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Gerstle, Rosen & Goldenberg, P.A.
Certified Public Accountants

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September 8, 2022

Board of Directors
South Pointe Cove Condominium Association, Inc.

Dear Board Members:

As a result of our audit of the financial statements of South Pointe Cove Condominium Association, Inc. for the year ended December 31, 2021, we are bringing the following matter to your attention:

1. The Association should ensure that a list of current security deposits held is maintained and reviewed on a regular basis. In addition the separate bank account should always equal the deposits (bank charges should be born by the operating fund). The Association should consider utilizing a non-interest bearing account for this purpose, circumstances providing. Any unclaimed funds (security deposits) are to be sent to the State.

2. It is recommended that Associations engage a reserve study specialist to have an independent replacement fund analysis to determine the useful lives of the replacement fund components and their associated replacement costs. This study should be updated annually in order for the proper budgeting to occur.

We welcome the opportunity to discuss the above.

Very truly yours,

Gerstle, Rosen & Goldenberg, P.A.

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Certified Public Accountants

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SOUTH POINTE COVE
CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021

TABLE OF CONTENTS

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ACCOUNTANTS' COMPILATION REPORT

Board of Directors and Unit Owners
South Pointe Cove Condominium Association, Inc.

Dear Members:

Management is responsible for the accompanying financial statements of South Pointe Cove Condominium 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 in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Required Supplementary Information On Future Major Repairs and Replacements

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, 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. The information was subject to our compilation engagement; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.

Supplementary Information

The supplementary information contained in the Detailed Statement of Operating Revenues and Expenses - Budget Comparison is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.

Gerstle, Rosen & Goldenberg, P.A.

GERSTLE, ROSEN & GOLDENBERG, P.A.
Certified Public Accountants
Hollywood, Florida

September 8, 2022

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SOUTH POINTE COVE
CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET

December 31, 2021

	OPERATING FUND	REPLACEMENT FUND	TOTAL
ASSETS			
Cash and Cash Equivalents	$ 33,679	$ 179,394	$ 213,073
Unit Owner Receivable - Net of Allowance	7,034		7,034
Other Receivable	1,280		1,280
Prepaid Insurance	4,932		4,932
Reserve Real Estate		75,794	75,794
TOTAL ASSETS	$ 46,925	$ 255,188	$ 302,113
LIABILITIES AND FUND BALANCES			
Accounts Payable	$ 3,616	$	$ 3,616
Security Deposits	7,800		7,800
Prepaid Maintenance Fees	4,941		4,941
Contract Liability - Deferred Reserves		254,754	254,754
TOTAL LIABILITIES	16,357	254,754	271,111
Fund Balances	30,568	434	31,002
TOTAL LIABILITIES AND FUND BALANCES	$ 46,925	$ 255,188	$ 302,113

SOUTH POINTE COVE
CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

Year Ended December 31, 2021

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES			
Maintenance Fees	$ 101,883	$	$ 101,883
Rental Income	36,325		36,325
Interest Income	28	74	102
Miscellaneous Income	878		878
TOTAL REVENUES	139,114	74	139,188
EXPENSES			
Operating Expenses	32,564		32,564
Rental Expense	5,708		5,708
Insurance	41,413		41,413
Contracts	50,823		50,823
Repairs and Maintenance	31,323		31,323
Special Projects	4,900		4,900
Utilities	2,282		2,282
TOTAL EXPENSES	169,013		169,013
EXCESS REVENUES (EXPENSES)	(29,899)	74	(29,825)
FUND BALANCES - BEGINNING	60,467	360	60,827
FUND BALANCES - ENDING	$ 30,568	$ 434	$ 31,002

SOUTH POINTE COVE
CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2021

	OPERATING FUND	REPLACEMENT FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
EXCESS REVENUES (EXPENSES)	$ (29,899)	$ 74	$ (29,825)
ADJUSTMENTS TO RECONCILE EXCESS REVENUES (EXPENSES) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
DECREASE (INCREASE) IN ASSETS:			
Unit Owner Receivable - Net of Allowance	17,839		17,839
Prepaid Insurance	1,734		1,734
Due To/From Funds	(16,668)	16,668	0
INCREASE (DECREASE) IN LIABILITIES:			
Accounts Payable	69		69
Security Deposits	5,300		5,300
Prepaid Maintenance Fees	2,028		2,028
Contract Liability - Deferred Reserves		30,382	30,382
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(19,597)	47,124	27,527
NET INCREASE (DECREASE) IN CASH	(19,597)	47,124	27,527
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	53,276	132,270	185,546
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 33,679	$ 179,394	$ 213,073

