

**HAILE VILLAGE CENTER OWNERS
ASSOCIATION, INC.**

**AUDITED FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION**

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

REDDISH & WHITE
CERTIFIED PUBLIC ACCOUNTANTS

HAILE VILLAGE CENTER OWNERS ASSOCIATION, INC.

December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of
Haile Village Center Owners Association, Inc.

Opinion

We have audited the accompanying financial statements of Haile Village Center Owners Association, Inc. (the Association), which comprise the balance sheet as of December 31, 2022, and the related statements of revenues, 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 Association as of December 31, 2022, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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, 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the future major repairs and replacements on page 12 be presented to supplement the basic financial statements. Such information is the responsibilities 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.

Riddish & White, CPAs

Starke, Florida
August 8, 2023

Haile Village Center Owners Association, Inc.

Balance Sheet

As of December 31, 2022

	Center Operating Fund	Center Replacement Fund	Townhomes Operating Fund	Townhomes Replacement Fund	Total Operating Fund	Total Replacement Total	Total
ASSETS							
Cash and Cash Equivalents	\$91,043	\$197,780	\$53,113	\$165,488	\$144,156	\$363,268	\$507,424
Assessments Receivable, Net	17,514	0	0	0	17,514	0	17,514
Due from Operating Fund	0	35,000	0	0	0	35,000	35,000
Prepaid Expenses	23,500	0	0	0	23,500	0	23,500
Property, Net	135,234	0	0	0	135,234	0	135,234
Total Assets	\$267,291	\$232,780	\$53,113	\$165,488	\$320,404	\$398,268	\$718,672
LIABILITIES AND FUND BALANCES							
Accounts payable	\$8,691	\$0	\$0	\$0	\$8,691	\$0	\$8,691
Assessments received in Advance - Operating Fund	18,578	0	0	0	18,578	0	18,578
Due to Reserve Fund	35,000	0	0	0	35,000	0	35,000
Note Payable	56,155	0	0	0	56,155	0	56,155
Contract Liabilities (Assessments Received in Adv - Replacement fund)	0	232,780	0	165,488	0	398,268	398,268
Total Liabilities	118,424	232,780	0	165,488	118,424	398,268	516,692
Fund Balance	148,867	0	53,113	0	201,980	0	201,980
Total Liabilities and Fund Balance	\$267,291	\$232,780	\$53,113	\$165,488	\$320,404	\$398,268	\$718,672

See the accompanying notes to the financial statements.

Haile Village Center Owners Association, Inc.

Statement of Revenues, Expenses, and Changes in Fund Balances
For the Year Ended December 31, 2022

	Center Operating Fund	Center Replacement Fund	Townhomes Operating Fund	Townhomes Replacement Fund	Total Operating Fund	Total Replacement Total	Total
REVENUES							
Regular Assessments	\$928,718	\$0	\$34,606	\$0	\$963,324	\$0	\$963,324
Other Income	12,130	0	14	0	12,144	0	12,144
Total Revenues	940,848	0	34,620	0	975,468	0	975,468
EXPENSES							
Professional Fees	12,537	0	0	0	12,537	0	12,537
Administrative Expense	2,703	0	155	0	2,858	0	2,858
Office Supplies and Expense	5,178	0	0	0	5,178	0	5,178
Insurance	95,317	0	0	0	95,317	0	95,317
Management Fees	47,814	0	2,268	0	50,082	0	50,082
Management Payroll	58,736	0	5,597	0	64,333	0	64,333
Activity Expense	16,552	0	0	0	16,552	0	16,552
Bad Debt Expense	1,018	0	0	0	1,018	0	1,018
Depreciation Expense	4,304	0	0	0	4,304	0	4,304
Interest Expense	4,066	0	0	0	4,066	0	4,066
Landscaping Expense	175,271	0	0	0	175,271	0	175,271
Repairs and Maintenance	156,228	0	15,177	0	171,405	0	171,405
Maintenance Staff	122,045	0	0	0	122,045	0	122,045
Tree and Infrastructure Mitigation	5,000	0	0	0	5,000	0	5,000
Association Unit Owned Expense	9,316	0	0	0	9,316	0	9,316
Utilities	141,716	0	0	0	141,716	0	141,716
Total Expenses	857,801	0	23,197	0	880,998	0	880,998
Excess (Deficiency) of Revenues over Expenses	83,047	0	11,423	0	94,470	0	94,470
Fund Balance, Beginning of Year	65,820	0	41,690	0	107,510	0	107,510
Fund Balance, End of Year	\$148,867	\$0	\$53,113	\$0	\$201,980	\$0	\$201,980

See the accompanying notes to the financial statements.

