

**WELLINGTON AERO CLUB  
PROPERTY OWNERS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

**WELLINGTON AERO CLUB  
PROPERTY OWNERS ASSOCIATION, INC.**

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**Rosa M. Cohen**  
**Certified Public Accountant**

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Unit Owners  
Wellington Aero Club Property Owners Association, Inc.

Dear Members:

We were engaged to audit the accompanying financial statements of Wellington Aero Club Property Owners Association, Inc., which comprise the balance sheet as of December 31, 2019, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

***Basis for Disclaimer of Opinion***

1. We were unable to confirm expenses and accounts payable in connection with the taxiway/runway project and fuel inventory.
2. As of the date of the audit report, management was still in the process of correcting accounts receivable, capitalized note interest payable and fixed assets.
3. We were unable to obtain management's representation.
4. We were unable to perform subsequent events.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded assets, accounts receivable and the elements making up the statements of income, changes in fund balance, and cash flows.

***Opinion***

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

### ***Other Matter***

We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet such future costs because that determination is outside the scope of our audit.

As further described in Notes 5 and 9, as of December 31, 2019, there is a due to/from that reflects an amount of \$551,310, by which the replacement fund is underfunded. The Association did not substantiate the use of the above funds.

### **Effects of Adopting New Accounting Standard**

As discussed in Note 2 to the financial statements, as of January 1, 2019, the first applicable year, the Association adopted the new revenue guidance, FASB ASC 606, Revenue from Contracts with Customers. This new standard supersedes accounting standards that previously existed under GAAP and provides a comprehensive principle-based framework for recognizing revenue. The above did not contribute to our disclaimer of opinion on the basic financial statements.

### ***Report on Supplementary Information***

We were engaged to conduct an audit for the purpose of forming an opinion on the financial statements as a whole. The Detailed Statement of Operating Revenues and Expenses Budget Comparison on pages 17 through 18 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 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. Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion in relation to the financial statements.

### ***Disclaimer on the Supplementary Information – Aero Club, FL Hurricane Relief Fund Schedule***

The Aero Club, FL Relief Fund Schedule on pages 19 and 20 is presented for purposes of additional information and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from the Association's bank statements and disclosures. The information has not been audited, reviewed, or compiled; in addition, we are not required, and will not, verify the accuracy or completeness of the information. Accordingly, we do not express an opinion or a conclusion nor provide any assurance in connection with the above schedule.

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

Management has omitted information on future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The missing information did not contribute to our disclaimer of opinion on the basic financial statements.

***Rosa M. Cohen, CPA, LLC***

Certified Public Accountant

Fort Lauderdale, Florida

June 7, 2021

Wellington Aero Club  
Property Owners Association, Inc.

Balance Sheet

December 31, 2019

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,589	\$ 67	\$ 3,656
Cash - Fuel Account	29,444		29,444
Accounts Receivable, net	18,990		18,990
Prepaid Expenses	47,697		47,697
Prepaid Insurance	2,708		2,708
Utility Deposits	65		65
Fixed Assets - Taxiway/Runway, net	2,081,253		2,081,253
Fixed Assets - All Others, net	141,432		141,432
Due To/From	(551,310)	551,310	0
	\$ 1,773,868	\$ 551,377	\$ 2,325,245
<b>TOTAL ASSETS</b>			
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts Payable and Accrued Expenses	\$ 28,091	\$	\$ 28,091
Security Deposits	5,979		5,979
Due to Owner	1,300		1,300
Accrued Interest Payable	1,613		1,613
Maintenance Assessments Received in Advance - Replacement Fund		551,289	551,289
TrueGrid Loan Payable	1,106,998		1,106,998
	1,143,981	551,289	1,695,270
<b>TOTAL LIABILITIES</b>			
Fund Balances	629,887	88	629,975
	\$ 1,773,868	\$ 551,377	\$ 2,325,245
<b>TOTAL LIABILITIES AND FUND BALANCES</b>			

The accompanying notes are an integral part of this financial statement.

Wellington Aero Club  
Property Owners Association, Inc.

Statement of Revenues, Expenses and Changes in Fund Balances

For the Year Ended December 31, 2019

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<b>REVENUES</b>			
Maintenance Assessments	\$ 501,318	\$ 69	\$ 501,387
Fuel Income	316,744		316,744
Miscellaneous Income	3		3
<b>TOTAL REVENUES</b>	<b>818,065</b>	<b>69</b>	<b>818,134</b>
<b>EXPENSES</b>			
(See Supplementary Information)			
Administrative and General	101,408		101,408
Utilities	10,281		10,281
Depreciation Expense	217,370		217,370
Contract Services	114,530		114,530
Repairs and Maintenance	353,375		353,375
Fuel Farm Tank Project	25,000		25,000
<b>TOTAL EXPENSES</b>	<b>821,964</b>	<b>0</b>	<b>821,964</b>
<b>EXCESS REVENUES (EXPENSES)</b>	<b>(3,899)</b>	<b>69</b>	<b>(3,830)</b>
<b>FUND BALANCE - BEGINNING</b>	<b>633,786</b>	<b>19</b>	<b>633,805</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 629,887</b>	<b>\$ 88</b>	<b>\$ 629,975</b>

The accompanying notes are an integral part of this financial statement.

