

**HUNTERS RIDGE COMMUNITY
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED
DECEMBER 31, 2016**

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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, 2016 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

Affiliations

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

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Hunters Ridge Community Association, Inc.

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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 Hunters Ridge Community Association, Inc. as of December 31, 2016 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 \$426,786, of which the ultimate collectability cannot be presently determined. The ultimate realizable value of the assessments and fees receivable may be less than \$3,229,710. 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

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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.

A handwritten signature in black ink, appearing to read "Stroemer & Company, LLC". The signature is stylized and cursive, with a large initial "S" and "C".

STROEMER & COMPANY, LLC

Fort Myers, Florida

March 17, 2017

HUNTERS RIDGE COMMUNITY ASSOCIATION, INC.
BALANCE SHEET
December 31, 2016

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>Total</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 635,348	\$ 1,345,155	\$ 1,980,503
Certificates of deposit	-	150,110	150,110
Assessments, dues and fees receivable, net	3,229,710	-	3,229,710
Special assessment receivable	-	1,560,432	1,560,432
Due from Grand Pines, Lynx Pass and Pheasant Hollow	49,963	-	49,963
Interfund receivable/(payable)	89,150	(89,150)	-
Deferred tax asset	68,898	-	68,898
Inventory	37,404	-	37,404
Prepaid expenses	1,208	-	1,208
TOTAL CURRENT ASSETS	<u>4,111,681</u>	<u>2,966,547</u>	<u>7,078,228</u>
PROPERTY, PLANT AND EQUIPMENT, NET	346,795	-	346,795
DEPOSITS	3,228	-	3,228
TOTAL ASSETS	<u>\$ 4,461,704</u>	<u>\$ 2,966,547</u>	<u>\$ 7,428,251</u>
LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES			
Current portion of long-term debt	\$ -	\$ 141,577	\$ 141,577
Accounts payable	86,317	-	86,317
Income taxes payable	5,398	-	5,398
Accrued expenses	417,557	-	417,557
Deferred special assessment	-	374,004	374,004
Deferred assessments, dues and fees	3,098,966	-	3,098,966
TOTAL CURRENT LIABILITIES	<u>3,608,238</u>	<u>515,581</u>	<u>4,123,819</u>
LONG-TERM DEBT	-	1,232,025	1,232,025
TOTAL LIABILITIES	<u>3,608,238</u>	<u>1,232,025</u>	<u>4,840,263</u>
FUND BALANCES	<u>853,466</u>	<u>1,218,941</u>	<u>2,072,407</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,461,704</u>	<u>\$ 2,966,547</u>	<u>\$ 7,428,251</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, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
REVENUES			
Regular assessments and other income	1,678,729	262,516	1,941,245
Social/club dues and other income	1,668,823	50,000	1,718,823
Golf dues and other income	1,540,917	155,997	1,696,914
Restaurant revenues	891,381	-	891,381
Utility plant revenue	331,418	25,000	356,418
Special assessment income - renovations	-	232,266	232,266
Realty Co. revenue	109,996	-	109,996
Interest income	118	2,201	2,319
TOTAL REVENUES	<u>6,221,382</u>	<u>727,980</u>	<u>6,949,362</u>
COST OF SALES			
	<u>365,634</u>	<u>-</u>	<u>365,634</u>
TOTAL COST OF SALES	5,855,748	727,980	6,583,728
EXPENSES			
Golf course expenses	1,505,813	710,177	2,215,990
General and admin - association	1,516,541	170,996	1,687,537
General and admin - social/club	1,408,225	113,760	1,521,985
Restaurant expenses	884,008	-	884,008
Utility plant expenses	222,017	9,052	231,069
Special assessment expenses - renovations (includes interest expense of \$79,087)	-	232,266	232,266
Realty Co. expenses	54,908	-	54,908
TOTAL EXPENSES	<u>5,591,512</u>	<u>1,236,251</u>	<u>6,827,763</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES BEFORE OTHER EXPENSES	<u>264,236</u>	<u>(508,271)</u>	<u>(244,035)</u>
OTHER EXPENSES			
Depreciation and amortization expense	48,087	-	48,087
Income tax benefit	(62,441)	-	(62,441)
TOTAL OTHER EXPENSES	<u>(14,354)</u>	<u>-</u>	<u>(14,354)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>\$ 278,590</u>	<u>\$ (508,271)</u>	<u>\$ (229,681)</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, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Balances, January 1, 2016	\$ 574,876	\$ 1,727,212	\$ 2,302,088
Excess of revenues over (under) expenses	<u>278,590</u>	<u>(508,271)</u>	<u>(229,681)</u>
Balances, December 31, 2016	<u>\$ 853,466</u>	<u>\$ 1,218,941</u>	<u>\$ 2,072,407</u>