Haile Village Center Owners Association, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2022

	Center Operating Fund	Center Replacement Fund	Townhomes Operating Fund	Townhomes Replacement Fund	Total Operating Fund	Total Replacement Total	Total
Cash Flows from Operating Activities							
Excess (Deficiency) of Revenues over Expenses	\$83,047	\$0	\$11,423	\$0	\$94,470	\$0	\$94,470
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided by (Used) by Operating Activities							
Depreciation Expense	4,306	0	0	0	4,306	0	4,306
(Increase) Decrease in Current Assets:							
Assessments Receivable	(14,274)	0	0	0	(14,274)	0	(14,274)
Prepaid and Other Assets	(7,900)	0	0	0	(7,900)	0	(7,900)
Increase (Decrease) in Current Liabilities:							
Accounts Payable	1,051	0	(1,020)	0	31	0	31
Prepaid Assessments	(38,982)	0	0	0	(38,982)	0	(38,982)
Due to Replacement Fund	(40,000)	40,000	0	0	(40,000)	40,000	0
Contract Liabilities (Assessments Received in Advance - Replacement Fund)	0	32,320	0	59,478	0	91,798	91,798
Net Cash Provided (Used) By Operating Activities	(12,752)	72,320	10,403	59,478	(2,349)	131,798	129,449
Cash Flows from Financing Activities							
Principal Payments on Notes Payable	(10,375)	0	0	0	(10,375)	0	(10,375)
Net Cash Provided (Used) By Financing Activities	(10,375)	0	0	0	(10,375)	0	(10,375)
Net Increase (Decrease) in Cash and Cash Equivalents	(23,127)	72,320	10,403	59,478	(12,724)	131,798	119,074
Cash and Cash Equivalents, Beginning of Year	114,170	125,460	42,710	106,010	156,880	231,470	388,350
Cash and Cash Equivalents, End of Year	\$91,043	\$197,780	\$53,113	\$165,488	\$144,156	\$363,268	\$507,424
Cash paid for interest Expense	\$4,068	\$0	\$0	\$0	\$4,068	\$0	\$4,068

See the accompanying notes to the financial statements.

Haile Village Center Owners Association, Inc.

Notes to the Financial Statements
For the Year Ended December 31, 2022

NOTE 1 - NATURE OF ORGANIZATION

Haile Village Center Owners Association, Inc. (the Association) was incorporated as a not-for-profit organization on January 28, 1993, in the State of Florida. The Association consists of residential and commercial lots located in Gainesville, Florida. The Association is responsible for the operation and maintenance of the common property within the development.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. This fund also includes an amount designated for emergency purposes.

Replacement Fund—This fund is used to accumulate financial resources designated for future major repairs and replacements. Disbursements from the replacement fund may only be utilized in accordance with the established purposes for accumulation.

Property, Common Areas, and Equipment

Each unit owner owns an undivided share in the real property and common elements of the Association. Accordingly, real property and common property including buildings, parking lots, sidewalks, swimming pool, and building roofs, are not recognized as assets in the accompanying financial statements (with the exception of one commercial unit acquired by the Association in 2008, see note 6 that follows).

Estimates

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, and future major repairs and replacements. Assessment charges are divided among the individual units based on their relative size and type. For the year ended December 31, 2022, the average monthly assessments by lot type is as follows:

Haile Village Center residential lots	\$198
Haile Village Center commercial lots	327
Haile Village Center vacant lots	121
Haile Village Center Townhomes lots	245

The Association is dependent upon the receipt of members' monthly assessments for operating and reserve expenditures. The income and expenses of the Association are allocated to the unit owners equally based on the number of units. Assessments receivable at the balance sheet date represent fees due from unit owners. Assessments received in advance at the balance sheet date represent operating fees paid in advance by unit owners.

