

**VENTURA AT BELLA TRAE
CONDOMINIUM ASSOCIATION, INC.
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Ventura at Bella Trae Condominium Association Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Ventura at Bella Trae Condominium Association, Inc. (the Association), which comprise the balance sheet as of December 31, 2020, 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.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ventura at Bella Trae Condominium 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on common property on page 9 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, 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.

Arrington & Mapili, LLC

Arrington & Mapili CPAs, LLC
Certified Public Accountants
Winter Park, Florida
April 22, 2021

VENTURA AT BELLA TRAE CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2020

ASSETS	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash, including interest-bearing deposits	\$ 112,262	\$ 1,804,033	\$ 1,916,295
Member assessments receivable	2,584	-	2,584
Prepaid expenses	59,973	-	59,973
Deposits	1,800	-	1,800
	<u>\$ 176,619</u>	<u>\$ 1,804,033</u>	<u>\$ 1,980,652</u>
 LIABILITIES AND FUND BALANCE			
Accounts payable and accrued expenses	\$ 64,173	\$ 6,768	\$ 70,941
Prepaid member assessments	44,005	-	44,005
Total liabilities	108,178	6,768	114,946
Fund balance	68,441	1,797,265	1,865,706
	<u>\$ 176,619</u>	<u>\$ 1,804,033</u>	<u>\$ 1,980,652</u>

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

VENTURA AT BELLA TRAE CONDOMINIUM ASSOCIATION, INC.

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Revenues:			
Member assessments	\$ 696,800	\$ 340,000	\$ 1,036,800
Late fees	1,898	-	1,898
Interest income	-	13,559	13,559
Other income	4,688	-	4,688
	<u>703,386</u>	<u>353,559</u>	<u>1,056,945</u>
Expenses:			
Building repairs and maintenance	169,704	-	169,704
Grounds and general maintenance	121,603	-	121,603
Insurance	125,506	-	125,506
Major repairs and replacements	-	53,344	53,344
Management fees	11,520	-	11,520
Master fees	1,170	-	1,170
Office, printing and postage	6,225	-	6,225
Other general and administrative	2,193	-	2,193
Professional fees	8,608	-	8,608
Refuse collection	17,910	-	17,910
Staffing	153,021	-	153,021
Utilities	146,471	-	146,471
	<u>763,931</u>	<u>53,344</u>	<u>817,275</u>
Deficiency of revenues over expenses	(60,545)	300,215	239,670
Fund balance, December 31, 2019	128,986	1,497,050	1,626,036
Fund balance, December 31, 2020	<u>\$ 68,441</u>	<u>\$ 1,797,265</u>	<u>\$ 1,865,706</u>

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

VENTURA AT BELLA TRAE CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Deficiency of revenues over expenses	\$ (60,545)	\$ 300,215	\$ 239,670
Adjustments to reconcile deficiency of revenues over expenses to net cash provided by operating activities:			
Increase in net member assessments receivable	(1,898)	-	(1,898)
Increase in prepaid expenses	(7,526)	-	(7,526)
Increase in accounts payable/accrued expenses	11,059	6,768	17,827
Increase in prepaid member assessments	2,812	-	2,812
Total adjustments	<u>4,447</u>	<u>6,768</u>	<u>11,215</u>
Net increase (decrease) in cash	(56,098)	306,983	250,885
Cash at beginning of year	<u>168,360</u>	<u>1,497,050</u>	<u>1,665,410</u>
Cash at end of year	<u>\$ 112,262</u>	<u>\$ 1,804,033</u>	<u>\$ 1,916,295</u>

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

VENTURA AT BELLA TRAE CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

A. ORGANIZATION

Ventura at Bella Trae Condominium Association, Inc. was incorporated as a not-for-profit corporation in the State of Florida. The Association is responsible for the operation and maintenance of the common property within the development. The development is located in Osceola County, Florida and consists of 240 residential condominium units.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Fund Accounting

The Association's 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 the principles of fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund - The operating fund is used to account for the day-to-day activities of the Association, including the general management and upkeep of the common property.

Replacement Fund - The replacement fund is used to account for monies accumulated to fund capital expenditures and maintenance, repair and replacement of property.

2. Member Assessments

Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Member assessments receivable at the balance sheet date represents fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years.

3. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid instruments with original maturities of twelve months or less.

