

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

PORT CHARLOTTE, FLORIDA

REVIEWED FINANCIAL STATEMENTS

DECEMBER 31, 2022

**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, 2022 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.

We are required to be independent of Gardens of Gulf Cove Property Owners' Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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

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 13 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

Lucille S. Adgate, CPA, PA
Fort Myers, Florida
March 5, 2023

FINANCIAL STATEMENTS

GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2022

	Operating Fund	Capital Reserves	Total
ASSETS			
Cash and cash equivalents	\$ 449,812	\$ -	\$ 449,812
Certificates of deposits	138,997	97,361	236,358
Assessments, fines and other account receivables-		-	-
net of \$30,402 allowance for uncollectible accounts	236,351	-	236,351
Furniture and equipment-			
net of accumulated depreciation of \$756,339	110,149	-	110,149
Prepaid insurance	12,186	-	12,186
Due from operating to reserves	-	36,224	36,224
Total assets	<u>\$ 947,495</u>	<u>\$ 133,585</u>	<u>\$ 1,081,080</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Assessments received in advance	\$ 321,621	\$	\$ 321,621
Accounts payable	32,371	-	32,371
Contract liability	-	133,585	133,585
Due to reserves from operating	36,224	-	36,224
Total liabilities	<u>390,216</u>	<u>133,585</u>	<u>523,801</u>
FUND BALANCES	<u>557,279</u>	<u>-</u>	<u>557,279</u>
Total liabilities and fund balances	<u>\$ 947,495</u>	<u>\$ 133,585</u>	<u>\$ 1,081,080</u>

Read Independent Accountant's Review Report
The accompanying notes are an integral
part of the financial statements.
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GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2022

	FUNDS		
	Operating	Capital Reserves	Total
REVENUES			
Member assessments	\$ 378,316	\$ 36,224	\$ 414,540
Interest income	2,394	-	2,394
Fines and fees-net	42,060	-	42,060
Total revenues	422,770	36,224	458,994
EXPENSES	384,957	36,224	421,181
Excess of revenues over expenses	37,813	-	37,813
FUND BALANCES - January 1, 2022	519,466	-	519,466
FUND BALANCES - December 31, 2022	<u>\$ 557,279</u>	<u>\$ -</u>	<u>\$ 557,279</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 CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	FUNDS		
	Operating	Capital Reserves	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Assessments received from members	\$ 411,175	\$ 36,224	\$ 447,399
Interest income	2,394	-	2,394
Cash paid for operating expenditures	(346,179)	(134,400)	(480,579)
Net cash provided (used) by operating activities	67,390	(98,176)	(30,786)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	(936)	-	(936)
Interfund transfer	36,224	(36,224)	-
Net cash provided (used) by investing activities	35,288	(36,224)	(936)
Net increase (decrease) in cash	102,678	(134,400)	(31,722)
CASH AND CASH EQUIVALENTS			
January 1, 2022	486,131	231,761	717,892
CASH AND CASH EQUIVALENTS			
December 31, 2022	\$ 588,809	\$ 97,361	\$ 686,170
RECONCILIATION OF DEFICIENCY OF REVENUES OVER EXPENSES TO NET CASH USED BY OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 37,813	\$ -	\$ 37,813
Adjustments to reconcile deficiency of revenues over expenses to net cash (provided) used by operating activities:			
Depreciation expense	9,199	-	9,199
Increase in accounts receivable	(46,881)	-	(46,881)
Increase in prepaid expenses	(2,792)	-	(2,792)
Increase in accounts payable	32,371	-	32,371
Decrease in contract liability	-	(98,176)	(98,176)
Increase in assessments received in advance	37,680	-	37,680
Total adjustments	29,577	(98,176)	(68,599)
Net cash provided (used) by operating activities	\$ 67,390	\$ (98,176)	\$ (30,786)

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

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.

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, 2022.

Accounts Receivable

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from members. The Association's policy is to retain legal counsel and foreclose on owners whose assessments are thirty days or more delinquent. Accounts receivable are generally considered delinquent when the payment is not received on or before the due date. As of December 31, 2022, the Association had delinquent assessments of \$30,402, as reflected in the allowance for uncollectible accounts. 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.

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.

Cash Flows

The Association considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents.

The Association invests in federally insured certificates of deposit which are held-to-maturity. As a result, certificates of deposit are carried at amortized cost plus accrued interest. Subsequent write ups or write downs to fair value to recognize unrealized gains or losses are not recorded.

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. Depreciation is calculated using accelerated methods over the estimated life of the assets, generally five to seven years for tangible personal property and ten to thirty-nine 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 2019 through 2021 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, 2022. There is no state income tax imposed on the Association by the State of Florida.

GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

Contract Liability

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to the replacement fund assessments. There was no balance of contract liability as of the beginning and end of the year. The balance of contract liability as of the beginning and end of the year are \$231,761 and \$133,585, respectively.

Revenue Recognition

Association members are subject to annual assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment 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 are 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. Any excess assessments at year-end are retained by the Association for use in the succeeding year.

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.

Date of Management Review

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 5, 2023, 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 \$192,453 in a bank in excess of FDIC coverage at December 31, 2022.

NOTE 4-SHORT AND LONG TERM INVESTMENTS

The Association has invested in several certificates of deposit (CD) that range in terms from 6 months to 24 months and accrue interest at between .053% and 4.33% per annum. The Association's total investment in CD's at December 31, 2022 was \$236,358. The carrying amounts of the CDs approximate fair value.

