

**The Truman Annex  
Master Property Owners'  
Association, Inc.**

**FINANCIAL STATEMENTS (AND  
SUPPLEMENTARY INFORMATION)**

**December 31, 2019**



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**The Truman Annex Master Property Owners' Association, Inc.**  
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**December 31, 2019**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Members of  
The Truman Annex Master Property Owners' Association, Inc.  
Key West, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Truman Annex Master Property Owners' Association, Inc., which comprise the balance sheet as of December 31, 2019, and the related statements of revenue, expenses and changes in fund balance, 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.

### **Auditors' 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.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Truman Annex Master Property Owners' Association, Inc. as of December 31, 2019, 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.

## Emphasis of Matter

As discussed in Note 2 to the financial statements, the Association implemented new accounting guidance under FASB ASC 606, *Revenue from Contracts with Customers*. The Association's implementation of the new accounting standard significantly changes the recognition of replacement fund assessments, and as a result, the Association has restated its beginning fund balance. Our opinion is not modified with respect to the implementation of the new guidance.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information contained in the Schedule of Changes in Accumulated Funds for Future Major Repairs and Replacements and Schedule of Operating Fund Revenue and Expenses – Budget and Actual, is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of the Association's management and, except for that portion marked "unaudited," 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 information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## 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 be presented to supplement the basic financial statements. Such 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. 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida  
April 7, 2020

**The Truman Annex Master Property Owners' Association, Inc.**  
**Balance Sheet**

December 31,

2019

	Operating Fund	Replacement Fund	Total
<b>Assets</b>			
Cash	\$ 275,529	\$ 379,321	\$ 654,850
Certificates of deposit	-	202,891	202,891
Accounts receivable, net	18,428	-	18,428
Prepaid expenses	13,498	-	13,498
Easement use right, net	50,204	-	50,204
Property and equipment, net	3,519	-	3,519
Utility deposit	3,910	-	3,910
Interfund balance	4,584	(4,584)	-
<b>Total assets</b>	<b>\$ 369,672</b>	<b>\$ 577,628</b>	<b>\$ 947,300</b>
<b>Liabilities and Fund Balance</b>			
Liabilities			
Accounts payable	\$ 17,688	\$ -	\$ 17,688
Accrued liabilities	25,144	-	25,144
Prepaid assessments	178,952	-	178,952
Performance obligation	-	556,251	556,251
<b>Total liabilities</b>	<b>221,784</b>	<b>556,251</b>	<b>778,035</b>
<b>Fund balance</b>	<b>147,888</b>	<b>21,377</b>	<b>169,265</b>
<b>Total liabilities and fund balance</b>	<b>\$ 369,672</b>	<b>\$ 577,628</b>	<b>\$ 947,300</b>

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

**The Truman Annex Master Property Owners' Association, Inc.  
Statement of Revenue, Expenses and Changes in Fund Balance**

*For the year ended December 31,*

**2019**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Revenue</b>			
Regular assessments	\$ 901,400	\$ 51,909	\$ 953,309
Shared use revenue	243,095	-	243,095
Interest income	562	9,730	10,292
Miscellaneous income	123,323	-	123,323
<b>Total revenue</b>	<b>1,268,380</b>	<b>61,639</b>	<b>1,330,019</b>
<b>Expenses</b>			
Administrative	448,283	-	448,283
Depreciation	2,269	-	2,269
Insurance	14,488	-	14,488
Maintenance and repairs	221,844	51,909	273,753
Personnel	523,370	-	523,370
Utilities	52,009	-	52,009
<b>Total expenses</b>	<b>1,262,263</b>	<b>51,909</b>	<b>1,314,172</b>
<b>Excess of Revenue over Expenses</b>	<b>6,117</b>	<b>9,730</b>	<b>15,847</b>
<b>Beginning Fund Balance, Restated</b>	<b>141,771</b>	<b>11,647</b>	<b>153,418</b>
<b>Ending Fund Balance</b>	<b>\$ 147,888</b>	<b>\$ 21,377</b>	<b>\$ 169,265</b>

