



North Shore at Lake Hart Homeowners Association, Inc.

**Financial Statements and
Supplementary Information
Year Ended December 31, 2022**

North Shore at Lake Hart Homeowners Association, Inc.

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Tel: 407-841-6930
Fax 407-841-6347
www.bdo.com

450 S Orange Ave, Suite 550
Orlando, FL 32801

Independent Auditor's Report

Board of Directors
North Shore at Lake Hart Homeowners Association, Inc.
Orlando, Florida

Opinion

We have audited the accompanying financial statements of North Shore at Lake Hart Homeowners Association, Inc. (the "Association"), which comprise the balance sheet as of December 31, 2022, and the related statements of revenues and expenses and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2022, and the results of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Association 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.

Future Major Repairs and Replacements

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 6 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 that matter.

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 the Association's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 GAAS, 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 the Association'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 the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses on pages 16, 17 and 18 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenses is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenses is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 19 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

BDO USA, P.C.

Orlando, Florida
August 30, 2023

Financial Statements

North Shore at Lake Hart Homeowners Association, Inc.

Balance Sheet

December 31, 2022

	Operating Fund	Replacement Fund	Total
Assets			
Cash			
Undesignated	\$ 248,791	\$ -	\$ 248,791
Designated			
Capital expenditures	170,084	-	170,084
Reserves	-	218,881	218,881
Certificates of deposit	-	1,040,000	1,040,000
Investments in government securities	1,371,412	635,006	2,006,418
Assessments receivable, net	60,766	-	60,766
Prepaid expenses	42,570	-	42,570
Deposits	21,558	-	21,558
Total Assets	\$ 1,915,181	\$ 1,893,887	\$ 3,809,068
Liabilities and Fund Balances			
Liabilities			
Accounts payable and accrued expenses	\$ 47,245	\$ -	\$ 47,245
Assessments collected in advance	148,444	-	148,444
Deferred revenues - reserves	-	1,893,887	1,893,887
Total Liabilities	195,689	1,893,887	2,089,576
Fund Balances			
Accumulated surplus	1,294,408	-	1,294,408
Designated			
Capital expenditures	170,084	-	170,084
Hurricane and emergency	200,000	-	200,000
Special projects and other non-recurring expenses	55,000	-	55,000
Total Fund Balances	1,719,492	-	1,719,492
Total Liabilities and Fund Balances	\$ 1,915,181	\$ 1,893,887	\$ 3,809,068

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

North Shore at Lake Hart Homeowners Association, Inc.
Statement of Revenues and Expenses and Changes in Fund Balances

Year Ended December 31, 2022

	Operating Fund	Replacement Fund	Total
Revenues			
Member assessments	\$ 1,342,070	\$ 174,030	\$ 1,516,100
Fines	40,000	-	40,000
Insurance proceeds	52,437	-	52,437
Interest	11,198	9,917	21,115
Other	57,823	-	57,823
Transfer fees	50,000	-	50,000
Total Revenues	1,553,528	183,947	1,737,475
Expenses			
Administrative and general	335,893	-	335,893
Amenities	199,937	48,799	248,736
Common areas	208,963	4,648	213,611
Gates	68,653	130,500	199,153
Insurance	68,810	-	68,810
Landscaping	267,061	-	267,061
Payroll and benefits	339,879	-	339,879
Utilities	177,139	-	177,139
Total Expenses	1,666,335	183,947	1,850,282
Deficiency of Revenues over Expenses	(112,807)	-	(112,807)
Fund Balances, beginning of year	1,832,299	-	1,832,299
Fund Balances, end of year	\$ 1,719,492	\$ -	\$ 1,719,492

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

North Shore at Lake Hart Homeowners Association, Inc.

Statement of Cash Flows

Year Ended December 31, 2022

	Operating Fund	Replacement Fund	Total
Cash Flows from Operating Activities			
Deficiency of Revenues over Expenses	\$ (112,807)	\$ -	\$ (112,807)
Adjustments to Reconcile Deficiency of Revenues over Expenses to Net Cash Provided By (Used in) Operating Activities			
Adjustment to allowance for doubtful accounts	(3,800)	-	(3,800)
Changes in operating assets and liabilities:			
Assessments receivable	5,530	-	5,530
Prepaid expenses	(11,483)	-	(11,483)
Deposits	5,887	-	5,887
Accounts payable and accrued expenses	(33,190)	-	(33,190)
Assessments collected in advance	4,580	-	4,580
Deferred revenues:			
Insurance proceeds	(46,190)	-	(46,190)
Reserves	-	246,219	246,219
Net Cash Provided By (Used in) Operating Activities	(191,473)	246,219	54,746
Cash Flows from Investing Activities			
Purchases of certificates of deposit	-	(1,040,000)	(1,040,000)
Purchases of government securities	(1,371,412)	(635,006)	(2,006,418)
Cash Used in Investing Activities	(1,371,412)	(1,675,006)	(3,046,418)
Net Decrease in Cash	(1,562,885)	(1,428,787)	(2,991,672)
Cash and Cash Equivalents, beginning of year	1,981,760	1,647,668	3,629,428
Cash, end of year	\$ 418,875	\$ 218,881	\$ 637,756

