

**HRC A Board of Directors Meeting**  
**Thursday, August 25<sup>th</sup>, 2016**  
**3:00PM – Main Dining Room**

1. President Fred Forbes called the meeting to order, established a quorum of Directors and asked all present to silence all cell phones. In addition to President Forbes, Directors in attendance were Secretary Don Wirsbinski, and Directors Bob Moe and Lorrie Holly. Vice President Joanne Schoen, Treasurer Dick DeCoste and Director Bill Bell were present via conference call.
2. Lorrie Holly made a motion to approve the minutes from the June 15, 2016 Board of Director's Meeting, seconded by Dick DeCoste and approved by all Directors.
3. Dick DeCoste gave a Treasurer's Report thru July 2016 with a review of the Audit by Stroemer and Company of the 2015 Clubhouse Renovation Project, see attached. The budget was \$1,850,000 and the actual cost was \$1,846,000.
4. Dick DeCoste made a motion for Adoption of the all the recommendations of the Special Study Group's recommendations regarding adopting a new sewer flat rate of \$38.42/month, charging for the irrigation gray and well water which is used to irrigate the golf course, the common areas, the South Villas and the three carriage homes associations, as well as charging for sewage treatment from all facilities such as the front gate restrooms, clubhouse, etc., see the attached recommendations of the Special Study Group and their recommended charging rates. Further the Special Study Group recommended awarding a contract for approximately \$2,000 to determine the technical and financial feasibility for extending our existing well and gray water irrigation system to all residents who would want to use this system to irrigate their home sites namely single family homes and the North Villas. The new rates would go into effect January 1, 2017. The motion was approved by all directors.
5. Installation of new mailboxes and posts, payment for mailbox and post, and the configuration recommendations of the Single Family Homes Committee was discussed. Villas will have the same configuration as they have now, normally two boxes on one post.
  - a. A single family homeowner survey was sent out in regard to mailbox configuration. 70% of those who responded indicated that they would like their own mailbox and post. The ARC recommended that due to the survey results, that would be their recommendation.

A motion was made by Joanne Schoen to allow single family homeowners the choice of having their existing configuration, one box/one post or choosing a one post/two box option with a neighbor. Bob Moe seconded the motion. Directors who voted yes were Joanne Schoen and Don Wirsbinski. Directors who voted no were Fred Forbes, Bill Bell, Bob Moe, Dick DeCoste and Lorrie Holly. The motion did not carry.

A motion was made by Bill Bell to follow the results of the single family mailbox survey majority vote and leave the single family home mailbox configuration as it is now. The motion was seconded by Bob Moe. Those voting in favor of the motion were Bob Moe, Bill Bell, Lorrie Holly, Dick DeCoste and Fred Forbes. Those voting against were Joanne Schoen and Don Wirsbinski. The motion carried.

Any motion regarding plantings, etc. around the base of the mailbox would be deferred until the next Board Meeting.

- b. Payment for mailboxes. A motion was made by Dick DeCoste for an assessment to all villa owners and single family homeowners for new mailboxes and posts in the amount of one hundred thirty dollars (\$130.00) to all south villa owners and a fee of two hundred dollars (\$200.00) to all south single family homeowners which will be assessed when the installation of new mailboxes and posts begins. Also, the nature of the assessment includes a fee of one hundred thirty dollars (\$130.00) to all north villa owners and a fee of two hundred dollars (\$200.00) to all north single family homeowners which will be assessed when installation of new mailboxes and posts begins. The south tract streetlights must be installed before installation of the south tract (South Villas and Single Family Homes) can begin. The homeowner will be billed for their new mailboxes at the time installation of mailboxes starts on a street by street basis. The motion was seconded by Bob Moe and approved by all Directors.
6. A discussion on the purchase of new golf carts to replace our existing nine-year-old carts occurred. In addition to purchasing 25 new carts from Club Car, we also lease 20 carts for the seasonal months. Hole in One is giving us \$1,300.00 for each of our current 25 carts. We also received a \$8,500 reduction from Club Car in leasing an additional 20 carts for the upcoming seasonal months. Mr. Moe made a motion to purchase 25 (twenty-five) 2017 Club Cars for \$4,600 each with the money coming from the Golf Course Reserves. The motion was seconded by Joanne Schoen and approved by all Directors.
7. An Update on the Clubhouse Window Replacement Project was given. Our construction supervisor, JP Coleman, has been doing an outstanding job keeping this project going in spite of the rain we have been having. We hope to be done very shortly.
8. Mr. Forbes gave an update on the Race Trac Gas Station to be located at the northeast corner of Bonita Beach Road and Bonita Grande Drive advising that this construction will result in the realigning of the intersection at that location. Construction should start before the end of the year.
9. The developer of a Hilton Gardens Hotel immediately to right of the pylon sign as you exit Hunters Ridge onto Bonita Beach Road has made a significant deposit on the Bernwood property. Hotel to have 95 rooms, but hopes City will approve 115 rooms. Plans to include a full service bar and likely a nice restaurant consistent with a Hilton Gardens. Likely to break ground by late spring or midsummer of 2017.