The accompanying notes are an integral part of this statement.

HUNTERS RIDGE COMMUNITY ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
Year ended December 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash collected from assessments, dues and fees	\$ 5,105,183	\$ 493,513	\$ 5,598,696
Cash collected from special assessments	-	183,261	183,261
Cash collected from restaurant	891,381	-	891,381
Interest income received	118	2,201	2,319
Interest expense paid	-	(5,297)	(5,297)
Cash paid to suppliers and employees	<u>(5,795,129)</u>	<u>(1,230,954)</u>	<u>(7,026,083)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	201,553	(557,276)	(355,723)
CASH FLOWS FROM INVESTING ACTIVITIES			
Certificate of deposit interest re-invested	<u>-</u>	<u>(1,048)</u>	<u>(1,048)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	-	(1,048)	(1,048)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term debt	-	(116,398)	(116,398)
Interfund transfers	<u>(174,015)</u>	<u>174,015</u>	<u>-</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(174,015)</u>	<u>57,617</u>	<u>(116,398)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	27,538	(500,707)	(473,169)
Cash and cash equivalents, as of January 1, 2016	<u>607,810</u>	<u>1,845,862</u>	<u>2,453,672</u>
CASH AND CASH EQUIVALENTS, AS OF DECEMBER 31, 2016	<u>\$ 635,348</u>	<u>\$ 1,345,155</u>	<u>\$ 1,980,503</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, 2016

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

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>Total</u>
Excess of revenues over (under) expenses	\$ 278,590	\$ (508,271)	\$ (229,681)
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by (used in) operating activities:			
Depreciation and amortization	48,087	-	48,087
(Increase)/decrease in assets:			
Assessments, dues, and fees receivable	86,929	-	86,929
Special assessment receivable	-	183,261	183,261
Due from Grand Pines, Lynx Pass and Pheasant Hollow	(42,996)	-	(42,996)
Deferred tax asset	(68,898)	-	(68,898)
Inventory	(14,892)	-	(14,892)
Prepaid expenses	110,236	-	110,236
Deposits	(1,328)	-	(1,328)
Increase/(decrease) in liabilities:			
Accounts payable	(8,528)	-	(8,528)
Income taxes payable	5,398	-	5,398
Accrued expenses	8,690	-	8,690
Deferred special assessment	-	(232,266)	(232,266)
Deferred assessments, dues and fees	(199,735)	-	(199,735)
NET CASH PROVIDED BY (USED IN)			
OPERATING ACTIVITIES	<u>\$ 201,553</u>	<u>\$ (557,276)</u>	<u>\$ (355,723)</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, 2016, there are 555 social members of which 325 are active golf members.

The Association acquired Hunters Ridge Utility Company of Lee County (the "Utility Plant") 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.

The Association acquired Hunters Ridge Realty Co. (the "Realty Co.") and as of January 1, 2016, it was rolled into the Association. As a result, the Realty Co. 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund accounting, continued

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").

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, 2017 that will become earned assessments, dues and fees revenue after January 1, 2017.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property, plant and equipment, continued

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.

