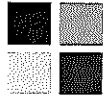




**Blue Cypress Golf & Resort  
Condominium Association, Inc.**

**FINANCIAL STATEMENTS (AND  
SUPPLEMENTARY INFORMATION)**

**December 31, 2020**



<b>REPORT</b>	<b>PAGE</b>
Independent Auditors' Report.....	1
 <b>FINANCIAL STATEMENTS</b>	
Balance Sheet.....	4
Statement of Revenue, Expenses and Changes in Fund Balance .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements.....	7
 <b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Changes in Accumulated Funds for Future Major Repairs and Replacements .....	17
Schedule of Operating Fund Revenue and Expenses – Budget and Actual.....	18
Supplementary Information on Future Major Repairs and Replacements (Unaudited)	19



**Carr, Riggs & Ingram, LLC**  
Certified Public Accountants  
500 Grand Boulevard  
Suite 210  
Miramar Beach, Florida 32550

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Members of  
Blue Cypress Golf & RV Resort Condominium Association, Inc.  
Okeechobee, Florida

(850) 837-3141  
(850) 654-4619 (fax)  
CRlcpa.com

### **Opinion**

We have audited the accompanying financial statements of Blue Cypress Golf & RV Resort Condominium Association, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of revenue, 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 Blue Cypress Golf & RV Resort Condominium Association, Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Blue Cypress Golf & RV Resort Condominium Association, Inc. 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 these 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Blue Cypress Golf & RV Resort Condominium Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' 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 auditors' 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,

including omissions, 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 judgement 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 Blue Cypress Golf & RV Resort Condominium Association, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Blue Cypress Golf & RV Resort Condominium 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.

#### **Report on Summarized Comparative Information**

We have previously audited Blue Cypress Golf & RV Resort Condominium Association, Inc.'s 2019 financial statements, and our report dated February 18, 2020, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of changes in accumulated funds for future major repairs and replacements and schedule of operating fund revenue and expenses – budget and actual are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements 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, who 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
February 24, 2021

**Blue Cypress Golf & RV Resort Condominium Association, Inc.**  
**Balance Sheet**

<i>December 31,</i>	2020			2019	
	Operating	Replacement	Special	Total	Total (For
	Fund	Fund	Assessment		Comparative
			Fund	Total	Purposes)
<b>Assets</b>					
Cash and cash equivalents	\$ 122,035	\$ 166,724	\$ 5,986	\$ 294,745	\$ 318,805
Certificates of deposit	-	237,612	-	237,612	345,452
Accounts receivable	909	-	224	1,133	1,827
Prepaid expenses	18,114	-	-	18,114	14,015
Property and equipment, net	38,479	-	-	38,479	35,391
Utility deposit	40	-	-	40	40
Interfund balance	78	33	(111)	-	-
<b>Total assets</b>	<b>\$ 179,655</b>	<b>\$ 404,369</b>	<b>\$ 6,099</b>	<b>\$ 590,123</b>	<b>\$ 715,530</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts payable	\$ 2,574	\$ -	\$ -	\$ 2,574	\$ 7,481
Prepaid assessments	20,139	-	-	20,139	49,007
Performance obligation liability	-	404,369	6,099	410,468	565,228
Prepaid golf membership dues	7,483	-	-	7,483	10,581
PPP Loan	29,925	-	-	29,925	-
Note payable	19,807	-	-	19,807	25,352
<b>Total liabilities</b>	<b>79,928</b>	<b>404,369</b>	<b>6,099</b>	<b>490,396</b>	<b>657,649</b>
<b>Fund balance</b>					
Designated for deferred capital					
maintenance	43,280	-	-	43,280	45,604
Undesignated	56,447	-	-	56,447	12,277
<b>Total fund balance</b>	<b>99,727</b>	<b>-</b>	<b>-</b>	<b>99,727</b>	<b>57,881</b>
<b>Total liabilities and fund balance</b>	<b>\$ 179,655</b>	<b>\$ 404,369</b>	<b>\$ 6,099</b>	<b>\$ 590,123</b>	<b>\$ 715,530</b>

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

**Blue Cypress Golf & RV Resort Condominium Association, Inc.  
Statement of Revenue, Expenses and Changes in Fund Balance**

