

**Lakewood National Golf Club, Inc.**

**Financial Statements and  
Supplementary Information**

**Year Ended  
December 31, 2019**

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### **Independent Auditor's Report**

To Lennar Homes, LLC  
Fort Myers, Florida

We have audited the accompanying financial statements of Lakewood National Golf Club, Inc. (the "Association"), which comprise the balance sheet as of December 31, 2019, and the related statements of revenues and expenses, changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Affiliations**

American Institute of Certified Public Accountants ♦ Florida Institute of Certified Public Accountants

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**Opinion**

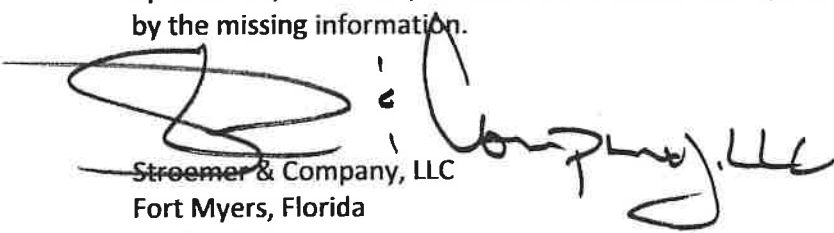
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lakewood National Golf Club, Inc. as of December 31, 2019, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note J are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to this matter.

**Omission of Required Supplementary Information about Future Major Repairs and Replacements**

Management has omitted supplementary information about future major repairs and replacements of common property 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

  
Stroemer & Company, LLC  
Fort Myers, Florida  
April 9, 2020

**Lakewood National Golf Club, Inc.**  
**Balance Sheet**  
**December 31, 2019**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,500,467	\$ -	\$ 1,500,467
Member receivables	222,369	-	222,369
Due from Declarant- subsidy	39,145	-	39,145
Due from Declarant- contributed capital	190,053	-	190,053
Inventory	132,557	-	132,557
Prepaid insurance	85,523	-	85,523
Prepaid expenses	11,627	-	11,627
Other assets	6,620	-	6,620
Property and equipment, net	1,304,706	-	1,304,706
Deposits	54,371	-	54,371
<b>Total assets</b>	<b>\$ 3,547,438</b>	<b>\$ -</b>	<b>\$ 3,547,438</b>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Note payable - insurance	\$ 77,502	\$ -	\$ 77,502
Accounts payable	392,014	-	392,014
Accrued payroll	168,374	-	168,374
Prepaid assessments	1,398,735	-	1,398,735
Deferred revenue	52,803	-	52,803
Capital lease obligations	238,957	-	238,957
<b>Total liabilities</b>	<b>2,328,385</b>	<b>-</b>	<b>2,328,385</b>
<b>Fund balances</b>	<b>1,219,053</b>	<b>-</b>	<b>1,219,053</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,547,438</b>	<b>\$ -</b>	<b>\$ 3,547,438</b>

The accompanying notes are an integral part of this statement.

**Lakewood National Golf Club, Inc.**  
**Statement of Revenues and Expenses**  
**Year Ended December 31, 2019**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Revenues</b>			
Assessments	\$ 2,392,360	\$ -	\$ 2,392,360
Golf course	2,096,941	-	2,096,941
Restaurant income	1,337,688	-	1,337,688
Declarant Subsidy	631,596	-	631,596
Proshop	364,586	-	364,586
Tennis	98,908	-	98,908
Other income	93,694	-	93,694
Resale capital contributions	67,500	-	67,500
Amenity income	40,408	-	40,408
Interest income	57	-	57
	<u>7,123,738</u>	<u>-</u>	<u>7,123,738</u>
<b>Expenses</b>			
Golf course	1,995,308	-	1,995,308
Administrative	1,506,356	-	1,506,356
Proshop	981,620	-	981,620
Ground maintenance	827,290	-	827,290
Restaurant	792,162	-	792,162
Cost of sales	783,002	-	783,002
Pool and spa	157,610	-	157,610
Tennis	154,705	-	154,705
Amenities	86,153	-	86,153
	<u>7,284,206</u>	<u>-</u>	<u>7,284,206</u>
<b>Total revenues</b>	<u>7,123,738</u>	<u>-</u>	<u>7,123,738</u>
<b>Total expenses</b>	<u>7,284,206</u>	<u>-</u>	<u>7,284,206</u>
<b>Excess of revenues over (under) expenses</b>	<u>\$ (160,468)</u>	<u>\$ -</u>	<u>\$ (160,468)</u>

The accompanying notes are an integral part of this statement.