Wellington Aero Club  
Property Owners Association, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2019

	OPERATING FUND	REPLACEMENT FUND	TOTALS
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
EXCESS REVENUES (EXPENSES)	\$ (3,899)	\$ 69	\$ (3,830)
Depreciation Expense	217,370		217,370
<b>ADJUSTMENTS TO RECONCILE EXCESS REVENUES (EXPENSES) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
<b>DECREASE (INCREASE) IN ASSETS:</b>			
Assessments Receivable, net	11,835		11,835
Prepaid Expenses	3,263		3,263
Prepaid Insurance	1,404		1,404
Fixed Assets, net	(141,432)		(141,432)
Due To/From	65,492	(65,492)	0
<b>INCREASE (DECREASE) IN LIABILITIES:</b>			
Accounts Payable and Accrued Expenses	16,789		16,789
Due to Owner	1,300		1,300
Accrued Interest Payable	(950)		(950)
Maintenance Assessments Received in Advance	(55,478)		(55,478)
Maintenance Assessments Received in Advance - Replacement Fund		65,402	65,402
<b>NET CASH PROVIDED BY (USED IN)     OPERATING ACTIVITIES</b>	<b>115,694</b>	<b>(21)</b>	<b>115,673</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
TrueGrid Loan Payable	(153,023)		(153,023)
<b>NET CASH PROVIDED BY (USED     IN) FINANCING ACTIVITIES</b>	<b>(153,023)</b>	<b>0</b>	<b>(153,023)</b>
<b>NET INCREASE (DECREASE) IN CASH     CASH AND CASH EQUIVALENTS</b>	<b>(37,329)</b>	<b>(21)</b>	<b>(37,350)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>70,362</b>	<b>88</b>	<b>70,450</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 33,033</b>	<b>\$ 67</b>	<b>\$ 33,100</b>

Interest expense amounted to approximately \$27,979

The accompanying notes are an integral part of this financial statement.

**WELLINGTON AERO CLUB PROPERTY OWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**1. ORGANIZATION**

Wellington Aero Club Property Owners Association, Inc. is a not-for-profit; non-Stock Corporation organized pursuant to Chapter 720 of the Florida Statutes. The Association was organized on October 22, 1979 to maintain and protect the common areas owned by the individual unit owners in common and its 255 units located in Wellington, Florida.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The Association uses the accrual method of accounting, i.e., revenues are recognized as earned and expenses are recorded in the period in which they are incurred. Revenues received in advance are deferred until the applicable period.

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.

Use of Estimates

The Association uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. For presentation purposes, the Association consolidates checking and money market accounts.

Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 7, 2021, the date the financial statements were available to be issued.



WELLINGTON AERO CLUB PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
Continued

December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Capitalization, Depreciation and Amortization

Real property and common area property acquired from the developer and related improvements to such property are not recorded in the Association's financial statements, although they are owned by the Association. The Board of Directors cannot dispose of the property and the property does not generate any significant cash flow. Capital Expenditures are charged to the designated funds.

Common personal property purchased with Association funds, with a useful life of more than one year, is capitalized on the Association's financial statements. Capitalized assets are depreciated over their estimated useful lives using the straight-line method of depreciation. Other common personal property purchased with Association's funds with useful life of less than a year is expensed.

The Association has capitalized the runway, TrueGrid/taxiway, and the Fuel Farm improvement projects:

	<u>Useful Lives</u>	<u>Cost</u>
Runway	10 Years	<u>\$ 752,247</u>
TrueGrid/Taxiway Improvements	15 Years	<u>2,082,379</u>
Fuel Tanks and Related Equipment	15 Years	<u>136,886</u>
Fuel Farm Hurricane Shutters and Doors	10 Years	<u>3,500</u>
Alarm System	10 Years	<u>1,046</u>
Less: Accumulated Depreciation		<u>(753,373)</u>
Fixed Assets - Net		<u><u>\$2,222,685</u></u>

Fair Value Measurement

Under FASB ASC 820, *Fair Value Measurements and Disclosures*, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Association has determined that there was no material difference between the carrying value and fair value of its financial assets and liabilities at December 31, 2019; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2019.