<i>For the year ended December 31,</i>	2020			2019	
	Operating Fund	Replacement Fund	Special Assessment Fund	Total	Total (For Comparative Purposes)
<b>Revenue</b>					
Regular assessments	\$ 441,168	\$ 280,560	\$ -	\$ 721,728	\$ 472,874
Special assessments	-	-	158,241	158,241	-
Golf membership fees	21,473	-	-	21,473	19,639
Interest income	71	4,079	-	4,150	5,407
Miscellaneous income	14,483	-	-	14,483	16,901
<b>Total revenue</b>	<b>477,195</b>	<b>284,639</b>	<b>158,241</b>	<b>920,075</b>	<b>514,821</b>
<b>Expenses</b>					
Administrative	30,922	-	-	30,922	45,220
Depreciation	7,244	-	-	7,244	6,506
Golf course maintenance	26,997	-	-	26,997	25,726
Insurance	43,712	-	-	43,712	33,831
Maintenance and repairs	135,678	30,735	-	166,413	202,019
Personnel	143,078	-	-	143,078	155,415
Special assessment	-	-	401,813	401,813	-
Utilities	58,050	-	-	58,050	60,370
<b>Total expenses</b>	<b>445,681</b>	<b>30,735</b>	<b>401,813</b>	<b>878,229</b>	<b>529,087</b>
<b>Excess (deficit) of revenue over expenses</b>	<b>31,514</b>	<b>253,904</b>	<b>(243,572)</b>	<b>41,846</b>	<b>(14,266)</b>
<b>Interfund transfers</b>	<b>10,332</b>	<b>(253,904)</b>	<b>243,572</b>	<b>-</b>	<b>-</b>
<b>Beginning fund balance</b>	<b>57,881</b>	<b>-</b>	<b>-</b>	<b>57,881</b>	<b>72,147</b>
<b>Ending fund balance</b>	<b>\$ 99,727</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 99,727</b>	<b>\$ 57,881</b>

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

**Blue Cypress Golf & RV Resort Condominium Association, Inc.**  
**Statement of Cash Flows**

<i>For the year ended December 31,</i>	<b>2020</b>			<b>2019</b>	
	Operating Fund	Replacement Fund	Special Assessment Fund	Total	Total (For Comparative Purposes)
<b>Operating activities</b>					
Excess (deficit) of revenue over expenses	\$ 31,514	\$ 253,904	\$ (243,572)	\$ 41,846	\$ (14,266)
Adjustments to reconcile excess of (deficit) revenue over expenses to net cash provided (used) by operating activities:					
Depreciation	7,244	-	-	7,244	8,946
Changes in operating assets and liabilities:					
Accounts receivable	918	-	(224)	694	(584)
Prepaid expenses	(4,099)	-	-	(4,099)	(12,643)
Accounts payable	(4,907)	-	-	(4,907)	6,217
Prepaid assessments	(28,868)	-	-	(28,868)	27,869
Prepaid golf membership dues	(3,098)	-	-	(3,098)	3,050
Performance obligation	-	(160,859)	6,099	(154,760)	72,931
Interfund balance	(105)	(6)	111	-	-
Net cash provided (used) by operating activities	(1,401)	93,039	(237,586)	(145,948)	91,520
<b>Investing activities</b>					
Redemption (purchase) of certificates deposit	-	107,840	-	107,840	(5,296)
Purchase of property and equipment	(10,332)	-	-	(10,332)	-
Net cash used in investing activities	(10,332)	107,840	-	97,508	(5,296)
<b>Financing activities</b>					
Interfund transfer	10,332	(253,904)	243,572	-	-
PPP Loan Proceeds	29,925	-	-	29,925	-
Loan payments	(5,545)	-	-	(5,545)	(8,317)
Net cash provided by (used in) financing activities	34,712	(253,904)	243,572	24,380	(8,317)
<b>Net increase (decrease) in cash</b>	22,979	(53,025)	5,986	(24,060)	77,907
<b>Cash at beginning of year</b>	99,056	219,749	-	318,805	240,898
<b>Cash at end of year</b>	\$122,035	\$ 166,724	\$ 5,986	\$ 294,745	\$ 318,805

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



## **Blue Cypress Golf & RV Resort Condominium Association, Inc. Notes to Financial Statements**

### **NOTE 1: DESCRIPTION OF THE ORGANIZATION**

Blue Cypress Golf & RV Resort Condominium Association, Inc. (the "Association"), a Florida not-for-profit corporation, was formed on March 1, 1991. Membership in the Association consists of the 248 residential unit owners of this Florida condominium. The condominium is located on approximately 100 acres in Okeechobee, Florida.

