

Flowers Plantation Foundation, Inc.

**Financial Statements And
Supplementary Information**

December 31, 2020

Flowers Plantation Foundation, Inc.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Flowers Plantation Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Flowers Plantation Foundation, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses and 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 the financial statements in accordance with the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flowers Plantation Foundation, Inc. as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 9 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Mark Vitek, CPA, P.A.

Raleigh, NC

January 29, 2021

Flowers Plantation Foundation, Inc.
Balance Sheet
December 31, 2020

	Operating Fund	Replacement Fund	Total
ASSETS			
Current Assets			
Cash	\$ 12,110	\$ 960,471	\$ 972,581
Due from Operating to Replacement		15,000	15,000
Total Current Assets	12,110	975,471	987,581
TOTAL ASSETS	\$ 12,110	\$ 975,471	\$ 987,581
LIABILITIES AND FUND BALANCES			
Current Liabilities			
Accounts Payable	37,948		37,948
Due to Replacement from Operating	15,000		15,000
Income Taxes Payable	5,567		5,567
Total Current Liabilities	58,515		58,515
Fund Balances	(46,405)	975,471	929,066
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,110	\$ 975,471	\$ 987,581

See accompanying notes to financial statements.

Flowers Plantation Foundation, Inc.
Statement of Revenues, Expenses and
Changes in Fund Balances
For the Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
REVENUES			
Assessment Income	\$ 420,178	\$ 275,000	\$ 695,178
Street Fund Assessments		115,000	115,000
Other Income - Easement Sale	23,700		23,700
Interest Income	9	430	439
Total Revenues	443,887	390,430	834,317
EXPENSES			
General and Administrative			
Management Fees	104,208		104,208
Insurance	3,479		3,479
Professional Fees	35,615		35,615
Income Tax	5,567		5,567
Other General and Administrative	6,600		6,600
Total General and Administrative	155,469		155,469
Common Area Expenses			
Grounds Maintenance	295,404	46,546	341,950
Security	30,198		30,198
Utilities	50,188		50,188
Total Common Area Expenses	375,790	46,546	422,336
Total Expenses	531,259	46,546	577,805
Excess (Deficit) of Revenues over Expenses	(87,372)	343,884	256,512
FUND BALANCES			
Beginning	(2,992)	353,286	350,294
Capital contribution from related party (NOTE K)	43,959	278,301	322,260
Ending	\$ (46,405)	\$ 975,471	\$ 929,066

See accompanying notes to financial statements.

Flowers Plantation Foundation, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (Deficit) Revenues over Expenses	\$ (87,372)	\$ 343,884	\$ 256,512
Adjustments to Reconcile Excess (Deficit) to Net Cash Provided by (Used in)			
Operating Activities:			
(Increase) Decrease in:			
Assessments Receivable	0		0
Increase (Decrease) in:			
Accounts Payable	37,948		37,948
Income Taxes Payable	5,567		5,567
Due from Operating to Replacement	15,000	(15,000)	0
Other Current Liabilities	(7,548)		(7,548)
Total Adjustments	50,967	(15,000)	35,967
Net Cash Provided By (Used in)			
Operating Activities	(36,405)	328,884	292,479
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash contributed by Related Party (NOTE K)	21,226	278,301	299,527
Net Cash Provided By (Used In)			
Investing Activities	21,226	278,301	299,527
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,179)	607,185	592,006
 CASH AND CASH EQUIVALENTS			
Beginning	27,289	353,286	380,575
Ending	\$ 12,110	\$ 960,471	\$ 972,581

See accompanying notes to financial statements.

Flowers Plantation Foundation, Inc.
Notes to Financial Statements
December 31, 2020

NOTE A - NATURE OF ORGANIZATION

Flowers Plantation Foundation, Inc. was incorporated on July 28, 1988 in the State of North Carolina. The Association is a non-profit corporation and part of Flowers Plantation, which is a 3,500-plus acre mixed use, master planned community. The Association is responsible for the maintaining NC Department of Transportation rights of way, entrances, fencing, walking trails and other common property areas within the development. The development consists of residential and commercial units and/or lots located in Clayton, North Carolina.

NOTE B - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 29, 2021, the date that the financial statements were available to be issued.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting - The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, 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.

Property and Equipment - The Association capitalizes all property and equipment (other than that acquired from the developer) to which it holds title or has other evidence of ownership. Real property owned by individual unit owners in common and improvements made by the Association to such property are not capitalized in the financial statements.

Property and equipment acquired by the Association is recorded at cost. Property contributed to the Association by the developer has not been reflected in the Association's financial statements. The assets are depreciated over their tax recovery class life (which does not differ materially from their estimated useful lives) using an accelerated method of depreciation.

Interest Income - Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

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

Member Assessments - Residential and commercial units at Flowers Plantation Foundation, Inc. are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements to common areas. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are ninety days or more delinquent. Any excess assessments at year end are retained by the Association for use in future years.

