

WATER GLADES PROPERTY OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

For the Year Ended February 28, 2022

WATER GLADES PROPERTY OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

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To the Board of Directors
Water Glades Property Owners Association, Inc.
Singer Island, Florida

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of Water Glades Property Owners Association, Inc., which comprise the balance sheet as of February 28, 2022, and the related statements of revenues, expenses and changes in fund balances and cash flows for the year 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 Water Glades Property Owners Association, Inc. as of February 28, 2022, and the results of its operations and its cash flows for the year 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Water Glades Property Owners 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 the 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 Water Glades Property Owners 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.

Auditor's 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 auditor's 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 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 judgment 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 Water Glades Property Owners 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Water Glades Property Owners 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information on future major repairs and replacements on page 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Leonardo & Company

Leonardo & Company
Certified Public Accountants
Boca Raton, Florida
May 13, 2022

WATER GLADES PROPERTY OWNERS ASSOCIATION, INC.
BALANCE SHEET
February 28, 2022

	Operating Fund	Special Assessment Fund	Replacement Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ 168,657	\$ 86,120	\$ 24,597	\$ 279,374
Due from Towers	2,704	-	-	2,704
Prepaid Insurance	119,601	-	-	119,601
Prepaid Expense	5,367	-	-	5,367
Interfund Borrowings	14,595	(14,595)	-	-
Total Assets	<u>\$ 310,924</u>	<u>\$ 71,525</u>	<u>\$ 24,597</u>	<u>\$ 407,046</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 46,471	\$ 49,497	\$ -	\$ 95,968
Payroll Taxes Payable	1,595	-	-	1,595
Retainage Payable	-	12,175	-	12,175
Security Deposits	200	-	-	200
Elevator Key Deposits	358	-	-	358
Total Liabilities	48,624	61,672	-	110,296
FUND BALANCES	<u>262,300</u>	<u>9,853</u>	<u>24,597</u>	<u>296,750</u>
Total Liabilities and Fund Balances	<u>\$ 310,924</u>	<u>\$ 71,525</u>	<u>\$ 24,597</u>	<u>\$ 407,046</u>

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

WATER GLADES PROPERTY OWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES AND
CHANGES IN FUND BALANCES
For the Year Ended February 28, 2022

	Operating Fund	Special Assessment Fund	Replacement Fund	Total
REVENUES				
Members Assessments	\$ 1,184,195	\$ -	\$ -	\$ 1,184,195
Special Assessment - Seawall	-	491,380	-	491,380
Special Assessment - POA Projects	-	16,853	-	16,853
Transfer from Towers - Garage Spalling	-	70,000	-	70,000
Key Fobs	3,855	-	-	3,855
Parking Spaces and Stickers	13,355	-	-	13,355
Interest Income	-	2	12	14
Clubhouse Rental	200	-	-	200
Other Income	100	-	-	100
	<u>1,201,705</u>	<u>578,235</u>	<u>12</u>	<u>1,779,952</u>
EXPENSES				
Employee Costs:				
Administrative Salaries	127,397	-	-	127,397
Health Insurance	39,946	-	-	39,946
Maintenance Salaries	287,553	-	-	287,553
Temporary Labor	1,380	-	-	1,380
Holiday Bonus	16,400	-	-	16,400
Payroll Taxes	33,502	-	-	33,502
Uniforms	1,580	-	-	1,580
Workers Compensation Insurance	17,772	-	-	17,772
	<u>525,530</u>	<u>-</u>	<u>-</u>	<u>525,530</u>
Contract Costs:				
Pest Control	312	-	-	312
Landscape Maintenance	59,950	-	-	59,950
Security Guard Service	212,517	-	-	212,517
	<u>272,779</u>	<u>-</u>	<u>-</u>	<u>272,779</u>
Materials and Equipment Costs:				
Air Conditioning Repairs and Maintenance	2,354	-	-	2,354
Elevator Maintenance - Clubhouse	625	-	-	625
Electrical Repairs and Maintenance	670	-	-	670
Equipment Repairs and Maintenance	4,344	-	-	4,344
Irrigation Repairs and Maintenance	10,186	-	-	10,186
Plumbing Repairs and Maintenance	240	-	-	240
Fire System	360	-	-	360
Landscape Improvements	19,804	-	-	19,804
Office Equipment	11,209	-	-	11,209
Office Supplies	750	-	-	750
Postage and Shipping	552	-	-	552
Supplies and Hardware	24,787	-	-	24,787
	<u>75,881</u>	<u>-</u>	<u>-</u>	<u>75,881</u>

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

WATER GLADES PROPERTY OWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES AND
CHANGES IN FUND BALANCES (Continued)
For the Year Ended February 28, 2022