**Lakewood National Golf Club, Inc.**  
**Statement of Changes in Fund Balances**  
**Year Ended December 31, 2019**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
Balances, January 1, 2019	\$ 509,061	\$ -	\$ 509,061
Contributed capital	870,460	-	870,460
Excess of revenues over (under) expenses	(160,468)	-	(160,468)
<b>Balances, December 31, 2019</b>	<b>\$ 1,219,053</b>	<b>\$ -</b>	<b>\$ 1,219,053</b>

The accompanying notes are an integral part of this statement.

**Lakewood National Golf Club, Inc.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2019**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash collected from members	\$ 3,025,712	\$ -	\$ 3,025,712
Cash collected from Declarant - subsidy	1,191,100	-	1,191,100
Cash paid for expenditures	(6,838,877)	-	(6,838,877)
Golf course income received	2,096,941	-	2,096,941
Restaurant income received	1,337,688	-	1,337,688
Proshop income received	364,586	-	364,586
Interest income received	57	-	57
Resale capital contributions received	67,500	-	67,500
Cash paid for interest	(10,319)	-	(10,319)
<b>Net cash provided by operating activities</b>	<b>1,234,388</b>	<b>-</b>	<b>1,234,388</b>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(812,419)	-	(812,419)
<b>Net cash used in investing activities</b>	<b>(812,419)</b>	<b>-</b>	<b>(812,419)</b>
<b>Cash flows from financing activities:</b>			
Principal payments on note payable - insurance	(60,663)	-	(60,663)
Principal payments on capital lease obligations	(85,739)	-	(85,739)
Contributed capital collected from Declarant	680,407	-	680,407
<b>Net cash provided by financing activities</b>	<b>534,005</b>	<b>-</b>	<b>534,005</b>
<b>Net increase in cash and cash equivalents</b>	<b>955,974</b>	<b>-</b>	<b>955,974</b>
Cash and cash equivalents at beginning of year	544,493	-	544,493
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,500,467</b>	<b>\$ -</b>	<b>\$ 1,500,467</b>
<b>Noncash investing and financing transactions:</b>			
Insurance premiums financed			<b>\$ 103,978</b>
Property and equipment purchased through capital lease obligations			<b>\$ 113,186</b>

The accompanying notes are an integral part of this statement.



**Lakewood National Golf Club, Inc.**  
**Statement of Cash Flows (Continued)**  
**Year Ended December 31, 2019**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Reconciliation of excess of revenues over (under) expenses to net cash provided by operating activities</b>			
Excess of revenues over (under) expenses	\$ (160,468)	\$ -	\$ (160,468)
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by operating activities:			
Depreciation expense	160,468	-	160,468
Insurance premiums amortized	103,978	-	103,978
(Increase) decrease in assets:			
Member receivables	(168,295)	-	(168,295)
Due from Declarant- subsidy	559,504	-	559,504
Inventory	(38,595)	-	(38,595)
Prepaid insurance	(34,931)	-	(34,931)
Prepaid expenses	1,484	-	1,484
Other assets	(4,062)	-	(4,062)
Deposits	(33,261)	-	(33,261)
Increase (decrease) in liabilities:			
Accounts payable	182,546	-	182,546
Accrued payroll	97,383	-	97,383
Prepaid assessments	585,062	-	585,062
Deferred revenue	(16,425)	-	(16,425)
<b>Net cash provided by operating activities</b>	<b>\$ 1,234,388</b>	<b>\$ -</b>	<b>\$ 1,234,388</b>

The accompanying notes are an integral part of this statement.

