MARTIN DOWNS PROPERTY OWNER ASSOCIATION, INC.
PALM CITY, FLORIDA
FINANCIAL STATEMENTS AND
ACCOMPANYING INFORMATION
December 31, 2023

CONTENTS

INDEPENDENT AUDITORS' REPORT

The Directors and Members
Martin Downs Property Owners Association, Inc.
Palm City, Florida

Opinion

We have audited the accompanying financial statements of Martin Downs Property Owners Association, Inc., which comprise the balance sheet as of December 31, 2023 and the related statements of assessments, revenues and expenses and changes in fund balance, 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 Martin Downs Property Owner's Association, Inc. as of December 31, 2023, 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 Martin Downs Property Owners Association, 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.

Responsibilities of Management 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.

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 Martin Downs Property Owners Association, 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 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 Martin Downs Property Owners Association, 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 Martin Downs Property Owners Association, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Comparison of Actual Versus Budgeted Operating Expenses on Pages 17 through 19 and the Statement of Operating Assessments, Revenues and Expenses - By Location on Page 20 which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for that portion marked "unaudited", on which we express no opinion, is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and the 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 on Page 21 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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 their 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.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee, Hartley & Barnes, P.A.
Fort Pierce, Florida
March 6, 2024

MARTIN DOWNS PROPERTY OWNERS ASSOCIATION, INC.

BALANCE SHEETS
December 31, 2023
(With Comparative Total for 2022)

	2023			2022
	OPERATING FUND	REPLACEMENT FUND (RESTRICTED)	TOTAL	TOTAL
ASSETS				
CURRENT ASSETS				
Cash	$ 189,010	$ 681,208	$ 870,218	$ 1,280,939
Investments	-	595,835	595,835	185,365
Assessments Receivable - Net	1,008	-	1,008	428
Prepaid Expenses	254,413	-	254,413	265,197
Right of Use Asset - Note G	1,491	-	1,491	1,564
Due from Other Fund	-	7,306	7,306	2,306
TOTAL CURRENT ASSETS	445,922	1,284,349	1,730,271	1,735,799
FIXED ASSETS				
Land	339,900	-	339,900	339,900
Building	643,669	-	643,669	643,669
Furniture and Equipment	106,977	-	106,977	106,977
Vehicles	30,386	-	30,386	30,386
	1,120,932	-	1,120,932	1,120,932
Less - Accumulated Depreciation	(297,608)	-	(297,608)	(262,558)
TOTAL FIXED ASSETS	823,324	-	823,324	858,374
OTHER ASSETS				
Right of Use Asset - Note G	3,534	-	3,534	5,025
TOTAL OTHER ASSETS	3,534	-	3,534	5,025
TOTAL ASSETS	$ 1,272,780	$ 1,284,349	$ 2,557,129	$ 2,599,198

The Accompanying Notes are an integral part of this Financial Statement

MARTIN DOWNS PROPERTY OWNERS ASSOCIATION, INC.

BALANCE SHEETS
December 31, 2023
(With Comparative Total for 2022)

	2023			2022
	OPERATING FUND	REPLACEMENT FUND (RESTRICTED)	TOTAL	TOTAL
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Accounts Payable	$ 100,204	$ 94,233	$ 194,437	$ 109,443
Prepaid Assessments	6,160	-	6,160	13,974
Due to Other Fund	7,306	-	7,306	2,306
Insurance Payable	199,088	-	199,088	218,711
Deferred Revenue	4,167	-	4,167	4,167
Performance Obligation	-	1,184,208	1,184,208	1,201,447
Other Current Liabilities	3,193	-	3,193	2,693
Line of Credit	-	5,908	5,908	68,769
Current Portion of LTD - Note E	37,000	-	37,000	35,600
Current Maturities of Lease Liability - Note G	1,491	-	1,491	1,564
TOTAL CURRENT LIABILITIES	358,609	1,284,349	1,641,467	1,658,674
LONG TERM LIABILITIES				
Capital Lease Obligation	6,366	-	6,366	8,543
Long Term Debt - Note E	321,892	-	321,892	358,690
Lease Liability - Note G	3,534	-	3,534	5,025
TOTAL LONG TERM LIABILITIES	331,792	-	331,792	372,258
FUND BALANCE	582,379	-	582,379	568,266
TOTAL LIABILITIES AND FUND BALANCE	$ 1,272,780	$ 1,284,349	$ 2,557,129	$ 2,599,198

The Accompanying Notes are an integral part of this Financial Statement

MARTIN DOWNS PROPERTY OWNERS ASSOCIATION, INC.

