METROWEST MASTER ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2017

JOSEPH V. MARULLO, SR. LLC

Certified Public Accountant

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JOSEPH V. MARULLO, SR. LLC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Metrowest Master Association, Inc.
Orlando, Florida

I have audited the accompanying financial statements of Metrowest Master Association, Inc. which comprise the balance sheet as of December 31, 2017, and the related statements of revenues and expenses, changes in members' equity, 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 the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metrowest Master Association, Inc. as of December 31, 2017, 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.

Joseph V. Marullo, Sr., CPA LLC

Orlando, Florida
March 25, 2018

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MEMBER OF FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

METROWEST MASTER ASSOCIATION, INC.
BALANCE SHEET
December 31, 2017

ASSETS	
Cash	$ 265,193
Cash - Future capital improvements	507,687
Accounts receivable	24,406
Land	2,010,335
Prepaid insurance	11,843
Prepaid expenses	4,500
Other asset	(24)
TOTAL ASSETS	$ 2,823,940
LIABILITIES AND FUND BALANCES	
Accrued expenses	$ 96,547
Prepaid assessments	97,918
Prepaid Future Capital Improvement Funds	6,100
Loan payable-irrigation	627,173
Loan payable-land	-
TOTAL LIABILITIES	827,738
DESIGNATED FUNDS FOR FUTURE CAPITAL IMPROVEMENTS	501,587
FUND BALANCES	1,494,615
TOTAL MEMBERS' EQUITY	1,996,202
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 2,823,940

The accompanying notes are an integral part of this statement.

METROWEST MASTER ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES
For the Year Ended December 31, 2017

REVENUES	
Assessments	$ 3,003,091
Interest income	1,949
Late fee interest	254
Legal fee income	5,477
Violation fees	11,500
Signage income	10,770
Marketing activities	29,645
ARC review	6,400
Monument claim reimbursement	19,486
Miscellaneous	3,414
	$ 3,091,986

EXPENSES	
Accounting fees	$ 5,675
Advertising	12,400
Clubhouse janitorial	1,780
Committee funds	551
Computer maintenance and supplies	455
Contract-tree trimming	16,628
Equipment contract-copier	5,738
Holiday gift cards	3,050
Insurance	75,361
Irrigation contract	67,500
Lake maintenance	15,086
Lawn maintenance	353,355
Legal fees	29,415
Licenses and taxes	111
Loan interest - irrigation	31,976
Loan interest - land	13,260
Maintenance fee expense	2,207
Management services	46,739
Marketing	54,860
Marketing events	69,924
Miscellaneous	700
Medical insurance	12,360
Miscellaneous donations	10,000
Office rental	39,302
Office supplies	4,961
On-site management	202,435
Postage	287
Professional fees	4,325
Public safety	754,256
Repairs and maintenance	238,519

The accompanying notes are an integral part of this statement.

METROWEST MASTER ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES
For the Year Ended December 31, 2017

EXPENSES - Continued

Utilities	109,661
Web page/internet	4,153
Capital expenditures	12,000
Prior year expenses and adjustments - NOTE H	13,346
	-
TOTAL EXPENSES	2,212,376

EXCESS OF REVENUES OVER EXPENSES	$ 879,610

The accompanying notes are an integral part of this statement.

METROWEST MASTER ASSOCIATION, INC.
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the Year Ended December 31, 2017

	Total	Undesignated	Designated for Future Capital Improvements
MEMBERS' EQUITY - January 1, 2017	$ 1,116,592	$ 778,154	$ 338,438
Excess (deficiency) of revenues over expenses	879,610	879,610	-
Allocated for future capital improvements:			
Assessments	-	(73,200)	73,200
Interest income	-	(1,949)	1,949
Funds transfer	-	(100,000)	100,000
Future capital improvements	-	12,000	(12,000)
MEMBER' EQUITY - December 31, 2017	$ 1,996,202	$ 1,494,615	$ 501,587

The accompanying notes are an integral part of this statement.

METROWEST MASTER ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments	$ 2,925,153
Interest received	1,949
Other income received	86,946
Operating expenses paid	(2,185,149)
CASH PROVIDED BY OPERATING ACTIVITIES	828,899
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on irrigation loan	(295,037)
Payments on land loan	(488,587)
NET INCREASE IN CASH	45,275
CASH - BEGINNING OF YEAR	727,605
CASH - END OF YEAR	$ 772,880

RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO CASH PROVIDED BY OPERATING ACTIVITIES	
Excess of revenues over expenses	$ 879,610
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
(Increase) decrease in:	
Assessments receivable (net)	(22,724)
Prepaid insurance	(6,805)
Prepaid expenses	(3,703)
Other asset	24
Increase (decrease) in:	
Accrued expenses	31,611
Prepaid Future Capital Inprovement Fund	6,100
Prepaid assessments	(55,214)
CASH PROVIDED BY OPERATING ACTIVITIES	$ 828,899

The accompanying notes are an integral part of this statement.

NOTE A - NATURE OF ORGANIZATION

Metrowest Master Association, Inc. (the Association), is incorporated under the laws of the State of Florida as a not-for-profit corporation for the purpose of providing architectural control, maintenance and preservation of the common areas of a master planned community known as Metrowest, consisting of residential property units, commercial property units (retail establishments and offices) and a golf and country club, located in Orange County, Florida. All community associations within Metrowest, owners of property units not subject to a community association declaration, and the developer of the master planned community are members of the Association. The owners of property units, which are subject to the covenants and restrictions of the Master Declaration of Protective Covenants and Restrictions for Metrowest (the "Declaration"), including the obligation to pay assessments to the Association. The Association is managed by the Board of Directors (the Board).