WELLINGTON AERO CLUB PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS  
Continued

December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Recently issued Accounting Guidance

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, "Revenue from Contracts with Customers" in the Accounting Standards Codification (ASC). This new guidance will replace most existing U.S. GAAP guidance on this topic. Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate – Common Interest Realty Associations, Revenue Recognition. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issues ASU No. 2015-14, which deferred, by one year, the effective date of the revenue reporting standard. Additionally, in March 2016, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers, Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" clarifying the implementation guidance on principal versus agent considerations. Specifically, an entity is required to determine whether the nature of a promise is to provide the specified good or service itself (that is, the entity is a principal) or to arrange for the good or service to be provided to the customer by other party (that is, the entity is an agent). The determination influences the timing and amount of revenue recognition. For non-public entities, such as the Association, these new ASUs are effective for annual periods beginning after December 15, 2018.

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

The adoption of the new revenue recognition guidance resulted in the following change to fund balance as of December 31, 2019:

Fund balance, as previously reported at January 1, 2019	\$ 1,119,692
Adjustments for effects of ASU 2014-09	<u>(485,906)</u>
Fund balance, as adjusted, at January 1, 2019	<u>\$ 633,786</u>

The effect of the adoption is a decrease in assessment by \$65,402 and a recording of a contract liability (assessments received in advance-replacement fund) at December 31, 2019, of \$551,289. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our financial statements.

**WELLINGTON AERO CLUB PROPERTY OWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**December 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Balance Sheet Effects:

The following are the line items from our balance sheet as of December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	<u>Amounts that Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
Contract Liabilities (Assessments Received in Advance -Replacement Fund)	\$ 0	\$ 551,289	\$ 551,289
Total Liabilities	0	551,289	551,289
<u>Fund Balance</u>			
Ending Fund Balance	\$1,181,264	\$(551,289)	\$ 629,975

The following are the line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

	<u>Amounts that Would Have Been Reported</u>	<u>Effects of Applying New Guidance</u>	<u>As Reported</u>
<u>Revenues:</u>			
Member Assessments	\$ 65,402	\$ (65,402)	\$ 0
Excess of Revenues over Expenses	61,572	(65,402)	(3,830)
<u>Cash Flows:</u>			
Excess of Revenues over Expenses	\$ 61,572	\$ (65,402)	\$ (3,830)
Increase in Contract Liabilities (Assessments Received in Advance - Replacement Fund)	\$ 0	\$ 65,402	\$ 65,402

**WELLINGTON AERO CLUB PROPERTY OWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**December 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Recently issued Accounting Guidance, Continued

Utility Pass-Through

In accordance with FASB ASC 605-45, the Association recognizes pass-through assessments using principal agent considerations. The Association is primarily involved in the determination of a specific service, it has the discretion in selecting the suppliers of such services, and it bears the credit risk for the amounts billed for the service; accordingly, management has determined that the Association is the principal, and accordingly, recognizes all utility pass-through activities using gross reporting.

Recently issued Accounting Guidance (not yet adopted)

In February 2016, the Financial Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, “Leases”. The standard will affect all entities that lease assets and will require lessees to recognize a lease liability and a right-of-use asset for all leases (except short-term leases that have a duration of less than one year) as of the date on which the lessor makes the underlying asset available to the lessee. For non-public entities, such as the Association, the new standard is effective for the annual periods beginning after December 15, 2019. The Association does not expect the adoption of this standard to result in a material increase to its reported assets and liabilities; however, as of the date of this report, the Association has not yet determined the full impact that the adoption of this standard will have on its financial statements and related disclosures.

3. MAINTENANCE ASSESSMENTS / ASSESSMENTS RECEIVABLE

The Association Declaration provides that each owner is chargeable for their proportionate share of common expenses based upon the budget adopted. The Association has lien rights in the event of delinquent assessments, which can be exercised through foreclosure proceedings. Maintenance assessments are payable quarterly and the revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association’s performance obligations related to its operating assessments is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. Special assessments may be imposed from time to time as deemed appropriate by the Board of Directors. Unspent replacement reserve and special assessments, if applicable, are generally presented as a contract liability on the balance sheet. The Association recognizes late fees and interest, if applicable, on delinquent assessments as provided for in the Association’s governing documents. The Association’s policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Bad debt/contra revenue on replacement reserve is excluded from full funding amounts. In addition, excess or deficiency are recognized as such and there is no obligation to return. Any excess assessments at year end are retained by the Association for use in the succeeding year.

**WELLINGTON AERO CLUB PROPERTY OWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**December 31, 2019**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

At December 31, 2019, the Association had delinquent assessments in the amount of \$18,990.

The Association treats uncollectible assessments as variable consideration. Methods, inputs and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year is \$30,825 and \$18,990, respectively.

Contract Liabilities (Assessments received in advance-replacement fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is (are) recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year are \$485,887 and \$551,289, respectively.

