

**GARDENS OF GULF COVE PROPERTY  
OWNERS' ASSOCIATION, INC.**

**PORT CHARLOTTE, FLORIDA**

**REVIEWED FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

**Lucille S. Adgate, CPA, PA  
CERTIFIED PUBLIC ACCOUNTANT**

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of Gardens of Gulf Cove Property Owners' Association, Inc.  
Port Charlotte, Florida

We have reviewed the accompanying financial statements of Gardens of Gulf Cove Property Owners' Association, Inc., 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion on the Financial Statements**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States.

### **Supplementary Information**

The supplementary information in the Schedule of Operating Fund Revenues and Expenses - Budget to Actual is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the supplementary information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the supplementary information and, accordingly, do not express an opinion on it.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 12 be presented to supplement the basic financial statements. Such information, although not 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. We have not audited, reviewed, or compiled the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

Lucille S. Adgate, CPA, PA  
Fort Myers, Florida  
March 11, 2018

## **FINANCIAL STATEMENTS**

GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.  
BALANCE SHEET  
DECEMBER 31, 2018

ASSETS

Cash and cash equivalents	\$ 207,779
Certificates of deposits	253,346
Assessments, fines and other account receivables- net of \$4,996 allowance for uncollectible accounts	28,309
Furniture and equipment- net of accumulated depreciation of \$714,162	150,435
Prepaid insurance	<u>9,295</u>
 Total assets	 <u><u>\$ 649,164</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Assessments received in advance	\$ 128,432
Accounts payable	716
Due to garden club	<u>3,350</u>
 Total liabilities	 <u>132,498</u>

FUND BALANCES

	<u>516,666</u>
 Total liabilities and fund balances	 <u><u>\$ 649,164</u></u>

Read Independent Accountant's Review Report  
The accompanying notes are an integral  
part of the financial statements.

GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	FUNDS
	Operating
REVENUES	
Member assessments	\$ 327,426
Interest income	6,261
Fines and fees net	51,818
Other revenue	5,010
	390,515
EXPENSES	376,397
Excess of revenues over expenses	14,118
FUND BALANCES -	
January 1, 2018	502,548
FUND BALANCES -	
December 31, 2018	\$ 516,666

Read Independent Accountant's Review Report  
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 part of the financial statements.

GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31,2018

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Assessments received from members	\$ 329,889
Collection of fines and fees	51,818
Other revenue collected	5,010
Interest income	6,261
Cash paid for operating expenditures	<u>(373,503)</u>
Net cash provided by operating activities	<u>19,475</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase and redemptions of certificate of deposits-net	<u>(5,306)</u>
Net cash used in investing activities	<u>(5,306)</u>
Net increase in cash	14,169
<b>CASH AND CASH EQUIVALENTS</b>	
January 1, 2018	<u>193,610</u>
<b>CASH AND CASH EQUIVALENTS</b>	
December 31, 2018	<u><u>\$ 207,779</u></u>
<b>RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Excess of revenues over expenses	<u>\$ 14,118</u>
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities	
Depreciation expense	19,037
Decrease in accounts receivable	36
Increase in prepaid expenses	(9,295)
Decrease in accounts payable	(5,698)
Decrease in due to Garden Club	(1,150)
Increase in assessments received in advance	<u>2,427</u>
Total adjustments	<u>5,357</u>
Net cash provided by operating activities	<u><u>\$ 19,475</u></u>

Read Independent Accountant's Review Report  
The accompanying notes are an integral  
part of the financial statements.



GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 1 – NATURE OF ORGANIZATION**

Gardens of Gulf Cove Property Owners' Association, Inc. ("the Association") was organized in 1972 as a not for profit corporation under the laws of the State of Florida to promote the health, safety, and welfare of the property owners in the Gardens of Gulf Cove subdivision located in Port Charlotte, Florida. The Association's membership consists of all the property owners of the 992 platted lots within Gardens of Gulf Cove.

The Association is responsible for the maintenance of the common elements of the subdivision, including approximately thirty-seven acres of undeveloped land and ponds, and approximately twelve acres of land includes a recreation center, two clubhouses, three tennis courts and two pools. Additionally, the Association may provide exterior maintenance of the lots and homes which are then subject to assessment for services.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Accounting

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. The Association prepares its financial statements on the accrual basis and presents them as separate funds based on its different funding policies for operations and major repairs and replacements.

The operating fund reflects the operating portion of the annual assessments billed to the owners to meet the various day-to-day expenditures incurred in the administration and operation of the Association.

The capital reserve fund is composed of the portion of the annual assessments designated in the budget to fund future major repairs and replacements, as further described in Note 8. The capital reserve fund has not been funded as of December 31, 2018.

