



**SUNBIRD GOLF RESORT
HOMEOWNERS ASSOCIATION, INC.**

FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2018
AND FOR THE YEAR THEN ENDED



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SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sunbird Golf Resort Homeowners Association, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Sunbird Golf Resort Homeowners Association, Inc. (an Arizona Corporation), which comprise the balance sheet as of December 31, 2018, 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 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 Sunbird Golf Resort Homeowners Association, Inc. as of December 31, 2018, 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 information on future major repairs and replacements of common property, on page 13, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Butler Hansen, PLC

Gilbert, Arizona
February 26, 2019

SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2018

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
ASSETS			
<u>CURRENT ASSETS</u>			
Cash and Cash Equivalents	\$ 498,651	\$ 513,609	\$ 1,012,260
Accounts Receivable	20,424	-	20,424
Deposits	2,592	-	2,592
Inventory	42,622	-	42,622
Prepaid Expenses	41,275	-	41,275
Interfund Balance	(806)	806	-
TOTAL CURRENT ASSETS	<u>604,758</u>	<u>514,415</u>	<u>1,119,173</u>
<u>OTHER ASSETS</u>			
Construction In Progress	2,356	-	2,356
Property and Equipment, Net of Accumulated Depreciation of \$4,415,836	<u>4,486,874</u>	<u>-</u>	<u>4,486,874</u>
TOTAL OTHER ASSETS	<u>4,489,230</u>	<u>-</u>	<u>4,489,230</u>
TOTAL ASSETS	<u>\$ 5,093,988</u>	<u>\$ 514,415</u>	<u>\$ 5,608,403</u>
LIABILITIES AND FUND BALANCES			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 818	\$ -	\$ 818
Accrued Payroll and Related Liabilities	19,112	-	19,112
Prepaid Assessments	544,058	-	544,058
Sales Tax Payable	6,466	-	6,466
Other Liabilities	3,826	-	3,826
Note Payable, Current Portion	40,313	-	40,313
TOTAL CURRENT LIABILITIES	<u>614,593</u>	<u>-</u>	<u>614,593</u>
<u>LONG-TERM LIABILITIES</u>			
Note Payable, Long-Term	171,469	-	171,469
TOTAL LONG-TERM LIABILITIES	<u>171,469</u>	<u>-</u>	<u>171,469</u>
TOTAL LIABILITIES	<u>786,062</u>	<u>-</u>	<u>786,062</u>
<u>FUND BALANCES</u>			
Operating Fund	4,307,926	-	4,307,926
Reserve Fund	-	514,415	514,415
TOTAL FUND BALANCES	<u>4,307,926</u>	<u>514,415</u>	<u>4,822,341</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,093,988</u>	<u>\$ 514,415</u>	<u>\$ 5,608,403</u>

See accompanying notes to financial statements.

SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
REVENUES			
Association Dues	\$ 1,340,830	\$ 163,000	\$ 1,503,830
Reserve Fund Fees	-	93,600	93,600
Activity Sales	35,523	-	35,523
Restaurant Revenue	636,644	-	636,644
Restricted Donations	9,528	-	9,528
Vending Income	3,297	-	3,297
Other Income	224,188	-	224,188
Interest Income	751	1,242	1,993
TOTAL REVENUES	<u>2,250,761</u>	<u>257,842</u>	<u>2,508,603</u>
EXPENSES			
Activities Expenses	82,898	-	82,898
Clubhouse	365,846	-	365,846
Common Area	257,139	-	257,139
General and Administrative	343,396	-	343,396
Patrol	162,542	-	162,542
Post Office	35,411	-	35,411
Private Roads	122,486	-	122,486
Recreation	88,520	-	88,520
Restaurant Expense	721,336	-	721,336
Depreciation Expense	264,359	-	264,359
Interest Expense	4,282	-	4,282
TOTAL EXPENSES	<u>2,448,215</u>	<u>-</u>	<u>2,448,215</u>
EXCESS REVENUES (EXPENSES)	(197,454)	257,842	60,388
FUND BALANCES, BEGINNING OF YEAR	4,158,303	603,650	4,761,953
TRANSFERS BETWEEN FUNDS			
Permanent Transfers Between Funds	(18,152)	18,152	-
To Operating for Fixed Asset Acquisition	365,229	(365,229)	-
TOTAL TRANSFERS BETWEEN FUNDS	<u>347,077</u>	<u>(347,077)</u>	<u>-</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,307,926</u>	<u>\$ 514,415</u>	<u>\$ 4,822,341</u>

See accompanying notes to financial statements.

SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	OPERATING FUND	RESERVE FUND	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Excess Revenues (Expenses)	\$ (197,454)	\$ 257,842	\$ 60,388
Adjustments to Reconcile Excess Revenues (Expenses) to Cash Provided (Used) by Operating Activities			
Depreciation	264,359	-	264,359
(Increase)/Decrease In			
Accounts Receivable	1,521	-	1,521
Inventory	(2,102)	-	(2,102)
Prepaid Expenses	(12,278)	-	(12,278)
Increase/(Decrease) In			
Accounts Payable	(1,937)	-	(1,937)
Accrued Expenses	(694)	-	(694)
Accrued Payroll & Related Liabilities	(1,773)	-	(1,773)
Prepaid Assessments	50,353	-	50,353
Sales Tax Payable	454	-	454
Other Liabilities	3,826	-	3,826
Net Cash Provided (Used) by Operating Activities	104,275	257,842	362,117
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchases of Property and Equipment	(643,252)	-	(643,252)
Net Cash Provided (Used) by Investing Activities	(643,252)	-	(643,252)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from Note Payable	225,000	-	225,000
Payments on Note Payable	(13,218)	-	(13,218)
Permanent Transfers Between Funds	(18,152)	18,152	-
Transfers To Operating for Fixed Asset Acquisition	365,229	(365,229)	-
Change in Interfund Balances	806	(806)	-
Net Cash Provided (Used) by Financing Activities	559,665	(347,883)	211,782
NET INCREASE (DECREASE) IN CASH	20,688	(90,041)	(69,353)
CASH BALANCE, BEGINNING OF YEAR	477,963	603,650	1,081,613
CASH BALANCE, END OF YEAR	\$ 498,651	\$ 513,609	\$ 1,012,260
<u>SUPPLEMENTARY INFORMATION</u>			
Income Taxes	\$ 50	\$ -	\$ 50
Interest	\$ 4,282	\$ -	\$ 4,282

See accompanying notes to financial statements.

SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – NATURE OF THE ORGANIZATION

Sunbird Golf Resort Homeowners Association, Inc. (“the Association”), a non-stock homeowners association, was incorporated on March 16, 1987, under the general non-profit laws of the State of Arizona. The Association was established to provide maintenance and preservation of the common areas associated with the community. The Association is located in Chandler, Arizona and consists of 1,631 residential units. There is a Board of Directors elected by the member homeowners. The Association is managed by paid staff, with the Board of Directors providing oversight and policy making.

The Association owns and operates The Horizon Room, an onsite restaurant providing a unique dining experience for its members and guests. Revenue resulting from, and expenses incurred by, the Association’s restaurant operations are recorded as restaurant revenue and restaurant expense, respectively.

NOTE 2 – 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, using the following funds established according to their nature and purpose:

Operating Fund

The Operating Fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund

The Replacement Fund is used to account for the accumulation of funds for future major repairs and replacements.

Cash and Cash Equivalents

For statement of cash flows purposes, the Association considers cash in operating bank accounts, money market accounts, cash on hand, and certificates of deposit, purchased with original maturity dates of three months, or less, as cash and cash equivalents. Certificates of deposit and financial instruments, with original maturities, at date of purchase, of more than three months, are classified as certificates of deposit.