There is another project which will be built out-front, about 300-400 ft. north of our board fence. Preliminary plans show a very contemporary 2 or 3 story boat storage facility, a fully enclosed and air conditioned building. In addition, this facility has an enclosed RV and vehicle storage yard which is surround by a self-storage building, with the garage doors facing into the RV/vehicle storage yard. The facility is to be very well landscaped. The design is being further enhanced and the current design in no way looks like a storage facility thanks to the efforts of City Council and the cooperation of the storage developer and the Bernwood manager.

The 19 acre wooded parcel between I-75 and Hunters Ridge Blvd. is still in the conceptual planning stage and will in the future request rezoning of the property. Conceptually the primary uses are for an Aldi's type store and/or a hotel and/or a retail establishment.

10. Adjourn

## **Treasurer's Report, July, 2016 Results**

### **Golf**

Revenues for July were \$107,601, about 6% ahead of last year and bringing year-to-date income to \$956,941 which represents an improvement of about 2% over forecast and last year's performance. Golf course expenses were 3% over last year's results due mainly to higher course repairs, salaries, chemical purchases and waste removal costs. Year-to-date ProShop expenses were 8% over forecast due principally to staff salaries and health insurance costs, with these higher than forecasted expenses reducing the first 7 month's surplus from golf operations to \$51,620.

Reserve income for the month of July, principally from equity payments, amounted to \$6,446 bringing the total revenue added to golf reserves of \$124,201, year-to-date.

### **Restaurant**

Food & Beverage sales in July were \$41,918, ahead of both forecast and last year's results. For the first 7 months of operations, revenues were \$546,729 or an improvement of 15% over last year. Gains were seen in Clubhouse food and bar sales and in Ridge bar sales while food sales at the Ridge were about equal to last year.

Year-to-date combined bar and food cost of goods sold was \$240,752, indicating some improvement in July's beverage costs. Total YTD costs as a percentage of sales improved from 46% to 44%.

Total Restaurant, Bar and Ridge expenses were \$534,499 or 18% higher than forecast which, when combined with revenues for the same period, resulted in a restaurant subsidy or loss for the first 7 months of \$228,522. Restaurant salaries, health insurance premiums and supply purchases all exceeded their forecasts for the first 7 months and will remain a focus for improvement during these final 5 months of the year. Attendance during this off-season has been higher than normal which can be mostly attributed to the excellent and consistent improvement in the quality of food and service offered by the kitchen and restaurant staff since the beginning of the year.

### **G & A**

Year-to-date revenue was \$960,759, about equal to forecast but ahead of last year's results by more than 8%. Although fire and health insurance premiums were significantly higher than forecast, total expenses were in line with the budget at \$808,638 and generated a net surplus of \$152,121.

### **Utility Plant**

Plant revenues remained unchanged at \$159,052 for the first 7 months of operations while expenses, during the same period, were \$135,985 resulting in an interim surplus of \$23,067.

Note that the plant's billing cycle is bi-monthly beginning in February of each year. Therefore, July's year to date represents 7 months of expenses and only 6 months of revenues.

## **Treasurer's Report, July, 2016 Results**

### **HR Realty**

Year-to-date revenue remained unchanged at \$28,900 and, with corresponding expenses of \$9,014 created a net surplus at the end of July of \$19,886. Property sales have been very slow this year and we believe that new construction and higher than normal resale inventories have contributed significantly to this. Currently, there are about 20 properties for sale at Hunters Ridge.