4. INCOME TAXES

The Association is subject to federal taxation and has essentially two methods to determine the amount of tax, if any, it must pay. Under one method, the excess of revenues from members over related expenditures is subject to taxation unless such excess is returned to the unit owners or applied to the following year's assessments (Section 277 of the Internal Revenue Code). The other method enables the Association to elect to exclude from taxation "exempt function income," (Section 528 of the Internal Revenue Code), which generally consists of revenue from unit owner assessments. Under either method, the Association may be subject to tax on investment income and other non-exempt income, but at different rates.

The Association has filed its 2019 federal income tax return on Form 1120-H under Section 528 of the Internal Revenue Code.

There is no current year provision for income taxes.

The Association has evaluated its tax positions and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Income Taxes Topic of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC").

The Association has no income tax returns under examination by the Internal Revenue Service. The Association believes it is no longer subject to income tax examinations for years prior to 2016.

**WELLINGTON AERO CLUB PROPERTY OWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**December 31, 2019**

**5. REPLACEMENT FUND**

The current 2019 fiscal year approved budget includes provisions for reserves for capital improvements and deferred maintenance. The funds are being accumulated based on estimates of future needs for repairs and replacements of common property components. Information about the estimates of future costs of major repairs and replacements, as required by the Financial Accounting Standards Board, has not been presented. The Association has not conducted an independent study to estimate the remaining useful lives and the replacement costs of the components of common property. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, seek short-term financing or delay major repairs and replacements until funds are available (see Note 9).

The balance at December 31, 2019, consists of the following:

<u>COMPONENTS</u>	<u>12/31/2018</u>	<u>ASSESSMENTS</u>	<u>EXPENDITURES</u>	<u>12/31/2019</u>
General	\$485,887	\$65,402	\$0	\$551,289
Interest	19	69	0	88
<b>TOTAL</b>	<b>\$485,906</b>	<b>\$65,471</b>	<b>\$0</b>	<b>\$551,377</b>

**THE BUDGET OF THE ASSOCIATION PROVIDES FOR LIMITED VOLUNTARY DEFERRED EXPENDITURE ACCOUNTS, INCLUDING CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE, SUBJECT TO LIMITS ON FUNDING CONTAINED IN OUR GOVERNING DOCUMENTS. BECAUSE THE OWNERS HAVE NOT ELECTED TO PROVIDE FOR RESERVE ACCOUNTS PURSUANT TO SECTION 720.303(6), FLORIDA STATUTES, THESE FUNDS ARE NOT SUBJECT TO THE RESTRICTIONS ON USE OF SUCH FUNDS SET FORTH IN THAT STATUTE, NOR ARE RESERVES CALCULATED IN ACCORDANCE WITH THAT STATUTE.**

During the current 2019 fiscal year, reserve contributions of \$65,402 and interest in the amount of \$69 were allocated.

The Association does not allocate interest earned on the replacements fund to specific replacement components as earned but does so periodically depending on projected requirements.

The Due To/From reflects an amount of \$551,310, by which the replacement funds are underfunded. The Association could increase assessments, pass a special assessment or delay expenditures, if possible, in order to rectify this situation.

**WELLINGTON AERO CLUB PROPERTY OWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**December 31, 2019**

**6. PILOT HOUSE/ ELECTRONIC FUEL KEY SECURITY DEPOSITS**

As of December 31, 2019, security deposits amounted to \$5,979, which is the same amount as reported the prior fiscal year. The Association no longer collects fuel key security deposits from owners.

**7. TRUEGRID/ TAXIWAY IMPROVEMENTS PROJECT NON-REVOLVING LINE OF CREDIT/ PROMISSORY NOTE**

The Association (“the Borrower”) financed the above project with a \$1,500,000 Promissory Note dated May 16, 2017 to the order of TD Bank, N.A. (“Lender”). Interest only on the principal balance outstanding is due and payable monthly, commencing June 8, 2017, from that date and every month thereafter for a total of eleven (11) months for the purpose of permitting Borrower to complete the Improvements (the “Draw Period”), accrued and unpaid interest shall be due and payable in arrears on the principal balance of this Note from time to time outstanding at the Base Rate plus Two and Seventy Five Hundredths Percent (2.75%). Thereafter, commencing on June 8, 2018, the expiration of the Non-Revolver Credit Maturity Date, principal and accrued and unpaid interest shall be due and payable in equal monthly installments, to allow for one hundred eight (108) equal payments, based on a fixed rate of interest equal to Four and Five Tenths Percent (4.5%) amortized over the term of the Term Loan and shall continue on the same day each month thereafter until the Term Loan Maturity Date, May 8, 2027 or sooner, following a default of the Maker under the Agreement or under this Note. As of December 31, 2019, the Association has drawn approximately \$1,341,029.