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

**The Truman Annex Master Property Owners' Association, Inc.**  
**Statement of Cash Flows**

*For the year ended December 31,*

**2019**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>Operating Activities</b>			
Excess of revenue over expenses	\$ 6,117	\$ 9,730	\$ 15,847
Adjustments to reconcile excess of revenue over expenses to net cash provided (used) by operating activities:			
Depreciation	2,269	-	2,269
Changes in operating assets and liabilities:			
Accounts receivable, net	6,042	-	6,042
Prepaid expenses	541	-	541
Easement use right, net	1,922	-	1,922
Accounts payable	(32,346)	-	(32,346)
Prepaid assessments	57,520	-	57,520
Other liabilities	13,598	-	13,598
Performance obligation	-	41,991	41,991
Interfund balance	(1)	1	-
<b>Net cash provided by operating activities</b>	<b>55,662</b>	<b>51,722</b>	<b>107,384</b>
<b>Investing Activities</b>			
Redemption (purchase) of certificates of deposit	105,070	(6,710)	98,360
<b>Net cash provided (used) by investing activities</b>	<b>105,070</b>	<b>(6,710)</b>	<b>98,360</b>
<b>Net Increase in Cash</b>	<b>160,732</b>	<b>45,012</b>	<b>205,744</b>
<b>Cash at Beginning of Year</b>	<b>114,797</b>	<b>334,309</b>	<b>449,106</b>
<b>Cash at End of Year</b>	<b>\$ 275,529</b>	<b>\$ 379,321</b>	<b>\$ 654,850</b>

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

## **The Truman Annex Master Property Owners' Association, Inc. Notes to Financial Statements**

### **NOTE 1: DESCRIPTION OF THE ORGANIZATION**

The Truman Annex Master Property Owners' Association, Inc. (the "Association"), a Florida not-for-profit corporation, was formed on August 19, 1987. Membership in the Association consists of the 269 residential unit owners of this Florida homeowners association. The homeowners association is located in Key West, Florida.

The Association was organized for the purpose of maintaining and protecting the elements owned by the unit owners in common, including roads, parking areas, pools, landscaping, fencing, and recreational areas and facilities. Disposition of common area property requires consent of the members in accordance with the governing documents and Florida Statutes.

All policy decisions, including the annual budget and owners' assessments, are formulated by the Board of Directors. Decisions are referred to the general Association membership before action is taken.

Management and accounting services are provided to the Association by The Community Association Company.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

#### ***Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Cash Equivalents***

Cash and cash equivalents include cash and all highly-liquid debt instruments with an original maturity of 90 days or less.

**The Truman Annex Master Property Owners' Association, Inc.**  
**Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Funds***

The Association is a not-for-profit organization which employs the fund method of accounting in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors, the Association voting membership, or applicable Florida Statute. The financial statements segregate the accounting for such funds as Operating or Replacement. At the end of the year, excess funds are retained by the fund generating such excess during the year.

The Operating Fund is used to account for financial resources available for the general operation of the Association. Disbursements from the Operating Fund are generally at the discretion of the Board of Directors.

The Replacement Fund is generally used to account for assessments made for major repair and replacement of common property, and related expenses. Disbursements from the Replacement Fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association membership. Interest income earned in the Replacement Fund is maintained in a separate component.

***Accounts Receivable from Owners and Allowance for Doubtful Accounts***

Accounts receivable from owners are reported at the outstanding balance due from owners, net of any allowance for doubtful accounts. 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 uncollectable, they are written off by charging the allowance and crediting the receivable. At December 31, 2019, the allowance for doubtful accounts totaled \$10,000.

***Prepaid Expenses***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the Balance Sheet. These items will be expensed over the applicable usage period.

***Capitalization and Depreciation***

Real property acquired by the Association is capitalized when it (a) is used to generate significant cash flows from members on the basis of usage or from nonmembers or (b) can be disposed of for cash with the Association retaining the proceeds. Real property acquired by the Association that does not meet these guidelines is not capitalized, and accordingly, replacements, major repairs, and improvements to this property are not capitalized; instead, they are reported as expenses in the fund making the expenditure. Real property that does not meet the criteria to capitalize is identified in Note 1.

**The Truman Annex Master Property Owners' Association, Inc.**  
**Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Personal property acquired by the Association is capitalized at cost. It is depreciated over its estimated useful life using the straight-line method.

***Contract Assets and Liabilities***

Contract assets represent revenue recognized in excess of amounts billed. No such amounts are reported on the Balance Sheet as of December 31, 2019. Contract liabilities represent revenue collected in advance of the contract period or amounts billed in excess of revenue recognized. These liabilities are reported on the Balance Sheet as prepaid assessments and performance obligation liabilities.

***Revenue Recognition***

Effective January 1, 2019, the Association adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. This topic requires the recognition of revenue when performance obligations under the terms of the contracts with customers are satisfied. Revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. For purposes of this Association, the definition of customers includes the Association's members.