Year to date, the combined operations of all departments generated a surplus of \$18,172.

### **Common Areas**

After credit adjustments for cable service, Common Area year to date revenue was \$714,452, in line with the forecast. Corresponding expenses after Comcast adjustments were \$520,786, resulting in an interim year to date surplus of \$193,666. Most of this surplus is the result of an initial delay in the effective date of Comcast's new and higher billing rate.

After deductions for reserve accounts, North and South Villa YTD income was \$390,718, in line with the forecast. Total expenses of \$309,767 were 2.3% over budget due mainly to higher salaries but still resulted in an interim operating surplus of \$80,951. To date, single family income has exceeded expenses by \$2,000.

rad, 08/18/2016

**HUNTERS RIDGE COMMUNITY  
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED  
DECEMBER 31, 2015**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Hunters Ridge Community Association, Inc.  
Bonita Springs, Florida

We have audited the accompanying financial statements of Hunters Ridge Community Association, Inc. (the "Association"), which comprise the balance sheet as of December 31, 2015 and the related statements of revenues and expenses, changes in fund balances 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 the 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.

#### **Affiliations**

**Florida Institute of Certified Public Accountants**

**American Institute of Certified Public Accountants - Management Consulting Services Division/Private Companies Practice Section/Tax Division**

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**\*By Appointment Only**

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 Hunters Ridge Community Association, Inc. as of December 31, 2015 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.

***Emphasis of Matters***

As discussed in Note B to the financial statements, there are delinquent assessments and fees receivable. Management has made an allowance for doubtful accounts in the amount of \$528,459, of which the ultimate collectability cannot be presently determined. The ultimate realizable value of the assessments and fees receivable may be less than \$3,316,639. Our opinion is not modified with respect to this matter.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note H are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to this matter.

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

Accounting principles generally accepted in the United States of America require the Schedule of 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.



STROEMER & COMPANY, LLC

Fort Myers, Florida

March 28, 2016



**HUNTERS RIDGE COMMUNITY ASSOCIATION, INC.**  
**BALANCE SHEET**  
**December 31, 2015**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 607,810	\$ 1,845,862	\$ 2,453,672
Certificates of deposit	-	149,062	149,062
Assessments, dues and fees receivable, net	3,316,639	-	3,316,639
Special assessment receivable	-	1,743,693	1,743,693
Due from Grand Pines, Lynx Pass and Pheasant Hollow	6,967	-	6,967
Interfund receivable/(payable)	(84,865)	84,865	-
Inventory	22,512	-	22,512
Prepaid expenses	111,444	-	111,444
<b>TOTAL CURRENT ASSETS</b>	<u>3,980,507</u>	<u>3,823,482</u>	<u>7,803,989</u>
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	394,882	-	394,882
<b>DEPOSITS</b>	<u>1,900</u>	<u>-</u>	<u>1,900</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,377,289</u>	<u>\$ 3,823,482</u>	<u>\$ 8,200,771</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>CURRENT LIABILITIES</b>			
Current portion of long-term debt	\$ -	\$ 126,739	\$ 126,739
Accounts payable	94,845	-	94,845
Accrued expenses	408,867	-	408,867
Deferred special assessment	-	606,270	606,270
Deferred assessments, dues and fees	3,298,701	-	3,298,701
<b>TOTAL CURRENT LIABILITIES</b>	<u>3,802,413</u>	<u>733,009</u>	<u>4,535,422</u>
<b>LONG-TERM DEBT</b>	-	1,363,261	1,363,261
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>1,363,261</u>	<u>1,363,261</u>
<b>FUND BALANCES</b>	<u>574,876</u>	<u>1,727,212</u>	<u>2,302,088</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,377,289</u>	<u>\$ 3,823,482</u>	<u>\$ 8,200,771</u>

The accompanying notes are an integral part of this statement.

