

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021



SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
TABLE OF CONTENTS
December 31, 2021

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Balance Sheet	4
Statement of Revenues, Expenses and Changes in Fund Balances	5
Statement of Cash Flows	6
Notes to Financial Statements	7



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of Sunrise Lakes
Phase 4 Recreation Association, Inc.
Sunrise, FL

Opinion

I have audited the accompanying financial statements of Sunrise Lakes Phase 4 Recreation Association, Inc., which comprise the balance sheet as of December 31, 2021, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Association and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Managements 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; 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 Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I:

- 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 understand 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 the Association's 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 the Association's ability to continue as a going concern for a reasonable period of time.

I am required to communicate 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.

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Directors

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted information on future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Guy Strum, P.A.

Guy Strum, P.A.
Plantation, FL
February 15, 2022

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2021

	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 425,832	\$ -	\$ 425,832
Cash Held for Security Deposits	1,737	-	1,737
Assessments receivable, net	95,539	-	95,539
Prepaid expenses	186,580	-	186,580
Land	400,000	-	400,000
Utility deposits	1,090	-	1,090
	\$ 1,110,778	\$ -	\$ 1,110,778
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued expenses	\$ 16,289	\$ -	\$ 16,289
Maintenance assessments received in advance	109,392	-	109,392
Escrow deposits	1,737	-	1,737
	127,418	-	127,418
Fund balances	983,360	-	983,360
	\$ 1,110,778	\$ -	\$ 1,110,778

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2021

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES:			
Assessments	\$ 531,046	\$ -	\$ 531,046
Bad debt - per budget	(24,831)	-	(24,831)
	506,215	-	506,215
Interest income	257	-	257
Other income	37,079	-	37,079
	543,551	-	543,551
EXPENSES:			
Administrative	4,736	-	4,736
Collection fees	49,474	-	49,474
Flow meters	33,352	-	33,352
Golf course maintenance	163,570	-	163,570
Insurance	34,417	-	34,417
Lake maintenance	29,484	-	29,484
MRTA expense	109,043	-	109,043
Payroll and related costs	16,716	-	16,716
Professional fees	42,672	-	42,672
Website portal services	15,216	-	15,216
	498,680	-	498,680
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	44,871	-	44,871
FUND BALANCES - BEGINNING OF YEAR	938,489	-	938,489
FUND BALANCES - END OF YEAR	\$ 983,360	\$ -	\$ 983,360

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	OPERATING FUND	REPLACEMENT FUND	TOTAL
Cash Flows from Operating Activities:			
Excess (Deficit) of Revenues over Expenses	\$ 44,871	\$ -	\$ 44,871
Adjustments to Reconcile Excess (Deficit) of Revenues over Expenses to Net Cash Provided (Used) by Operating Activities:			
(Increase) Decrease in Assets:			
Assessments receivable	12,629	-	12,629
Prepaid expenses	1,499	-	1,499
Increase (Decrease) in Liabilities:			
Accounts payable and accrued expenses	(3,267)	-	(3,267)
Maintenance assessments received in advance	(23,978)	-	(23,978)
Total Adjustments	(13,117)	-	(13,117)
Net Cash Provided (Used) by Operating Activities	31,754	-	31,754
Net Increase (Decrease) in Cash	31,754	-	31,754
Cash and Cash Equivalents - Beginning of Year	395,815	-	395,815
Cash and Cash Equivalents - End of Year	\$ 427,569	\$ -	\$ 427,569

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE A - ORGANIZATION

Sunrise Lakes Phase 4 Recreation Association, Inc. was incorporated in the State of Florida on December 20, 1979. The Association is a property owners association as defined in Chapter 712, Florida Statutes, located in Sunrise, Florida, and was created to acquire, own and operate certain recreational facilities at a condominium project in Sunrise Lakes. It consists of 2,536 unit owners who are also members of one of the three Associations forming Sunrise Lakes Phase 4. The Association's purpose is to manage and operate the recreational facilities.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors and property manager. Disbursements from the replacement fund generally may be made only for designated purposes.