The following table provides a reconciliation of cash in the operating fund, as presented above, to the sum of the cash amounts presented in the operating fund in the balance sheet:

Undesignated	\$ 248,791
Designated - capital expenditures	<u>170,084</u>
Total cash - operating fund	<u>\$ 418,875</u>

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

North Shore at Lake Hart Homeowners Association, Inc.

Notes to Financial Statements

1. Summary of Significant Accounting Policies and General Matters

Organization

North Shore at Lake Hart Homeowners Association, Inc. (the "Association") was organized in 2001 as a Florida not-for-profit corporation for the purpose of enforcing the Declaration of Covenants, Conditions and Restrictions for North Shore at Lake Hart (the "Declaration"), a multiple phase residential community known as North Shore at Lake Hart, which consists of 1,049 residences, located in Orange County, Florida. A residence is situated on either a Lot or in a Unit. A Lot is a residential building site intended to be improved with a single-family detached residence. A Unit is a condominium unit in a multi-condominium complex, maintained by a separate association, Verandas at Lake Hart Commons Association, Inc., located within North Shore at Lake Hart. All owners within North Shore at Lake Hart are members of the Association and are subject to the covenants and restrictions of the Declaration.

Fund Accounting

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements ("reserves") and for other special purposes, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors. Disbursements from the replacement fund and from any future special purpose fund may be made only for their designated purposes.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 and those differences may be material.

Member Assessments

Maintenance assessments, which are based upon a budget adopted annually by the Board of Directors, are levied against the owners in an equal amount per lot, and, unless waived by an annual vote of the membership, for funds designated for reserves. Maintenance assessments are due on the first day of each month. Special assessments may also be imposed from time to time as deemed appropriate by the Board of Directors. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. Performance obligations related to operating assessments are satisfied over time on a daily pro-rata basis. Any excess assessments at year-end are retained by the Association for use in the succeeding year. Performance obligations related to reserve assessments and special assessments, if any, are satisfied when these funds are expended for their designated purposes. The Association recognizes revenue from interest and late fees on delinquent assessments, as provided for in its governing documents.

North Shore at Lake Hart Homeowners Association, Inc.

Notes to Financial Statements

Recognition of Assets

Real property, common areas and related improvements are not recorded in the Association's financial statements because these properties are deemed to be owned by the individual owners in common and not by the Association. The Association will capitalize, at cost, personal property which it acquires with Association funds.

Investments in Government Securities

The Association determines the appropriate classification of its investments in government securities at the time of purchase and reevaluates such determinations at each balance sheet date. Government securities are classified as held-to-maturity when the Association has the positive intent and ability to hold the securities to maturity. Accordingly, investments held by the Association are classified as held-to-maturity securities. As such, these securities are presented in the accompanying balance sheet at amounts that approximate amortized cost. Any unrealized gain or loss is not recorded in these financial statements.

Income Taxes

The Association is subject to federal and state taxation and has two methods to determine the amount of tax, if any, it must pay. Under one method, the excess of revenues from members over related expenses is subject to taxation unless such excess is returned to the owners or applied to the following year's assessments. The other method, providing the Association meets certain requirements, enables the Association to elect to exclude from taxation exempt function income, which consists substantially of revenue from owner assessments. Under either method, the Association may be subject to tax on certain income items, but at different tax rates.

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 Internal Revenue Service. Management has analyzed the tax positions taken by the Association and has concluded that, as of December 31, 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's federal and state income tax returns could be subject to examination, generally for a period of three years after the dates the returns are filed.

Deferred Revenue - Reserves

Deferred revenue - reserves represents the portion of reserve assessments for which the Association's performance obligations have not yet been satisfied. The balances of deferred revenue - reserves as of the beginning and end of the year were \$1,647,668 and \$1,893,887, respectively.

Recognition of Revenue - Insurance Proceeds

The Association recognizes revenue from insurance proceeds to the extent of related expenses and/or obligations incurred.

North Shore at Lake Hart Homeowners Association, Inc.

Notes to Financial Statements

Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 30, 2023, the date the financial statements were available to be issued.

