

MUIRFIELD ASSOCIATION, INC.
ACCOUNTANTS' AUDIT REPORT
DECEMBER 31, 2019
(INCLUDES COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

TABLE OF CONTENTS

Independent Accountants Audit Report	3-4
Financial Statements:	
Balance Sheet	5
Income Statement/Fund Balance	6
Statement of Cash Flows	7
Notes to Financial Statements	8-11
Supplemental Information	12-14



DEVIN & ASSOCIATES, INC.
Certified Public Accounting Firm

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Muirfield Association, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Muirfield Association, Inc., which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 December 31, 2019 financial statements referred to above present fairly, in all material respects, the financial position of Muirfield Association, Inc. as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 12-14 be presented to supplement the basic financial statements.

Disclaimer of Opinion on Required Supplementary Information (Continued)

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.

Devin & Associates

Devin & Associates, Inc.

Westlake, Ohio

April 1, 2020

MUIRFIELD ASSOCIATION, INC.
 Balance Sheet
 December 31, 2019

	2019			2018
	General Fund	Common Property Fund	Total	Total (for Comparative Purposes Only)
ASSETS				
Current assets				
Cash - undesignated	\$470,452	\$1,521,367	\$1,991,819	\$1,659,239
Cash - designated for Estates reserves	66,441	0	66,441	70,570
Cash - designated for Country Club Estates reserve	14,502	0	14,502	11,078
Assessments receivable, net of allowance for doubtful accounts of \$27,932)	1,960,181	0	1,960,181	1,990,171
Accrued interest	3,738	0	3,738	0
Prepaid expenses and other	83,940	0	83,940	83,940
Total Current Assets	\$2,599,254	\$1,521,367	\$4,120,621	\$3,814,998
Property and equipment				
Donated property	\$0	\$4,582,855	\$4,582,855	\$4,582,855
Building	0	1,098,439	1,098,439	1,098,439
Capital lease	1,030	0	1,030	1,030
Furniture, fixtures and equipment	3,242,690	0	3,242,690	3,186,734
Total property and equipment	\$3,243,720	\$5,681,294	\$8,925,014	\$8,869,058
Less accumulated depreciation	2,565,705	2,776,945	5,342,650	5,155,598
Net property and equipment	\$678,015	\$2,904,349	\$3,582,364	\$3,713,460
Long Term Assets				
Equity investment in MAM, LLC	\$300,000	\$0	\$300,000	\$300,000
Total assets	\$3,577,269	\$4,425,716	\$8,002,985	\$7,828,458
LIABILITIES AND FUND BALANCES				
Current liabilities				
Accounts payable and accrued expenses	\$103,416	\$0	\$103,416	\$40,083
Total current liabilities	\$103,416	\$0	\$103,416	\$40,083
Estates reserve	88,247	0	88,247	88,247
Country Club reserve	14,550	0	14,550	14,550
Total liabilities	\$206,213	\$0	\$206,213	\$142,880
Fund balances				
General	\$4,095,184	\$0	\$4,095,184	\$3,983,633
Common property				
Fund balance	0	3,469,688	3,469,688	3,470,045
Fund transfers	(724,128)	724,128	0	0
Initial membership assessments	0	231,900	231,900	231,900
Total fund balances	\$3,371,056	\$4,425,716	\$7,796,772	\$7,685,578
Total liabilities and fund balances	\$3,577,269	\$4,425,716	\$8,002,985	\$7,828,458

