

REEVES HOUSE OWNERS ASSOCIATION, INC.

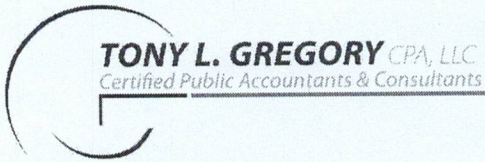
**FINANCIAL STATEMENTS
WITH INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

For The Year Ended
December 31, 2023

REEVES HOUSE OWNERS ASSOCIATION, INC.

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1969 S. Alafaya Trail, # 147
Orlando, Florida 32828

T: 407.658.6607
F: 866.285.9167

tony@tonygregorycpa.com
www.tonygregorycpa.com

The Board of Directors
Reeves House Owners Association, Inc.
Orlando, Florida

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Management is responsible for the accompanying financial statements of Reeves House Owners Association, Inc. (the "Association"), which comprise the balance sheet as of December 31, 2023, 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 accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements of common property on page 9 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

TONY L. GREGORY, CPA, LLC
Orlando, Florida
March 16, 2024

REEVES HOUSE OWNERS ASSOCIATION, INC.

BALANCE SHEET

December 31, 2023

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 35,786	\$ 602,510	\$ 638,296
Interfund balance	<u>(22,007)</u>	<u>22,007</u>	<u>—</u>
Total assets	<u>\$ 13,779</u>	<u>\$ 624,517</u>	<u>\$ 638,296</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 2,435	\$ —	\$ 2,435
Security deposit payable	2,600	—	2,600
Contract liability (unspent reserve assessments)	<u>—</u>	<u>624,517</u>	<u>624,517</u>
Total liabilities	5,035	624,517	629,552
FUND BALANCES	<u>8,744</u>	<u>—</u>	<u>8,744</u>
Total liabilities and fund balances	<u>\$ 13,779</u>	<u>\$ 624,517</u>	<u>\$ 638,296</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

REEVES HOUSE OWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
For The Year Ended December 31, 2023

	Operating Fund	Replacement Fund	Total
REVENUES			
Member assessments (billed)	\$ 216,709	\$ 36,600	\$ 253,309
less: deferred reserve assessments (See Note C)	—	(2,731)	(2,731)
Net member assessments (recognized)	216,709	33,869	250,578
Rental unit income	11,950	—	11,950
Other income	3,840	—	3,840
Interest income	4	5,830	5,834
 Total revenues	 232,503	 39,699	 272,202
EXPENSES			
Building maintenance	85,424	—	85,424
General and administrative	21,885	—	21,885
Grounds maintenance	10,467	—	10,467
Income taxes	2,435	—	2,435
Insurance	77,862	—	77,862
Major repairs and replacements	—	40,175	40,175
Management fees	10,400	—	10,400
Professional fees	3,730	—	3,730
Recreation	13,452	—	13,452
Repairs and maintenance	26,101	—	26,101
Utilities	35,261	—	35,261
 Total expenses	 287,017	 40,175	 327,192
 Excess of revenues over (under) expenses	 (54,514)	 (476)	 (54,990)
 Fund Balance - Beginning of year	 58,771	 476	 59,247
 Prior period adjustment	 4,487	 —	 4,487
 Fund Balance - End of year	 <u>\$ 8,744</u>	 <u>\$ —</u>	 <u>\$ 4,257</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

REEVES HOUSE OWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2023

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from residents	\$ 240,299	\$ 36,601	\$ 276,900
Cash paid to suppliers and employees	(282,451)	(40,175)	(322,626)
Other income received	3,840	—	3,840
Interest income received	4	5,830	5,834
Income taxes paid	(3,955)	—	(3,955)
	<u>(42,263)</u>	<u>2,256</u>	<u>(40,007)</u>
Net cash flows from operating activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in interfund balance	<u>22,007</u>	<u>(22,007)</u>	<u>—</u>
Net cash flows from financing activities	<u>22,007</u>	<u>(22,007)</u>	<u>—</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(20,256)	(19,751)	(40,007)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>56,042</u>	<u>622,261</u>	<u>678,303</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 35,786</u>	<u>\$ 602,510</u>	<u>\$ 638,296</u>
RECONCILIATION OF EXCESS OF REVENUES OVER (UNDER) EXPENSES TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over (under) expenses	\$ (54,514)	\$ (476)	\$ (54,990)
Adjustments to reconcile excess of revenues over (under) expenses to net cash flows from operating activities:			
Prior equity adjustment	4,487	—	4,487
Change in assessments receivable	11,640	—	11,640
Change in accounts payable and accrued expenses	(3,876)	—	(3,876)
Change in contract liability (unspent reserve assessments)	—	2,732	2,732
	<u>12,251</u>	<u>2,732</u>	<u>14,983</u>
Total adjustments			
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (42,263)</u>	<u>\$ 2,256</u>	<u>\$ (40,007)</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