**HUNTERS RIDGE COMMUNITY ASSOCIATION, INC.**  
**STATEMENT OF REVENUES AND EXPENSES**  
**Year ended December 31, 2015**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Special assessment income - renovations	-	1,728,780	1,728,780
Golf dues and other income	1,504,981	159,230	1,664,211
Social/club dues and other income	1,547,956	50,000	1,597,956
Regular assessments and other income	1,242,202	192,400	1,434,602
Restaurant revenues	733,879	-	733,879
Utility revenue	329,301	25,002	354,303
Interest income	692	9,237	9,929
TOTAL REVENUES	<u>5,359,011</u>	<u>2,164,649</u>	<u>7,523,660</u>
<b>COST OF SALES</b>			
	<u>311,797</u>	-	<u>311,797</u>
TOTAL COST OF SALES	<u>5,047,214</u>	<u>2,164,649</u>	<u>7,211,863</u>
<b>EXPENSES</b>			
Special assessment expenses - renovations	-	1,728,780	1,728,780
Golf course expenses	1,471,318	-	1,471,318
General and admin - social/club	1,225,422	-	1,225,422
General and admin - association	1,197,879	-	1,197,879
Reserve expenses	-	718,654	718,654
Restaurant expenses	689,325	-	689,325
Utility company expenses	251,341	-	251,341
TOTAL EXPENSES	<u>4,835,285</u>	<u>2,447,434</u>	<u>7,282,719</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES BEFORE OTHER EXPENSES	<u>211,929</u>	<u>(282,785)</u>	<u>(70,856)</u>
<b>OTHER EXPENSES</b>			
Depreciation and amortization expense	<u>34,536</u>	-	<u>34,536</u>
TOTAL OTHER EXPENSES	<u>34,536</u>	-	<u>34,536</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ 177,393</u>	<u>\$ (282,785)</u>	<u>\$ (105,392)</u>

The accompanying notes are an integral part of this statement.

**HUNTERS RIDGE COMMUNITY ASSOCIATION, INC.**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
**Year ended December 31, 2015**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Balances, January 1, 2015	\$ 397,483	\$ 2,009,997	\$ 2,407,480
Excess of revenues over (under) expenses	<u>177,393</u>	<u>(282,785)</u>	<u>(105,392)</u>
Balances, December 31, 2015	<u>\$ 574,876</u>	<u>\$ 1,727,212</u>	<u>\$ 2,302,088</u>

The accompanying notes are an integral part of this statement.

**HUNTERS RIDGE COMMUNITY ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year ended December 31, 2015**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash collected from assessments, dues and fees	\$ 4,657,248	\$ 426,632	\$ 5,083,880
Cash collected from special assessments	75,578	591,357	666,935
Cash collected from restaurant	733,879	-	733,879
Interest income received	692	9,237	9,929
Interest expense paid	-	(5,297)	(5,297)
Cash paid to suppliers and employees	<u>(5,133,879)</u>	<u>(2,442,137)</u>	<u>(7,576,016)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	333,518	(1,420,208)	(1,086,690)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Certificate of deposit interest re-invested	<u>-</u>	<u>(2,562)</u>	<u>(2,562)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	-	(2,562)	(2,562)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of long-term debt	-	1,490,000	1,490,000
Repayment of long-term debt	(210,822)	-	(210,822)
Interfund transfers	<u>240,705</u>	<u>(240,705)</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>29,883</u>	<u>1,249,295</u>	<u>1,279,178</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	363,401	(173,475)	189,926
Cash and cash equivalents, as of January 1, 2015	<u>244,409</u>	<u>2,019,337</u>	<u>2,263,746</u>
CASH AND CASH EQUIVALENTS, AS OF DECEMBER 31, 2015	<u>\$ 607,810</u>	<u>\$ 1,845,862</u>	<u>\$ 2,453,672</u>

The accompanying notes are an integral part of this statement.

**HUNTERS RIDGE COMMUNITY ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS, CONTINUED**  
Year ended December 31, 2015

**RECONCILIATION OF EXCESS OF REVENUES OVER  
(UNDER) EXPENSES TO NET CASH PROVIDED BY  
(USED IN) OPERATING ACTIVITIES**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Excess of revenues over (under) expenses	\$ 177,393	\$ (282,785)	\$ (105,392)
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by (used in) operating activities:			
Depreciation and amortization	34,536	-	34,536
(Increase)/decrease in assets:			
Assessments, dues, and fees receivable	(190,409)	-	(190,409)
Special assessment receivable	75,578	(1,743,693)	(1,668,115)
Due from Grand Pines, Lynx Pass and Pheasant Hollow	(8,047)	-	(8,047)
Inventory	(1,908)	-	(1,908)
Prepaid expenses	(9,599)	-	(9,599)
Deposits	(350)	-	(350)
Increase/(decrease) in liabilities:			
Accounts payable	23,723	-	23,723
Accrued expenses	1,337	-	1,337
Deferred special assessment	-	606,270	606,270
Deferred assessments, dues and fees	231,264	-	231,264
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 333,518</u>	<u>\$ (1,420,208)</u>	<u>\$ (1,086,690)</u>

