

Lakewood National Golf Club, Inc.

**Financial Statements and
Supplementary Information**

**Year Ended
December 31, 2020**

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Independent Auditor's Report

To Lennar Homes, LLC
Fort Myers, Florida

Opinion

We have audited the accompanying financial statements of Lakewood National Golf Club, Inc. (the "Association"), which comprise the balance sheet as of December 31, 2020, 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.

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, 2020, 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. 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 Lakewood National Golf Club, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

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.

Affiliations

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

239-433-1002 ♦ www.stroemercpa.com

14030 Metropolis Avenue, Suite 200, Fort Myers, FL 33912

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*By Appointment Only

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 Lakewood National Golf Club, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

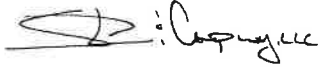
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lakewood National Golf Club, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lakewood National Golf Club, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

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
March 7, 2021

Lakewood National Golf Club, Inc.
Balance Sheet
December 31, 2020

	Operating Fund	Replacement Fund	Total
Assets			
Cash and cash equivalents	\$ 3,230,551	\$ -	\$ 3,230,551
Member receivables	279,085	-	279,085
Due from Declarant- contributed capital	33,843	-	33,843
Inventory	92,198	-	92,198
Prepaid insurance	115,707	-	115,707
Prepaid expenses	48,481	-	48,481
Other assets	15,297	-	15,297
Property and equipment, net	1,095,461	-	1,095,461
Deposits	50,541	-	50,541
Total assets	<u>\$ 4,961,164</u>	<u>\$ -</u>	<u>\$ 4,961,164</u>
Liabilities and fund balances			
Liabilities			
Note payable - insurance	\$ 78,554	\$ -	\$ 78,554
Accounts payable	484,247	-	484,247
Accrued payroll	188,098	-	188,098
Due to Declarant	335,442	-	335,442
Prepaid assessments	2,544,091	-	2,544,091
Deferred revenue	185,361	-	185,361
Capital lease obligations	135,563	-	135,563
Total liabilities	3,951,356	-	3,951,356
Fund balances	1,009,808	-	1,009,808
Total liabilities and fund balances	<u>\$ 4,961,164</u>	<u>\$ -</u>	<u>\$ 4,961,164</u>

The accompanying notes are an integral part of this statement.

Lakewood National Golf Club, Inc.
Statement of Revenues and Expenses
Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
Revenues			
Assessments	\$ 3,692,762	\$ -	\$ 3,692,762
Golf course	3,259,797	-	3,259,797
Restaurant income	1,660,036	-	1,660,036
Proshop	382,456	-	382,456
Resale capital contributions	170,000	-	170,000
Other income	110,038	-	110,038
Tennis	66,444	-	66,444
Amenity income	42,631	-	42,631
Interest income	300	-	300
Declarant Subsidy	(374,587)	-	(374,587)
Total revenues	9,009,877	-	9,009,877
Expenses			
Golf course	2,746,204	-	2,746,204
Administrative	1,797,586	-	1,797,586
Proshop	1,142,817	-	1,142,817
Ground maintenance	1,190,897	-	1,190,897
Restaurant	939,284	-	939,284
Cost of sales	960,905	-	960,905
Pool and spa	200,035	-	200,035
Tennis	152,952	-	152,952
Amenities	88,442	-	88,442
Total expenses	9,219,122	-	9,219,122
Excess of revenues over (under) expenses	\$ (209,245)	\$ -	\$ (209,245)

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, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Balances, January 1, 2020	\$ 1,219,053	\$ -	\$ 1,219,053
Excess of revenues over (under) expenses	<u>(209,245)</u>	<u>-</u>	<u>(209,245)</u>
Balances, December 31, 2020	<u>\$ 1,009,808</u>	<u>\$ -</u>	<u>\$ 1,009,808</u>

The accompanying notes are an integral part of this statement.

Lakewood National Golf Club, Inc.
Statement of Cash Flows
Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
Cash flows from operating activities:			
Cash collected from members	\$ 5,133,073	\$ -	\$ 5,133,073
Cash paid for expenditures	(8,808,546)	-	(8,808,546)
Golf course income received	3,259,797	-	3,259,797
Restaurant income received	1,660,036	-	1,660,036
Proshop income received	382,456	-	382,456
Resale capital contributions received	170,000	-	170,000
Interest income received	300	-	300
Cash paid for interest	(10,698)	-	(10,698)
Net cash provided by operating activities	1,786,418	-	1,786,418
Cash flows from financing activities:			
Principal payments on note payable - insurance	(109,150)	-	(109,150)
Principal payments on capital lease obligations	(103,394)	-	(103,394)
Contributed capital collected from Declarant	156,210	-	156,210
Net cash used in financing activities	(56,334)	-	(56,334)
Net increase in cash and cash equivalents	1,730,084	-	1,730,084
Cash and cash equivalents at beginning of year	1,500,467	-	1,500,467
Cash and cash equivalents at end of year	\$ 3,230,551	\$ -	\$ 3,230,551
Noncash investing and financing transactions:			
Insurance premiums financed			\$ 110,202

The accompanying notes are an integral part of this statement.