**Lakewood National Golf Club, Inc.**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2019**

**Note A - Summary of Significant Accounting Policies**

**1. Nature of organization**

Lakewood National Golf Club, Inc. (the "Association") was incorporated on April 02, 2015 under Chapter 617 of the Florida Statutes as a corporation not for profit to administer the operation and management of the common property of Lakewood National Golf Club. The Declaration of Covenants, Conditions and Restrictions (the "Declaration") was recorded in the official records of Manatee County, Florida, on December 19, 2016 as a homeowners association pursuant to Chapter 720 of the Florida Statutes. The Association consists of 1,587 residential units of which 600 were closed as of December 31, 2019, located in Lakewood Ranch, Florida.

**2. Fund accounting**

The Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating fund

This fund is used to account for financial resources available for the general operations of the Association.

Replacement fund

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

The Association prepares its financial statements on the accrual basis of accounting in accordance with Topic 972 of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), "Real Estate - Common Interest Realty Associations".

**3. Management estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Association to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**4. Cash and cash equivalents**

For purposes of reporting cash flows, the Association considers all short-term highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**5. Member receivables**

Member receivables are carried at the original charge amount less an estimate made for doubtful receivables, if any, based on a review of all outstanding amounts on a monthly basis. Management

**Lakewood National Golf Club, Inc.**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2019**

**Note A - Summary of Significant Accounting Policies (continued)**

**Member receivables (continued)**

determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Member receivables are written off when deemed uncollectible. Recoveries of member receivables previously written off are recorded as income when received.

A member receivable is considered to be past due if any portion of the receivable balance is outstanding for more than one month. A late fee is charged on member receivables that are outstanding for more than one month and is recognized as income as it is charged.

As of December 31, 2019, management considers all member receivables to be fully collectible therefore no allowance for doubtful accounts is considered necessary.

**6. Fair value of financial instruments**

The Association has determined that the estimated fair value of the financial assets and liabilities do not differ considerably from their book value due to the short maturity of these financial instruments.

**7. Concentration of credit risk**

The Association maintains an account at a financial institution in bank deposits which, at times, may exceed federally-insured limits. The Association has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash.

Concentration of credit risk with respect to the receivables relate to billings to unit owners who pay monthly assessments and live within the Association. The Association does not anticipate credit losses in the near future.

**8. Inventory**

Inventory, which consists of food, beverages and golf shop merchandise, is stated at the lower of cost or net realizable value using the specific identification method.

**9. Property and equipment**

Common property of the Association is accounted for in accordance with ASC Subtopic 972-360, "Real Estate - Common Interest Realty Associations - Property, Plant, and Equipment". It is the Association's responsibility to preserve and maintain the common property.

Real property is not recognized as assets.

Common real property to which the Association has title, or other evidence of ownership, that is not recognized as assets in the Association's balance sheet consists of buildings, gatehouses, monuments, golf courses and roadways.

The Association recognizes common personal property that is used by the Association in operating, preserving, maintaining, repairing, and replacing common property and providing other

**Lakewood National Golf Club, Inc.**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2019**

**Note A - Summary of Significant Accounting Policies (continued)**

**Property and equipment (continued)**

services, as assets. These assets are recorded at cost and depreciated using the straight-line method over their estimated useful lives.

**10. Prepaid assessments**

Prepaid assessments represent amounts paid to the Association before the assessments were due.

**11. Compensated absences**

The Association has not accrued compensated absences because the amount cannot be reasonably estimated. Management is of the opinion that that amounts omitted will not have a material impact on the Association's financial position.

**12. Resale capital contributions**

Pursuant to Section 9.12 of the Declaration, the Association may levy a Resale Capital Contribution upon the transferee in any conveyance of a Lot or Living Unit by a Member at an amount determined by the Board. Resale capital contributions shall be considered an assessment and can be collected as such in accordance with the Provisions of Section 9 of the Declaration. The amount of the resale capital contribution charged per conveyance for the year ended December 31, 2019 was \$2,500.