The accompanying notes are an integral part of this statement.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of organization**

Hunters Ridge Community Association, Inc. (the "Association"), which is located in Bonita Springs, Florida was incorporated on May 20, 1988 under the laws of Florida as a not-for-profit organization. The Association's accounting activity began in 1990. The Association is responsible for the operation and maintenance of the common property in accordance with the terms of Florida Statute, Chapters 617 and 720, and the provisions of the Amended and Restated Declaration of Covenants, Conditions, Restrictions and Easements. The Association consists of 446 villas and single family homes and 110 coach homes. On November 3, 2006, the Association was deeded the Country Club Facility (the "Facility") by BBA Development Corporation. The Facility includes an 18-hole golf course, driving range, practice putting and chipping greens, clubhouse, activities center, maintenance buildings, swimming pools, and tennis courts. As of December 31, 2015, there are 556 social members of which 325 are active golf members.

The Association acquired Hunters Ridge Utility Company of Lee County and as of January 1, 2013, it was rolled into the Association. As a result, the Utility Plant is now an operating division of the Association and incorporated into these financial statements.

**Fund accounting**

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.

The Association prepares its financial statements on the accrual basis of accounting and in accordance with the "Real Estate - Common Interest Realty Associations" topic of the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC")."

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Management estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles in the United States of America requires the Association to make estimates and assumptions that affect the reported amounts of assets, 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**

For purposes of reporting cash flows, the Association considers all short-term highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Prepaid assessments and fees**

Prepaid assessments and fees represent amounts paid to the Association before the assessments and fees were due.

**Deferred assessments, dues and fees**

Deferred assessments, dues and fees represent amounts billed to unit owners and members before January 1, 2016 that will become earned assessments, dues and fees revenue after January 1, 2016.

**Property, plant and equipment**

The Association follows prevalent industry practice, as contained ASC Subtopic 972-360, "Real Estate - Common Interest Realty Associations - Property, Plant and Equipment" in accounting for the common property of the Association. Property is capitalized only if the Association has title or other evidence of ownership of the property, and either the Association can dispose of the property or the property is used by the Association to generate significant cash flow from members on the basis of usage or from nonmembers.

Property directly associated with the units is not capitalized.

Property not directly associated with the units consists of gatehouses, pools, tennis courts, and roadways. These items are not capitalized as they do not meet the capitalization criteria.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Property, plant and equipment, continued**

The Association capitalizes assets at cost and depreciates them using the straight-line method over the estimated useful lives of the assets.

**Income taxes**

The Association has selected a December 31 year-end and files its income tax return as a regular Corporation under Section 277 of the Internal Revenue Code. Under this Section, the Association is taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses, and any net membership losses may only be carried forward to offset membership income of future tax periods. Due to the nature of the Association's operations, the Association believes it is remote that it would utilize either type of loss carryforward. As a result, it is the Association's policy not to disclose the deferred tax asset and related valuation allowance associated with these carry-forwards. Any net membership income not applied to the subsequent tax year under Revenue Ruling 70-604 is subject to taxation. The Association files Form 1120, which has graduated federal tax rates of 15% to 39% and a state tax rate of 5.5%, after a \$50,000 income exclusion.

The Association's tax filings are subject to audit by various taxing authorities. Certain income tax returns filed by the Association remain open to examination by these government agencies. The Association follows ASC Topic 740, "Income Taxes" in accounting for uncertain tax positions. The Association has evaluated its tax positions and any estimates utilized in its tax returns, and concluded that the Association has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Interest and penalties associated with uncertain tax positions will be recognized in income tax expense, if required.

**Interest earned**

Interest income earned in the operating fund or the replacement fund is recorded in its respective fund.