REEVES HOUSE OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE A – NATURE OF OPERATIONS

The Reeves House Owners Association, Inc. (the “Association”), located in Orlando, Florida, was incorporated on February 7, 1985, 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 718 of the Florida Statutes and the provisions of the Declaration of Condominium which were originally filed in Orange County, Florida on February 13, 1985. The community consists of 39 residential condominium units.

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 718.111 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 16, 2024, 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 uncollectible accounts. 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. Cash and cash equivalents consist of bank deposits which may, at times, exceed federally insured limits.

Property and equipment

The Association follows prevalent industry practice in accounting for 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 land, buildings and improvements 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.

REEVES HOUSE OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income

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

Fair value of financial instruments

The carrying value of all reported 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 income tax expense of \$2,435 for the year ended December 31, 2023.

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, 2023, 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 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, 2023, the Association had constrained assessments of \$0.

REEVES HOUSE OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 obligation for those services are satisfied. Generally that occurs at a point in time when the goods or services are provided.

NOTE C – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and Florida Statutes require the accumulation of funds for future major repairs and replacements unless properly waived by the membership. Accumulated funds are held in separate bank accounts and generally are not available for operating purposes.

The Association has adopted a program to accumulate funds for estimated future major repairs and replacements through regular assessments. While the Association has budgeted the funding of reserves for major components the budgeting is not based upon a formal reserve study. The board has estimated replacement costs and estimated remaining useful lives.

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 12/31/2022	Assessments	Interest	Expenses	Balance 12/31/2023
<u>Contract liability:</u>					
Roofs	\$ 150,000	\$ —	\$ —	\$ —	\$ 150,000
Painting	105,000	—	—	—	105,000
Road	25,000	—	—	—	25,000
Common facility	265,585	36,600	—	(33,868)	268,317
Equipment	76,200	—	—	—	76,200
Total contract liability	621,785	36,600	—	(33,868)	624,517
<u>Fund balance:</u>					
Unspent interest	476	—	5,831	(6,307)	—
Totals	\$ 622,261	\$ 36,600	\$ 5,831	\$ (40,175)	\$ 624,517

Pursuant to ASC 606, the total replacement fund balance of \$624,517 is classified in the balance sheet as a contract liability in the amount of \$624,517 and fund balance of \$0. The contract liability represents unspent reserve 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, 2023, the Association deferred reserve assessments of \$2,731 until such funds are expended for their intended purpose.

The amount of annual funding required to fully fund each reserve account over the remaining useful life of the applicable asset cannot be disclosed as many of the reserve components are not supported by current estimates of remaining useful lives.

REEVES HOUSE OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

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 has insurance coverage for potential damages from storms. The coverage includes a deductible which the Association would be required to fund. The Association would be responsible for losses up to the deductible and has the right, which may be subject to membership approval, to increase regular assessments, pass special assessments, borrow funds, or delay major repairs and replacements. In addition, if certain other expenses are incurred by the Association in the event of a storm, the ultimate extent of any such loss in excess of the deductible cannot be determined.

NOTE E – RECENT LEGISLATION

The governor signed into law Senate Bill 4-D and Senate Bill 154 on May 26, 2022 and June 9, 2023, respectively. The laws amend Florida statute 718 and, among other things, contain mandatory requirements for condominium associations including: engineering recertifications, reserve studies, reporting requirements, and mandatory funding of reserves. The various provisions of the laws are effective over various dates through 2024. We recommend that the Association immediately consult with its Association legal counsel, management company, and accountants to evaluate and implement plans to timely comply with the provisions of the new laws.

SUPPLEMENTARY INFORMATION

REEVES HOUSE OWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
 December 31, 2023

The board of directors estimated the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components. The estimated current replacement costs do not include the possible effect of inflation or investment earnings.

The following information is based on the board's estimates and presents significant information about the components of common property.

Component	Estimated Remaining Life (Years)	Estimated Current Replacement Cost	Replacement Fund December 31, 2023
Roofs	3 - 5	\$ 150,000	\$ 150,000
Painting	3	105,000	105,000
Road	0	25,000	25,000
Common facility	0	265,585	268,317
Equipment	0	76,200	76,200
		<u>\$ 621,785</u>	<u>\$ 624,517</u>
Totals			