The Association was organized for the purpose of maintaining and protecting the elements owned by the unit owners in common, including roadways, greenways, clubhouse, association office, a golf course, utility plant, covered spaces and recreational areas. Disposition of common area property requires consent of the members in accordance with the governing documents and Florida Statutes. The Association also provides water and sewer services for the individual units.

All policy decisions, including the annual budget and owners' assessments, are formulated by the Board of Directors. Major decisions are referred to the general Association membership before action is taken, when so required by the governing documents of the Association.

Management and accounting services are provided to the Association by their Board and an in house office manager.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs). The accompanying financial statements include the assets, liabilities, fund balances, revenues, and expenses as determined using the accrual basis of accounting. The financial statements include certain prior year summarized comparative information in total but not by fund. Also, certain prior year disclosures are not included. Such information does not include sufficient detail to constitute a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

#### ***Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein,

**Blue Cypress Golf & RV Resort Condominium Association, Inc.**  
**Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

***Funds***

The Association is a not-for-profit organization which employs the fund method of accounting in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors, the Association voting membership, or applicable Florida Statute. The financial statements segregate the accounting for such funds as operating, special assessment or replacement funds. At the end of the year, excess funds are retained by the fund generating such excess during the year.

The operating fund is used to account for financial resources available for the general operation of the Association. Disbursements from the operating fund are generally at the discretion of the Board of Directors.

The replacement fund is generally used to account for assessments made for major repair and replacement of common property, and related expenses. Disbursements from the replacement fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association membership. Interest income earned in the replacement fund is allocated to the pooled component.

The Association has designated \$43,280 of its operating fund balance to a deferred capital maintenance account. A designation of fund balance represents management and the Board's tentative plans and use of this money. The Association has set up a separate bank account for these funds to be segregated for this purpose. However, the Board can use these funds at any time for any purpose since these funds are not restricted by the membership or by Florida Statutes as replacement funds are restricted.

The special assessment fund is generally used to account for financial resources available for renovation of the water and sewer plant. Disbursements from the special assessment fund are restricted for the water and sewer plant renovation project.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash and all highly-liquid debt instruments with an original maturity of 90 days or less.

**Blue Cypress Golf & RV Resort Condominium Association, Inc.**  
**Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Accounts Receivable from Owners and Allowance for Doubtful Accounts***

Accounts receivable from owners are reported at the outstanding balance due from owners, net of any allowance for doubtful accounts. The Association provides for doubtful accounts based on experience and analysis of individual accounts. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific accounts are determined to be uncollectable, they are written off by charging the allowance and crediting the receivable. Since management considers all receivables to be collectable at December 31, 2020, no allowance has been established at this time.

***Prepaid Expenses***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the balance sheet. These items will be expensed over the applicable usage period.

***Capitalization and Depreciation***

Real property acquired by the Association is capitalized when it is used to generate significant cash flows from members on the basis of usage or from nonmembers or can be disposed of for cash with the Association retaining the proceeds. Real property acquired by the Association that does not meet these guidelines is not capitalized, and accordingly, replacements, major repairs, and improvements to this property are not capitalized; instead, they are reported as expenses in the fund making the expenditure. Real property that does not meet the criteria to capitalize is identified in Note 1.

Personal property acquired by the Association is capitalized at cost. It is depreciated over its estimated useful life, which ranges from 7 to 15 years, using the straight-line method of depreciation.

***Contract Assets and Liabilities***

Contract assets represent revenue recognized in excess of amounts billed. No such amounts are reported on the balance sheet as of December 31, 2020. Contract liabilities represent revenue collected in advance of the contract period or amounts billed in excess of revenue recognized. These liabilities are reported on the balance sheet as prepaid assessments and performance obligation liabilities.

**Blue Cypress Golf & RV Resort Condominium Association, Inc.**  
**Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Revenue Recognition***

The Association recognizes revenue when performance obligations under the terms of the contracts with customers are satisfied. Revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. For purposes of this Association, the definition of customers include the Association's members.

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 24, 2021 and determined there were no events that occurred that required disclosure.