STATEMENTS OF ASSESSMENTS, REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
Year Ended December 31, 2023
(With Comparative Totals for 2022)

	2023			2022
	OPERATING FUND	REPLACEMENT FUND (RESTRICTED)	TOTAL	TOTAL
ASSESSMENTS AND REVENUES				
Member Assessments	$ 2,149,773	$ 659,839	$ 2,809,612	$ 2,369,683
Special Assessment - NOTE D	-	74,829	74,829	-
Security Recovery	124,254	-	124,254	106,132
Other	12,221	-	12,221	12,311
Miscellaneous Income	-	-	-	-
Interest	59	10,334	10,393	1,236
Unrealized Gain (Loss) on Investments	-	390	390	-
TOTAL ASSESSMENTS AND REVENUES	2,286,307	745,392	3,031,699	2,489,362
EXPENSES				
Security	1,073,061	-	1,073,061	1,076,882
Administrative	696,890	-	696,890	634,936
Building Maintenance	-	852	852	-
Landscape	257,227	47,265	304,492	252,477
Lake and Wetland Mainenance	123,763	673,677	797,440	341,446
Depreciation	35,049	-	35,049	37,865
Right of Way Reimbursement	26,940	-	26,940	26,940
Gate Maintenance	21,759	20	21,779	28,073
Irrigation	23,986	-	23,986	27,170
Sign Maintenance and Streets	10,451	8,542	18,993	14,098
Special Projects	3,068	15,036	18,104	5,172
TOTAL EXPENSES	2,272,194	745,392	3,017,586	2,445,059
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	14,113	-	14,113	44,303
OTHER RESOURCES				
Reclassification to Performance Obligation	-	-	-	(88,000)
	-	-	-	(88,000)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES AND OTHER RESOURCES	14,113	-	14,113	(43,697)
FUND BALANCES				
Beginning of Year	568,266	-	568,266	611,963
End of Year	$ 582,379	$ -	$ 582,379	$ 568,266

The Accompanying Notes are an integral part of this Financial Statement

MARTIN DOWNS PROPERTY OWNERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS
Year Ended December 31, 2023
(With Comparative Totals for 2022)

	2023			2022
	OPERATING FUND	REPLACEMENT FUND (RESTRICTED)	TOTAL	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Maintenance Assessments Collected	$ 2,153,600	$ 717,429	$ 2,871,029	$ 2,737,785
Other Income Received	124,254	-	124,254	106,132
Interest Income	59	10,334	10,393	1,236
Increase in Fair Market Value of Investments	-	-	-	-
Cash Paid for Operating Expenditures	(2,254,722)	-	(2,254,722)	(2,119,343)
Unrealized Gain (Loss) on Investments	-	390	390	-
Cash Paid for Replacement Fund Expenditures	-	(651,159)	(651,159)	(246,074)
NET CASH PROVIDED BY OPERATING ACTIVITIES	23,191	76,994	100,185	479,736
CASH FLOW FROM INVESTING ACTIVITIES				
Redemption of Investments	-	110,165	110,165	-
Purchase of Investments	-	(510,000)	(510,000)	-
Unrealized Gain (Loss) held in Investment	-	(390)	(390)	
Interest Income Reinvested	-	(10,245)	(10,245)	(1,072)
Proceeds from Disposal of Assets	-	-	-	89,000
Purchase of Assets	-	-	-	(5,232)
Due to (from) other Fund	5,000	(5,000)	-	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	5,000	(415,470)	(410,470)	82,696
CASH FLOWS FROM FINANCING ACTIVITIES				
Principal Payments on Capital Lease Obligation	(2,177)	-	(2,177)	(2,071)
Principal Payments on Long-Term Debt	(35,398)	(62,861)	(98,259)	(92,961)
NET CASH (USED IN) FINANCING ACTIVITIES	(37,575)	(62,861)	(100,436)	(95,032)
NET INCREASE (DECREASE) IN CASH	(9,384)	(401,337)	(410,721)	467,400
CASH				
Beginning of Year	198,394	1,082,545	1,280,939	813,539
End of Year	$ 189,010	$ 681,208	$ 870,218	$ 1,280,939
RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Excess (Deficiency) of Revenues over Expenses	$ 14,113	$ -	$ 14,113	$ 44,303
Add (Deduct) Items not Affecting Cash:				
Non-operating				
Depreciation	35,049	-	35,049	37,865
(Gain)/Loss on Sale of Assets	-	-	-	(8,343)
(Increase) Decrease in:				
Assessments Receivable	(580)	-	(580)	6,876
Prepaid Expenses	10,785	-	10,785	38,514
Increase (Decrease) in:				
Accounts Payable	(9,239)	94,233	84,994	25,776
Prepaid Assessments	(7,814)	-	(7,814)	1,230
Other Liabilities	(19,123)	-	(19,123)	(14,170)
Performance Obligation	-	(17,239)	(17,239)	347,685
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 23,191	$ 76,994	$ 100,185	$ 479,736