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. As a result, it is the 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.

During the year ended December 31, 2016, management elected to apply excess membership income to future period pursuant to Revenue Ruling 70-604.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

Inventory

Inventory is comprised on food and beverage. Inventory is stated at the lower of cost or market. Cost is determined substantially by the specific identification method.

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, 2016, the Association had assessments, dues and fees receivable of:

NOTE B - ASSESSMENTS, DUES AND FEES RECEIVABLE, CONTINUED

	<u>Amount</u>
Golf memberships	\$ 2,500,667
Social memberships	979,135
Villas - South	87,774
Utility plant	72,691
Single Family - South	13,197
Villas - North	3,032
Less: allowance for doubtful accounts	<u>(426,786)</u>
	<u>\$ 3,229,710</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, 2016. 146 members chose to make the one time payment while 412 members chose to be billed \$111 per quarter over ten years. The amount of special assessment receivable at December 31, 2016 was \$1,560,432 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, 2016:

	<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>(2,004,473)</u>
	<u>\$ 346,795</u>

NOTE D - PROPERTY, PLANT AND EQUIPMENT, CONTINUED

Depreciation and amortization for the year ending December 31, 2016 was \$48,087.

NOTE E - ACCRUED EXPENSES

Accrued expenses at December 31, 2016 consists of the following:

	<u>Amount</u>
Contributions in aid of construction	\$ 319,740
Sales tax payable	85,050
SUTA payable	2,778
Gratuities payable	5,581
FUTA payable	3,963
Gift cards payable	445
	<u>\$ 417,557</u>

Contribution in aid of construction is being amortized over 48 years at \$14,001 per year.

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.

Deferred special assessment December 31, 2015	\$ 606,270
Special assessment expenses incurred for the year ended December 31, 2016	<u>(232,266)</u>
Deferred special assessment December 31, 2016	<u>\$ 374,004</u>

NOTE G - LONG-TERM DEBT

Long-term debt consists of the following as of December 31, 2016:

	<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	

NOTE G - LONG-TERM DEBT, CONTINUED

	<u>Amount</u>
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.	\$ 1,007,626
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>365,976</u>
Total	\$ 1,373,602
Less: current portion	<u>(141,577)</u>
Long-term portion	<u>\$ 1,232,025</u>

Total annual payments for outstanding debt are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2017	\$ 141,577
2018	135,887
2019	140,706
2020	133,804
2021	327,740
Thereafter	<u>493,888</u>
	<u>\$ 1,373,602</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.

HUNTERS RIDGE COMMUNITY ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016

NOTE H - REPLACEMENT FUND, CONTINUED

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 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:				
Restricted for:				
Future deferred maintenance and capital expenditures	<u>\$1,727,212</u>	<u>\$ 727,980</u>	<u>\$(1,236,251)</u>	<u>\$1,218,941</u>

The following represents replacement fund expenses for the year ended December 31, 2016:

Social - non golf	\$ 113,760
Golf	710,177
Common area	44,110
Renovations - special assessment	232,266
Villa - south	41,328
Villa - north	85,558
Utility plant equipment	9,052
	<u>\$ 1,236,251</u>

NOTE I - INCOME TAXES

For the year ended December 31, 2016, the Association incurred \$5,398 of federal and \$0 in state income taxes. The Association has made no estimated tax payments; therefore, the taxes due are reflected on the balance sheet as a liability.

For the year ended December 31, 2016, the Association had non-member net operating loss (NOL) carryforwards of \$275,592 expiring various years through 2033, subject to a limitation of \$49,215 per year.

The deferred tax asset for the Association is comprised of the following at December 31, 2016 at the Association's effective tax rate:

	<u>Amount</u>
Deferred tax assets -	
Non-member (NOL) carryforward	<u>\$ 68,898</u>

NOTE J - COMMITMENTS AND CONTINGENCIES

Insurance

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.