The loan is collateralized by the Borrower’s personal property and all assessments. The principal payments for each year through maturity are as follows:

<u>YEAR</u>	<u>PRINCIPAL PAYMENT</u>
2020	\$ 148,522
2021	155,345
2022	162,482
2023	169,946
2024	177,753
2025	185,919
2026	107,031
TOTAL	<u>\$ 1,106,998</u>

**WELLINGTON AERO CLUB PROPERTY OWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Continued**

**December 31, 2019**

**7. TRUEGRID/ TAXIWAY IMPROVEMENTS PROJECT NON-REVOLVING LINE OF CREDIT/  
PROMISSORY NOTE, Continued**

For the current 2019 fiscal year, the Association had incurred approximately \$27,979 of interest payments. However, the interest incurred does not represent the interest per the above agreement. The Lender is diligently working with the Association to resolve this matter (see Note 9). As of the date of the financial statements, the outcome of this matter is unknown and no assurance can be given on whether the outstanding principal balance of the loan is subject to change in future year(s). The outstanding principal balance as of the date the financial statement were available to be issued is approximately \$933,850.

**8. COMMITMENTS**

The Association has various monthly and yearly contract services to maintain the common property including, but not limited to, accounting and management services, pest control, internet services and landscaping maintenance. These contracts have different expiration dates and renewal terms and may be cancellable with or without cause upon receipt of 30-90-day written notice subject to full payment and liquidated damages, if applicable.

**9. CONTINGENCIES**

**1. Insurance Deductible**

The current property insurance policy is adequate and contains a 3% deductible, \$25,00 per occurrence, for damage that may be caused by windstorm and hail. The Association has not set funds aside to cover the deductible. Should the Association incur an uninsured loss, the Association has the right to increase maintenance fees, pass a special assessment, seek short-term borrowing or delay repairs until funds are available.

**2. Litigations**

The Association is from time-to-time subject to complaints and claims, including litigation, arising in the ordinary course of business. As of the date of the financial statements, the following litigation is reported:

The potential claims involve a dispute over the collection of assessments due and owing to the Association in accordance with the terms of a recorded agreement. The agreement addresses the division of assessments and allocation of voting rights for three lots within the Aero Club community. The Association has attempted to negotiate a resolution of the assessment balances directly with the owners, but such efforts have not yet been successful. The Association's objective in pursuing payment of the assessments is to obtain monetary relief or alternatively, to pursue an in-rem lien foreclosure proceeding to enforce its assessment rights.

There are no other claims or complaints, in addition to the above, of which the Association is currently aware that will materially affect its business, financial position, or future operating results, with the exception to increase in legal costs which may or may not be covered by the Association's director and officer's insurance. Therefore, no assurance can be given with respect to the ultimate outcome of any such claims or with respect to the occurrence of any future claims.



**WELLINGTON AERO CLUB PROPERTY OWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**December 31, 2019**

9. CONTINGENCIES, Continued

3. Replacement Fund

The Association has not conducted an independent study to estimate the remaining useful lives and the replacement costs of the components of common property. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, seek short-term financing, or delay major repairs and replacements until funds are available. In addition, there is a due to/from in the amount of \$551,310, by which the replacement funds are underfunded.

4. TrueGrid/ Taxiway Improvements Project Non-Revolving Line of Credit/ Promissory Note

Per certain Non-Revolving Line of Credit/Promissory further described in Note 7, commencing on June 8, 2018, the expiration of the Non-Revolving Credit Maturity Date, principal and accrued and unpaid interest shall be due and payable in equal monthly installments, to allow for one hundred eight (108) equal payments, based on a fixed rate of interest equal to Four and Five Tenths Percent (4.5%) amortized over the term of the Term Loan and shall continue on the same day each month thereafter until the Term Loan Maturity Date, May 8, 2027 or sooner, following a default of the Maker under the Agreement or under this Note.

For the current fiscal year 2019, the Association had incurred approximately \$27,979 of interest payments. However, the interest incurred does not represent the interest per the above agreement. The Lender is diligently working with the Association to resolve this matter (see Note 7). As of the date of the financial statements, the outcome of this matter is unknown and no assurance can be given on whether the outstanding principal balance of the loan is subject to change in future year(s).

10. SUBSEQUENT EVENTS

1. Uncertainties – COVID-19 Global Pandemic

As of June 7, 2021, the date the financial statements were available to be issued. As of that date, the following subsequent event is reported: In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. The responses by federal, state, and local governments have included stay-at-home orders, school closures, and restrictions on public gatherings, travel, and non-essential businesses and services that have adversely affected workforces, economies, and financial markets resulting in significant economic downturn and volatility in investment markets. The heightened market risk and volatility associated with COVID-19 could materially affect owners' account balances and the amounts reported in accompanying financial statements. However, because of the many uncertainties, the ultimate impact cannot be reasonably estimated.