The Accompanying Notes are an integral part of this Financial Statement

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Martin Downs Property Owners Association, Inc., a Florida not-for-profit corporation, was formed in 1983 and began operation with the formation of the first member homeowners association. The Association is currently comprised of homeowners associations and other property owners within the community of Martin Downs. The Association is a property owners association and its purpose is to maintain and protect common areas owned by the owners in common, to preserve and enhance property values, and to contribute to the personal and general health, safety, and welfare of the property owners and residents. The common areas include the lakes within the community of Martin Downs and the roadways, right of ways, and the guard house located within West Villages.

All policy decisions are formulated by the Board of Directors.

Basis of Accounting

The Association uses the fund method of accounting, which requires that funds, such as operating funds and funds for future major repairs and replacements, be classified separately for accounting and reporting purposes.

The Operating Fund reflects the operating assessments paid by homeowners to meet the regular, recurring costs of operation. Expenditures of this fund are limited to those connected with the day-to-day operations.

The Replacement Fund is composed of all capital assessments paid by homeowners to fund future replacements, major repairs, and purchases of additional commonly owned assets. Expenditures from this fund are restricted to those items for which assessments were levied.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and 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.

Investments

Investments in certificates of deposit are considered held to maturity and reflected in the accompanying balance sheet at amortized cost.

The association invested in a CDARS program. Within the investment, maturity occurs in 1 year or less and interest rates range 5.3 – 5.5%.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Real Property - Real property is capitalized in the financial statements if the Association has title or other evidence of ownership of the property and either of the following conditions are met:

1. The Association can dispose of the property, at the discretion of its board of directors, for cash or claims to cash, and the Association may retain the proceeds, or
2. The property is used by the Association to generate significant cash flows from members on the basis of usage or from nonmembers.

Real property not satisfying the above capitalization conditions, whether acquired by the original owners from the developer or any such property subsequently acquired, as well as replacements and major repairs to such property is vested directly or indirectly in the unit owners. Therefore, the purchase or subsequent replacements of such property is not capitalized in the financial statements and the replacements and major repairs of such property are not recognized as assets, but expenses through the statements as incurred.

Personal Property - The Association capitalizes common personal property with an original cost of at least $500 to which it has title or other evidence of ownership as assets.

Real and tangible property is depreciated using the straight-line method over lives varying from 5 to 39 years.

Member Assessments - The monthly assessment to the Association members and other obligated businesses were based upon an amount representing a portion of expenses allocable to each association and business, and an amount that is directly attributable to a specific association or business. Member assessments range from $17 to $66 per month per assessable unit including assessments designated to the replacement fund.

The Association's policy is to retain legal counsel and place liens on the properties of members or businesses whose assessments are over thirty days in arrears.

The annual budget and member assessments are determined and approved by the Board of Directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods at the discretion of the Board of Directors.