NOTE 5 - ACCOUNTS RECEIVABLE - MEMBERS

Accounts receivable - members, as of December 31, 2022, consisted of the following:

Accounts receivable - members	\$ 266,753
Less: allowance for doubtful accounts	<u>(30,402)</u>
	<u>\$ 236,351</u>

The allowance for estimated uncollectible accounts receivable was \$30,402 at December 31, 2022.

NOTE 6 – FURNITURE AND EQUIPMENT

At December 31, 2022, the Association’s furniture and equipment consisted of:

Land	\$ 285,849
Buildings and improvements	560,793
Furniture and equipment	<u>19,846</u>
	866,488
Less: accumulated depreciation	<u>(756,339)</u>
	<u>\$ 110,149</u>

Depreciation of \$9,200 was charged to expense during the year ended December 31, 2022.

NOTE 7 - ASSESSMENTS RECEIVED IN ADVANCE

Assessments received in advance consisted of future years maintenance fees received by the Association prior to January 1, 2022.

NOTE 9 - 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 not provide for reserves “to cover expenditures for capital improvements or replacements”. As of December 31, 2022, the Association voted to establish limited 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 PROVIDES FOR LIMITED VOLUNTARY DEFERRED EXPENDITURE ACCOUNTS INCLUDING CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE, SUBJECT TO LIMITS ON FUNDING CONTAINED IN THE ASSOCIATION’S GOVERNING DCOUMENTS. 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 USES OF SUCH FUNDS SET FORTH IN THAT STATUTE, NOR ARE RESERVES CACULATED IN ACCORDANCE WITHT THAT STATUTE.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Hurricane Ian/Subsequent Event

In September, 2022, the Association experienced a weather event, Hurricane Ian. The effects, subsequent damage and claims caused by this event have not been fully determined and no adjustments or accruals have been made to this report. As of December 31, 2022 Hurricane Ian related expenses that had been paid totaled \$12,070. As of March 3, 2023 the expenses have totaled at \$39,010.

The current property insurance policy contains a deductible for hurricane damage. Based on the property insurance estimates, the damage totaled approximately \$110,000. We expect any additional losses discovered to be paid by insurance. The Association's insurance has reimbursed \$115,905 as of March 1, 2023, after deductibles were met.

SUPPLEMENTARY INFORMATION

GARDENS OF GULF COVE PROPERTY OWNERS’ ASSOCIATION, INC
 SUPPLEMENTARY INFORMATION ON
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2022

The following table is based on estimates provided by the Board of Directors and the manager during 2022, 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.

The 2022 contribution of \$36,227 was funded January 5, 2023.

Components	Estimated Useful Lives	Estimated Remaining Useful Life	Estimated Current Replacement Cost	Required Contribution to be 100% Funded	2023 Proposed Budgeted Funding
Club House Painting	8	1	\$ 9,000	2,221	2,221
Rec Center Painting	8	1	7,500	2,483	2,483
Rec Center Roof (bldg, wlkwy & bthrms)	25	23	45,000	1,807	1,807
Club House Roof	25	23	35,000	1,407	1,407
Rec Center Pool (Resurfacing)	25	24	54,000	2,250	2,250
Club House Pool (Resurfacing)	25	24	43,000	1,792	1,792
Road Maint (re-seal)	4	4	11,000	2,750	2,750
Fences (Paint and Replacement)	15	2	25,000	6,693	6,693
Tennis, Bocce, Shuffleboard Courts	10	1	15,000	3,448	3,448
Building & Grounds Equipment (A.C., etc)	14	4	23,000	1,427	1,427
Pool Machinery and Equipment	15	6	29,000	1,901	1,901
Club and Rec Center Fixtures and Furniture	25	5	19,000	1,432	1,432
Pool Furniture	15	8	23,000	1,016	1,016
Lake Maintenance (erosion control)	15	3	20,000	1,661	1,661
Lawn Equipment	4	4	9,000	2,250	2,250
Insurance Deductible	Infinite	Infinite	114,000	1,689	1,689
Totals			\$ 481,500	\$ 36,227	\$ 36,227

GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES - BUDGET TO ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Member assessments	\$ 378,316	\$ 378,316	\$ -
Interest income	4,500	2,394	(2,106)
Carry over	34,159	-	(34,159)
Fines and fees-net	<u>30,000</u>	<u>42,060</u>	<u>12,060</u>
Total operating fund revenues	<u>446,975</u>	<u>422,770</u>	<u>(24,205)</u>
EXPENSES			
Administrative	14,210	12,658	1,552
Bad debt	-	3,767	(3,767)
Contract expense	19,690	13,012	6,678
Depreciation Expense	-	9,200	(9,200)
Insurance	45,000	44,276	724
Other Expenses	-	(430)	430
Payroll, payroll taxes and casual labor	221,640	199,060	22,580
Professional fees	29,000	18,113	10,887
Repairs and maintenance	31,275	25,228	6,047
Utilities	49,625	48,003	1,622
Hurricane Ian expenses	<u>-</u>	<u>12,070</u>	<u>(12,070)</u>
Total operating fund expenses	<u>410,440</u>	<u>384,957</u>	<u>25,483</u>
Excess of revenues over expenses	<u>\$ 36,535</u>	<u>\$ 37,813</u>	<u>\$ 1,278</u>

Read Independent Accountant's Review Report