**Concentration of credit risk**

The Association maintains accounts at financial institutions in bank deposits which, at times, may exceed federally-insured limits. The Association has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash.



**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

**Concentration of credit risk, continued**

Concentration of credit risk with respect to the receivables relate to billings to unit owners who pay quarterly assessments and membership fees live within the complex. The Association does not anticipate credit losses in the near future.

**Fair value of financial instruments**

The carrying value of cash and cash equivalents, receivables and payables approximate fair value due to the short maturity of these financial instruments.

**Revenue recognition**

Assessments are billed quarterly and revenue is recognized monthly in the amount of the assessment allocation specified for current period operations, based on the annual budget adopted by the Board of Directors. Each unit owner is an Association member and an equal portion of the assessment is assessed for each unit.

**NOTE B - ASSESSMENTS, DUES AND FEES RECEIVABLE**

Assessments, dues and fees receivable are carried at the original charge amount less an estimate made for doubtful receivables, if any, based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Assessments receivable are written off when deemed uncollectible. Recoveries of assessments receivable previously written off are recorded when received.

An assessment, dues and fees receivable is considered to be past due if any portion of the receivable balance is outstanding for more than one month. A late fee is charged on assessments, dues and fees receivable that are outstanding for more than one month and is recognized as income as it is charged.

As of December 31, 2015, the Association had assessments, dues and fees receivable of:

	<u>Amount</u>
Golf memberships	\$ 2,382,978
Social memberships	920,888
Villas - South	229,996

**HUNTERS RIDGE COMMUNITY ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE B - ASSESSMENTS, DUES AND FEES RECEIVABLE, CONTINUED**

	<u>Amount</u>
Villas - North	106,687
Utility plant	74,948
Single Family - South	100,300
Single Family - North	29,301
Less: allowance for doubtful accounts	<u>(528,459)</u>
	<u>\$ 3,316,639</u>

**NOTE C - SPECIAL ASSESSMENT RECEIVABLE**

During 2015, the Board of Directors passed a special assessment in the amount of \$2,335,050 to be utilized for renovations to the clubhouse and kitchen. Each member had the option to make a one time payment of \$3,525 or be billed \$111 per quarter over ten years beginning November 1, 2015. 146 members chose to make the one time payment while 410 members chose to be billed \$111 per quarter over ten years. The amount of special assessment receivable at December 31, 2015 was \$1,743,693 and represents all future billings to members who chose to be billed over ten years.

**NOTE D - PROPERTY, PLANT AND EQUIPMENT**

Property, plant, and equipment consists of the following as of December 31, 2015:

	<u>Amount</u>
Utility plant equipment	\$ 1,773,064
Golf course equipment	211,559
Restaurant/clubhouse equipment	151,020
Golf carts	91,875
Common area equipment	46,037
Utility plant land	32,329
Activity center equipment	26,719
Fitness center equipment	<u>18,665</u>
	2,351,268
Accumulated depreciation	<u>(1,956,386)</u>
	<u>\$ 394,882</u>

**HUNTERS RIDGE COMMUNITY ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE D - PROPERTY, PLANT AND EQUIPMENT, CONTINUED**

Depreciation and amortization for property and equipment for the year ending December 31, 2015 was \$34,536.

**NOTE E - ACCRUED EXPENSES**

Accrued expenses at December 31, 2015 consists of the following:

	<u>Amount</u>
Contributions in aid of construction	\$ 319,740
Sales tax payable	82,438
SUTA payable	3,252
Gratuities payable	2,348
FUTA payable	819
Gift cards payable	<u>270</u>
	<u>\$ 408,867</u>

**NOTE F - DEFERRED SPECIAL ASSESSMENT**

As referenced in Note C to the financial statements, during 2015, the Board of Directors passed a special assessment in the amount of \$2,335,050 to be utilized for renovations to the clubhouse and kitchen. For the year ended December 31, 2015, the Association incurred \$1,728,780 in renovation expenses, recognized \$1,728,780 in revenue, and had a deferred special assessment of \$606,270 on the balance sheet.