Assessment Receivable - Members - As of the balance sheet date, there were no accounts that were deemed to be uncollectible and, therefore, the balance in the allowance for uncollectible assessments was zero. Assessments receivable outstanding for more than 90 days aggregated to $0 at the balance sheet date.

Interest Earned - Interest earned and unrealized gains and losses on replacement funds are allocated to the individual components of the fund at the discretion of the Board of Directors.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes - The Association was created and established as a not-for-profit corporation in the state of Florida. Property associations may elect to be taxed as a regular corporation or as a homeowners' association. The Association has elected, for federal tax purposes, to be taxed as a homeowners' association under the rules and guidelines of the Internal Revenue Service. Membership income, however, is exempt from taxation if certain elections are made. Nonmembership income, such as interest earnings, is taxed at regular federal and state corporate tax rates. The Association's tax returns are subject to a possible audit by various taxing authorities for three years after they were filed.

Cash Flows - The Association presents changes in cash flows using the direct method. Cash and cash equivalents consists of cash in banks.

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 and services. For purposes of this Association, the definition of customers includes the Association's members. The performance obligation as of December 31, 2023 and 2022 was $1,174,469 and $1,201,447, respectively.

Recent Accounting Pronouncements - In June 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities, which, among other things, provided entities with an additional year to implement ASU 2016-02, Leases (Topic 842). As a result, for nonpublic companies the effective date for ASU 2016-02 was extended to be effective for annual reporting periods beginning after December 15, 2021, and interim reporting periods beginning after December 15, 2022. The Association adopted FASB Accounting Standards Update (ASU) 2016-02 Leases during the year ended December 31, 2023 which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on all of the Association's lease obligations.

Lease Accounting - The Association determines whether to account for its leases as operating, capital or financing leases depending on the underlying terms of the lease agreement. This determination of classification is complex and requires significant judgement about the Association's cost of funds, minimum future lease payments and other lease terms.

NOTE B – CONCENTRATION OF CREDIT RISK

The Association maintains its cash deposits at banks located in the Stuart, Florida area. Deposits at the banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 for both interest bearing and non-interest bearing accounts. At December 31, 2023, the amount in excess of the insurable limit was $590,210.

Four member associations are billed for assessments totaling approximately $1,908,000 which comprises more than 75% of total assessments and revenue for the year ended December 31, 2023. At the balance sheet date, no material amounts are due from these associations.

NOTE C – INVESTMENTS

Investments to be held to maturity consist of the following:

Certificates of deposit - due August 2024 through October 2024 with interest rates varying from 5.3% - 5.55%	$595,835

NOTE D – NOTE PAYABLE

The Association financed insurance premiums for the 2022-2023 policy periods with an outside financing company. The financed amount was $271,189 and was payable in monthly installments of $28,358 including interest at 9.85% through August 2023. There was no amount owed at the balance sheet date. The loan was secured by any unearned premiums or other sums which may become collectible under the terms of the policy.

The Association financed insurance premiums for its 2023-2024 policy period with an outside financing company. The financed amount was $246,413 and is payable in monthly installments of $25,553, including interest at 7.99% through August 2024. The loan is secured by any unearned premiums or other sums which may become collectible under the terms of the policy. The outstanding balance on the loan at December 31, 2023 was $199,088.

NOTE E – MORTGAGE PAYABLE AND LINE OF CREDIT

In 2012, the Board of Directors approved the purchase of a building for use as the association's administrative facility. The purchase price of the building was $838,647. The purchase was completed on March 29, 2012. A loan was obtained from PNC Bank in the amount of $660,000. The note requires monthly payments of $4,195 including interest at 4.49% through September 2022, at which time the principal balance on the loan would have been due in full. However, in June of 2022, the original loan was amended and restated with PNC. The outstanding principal on the loan at that time, $414,217, was reamortized with an interest rate of 3.77%. Monthly payments of $4,155 are required through May 2032. The loan is secured by the land and building, member assessments and all other

NOTE E – MORTGAGE PAYABLE AND LINE OF CREDIT (CONTINUED)

assets of the Association. As of December 31, 2023, the outstanding balance on the loan was $358,892. Principal maturing during the one year subsequent to December 31, 2023 is as follows:

Year Ended December 31,	
2024	37,000
2025	38,414
2026	39,888
2027	41,418
2028	43,007
Thereafter	159,165
	$ 358,892

In October 2016, the Board approved a line of credit for $400,000 to assist with the paving project in the West Villages. The Association has made 3 draws on the line of credit since it was established and the balance as of December 31, 2023 was $5,908. The line required monthly payments of $5,396, including interest at 4.65% through January 2024, and is now paid in full.

