
Net cash flows from investing activities	—	(757,380)	(757,380)
	<hr/>	<hr/>	<hr/>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(17,319)	(647,314)	(664,633)
	<hr/>	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS - Beginning of year	315,918	810,010	1,125,928
	<hr/>	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS - End of year	\$ 298,599	\$ 162,696	\$ 461,295
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
RECONCILIATION OF EXCESS OF REVENUES OVER (UNDER) EXPENSES TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over (under) expenses	\$ (55,643)	\$ (5,447)	\$ (61,090)
Adjustments to reconcile excess of revenues over (under) expenses to net cash flows from operating activities:			
Change in assessments receivable	3,402	—	3,402
Change in other receivable	3,451	—	3,451
Change in prepaid expenses	(2,607)	—	(2,607)
Change in deposits	(224)	—	(224)
Change in accounts payable and accrued expenses	(7,704)	—	(7,704)
Change in prepaid assessments	42,006	—	42,006
Change in contract liability (unspent reserve assessments)	—	115,513	115,513
	<hr/>	<hr/>	<hr/>
Total adjustments	38,324	115,513	153,837
	<hr/>	<hr/>	<hr/>
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (17,319)	\$ 110,066	\$ 92,747
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

THE LAKES OF WINDERMERE COMMUNITY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE A – NATURE OF OPERATIONS

The Lakes of Windermere Community Association, Inc. (the “Association”), located in Windermere, Florida, was incorporated in December 2001, under the laws of Florida as a not-for-profit corporation. The Association is responsible for the operation and maintenance of the common areas of the Association. The Association’s operations are conducted pursuant to Chapter 720 of the Florida statutes and the provisions of the Declaration of Covenants which were originally filed in Orange County, Florida in December 2001. The community consists of 606 residential lots.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Association prepares its financial statements on the accrual basis of accounting and in accordance with Section 720.303 of the Florida statutes and with the “Real Estate – Common Interest Realty Associations” topic of the Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”).

Date of management’s review

In preparing the financial statements, the Association evaluated events and transactions for potential recognition or disclosure through March 4, 2025, the date that the financial statements were available to be issued.

Fund accounting

The Association’s governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

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

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements (i.e. reserves).

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those used in computing the allowance for credit losses. Actual results could differ from those estimates.

Cash and cash equivalents

The Association considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents which, at times, may exceed federally insured limits.

Certificates of deposit

The Association invests excess cash in a certificates of deposit. The certificates bear interest of 4.40% and have twelve month maturities, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material impact on the financial statements.

Other receivable

During 2022 the Association entered into a settlement agreement with a resident in connection with a foreclosure lawsuit and countersuit. The agreement requires the homeowner to pay the Association a total of \$17,255 in sixty equal monthly payments of \$288 beginning in September 2022 through August 2027.

Interest income

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

THE LAKES OF WINDERMERE COMMUNITY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

The Association follows prevalent industry practice in accounting for the common property of the Association. Property that is not directly associated with the units is capitalized only if the Association has title or other evidence of ownership of the property and the Association can either dispose of the property at the discretion of the Board of Directors or the property is used by the Association to generate significant cash flows from members on the basis of usage or from nonmembers. As a result, commonly owned assets are not recorded on the Association's financial statements. Assets not recorded on the books of the Association include buildings, walkways and other common elements.

Prepaid assessments

Prepaid assessments represent future assessments paid in advance by homeowners.

Contract liability (unspent reserve assessments)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (unspent reserve assessments) is recorded when the Association has received but not yet spent reserve assessments for their intended purpose.

Fair value of financial instruments

The carrying value of all assets and liabilities that represent financial instruments approximate fair value due to the short maturity of these financial instruments.

Income taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. The Association has elected to be taxed as a homeowners' association under Section 528 of the Internal Revenue Code. This section provides that the Association will be taxed only on nonexempt income as defined under Section 528. Net nonexempt income, which includes interest earned and revenues received from nonmembers, is taxed at 30% by the federal government. The Association incurred \$9,545 of income tax expense for the year ended December 31, 2024.

Financial Accounting Standards Board ASC 740, "Income Taxes" ("FASB ASC 740") provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FASB ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Association's financial statements to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions with respect to tax at the Association level not deemed to meet the "more-likely-than-not" threshold would be recorded as a tax benefit or expense in the current year.

As of December 31, 2024, the Association had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Additionally, the Association had no interest and penalties related to income taxes.

Revenue recognition

The Financial Accounting Standards Board ("FASB") has issued and amended Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* in the Accounting Standards Codification Topic 606 (collectively, "ASC 606"). ASC 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 the Association expects to be entitled in exchange for those goods or services.

The following describes the Association's principal activities which generate revenue and their respective treatment under ASC 606:

Assessments

Association members are subject to 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. Any excess assessments at year-end are retained by the Association for use in future years. The income and expenses of the Association are allocated pro-rata based on the total number of units.

THE LAKES OF WINDERMERE COMMUNITY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Association's performance obligation related to its operating fund assessments is the maintenance and management of the common property of the Association and is satisfied over time on a daily pro-rata basis using the input method.

The Association's performance obligation related to its replacement fund assessments is satisfied when these funds are expended for their designated purpose. The Association recognizes revenue from replacement fund assessments when or as the related expenditures are made (i.e. at a point of time). Unspent replacement fund assessments are presented as a contract liability (unspent reserve assessments) in the accompanying balance sheet.

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.

For the year ended December 31, 2024, the Association had constrained assessment recoveries of \$3,588.