**SOUTH POINTE COVE
CONDOMINIUM ASSOCIATION, INC.**

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

1. ORGANIZATION

South Pointe Cove Condominium Association, Inc. is a statutory condominium association incorporated on June 20, 2003, in the State of Florida. The Association is responsible for the operation and maintenance of the common property of South Pointe Cove Condominium Association, Inc. and consists of 66 units located in Homestead, FL.

2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 8, 2022, the date that the financial statements were available to be issued.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Association uses the accrual method of accounting, i.e., revenues are recognized as earned and expenses are recorded in the period in which they are incurred.

Fund Accounting The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

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

Replacement Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

Member Assessments

Association members are subject to monthly 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments plus late fees, if applicable from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are delinquent according to its collection policy. Management determines the allowance for doubtful accounts by identifying troubled accounts through periodic review of accounts receivable aging schedules. 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. The balances of assessments receivable as of the beginning and end of the year are **(net AR)** $25,823 and $7,034, respectively.

Contract Liability (Assessments received in advance - Replacement Fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance – Replacement Fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liability (assessments received in advance – Replacement Fund) as of the beginning and end of the year are $224,372 and $254,754, respectively.

Use of Estimates

The Association uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

For presentation purposes, the Association consolidates checking accounts.

Capitalization and Depreciation Policy

Real property not directly associated with units are recognized as assets by the Association when the Association has title to the property and either the asset can be disposed of by the Board of Directors or generates significant cash flows from members on the basis of usage or from nonmembers. Common personal property purchased with Association funds, with a useful life of more than one year, is capitalized on the Association's financial statements. Capitalized assets are depreciated over their estimated useful lives using the straight-line method of depreciation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Insurance and Insurance Payable

Prepaid insurance of $4,932, as presented on the Balance Sheet, is shown net of the related financing agreement insurance payable of $31,202.

Fair Value Measurement

Under FASB ASC 820, *Fair Value Measurements and Disclosures*, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Association has determined that there was no material difference between the carrying value and fair value of its financial assets and liabilities at December 31, 2021; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2021.

4. REPLACEMENT FUNDS

Florida Statutes provide that each proposed budget include provisions for reserves for capital improvements and deferred maintenance. These accounts, if adopted, are restricted to their intended purpose unless modified by a qualified unit owner vote. In addition, any special assessments adopted are also restricted to their specific purpose.

The approved budget includes provisions for reserves for capital improvements and deferred maintenance. The funds are being accumulated based on estimates of future needs for repairs and replacements of common property components as disclosed in the supplementary information. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

SOUTH POINTE COVE
CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
Continued

December 31, 2021

4. REPLACEMENT FUNDS (Continued)

The balance at December 31, 2021, consists of the following:

COMPONENTS	BALANCE 12/31/2020	INTEREST/ ASSESSMENTS	EXPENDITURES	BALANCE 12/31/2021
Painting	$49,746	$9,763	$0	$59,509
Resurfacing	17,351	4,950	0	22,301
Tile Roofing	157,275	15,669	0	172,944
SUB-TOTAL CONTRACT LIABILITY - DEFERRED RESERVES	224,372	30,382	0	254,754
Fund Balance - Unallocated Interest	360	74	0	434
TOTAL LIABILITIES AND FUND BALANCE	$224,732	$30,456	$0	$255,188

The Association does not allocate interest earned on the replacements fund to specific replacement components as earned, but does so periodically depending on projected requirements.

Reserve Real Estate

In May 2016, the Association purchased a unit and has recognized it as an asset. The rental income and expenses, if any, are reflected on the income statement.