NOTE F - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that reasonable reserves be accumulated for future major repairs and replacements. These reserves consist of funding for roadway resurfacing and surface water management. Accumulated funds are held in separate money market accounts and certificates of deposit and are not available for expenditures for normal operations.

The Board of Directors conducted an informal study in the fall of 2007 to estimate the remaining useful lives and replacement costs of the components of future major repairs and replacements. The estimates were obtained from various sources; such as licensed contractors who inspect the property, invoices from the recent acquisitions or replacements of common property, or telephone inquiries of licensed contractors for estimated costs to replace. The table included in the unaudited supplementary information on future major repairs and replacements is partially based on the study.

The Board of Directors is funding for major repairs and replacements over the remaining useful lives of the components based on the current estimates of replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of $659,600 has been included in the 2024 budget. Actual expenditures could vary from the estimated future expenditures and the variations could be material. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet all future needs for

NOTE F - FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

major repairs and replacements. If additional funds are needed or have not been appropriately funded, the Association has the right, in accordance with governing documents, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

Shown below is a schedule reflecting the beginning balances, additions, expenditures, other adjustments, and ending balances of the replacement fund:

	PERFORMANCE OBLIGATION 1/1/2023	ADDITIONS	EXPENDITURES	TRANSFERS	PERFORMANCE OBLIGATION 12/31/2023
COMPONENTS					
Lake and Wetlands Reserve	$ 1,075,746	535,710.00	$ (673,677)	$ -	$ 937,779
Contingency Reserve	81,082	5	(36)	-	81,051
Building Maintenance Fund	53,750	5,000	(852)	-	57,898
Landscape Reserve	29,261	35,004	(47,265)	-	17,000
West Villages Road Reserve	(60,650)	144,833	(8,542)	-	75,641
West Villages Gatehouse Reserve	4,588	3,601	(20)	-	8,169
West Villages Improvement Fund	17,670	4,000	(15,000)	-	6,670
TOTALS	$ 1,201,447	$ 728,153	$ (745,392)	$ -	$ 1,184,208

* The deficit in Road Reserves as of January 1, 2023 was funded with a line of credit established in 2016. Funds were drawn to assist with the reserve cash flow. As December 31, 2023, the line of credit had a balance of $5,908 and the Road reserve is no longer in a deficit. See Note E.

NOTE G - COMMITMENTS

In March of 2017, The Association entered into a lease for copier equipment. The lease contained a purchase option and was accounted for as a capital lease in the accompanying financial statements, as the lease term extended for 75 percent or more of the asset's useful life. The stated term of the lease was for five years through April 2022 with monthly payments of approximately $164 per month. However, in September of 2021, the Association terminated the contract early with the approval of the other party to facilitate the purchase of new equipment. The new copier, also accounted for as a capital lease, was leased in September 2021. Monthly payments due are approximately $213 per month with a term of five years, expiring August 2026. The Association paid $2,746, including tax and fees, during 2023 for the leased copiers.

NOTE G – COMMITMENTS (CONTINUED)

Remaining future lease payments subsequent to December 31, 2023 for the commitments noted above are as follows:

2024	2,555
2025	2,555
2026	1,703
	6,813
Less - amount representing interest	(447)
	$ 6,366

Future principle payments related to the capital copier lease subsequent to December 31, 2023 are as follows: 2024 - $2,288, 2025 - $2,406, 2026 - $1,672.

The Association entered into a rental agreement for the office telephone system in July 2017 with Joy Communications. The agreement with Joy Communications was for a term of five years, expiring in August 2022. In March of 2022, the Association signed a new five year lease contract with Joy for telephone equipment. Monthly lease payments under the new agreement are $139. The Association paid $1,772, including tax, during 2023 for the telephone system.