Lakewood National Golf Club, Inc.
Statement of Cash Flows (Continued)
Year Ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Reconciliation of excess of revenues over (under) expenses to net cash provided by operating activities			
Excess of revenues over (under) expenses	\$ (209,245)	\$ -	\$ (209,245)
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by operating activities:			
Depreciation expense	209,245	-	209,245
Insurance premiums amortized	110,202	-	110,202
(Increase) decrease in assets:			
Member receivables	(56,716)	-	(56,716)
Inventory	40,359	-	40,359
Prepaid insurance	(30,184)	-	(30,184)
Prepaid expenses	(36,854)	-	(36,854)
Other assets	(8,677)	-	(8,677)
Deposits	3,830	-	3,830
Increase (decrease) in liabilities:			
Accounts payable	92,233	-	92,233
Accrued payroll	19,724	-	19,724
Due to Declarant	374,587	-	374,587
Prepaid assessments	1,145,356	-	1,145,356
Deferred revenue	132,558	-	132,558
Net cash provided by operating activities	\$ 1,786,418	\$ -	\$ 1,786,418

The accompanying notes are an integral part of this statement.

Lakewood National Golf Club, Inc.
Notes to the Financial Statements
Year Ended December 31, 2020

Note A - Summary of Significant Accounting Policies

1. Nature of organization

Lakewood National Golf Club, Inc. (the "Association") was incorporated on April 2, 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 1,576 residential units of which 1,034 were closed as of December 31, 2020, 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, 2020

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, 2020, 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 and tennis 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, 2020

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 the 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, 2020 was \$2,500.

Resale capital contributions for the year ended December 31, 2020 totaled \$170,000.

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, 2020

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, 2020

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, 2020, 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, 2020.

During the year ended December 31, 2020 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.

Note B - Member Receivables

As of December 31, 2020 and 2019, the Association had member receivables of:

	2020	2019
Member receivables	\$ 279,085	\$ 222,369
Allowance for doubtful accounts	-	-
	\$ 279,085	\$ 222,369

Note C - Due to 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").

Lakewood National Golf Club, Inc.
Notes to the Financial Statements
Year Ended December 31, 2020

Note C - Due to Declarant - Subsidy (continued)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Common expenses (other than reserves)	\$ 9,219,122	\$ -	\$ 9,219,122
Less:			
Depreciation	(209,245)	-	(209,245)
Assessments from unit owners other than the Declarant and all other income	<u>(9,384,464)</u>	-	<u>(9,384,464)</u>
Declarant Subsidy	(374,587)	-	(374,587)
Due from Declarant at January 1, 2020	39,145	-	39,145
Due to Declarant at December 31, 2020	<u>\$ (335,442)</u>	<u>\$ -</u>	<u>\$ (335,442)</u>

Note D - Inventory

Inventory at December 31, 2020 consisted of the following:

Golf shop merchandise	\$ 51,556
Food and beverage	32,890
Tennis shop merchandise	7,752
Total	<u>\$ 92,198</u>

Note E - Property and Equipment

Property and equipment consisted of the following at December 31, 2020:

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	(598,717)
	<u>\$ 1,095,461</u>

Depreciation expense for the year ended December 31, 2020 was \$209,245, of which \$100,764 was for property and equipment under capital lease obligations.

Lakewood National Golf Club, Inc.
Notes to the Financial Statements
Year Ended December 31, 2020

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 \$9,699 with an interest rate of 4.49%. The final payment was due and paid in full in August 2020.

In October 2020, the Association entered into an agreement with a financing company to finance insurance premiums. The note calls for monthly payments of \$11,222 with a final payment due in July 2021 and an interest rate of 3.99%. As of December 31, 2020, the principal balance remaining was \$78,554. The financing company has a security interest in the unearned premiums or other sums which may become payable under the related insurance policies.

Note G - Deferred Revenue

Deferred revenue consisted of the following at December 31, 2020:

Interim memberships	\$ 144,867
Gift certificates	30,093
Credit book	10,401
Total	<u>\$ 185,361</u>

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, 2020 for each of the next four years and in the aggregate are:

Year ending December 31,	
2021	\$ 76,098
2022	26,605
2023	26,605
2024	18,067
Total minimum lease payments	<u>147,375</u>
Less: amount representing interest	(11,812)
Total	<u>\$ 135,563</u>

Lakewood National Golf Club, Inc.
Notes to the Financial Statements
Year Ended December 31, 2020

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, 2020, there were no initial fixed asset purchases. The Declarant reimbursed \$156,210, from prior year purchases, leaving a due from Declarant for contributed capital of \$33,843 at December 31, 2020.

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.

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, 2020 the Association's Board of Directors was controlled by the Declarant. As such the Declarant controlled the Association's management, policy setting, and finances. As of December 31, 2020, the Association had a balance due to the Declarant of \$335,442 for the subsidy obligation as discussed in Note C and \$33,843 for contributed capital as discussed in Note I.

Lakewood National Golf Club, Inc.
Notes to the Financial Statements
Year Ended December 31, 2020

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, 2020 were \$628,439 and are included in proshop and golf course expenses on the accompanying statement of revenues and expenses.

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

Year ending December 31,	
2021	\$ 550,191
2022	498,691
2023	338,403
2024	99,508
Total	<u><u>\$ 1,486,793</u></u>

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 March 7, 2021, the date on which the financial statements were available to be issued.