

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

PORT CHARLOTTE, FLORIDA

REVIEWED FINANCIAL STATEMENTS

DECEMBER 31, 2021

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

TABLE OF CONTENTS

	Page No.
INDEPENDENT ACCOUNTANT'S REVIEW REPORT	1
FINANCIAL STATEMENTS	
Balance Sheet	4
Statement of Revenues, Expenses and Changes in Fund Balances	5
Statement of Cash Flows	6
Notes to Financial Statements	7
SUPPLEMENTARY INFORMATION	
Supplementary Information on Future Major Repairs and Replacements	13
Schedule of Operating Fund Revenues and Expenses - Budget to Actual	14

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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, 2021 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.

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
February 20, 2022

FINANCIAL STATEMENTS

GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2021

<u>ASSETS</u>	
Cash and cash equivalents	\$ 344,781
Certificates of deposits	373,111
Assessments, fines and other account receivables- net of \$33,480 allowance for uncollectible accounts	189,470
Furniture and equipment- net of accumulated depreciation of \$747,139	118,412
Prepaid insurance	<u>9,394</u>
 Total assets	 <u><u>\$ 1,035,168</u></u>

LIABILITIES AND FUND BALANCES

<u>LIABILITIES</u>	
Assessments received in advance	<u>\$ 283,941</u>
 Total liabilities	 <u>283,941</u>
 <u>FUND BALANCES</u>	
 Total liabilities and fund balances	 <u><u>\$ 1,035,168</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, 2021

	FUNDS
	Operating
REVENUES	
Member assessments	\$ 379,995
Interest income	2,196
Fines and fees-net	63,562
Other revenue	66
Total revenues	445,819
EXPENSES	392,331
Excess of revenues over expenses	53,488
FUND BALANCES -	
January 1, 2021	697,739
FUND BALANCES -	
December 31, 2021	\$ 751,227

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GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Assessments received from members	\$ 417,146
Collection of fines, fees and legal fees reimbursement	60,468
Other revenue collected	66
Interest income	2,196
Cash paid for operating expenditures	<u>(383,118)</u>
Net cash provided by operating activities	<u>96,758</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase and redemptions of certificate of deposits-net	<u>(25,484)</u>
Net cash used in investing activities	<u>(25,484)</u>
Net increase in cash	71,274
CASH AND CASH EQUIVALENTS	
January 1, 2021	<u>273,507</u>
CASH AND CASH EQUIVALENTS	
December 31, 2021	<u><u>\$ 344,781</u></u>
RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Excess of revenues over expenses	<u>\$ 53,488</u>
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities	
Depreciation expense	9,127
Decrease in accounts receivable	317
Decrease in prepaid expenses	86
Increase in assessments received in advance	<u>33,740</u>
Total adjustments	<u>43,270</u>
Net cash provided by operating activities	<u><u>\$ 96,758</u></u>

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GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021.

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, 2021.

GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, the Association had delinquent assessments of \$33,480, 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 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 2018 through 2020 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, 2021. 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, 2021

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.

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 February 20, 2022, 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 \$97,774 in a bank in excess of FCIC coverage at December 31, 2021.

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 .05% and .7% per annum. The Association's total investment in CD's at December 31, 2021 was \$373,110. The carrying amounts of the CDs approximate fair value.

GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 - ACCOUNTS RECEIVABLE - MEMBERS

Accounts receivable - members, as of December 31, 2021, consisted of the following:

Accounts receivable - members	\$ 222,950
Less: allowance for doubtful accounts	<u>(33,480)</u>
	<u>\$ 189,470</u>

The allowance for estimated uncollectible accounts receivable was \$1,878 at December 31, 2021.

NOTE 6 – FURNITURE AND EQUIPMENT

At December 31, 2021, the Association's furniture and equipment consisted of:

Land	\$ 285,849
Buildings and improvements	560,793
Furniture and equipment	<u>18,909</u>
	865,551
Less: accumulated depreciation	<u>(747,139)</u>
	<u>\$ 118,412</u>

Depreciation of \$9,127 was charged to expense during the year ended December 31, 2021.

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 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, 2021, 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.

NOTE 10 - FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate - Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

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

The adoption of the new revenue recognition guidance resulted in no change to fund balance as of January 1, 2019.

SUPPLEMENTARY INFORMATION

GARDENS OF GULF COVE PROPERTY OWNERS' ASSOCIATION, INC
SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2021

The following table is based on estimates provided by the Board of Directors and the manager during 2021, 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	2022 Proposed Budgeted Funding
Club House Painting	8	2	\$ 8,500	6,779	\$ -
Rec Center Painting	8	2	7,000	5,017	-
Rec Center Roof (bldg, wlkwy & bthrms)	25	24	43,000	3,450	-
Club House Roof	25	24	33,000	2,648	-
Rec Center Pool (Resurfacing)	25	1	50,000	50,259	-
Club House Pool (Resurfacing)	15	1	40,000	40,229	-
Road Maint (re-seal)	4	1	10,000	10,042	-
Fences (Paint and Replacement)	15	9	24,000	11,614	-
Tennis, Bocce, Shuffleboard Courts	10	2	14,000	11,552	-
Building & Grounds Equipment (A.C., etc)	14	5	22,000	17,293	-
Pool Machinery and Equipment	15	8	28,000	17,593	-
Club and Rec Center Fixtures and Furniture	25	9	18,000	11,842	-
Pool Furniture	15	5	22,000	14,875	-
Lake Maintenance (erosion control)	15	5	19,000	15,017	-
Lawn Equipment	4	0	8,000	8,001	-
Insurance Deductible	Infinite	Infinite	112,000	112,311	-
Totals			<u>\$ 458,500</u>	<u>\$ 338,522</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Member assessments	\$ 379,995	\$ 379,995	\$ -
Interest income	4,500	2,196	(2,304)
Fines and fees-net	30,000	63,562	33,562
Other revenue	-	66	66
Total operating fund revenues	<u>414,495</u>	<u>445,819</u>	<u>31,324</u>
EXPENSES			
Administrative	15,840	12,662	3,178
Bank charges	-	56	(56)
Contract expense	16,563	16,468	95
Depreciation Expense	-	9,127	(9,127)
Insurance	45,000	35,718	9,282
Payroll, payroll taxes and casual labor	186,000	192,983	(6,983)
Professional fees	25,000	21,291	3,709
Project expenses	-	24,551	(24,551)
Repairs and maintenance	29,000	32,879	(3,879)
Property taxes	-	51	(51)
Utilities	47,270	46,545	725
Total operating fund expenses	<u>364,673</u>	<u>392,331</u>	<u>(27,658)</u>
Excess of revenues over expenses	<u>\$ 49,822</u>	<u>\$ 53,488</u>	<u>\$ 3,666</u>

Read Independent Accountant's Review Report