Bulk cable and internet

On November 12, 2015, the Association entered into a 84 month agreement with Comcast which grants them the exclusive right to install, construct, operate, maintain, repair, upgrade, replace and remove video and internet communication systems for a term not less than 7 years. This agreement allows Comcast to bill the Association approximately \$41.99 per month per unit for video bulk service and approximately \$34.00 per month per unit for internet bulk service. Total expenses associated with this agreement for the year ended December 31, 2016 were \$469,273.

NOTE J - COMMITMENTS AND CONTINGENCIES

Bulk cable and internet

Estimated minimum projected future expenses of the Association under this agreement are as follows:

<u>Year ending</u> <u>December 31,</u>	<u>Amount</u>
2017	\$ 506,093
2018	506,093
2019	506,093
2020	506,093
2021	506,093
Thereafter	421,745
	<u>\$ 2,952,210</u>

NOTE K - RELATED PARTY TRANSACTIONS

The Association has incurred long-term debt, in the form of notes payable to 12 members of the Association, totaling \$1,373,602 as of December 31, 2016. 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 17, 2017, 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, 2016

The Association's Board of Directors conducted a study in November, 2016 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, 2016</u>
SOCIAL - NON GOLF			
Roofs - clubhouse	22 years	\$ 130,000	
Roofs - activity center	5 years	66,000	
Painting - clubhouse	1 year	12,000	
Painting - activity center	1 year	6,000	
Pool resurfacing	5 years	35,000	
Property ins. deductible	1 year	300,000	
Tennis courts	5 years	110,000	
Air conditioning units	5 years	125,000	
Floor covering	1 year	60,000	
Furniture	1 year	75,000	
Restaurant equipment	1 year	50,000	
Computer and software	2 years	50,000	
TOTAL SOCIAL NON GOLF		<u>1,019,000</u>	\$ (63,548)
GOLF			
Roofs - cart barn	22 years	50,000	
Roofs - 1/2 maint. facility	4 years	10,000	
Greens replacement	5 years	500,000	
Fairway replacement	10 years	762,000	
Irrigation system	5 years	100,000	
Golf carts	1 year	80,000	

HUNTERS RIDGE COMMUNITY ASSOCIATION, INC.
SCHEDULE OF FUTURE MAJOR REPAIRS AND
REPLACEMENTS (UNAUDITED), CONTINUED
Year ended December 31, 2016

<u>Component</u>	<u>Estimated Remaining Useful Life</u>	<u>Estimated Current Replacement Costs</u>	<u>Replacement Fund Balance at December 31, 2016</u>
GOLF, CONTINUED			
Painting - cart barn	1 year	7,000	
Bridges and walls	14 years	500,000	
Golf course equipment	2 years	<u>225,000</u>	
TOTAL GOLF		2,234,000	180,430
COMMUNITY ASSOCIATION			
Roofs - 1/2 maint. facility	4 years	10,000	
Security entrance roof	7 years	10,000	
Perimeter fencing	3 years	110,000	
Road and parking lot resurfacing	6 years	500,000	
Well pumps and fountains	1 year	<u>30,000</u>	
TOTAL COMMUNITY ASSOCIATION		660,000	183,252
VILLA INSURANCE			
Villa insurance reserve	N/A	<u>20,000</u>	
TOTAL VILLA INSURANCE		20,000	40,686
VILLAS - SOUTH			
Villas - south	0-24 years	<u>2,512,500</u>	
TOTAL VILLAS - SOUTH		2,512,500	403,028
VILLAS - NORTH			
Villas - north	0-5 years	<u>1,372,000</u>	
TOTAL VILLAS - NORTH		1,372,000	412,326
UTILITY PLANT EQUIPMENT			
Utility plant equipment	2-14 years	<u>193,000</u>	
TOTAL UTILITY PLANT EQUIPMENT		<u>193,000</u>	<u>62,767</u>
		<u>\$ 8,010,500</u>	<u>\$ 1,218,941</u>