**NOTE G - LONG-TERM DEBT**

Long-term debt consists of the following as of December 31, 2015:

	<u>Amount</u>
Note payable to a members, unsecured, quarterly interest and principal payments ranging from \$1,487 to \$14,274 with interest at 3.5% for first 5 years, during year 6, interest rate will adjust one time to .25 % above the Wall Street Journal prime rate at that time, adjusted rate will not be less than 3.5% and not greater than 5.5%, due December 31, 2025.	\$ 1,090,000

**HUNTERS RIDGE COMMUNITY ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE G - LONG-TERM DEBT, CONTINUED**

	<u>Amount</u>
Note payable to a members, unsecured, quarterly interest and principal payments of \$5,948 with interest amortized over a 10 year period at 3.5% for first 5 years, with remaining balance due December 31, 2020.	<u>400,000</u>
Total	\$ 1,490,000
Less: current portion	<u>(126,739)</u>
Long-term portion	<u>\$ 1,363,261</u>

Total annual payments for outstanding debt are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2016	\$ 126,739
2017	131,233
2018	135,887
2019	140,706
2020	133,804
Thereafter	<u>821,631</u>
	<u>\$ 1,490,000</u>

**NOTE H - REPLACEMENT FUND**

The Association's governing documents allow the accumulation funds for future major repairs and replacements, unless funding is waived or modified by the unit owners at a unit owner meeting. These funds are generally not available for expenditures for normal operations.

Management periodically reviews the major components of common property and establishes estimated remaining useful lives and replacements costs for Association assets. No outside independent analysis of remaining useful lives or future replacements costs has been conducted by the Association.

The Association is currently partially funding for such major repairs and replacements over the estimated useful lives of the components based on current replacement costs, using the pooling method. Actual expenditures may vary from the estimated amounts

**HUNTERS RIDGE COMMUNITY ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE H - REPLACEMENT FUND, CONTINUED**

and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, levy special assessments, borrow, or delay repairs and replacements until funds are available.

The following represents changes in the replacement fund:

	Beginning Fund Balance	Revenues	Expenses	Ending Fund Balance
Restricted for:				
Social - non golf	\$ -	\$ -	\$ -	\$ -
Golf	1,021,269	160,341	(447,447)	734,163
Common area	159,083	80,077	(107,087)	132,073
Renovations - special assessment	-	1,728,780	(1,728,780)	-
Villa insurance	40,621	34	-	40,655
Villa - south	326,694	75,015	(30,861)	370,848
Villa - north	361,923	95,193	(54,422)	402,694
Utility plant equipment	100,407	25,209	(78,837)	46,779
	<u>\$2,009,997</u>	<u>\$2,164,649</u>	<u>\$(2,447,434)</u>	<u>\$1,727,212</u>

**NOTE I - INCOME TAXES**

For the year ended December 31, 2015, the Association had no income tax due and generated non-member net operating loss (NOL) carryforwards of \$300,421 expiring various years through 2032. Since there is a remote likelihood that the Association will utilize any of the non-member NOL carryforwards, an allowance was created.

For the year ended December 31, 2015, the Association generated Section 277 carryforwards of excess member deductions over member income of \$241,985 that do not expire. Since there is a remote likelihood that the Club will utilize any of the Section 277 carryforwards of excess member deductions over member income, an allowance was created.

**HUNTERS RIDGE COMMUNITY ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2015**

**NOTE I - INCOME TAXES, CONTINUED**

The following table represents the carryforwards at the Association's effective tax rate:

	<u>Amount</u>
Non-member (NOL) carryforward	\$ 75,105
NOL carryforward allowance	<u>(75,105)</u>
Deferred tax asset	<u>\$ -</u>
	<u>Amount</u>
Section 277 carryforward of excess member deductions over member income	\$ 60,496
Section 277 carryforward allowance	<u>(60,496)</u>
Deferred tax asset	<u>\$ -</u>

**NOTE J - COMMITMENTS AND CONTINGENCIES**

The Association maintains insurance coverage for damage sustained to the buildings. The insurance coverage in force includes substantial deductible amounts which the Association would be required to fund. In addition, inasmuch as certain other expenses may be incurred by the Association in the event of a hurricane, the ultimate extent of any such loss in excess of the maximum deductible cannot be determined.