Current Funds	$179,394
Investment	75,794
TOTAL	$255,188

5. INCOME TAXES

The Association is subject to federal and state taxation and has essentially two methods to determine the amount of tax, if any, it must pay. Under one method, the excess of revenues from members over related expenditures is subject to taxation unless such excess is returned to the unit owners or applied to the following year's assessments (Section 277 of the Internal Revenue Code). The other method enables the Association to elect to exclude from taxation "exempt function income," (Section 528 of the Internal Revenue Code), which generally consists of revenue from unit owner assessments. Under either method, the Association may be subject to tax on investment income and other non-exempt income, but at different rates.

The Association filed its 2021 federal income tax return on Form 1120H under Section 528 of the Internal Revenue Code.

There is no current year provision for income taxes.

The Association has evaluated its tax positions and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Income Taxes Topic of the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”).

The Association has no income tax returns under examination by the Internal Revenue Service. The Association believes it is no longer subject to income tax examinations for years prior to 2018.

6. COMMITMENTS

The Association has various contract services to maintain the common property including management services, common area landscaping, trash service and janitorial services. These contracts have different expiration dates and renewal terms.

7. CONTINGENCIES

Insurance Deductible

The current property insurance policy contains a deductible for hurricane damage. Should the Association incur an uninsured loss, the Association has the right to increase maintenance fees, pass a special assessment or delay repairs until funds are available.

Legal

The Association is from time-to-time subject to complaints and claims, including litigation, arising in the ordinary course of business. Management believes that none of the claims and complaints of which it is currently aware will materially affect its business, financial position, or future operating results with the exception to increase in legal costs which may or may not be covered by the Association's director and officers insurance, although no assurance can be given with respect to the ultimate outcome of any such claims or with respect to the occurrence of any future claims.

SUPPLEMENTARY INFORMATION

SOUTH POINTE COVE
CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS

December 31, 2021
(Unaudited)

The Association **has not** conducted an independent study to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on estimates from historical experience. Actual expenditures may vary from these estimated amounts and the variance may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The following presents significant information about the components of common property:

COMPONENTS	ESTIMATED REMAINING USEFUL LIVES	ESTIMATED CURRENT REPLACEMENT COSTS	2022 FUNDING REQUIREMENT
Painting	3 Years	$88,000	$9,497
Resurfacing	1 Year	29,700	7,399
Tile Roofing	5 Years	250,000	15,411
TOTAL		$367,700	$32,307

SOUTH POINTE COVE
CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION

DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES
BUDGET COMPARISON

Year Ended December 31, 2021

	ACTUAL	BUDGET (Unaudited)	VARIANCE
REVENUES:			
Maintenance Fees	$101,883	$101,883	0
Rental Income	36,325	35,400	925
Interest Income	28	0	28
MISCELLANEOUS INCOME			
NSF Fee Income	12	0	12
Miscellaneous Income	866	0	866
TOTAL MISCELLANEOUS INCOME	878	0	878
TOTAL REVENUES	139,114	137,283	1,831
EXPENSES:			
OPERATING EXPENSES			
Accounting	1,200	375	(825)
Bad Debts	3,500	3,500	0
Bank Charges	65	250	185
DBPR - Condo Fees	0	336	336
Legal and Professional Fees	6,437	6,585	148
Licenses, & Permits	273	2,500	2,227
Mailings (Postage, Copies, and Labor)	0	1,500	1,500
Office Expenses	1,407	0	(1,407)
Printing & Copying	204	0	(204)
Supplies	77	0	(77)
Taxes	14,772	0	(14,772)
Website	0	900	900
Miscellaneous Expense	3,178	2,000	(1,178)
Fire Safety Inspection Charge	676	0	(676)
Late Fees	775	0	(775)
TOTAL OPERATING EXPENSES	32,564	17,946	(14,618)
RENTAL EXPENSE			
RE Owned Expense	4,008	2,004	(2,004)
Rental Unit Expense	1,700	2,400	700
TOTAL RENTAL EXPENSE	5,708	4,404	(1,304)
INSURANCE			
Auto Insurance	83	0	(83)
Crime Insurance	306	0	(306)
D&O Insurance	1,319	1,458	139
General Liability	9,022	0	(9,022)
Insurance Financing Interest	685	0	(685)
Property Insurance	29,998	37,902	7,904
TOTAL INSURANCE	41,413	39,360	(2,053)