**WELLINGTON AERO CLUB PROPERTY OWNERS ASSOCIATION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**Continued**

**December 31, 2019**

10. SUBSEQUENT EVENTS, Continued

2. Legal

CASE NO. 2021-CA-000994-XXXX-MB(AK), Herring vs. Wellington Aero Club Property Owners Association, Inc., et. al. (Breach of Fiduciary Duty/Slander)

The Association is the Defendant in connection with the above case. The Association has filed a Counterclaim against the Plaintiff seeking recovery of unpaid assessments. The amount of monetary or other damages sought by the Plaintiffs is unknown. The case is being litigated by the Association's insurance carrier and is currently set for trial on January 9, 2023.

## **SUPPLEMENTARY INFORMATION**

**WELLINGTON AERO CLUB PROPERTY OWNERS ASSOCIATION, INC.****SUPPLEMENTARY INFORMATION****DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES  
BUDGET COMPARISON****Year Ended December 31, 2019**

	<u>FINANCIAL STATEMENTS</u>	<u>BUDGET (Unaudited)</u>	Favorable (Unfavorable) <b>VARIANCE</b>
<b><u>REVENUES:</u></b>			
Maintenance Assessments	\$501,318	\$501,329	(\$11)
Fuel Income	316,744	0	316,744
Other/Miscellaneous Income	3	0	3
<b>Total Revenues</b>	<b>818,065</b>	<b>501,329</b>	<b>316,736</b>
<b><u>EXPENSES:</u></b>			
<b><u>GENERAL AND ADMINISTRATIVE</u></b>			
Accounting	39,744	23,500	(16,244)
Bad Debt Expense	11,272	4,688	(6,584)
Bank Charges	369	200	(169)
Legal Fees	1,569	2,000	431
Loan Interest Expense	27,030	0	(27,030)
Social Events	3,388	4,668	1,280
Website Maintenance	0	1,100	1,100
Office Supplies	2,049	1,000	(1,049)
Property Insurance	15,987	18,000	2,013
<b>TOTAL GENERAL AND ADMINISTRATIVE</b>	<b>101,408</b>	<b>55,156</b>	<b>(46,252)</b>
<b><u>UTILITIES</u></b>			
Electricity	5,931	5,000	(931)
Water and Sewer	628	850	222
Trash	0	500	500
Telephone	869	500	(369)
Cable/Internet Services	2,853	1,500	(1,353)
<b>TOTAL UTILITIES</b>	<b>10,281</b>	<b>8,350</b>	<b>(1,931)</b>
<b><u>DEPRECIATION</u></b>			
Depreciation Expense	217,370	0	(217,370)
<b>TOTAL DEPRECIATION</b>	<b>217,370</b>	<b>0</b>	<b>(217,370)</b>

See independent auditors' report.

**WELLINGTON AERO CLUB PROPERTY OWNERS ASSOCIATION, INC.**

**SUPPLEMENTARY INFORMATION**

**DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES  
BUDGET COMPARISON**

**Year Ended December 31, 2019**

	<u>FINANCIAL STATEMENTS</u>	<u>BUDGET (Unaudited)</u>	Favorable (Unfavorable) <u>VARIANCE</u>
<b><u>EXPENSES, Continued:</u></b>			
<b><u>CONTRACT SERVICES</u></b>			
Landscape Maintenance	81,600	70,000	(11,600)
Management Services	31,500	31,500	0
Pest Control	1,430	600	(830)
<b>TOTAL CONTRACT SERVICES</b>	<u>114,530</u>	<u>102,100</u>	<u>(12,430)</u>
<b><u>REPAIRS AND MAINTENANCE</u></b>			
Clubhouse/Entrance	0	36,300	36,300
Fuel Expense	323,410	225,044	(98,366)
Pilot House	0	4,000	4,000
Miscellaneous/Contingency	29,965	70,379	40,414
<b>TOTAL CONTRACT SERVICES</b>	<u>353,375</u>	<u>335,723</u>	<u>(17,652)</u>
<b><u>FUEL FARM TANKS</u></b>			
Fuel Farm Tanks	25,000	0	(25,000)
<b>TOTAL FUEL FARM TANKS</b>	<u>25,000</u>	<u>0</u>	<u>(25,000)</u>
<b>Total Expenses</b>	<u>821,964</u>	<u>501,329</u>	<u>(320,635)</u>
<b>Excess Revenues (Expenses)</b>	<u>(\$3,899)</u>	<u>\$0</u>	<u>(\$3,899)</u>

See independent auditors' report.