***Recently Adopted Accounting Guidance***

In May 2014, the Financial Accounting Standards Board (FASB) issued new accounting guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification. The Association elected to adopt the revenue recognition standard effective January 1, 2019 using the modified retrospective method. This method allows the standard to be adopted retrospectively through a cumulative adjustment recognized upon adoption. The cumulative adjustment recorded upon adoption of ASC 606 consisted of changes in the recognition of replacement fund assessments, and accordingly the accumulated funds for future major repairs and replacements are now largely classified as a performance obligation liability and not fund balance. As a result, the Association has restated its beginning fund balance as follows:

December 31,	2019
Beginning replacement fund balance, before restatement	\$ 525,907
Cumulative effect of change in accounting principle	(514,260)
Beginning replacement fund balance, as restated	\$ 11,647

**The Truman Annex Master Property Owners' Association, Inc.**  
**Notes to Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 7, 2020 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**NOTE 3: OWNERS' ASSESSMENTS**

Revenues and expenses are allocated to the unit owners equally, and accordingly, assessment rates are established using this formula. The rate for 2019 was approximately \$925 per quarter. Budgeted assessments for the year ended December 31, 2019 totaled \$995,300 of which \$93,900 was allocated to the Replacement Fund.

The following table reconciles budgeted regular assessments to the amounts recognized as assessment revenue in the Statement of Revenues, Expenses, and Changes in Fund Balance:

<i>For the year ended December 31,</i>	<b>2019</b>		
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
Budgeted regular assessments	\$ 901,400	\$ 93,900	\$ 995,300
Less additions to performance obligation	-	(93,900)	(93,900)
Add releases from performance obligation	-	51,909	51,909
<b>Total assessments</b>	<b>\$ 901,400</b>	<b>\$ 51,909</b>	<b>\$ 953,309</b>

**NOTE 4: REVENUE RECOGNITION**

As disclosed in Note 2 to the financial statements, the Association's customers consist of its members, which are unit owners within the development. The contracts between these customers and the Association primarily relate to maintaining, managing and providing access to the property and amenities owned in common by the unit owners.

**The Truman Annex Master Property Owners' Association, Inc.**  
**Notes to Financial Statements**

**NOTE 4: REVENUE RECOGNITION (Continued)**

***Performance Obligations***

The Association's revenue is derived primarily from assessments to its members. The Association generally recognizes its revenue from contracts with customers over time with the exception of reserve assessments, which are being recognized at a point in time. As of December 31, 2019, the Association has reported a performance obligation liability totaling \$556,251, relating to the future major repair and/or replacement of specific components of common property. The assessments related to this performance obligation are generally reported in the Replacement Fund and will be recognized as revenue at the point in time when the funds are expended for their designated purpose.

***Significant Judgments***

For those revenue items recognized over time, the Association generally utilizes the input method of measurement, where revenue is recognized based on the Association's efforts towards the satisfaction of a performance obligation. For operating fund amounts, revenue is recognized as time elapses and the Association performs routine maintenance, protection and management of the common area property. For replacement fund amounts, the Association recognizes revenue at the point in time when reserve expenses are incurred.

***Disaggregated Revenue***

The Association derives its revenue from various activities and sources having different qualitative factors that may affect the amount, timing, or uncertainty of revenues and cash flows. The following chart contains disaggregated revenue information that reflects these qualitative factors.

<i>For the year ended December 31,</i>	<b>2019</b>
<b><i>Recognized over time</i></b>	
Operating fund assessments	\$ 901,400
Shared use	243,095
Miscellaneous income	123,323
<b><i>Recognized at a point in time</i></b>	
Replacement fund assessments	51,909
<b><i>Not subject to ASC Topic 606</i></b>	
Interest income	10,292
Total revenue	\$ 1,330,019

**The Truman Annex Master Property Owners' Association, Inc.**  
**Notes to Financial Statements**

**NOTE 4: REVENUE RECOGNITION (Continued)**

The following table presents information about accounts receivable, contract assets, and contract liabilities:

<i>For the year ended December 31,</i>	<b>2019</b>
Accounts receivable, net - beginning balance	\$ 24,470
Accounts receivable, net - ending balance	18,428
 Contract liabilities	
Prepaid assessments - beginning balance	121,432
Prepaid assessments - ending balance	178,952
Performance obligation liabilities - beginning balance	514,260
Performance obligation liabilities - ending balance	556,251

**NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association’s governing documents and Florida Statutes require the Association to accumulate funds for future major repairs and replacements, unless otherwise decided by the voting membership. The Association has adopted a program to accumulate funds for estimated future major repairs and replacements through regular assessments. The Association uses the cash flow method for accounting for future major repairs and replacements which pools the reserve components.

