

SEVEN OAKS PROPERTY OWNERS' ASSOCIATION, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

SEPTEMBER 30, 2021



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Seven Oaks Property Owners' Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Seven Oaks Property Owners' Association, Inc., which comprise the balance sheet as of September 30, 2021, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seven Oaks Property Owners' Association, Inc. as of September 30, 2021, 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.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted supplementary information about future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Tampa, Florida
August 30, 2022

SEVEN OAKS PROPERTY OWNERS' ASSOCIATION, INC.
BALANCE SHEET
SEPTEMBER 30, 2021

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and cash equivalents	\$ 715,770	\$ -	\$ 715,770
Property and equipment, net	51,553	-	51,553
Total assets	<u>\$ 767,323</u>	<u>\$ -</u>	<u>\$ 767,323</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 29,713	\$ -	\$ 29,713
Prepaid assessments	151,275	-	151,275
Total liabilities	180,988	-	180,988
FUND BALANCES	586,335	-	586,335
Total liabilities and fund balances	<u>\$ 767,323</u>	<u>\$ -</u>	<u>\$ 767,323</u>

See accompanying independent auditor's report and notes to the financial statements.

SEVEN OAKS PROPERTY OWNERS' ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Operating Fund	Replacement Fund	Total
REVENUES			
Owner assessments	\$ 247,858	\$ -	\$ 247,858
Compliance fines	10,065	-	10,065
Other	14,684	-	14,684
	<u>272,607</u>	<u>-</u>	<u>272,607</u>
EXPENSES			
Management	101,508	-	101,508
Repairs & maintenance	72,315	-	72,315
Utilities	20,520	-	20,520
Professional	17,869	-	17,869
General & administrative	15,856	-	15,856
Depreciation	14,729	-	14,729
Insurance	3,713	-	3,713
Landscaping	2,435	-	2,435
	<u>248,945</u>	<u>-</u>	<u>248,945</u>
EXCESS OF REVENUES OVER EXPENSES	23,662	-	23,662
Fund Balances - beginning of year	562,673	-	562,673
FUND BALANCES - END OF YEAR	<u>\$ 586,335</u>	<u>\$ -</u>	<u>\$ 586,335</u>

See accompanying independent auditor's report and notes to the financial statements.

SEVEN OAKS PROPERTY OWNERS' ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ 23,662	\$ -	\$ 23,662
Adjustments to reconcile excess of revenues over expenses to net cash from operating activities:			
Depreciation	14,729	-	14,729
Change in:			
Accounts payable and accrued expenses	13,511	-	13,511
Prepaid assessments	1,987	-	1,987
Net cash from operating activities	<u>53,889</u>	<u>-</u>	<u>53,889</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	53,889	-	53,889
Cash and cash equivalents - beginning of year	<u>661,881</u>	<u>-</u>	<u>661,881</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 715,770</u>	<u>\$ -</u>	<u>\$ 715,770</u>

See accompanying independent auditor's report and notes to the financial statements.

SEVEN OAKS PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 NATURE OF ORGANIZATION

Seven Oaks Property Owners' Association, Inc. (the "Association") was incorporated on July 10, 2001 as a corporation, not-for-profit, under the terms and provisions of Chapter 617, Florida Statutes. The Association operates under Chapter 720, Florida Statute, and is responsible for operating and maintaining the common property within the development, which consists of 1986 single-family homes located in Pasco County, Florida.

The Association's operations are administered by its duly elected Board of Directors (the "Board").

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The financial statements of the Association are prepared on the accrual basis of accounting, which recognizes revenue when earned, regardless of when received, and expenses when incurred, regardless of when paid.

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 financial statements have been prepared 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.

As of September 30, 2021, the Association has recorded no activity in the replacement fund.

Liquidity

Assets are presented in the accompanying Balance Sheet according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments to be cash equivalents.

SEVEN OAKS PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Concentrations of Credit Risk

The Association's primary source of income is assessments paid by owners. Risk of loss is limited by the Association's ability to foreclose on property when assessments are not being paid.

Accounts are federally insured up to certain limits. The uninsured portion of those deposit was approximately \$258,000 as of September 30, 2021. The Association has not experienced any losses on such accounts, and believes it is not exposed to significant risk on bank deposit accounts.