Flowers Plantation Foundation, Inc.
Notes to Financial Statements
December 31, 2020

NOTE D - INCOME TAXES

Homeowners' associations may make an annual election to be taxed as a regular corporation or as a homeowners' association. The Association has elected to be taxed as a homeowners' association in accordance with Internal Revenue Code Section 528 for the year ended December 31, 2020. Under that election, the Association is taxed on its nonexempt function income, such as interest income, less related expenses, at a Federal rate of 30% and at regular state corporate rates. Exempt function income, which consists primarily of members assessments, is not taxable. The tax expense for the year ended December 31, 2020 was: Federal \$4,977.00; North Carolina \$590.00.

NOTE E - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated replacement funds, which aggregate \$975,471.00 at December 31, 2020, are held in separate accounts and are generally not available for operating purposes. It is the Association's policy to allocate interest earned on such funds to the replacement fund.

The Board of Directors has determined the remaining useful lives of the common property components and current estimates of costs of major repairs and replacements that may be required in the future. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the current replacement costs, considering amounts previously accumulated in the Capital Reserve Fund. Actual expenditures may vary from the estimated amounts in the study and the variations may be material. 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 effect on future assessments has not been determined at this time.

NOTE F - CONCENTRATION OF CREDIT RISK

The Association maintains cash balances at a financial institution located in Clayton, North Carolina. Accounts are secured by the Federal Deposit Insurance Corporation up to \$250,000.00. At December 31, 2020, the Association's uninsured cash balances totaled \$202,540.00.

NOTE G - STATEMENT OF CASH FLOWS

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Association considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

Supplemental Disclosure of Cash Flow information - Cash paid during the year for income taxes was \$5,567.00 and for interest was \$0.00.

NOTE H - RELATED PARTY TRANSACTIONS

The records and management of the Association are handled by DWF Development, Inc., which is a corporation owned by the Declarant. Management fees paid to DWF Development, Inc. totaled \$104,208.00 for the year ended December 31, 2020.

Flowers Plantation Foundation, Inc.
Notes to Financial Statements
December 31, 2020

NOTE I - DUE TO THE VILLAGE AT FLOWERS PLANTATION, INC.

In 2017, it was discovered that the electric utility company had been erroneously billing The Village at Flowers Plantation, Inc. for certain street lights along the eastern portion of East Neuse River Parkway. The billing error occurred in 2007 with the result that The Village has paid a portion of the Association's utility expense totaling \$54,604.01. The Association began repaying the Village for this billing error when it was discovered in late 2017.

In October 2020, The Village was dissolved and all residual operating funds were contributed to the Association (see NOTE K). At that time, the remaining unpaid portion of this liability was \$22,733.00, which has been included in the amount of Operating Fund Capital Contribution received from the Village.

NOTE J - REVENUE RECOGNITION

Revenue from owner assessments are recognized when assessments are due. Any amounts received in advance of the due date are deferred until due. The Financial Accounting Standards Board issued Accounting Standards Code 606 requiring the deferral of the recognition of income until the services are rendered. The Association has determined ASC 606 does not apply to the Association as no customer relationship exists as it is defined by the Code. The Association does not defer the recognition of any portion of revenue as a Contract Liability.

NOTE K - CAPITAL CONTRIBUTION FROM RELATED PARTY

The Village at Flowers Plantation, Inc. was an Association that was controlled by the same Declarant which controls this Association. The Village was responsible for maintaining certain areas (private roads, berms and pedestrian trails) on the eastern side of the overall Flowers Plantation area, as well as the roads within a number of separate sub Associations. Homeowners that live in the areas maintained by the Village were dues paying members of both the Village and this Association.

In September 2020, the members of the Village voted, and the Declarant agreed, to terminate the Village, effective October 1, 2020. All funds accumulated by the Village for future road resurfacing within the sub Associations (Street Funds) were distributed by the Village to the various sub Associations based on the amount that each sub Association had originally contributed to the Street Fund.

As part of the dissolution of the Village, this Association assumed maintenance responsibilities for 4 roads that had previously been maintained by the Village, along with the related berms and trails. The Village made capital contributions to this Association totaling \$322,260, which represents the following -

Accumulation of Reserve funds for future replacements	\$278,301
Residual Operating Funds	21,226
Deemed payment of lighting liability (NOTE I above)	<u>22,733</u>
	\$322,260

Flowers Plantation Foundation, Inc.
Supplementary Information on Future Major Repairs and Replacements
(Unaudited)
December 31, 2020

The Association's Board of Directors has determined the remaining useful lives and the replacement costs of the components of common property.

<u>Component</u>	<u>Estimated Remaining Useful Life(Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Reserve Fund Balance at December 31, 2020</u>
Berm rotations	1 - 4	\$ 462,940	\$ 336,049
Pedestrian Trails	1 - 2	97,517	226,777
East Neuse River Parkway resurfacing	5 - 15	125,000	172,103
Other Street resurfacing	5	771,309	240,542
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Grand Total		\$ 1,456,766	\$ 975,471
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