SOUTH POINTE COVE
CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION

DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES
BUDGET COMPARISON

Year Ended December 31, 2021

	ACTUAL	BUDGET (Unaudited)	VARIANCE
EXPENSES(Continued):			
CONTRACTS			
Janitorial	3,600	3,600	0
Landscaping	14,400	14,400	0
Management Fees	10,348	11,088	740
Pest Control	5,767	6,420	653
Waste Removal	12,606	13,356	750
Internet	4,102	3,761	(341)
Storage	0	240	240
TOTAL CONTRACTS	50,823	52,865	2,042
REPAIRS AND MAINTENANCE			
Air Conditioning	1,485	0	(1,485)
Camera Maintenance	0	900	900
Contingency	0	500	500
Entry / Service Gate	1,467	1,740	273
Fire Extinguishers	345	0	(345)
Fire Life Safety	676	420	(256)
General Repairs & Maintenance	10,081	5,928	(4,153)
Landscape / Tree Trim / Sprinklers	0	6,600	6,600
Mulch	3,000	0	(3,000)
Plumbing / Sewer Repair & Maintenance	539	0	(539)
Roof Repairs	3,850	1,000	(2,850)
Gate and Guard Shack	130	0	(130)
Cleaning and Maintenance	9,750	4,000	(5,750)
TOTAL REPAIRS AND MAINTENANCE	31,323	21,088	(10,235)
SPECIAL PROJECTS			
Special Projects	4,900	0	(4,900)
TOTAL SPECIAL PROJECTS	4,900	0	(4,900)
UTILITIES			
Electricity	1,795	1,620	(175)
Telephone	395	0	(395)
Water & Sewer	92	0	(92)
TOTAL UTILITIES	2,282	1,620	(662)
Total Operating Expenses	169,013	137,283	(31,730)
Excess Operating Revenues (Expenses)	($29,899)	$0	($29,899)

SOUTH POINTE COVE

CONDOMINIUM ASSOCIATION, INC.

PROPOSED ADJUSTING JOURNAL ENTRIES

December 31, 2021

	DEBIT	CREDIT
1		
INTEREST INCOME	$74	
R&M - GENERAL	1,838	
RESERVES - INTEREST		74
FUND BALANCE		1,838
~to reconcile fund balance and reclass interest income		
	$1,912	$1,912

SOUTH POINTE COVE
CONDOMINIUM ASSOCIATION, INC.

PROPOSED WORKING TRIAL BALANCE
December 31, 2021

ACCOUNT TITLE	CLIENT T/B DEBIT	CLIENT T/B CREDIT	ADJUSTMENTS DEBIT	ADJUSTMENTS CREDIT	CPA F/S DEBIT	CPA F/S CREDIT
BALANCE SHEET						
ASSETS			-	-		
			-	-		
CASH - OPERATING - CITY NATIONAL	$33,679		-	-	$33,679	
ACCOUNTS RECEIVABLE	8,642		-	-	8,642	
OTHER RECEIVABLES	480		-	-	480	
OTHER RECEIVABLES	800		-	-	800	
ALLOWANCE FOR BAD DEBT		1,608	-	-		1,608
PREPAID INSURANCE	36,134		-	-	36,134	
CASH - RESERVES - CITY NATIONAL	179,394		-	-	179,394	
RESERVE - REAL ESTATE	75,794		-	-	75,794	
LIABILITIES AND FUND BALANCE			-	-		
			-	-		
ACCOUNTS PAYABLE		3,616	-	-		3,616
PREPAID ASSESSMENTS		4,941	-	-		4,941
INSURANCE PAYABLE		31,202	-	-		31,202
SECURITY DEPOSITS		7,800	-	-		7,800
			-	-		
RESERVES - PAINTING		59,509	-	-		59,509
RESERVES - RESURFACING		22,313	12	-		22,301
RESERVES - TILE ROOFING		172,944	-	-		172,944
RESERVES - INTEREST		348	-	86		434
			-	-		
FUND BALANCE		58,629	-	1,838		60,467
CURRENT YEAR INCOME / LOSS	27,987		1,912	-	29,899	
	$362,910	$362,910	$1,924	$1,924	$364,822	$364,822
	$0		$0		$0	

ENDING FUND BALANCE PER CPA F/S SHOULD EQUAL: $30,568