	Operating Fund	Special Assessment Fund	Replacement Fund	Total
Professional Services:				
Accounting	22,200	-	-	22,200
Audit	5,200	-	-	5,200
Engineering Fees	7,139	-	-	7,139
Legal Fees	<u>8,580</u>	-	-	<u>8,580</u>
Total Professional Services	<u>43,119</u>	-	-	<u>43,119</u>
Common Areas:				
Beach Cleaning	6,500	-	-	6,500
Clubhouse	43,604	-	-	43,604
Golf Carts	688	-	-	688
Guardhouse	1,393	-	-	1,393
Swimming Pools	<u>18,852</u>	-	-	<u>18,852</u>
Total Common Areas	<u>71,037</u>	-	-	<u>71,037</u>
Utilities:				
Electricity	15,040	-	-	15,040
Gas	15,823	-	-	15,823
Telephone	14,677	-	-	14,677
Water	<u>61,098</u>	-	-	<u>61,098</u>
Total Utilities	<u>106,638</u>	-	-	<u>106,638</u>
Other Expenses:				
Bank Charges	24	-	-	24
Insurance	86,247	-	-	86,247
Licenses, Dues and Subscriptions	313	-	-	313
Special Assessment Expenditures -Seawall		491,380	-	491,380
Special Assessment Expenditures -POA Projects		333	-	333
Garage Spalling Project	<u>-</u>	<u>140,450</u>	-	<u>140,450</u>
Total Other Expenses	<u>86,584</u>	<u>632,163</u>	-	<u>718,747</u>
Total Expenses	<u>1,181,568</u>	<u>632,163</u>	-	<u>1,813,731</u>
Excess (Deficiency) of Revenues over Expenses	<u>20,137</u>	<u>(53,928)</u>	<u>12</u>	<u>(33,779)</u>
Fund Balances - Beginning of Year	346,450	37,719	298	384,467
Transfers	(80,000)	80,000	-	-
Prior Period Adjustment	<u>(24,287)</u>	<u>(53,938)</u>	<u>24,287</u>	<u>(53,938)</u>
Fund Balances - End of Year	<u>\$ 262,300</u>	<u>\$ 9,853</u>	<u>\$ 24,597</u>	<u>\$ 296,750</u>

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

WATER GLADES PROPERTY OWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended February 28, 2022

	Operating Fund	Special Assessment Fund	Replacement Fund	Total
Reconciliation of Excess (Deficiency) of Revenues over Expenses to Net Cash Provided by (Used in) Operating Activities:				
Excess (Deficiency) of Revenues over Expenses	\$ 20,137	\$ (53,928)	\$ 12	\$ (33,779)
Adjustments to Reconcile Excess (Deficiency) of Revenues over Expenses to Net Cash Provided by (Used in) Operating Activities:				
Prior Period Adjustment	(24,287)	(53,938)	24,287	(53,938)
(Increase) Decrease in Assets:				
Due from Towers	1,175	-	-	1,175
Unbilled Special Assessment Receivables	-	2,511,300	-	2,511,300
Prepaid Insurance	(107,735)	-	-	(107,735)
Prepaid Expense	(351)	-	-	(351)
Increase (Decrease) in Liabilities:				
Accounts Payable and Accrued Expenses	24,436	(1,201,205)	-	(1,176,769)
Retainage Payable	-	(361,020)	-	(361,020)
Payroll Taxes Payable	855	-	-	855
Elevator Key Deposits	100	-	-	100
Contract Liabilities (Special Assessments Received In Advance - Special Assessment Fund) - POA Projects	-	(16,853)	-	(16,853)
Contract Liabilities (Special Assessments Received In Advance - Special Assessment Fund) - Seawall	-	(867,271)	-	(867,271)
Net Cash Provided by (Used in) Operating Activities	<u>(85,670)</u>	<u>(42,915)</u>	<u>24,299</u>	<u>(104,286)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Transfers	(80,000)	80,000	-	-
Interfund Borrowings	<u>15,578</u>	<u>8,708</u>	<u>(24,286)</u>	<u>-</u>
Net Cash Provided by (Used in) Financing Activities	<u>(64,422)</u>	<u>88,708</u>	<u>(24,286)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(150,092)	45,793	13	(104,286)
Cash and Cash Equivalents - Beginning of Year	<u>318,749</u>	<u>40,327</u>	<u>24,584</u>	<u>383,660</u>
Cash and Cash Equivalents - End of Year	<u>\$ 168,657</u>	<u>\$ 86,120</u>	<u>\$ 24,597</u>	<u>\$ 279,374</u>

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

WATER GLADES PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

February 28, 2022

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization - Water Glades Property Owners Association, Inc. (Association) is a property owners association incorporated under the laws of the State of Florida in November, 1975. The Association is responsible for the operation and maintenance of the common property of the Water Glades Property Owners Association. The Association acts as a managing agent for Water Glades 100 Condominium Association, Inc., Water Glades 200 Condominium Association, Inc., and Water Glades 300 Condominium Association, Inc. All revenues are received from its member associations on a percentage determined by the number of apartments in each association.