Commonly Owned Assets

In conformity with industry practice, the Association's policy for recognizing common property in its Balance Sheet is to recognize common property to which it has title and the Board can dispose of for cash while retaining the proceeds for the Association or that is used to generate significant cash flows from members on the basis of usage or from nonmembers.

Real common property is not capitalized because its use and disposition by the Association's Board is restricted.

Personal Property and Equipment

The Association capitalizes common personal property owned and used by the Association in operating, preserving, maintaining, repairing, and replacing common property, or providing other services, when the cost of the property is significant, and its useful life exceeds one year.

Depreciation

The Association depreciates its personal property and equipment using the straight-line method over the estimated useful life of the assets.

Member Assessments

Association owners are subject to annual assessments, as determined in the Association's annual budget, to provide funds for the Association's operating expenses. 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.

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 homeowners whose assessments are past due.

SEVEN OAKS PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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.

The annual budget and assessments of owners are determined by the Board. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

Donated Services

The Board and its officers serve without compensation. The value of such services is not recorded in the financial statements.

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.

Subsequent events

Subsequent events have been evaluated through August 30, 2022, which is the date the financial statements were available to be issued.

NOTE 3 OWNERS' ASSESSMENTS

Annual assessments to owners for the year ended September 30, 2021 were \$88 for non-gated communities, \$137 for single-gated communities, and \$185 for double-gated communities. All of these funds were used for the general operations of the Association.

NOTE 4 FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents provide certain guidelines for governing its financial activities. The Association maintains only an operating fund available for general operations.

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 SECTION 720.303(6), FLORIDA STATUTES, UPON OBTAINING THE APPROVAL OF A MAJORITY OF THE TOTAL VOTING

SEVEN OAKS PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

INTERESTS OF THE ASSOCIATION BY VOTE OF THE MEMBERS AT A MEETING OR BY WRITTEN CONSENT.

NOTE 5 ASSESSMENTS RECEIVABLE

As of September 30, 2021, the Board determined that the likelihood of collecting approximately \$31,000 of delinquent receivables from owners would be doubtful and not recorded on the Balance Sheet.

NOTE 6 PREPAID ASSESSMENTS

Prepaid assessments totaling approximately \$151,000 at September 30, 2021, consist of assessments for fiscal year ending September 30, 2022, and any fiscal year thereafter, as applicable, received by the Association prior to October 1, 2021.

NOTE 7 PROPERTY AND EQUIPMENT

The Association had the following property and equipment as of September 30, 2021:

Security equipment	\$ 73,647
Less accumulated depreciation	<u>22,094</u>
Total property and equipment, net	<u>\$ 51,553</u>

Depreciation expense during the year ended September 30, 2021 was approximately \$15,000.

NOTE 8 INCOME TAXES

The Association has elected to file as a homeowner's association in accordance with Internal Revenue Code 528, using Form 1120-H. The Association's investment income and other nonexempt income are subject to tax. The Association has evaluated its tax position and concluded that the Association has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Income Tax Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification.

With few exceptions, the Association is subject to income tax examinations by the U.S. federal or state tax authorities for three years after the tax returns are filed. The Association recorded no income tax expense during the year ended September 30, 2021.

SEVEN OAKS PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 9 PROPERTY MANAGEMENT

During the year ended September 30, 2021, the Association was managed by Associa Gulf Coast (the "Property Manager"). The Property Manager's responsibilities included, but were not limited to, the Association's bookkeeping, budget preparation, and the coordinating of property maintenance and other administrative duties. Payments made to the Property Manager totaled approximately \$107,000 during the year ended September 30, 2021. Of these payments, approximately \$102,000 was for management fees and related costs and \$5,000 was for general and administrative. These payments are recorded as expenses in the Statement of Revenues, Expenses, and Changes in Fund Balances.

NOTE 10 COMMITMENTS

The Association has entered into several contractual agreements, generally cancelable upon 30 days written notice, with outside vendors and service providers to maintain the building and grounds and to help with the Association's administration.

NOTE 11 CONTINGENCIES

In March 2020, the World Health Organization declared a novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. These measures could negatively impact the Association's operations, vendors, and owners' ability to pay their assessments. The Association cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the Association's operations or cash flows.

The Association may be periodically involved in legal actions and claims that arise as a result of events that occur in the normal course of operations.