MUIRFIELD ASSOCIATION, INC.
Income Statement
December 31, 2019

	General Fund		Common Property Fund		Total All Funds	
	2019	2018	2019	2018	2019	2018
Revenues						
Assessments	\$2,135,940	\$2,132,956	\$0	\$0	\$2,135,940	\$2,132,956
Initial assessments	0	0	0	0	0	0
Interest income	9,602	5,592	17,523	12,879	27,125	18,471
Property management income	0	31,351	0	0	0	31,351
Other income	68,854	85,828	0	0	68,854	85,828
Total Revenues	\$2,214,396	\$2,255,727	\$17,523	\$12,879	\$2,231,919	\$2,268,606
Expenses						
Property care	\$1,057,557	\$1,077,647		\$0	\$1,057,557	\$1,077,647
Concession stands	28,527	26,213		0	28,527	26,213
Swim and tennis center	228,017	221,586		0	228,017	221,586
	<u>\$1,314,101</u>	<u>\$1,325,446</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,314,101</u>	<u>\$1,325,446</u>
Administrative						
Personnel	\$458,137	\$438,147		\$0	\$458,137	\$438,147
Depreciation and amortization	169,146	157,269	17,880	19,571	187,026	176,840
Real estate taxes	68,025	61,030		0	68,025	61,030
Insurance	40,268	42,080		0	40,268	42,080
Uncollectible accounts	1,412	8,735		0	1,412	8,735
Other	51,756	82,773		0	51,756	82,773
Total administrative expenses	\$788,744	\$790,034	\$17,880	\$19,571	\$806,624	\$809,605
Total expenses	\$2,102,845	\$2,115,480	\$17,880	\$19,571	\$2,120,725	\$2,135,051
Excess revenues or (expenses)	\$111,551	\$140,246	(\$357)	(\$6,692)	\$111,194	\$133,554
Transfers between funds	0	0	0	0	0	0
Beginning fund balance	3,983,633	3,843,387	3,701,945	3,708,637	7,685,578	7,552,024
Ending fund balance	\$4,095,184	\$3,983,633	\$3,701,588	\$3,701,945	\$7,796,772	\$7,685,578

MUIRFIELD ASSOCIATION, INC.
Statement of Cash Flows
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Excess of revenues over (under) expenses	\$111,194	\$133,554
Fund transfers		
Adjustments to reconcile excess revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	187,052	176,840
(Gain) loss on disposal of equipment	0	25,884
Provision for bad debts	0	0
(Increase) decrease in:		
Assessments receivable	29,990	79,839
Prepaid expenses and other	(3,738)	(3,772)
Increase (decrease) in:		
Accounts payable and accrued expenses	63,333	(66,495)
Estate reserves	0	(17,857)
Country Club reserve	0	(3,550)
Net cash provided by operating activities	<u>\$387,831</u>	<u>\$324,443</u>
Cash flows from investing activities:		
Equity investment in subsidiary	0	(300,000)
Proceeds from sale of property and equipment	\$0	\$20,570
Capital leases	\$0	(\$1,030)
Purchase of property and equipment	<u>(55,956)</u>	<u>(429,150)</u>
Net cash used in investing activities	(\$55,956)	(\$709,610)
Increase (decrease) in cash	\$331,875	(\$385,167)
Cash at beginning of year	<u>\$1,740,887</u>	<u>\$2,126,054</u>
Cash at end of year	<u>\$2,072,762</u>	<u>\$1,740,887</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$0</u>	<u>\$0</u>
Income taxes	<u>\$0</u>	<u>\$0</u>

See accountant's report and the accompanying notes to the financial statements.

MUIRFIELD ASSOCIATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 - NATURE OF ORGANIZATION

Muirfield Association, Inc. (the Association) is a statutory homeowners association incorporated in the State of Ohio on February 10, 1975 to promote the common benefit and social welfare of the residents of Muirfield Village. The association is responsible for owning, operating, maintaining, and administering the common property and certain other assets of Muirfield Village. Muirfield Village is a residential community of 2,392 residential lots, of which there are 13 undeveloped lots, 3 lots under construction, and 2,376 homes located on approximately 1,380 acres in Dublin, Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Accounting Standards Board (FASB) ASC 972 sets the accounting standards for all certified public accountants (CPAs) to utilize when preparing or reporting on financial statements of Common Interest Realty Associations (CIRAs). By definition, CIRAs include condominium associations, homeowner associations, cooperatives, timeshare associations and planned unit developments. Unit owners, prospective unit owners and lenders are concerned about the financial health of an association. The accounting standards specify certain disclosures about common property and other mandatory disclosures which are to be included in the financial statements. In addition, they outline certain supplemental information that must be included as part of a CIRA's financial statements.