Water Glades 100 Condominium Association, Inc.	28 %
Water Glades 200 Condominium Association, Inc.	33 %
Water Glades 300 Condominium Association, Inc.	39 %

2. Fund Accounting - The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the 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.

Special Assessment Fund - This fund is used to account for financial resources available for the special operations of the Association.

Replacement Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

3. Member Assessments - Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments and special assessments in the operating fund are satisfied when these funds are expended for their designated purposes. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are thirty days or more delinquent. As of February 28, 2022, an allowance for doubtful accounts has not been established. The Association provides for doubtful accounts based on experience and analysis of individual accounts. Any excess assessments at year end are retained by the Association for use in the succeeding year.

The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments and special assessments receivable as of the beginning and end of the year are \$2,511,300 and \$0, respectively.

4. Recognition of Assets and Depreciation Policy - Real property acquired by the Association is capitalized when it (a) is used to generate significant cash flows from members on the basis of usage or from nonmembers or (b) 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. The Association capitalizes personal property to which it has title at cost and depreciates it using the straight-line method over the estimated useful lives of the assets.

WATER GLADES PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
February 28, 2022

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
6. Income Taxes - The Association's policy is to record interest expense or penalties related to income tax in operating expenses. For the year ended February 28, 2022, no interest or penalties were paid or accrued.
7. Concentration of Credit Risk - Financial instruments which potentially subject the Association to concentrations of credit risk are primarily cash and cash equivalents and assessments receivable. The Association invests its excess cash and cash equivalents in both deposits and high quality short-term liquid money market instruments with major financial institutions and the carrying value approximates market value. The Association has not experienced losses related to these investments. The Association believes it is not exposed to any significant credit risk on cash and cash equivalents and assessments receivable.
8. Cash and Cash Equivalents - For purposes of the February 28, 2022 balance sheet and statement of cash flows for the year then ended, the Association considers all highly liquid investments purchased with an initial maturity of twelve months or less to be cash equivalents.
9. Comprehensive Income - ASC 220 (formerly SFAS No. 130) requires "a full set of general-purpose financial statements to be expanded to include the reporting of comprehensive income." Comprehensive income is comprised of two components, net income and other comprehensive income. For the year ended February 28, 2022, there were no items that qualify as comprehensive income.
10. Fair Value of Financial Instruments - The carrying amounts of cash, receivables and payables approximate their fair values due to their short-term maturities.
11. Interest Income - The Association's policy is to allocate to the operating, special assessment and replacement funds all interest earned on their respective cash accounts.
12. Prepaid Assessments - Assessments received in advance for the subsequent year are reported as prepaid assessments on the balance sheet.
13. Contract Liabilities (Assessments received in advance-replacement fund) - The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year are \$0 and \$0, respectively.
14. Contract Liabilities (Special Assessments received in advance - special assessment fund) - The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (special assessments received in advance-special assessment fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to special assessments. The balance of contract liabilities (special assessments received in advance-special assessment fund) as of the beginning and end of the year are \$884,124 and \$0, respectively.

WATER GLADES PROPERTY OWNERS ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS (Continued)
 February 28, 2022

NOTE B - FUTURE MAJOR REPAIRS AND REPLACEMENTS

Florida Statutes require that funds be accumulated for future major repairs and replacements. Accumulated funds, which aggregate to \$24,597, are presented on the accompanying February 28, 2022 balance sheet as contract liabilities and replacement fund total balance. These "Assessments Received in Advance - Replacement Fund" and replacement fund balance are held in separate accounts and are generally not available for operating purposes

In 2021 when preparing the 2022 budget, the Board of Directors conducted an informal study and estimated the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information on future major repairs and replacements is based on management's estimates. The Association is not funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, including amounts previously accumulated in the replacement fund.

The funding program was included in the proposed budget for 2021, which was presented to unit owners at a general meeting in 2020. At that meeting, a majority of owners voted not to include funding for major repairs and replacements in the annual budget for 2021. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available. The activity was as follows:

<u>Components</u>	<u>Balance</u> <u>03/01/21</u>	<u>Assessments</u>	<u>Interest</u> <u>Income</u>	<u>Prior Period</u> <u>Adjustment</u>	<u>Balance</u> <u>02/28/22</u>
Roof	\$ -	\$ -	\$ -	\$ -	\$ -
Painting	-	-	-	-	-
Paving	-	-	-	24,287	24,287
Interest	<u>298</u>	<u>-</u>	<u>12</u>	<u>-</u>	<u>310</u>
	<u>\$ 298</u>	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 24,287</u>	<u>\$ 24,597</u>

NOTE C - FURNITURE, FIXTURES AND EQUIPMENT

Equipment consists of the following at February 28, 2022:

Equipment	\$ 100,783
Accumulated depreciation	<u>(100,783)</u>
	<u>\$ -</u>

NOTE D - UNINSURED CASH BALANCES

The Association maintains its cash balances at one major financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At February 28, 2022, the Association's uninsured cash balances total \$245,115. The Association has not incurred losses related to these investments.