**NOTE 3: OWNERS' ASSESSMENTS**

Revenue and expenses are allocated to the unit owners equally, and accordingly, assessment rates are established using this formula. The rate for 2020 was approximately \$188 per month. Budgeted assessments for the year ended December 31, 2020 totaled \$560,868, of which \$119,700 was allocated to the replacement fund.

The following table reconciles budgeted regular assessments to the amounts recognized as assessment revenue in the statement of revenue, expenses, and changes in fund balance:

<i>For the year ended December 31,</i>	<b>2020</b>		
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
Budgeted regular assessments	\$ 441,168	\$ 119,700	\$ 560,868
Add releases from performance obligation		160,860	160,860
<b>Total assessments</b>	<b>\$ 441,168</b>	<b>\$ 280,560</b>	<b>\$ 721,728</b>

The Association levied a special assessment totaling \$164,340 during the year ended December 31, 2020 for a major sewer treatment plant renovation. The special assessment was due on April 30, 2020, and individual owner assessments were \$663 per unit. As of December 31, 2020, the Association had incurred project expenses totaling \$401,813 and applied \$243,572 of replacement funds against these expenses. Thus, the Association recognized a \$158,241 of special assessment revenue in 2020 in the accompanying statement of revenue, expenses, and changes in fund balance. The remaining special assessment of \$6,099 has been reported as performance obligation liability and will be recognized as revenue when the related expenses are incurred. The Association expects the project to be completed in April 2021.

**Blue Cypress Golf & RV Resort Condominium Association, Inc.**  
**Notes to Financial Statements**

**NOTE 4: REVENUE RECOGNITION**

As disclosed in Note 2 to the financial statements, the Association's customers consist of its members, which are lot owners within the Resort. The contracts between these customers and the Association primarily relate to maintaining, managing and providing access to the property and amenities owned in common by the lot owners.

***Performance Obligations***

The Association's revenue is derived primarily from assessments to its members. The Association generally recognizes its revenue from contracts with customers over time with the exception of reserve assessments, which are being recognized at a point in time. As of December 31, 2020, the Association has reported a performance obligation liability totaling \$404,369, relating to the future major repair and/or replacement of specific components of common property. The assessments related to this performance obligation are generally reported in the Replacement Fund and will be recognized as revenue at the point in time when the funds are expended for their designated purpose. The Association has reported a performance obligation for special assessment of \$6,099 which will be recognized in 2021 when the Association related special assessment project expenses.

***Significant Judgments***

For those revenue items recognized over time, the Association generally utilizes the input method of measurement, where revenue is recognized based on the Association's efforts towards the satisfaction of a performance obligation. For operating fund amounts, revenue is recognized as time elapses and the Association performs routine maintenance, protection and management of the common area property. For replacement fund amounts, the Association recognizes revenue at the point in time when reserve expenses are incurred. The Association recognizes special assessment revenue at a point in time as well or when the related special assessment expense is incurred.

**Blue Cypress Golf & RV Resort Condominium Association, Inc.**  
**Notes to Financial Statements**

**NOTE 4: REVENUE RECOGNITION (Continued)**

***Disaggregated Revenue***

The Association derives its revenue from various activities and sources having different qualitative factors that may affect the amount, timing, or uncertainty of revenues and cash flows. The following chart contains disaggregated revenue information that reflects these qualitative factors.

<i>For the year ended December 31,</i>	<b>2020</b>
<b><i>Recognized over time</i></b>	
Operating fund assessments	\$ 441,168
Golf membership fees	21,473
<b><i>Recognized at a point in time</i></b>	
Replacement fund assessments	280,560
Special assessments	158,241
Miscellaneous income	14,483
<b><i>Not subject to ASC Topic 606</i></b>	
Interest income	4,150
<b>Total revenue</b>	<b>\$ 920,075</b>

The following table presents information about accounts receivable, contract assets, and contract liabilities:

<i>For the year ended December 31,</i>	<b>2020</b>
Accounts receivable, net - beginning balance	\$ 1,827
Accounts receivable, net - ending balance	1,133
Contract assets - no beginning or ending balance for the year	
Contract liabilities	
Prepaid assessments - beginning balance	49,007
Prepaid assessments - ending balance	20,139
Performance obligation liabilities - beginning balance	565,228
Performance obligation liabilities - ending balance	410,468

**Blue Cypress Golf & RV Resort Condominium Association, Inc.**  
**Notes to Financial Statements**

**NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents and Florida Statutes require the Association to accumulate funds for future major repairs and replacements, unless otherwise decided by the voting membership. The Association has adopted a program to accumulate funds for estimated future major repairs and replacements through regular assessments. The Association uses the cash flow method (i.e. pooled reserve method) of funding the Replacement Fund which pools the reserve components.