In the year ended December 31, 2022, the Association adopted FASB Accounting Standards Update (ASU) No. 2016-02, ASC 842, *Leases*, which requires the recognition of a right-of-use asset and lease liability based on the present value of the remaining lease payments. The Association used the 10 year treasury bill rate of 4.08 % as the discount rate in order to determine present value. The following is a schedule by years of minimum future rentals on the operating lease and amortization of the net present value (NPV) of the lease liability as of December 31, 2023.

In June 2023, the Association entered into an internet lease with Comcast Business. The stated term of the lease is for 36 months through June 2026, with monthly payments of $389.

	Minimum Annual Lease Payments	**Amortization of NPV of Lease Liability**
2024	1,664	1,491
2025	1,664	1,414
2026	1,664	1,335
2027	556	785
	$ 5,548	$ 5,025

NOTE G – COMMITMENTS (CONTINUED)

The carrying value of the related right-of-use asset as of December 31, 2023 was:

Less - accumulated amortization		(7,367)
	$	5,025

NOTE H - CONTINGENCY

The insurance policies maintained by the Association provide that in the event of damage caused by wind and hail, a deductible of 5% of the insured value of the property is the Association's obligation. In such an event, if the funds needed to pay for this deductible are not available at the time of the event, the Board of Directors may increase regular assessments, approve a special assessment, or delay repairs until such funds are available.

NOTE I – RELATED PARTY TRANSACTIONS

The Association employs certain individuals who are residents of communities which are members of Martin Downs Property Owners Association.

NOTE J – LITIGATION

The Association is a defendant from time to time in various lawsuits arising in the normal course of business. In the opinion of management, the ultimate outcome of these lawsuits, some of which are covered by insurance, will not have a material adverse effect on the Association’s financial position.

The association reached a settlement in regards to the Katz litigation. It is anticipated that the outcome will result in a settlement of $1,450,000.

The settlement is anticipated to be funded in the following manner:

MDPOA:	
Purchase of home	$550,000
Cash settlement	500,000
Shenandoah General Construction Company	150,000
Insurance payment	250,000
Total Settlement	$1,450,000

NOTE K – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During 2023, the Association paid the following:

Income tax	$ -
Interest	$ 29,609

The Association had the following non-cash financing and investing activities:

Direct financing of insurance premiums	$ 246,413

NOTE L – SECURITY SERVICE AGREEMENT

For the past few decades, the Association has had an annual agreement with Crane Creek Property Owners' Association, a nonmember of Martin Downs Property Owners' Association, to provide services under the master security contract. However, Crane Creek and the Association became involved in litigation in 2016 and payments from Crane Creek to the Association were suspended. Crane Creek reached a settlement agreement with the Association for past due amounts and the two parties entered into a contract as of May 2017. This contract extended for a term of four years and eight months, terminating on December 31, 2021. A new contract was signed upon expiration of the prior, commencing January 1, 2022 and terminating December 31, 2026.

NOTE M – SPECIAL ASSESSMENTS

In September 2023, the Association approved a West Village special assessment of $74,829 ($63 per unit) for entrance access enhancements at the West Villages. As of December 31, 2023, all monies for this assessment had been collected.

In February 2024, the Association approved a member wide special assessment of $600,000 ($127 per unit) to recover costs related to the Katz legal settlement.

NOTE N – SUBSEQUENT EVENTS

In accordance with accounting principles generally accepted in the United States of America, management has evaluated the existence of any subsequent events occurring March 6, 2024, the date that the financial statements were available to be issued.

The Association reached a settlement in regards to the ongoing Katz litigation. See Note J for details.

MDPOA approved a special assessment for $600,000 in February 2024. See Note M above for details.

In March 2024, the Association entered into a commercial lease agreement which commences May 1, 2024. The stated term of the lease is through April 2026 (with two option years) with MDPOA receiving monthly payments of $2,850 plus 35% of water and electric. Rent shall be increased for the second year to $2,936 per month. The Association entered into this agreement to assist with the overall building costs.