2. Concentration of Credit Risk from Deposit Account Balances in Excess of Insured Limit

Financial instruments, which potentially subject the Association to the concentration of credit risk, consist principally of deposit account balances in excess of the Federal Deposit Insurance Corporation ("FDIC") insured limit of \$250,000. The Association generally limits its exposure by placing its deposits with reputable financial institutions. At December 31, 2022, the Association's deposit account balances exceeded the FDIC coverage limit by approximately \$90,000.

3. Certificates of Deposit

At December 31, 2022, the Association had investments in certificates of deposit with a total cost of \$1,040,000, earning interest at rates ranging from 4.25% to 4.7% per annum and maturing through September 2023.

4. Investments in Government Securities

At December 31, 2022, the Association had investments in U.S. Treasury Bills with a total cost of \$2,006,418, which approximate fair value and mature through November 2023.

5. Assessments Receivable

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from owners on outstanding assessments. The Association considers assessments delinquent if they are more than thirty days in arrears. The Association may retain legal counsel and place a lien on the property of any owner whose assessments are ninety days or more past due. 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 were \$62,496 and \$60,766, respectively. As of December 31, 2022, assessments receivable are stated net of an allowance for doubtful accounts of approximately \$70,000.

6. Future Major Repairs and Replacements

Chapter 720 of the Florida Statutes provides that, once reserve accounts have been established, the accounts shall be funded or maintained unless such funding is waived or reduced by an annual vote of the majority of the membership at a meeting at which a quorum is present.

Accumulated funds totaling \$1,893,887 at December 31, 2022, are held in separate accounts and are not available for operating purposes.

North Shore at Lake Hart Homeowners Association, Inc.

Notes to Financial Statements

In 2020, an independent specialist conducted a study to estimate the remaining useful lives and current replacement costs of the components of common property. The Association's 2022 budget includes funding for reserves of \$420,250, as recommended in the study.

Funds are being accumulated in the replacement fund considering estimates of future needs for major repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors has the right to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined.

The following is a summary of the activity in the reserve components for the year ended December 31, 2022:

	Beginning Balances	Additions	Charges	Ending Balances
Clubhouse interiors	\$ 658	\$ -	\$ -	\$ 658
Pavement	247,198	-	(4,649)	242,549
Pool furniture	2,329	-	(2,329)	-
Site improvements	52,147	-	-	52,147
Unallocated, including interest	1,345,336	430,166	(176,969)	1,598,533
	\$ 1,647,668	\$ 430,166	\$ (183,947)	\$ 1,893,887

7. Operating Fund Balance

In prior years, the Board of Directors had approved the designation of a portion of the accumulated surplus as separate components of the operating fund balance. As of December 31, 2022, the purposes of these designations were as follows: (a) hurricane and emergency (\$200,000); (b) special projects and other non-recurring expenses, to include investigation and planning of improvements to amenities (\$30,000) and remediation and maintenance of the lake swale (\$25,000); and (c) new-project capital expenditures ("capital expenditures") (\$170,084). As of December 31, 2022, the funds related to such accumulated surplus components totaled \$170,084 and \$255,000, which were included in cash and investments in government securities, respectively.

8. Agreements

Management Services

The Association has an agreement with Access Residential Management, LLC ("Access") for administrative management services. All on-site personnel are employees of Access, which is reimbursed by the Association for the salaries of these employees, plus an overhead factor. The agreement shall remain in force until cancelled pursuant to the applicable terms of the agreement.

North Shore at Lake Hart Homeowners Association, Inc.

Notes to Financial Statements

Other

The Association has various agreements for the maintenance of the common property and for other services. Generally, the agreements may be cancelled by either party with thirty days advance written notice.

9. Contingencies

Litigation

Legal counsel has advised that an easement for a swale on a lake within the community may have been required to have been maintained by the Association, and that the cost of such maintenance, and related remediation, could be at least \$20,000, and possibly substantially greater. Legal counsel has further advised that (i) because of the developer's error in the recording of the easement, the Association intends to pursue the developer for any monetary damages that could result from this matter; and (ii) the disposition of this matter cannot be determined at this time.

The Association is exposed to various other asserted and unasserted potential claims encountered in the normal course of business. In the opinion of the Board of Directors, the resolution of these matters will not have a material effect on the Association's financial position, results of operations or cash flows.

Supplementary Information

North Shore at Lake Hart Homeowners Association, Inc.