Resale capital contributions for the year ended December 31, 2019 totaled \$67,500.

**13. Revenue recognition**

The following is a description of principal activities from which the Association generates its revenue and their respective treatment under ASC 606.

Operating assessments

The Association's annual budget is the basis for establishing the annual assessment required from each unit owner to cover the Association's operating expenses. The assessments are payable monthly. The performance obligation for operating assessments is the maintenance and management of the common area property of the Association. The Association recognizes revenue from operating assessments on a daily pro-rata basis using the input method to the extent that collection of the assessments is probable.

Declarant Subsidy

Prior to turnover of the Association, in lieu of paying assessments on units owned by the Declarant, the Declarant has elected to subsidize the Association's budget. The Declarant Subsidy is calculated in accordance with the Association's governing documents and the Florida statutes. The performance obligation for the Declarant Subsidy is determined to be the maintenance of the common area property, which is met on a periodic basis throughout the period prior to turnover (over a period of time).

**Lakewood National Golf Club, Inc.**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2019**

**Note A - Summary of Significant Accounting Policies (continued)**

**Revenue recognition (continued)**

Because the ultimate transaction price of the Declarant Subsidy is highly susceptible to external factors outside of the Association's influence such as volatility in the market and the Declarant's ability to sell units in subsequent years, the total transaction price has a large number of possible outcomes that span a significant range. The uncertainty of the total transaction price is not expected to be resolved until turnover, however the contract with the Declarant is to perform a single performance obligation that is met over a period of time. As a practical expedient, the Association recognizes revenue from the Declarant Subsidy using the expected value method by estimating a portion of the transaction price at each reporting date and recognizing that portion as revenue to the extent that it is probable that it will not result in a significant reversal of cumulative revenue recognized in future periods. If any portion of the Declarant Subsidy is not deemed probable of future collection, that portion is constrained until such time as the uncertainty is removed.

Resale capital contributions

The Association's declaration requires the purchaser of a unit to pay a resale capital contribution to the Association upon the subsequent sale of each unit from an owner who is not the Declarant. The performance obligation is determined to be the sale of the unit. The Association recognizes revenue from resale capital contributions when the performance obligation is met (at a point in time).

Ancillary operations

Ancillary operations describe any Association activities other than the ordinary maintenance, security, governance, and administrative activities common to most associations. The Association's ancillary operations include:

- Golf course
- Proshop
- Restaurant income
- Tennis
- Amenity income
- Other income

The Association recognizes revenues from these ancillary operations as the Association's performance obligation for those operations is satisfied. Generally, this is at a point in time when the goods or services are provided.

**Lakewood National Golf Club, Inc.**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2019**

**Note A - Summary of Significant Accounting Policies (continued)**

**14. Income taxes**

The Association may be taxed as a regular corporation or may elect to be taxed as a homeowners association. For the year ended December 31, 2019, the Association filed its income tax return as a regular Corporation in accordance with Internal Revenue Code Section 277. Under that Section, the Association is taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses, and any net membership losses may only be carried forward to offset membership income of future tax periods. Due to the nature of the Associations operations, the Association believes it is remote that it will utilize either type of loss carryforward. As a result, it is the Association's policy not to disclose the deferred tax asset and related valuation allowance associated with these carryforwards. Any net membership income not applied to the subsequent tax year under Revenue Ruling 70-604 is subject to taxation. Net income is subject to federal tax at a rate of 21% and a state tax rate of 5.5%, after a \$50,000 income exclusion. There was no income tax expense for the year ended December 31, 2019.

During the year ended December 31, 2019 management has elected to apply excess membership income to future periods pursuant to Revenue Ruling 70-604.

The Association follows ASC Topic 740, "Income Taxes" in accounting for uncertain tax positions. The Association's tax filings are generally subject to examination by taxing authorities for three years after the returns are filed. The Association has evaluated its tax positions and any estimates utilized in its tax returns, and concluded that the Association has taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. Interest and penalties associated with uncertain tax positions will be recognized in income tax expense, if required.