The Board of Directors annually reviews the major components of common property. As a part of this review, the Board re-evaluates the estimated remaining useful lives and the estimated replacement costs of each of the components of the Replacement Fund. Where applicable, licensed contractors and architects are consulted regarding useful lives and replacement costs. The Board of Directors last performed a review of the estimated replacement costs, remaining lives, and funding requirements for the reserve components in 2019, based on professional reserve study performed in 2014.

The Association is funding for future repairs and replacements over the estimated useful lives of the components based on their study’s estimates of replacement costs and considering amount previously accumulated in the Replacement Fund. Accordingly, the funding amount of \$93,900, based on a full funding plan, was included in the 2019 budget.

Actual expenditures may vary from the estimated amounts and the variations may be significant; therefore, amounts accumulated in the Replacement Fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

## **The Truman Annex Master Property Owners' Association, Inc.**

### **Notes to Financial Statements**

#### **NOTE 6: INCOME TAXES**

The Association elected to file its tax return for 2019 as a regular corporation on Form 1120. As such, the Association must comply with Internal Revenue Code (IRC) Section 277, which applies to certain membership organizations. Under IRC Section 277, the Association is required to separate membership income and expenses from non-membership income and expenses. Each component is taxed separately; however, net membership income is exempt from taxation if certain elections are made. For the year ended December 31, 2019, the Association had a net non-membership loss of \$13,557, which can be carried forward indefinitely to offset up to 80% of taxable income in a future year, if needed. No federal or state income taxes are due for fiscal year 2019.

The \$22,544 net operating loss carryforward provides a deferred tax asset of approximately \$4,734. However, since the Association does not expect to have significant non-membership income in the future and since it is more likely than not that this deferred tax asset will not be realized in the future, a valuation allowance of approximately \$4,734, was used to reduce this deferred tax asset.

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 IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2019, 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 policy is to record interest expense or penalties related to income tax in (operating) expense. For the year ended December 31, 2019, no interest or penalties were paid or accrued. The Association is subject to routine audits by taxing jurisdictions; however, there are no audits for any tax periods in progress. The Association's management believes it is no longer subject to income tax examinations for years prior to 2016.

#### **NOTE 7: CONTINGENCY**

The Association opted not to renew its windstorm insurance for the year ended December 31, 2019 and is self-insured for windstorm.

#### **NOTE 8: CREDIT RISK**

The Association assesses regular and special assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual condominium units. Should the collection of any such liens be enforced by the sale of the unit, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens that have priority. Market value may be influenced by the real estate market in Key West, Florida.

**The Truman Annex Master Property Owners' Association, Inc.**  
**Notes to Financial Statements**

**NOTE 8: CREDIT RISK (Continued)**

The Association places its cash and certificates of deposit with federally insured financial institutions. At times, the balances at these financial institutions may exceed the FDIC insured limit.

**NOTE 9: CERTIFICATES OF DEPOSIT**

At December 31, 2019, the Association had \$202,891 of Replacement Fund monies in three certificate of deposits at two local financial institutions. The carrying value of these certificates of deposit is based on cost plus accrued interest.

**NOTE 10: PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

December 31,	<b>2019</b>
Auto	\$ 38,661
Improvements	178,334
Machinery and equipment	6,255
Total cost	223,250
Less accumulated depreciation	(219,731)
Property and equipment, net	\$ 3,519

**NOTE 11: LINE OF CREDIT**

The Association has secured a line of credit with a financial institution with a maximum borrowing potential of \$400,000 and an interest rate based on the bank's prime lending rate. The line will expire on April 12, 2021, requires monthly payments of interest, and is secured by the assignment of (1) \$109,000 certificate of deposit held at the lending institution and (2) the right to owners' assessment fees and lien the Association. There was no outstanding balance on the line of credit at December 31, 2019.

## **The Truman Annex Master Property Owners' Association, Inc.**

### **Notes to Financial Statements**

#### **NOTE 12: SHARED USE AGREEMENTS**

The Association has a shared use agreement with Shipyard Condominium Association, Inc. whereby the Association splits the cost of security personnel. The Association incurred approximately \$299,000 in security personnel costs for the year ending 12/31/19, of which a total of \$109,650 was reimbursed from Shipyard Condominium Association, Inc. and included in Shared use revenue on the accompanying Statement of Revenue, Expenses and Changes in Fund Balance.

