

**INDIGO EAST NEIGHBORHOOD
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2020

**INDIGO EAST NEIGHBORHOOD ASSOCIATION, INC.
FINANCIAL STATEMENTS**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
BALANCE SHEET	3
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCE	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6 - 9

Independent Auditor's Report

To the Board of Directors
Indigo East Neighborhood
Association, Inc.
Ocala, Florida

We have audited the accompanying financial statements of Indigo East Neighborhood Association, Inc. (the Association), which comprise the balance sheet as of December 31, 2020, and the related statements of revenues and 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 Indigo East Neighborhood Association, Inc. as of December 31, 2020, 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.

*Christopher, Smith, Leonard,
Bristow + Stanell, P.A.*

**CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.**

March 18, 2021
Bradenton, Florida

INDIGO EAST NEIGHBORHOOD ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 155,780
Prepaid expenses	<u>5,202</u>

TOTAL ASSETS	<u><u>\$ 160,982</u></u>
---------------------	---------------------------------

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES

Accounts payable	\$ 12,542
Due to developer	91,503
Due to management company	<u>56,937</u>

TOTAL LIABILITIES	160,982
--------------------------	---------

FUND BALANCE

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 160,982</u></u>
---	---------------------------------

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

**INDIGO EAST NEIGHBORHOOD ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2020**

REVENUES	
Community service fees	\$ 1,121,274
Working capital assessment	14,573
Interest income	489
TOTAL REVENUES	1,136,336
 EXPENSES	
Gate operations	3,815
Management services agreement	539,652
Master Association fees	302,799
Insurance	3,350
Grounds maintenance	113,902
Utilities	64,804
General and administrative	1,904
Professional fees	93,366
ACH rebates	12,744
TOTAL EXPENSES	1,136,336
EXCESS OF REVENUES OVER EXPENSES	-
FUND BALANCE, Beginning of year	-
FUND BALANCE, End of year	\$ -

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

**INDIGO EAST NEIGHBORHOOD ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from members	\$ 1,135,847
Cash received from developer	63,403
Interest received	489
Cash paid for operating activities and management company	<u>(1,142,458)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>57,281</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	57,281
CASH AND CASH EQUIVALENTS – Beginning of year	<u>98,499</u>
CASH AND CASH EQUIVALENTS – End of year	<u><u>\$ 155,780</u></u>
RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH USED BY OPERATING ACTIVITIES:	
EXCESS OF REVENUES OVER EXPENSES	\$ -
Adjustments to reconcile excess of revenues over expenses to net cash used by operating activities:	
Changes in operating assets and liabilities:	
(Increase) decrease in prepaid expenses	(491)
Increase (decrease) in due to developer	63,403
Increase (decrease) in due to management company	(1,913)
Increase (decrease) in accounts payable	<u>(3,718)</u>
Net cash used by operating activities	<u><u>\$ 57,281</u></u>

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

INDIGO EAST NEIGHBORHOOD ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION

Indigo East Neighborhood Association, Inc., (the Association), was incorporated on May 20, 2004 as a not-for-profit corporation in the State of Florida for the purpose of carrying out the duties and exercising the powers imposed or conferred upon the Association pursuant to the Declaration of Covenants, Conditions and Restrictions. The Association is a homeowners association under Chapter 720, Florida Statutes. At December 31, 2020, the development consisted of 585 residential units located in Ocala, Florida. On Top of the World Communities, LLC is the developer of the Indigo East neighborhood.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association prepares its financial statements on the accrual basis of accounting. The Association maintains its accounts using fund accounting. The Association currently utilizes an Operating Fund.

Future Major Repairs and Replacements

The Association has not estimated the remaining useful lives and replacement costs of the structures and/or their components.

THE BUDGET OF THE ASSOCIATION DOES NOT PROVIDE FOR RESERVE ACCOUNTS FOR CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE THAT MAY RESULT IN SPECIAL ASSESSMENTS. OWNERS MAY ELECT TO PROVIDE FOR RESERVE ACCOUNTS PURSUANT TO THE PROVISIONS OF SECTION 720.303(6), FLORIDA STATUTES, UPON OBTAINING THE APPROVAL OF A MAJORITY OF THE TOTAL VOTING INTERESTS OF THE ASSOCIATION BY VOTE OF THE MEMBERS AT A MEETING OR BY WRITTEN CONSENT.

Member Assessments and Revenue Recognition

Association members are subject to monthly assessments, referred to as community service fees (CSF), to provide for the common expenses and operation of the Association. Assessments are determined annually by the Board and approved in the annual operating budget. Assessments are charged to members on a per unit basis. Member assessments are collected in the month the assessment is due.