Ancillary operations

Ancillary operations include activities other than the ordinary maintenance, security, governance, and administrative activities common to most associations. Examples of ancillary operations include, but are not limited to: late fees, other income, interest, etc.

The Association recognizes revenues from these ancillary operations as the Association's performance obligations for those services are satisfied. Generally that occurs at a point in time when the goods or services are provided.

NOTE C – ASSESSMENTS RECEIVABLE

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are thirty days or more delinquent. The balances of assessments receivable as of the beginning and end of the year are \$4,225 and \$823 net of an allowance for credit losses of \$7,034 and \$3,350, respectively.

NOTE D – COMMITMENTS AND CONTINGENCIES

The Association has various agreements for the maintenance of the common property and for other services, including management services. Generally, the agreements may be cancelled by either party with 30 to 60 days advance written notice.

The Association maintains insurance coverage for damage to its common property. The Association's insurance policies contain various deductibles toward the total limit of insurance applicable to the items that sustain loss or damage. The Association has not set aside funds to cover the deductibles. If such funds are needed, the Association has the right to increase regular assessments, pass special assessments, delay repairs or obtain financing. In addition, certain other expenses may be incurred by the Association in the event of a windstorm, the ultimate extent of any such loss in excess of the deductibles cannot be determined.

NOTE E – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and applicable Florida Statutes provide certain guidelines for funds to be accumulated for future major repairs and replacements. Accumulated funds are held in separate bank accounts and generally are not available for operating purposes.

The funding program is based on a reserve study performed by an independent engineer in March 2022 to determine the remaining useful lives of the components of common property and future estimates of costs of major repairs and replacements that may be required in the future.

THE LAKES OF WINDERMERE COMMUNITY ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE E – FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

The Association is currently fully funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures may vary from the estimated amounts 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 following table presents changes in the replacement fund:

	Balance 12/31/2023	Assessments	Interest	Expenses	Balance 12/31/2024
<u>Contract liability:</u>					
Roofs	\$ 21,075	\$ 2,898	\$ —	\$ —	\$ 23,973
Tennis courts	36,752	351	—	—	37,103
Painting	14,703	—	—	—	14,703
Pool resurfacing	22,244	9,835	—	—	32,079
Pool deck	33,116	6,371	—	—	39,487
Pool furniture	11,703	2,390	—	—	14,093
Pool equipment	22,064	—	—	—	22,064
Pool fence	54,782	—	—	—	54,782
Fountain	41,566	25,224	—	—	66,790
Irrigation	75,789	—	—	—	75,789
Property site elements	284,639	30,521	—	—	315,160
Paving - alleys	19,868	9,553	—	—	29,421
Seal coating - alleys	21,122	—	—	—	21,122
Sport court	5,868	—	—	—	5,868
Playground fence	2,910	—	—	—	2,910
Catch basin - alleys	13,334	—	—	—	13,334
Concrete curbs	15,287	—	—	—	15,287
Concrete sidewalks	1,968	—	—	—	1,968
Signage	9,336	—	—	—	9,336
Site furniture	6,328	—	—	—	6,328
Putting green	2,270	—	—	—	2,270
Unrestricted deferred maintenance	87,276	28,369	—	—	115,645
Total contract liability	804,000	115,512	—	—	919,512
<u>Fund balance:</u>					
Unspent interest	6,011	—	25,683	(31,130)	564
Totals	\$ 810,011	\$ 115,512	\$ 25,683	\$ (31,130)	\$ 920,076

Pursuant to ASC 606, the total replacement fund balance of \$920,076 is classified in the balance sheet as a contract liability in the amount of \$919,512 and fund balance of \$564. The contract liability portion represents unspent assessments that will be recognized as revenues when the funds are expended for their intended purposes. The fund balance portion, if any, represents unspent interest that is not subject to the deferral provisions of ASC 606. For the year ended December 31, 2024, the Association deferred reserve assessments of \$115,512 as contract liability until such funds are expended for their intended purpose.

SUPPLEMENTARY INFORMATION

THE LAKES OF WINDERMERE COMMUNITY ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
 (UNAUDITED)
 December 31, 2024

The Association's board of directors obtained a full reserve study in March 2022 to estimate the remaining useful lives and the replacement costs of the components of common property. These estimates were obtained from a licensed reserve study specialist who inspected the property. Replacement costs were based on the current estimated costs to repair or replace the common property components at the date of the study using the cash flow (pooled) method. Estimated costs have not been revised since the date of the study. Funding recommendations do not take into account annual projected interest and anticipated inflation between the date of the study and the date the components will require repair or replacement. As a result, it is recommended that the reserve study be updated on a regular basis.

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

Component	Estimated Remaining Life (Years)	Estimated Current Replacement Cost
Fountain	0 - 6	\$ 72,550
Irrigation	0	28,000
Painting	0	14,750
Paving alleys	17	192,650
Pool deck	0 - 9	57,150
Pool equipment	0	10,000
Pool fence	30	17,000
Pool furniture	3	21,350
Pool resurfacing	3	61,750
Property site elements	6 - 16	478,750
Roofs	8 - 23	65,600
Seal coating alleys	0	19,100
Tennis courts	0 - 9	38,350
Sport court	13	12,200
Playground fence	4 - 14	39,500
Catch basin - alleys	0	6,250
Concrete curbs	0	6,250
Concrete sidewalks	0	6,250
Signage	12	110,000
Site furniture	0	5,550
Unrestricted - deferred maintenance	3- 19	257,300
Totals		<u>\$ 1,520,300</u>