The Association has a shared use agreement with Harbour Place Condominium Association, Inc., Shipyard Condominium Association, Inc., The Foundry Homeowners' Association, Inc., Mills Place Condominium Association, Inc., Porter Court Condominium Association, Inc., and The Community Association Company whereby the Association splits the cost of maintenance personnel. The Association incurred approximately \$224,000 in maintenance personnel costs for the year ending 12/31/19, of which a total of approximately \$133,000 was reimbursed from these entities.

#### **NOTE 13: EASEMENT USE RIGHT AGREEMENTS**

In October 1992, the Association was granted an easement from the U.S. Navy for the construction, installation, operation, maintenance, repair, and replacement of a storm water drainage pipeline and for use of an existing government-owned storm water drainage pipeline. This easement is for a period of fifty years and was granted upon payment of \$89,300 from the Association to the U.S. Navy. This amount will be amortized over the life of the easement. At December 31, 2019, accumulated amortization totaled \$48,668 and the carrying value of this intangible asset is \$40,632, which is included in Easement use right, net on the accompanying Balance Sheet. This asset is reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If such events or circumstances indicate the cost of any long-lived asset may be impaired, an evaluation of recoverability would be performed. Management believes no impairment exists for these assets.

In June 1991, the Association was granted an easement from the owners of building 45 for the right to use a certain portion of the lot upon which the building is situated. This easement is for a period of ninety-nine years and was granted upon the Association's waiving of sixty months of assessments and fees with respect to building 45 totaling \$13,459. This amount will be amortized over the life of the easement. At December 31, 2019, accumulated amortization totaled \$3,887 and the carrying value of this asset is \$9,572, which is included in Easement use right, net on the accompanying balance sheet.

Easement use right expense for the year ended December 31, 2019 totaled \$1,922, which is included in Administrative expense on the accompanying Statement of Revenue, Expenses and Changes in Fund Balance.

## **Supplementary Information**

**The Truman Annex Master Property Owners' Association, Inc.**  
**Schedule of Changes in Accumulated Funds for Future Major Repairs and**  
**Replacements**

<i>For the year ended December 31,</i>	<b>2019</b>			
<b>Component</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Subtractions</b>	<b>Ending Balance</b>
<b>Pooled items:</b>				
Paving			\$ (9,883)	
Pool			(2,287)	
Miscellaneous			(39,739)	
Total pooled items	\$ 514,260	\$ 93,900	(51,909)	\$ 556,251
<b>Non-pooled items:</b>				
Interest	11,647	9,730	-	21,377
Total	\$ 525,907	\$ 103,630	\$ (51,909)	\$ 577,628

<i>Year ended December 31,</i>	<b>2019</b>
Performance obligation liability	\$ 556,251
Replacement fund balance	21,377
Total	\$ 577,628

**The Truman Annex Master Property Owners' Association, Inc.**  
**Schedule of Operating Fund Revenue and Expenses – Budget and Actual**

*For the year ended December 31,*

**2019**

	<b>Actual</b>	<b>Budget (Unaudited)</b>	<b>Variance Favorable (Unfavorable) (Unaudited)</b>
<b>Revenue</b>			
Regular assessments	\$ 901,400	\$ 908,300	\$ (6,900)
Shared use revenue	243,095	239,650	3,445
Interest income	562	6,000	(5,438)
Miscellaneous Income	123,323	92,780	30,543
<b>Total revenue</b>	<b>1,268,380</b>	<b>1,246,730</b>	<b>21,650</b>
<b>Expenses</b>			
Administrative	448,283	353,395	(94,888)
Depreciation	2,269	-	(2,269)
Insurance	14,488	18,487	3,999
Maintenance and repairs	221,844	235,525	13,681
Personnel	523,370	502,344	(21,026)
Utilities	52,009	45,300	(6,709)
<b>Total expenses</b>	<b>1,262,263</b>	<b>1,155,051</b>	<b>(107,212)</b>
<b>Excess of revenue over expenses</b>	<b>\$ 6,117</b>	<b>\$ 91,679</b>	<b>\$ (85,562)</b>

**The Truman Annex Master Property Owners' Association, Inc.  
Supplementary Information on Future Major Repairs and Replacements  
(Unaudited)**

The following table is based on the Board's review and presents significant information about the components of common property.

<b>Component</b>	<b>Estimated Remaining Useful Life (Years)</b>	<b>Estimated Replacement Cost</b>	<b>Accumulated Funds at 12/31/19</b>
Paving	0 - 23	\$ 710,721	
Swimming pool	0 - 16	71,969	
Miscellaneous	0 - 27	535,228	
Total		\$ 1,317,918	\$ 577,628