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. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The balances of assessments receivable as of the beginning and end of the year are \$3,240 and \$17,514, respectively. As of December 31, 2022, the allowance for doubtful accounts was \$133.

The Association's policy is to assess a \$25 late fee after the fifteenth day of the month for any balances exceeding \$50. After the fifteenth day a late statement is sent to the property owner. Interest shall accrue at a rate of 1.5% per month after thirty days on all past due balances. Thirty days after the late notice is sent, an intent to lien notice is sent. The Association's collection policy provides for various collection remedies for delinquent assessments including the filing of liens, foreclosing on the unit owner and obtaining judgment on other assets of the unit owner whose assessments are 90 days or more delinquent.

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 experiences and susceptibility to factors outside the Association's control.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract Liabilities (Assessments received in advance – replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance – replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement fund assessments. The balances of contract liabilities (assessments received in advance – replacement fund) as of the beginning and end of the year are \$306,470 and \$398,268, respectively.

Income Taxes

The Association may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, 2022, Association is taxed as a homeowners' association and filed Form 1120-H, Income Tax Return for Homeowners Associations in the U.S. federal jurisdiction.

Consequently, membership income is exempt from taxation if certain elections are made. The Association is taxed only on its non-membership income, such as interest earnings from bank and investment accounts and non-membership income offset by any related deductions. The net income from unrelated membership income is taxed at a 30% rate. For the year ended December 31, 2022, the Association incurred no income tax expense. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by federal taxing authorities for years before 2020.

The Association has reviewed and evaluated the relevant tax merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Association.

Subsequent Events

The Association has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through August 8, 2023, the date the financial statements were available to be issued. No subsequent events have been disclosed.

NOTE 3 – CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Association considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

NOTE 4 – CONCENTRATIONS OF CREDIT RISK

As of December 31, 2022, the Association has demand deposits in local banks for operations and reserves with a total bank balance of \$600,711. The Association has no policy requiring collateral or other security to support its deposits, although all demand deposits with banks are federally insured up to FDIC limits. As of December 31, 2022, the balance in one financial institution exceeded the FDIC limit by \$350,711.

NOTE 5 – MAJOR REPAIRS AND REPLACEMENTS RESERVES

Florida Statutes require the Association to accumulate funds for future major repairs and replacements. Accumulated funds, which total \$398,268 as of December 31, 2022, are held in separate accounts and are generally not available for operating purposes. The association levied additional assessments of approximately \$91,225 for the year ended December 31, 2022.

The Board of Directors adopted a reserve study based on a special one-time Finance Committee recommendation. The Committee proposed the deferral of five of the eight study elements given their order of magnitude, the time frame in the future when they might be funded, and the immediate and substantial increase in the reserve account that would be required.

During 2021, the board of directors authorized the transfer of \$55,600 from the Townhomes – painting component to the Townhomes – roofing component to complete the Townhomes roofing project. Beginning in January 2021, the Townhomes – pooled component reimbursed the Townhomes – painting component \$1,540 per month, and will continue the reimbursement payment for an additional twenty-four months.

The Association is using the pooling method to accumulate funds for future major repairs and replacements. Funding for major repairs and replacements is based on the Committee's recommendation, therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 6 – PROPERTY

During the year ended December 31, 2008, the Association acquired a commercial unit located within the Association. Since the Association has an undivided interest in this unit, and therefore, the disposition of the unit is not restricted, the unit is recognized in the accompanying financial statements. As of December 31, 2022, the property is as follows:

Land	\$27,980
Building	<u>167,860</u>
Total	195,840
Less Accumulated Depreciation	<u>(60,606)</u>
Property, Net	<u>\$135,234</u>

NOTE 6 – PROPERTY (concluded)

The building is depreciated over the estimated useful life of the property, thirty-nine (39) years, using the straight-line method of depreciation. Maintenance and repairs are expensed as incurred.