The Board of Directors annually reviews the major components of common property. As a part of this review, the Board re-evaluates the estimated remaining useful lives and the estimated replacement costs of each of the components of the Replacement Fund. Where applicable, licensed contractors and architects are consulted regarding useful lives and replacement costs. The Board of Directors last performed a review of the estimated replacement costs, remaining lives, and funding requirements for the reserve components in 2020, based on professional reserve study performed in 2018.

The Association is funding for future repairs and replacements over the estimated useful lives of the components based on their study's estimates of replacement costs and considering amount previously accumulated in the Replacement Fund. Accordingly, the funding amount of \$119,700 based on a full funding plan, was included in the 2020 budget.

Actual expenditures may vary from the estimated amounts and the variations may be significant; therefore, amounts accumulated in the Replacement Fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments to levy special assessments, or it may delay major repairs and replacements until funds are available.

**NOTE 6: INCOME TAXES**

The Association elected to file its tax return for 2020 as a regular corporation on Form 1120. As such, the Association must comply with Internal Revenue Code (IRC) Section 277, which applies to certain membership organizations. Under IRC Section 277, the Association is required to separate membership income and expenses from non-membership income and expenses. Each component is taxed separately; however, net membership income is exempt from taxation if certain elections are made. For the year ended December 31, 2020, the Association had a net non-membership loss of \$16,395. No federal or state income taxes are due for 2020.

The Association's cumulative net operating losses of \$130,605 can be carried forward to offset future net non-membership income, if needed, and some of the net operating losses will expire in 2037. No federal or state income taxes are due for 2020. This net operating loss carryforward represents a deferred tax asset of approximately \$27,427. However, since the Association does not expect to have significant non-membership income in the future and since it is more likely than not that this deferred tax asset will not be realized in the future, a valuation allowance of \$27,427 was used to reduce this deferred tax asset.

**Blue Cypress Golf & RV Resort Condominium Association, Inc.**  
**Notes to Financial Statements**

**NOTE 6: INCOME TAXES (Continued)**

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association's policy is to record interest expense or penalties related to income tax in (operating) expense. For the year ended December 31, 2020, no interest or penalties were paid or accrued. The Association is subject to routine audits by taxing jurisdictions; however, there are no audits for any tax periods in progress. The Association's management believes it is no longer subject to income tax examinations for years prior to 2017.

**NOTE 7: WINDSTORM DEDUCTIBLE**

The insurance policy for windstorm coverage renewed April 2020. The co-insurance deductible amount for named hurricane storms is approximately \$79,000, which represents 5% of the insured value of the residential buildings and structures. Also, the Association is subject to a \$5,000 building deductible for each of the 13 structures insured. Thus, if all 13 structures have significant windstorm damage, then, the Association is subject to an additional \$65,000 of deductible in the aggregate.

**NOTE 8: CREDIT RISK**

The Association assesses regular and special assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual condominium units. Should the collection of any such liens be enforced by the sale of the unit, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens that have priority. Market value may be influenced by the real estate market in Okeechobee, Florida.

**NOTE 9: CERTIFICATES OF DEPOSIT**

At December 31, 2020, the Association had \$237,612 of replacement fund monies in three certificates of deposit at one local financial institution. The carrying value of these certificates of deposit is cost plus its accrued interest, which approximates fair value.



**Blue Cypress Golf & RV Resort Condominium Association, Inc.**  
**Notes to Financial Statements**

**NOTE 10: PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

<u>December 31,</u>	<u>2020</u>
Furniture and fixtures	\$ 20,322
Equipment	90,110
Golf equipment	123,981
<hr/>	
Total cost	234,413
Less accumulated depreciation	(195,934)
<hr/>	
Property and equipment, net	\$ 38,479
<hr/>	

Depreciation expense for the year ended December 31, 2020 was \$7,244.