WATER GLADES PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
February 28, 2022

NOTE E - SPECIAL ASSESSMENTS

As of February 29, 2020, \$52,134 was recognized as contract liabilities (special assessments received in advance - special assessment fund) for future related purposes. On November 13, 2020, the Board of Directors approved a special assessment in the amount of \$37,932 for legal fees pertaining to Tower 300. As of February 28, 2021, total related POA and legal fee expenses were \$73,213 and the remaining \$16,854 was included in contract liabilities (special assessments received in advance - special assessment fund). As of February 28, 2022, total related expenses were \$333 and \$16,853 is recognized as special assessment income for common surplus.

On June 17, 2020, the Board of Directors approved a special assessment not to exceed the amount of \$4,700,000 for the seawall project. As of February 28, 2021, total related expenses were \$3,832,729 and the remaining \$867,271 was recognized as contract liabilities (special assessments received in advance-special assessment fund). As of February 28, 2022, total related expenses were \$491,380 and the project has been completed.

NOTE F - GARAGE SPALLING PROJECT

As of February 28, 2022, the Towers transferred \$70,000 to the Association for the garage spalling projects. Total related expenses were \$140,450. The operating fund transferred \$80,000 to the special assessment fund to assist with the cost of this project.

NOTE G - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 13, 2022, the date that the financial statements were available to be issued.

NOTE H - WINDSTORM INFORMATION

The Association maintains insurance coverage for damage sustained by the common elements. The insurance coverage in force includes substantial deductible amounts, which the Association would be required to fund. In addition, in as much 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 aforementioned maximum deductible cannot be determined.

NOTE I - CONTINGENCIES

During the course of normal operations of the Association, lawsuits, claims, and other contingent liabilities may arise. Based upon information currently available with respect to the aforementioned contingencies, management believes that any resulting liability will not materially affect the financial position or operations of the Association.

NOTE J - COMMITMENTS

The Association has contracted with several vendors for various services to maintain the common property related to certain administration and building operations and maintenance expenses. These contracts are approved, as necessary, by the Board and have varying expiration dates and renewal terms.

WATER GLADES PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
February 28, 2022

NOTE K - INCOME TAXES

In 2021, the Association elected to file as a homeowners' association in accordance with Internal Revenue Service Code section 528. Under this section, the Association excludes from taxation exempt function income, which generally consists of revenue from assessments to owners. The Association's investment income and other nonexempt income are subject to tax at a rate of 30%, net of any applicable expenses. At February 28, 2021, no income tax has been paid or accrued.

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 February 28, 2022, 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 is subject to routine audits by taxing jurisdictions; however, there are currently 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 2019.

NOTE L - PRIOR PERIOD ADJUSTMENT

Prior period adjustments are transactions and corrections relating to prior accounting records and are made in order to reflect a current year without distortion. There was a \$24,287 adjustment to decrease the operating fund and increase the replacement fund and \$53,938 adjustment to decrease the special assessment fund balance due to prior year transactions. There is no effect on current year income or loss.

NOTE M - SUBSEQUENT EVENT

The Association anticipates pooling the replacement fund in the subsequent year.

SUPPLEMENTARY INFORMATION

WATER GLADES PROPERTY OWNERS ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
 February 28, 2022
 (Unaudited)

The Board of Directors conducted an informal study to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. These estimates are reviewed annually and adjusted accordingly. Actual expenditures may vary from these estimated amounts and the variations may be material. The following table is based on that study as updated by management and presents significant information about the components of common property.

Components	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	Contract Liabilities and Replacement Fund Balance February 28, 2022	2022 Required Funding
Roof - Clubhouse and Guardhouse	22	\$ 165,000	\$ -	\$ 7,500
Painting - Clubhouse and Guardhouse	2	32,000	-	16,000
Pavement Resurfacing	1	350,000	24,287	350,000
Air Conditioning Units - Clubhouse	1	15,000	-	15,000
Office Air Conditioning Unit	1	3,000	-	3,000
Tennis Court Repairs	2	50,000	-	25,000
Spalling Repairs	2	100,000	-	50,000
Interest	-	-	310	-
		<u>\$ 715,000</u>	<u>\$ 24,597</u>	<u>\$ 466,500</u>