NOTE 7 – LONG-TERM DEBT

During the year ended December 31, 2008, the Association obtained a \$156,670 loan with a local financial institution to assist in the acquisition of the property referred to in note 6. The loan is payable in monthly installments of \$1,204, including interest at 5% per annum. The loan is secured by the real property acquired with an original cost of \$195,840. As of December 31, 2022, the balance is \$56,155. The final payment is due in December, 2028, however, the Association has been making extra payments and anticipates an earlier final payment date.

As of December 31, 2022, maturities of the debt for the next 5 years and thereafter are as follows:

2023	\$11,927
2024	12,519
2025	13,159
2026	13,833
2027	<u>4,717</u>
Total	<u>\$56,155</u>

NOTE 8 – CONTINGENCIES

During the course of its operations, the Association is subject to various claims, torts, and other similar actions. Management reviews the validity of such actions and acts accordingly. Management does not believe the outcome of any current actions will result in a material loss to the Association.

Haile Village Center Owners Association, Inc.

Supplemental Information of Future Major Repairs and Replacements
As of December 31, 2022

Florida Statutes require the Association to accumulate funds for future major repairs and replacements. The Board of Directors is collecting funds for future repairs and replacements in conformity with the Association's policy to fund for those needs based on a reserve study conducted in 2018. A special one-time finance committee was established to review the reserve study and its findings and replacement projections. The Committee's recommendations included the deferral of funding several components at this time due to large replacement cost estimates, the impact on the existing assessment rate, and the time frame remaining before the replacement is due. Replacement costs were based on the estimated costs to repair or replace the common property components. Estimated current replacement costs have not been revised since the study was completed on July 11, 2019. Inflation has not been factored into the Association estimates' but it was included in the Townhome estimates at 2.5% per year. Interest income is allocated to the replacement fund components based on the discretion of the board of directors.

The following table presents significant information concerning the replacement fund as required by accounting principles generally accepted in the United States of America:

Components	Estimated Useful Life (in years)	Estimated Remaining Useful Life (in years)	Estimated Current Replacement Cost	CY 2022 Budgeted Funding	Replacement Fund Dec. 31, 2022
Haile Village Center					
Included in reserve funding:					
Paver Roads & Parking		3	\$24,800	\$0	\$0
Concrete & Paver Walkways		3	165,600	0	0
Storm Water Drainage		17	92,100	0	0
Deferred:					
Asphalt paver streets & parking areas		0	108,700	0	0
Concrete repair		4	28,300	0	0
Asphalt paved streets 4 cycles begins 2029 @ \$184,445 per cycle		7	737,800	0	0
Entry sign replacement		11	58,200	0	0
Street light replacement		27	509,200	0	0
General Reserves			0	32,000	232,780
			<u>1,724,700</u>	<u>32,000</u>	<u>232,780</u>
Haile Village Townhomes					
Pooled		1 - 28	226,100	40,695	87,769
Painting		0	82,800	18,530	61,803
Roofing		26 - 28	274,000	0	516
General		0	0	0	15,400
			<u>582,900</u>	<u>59,225</u>	<u>165,488</u>
			<u>\$2,307,600</u>	<u>\$91,225</u>	<u>\$398,268</u>

The following table presents significant information concerning the replacement fund as required by Rule 61B-22.006(3), Florida Administrative Code:

	Replacement Fund Jan. 1, 2022	Additions	Reserve Expenditures	Interest Income	Equity Transfer Between Components	Replacement Fund Dec. 31, 2022
Haile Village Center						
General	\$200,460	\$32,000	\$0	\$320	\$0	\$232,780
Haile Village Townhomes						
Pooled	65,590	40,695	0	24	(18,540)	87,769
Painting	24,570	18,530	0	163	18,540	61,803
Roofing	450	0	0	66	0	516
General	15,400	0	0	0	0	15,400
	<u>106,010</u>	<u>59,225</u>	<u>0</u>	<u>253</u>	<u>0</u>	<u>165,488</u>
	<u>\$306,470</u>	<u>\$91,225</u>	<u>\$0</u>	<u>\$573</u>	<u>\$0</u>	<u>\$398,268</u>

See the accompanying notes to financial statements.