**15. Recently issued accounting standards**

The FASB issued new guidance that created ASC Topic 606, "Revenue from Contracts with Customers". Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, "Real Estate - Common Interest Realty Associations, Revenue Recognition", and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an Association expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of this new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to the Association's accounting policies for assessment revenue as previously described.

To achieve the core principle of the new guidance, the Association applies the following steps: (i) identify the contract with the customer; (ii) determine whether the promised goods or services are

**Lakewood National Golf Club, Inc.**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2019**

**Note A - Summary of Significant Accounting Policies (continued)**

**Recently issued accounting standards (continued)**

separate performance obligations in the contract or a single performance obligation; (iii) determine the transaction price, including considering the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Association satisfies each performance obligation.

The adoption of the new revenue recognition guidance did not result in any changes to the accompanying financial statements. The Association has no customer contract modification that had an effect on the Association's transition to the new guidance.

**Note B - Member Receivables**

As of December 31, 2019 and 2018, the Association had member receivables of:

	2019	2018
Member receivables	\$ 222,369	\$ 54,074
Allowance for doubtful accounts	-	-
	<u>\$ 222,369</u>	<u>\$ 54,074</u>

**Note C - Due from Declarant - Subsidy**

In accordance with the provisions of the Declaration, Section 9.7.2, the Declarant has elected to satisfy its obligation for assessments on lots which it owns by paying the difference between the amount of assessments plus all other income and the amount of actual expenses of the Association, excluding any amounts in the budget of the common expenses for capital and contingency reserves, depreciation, and amortization (the "Declarant Subsidy").

	Operating Fund	Replacement Fund	Total
Common expenses (other than reserves)	\$ 7,284,206	\$ -	\$ 7,284,206
Less:			
Depreciation	(160,468)	-	(160,468)
Assessments from unit owners other than the Declarant and all other income	(6,492,142)	-	(6,492,142)
Declarant Subsidy	631,596	-	631,596
Payments made by the Declarant	(1,191,100)	-	(1,191,100)
Due from Declarant- subsidy at January 1, 2019	598,649	-	598,649
<b>Due from Declarant- subsidy at December 31, 2019</b>	<u>\$ 39,145</u>	<u>\$ -</u>	<u>\$ 39,145</u>

**Lakewood National Golf Club, Inc.**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2019**

**Note D - Inventory**

Inventory at December 31, 2019 consisted of the following:

Golf shop merchandise	\$ 75,723
Food and beverage	46,660
Tennis shop merchandise	10,174
<b>Total</b>	<b><u>\$ 132,557</u></b>

**Note E - Property and Equipment**

Property and equipment consists of the following at December 31, 2019:

Golf course land improvements	\$ 757,276
Golf course equipment	533,784
Computer hardware	173,347
Office furniture and fixtures	116,203
Golf course accessories	62,428
Restaurant equipment	43,045
Fitness assets	4,417
Tennis equipment	3,678
	<u>1,694,178</u>
Accumulated depreciation	(389,472)
	<b><u>\$ 1,304,706</u></b>

Depreciation expense for the year ended December 31, 2019 was \$160,468, of which \$87,417 was for property and equipment under capital lease obligations.

**Note F - Note Payable - Insurance**

The Association had an agreement with a financing company to finance insurance premiums. The note was payable in monthly payments of \$5,798 with an interest rate of 5.98%. The final payment was due and paid in full in June 2019.

In October 2019, the Association entered into an agreement with a financing company to finance insurance premiums. The note calls for monthly payments of \$9,699 with a final payment due in August 2020 and an interest rate of 4.49%. As of December 31, 2019, the principal balance remaining was \$77,502. The financing company has a security interest in the unearned premiums or other sums which may become payable under the related insurance policies.



**Lakewood National Golf Club, Inc.**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2019**

**Note G - Deferred Revenue**

Deferred revenue consisted of the following at December 31, 2019:

Interim memberships	\$ 22,000
Gift certificates	20,455
Credit book	10,348
<b>Total</b>	<b><u>\$ 52,803</u></b>

**Note H - Capital Lease Obligations**

The Association is the lessee of golf course equipment under capital leases expiring at various times through 2024. The liabilities under capital leases are recorded at the present value of the minimum lease payments.