Disbursements from the operating fund are generally at the discretion of the Board of Directors and property manager pursuant to the approved operating budget. Disbursements from the reserve fund are at the discretion of the Board of Directors and property manager and generally may be made only for designated major repairs and replacements, as discussed further in Note 8.

The Association prepares its financial statements on the accrual basis and presents them as separate funds based on its different funding policies for operations and major repairs and replacements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The Association made no cash payments for income tax or interest during the year ended December 31, 2018.

GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

Accounts Receivable and Allowance for Uncollectible Accounts

Accounts receivable are generally considered delinquent when they are one month past due. A late fee is charged on the outstanding balance and is recognized as income when it is collected. The Association accounts for potential losses in accounts receivable utilizing the allowance method. The Association maintains an allowance for uncollectible accounts at an amount that it believes is sufficient to provide adequate protection against future losses. Provisions for losses are determined principally on the basis of experience in the preceding years, taking into account historical losses, industry standards and current economic conditions. All accounts or portions thereof deemed to be uncollectible are written off to the allowance for uncollectible accounts.

Fixed Assets and Depreciation

The Association has title to the land and the real property improvements previously described as common elements as well as furniture, fixtures, and equipment. Assets purchased by the Association are stated at cost. Property contributed by the developer and by members of the Association is recorded at the estimated fair value at the date of contribution. Depreciations is calculated using the straight line method over the estimated life of the assets, generally five to seven years for tangible personal property and ten to twenty years for real property and related improvements.

Income Taxes

Management has analyzed its various federal filing positions and believes that the Association's income tax filing positions and deductions are well documented, supported and contain no uncertain tax positions. Additionally, management believes that no accruals for tax liabilities, interest or penalties are required. Therefore, no reserves for uncertain income tax positions have been recorded. Further, no interest or penalties have been included since no reserves were recorded. When applicable, such interest and penalties will be reported as income tax expense. The years 2015 through 2018 remain open to examination under federal statute limitations.

The Association has elected to be taxed as a homeowners' association in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform assessments to members and other income received from Association members solely as a function of their membership in the Association. The Association is taxed at a rate of 32% on its investment income and other non-exempt function income, less allocable expenses. There are no temporary differences between the financial reporting and tax reporting with respect to the non-exempt function income; therefore, no deferred tax provision has been recorded. The Association incurred no federal income tax liability for the year ended December 31, 2018. There is no state income tax imposed on the Association by the State of Florida.

Fair Value of Financial Instruments

Substantially all of the Association's assets and liabilities, excluding prepaid expenses, deferred revenue and assessments received in advance, are considered financial instruments. These assets and liabilities are reflected at fair value, or at carrying amounts that approximate fair value because of the short maturity of the instrument.

Revenue Recognition

Maintenance fees revenue is recognized monthly in the amount of the maintenance fee allocation specified for current period operations based on the annual budget determined by the Board of Directors. Each unit owner is assessed an equal portion of the maintenance fees.

Late fees revenue is recognized when collected.

GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

Date of Management Review

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 11, 2018, the date that the financial statements were available to be issued, for subsequent events and determined that there were no events to report during that period.

**NOTE 3 - CONCENTRATION OF CREDIT RISK**

The Association maintains its cash and cash equivalents accounts at a financial institution. Accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. There was no uninsured balance at December 31, 2018.

**NOTE 4 – SHORT AND LONG TERM INVESTMENTS**

The Association has invested in several certificates of deposit (CD) that range in terms from 12 months to 24 months and accrue interest at between 2.01% and 2.48% per annum. The Association's total investment in CD's at December 31, 2018 was \$253,356. The carrying amounts of the CDs approximate fair value.

**NOTE 5 - ACCOUNTS RECEIVABLE - MEMBERS**

Accounts receivable - members, as of December 31, 2018, consisted of the following:

Accounts receivable - members	\$ 33,305
Less: allowance for doubtful accounts	<u>(4,996)</u>
	<u>\$ 28,309</u>

The Association incurred a bad debt expense of \$1,915 for the year ended December 31, 2018.

The allowance for estimated uncollectible accounts receivable was \$4,996 at December 31, 2018.

**NOTE 6 – FURNITURE AND EQUIPMENT**

At December 31, 2018, the Association's furniture and equipment consisted of:

Land	\$ 285,849
Buildings and improvements	560,793
Furniture and equipment	<u>17,955</u>
	864,597
Less: accumulated depreciation	<u>(714,162)</u>
	<u>\$ 150,435</u>

Depreciation of \$19,037 was charged to expense during the year ended December 31, 2018.

**NOTE 7 - ASSESSMENTS RECEIVED IN ADVANCE**

Assessments received in advance consisted of future years maintenance fees received by the Association prior to January 1, 2019.

GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**NOTE 8 – CAPITAL RESERVE FUND**

Florida Statutes allow homeowners' associations to accumulate reserve funds for capital expenditures and deferred maintenance annually based on the estimated life and estimated replacement cost of each major component of the commonly owned assets of the association that may result in special assessments if reserves are not provided. The Association's founding documents do provide for reserves "to cover expenditures for capital improvements or replacements". However, at December 31, 2018, the Association had not voted to establish any reserve accounts. Therefore, in accordance with procedures set forth in Chapter 720 of the Florida Statutes (The Florida Homeowner's Association Act), as amended in 2013, the Association is obligated to provide the following disclosure with this report:

THE BUDGET OF THE ASSOCIATION DOES NOT PROVIDE FOR RESERVE ACCOUNTS FOR CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE THAT MAY RESULT IN SPECIAL ASSESSMENTS. OWNERS MAY ELECT TO PROVIDE FOR RESERVE ACCOUNTS PURSUANT TO SECTION 720.303(6), FLORIDA STATUTES, UPON OBTAINING THE APPROVAL OF A MAJORITY OF THE TOTAL VOTING INTERESTS OF THE ASSOCIATION BY VOTE OF THE MEMBERS AT A MEETING OR BY WRITTEN CONSENT.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

The Association has various service contracts.

GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2018

**SUPPLEMENTARY INFORMATION**

GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC  
 SUPPLEMENTARY INFORMATION ON  
 FUTURE MAJOR REPAIRS AND REPLACEMENTS  
 DECEMBER 31, 2018

The following table is based on estimates provided by the Board of Directors and the manager during 2018, based on replacement costs and estimates from vendors, and presents significant information about the components of common property. These amounts are based on normal operations without considering the effect of potential catastrophic occurrences:

Estimated current replacement costs are based on the assumption that the rate of investment income earned on replacement funds will be equal to the rate of inflation.

Components	Estimated Useful Lives	Estimated Remaining Useful Life	Estimated Current Replacement Cost	Required Contribution to be 100% Funded	2019 Proposed Budgeted Funding
Club House Painting	8	4	\$ 7,200	1,800	\$ -
Rec Center Painting	8	4	5,950	1,488	-
Rec Center Roof (bldg, wlkwy & bthrms)	15	4	42,000	10,500	-
Club House Roof	15	4	32,000	8,000	-
Rec Center Pool (Resurfacing)	25	10	34,500	3,450	-
Club House Pool (Resurfacing)	15	7	17,500	2,500	-
Road Maint (re-seal)	4	4	6,000	1,500	-
Fences (Paint and Replacement)	15	9	21,000	2,333	-
Tennis, Bocce, Shuffleboard Courts	10	7	12,400	1,908	-
Building & Grounds Equipment (A.C., etc)	14	1	17,000	17,000	-
Pool Machinery and Equipment	20	15	28,000	1,867	-
Club and Rec Center Fixtures and Furniture	25	8	18,000	2,250	-
Pool Furniture	15	13	22,000	1,692	-
Lake Maintenance (erosion control)	15	6	18,000	3,000	-
Lawn Equipment	4	4	4,000	4,000	-
Insurance Deductible	Infinite	Infinite	112,000	-	-
Totals			<u>\$ 397,550</u>	<u>\$ 61,488</u>	<u>\$ -</u>

GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.  
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES - BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Member assessments	\$ 327,426	\$ 327,426	\$ -
Interest income	1,500	6,261	4,761
Fines and Fees Net	30,000	51,818	21,818
Other revenue	<u>5,010</u>	<u>5,010</u>	<u>5,010</u>
Total operating fund revenues	<u>358,926</u>	<u>390,515</u>	<u>31,589</u>
<b>EXPENSES</b>			
Administrative	15,500	10,576	4,924
Z-casualty loss	-	950	(950)
Bad debt	-	1,915	(1,915)
Contract Expense	8,100	6,130	1,970
Depreciation Expense	-	19,037	(19,037)
Bank Service charges	-	20	(20)
Insurance	36,881	34,978	1,903
Other Expenses	-	543	(543)
Payroll	168,128	176,367	(8,239)
Professional fees	12,000	26,770	(14,770)
Project expenses	27,520	26,696	824
Repairs and maintenance	19,950	26,088	(6,138)
Utilities	43,000	41,497	1,503
Loss on sale of assets	<u>-</u>	<u>4,830</u>	<u>(4,830)</u>
Total operating fund expenses	<u>331,079</u>	<u>376,397</u>	<u>(45,318)</u>
Excess of revenues over expenses	<u>\$ 27,847</u>	<u>\$ 14,118</u>	<u>\$ (13,729)</u>

Read Independent Accountant's Review Report