This summary of significant accounting policies of Muirfield Association, Inc. is presented to assist in understanding the financial statements. The financial statements and notes are representations of management, who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

Accounting principles generally accepted in the United States of America (GAAP) require the use of the accrual basis of accounting. Under the cash basis of accounting, revenues are recognized when received and expenses recognized when paid. Under the accrual basis, revenues are recognized when earned, while expenses are recognized when incurred. Financial statements prepared using the cash basis of accounting which may differ materially from the accrual basis are not considered to be in conformity with GAAP, since they do not accurately reflect the revenues earned and expenses incurred by the association for the reporting period. Financial statements presented on an accrual basis are particularly useful for CIRAs, which assess members based on annual budgets, because they include information about amounts payable and assessments receivable from members and thus enable the users to compare the results of operations to budgeted amounts.

Management prepares the financial statements using the accrual basis of accounting in accordance with GAAP.

Fund Accounting

ASC 972-205 requires the use of fund accounting. Funds for operating expenditures and those funds designated for future major replacements and repairs, are to be classified and presented separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board and property manager. Disbursements from the replacement fund generally may be made only for designated purposes.

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

MUIRFIELD ASSOCIATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purposes:

The General Fund - This fund is used to account for activities related to promoting the recreation, health, enjoyment and welfare of the residents of Muirfield Village and to pay the administrative costs of the Association.

The Common Property Fund - This fund is used to account for initial membership assessments and depreciation related to the Association's property and facilities: the use of the related property and equipment is restricted for the purpose of promoting the social welfare of the residents of Muirfield Village.

Estimates

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

Assessments

Assessments are reported on the accrual basis of accounting and consist of initial assessments and annual operating assessments. The initial assessments of \$100 per member are nonrefundable, but are transferable, and are recorded in the Common Property Fund. The annual operating assessments are currently \$2.20 per \$1,000 of property valuation, as defined, subject to a minimum assessment of \$50 per property owner and are recorded in the General Fund.

The annual assessment is intended to cover recurring operating expenses and repairs and replacements. The Board of Trustees can increase assessments to a maximum of \$3 per \$1,000 of property valuation, and assessments may be further increased upon the approval of at least two-thirds of the Association members. Any excess assessments at year-end are retained by the Association for use in the succeeding year.

Accounts Receivable

The Association carries its accounts receivable at cost less an allowance for doubtful accounts. If the owner shall fail to pay any installment of the annual charge within thirty (30) days following the issuance of the statement therefore, the same shall be deemed delinquent and will bear interest at the rate of eight (8%) percent per annum until paid. If the owner of any assessable unit shall fail to pay the annual charge or any installment thereof within ninety (90) days following the date of issuance of the statement therefore, the Association shall have the right to sue such owner for a personal judgment, and, in addition, shall have the right to enforce the lien, hereinafter imposed. The amount due by such owner shall include the unpaid annual charge or installment thereof as well as the cost of such proceedings, including reasonable attorneys' fees, and the aforesaid interest.

In the event an appropriate court refuses jurisdiction of a proceeding to enforce said lien or finds said lien to be unenforceable, invalid, or ineffective then the Association shall have the right to sell the property at public or private sale in satisfaction of the amounts then owing. Every aspect of the sale including the method, manner, time, place and terms shall be commercially reasonable. The Association shall give such owner reasonable notice (by registered mail or by publication in a newspaper of general circulation in each of Franklin and Delaware counties) of such sale at least thirty (30) days prior to such sale, and if such sale is to be public such notice shall contain date, time and place of sale.

MUIRFIELD ASSOCIATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Uncertain Tax Positions

The Association may recognize the tax benefit from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Association and various positions related to the potential sources of non-exempt function income. The Association has analyzed its tax positions taken for filings with the Internal Revenue Service. 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 or results of operations. Accordingly, the Association has not recorded any tax assets or liabilities, or related accruals for interest and penalties, for uncertain income tax positions at December 31, 2019.