NOTE N – SUBSEQUENT EVENTS (CONTINUED)

In March 2024, the association obtained an interest-only loan from PNC in the amount of $563,500. The purpose of the loan is the anticipated purchase of the Katz home per the settlement agreement. The interest rate on this loan is variable, at the prime rate plus .74%. The monthly interest payments begin April 2024 through December 2024. See Note J.

NOTE O – YEAR END SURPLUS

For the year ended December 31, 2023 the Association reported a surplus of $14,113. Certain non-cash expenses are not budgeted for, such as depreciation and gain or loss on asset disposals. The total depreciation cost for 2023 was $35,049. After removing the aforementioned non-cash expenses, overall operating expenses came in approximately $9,206 under budget. The overall operating cash provided for the year ended December 31, 2023 was $23,191. The cash surplus for the year ending 2023 was $49,162.

NOTE P – PERFORMANCE OBLIGATION RECONCILIATION

The Association recognizes revenue from members as the related performance obligations are satisfied. A performance obligation is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to the replacement reserve assessments. The balance of the performance obligation for the year ended December 31, 2023 is as follows:

Beginning Performance Obligation	$ 1,201,447
Reserve Income	642,600
Reserve Special Assessment Income	74,829
Reserve Interest Income	10,334
Reserve Unrealized Gain (Loss) on Investments	390
Income Released from Performance Obligation	(745,392)
Ending Performance Obligation	$ 1,184,208

MARTIN DOWNS PROPERTY OWNERS ASSOCIATION, INC.
COMPARISON OF ACTUAL VERSUS BUDGETED OPERATING EXPENSES
Year Ended December 31, 2023

	2023 MDPOA		2023 WEST VILLAGES	
	ACTUAL	BUDGET (UNAUDITED)	ACTUAL	BUDGET (UNAUDITED)
EXPENSES				
Security:				
Gate Officers	$ 882,942	$ 945,000	$ -	$ -
Security/Roving Patrol	68,332	64,000	-	-
Employee Benefits	11,289	11,000	-	-
Payroll Tax and Association Fees	15	-	-	-
Security Administration	72,194	-	-	-
Training	150	-	-	-
Computer Hardware and Software	17,582	15,000	-	-
Office and Radio Supplies & Equipment	-	2,000	-	-
Repeater Fees	2,032	-	-	-
Cell Phone	-	500	-	-
Sheriff Patrol	-	-	18,525	18,720
	1,054,536	1,037,500	18,525	18,720
Administration:				
Office and Accounting Overhead	251,464	243,000	-	-
Insurance	362,078	355,000	-	-
Legal	15,687	35,000	-	-
Loan Interest	16,343	14,000	-	-
Contingency	2,350	35,000	-	-
Audit, Taxes & Licenses	8,176	7,500	1,000	1,000
Vehicle Expense	4,369	-	-	-
Copier Contract and Stationary	1,922	5,000	-	-
New Building Insurance	23,485	20,000	-	-
Holiday Decorations	-	-	10,016	10,000
	$ 685,874	$ 714,500	$ 11,016	$ 11,000

MARTIN DOWNS PROPERTY OWNERS ASSOCIATION, INC.
COMPARISON OF ACTUAL VERSUS BUDGETED OPERATING EXPENSES
Year Ended December 31, 2023

	2023 MDPOA		2023 WEST VILLAGES	
	ACTUAL	BUDGET (UNAUDITED)	ACTUAL	BUDGET (UNAUDITED)
EXPENSES (CONTINUED):				
Landscape				
Martin Downs Boulevard	$ 110,768	$ 121,000	$ -	$ -
High Meadows Avenue	25,573	25,900	-	-
Replacement	21,637	30,000	-	-
Matheson Boulevard	15,490	15,500	-	-
Fertilizer and Weed Control - Martin Downs	13,572	12,750	-	-
Landscaping	-	-	52,741	50,000
Front Entry Maintenance	-	-	14,079	8,500
Seasonal Color	-	-	3,367	3,200
	187,040	205,150	70,187	61,700
Lake and Wetland Maintenance				
Lake Maintenance Contract	111,763	111,500	-	-
Annual Culvert Clean Contract	12,000	10,000	-	-
	123,763	121,500	-	-
Depreciation	35,049	-	-	-
Gate Maintenance				
Supplies	3,643	10,000	-	-
Contracts	10,464	10,484	-	-
Utilities	-	-	3,417	2,700
Telephone	-	-	4,235	3,500
	14,107	20,484	7,652	6,200
Irrigation				
Martin Downs Blvd. Pump Station	19,169	23,000	-	-
Irrigation	-	-	4,817	5,500
	$ 19,169	$ 23,000	$ 4,817	$ 5,500