Minimum future leases payments under capital leases as of December 31, 2019 for each of the next five years and in the aggregate are:

<u>Year ending December 31,</u>	
2020	\$ 114,123
2021	76,098
2022	26,605
2023	26,605
2024	18,067
<b>Total minimum lease payments</b>	<b><u>261,498</u></b>
Less: amount representing interest	(22,541)
<b>Total</b>	<b><u>\$ 238,957</u></b>

**Note I - Contributed Capital from Declarant**

Contributed capital represents funds contributed or to be contributed by the Declarant in reimbursement for the purchase of initial fixed assets for the Association's operation. For the year ended December 31, 2019, these initial fixed asset purchases totaled \$870,460, of which the Declarant reimbursed \$680,407, leaving a due from Declarant for contributed capital of \$190,053 at December 31, 2019.

**Note J - Future Major Repairs and Replacements**

Chapter 720 of the Florida Statutes does not require the budgeting of assessments for future major repairs and replacements. The Association has not conducted a study to determine the remaining useful lives and the replacement costs of the common property components, nor has the Association developed a plan to fund those needs. When funds are required to meet future needs for major repairs and replacements, the Association has the option to increase regular assessments, levy special assessments, borrow or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

**Lakewood National Golf Club, Inc.**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2019**

**Note J - Future Major Repairs and Replacements (continued)**

THE BUDGET OF THE ASSOCIATION DOES NOT PROVIDE FOR RESERVE ACCOUNTS FOR CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE THAT MAY RESULT IN SPECIAL ASSESSMENTS. OWNERS MAY ELECT TO PROVIDE FOR RESERVE ACCOUNTS PURSUANT TO SECTION 720.303(6), FLORIDA STATUTES, UPON OBTAINING THE APPROVAL OF A MAJORITY OF THE TOTAL VOTING INTERESTS OF THE ASSOCIATION BY VOTE OF THE MEMBERS AT A MEETING OR BY WRITTEN CONSENT.

**Note K - Related Party Transactions**

**1. Community Development District**

The Association's geographical territory is encompassed within the Lakewood ranch Stewardship District, which is a local limited purpose independent governmental agency designed to provide community related services to its residents by maintaining the Community's infrastructure.

**2. Declarant**

During the year ended December 31, 2019 the Association's Board of Directors was controlled by Lennar Homes, LLC (the "Declarant"). As such the Declarant controlled the Association's management, policy setting, and finances. As of December 31, 2019, the Association had a balance due from the Declarant of \$39,145 for the subsidy obligation as discussed in Note C and \$190,053 for contributed capital as discussed in Note I.

**Note L - Commitments and Contingencies**

**1. Operating leases**

The Association is committed under noncancellable operating leases for the rental of golf carts and golf course equipment. Expenses incurred under these leases for the year ended December 31, 2019 were \$456,875 and are included in pro shop and golf course expenses on the accompanying statement of revenues and expenses.

Future minimum lease payments under the noncancellable operating leases are as follows:

<u>Year ending December 31,</u>	
2020	\$ 563,140
2021	400,382
2022	348,883
2023	188,595
2024	402
<b>Total</b>	<b><u><u>\$ 1,501,402</u></u></b>

**Lakewood National Golf Club, Inc.**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2019**

**Note L - Commitments and Contingencies (continued)**

**2. Insurance coverage**

The Association maintains insurance coverage for damage sustained by the common property. The insurance policy contains a deductible clause which would require the Association to pay a certain amount of expenses prior to the insurance company covering the remaining costs. In addition, as certain other expenses may be incurred by the Association in the event of a hurricane, the ultimate extent of any such losses in excess of the deductible cannot be determined.

**Note M - Subsequent Events**

Management has assessed subsequent events through April 9, 2020, the date on which the financial statements were available to be issued.