Interest Earned

The Board's policy is to allocate to the applicable fund interest earned on cash accounts. Interest is allocated to the components of the replacement fund based on their respective ending balances.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and fees payable to the District. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected.

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

The Association's performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are thirty days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. It is the opinion of the Board of Directors that the Association will not ultimately prevail against all homeowners with delinquent assessments and, accordingly, an allowance for uncollectible accounts in the amount of \$43,000 is deemed necessary.

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 receivable as of the beginning and end of the year are approximately \$135,000 and \$139,000, respectively.

Contract Liabilities (Assessments received in advance)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is (are) recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The Association has no reserve assessments (see Note C). The balances of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year are \$0.

Income Taxes

In 2021, the Association elected to file as a homeowners' association in accordance with Internal Revenue Service Code section 528. Under that 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, net of any applicable expenses. There was no resulting tax liability.

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Property, Land and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. Property and equipment, if any, acquired by the Association are recorded at cost and property contributed to the Association, if any, by the developer is recorded at estimated fair value at the date of contribution.

Estimates

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.

Cash and Cash Equivalents

For purposes of these financial statements, the Association considers demand deposit accounts, savings accounts and certificate of deposits to be cash equivalents.

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 December 31, 2021, there were no items that qualify as comprehensive income.

Fair Value of Financial Instruments

The carrying amounts of the Association’s financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and long-term debt, approximate their fair values due to their short-term maturities.

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

Accounting for Uncertainty in Income Taxes

A loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

Under federal and state income tax laws, an entity's income tax returns are subject to examination by the applicable taxing authorities. The time period during which a return may be selected by a taxing authority for examination generally ends at the later of three years after the initial due date of the return or three years after the return is filed.

NOTE C – FUTURE MAJOR REPAIRS AND REPLACEMENTS

Generally, Florida Statutes require that funds be accumulated for future major repairs and replacements of the common elements. Accumulated funds are to be held in separate accounts and are generally not available for expenditures for normal operations.

However, since the Association neither owns nor maintains any common property except for land, there is no need to provide for these reserves. Accordingly, the Association is not currently funding for future major repairs and replacements over the estimated remaining useful lives of the components.

The was no opening balances or activity in the replacement fund for the year ended December 31, 2021.

NOTE D – PURCHASE OF GOLF COURSE

On March 30, 1995, an agreement was reached to purchase the golf course facilities by the Association with a mortgage held by the developer. The amount of the mortgage was \$400,000 which represents the cost of the land. The mortgage has been satisfied and the golf course facilities now belong to the Association.

SUNRISE LAKES PHASE 4 RECREATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE E – FORMATION OF SPECIAL RECREATION DISTRICT

The unit owners of the three member associations of Sunrise Lakes Phase 4 are members of the Sunrise Lakes Phase 4 Recreation Association, Inc. which leased and maintained all of the recreation facilities in the Phase 4 complex. These facilities were leased from Leisure Colony, Inc., a subsidiary of the builder, W.B. Homes, Inc. under a long-term lease. The unit owners of Sunrise Lakes Phase 4 voted to form a Special Recreation District to purchase the recreation facilities which was approved by the City of Sunrise in 1994.

The transaction was completed, and the tax-exempt bonds were issued by the District in March of 1995. This allowed the lease to be terminated and the unit owners' payment to be fixed at \$58.75 per unit per month for the first ten years and then \$60.50 per unit per month for the remaining twenty-year term of the bond amortization.

The District is governed by a Board of Supervisors elected by the unit owners and consisting of two members from each of the three Sunrise Lakes Phase 4 associations (voting districts). As of March 30, 1995, all assets and liabilities of the Association were transferred to the Special Recreation District with the exception of the golf course and the related liabilities.

NOTE F - LANDSCAPE CONTRACT

On November 1, 2014, the Association entered into a contract with a vendor to provide landscaping services to the Association. The initial term runs through October 31, 2018 and continues until cancelled. Either party may cancel the contract with 60 days written notice. The current annual cost of the contract is approximately \$145,000.

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 the date of this report. That date is the date the financial statements were available to be issued.