Pursuant to the Declaration of Covenants, Conditions and Restrictions of the Association, assessments are allocated to members based on the members' share of the total annual requirement. The Association's policy is to place liens on the properties of members whose assessments are two months delinquent. There was no material amount of accounts receivable at December 31, 2020, for member assessments.

Association members are also subject to a monthly assessment for operation of Circle Square Ranch Master Association, Inc. (Master Association). Assessments are determined annually by the Master Association's Board and approved in its annual operating budget. Assessments are charged to members on a per unit basis, are

INDIGO EAST NEIGHBORHOOD ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Member Assessments–continued

recognized in the period to which they apply, and are included in the line community service fees in the statement of revenues and expenses and changes in fund balance. The Association collects the fees and remits to the Master Association. The total collected and remitted in 2020 was \$302,799.

Member assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligation related to its operating assessments (CSF) is satisfied over time on a daily pro-rata basis using the input method. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners.

Assessments received in advance of the period to which they apply are recorded as assessments received in advance. At December 31, 2019 and 2020, there were no material assessments received in advance.

Special Assessments

The Board may levy additional, special assessments as needed for special projects not included in the budget. Special assessments revenue is recognized in the period that the expense for which it was levied is incurred and the performance obligation is satisfied. There were no special assessments in 2020.

Working Capital Assessment

Association:

Pursuant to the Declaration of Covenants, Conditions, and Restrictions, the Association shall be paid a one-time only contribution to working capital equal to two twelfths of the annual assessment rate applicable to each residential unit. The contribution is due at the earlier of the time of closing or upon occupancy.

Master:

Pursuant to the Declaration of Covenants, Conditions, and Restrictions, the Association shall collect and remit to Circle Square Ranch Master Association, a one time working capital contribution equal to two twelfths of the annual assessments due the Master Association.

Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2020, the Association elected to be taxed as a homeowners' association and has elected to file Form 1120H. As a homeowners' association, membership income is exempt from taxation. Interest income is non-membership income and is subject to income taxes, as applicable. At December 31, 2020, there were no material amounts of income taxes payable. The Association has no ongoing federal, state or local audits; however, the Association's past three tax years remain open to inspection by the Internal Revenue Service.

Common Property

The Association has no common properties. The amenities and roadways are owned by separate entities.

INDIGO EAST NEIGHBORHOOD ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 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.

Cash and Cash Equivalents

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

Concentrations of Credit Risk

The Association maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Association has not experienced any losses in the past related to bank deposits in excess of insured limits. The Association believes that it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE C – RELATED PARTIES

The Association has contracted with Parkway Maintenance & Management, LLC, (Parkway), to perform management and maintenance services, as well as provide for the use of amenities. A member of the Association's Board of Directors has an ownership interest in Parkway. In addition, certain members of the Association's Board of Directors are officers of Parkway. The amenities provided are also owned by a related party. During the year ended December 31, 2020, Parkway provided management services in the amount of \$539,652 to the Association. At December 31, 2020, \$56,937 is due to Parkway.

NOTE D – DEVELOPER GUARANTEE

During 2020, the Developer guaranteed the excess of operating expenses over assessments and other income. In accordance with the Declaration of Covenants, Conditions and Restrictions for the Association: Until not later than when the Developer is no longer entitled to appoint a majority of the members of the Board of the Association, the Developer may pay the operating expenses incurred by the Association in excess of the assessments receivable from other owners and other income of the Association. So long as the Developer pays the shortfall described in the preceding sentence, the Developer shall be exempt from payment of assessments with respect to residential units in the Association owned by the Developer.

INDIGO EAST NEIGHBORHOOD ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D – DEVELOPER GUARANTEE – CONTINUED

The Developer may at any time deliver written notice to the Association of its election to stop paying the operating deficits of the Association. Following the termination or expiration of the Developer's shortfall payments, the Developer shall commence paying in accordance with the Declaration the applicable per residential unit assessments for each assessable residential unit then owned by the Developer prorated for the year in which such payment commences. During 2020, 90% of all residential units to be administered by the Association had been sold by the developer and the Association transitioned to member control.

The Association's income from members was \$1,121,274 related to community service fees, \$14,573 in working capital assessments, and \$489 in interest income, for a total of \$1,136,336. Total expenses of the Association were \$1,136,336. As a result, there were no Developer contributions in 2020. The amount due to the Developer at December 31, 2020 was \$91,503, which primarily includes amounts due to the Developer from previous years.

NOTE E – CONTINGENCY

Management of the Association is evaluating the risks associated with the COVID-19 pandemic. Management of the Association is in the process of implementing risk mitigation as to the risk of impact, if any, of COVID-19 related to all aspects of the Association's business transactions with members and vendors and human interaction within and outside of the Association. However, the Association cannot at this time, make a determination on the ultimate impacts of the COVID-19 pandemic.

NOTE F – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through March 18, 2021 which is the date the financial statements were available to be issued.