**NOTE 11: NOTE PAYABLE**

The following is a summary of the Association's note payable for 2020:

<u>December 31,</u>	<u>2020</u>
<hr/>	
The Association financed a Kubota Tractor in December 2018 through a 60 month installment note payable, stated interest at 0%; the Association has imputed interest on this debt at 3%; monthly payments of principal & interest is \$561; note payable matures on January 15, 2024. The note is secured by the Kubota Tractor.	\$ 19,807

A schedule of maturities of long-term debt is as follows:

<u>For the year ending December 31,</u>	<u>2020</u>
2021	\$ 6,225
2022	6,414
2023	6,609
2024	559
<hr/>	
Total	\$ 19,807
<hr/>	

The balance of the note payable of \$19,807 approximates the fair value of the note at December 31, 2020.

**Blue Cypress Golf & RV Resort Condominium Association, Inc.**  
**Notes to Financial Statements**

**NOTE 12: PPP LOAN FORGIVENESS INCOME**

In April 2020, the Association qualified and received \$29,925 as a loan pursuant to the Paycheck Protection Program (“PPP Loan”), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid Relief and Economic Security Act, from a qualified lender. The PPP Loan bears interest at a fixed rate of 1% per annum, with the first six months interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP loan is subject to forgiveness if the loan proceeds were used for certain qualified expenses such as payroll costs and covered utility payments. The Association applied for loan forgiveness of the PPP loan with respect to these covered expenses in February 2021. To the extent that all or part of the PPP Loan is not forgiven, the Association will be required to pay interest on the PPP Loan at a rate of 1% per annum, commencing in January 1, 2021 principal and interest payments will be required through the maturity date of May, 11, 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

**NOTE 13: CONTINGENCY**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Association. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

## **Supplementary Information**

**Blue Cypress Golf & RV Resort Condominium Association, Inc.**  
**Schedule of Changes in Accumulated Funds for Future Major Repairs and Replacements**

<i>For the year ended December 31,</i>		<b>2020</b>		
<b>Component</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Subtractions</b>	<b>Ending Balance</b>
<b>Pooled items</b>				
Site & Grounds			\$ 30,735	
Water & Sewage Treatment			243,572	
Mechanical			10,332	
<b>Total</b>	<b>\$ 565,228</b>	<b>\$ 123,780</b>	<b>\$ 284,639</b>	<b>\$ 404,369</b>

<i>For the year ended December 31,</i>		<b>2020</b>	
Performance obligation liability			\$ 404,369
Replacement fund balance			-
<b>Total</b>			<b>\$ 404,369</b>

**Blue Cypress Golf & RV Resort Condominium Association, Inc.**  
**Schedule of Operating Fund Revenue and Expense – Budget to Actual**

*For the year ended December 31,*

**2020**

	Actual	Budget (Unaudited)	Variance Favorable (Unfavorable) (Unaudited)
<b>Revenue</b>			
Regular assessments	\$ 441,168	\$ 441,168	\$ -
Golf membership fees	21,473	20,000	1,473
Interest income	71	-	71
Miscellaneous Income	14,483	-	14,483
<b>Total revenue</b>	<b>477,195</b>	<b>461,168</b>	<b>16,027</b>
<b>Expenses</b>			
Administrative	30,922	5,698	(25,224)
Depreciation	7,244	-	(7,244)
Golf course maintenance	26,997	23,700	(3,297)
Insurance	43,712	41,239	(2,473)
Maintenance and repairs	135,678	177,671	41,993
Personnel	143,078	152,360	9,282
Utilities	58,050	60,500	2,450
<b>Total expenses</b>	<b>445,681</b>	<b>461,168</b>	<b>15,487</b>
<b>Excess of revenue over expenses</b>	<b>\$ 31,514</b>	<b>\$ -</b>	<b>\$ 31,514</b>

**Blue Cypress Golf & RV Resort Condominium Association, Inc.**  
**Supplementary Information on Future Major Repairs and Replacements**  
**(Unaudited)**

The following table is based on the Board's review and presents significant information about the components of common property:

<b>Component</b>	<b>Estimated Remaining Useful Life (Years)</b>	<b>Estimated Replacement Cost</b>	<b>Accumulated Fund Balance 12/31/20</b>
Site and grounds	2 - 10	\$ 461,500	
Water treatment	0 - 10	378,250	
Sewage treatment	0 - 29	408,000	
Amenities	0 - 25	226,350	
Other mechanical	0 - 11	229,900	
Total		\$ 1,704,000	\$ 404,369