Accounts Receivable

The annual budget and member assessments are approved by the Board of Directors. Association members are subject to semi-annual assessments to provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and future replacements. Accounts receivable at December 31, 2018, represent fees due from unit owners. The Association accounts for receivables on the cost basis. Receivables are considered delinquent after 30 days, at which time the Association pursues collection. Receivables are reviewed regularly and the Association establishes an allowance for doubtful accounts on receivables based on an estimate of accounts which will not be fully collected. Accounts are written-off when a homeowner enters bankruptcy or foreclosure. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Inventory

Inventory consists of restaurant food/supplies. Inventory is stated at the lower of cost or market. Cost is determined on the first-in, first-out (FIFO) basis.

SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Assessments and Revenue Recognition

Payments received by the Association prior to the assessment due date are properly not recognized as revenue until the corresponding assessment is made by the Association.

Use of Estimates

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

Property and Equipment

The Association capitalizes all common real property to which it has title or other evidence of ownership and either:

- (1) can dispose of the property, at the discretion of its Board of Directors, for cash or claims to cash, and it can retain the proceeds, or
- (2) the property is used to generate significant cash flows from members on the basis of usage. Property and equipment are stated at cost and depreciated utilizing the straight-line method over their useful lives.

The Association capitalizes all personal property it acquires. Purchased property and equipment is recorded at cost and depreciated utilizing various acceptable methods over the useful lives of the property and equipment.

Common Property

Certain land areas were contributed by the developer, upon completion of the project, at no cost to the Association, which are not reflected in the financial statements. The contributed areas consist of a clubhouse, sports courts, pool, spa, landscape and landscape rights-of-way, which can never be sold or subdivided. The Association has not placed a value on these assets.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments (none of which are held for trading purposes), approximate the carrying values of such amounts.

Date of Management's Review

Subsequent events have been evaluated through February 26, 2019, which is the date the financial statements were available to be issued.

NOTE 3 – ASSESSMENTS

Association members are subject to annual assessments to provide funds for the Association's operating expenses and future major repairs and replacements. During 2018, the combined annual assessment was \$920, payable in semi-annual installments of \$460. Excess assessments at year end are retained by the Association for use in future periods. There is a maximum annual assessment defined in the Association's governing documents.

SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 – CASH AND CASH EQUIVALENTS

As of December 31, 2018, the cash and cash equivalents balances were as follows:

	Operating Fund	Replacement Fund	Total
Operating Checking	\$ 376,922	\$ -	\$ 376,922
Special Projects	1,970	-	1,970
Contingency Fund	63,473	-	63,473
Capital Improvement Fund	53,520	-	53,520
Replacement Fund	-	513,609	513,609
Petty Cash	2,766	-	2,766
Total	\$ 498,651	\$ 513,609	\$ 1,012,260

The cash listed as operating checking is available for current operations and is not bound by any restriction. Cash listed as special projects is designated by the Board of Directors as funds that will be used to enhance the Association either by addition or modification of existing assets. Cash listed as contingency fund is designated by the Board of Directors as funds to be used for unforeseen expenses. Cash listed as capital improvement fund is designated by the Board of Directors as funds to be used for maintenance, repair, replacement, or capital improvements of the common areas that benefit the Association. Cash listed as replacement fund is designated by the Board of Directors for future major repairs and replacement and is generally not available for current operations.

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2018:

	Total Due	Over 90 Days
Assessments Receivable	\$ 5,676	\$ 5,676
Capital Assessments Due	14,748	14,748
Total Gross Receivables	20,424	20,424
Less: Allowance for Bad Debt	-	-
Total Net Receivables	<u>\$ 20,424</u>	<u>\$ 20,424</u>

Bad debt expense for the year ended December 31, 2018, was \$0. An allowance for bad debt using the Allowance Method has not been established.

NOTE 6 – SALES TAXES

The Association excludes from its sales all sales taxes assessed to its customers. Sales taxes assessed on sales are recorded as accrued liabilities until remitted to the applicable municipal/governmental agencies. At December 31, 2018, accrued sales taxes were \$6,466.

SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2018:

Automobiles	\$ 58,056
Buildings	4,942,036
Equipment	1,409,357
Furniture and Fixtures	294,042
Land	200,000
Road Improvements	1,728,506
Tennis Court	270,713
	<u>8,902,710</u>
Accumuluated Depreciation	<u>(4,415,836)</u>
	4,486,874
Construction-in-Process	<u>2,356</u>
Total	<u><u>\$ 4,489,230</u></u>

The Association capitalizes all personal and real property it acquires. Purchased property and equipment is recorded at cost, or if donated, at fair value on the date of donation. Property is depreciated utilizing the straight-line depreciation method over the useful lives of the property and equipment. Depreciation expense for the year ended December 31, 2018 was \$264,359.

NOTE 8 – UNCERTAIN TAX POSITIONS

The Association accounts for uncertain tax positions, if any, in accordance with FASB Accounting Standards Codification Section 740. In accordance with these professional standards, the Association recognizes tax positions only to the extent that Management believes it is “more likely than not” that its tax positions will be sustained upon examination by taxing authorities. Management believes that it has no uncertain tax position for the year ending December 31, 2018.

The Association believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Association’s financial condition, net income or cash flows. Accordingly, the Association has not recorded any reserves, or related accruals for interest and penalties for uncertain tax provisions at December 31, 2018.

The Association is subject to routine audits by taxing jurisdictions; however, there are no audits currently in progress for any tax periods. The Association believes it is no longer subject to income tax examinations by U.S. federal tax authorities for years before 2016, or by Arizona state tax authorities for years before 2015.

SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 9 – INCOME TAXES

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended December 31, 2018. It does not qualify as an exempt organization. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, nonmembership transactions, and capital transactions.

For federal and state income tax purposes, the Association is taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses, and any excess membership deductions may only be carried forward to offset membership income of future tax periods. Any net membership income not applied to the subsequent tax year is subject to taxation. The Association files Form 1120, which has a tax rate of 21% applied to net taxable income. The state tax rate that is applied to net taxable income is 4.9%. The Association had a federal and state tax liability of \$0 and \$50, respectively, for the year ended December 31, 2018. Federal and state income taxes disbursed in the current year for the prior year were \$0 and \$50, respectively.

NOTE 10 – CONCENTRATION OF RISK

The financial instruments that subject the Association to credit risk consist principally of cash deposits in bank accounts and assessments receivable. In the event that the property owners did not comply with the terms of the Covenants, Conditions and Restrictions, and collection efforts by the Association were unsuccessful, the Association could incur a loss equal to the amount due. The Association's annual assessment receivable is subject to a significant concentration of risk given that the revenue is received primarily within a small geographic area.

The Association places its cash deposits and investments with financial institutions that have Federal Deposit Insurance Corporation (FDIC) coverage. At various times, deposits with these financial institutions, designated as cash and cash equivalents and investments, may exceed insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC).

NOTE 11 – ANCILLARY OPERATIONS

Restaurant ancillary operations are performed as a benefit to the members of the Association, and may or may not operate at a positive net income in a given year. Management has opted to not allocate certain indirect expenses to this ancillary operations due to the difficulty in determining an accurate allocation methodology, which is common practice in the Common Interest Realty Association Industry. Had an allocation been made and these indirect expenses been included in the expenses of their respective ancillary operations, the resulting increase in expenses could cause an ancillary operation that had previously appeared to be operating at a positive net income to instead operate at a net deficit.

SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 12 – OPERATING LEASES AND AGREEMENTS

At December 31, 2018, the Association had financial obligations under the following leases and agreements:

Copier Equipment

In October 2015, the Association entered into a lease for copier equipment. Under the terms of the lease, the Association will pay \$689.90 for 63 months. Total lease expenses, including property and rental taxes for the year ended December 31, 2018, were \$13,419. Minimum future rental payments under the noncancellable operating lease for copier equipment are as follows:

<u>Years Ending December 31,</u>	
2019	\$ 8,279
2020	<u>8,279</u>
 Total future minimum rental payments	 <u>\$ 16,558</u>

NOTE 13 – LEASE INCOME

The Association entered into an agreement with Sunbird Golf Club Inc. to lease space in the Association’s clubhouse to operate a golf pro shop. The lease commenced on January 1, 2018, and will end on December 31, 2019. Under the terms of the lease agreement, monthly lease payments will be \$900, plus \$84 per month to reimburse the Association for utility usage. Approximate future minimum lease payments to be received under these lease agreements as of December 31, 2018 are:

Years Ending December 31,	
2019	\$ <u>11,808</u>
Total Remaining	<u>\$ 11,808</u>

For the year ended December 31, 2018, the Association recorded \$11,808 in lease income.