4. Income Taxes

The Association may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, 2020, the Association filed IRS Form 1120H and elected to be taxed as a homeowners' association. Under this election, the Association is generally exempt from taxation on membership income and is taxed only on nonmembership income items, such as interest earnings. The State of Florida does not require an association that files IRS Form 1120H to file a state income tax return. The Association's federal income tax returns are subject to examination by the IRS generally for three years after they are filed. At December 31, 2020, the tax years that remain subject to examination begin with 2017.

VENTURA AT BELLA TRAE CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Real and Common Area Property

Real and common area property acquired by the original homeowners from the developer is not capitalized on the Association's financial statements, since it is owned by the individual owners in common and not by the Association. As a result, improvements to the real property and common areas are expensed as incurred.

6. 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.

7. Allocation of Revenues and Expenses to Owners

Revenue and expenses are allocated to unit owners based upon each unit owners' prorata share of the square footage of all of the owners within the Association.

8. Subsequent Events - Date of Management's Review

In preparing these financial statements, the Association has evaluated subsequent events and transactions for potential recognition and disclosure through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

C. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Association to concentrations of credit risk, as defined by accounting principles generally accepted in the United States of America, consist primarily of bank accounts and certificates of deposit with balances in excess of amounts insured by the Federal Deposit Insurance Corporation (\$250,000) and member assessments receivable. The Association currently has a surety bond with Union Bank which essentially insures all of the deposits at the Bank in excess of the \$250,000 FDIC limit. Furthermore, management of the Association evaluates the financial stability of all of its depositories and considers the risk of loss to be remote.

The Association's major source of revenue is member assessments, which are receivable from its members and may be secured by a lien on their property. The Association monitors the collectibility of these receivables and pursues collection. Management routinely assesses the uncollectibility of these receivables and provides for an allowance for doubtful accounts based on this assessment.

VENTURA AT BELLA TRAE CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

D. COMMITMENTS

The Association has entered into various short-term contractual agreements with outside vendors and service providers to maintain its common property and to help with the Association's administration. These contracts have different expiration dates and renewal terms.

E. LITIGATION

The Association initiated litigation at the end of 2019 related to hurricane repairs by Rhino Shield. The case is ongoing with no reasonable estimate of recovery at this time.

F. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents, as well as Florida Statutes, require funds to be accumulated for future major repairs and replacements. The funds are to be segregated and held primarily in interest-bearing accounts. The Association's Board of Directors has estimated the remaining useful lives and replacement costs of common property components.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on current estimates of replacements costs considering amounts previously accumulated in the replacement fund. Actual reserve expenditures, however, 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 future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Member's equity designated for future major repairs and replacements has been allocated by the Board of Directors to the components of common property as follows:

<u>Components</u>	<u>Balance 1/1/20</u>	<u>Additions/ Net Transfers</u>	<u>Major Repairs/ Replacements</u>	<u>Balance 12/31/20</u>
Roofs	\$ 76,676	\$ 583	\$ -	\$ 77,259
Elevators	70,090	399	17,633	52,856
Carports	6,647	51	-	6,698
Entry gate system	1,612	12	-	1,624
Capital repair	2,149	16	-	2,165
Pooled funds	1,339,876	352,498	35,711	1,656,663
	<u>\$ 1,497,050</u>	<u>\$ 353,559</u>	<u>\$ 53,344</u>	<u>\$ 1,797,265</u>

SUPPLEMENTARY INFORMATION

VENTURA AT BELLA TRAE CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR

REPAIRS AND REPLACEMENTS (UNAUDITED)

DECEMBER 31, 2020

Effective January 1, 2011, the Association switched its reserve funding method from the straight-line reserve method to the cash flow or pooled reserve method, as described in Florida Administrative Code 61B-22.005. As a result of this change all previously accumulated reserve funds have been combined into a single "pooled funds" component as illustrated below.

The Association's Board of Directors has estimated the remaining useful lives and the replacement costs of the components of common property using estimates from a professional reserve study that was recently updated for the Association during 2020. The Association is funding reserves in compliance with this independent reserve study. Replacement costs are based on the estimated costs to repair or replace the common property components at the date of the study.

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

<u>Components</u>	<u>Estimated Remaining Useful Life</u>	<u>Estimated Current Replacement Cost</u>	<u>Component Balance 12/31/20</u>	<u>2021 Approved Annual Funding</u>
Exterior building elements	various	\$ 6,105,040	\$ -	\$ -
Building services elements	various	2,025,000	-	-
Property site elements	various	1,648,895	-	-
Reserve study update	1 year	4,000	-	-
Pooled funds	----	-	1,797,265	340,000
		<u>\$ 9,782,935</u>	<u>\$ 1,797,265</u>	<u>\$ 340,000</u>