Schedule of Expenses

Year Ended December 31, 2022

	Operating Fund	Replacement Fund	Total
Administrative and General:			
Copier and printing	\$ 6,399	\$ -	\$ 6,399
Gate keys and clickers	13,239	-	13,239
Golf cart	13,632	-	13,632
Management services	43,260	-	43,260
New homeowner packet	3,525	-	3,525
Newsletter	22,210	-	22,210
Offsite office rental	2,396	-	2,396
Other	3,927	-	3,927
Postage and mail	4,785	-	4,785
Professional fees	210,710	-	210,710
Statement and coupons	3,426	-	3,426
Storage	2,276	-	2,276
Website	3,408	-	3,408
Yard of the quarter	2,700	-	2,700
Total Administrative and General	\$ 335,893	\$ -	\$ 335,893
Amenities:			
Access control	\$ 5,151	\$ -	\$ 5,151
Cameras and monitoring	3,093	-	3,093
Capital expenditures:			
Ball field netting	7,625	-	7,625
Dock power and water lines	13,260	-	13,260
Dog park	32,531	-	32,531
Storage building	6,500	-	6,500
Clubhouse	21,601	-	21,601
Dock	2,652	-	2,652
Equipment and furniture	1,488	-	1,488
Fitness equipment	2,236	-	2,236
Holiday decorations	10,063	-	10,063
Parking lot	117	-	117
Pool	18,572	48,799	67,371
Pressure washing	2,800	-	2,800
Storm damage repairs	63,347	-	63,347
Tennis court	1,908	-	1,908
Tot lot	4,623	-	4,623
Utility carts	2,370	-	2,370
Total Amenities	\$ 199,937	\$ 48,799	\$ 248,736

North Shore at Lake Hart Homeowners Association, Inc.

Schedule of Expenses

Year Ended December 31, 2022

	Operating Fund	Replacement Fund	Total
Common Areas:			
Aquatic	\$ 16,140	\$ -	\$ 16,140
Janitorial	19,630	-	19,630
Off-duty sheriff patrol	7,651	-	7,651
Other	1,876	-	1,876
Pressure washing	16,895	-	16,895
Private patrol	126,581	-	126,581
Retention pond	16,749	-	16,749
Road	1,824	-	1,824
Safety	1,617	-	1,617
Storm drain	-	4,648	4,648
Total Common Areas	\$ 208,963	\$ 4,648	\$ 213,611
Gates	\$ 68,653	\$ 130,500	\$ 199,153
Insurance	\$ 68,810	\$ -	\$ 68,810
Landscaping:			
Contract	\$ 223,185	\$ -	\$ 223,185
Fertilization and pest control	1,970	-	1,970
Irrigation	15,647	-	15,647
Plant replacement	3,649	-	3,649
Tree trimming	22,610	-	22,610
Total Landscaping	\$ 267,061	\$ -	\$ 267,061
Payroll and Benefits:			
Salary and wages	\$ 257,906	\$ -	\$ 257,906
401(k) match	1,504	-	1,504
Burden	30,422	-	30,422
Health insurance	23,754	-	23,754
Processing fee	2,229	-	2,229
Taxes	19,451	-	19,451
Workers comp insurance	4,613	-	4,613
Total Payroll and Benefits	\$ 339,879	\$ -	\$ 339,879

North Shore at Lake Hart Homeowners Association, Inc.

Schedule of Expenses

Year Ended December 31, 2022

	Operating Fund	Replacement Fund	Total
Utilities:			
Electricity	\$ 157,421	\$ -	\$ 157,421
Internet	5,506	-	5,506
Telephone	1,599	-	1,599
Trash removal	6,464	-	6,464
Water and sewer	6,149	-	6,149
Total Utilities	\$ 177,139	\$ -	\$ 177,139

North Shore at Lake Hart Homeowners Association, Inc.
Supplementary Information on Future Major Repairs and Replacements
(Unaudited)

December 31, 2022

In October 2022, an independent specialist updated a prior study to estimate the remaining useful lives and current replacement costs of the components of common property. According to the study, (i) the estimates were selected from cost estimating services and consideration of actual recent costs incurred by the Association for upgrades of, and additions to, common property components, and (ii) for 2023, the funding requirement to fully fund the pool of accounts is \$475,000 and it will be adjusted annually for factors including interest earned on funds maintained in the replacement fund, increases in construction costs, and inflation.

The following table presents significant information about the components of common property.

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs
Clubhouse	0 - 19	\$ 434,739
Heron Pointe	1 - 12	375,576
Lakeshore	1 - 12	478,034
Mallard Landings	1 - 12	333,832
Marsh Pine	1 - 12	545,945
Marsh Pointe	0 - 12	254,124
Myrtle Creek	1 - 12	917,895
Osprey Landing	1 - 12	484,965
Pool area	2 - 13	113,794
Recreational facilities	3 - 23	721,599
Site elements	0 - 12	942,087
Sparrow Landing	1 - 12	228,388
Total		\$ 5,830,978