The Board has contracted with FirstService Residential (the Property Manager) to manage the property.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Association, the Association maintains its accounts in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. The Operating Fund is used to account for financial resources available for the general operations of the Association. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors and the Association manager. In addition, the Board has designated funds for future capital improvements. Disbursements from any future replacement and deferred maintenance fund and from any future special purpose fund may be made only for their designated purpose.

Property and Equipment

The Association capitalizes all property and equipment, including real property, to which it has title or other evidence of ownership with the exception of real property directly associated with the units. Property and equipment acquired by the Association are recorded at cost. During 2014, the Association purchased land from the developer.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Date of Management's Review

In preparing the financial statements, the Association's management has evaluated events and transactions for potential recognition or disclosure through the date of the report, which is the date the financial statements were available.

Member Assessments

Each community association within Metrowest is responsible for the collection of assessments imposed on each property owner. If a community association has not collected its assessments from an owner under its jurisdiction, it shall notify the Association of the identity of such owner. Upon reliance of such information, the Association may impose a lien on such delinquent owner's property unit. The Association considers assessments delinquent if they are more than ten days in arrears.

Any excess assessments at year-end are retained by the Association for use in future years. The Association provides for doubtful accounts based on experience and analysis of individual accounts. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific accounts are determined to be uncollectible, they are written off by charging the allowance and crediting the receivable. At December 31, 2017, the Association had assessments receivable of $24,406, all of which are considered collectible. It is the opinion of the board of directors that the Association will ultimately prevail against unit owners with delinquent assessments and, accordingly, no allowance for doubtful accounts is deemed necessary.

Statement of Cash Flows

The Association considers all investments with an original maturity of three months or less to be cash equivalents.

NOTE C - INCOME TAXES

Homeowners' associations may elect to be taxed as regular corporations or as homeowner's associations. The Association elected to be taxed as a homeowner's association for the year ended December 31, 2017 and filed Form 1120-H. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable. There were no income taxes due for the year ended December 31, 2017.

Under federal and state income tax laws, the Association'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 is generally three years from the due date of the tax return including extensions. At December 31, 2017 the Association's tax years that remain subject to examination are 2014-2017.

NOTE C - INCOME TAXES - Continued

In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances. The Association continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

NOTE D - FUTURE MAJOR REPAIRS AND REPLACEMENTS

Florida Statutes allow homeowners' associations to budget reserve accounts for capital expenditures and deferred maintenance for which the association is responsible. An association shall be deemed to have provided for reserve accounts when reserve accounts have been initially established by the developer or when the membership of the association affirmatively elects to provide for reserves. Once an association provides for reserve accounts in the budget, the association shall thereafter determine, maintain, and waive reserves in compliance with the Florida Statutes. Accumulated funds, which aggregate $507,687 at December 31, 2017, are held in separate bank accounts and are not generally available for operating purposes.

The Association's board of directors engaged a Reserve Specialist who completed a Future Capital Fund Study in July 2017. Actual expenditures, however, may vary from the estimated amounts and these variations may be material. Therefore, amounts accumulated may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments or it may delay major repairs and replacements until funds are available.

NOTE E – BMO HARRIS BANK RENEWAL OF $1,700,000 PROMISSORY NOTE (CURRENTLY SEACOAST NATIONAL BANK)

The Association entered into a non-revolving line of credit and term loan with BMO Harris Bank (bank) on July 22, 2013. The promissory note was renewed on March 6, 2015, with a current principal balance of $1,434,995.57. The bank authorized the loan up to $1,700,000. The purpose of the loan is to finance capital improvements to the Metrowest Master Association irrigation system. The loan is a non-revolving line with a fixed annual interest rate of 4%. Principal and interest is due and payable in equal monthly installments of $27,251.06 commencing on March 15, 2015 until December 22, 2019. The loan is collateralized by assignment of assessments and lien rights and a UCC 1 line on assets. In addition, the amended loan agreement requires covenants and general conditions which have to be met.

NOTE F – BMO HARRIS BANK AMENDMENT TO $2,000,000 PROMISSORY NOTE (CURRENTLY SEACOAST NATIONAL BANK)

The Association entered into a loan with BMO Harris Bank (bank) on October 1, 2014 to purchase from the Developer Tract "C" 3+ acres at Westpointe and Hiawassee) plus termination of all developer rights in Metrowest. The promissory note was amended on March 6, 2015, with a current principal balance of $1,958,997.26. The loan includes fixed annual interest rate of 4%. The loan was interest only until December 1, 2014. Principal and interest is due and payable in equal monthly installments of $27,338.00 commencing on March 15, 2015 until December 22, 2019.

NOTE F – BMO HARRIS BANK AMENDMENT TO $2,000,000 PROMISSORY NOTE (CURRENTLY SEACOAST NATIONAL BANK) - Continued

The loan is collateralized by assignment of assessments and lien rights and a UCC 1 line on assets. In addition, the amended loan agreement requires covenants and general conditions which have to be met. The Association applied additional principal payments against the loan and the loan was paid off in 2017.

NOTE G – UNINSURED CASH BALANCES

The Association maintains its cash balances at several financial institutions. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to $250,000. Uninsured balances are approximately $14,943 at December 31, 2017.

NOTE H – PRIOR YEAR ADJUSTMENTS

Prior year adjustments are transactions and corrections relating to the prior accounting period. The prior year adjustments are segregated in a separate line item to properly reflect prior year activity recorded in the current year and not distort current year transactions.

NOTE I – FUNDS TRANSFER

At the April 26, 2017, meeting of the Board of Directors the Board approved transferring $100,000 from Undesignated Funds to Future Capital Improvements Funds to stay within the FDIC insurable guidelines.

NOTE J – SUPPLEMENTAL CASH FLOW INFORMATION

Income taxes paid	$0
Interest paid	$45,236