**WELLINGTON AERO CLUB PROPERTY OWNERS ASSOCIATION, INC.**

**Aero Club, FL Hurricane Dorian Relief Funds**

**December 31, 2019**

**Aero Club, FL Hurricane Dorian Relief Fund**

In September 2019, the outer islands of the Bahamas were devastatingly hit by Hurricane Dorian.

A group of Aero Club residents organized the “Aero Club, FL Hurricane Dorian Relief” fund, to raise money to defray the cost of their Bahama relief efforts. Approximately \$10,000 was raised. These funds were contributed predominately from the Aero Club community, mostly in small amounts, ranging from \$5 to \$2,000. On October 15, 2019, \$9,921 was deposited in the Association’s reserve bank account. On October 22, 2019, these funds were distributed to three residents: Two homeowners and the then president of the Association’s board of directors. Subsequent inquiry has determined that most of the Aero Club, FL Hurricane Relief funds were used for reimbursement of aircraft fuel expended in the relief effort.

A second fund, called the “Steven Daiagi Bahamas Relief Fund” was established independently from the “Aero Club, FL Hurricane Dorian Relief” fund. From publicly available documents, the Association has been able to ascertain that approximately \$63,400 was raised, and the contributions ranged from \$10 to \$50,000. On December 23, 2019, \$61,522 was deposited in the Association’s reserve bank account. On December 31, 2019, \$61,522 were distributed via wire transfer to a bank account controlled by the then president of the Association’s board of directors. Subsequent inquiry was made for additional information. The Association was unable to ascertain verification of this fund’s donors and the ultimate use of these contributions.

See the following Supplementary Information for specific transactions with the Association.

See independent auditor’s report

**WELLINGTON AERO CLUB PROPERTY OWNERS ASSOCIATION, INC.**

**SUPPLEMENTARY INFORMATION**

**Aero Club, FL Hurricane Dorian Relief Fund**

**Year Ended December 31, 2019**

<b>DATE</b>	<b>NAME/DESCRIPTION</b>	<b>AMOUNT</b>
<b>RECEIPTS:</b>		
10/15/2019	DEPOSIT - AERO CLUB FL, HURRICANE DORIAN RELIEF	\$ 9,921
12/15/2019	DEPOSIT - STEVEN DAIAGI BAHAMAS RELIEF FUND	61,522
<b>TOTAL</b>		<b>\$ 71,443</b>
<b>DISBURSEMENTS:</b>		
10/22/2019	ASSOCIATION'S RESIDENT "A"	\$ 2,475
10/22/2019	ASSOCIATION'S RESIDENT "B"	4,950
10/22/2019	ASSOCIATION'S PRESIDENT (2019) OF BOARD OF DIRECTORS	2,475
12/31/2019	ASSOCIATION'S PRESIDENT (2019) OF BOARD OF DIRECTORS	61,522
<b>TOTAL</b>		<b>\$ 71,422</b>
<b>BALANCE</b>		<b>\$ 21</b>

See independent auditor's report.



*Rosa M. Cohen*  
*Certified Public Accountant*

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Wellington Aero Club Property Owners Association, Inc.

**PROPOSED ADJUSTING JOURNAL ENTRIES**

**AND**

**TRIAL BALANCE**



**WELLINGTON AERO CLUB  
PROPERTY OWNERS ASSOCIATION, INC.**

**PROPOSED ADJUSTING JOURNAL ENTRIES  
December 31, 2019**

	GL ACCOUNT NUMBER	DEBIT	CREDIT
1			
Operating Fund		130,935.23	
Reserve Fund			130,906.31
Repairs and Maintenance			28.92
To adjust.			
2			
Fuel Expense		6,665.87	
Prepaid Expenses			6,665.87
To reclass and adjust to schedule.			
3			
Allowance for bad debt		11,272.10	
Accounts Receivable			11,272.10
To reclass debit balance allowance for bad debt.			
4			
Fuel Farm Tank Project		25,000.00	
Fuel Farm Tank			25,000.00
To write down overstated asset.			
5			
Pass Thru Donations Received		21.31	
Interest Income		68.51	
Accounts Payable			21.31
Reserve Interest			68.51
To reclass.			
		\$ 173,963.02	\$ 173,963.02