NOTE 3 - PROPERTY AND EQUIPMENT

Muirfield Village Co. and its predecessor, Muirfield Ltd., Able Developers and 44 Associates and Muirfield Greene Company have donated property to the Association. These entities are collectively referred to as the Developers. This property was accepted and declared common property by the Association. Certain portions of the pathways constructed by the Developers and donated to the Association are located within easements or public rights-of-way. Donated land is recorded at values established by the City of Dublin pursuant to ordinances establishing fair values for park fees. Other donated property is valued at the estimated costs incurred by the Developers. Donated common property consists of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 2,656,281	\$ 2,656,281
Building	204,500	204,550
Pathways, bridges and roads	655,626	655,626
Swimming pools, tennis courts and related equipment	<u>1,066,397</u>	<u>1,066,397</u>
Total	<u>4,582,854</u>	<u>4,582,854</u>

Other property and equipment is recorded at cost. When property and equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the account, with the resulting gain or loss reflected in excess of revenues (expenses). The Association provides for depreciation on the straight-line method over the estimated useful lives of the applicable assets, ranging from 3 to 40 years. The Association's Board of Trustees has the power and authority to convey common property land for use as a public roadway or pedestrian walkway or to a utility company for utility-related purposes. Any other conveyances of common property require the approval of two-thirds of the voting members of the Association.

NOTE 4 - INCOME TAXES

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2019. Under that Section, the Association is not taxed on income and expenses

MUIRFIELD ASSOCIATION INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government. The income tax liability on taxable net non-exempt function income for the years ending December 31, 2019 and 2018 is \$0 and \$0.

The federal income tax returns of the Association for the current year and the years ended December 31, 2018, 2017, and 2016 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

NOTE 5 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future estimated major repairs and replacements. The Association funds actual major repair and replacement expenditures from excess general fund assessments as expenditures are incurred.

The Association engaged an independent engineer who conducted a study in May 2012 and which was updated in December 2018, to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the operating fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the operating fund may not be adequate to meet future needs. If additional funds are needed, however, the Board of Trustees has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE 6 - CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK

The Association maintains cash balances in excess of \$250,000 in banks, which are insured by the Federal Deposit Insurance Corporation up to \$250,000. It is the opinion of management that the use of Certificate of Deposit Account Registry Services ("CDARS") provides adequate risk mitigation of the referenced financial institution and is not of particular concern at this time.

NOTE 7 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 1, 2020, the date that financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MUIRFIELD ASSOCIATION, INC.
 Supplementary Information on Future Major Repairs
 and Replacements (Unaudited)
 December 31, 2019

An independent engineer conducted a study in May 2012, and updated in December 2018, to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. The estimated current replacement costs do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Costs
Site		
Seal parking lots and roads	1	\$5,640
Repair asphalt roads	0	\$5,000
Mill and overlay roads and parking	8	\$211,500
Fence replacement	18	\$169,805
Bridge replacement	5	\$10,000
Building Exterior		
Holbrook pool re-roof	10	\$14,000
Glick Rd. pool re-roof	23	\$37,000
Re-roof gazebos and sheds	6	\$6,000
Building Interior		
Redecorate office	15	\$15,000
Update office furniture	15	\$10,000
Replace printers/copiers	5	\$5,000
Pool house floors	10	\$18,000
Concession stand equipment	1	\$2,500

See independent accountant's report.

MUIRFIELD ASSOCIATION, INC.
Supplementary Information on Future Major Repairs
and Replacements (Unaudited)
December 31, 2019

	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Costs</u>
Mechanical		
Glick Rd. pool heater	25	\$14,000
Holbrook pool heater replacement	5	\$14,000
Glick Rd. Chemical equipment replacement	5	\$2,500
Holbrooke pool chemical equipment replace	4	\$2,500
Utility cart replacement	0	\$20,000
Mower replacement	0	\$7,500
Truck replacement	1	\$5,000
Backhoe replacement	14	\$50,000
Skidstear replacement	5	\$20,000
Lift replacement	12	\$54,000
Amenities		
Pond fountain replacement	5	\$4,500
Pool furniture replacement	6	\$89,000
Tennis court upgrades	0	\$170,000
Playground equipment replacement	8	\$250,000
Pool apron and deck repairs	1	\$1,400
Pool repairs	7	\$20,000
Gate replacement	1	\$10,000
Other		
Update Reserve Study	4	\$3,500
Totals		<u>\$1,247,345</u>

See independent accountant's report.