MARTIN DOWNS PROPERTY OWNERS ASSOCIATION, INC.
COMPARISON OF ACTUAL VERSUS BUDGETED OPERATING EXPENSES
Year Ended December 31, 2023

	2023 MDPOA		2023 WEST VILLAGES	
	ACTUAL	BUDGET (UNAUDITED)	ACTUAL	BUDGET (UNAUDITED)
EXPENSES (CONTINUED):				
Sign Maintenance and Streets				
PUD Sign Maintenance	$ -	$ 1,000	$ -	$ -
Street Lighting	-	-	10,206	10,200
Sign Maintenance	-	-	245	500
Sidewalk Repair	-	-	-	1,000
	-	1,000	10,451	11,700
Right of Way Reimbursement	-	-	26,940	26,952
Special Projects	-	-	3,068	5,000
Budgeted Surplus (Deficit) adjustment	-	(25,587)	-	2,032
TOTAL OPERATING EXPENSES	$ 2,119,538	$ 2,097,547	$ 152,656	$ 148,804

MARTIN DOWNS PROPERTY OWNERS ASSOCIATION, INC.
STATEMENT OF OPERATING ASSESSMENTS, REVENUES AND EXPENSES
BY LOCATION
Year Ended December 31, 2023

	MDPOA Excluding West Villages	West Villages	Total
Assessment and Revenues:			
Member Assessments	$ 2,031,157	$ 118,616	$ 2,149,773
Security Recovery	94,569	29,685	124,254
Other Income	10,000	2,221	12,221
Interest Income	59	-	59
	2,135,785	150,522	2,286,307
Expenses:			
Security	1,054,536	18,525	1,073,061
Administrative	685,874	11,016	696,890
Landscape	187,040	70,187	257,227
Lake and Wetland Mainenance	123,763	-	123,763
Depreciation	35,049	-	35,049
Right of Way Reimbursement	-	26,940	26,940
Gate Maintenance	14,107	7,652	21,759
Irrigation	19,169	4,817	23,986
Sign Maintenance and Streets	-	10,451	10,451
Special Projects	-	3,068	3,068
	2,119,538	152,656	2,272,194
Excess of Assessments and Revenues over Expenses	$ 16,247	$ (2,134)	$ 14,113

MARTIN DOWNS PROPERTY OWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
Year Ended December 31, 2023

The Board of Directors estimated the remaining useful lives and the replacement costs of the components of common property during the fall of 2007. The estimates were obtained from various sources such as licensed contractors who inspected the property, invoices from recent acquisitions or replacements of certain components, and telephone inquiries of licensed contractors for estimated costs to replace.

COMPONENTS	ESTIMATED USEFUL LIVES (YEARS)	ESTIMATED REMAINING USEFUL LIVES (YEARS)	ESTIMATED CURRENT REPLACEMENT COSTS	2024 FUNDING**	COMPONENTS OF PERFORMANCE OBLIGATION 12/31/2023
Contingency Reserve	1-5 Years	0-1 Years	$ 125,000	$ -	$ 81,051
Lake and Wetlands Reserve	As Needed	As Needed	750,000	525,000	937,779
Building Maintenance	As Needed	As Needed	-	5,000	57,898
Landscape Reserve	As Needed	As Needed	21,000	50,000	17,000
West Villages:					
Road Resurfacing	10 Years	5 Years	400,000	70,000	75,641
Gatehouse	15 Years	1 Year	40,000	3,600	8,169
Improvement Fund	As Needed	As Needed	-	6,000	6,670
TOTALS			$ 1,336,000	$ 659,600	$ 1,184,208