**NOTE K - RELATED PARTY TRANSACTIONS**

As outlined in Note G to the financial statements, the Association has incurred long-term debt, in the form of notes payable to 12 members of the Association, totaling \$1,490,000. In addition to the special assessment that was passed by the Board of Directors in 2015, additional financing was needed to defray the costs of the renovations to the clubhouse and locker rooms. The individual terms of each note payable is outlined in Note G to the financial statements.

**NOTE L - SUBSEQUENT EVENTS**

Management has assessed subsequent events through March 28, 2016, the date on which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**HUNTERS RIDGE COMMUNITY ASSOCIATION, INC.**  
**SCHEDULE OF FUTURE MAJOR REPAIRS AND**  
**REPLACEMENTS (UNAUDITED)**

**Year ended December 31, 2015**

The Association's Board of Directors conducted a study in 2012 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from licensed contractors who inspected the property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation or interest rates between the date of the study and the date that the components will require repair or replacement.

The following table is based on estimates provided by the Board of Directors and presents information about the significant components of common property:

<u>Component</u>	<u>Estimated Remaining Useful Life</u>	<u>Estimated Current Replacement Costs</u>	<u>Replacement Fund Balance at December 31, 2015</u>
<b>SOCIAL - NON GOLF</b>			
Roofs - clubhouse	23 years	\$ 130,000	
Roofs - activity center	6 years	66,000	
Painting - clubhouse	2 years	12,000	
Painting - activity center	2 years	6,000	
Pool resurfacing	6 years	35,000	
Property ins. deductible	2 years	300,000	
Tennis courts	6 years	110,000	
Air conditioning units	6 years	125,000	
Floor covering	2 years	60,000	
Furniture	2 years	75,000	
Restaurant equipment	2 years	50,000	
Computer and software	3 years	50,000	
<b>TOTAL SOCIAL NON GOLF</b>		<u>1,019,000</u>	<b>\$</b>
<b>GOLF</b>			
Roofs - cart barn	23 years	50,000	
Roofs - 1/2 maint. facility	5 years	10,000	
Greens replacement	6 years	500,000	
Fairway replacement	11 years	762,000	
Irrigation system	6 years	100,000	
Golf carts	2 years	80,000	



**HUNTERS RIDGE COMMUNITY ASSOCIATION, INC.**  
**SCHEDULE OF FUTURE MAJOR REPAIRS AND**  
**REPLACEMENTS (UNAUDITED), CONTINUED**  
**Year ended December 31, 2015**

<u>Component</u>	<u>Estimated Remaining Useful Life</u>	<u>Estimated Current Replacement Costs</u>	<u>Replacement Fund Balance at December 31, 2015</u>
<b>GOLF, CONTINUED</b>			
Painting - cart barn	2 years	7,000	
Bridges and walls	15 years	500,000	
Golf course equipment	3 years	<u>225,000</u>	
<b>TOTAL GOLF</b>		<b>2,234,000</b>	<b>734,163</b>
<b>COMMUNITY ASSOCIATION</b>			
Roofs - 1/2 maint. facility	5 years	10,000	
Security entrance roof	8 years	10,000	
Perimeter fencing	4 years	110,000	
Road resurfacing	7 years	500,000	
Well pumps and fountains	2 years	<u>30,000</u>	
<b>TOTAL COMMUNITY ASSOCIATION</b>		<b>660,000</b>	<b>132,073</b>
<b>VILLA INSURANCE</b>			
Villa insurance reserve	N/A	<u>20,000</u>	
<b>TOTAL VILLA INSURANCE</b>		<b>20,000</b>	<b>40,655</b>
<b>VILLAS - SOUTH</b>			
Villas - south	1-25 years	<u>2,512,500</u>	
<b>TOTAL VILLAS - SOUTH</b>		<b>2,512,500</b>	<b>370,848</b>
<b>VILLAS - NORTH</b>			
Villas - north	1-6 years	<u>1,372,000</u>	
<b>TOTAL VILLAS - NORTH</b>		<b>1,372,000</b>	<b>402,694</b>
<b>UTILITY PLANT EQUIPMENT</b>			
Utility plant equipment	3-15 years	<u>193,000</u>	
<b>TOTAL UTILITY PLANT EQUIPMENT</b>		<b>193,000</b>	<b>46,779</b>
		<u><b>\$ 8,010,500</b></u>	<u><b>\$ 1,727,212</b></u>