**Wellington Aero Club Property Owners Association, Inc.**  
**Trial Balance**  
**December 31, 2019**

ACCOUNT DESCRIPTION	G/L ACCOUNT NUMBER	UNADJUSTED BALANCES		ADJUSTMENTS		ADJUSTED BALANCES	
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
<b><u>BALANCE SHEET</u></b>							
<b><u>ASSETS</u></b>							
TD Bank 9533		3,608.33		-	18.82	3,589.51	
TD Bank Fuel Account 0522		29,443.92		-	-	29,443.92	
TD Bank Reserve 1207		47.92		18.82	-	66.74	
Accounts Receivables		18,990.00		-	-	18,990.00	
Allowance for Bad Debt		11,272.10		-	11,272.10	0.00	
Fuel		54,363.16		-	6,665.87	47,697.29	
Insurance		2,708.17		-	-	2,708.17	
Utility Deposit		65.00		-	-	65.00	
Accumulated Depreciation			753,373.18	-	-		753,373.18
Alarm System		1,046.51		-	-	1,046.51	
Fixed Assets - Runway		752,247.33		-	-	752,247.33	
Fuel Farm Tanks		161,885.79		-	25,000.00	136,885.79	
Furniture and Fixtures		3,500.00		-	-	3,500.00	
True Grid Taxiway Improvements		2,082,378.95		-	-	2,082,378.95	
<b><u>LIABILITIES AND FUND BALANCE</u></b>							
Accounts Payable			15.18	-	21.31		36.49
Accrued Expenses			28,055.23	-	-		28,055.23
Due to Board Member - Steve Diagi			1,300.00	-	-		1,300.00
Electronic fuel key deposit			2,859.00	-	-		2,859.00
Notice Fee Payable				-	-		
Pilot House Key Deposit			3,120.00	-	-		3,120.00
Prepaid Assessments				-	-		
Accrued Interest Payable			1,613.39	-	-		1,613.39
TrueGrid Loan Payable- Other			1,106,997.61	-	-		1,106,997.61
Reserves			354,980.69	-	196,308.31		551,289.00
Reserves - Interest				-	87.33		87.33
RETAINED EARNINGS			764,739.99	130,954.05	-		633,785.94
CURRENT YEAR NET INCOME / (LOSS)	-----		104,502.91				(3,898.96)

**Wellington Aero Club Property Owners Association, Inc.**  
**Trial Balance**  
**December 31, 2019**

ACCOUNT DESCRIPTION	G/L ACCOUNT NUMBER	UNADJUSTED BALANCES		ADJUSTMENTS		ADJUSTED BALANCES	
		DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
<b><u>INCOME STATEMENT</u></b>							
<b><u>REVENUES</u></b>							
Fuel Income			316,743.82	-	-		316,743.82
HOA Fees			566,720.00	-	-		566,720.00
Interest Income			68.51	68.51	-		0.00
Miscellaneous Income			2.91	-	-		2.91
<b><u>EXPENSES</u></b>							
Bank Service Charge		368.80		-	-	368.80	
Bad Debt Expense		0.00		11,272.10	-	11,272.10	
Depreciation Expense		217,369.85		-	-	217,369.85	
Fuel Expense		316,743.82		6,665.87	-	323,409.69	
Insurance Expense		15,987.59		-	-	15,987.59	
Interest and Other Loan Expenses		27,029.73		-	-	27,029.73	
Landscaping and Groundskeeping		81,600.00		-	-	81,600.00	
Legal Fees		1,569.10		-	-	1,569.10	
Office Supplies		2,048.05		-	-	2,048.05	
Pest Control		1,430.00		-	-	1,430.00	
CPA		7,300.00		-	-	7,300.00	
Professional Fees - Audit		9,000.00		-	-	9,000.00	
Property Accounting		23,443.98		-	-	23,443.98	
Property Management Fees		31,500.00		-	-	31,500.00	
Repairs and Maintenance		14,991.51		-	-	14,991.51	
Clubhouse Cleaning		150.00		-	-	150.00	
Clubhouse Cleaning Supplies		71.00		-	-	71.00	
Clubhouse Electric Repairs		4,623.15		-	-	4,623.15	
Fence		2,060.00		-	-	2,060.00	
Fuel Farm Repairs		4,753.64		-	-	4,753.64	
Repairs and Maintenance - Other		2,378.30		-	28.92	2,349.38	
Runway Light Repairs		158.27		-	-	158.27	
Small Tools and Equipment		848.00		-	-	848.00	
Social Events		3,387.62		-	-	3,387.62	
Telephone Expense		868.87		-	-	868.87	
Utilities		5,930.93		-	-	5,930.93	
Cable Television		2,853.31		-	-	2,853.31	
Water		628.12		-	-	628.12	
Fuel Farm Tank		0.00		25,000.00	-	25,000.00	
Pass Thru Donations Received			21.31	21.31	-		0.00
Reserve Transfer		0.00		65,402.00	-	65,402.00	
Client's Balance Sheet Rounding			40.00	-	-		40.00
		3,900,650.82	3,900,650.82	239,402.66	239,402.66	3,966,023.90	3,966,023.90
		0.00		0.00		0.00	
<b>ENDING ADJUSTED OPERATING FUND :</b>						<b>629,886.98</b>	