NOTE 14 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association accumulates funds for future major repairs and replacements. At December 31, 2018, funds accumulated for this purpose are \$514,415 and are held in separate accounts and are generally not available for operating purposes.

The Association’s Board of Directors has authorized management to estimate the remaining useful lives and replacement costs of the common property components. The reserve study is updated regularly. The Association is funding future major repairs and replacements based on the study’s estimates of current replacement costs. Funding considerations include amounts previously designated for future major repairs and replacements. Actual expenditures, when incurred, may vary from the estimated amounts and the variations may be material. Accordingly, amounts designated for future major repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Association may increase regular assessments up to the maximum annual assessment, levy special assessments, subject to member approval, or may delay major repairs and replacements until funds are available.

SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 15 – NOTE PAYABLE

In August of 2018, the Association signed a promissory note for a clubhouse renovation project. The note is a 60 month promissory note for \$225,000, executed on August 15, 2018. The note calls for monthly payments of \$4,375.09, including interest at an initial rate of 6.21%. The interest rate is fixed until the loan maturity.

As part of the promissory note, the Association also entered into a security agreement, which granted the lender a security interest in all personal assets of the Association, including but not limited to (i) any and all existing or future income and amounts receivable by the Association from all homeowners, (ii) any and all rights of the Association to levy assessments, (iii) any and all enforcement rights and remedies to collect assessments, (iv) and any reserve, operating, deposit or other accounts relating to the community, to secure the indebtedness. The principal loan balance on the note was \$211,782 at December 31, 2018, with \$40,313 reported as a current liability. The final payment on the note is due in August 2023, unless the financial institution requires immediate payment, due to violation of loan covenants.

The following is the schedule of future minimum payments due under terms of the loan.

	December 31,	
2019	\$	52,501
2020		52,501
2021		52,501
2022		52,501
2023		<u>35,001</u>
Total		245,005
Less: Interest		<u>(33,223)</u>
Net Present Value	\$	<u><u>211,782</u></u>

**SUNBIRD GOLF RESORT
HOMEOWNERS ASSOCIATION, INC.**

SUPPLEMENTARY
INFORMATION



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SUNBIRD GOLF RESORT HOMEOWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2018

The Board of Directors of Sunbird Golf Resort Homeowners Association, Inc. authorized management to perform a study to estimate the remaining useful lives and the replacement costs of the components of property and improvements. The Reserve Study is updated regularly. This study is the basis for future replacement requirements. Replacement costs are based on the estimated costs to repair or replace the components at the end of their useful lives.

The following table is based on the study and presents significant information about the components of common property.

Component	Useful Life (Years)	Estimated Future Replacement Cost	Replacement Fund Balance December 31, 2018
Roads	Not Indicated	\$ 200,000 *	\$ -
Common Area Landscape	Not Indicated	123,000 *	-
Clubhouse	7 to 30	1,119,844	-
Sports Courts	7 to 30	204,628	-
Pools	7 to 25	141,196	-
Gates and Fences	10 to 26	163,974	-
Fitness Room	6 to 30	87,947	-
Horizon Room	10 to 30	122,865	-
Vehicle and Equipment	7 to 15	69,989	-
Recreational Facilities	15 to 35	146,961	-
Undesignated		-	514,415
Total		<u>\$ 2,380,404</u>	<u>\$ 514,415</u>

* These amounts represent the costs that are expected to be incurred in the subsequent year, and do not represent the full future replacement cost.

See independent auditor's report.