SUNSET COVE HOMEOWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

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For the Year Ended December 31, 2019

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sunset Cove Homeowners Association, Inc.
Plantation, FL

Report on the Financial Statements

We have audited the accompanying financial statements of Sunset Cove Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2019, 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.

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 audit. We conducted our audit 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 financial statements referred to above present fairly, in all material respects, the financial position of Sunset Cove Homeowners 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.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted required supplementary information about future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Lanter, Leonardo & DiCrescenzo, LLC

Lanter, Leonardo & DiCrescenzo, LLC
Certified Public Accountants
Boca Raton, Florida
April 7, 2020

SUNSET COVE HOMEOWNERS ASSOCIATION, INC.
Balance Sheet
December 31, 2019

	Operating Fund	Replacement Fund	Total
ASSETS			
Cash and cash equivalents	$ 173,045	$ 447,784	$ 620,829
Assessments receivable	34,330	-	34,330
Prepaid insurance	10,681	-	10,681
Prepaid expense	350	-	350
Due to/from funds	(33,333)	33,333	-
Total Assets	$ 185,073	$ 481,117	$ 666,190

LIABILITIES AND FUND BALANCES

	Operating Fund	Replacement Fund	Total
LIABILITIES			
Accounts payable	$ 43,969	$ -	$ 43,969
Prepaid assessments	31,728	-	31,728
Contract liabilities (Assessments received in advance-replacement fund)	-	478,216	478,216
Total Liabilities	75,697	478,216	553,913
FUND BALANCES	109,376	2,901	112,277
Total Liabilities and Fund Balances	$ 185,073	$ 481,117	$ 666,190

The accompanying notes are an integral part of these financial statements.

SUNSET COVE HOMEOWNERS ASSOCIATION, INC.
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2019

	Operating Fund	Replacement Fund	Total
REVENUES			
Member assessments	$ 648,365	$ -	$ 648,365
Late fees	2,673	-	2,673
Keys and access cards	1,725	-	1,725
Miscellaneous income	3,552	-	3,552
Interest	57	2,901	2,958
Total Revenues	656,372	2,901	659,273
EXPENSES			
Administrative	93,991	-	93,991
Insurance	11,330	-	11,330
Contracts	392,034	-	392,034
Repairs and maintenance	118,570	-	118,570
Utilities	20,256	-	20,256
Total Expenses	636,181	-	636,181
Excess of Revenues over Expenses	20,191	2,901	23,092
Fund Balances - Beginning of Year	89,185	-	89,185
Fund Balances- End of Year	$ 109,376	$ 2,901	$ 112,277

The accompanying notes are an integral part of these financial statements.

SUNSET COVE HOMEOWNERS ASSOCIATION, INC.
Statement of Cash Flows
For the Year Ended December 31, 2019

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of Revenues over Expenses	$ 20,191	$ 2,901	$ 23,092
Adjustments to Reconcile Excess of Revenues over Expenses to Net Cash Provided by (Used in) Operating Activities:			
(Increase) decrease in assets:			
Assessments receivable	(28,138)	-	(28,138)
Prepaid insurance	(790)	-	(790)
Prepaid expense	3,999	-	3,999
Increase (decrease) in liabilities:			
Accounts payable	30,493	-	30,493
Prepaid assessments	10,137	-	10,137
Contract liabilities (Assessments received in advance-replacement fund)	-	100,000	100,000
Net Cash Provided by Operating Activities	35,892	102,901	138,793
CASH FLOWS FROM FINANCING ACTIVITIES			
Due to/from funds	33,333	(33,333)	-
Net Cash Used in Financing Activities	33,333	(33,333)	-
Net Increase in Cash	69,225	69,568	138,793
Cash - Beginning of Year	103,820	378,216	482,036
Cash - End of Year	$ 173,045	$ 447,784	$ 620,829

The accompanying notes are an integral part of these financial statements.

SUNSET COVE HOMEOWNERS ASSOCIATION, INC.
Notes to Financial Statements
December 31, 2019

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization
   Sunset Cove Homeowners Association, Inc. (the "Association"), located in Plantation, Florida, is a residential homeowners association incorporated in March 1989 in the State of Florida under Statute 720 as a not-for-profit corporation for the purpose of maintaining and preserving the common property owned by the individual homeowners and consists of 219 residential units.

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

3. Fund Accounting
   The Association uses fund accounting, which requires that funds such as the operating fund and replacement fund be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors and Property Manager as guided by both the corresponding budgets. Disbursements from the replacement fund may be made only for their designated purposes.

4. 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.

5. Cash and Cash Equivalents
   For purposes of the balance sheet and statement of cash flows, the Association considers demand deposits with banks, certificates of deposit, money market funds and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

6. Capitalization and Depreciation Policy
   Real property not directly associated with units is 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.

7. Prepaid Assessments
   Assessments received in advance for the subsequent year are recognized as prepaid assessments on the accompanying balance sheet.

8. Fair value Market Measurement
   The Association has determined that there was no material difference between the carrying value and the fair value of its financial assets and liabilities at December 31, 2019 and therefore, no adjustment for the effect of FASB ASC 820 was made to the Associations' financial statements at December 31, 2019.

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Interest Income
   The Association's policy is to allocate to the operating and replacement funds all interest earned on their respective cash accounts.

10. Subsequent Events
    The subsequent events have been evaluated through April 7, 2020, the date the financial statements were made available to be issued. As of that date, there are no subsequent events to be reported.

11. 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 is satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments and special assessments are satisfied when these funds are expended for their designated purposes. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. As of December 31, 2019, there was no allowance for doubtful accounts. The Association provides for doubtful accounts based on experience and analysis of individual accounts. Any excess assessments at year end are retained by the Association for use in the succeeding year.

    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 $6,192 and $34,330, respectively.

12. Contract Liabilities (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 liabilities (assessments received in advance - replacement fund) as of the beginning and end of the year are $378,216 and $478,216, respectively.

NOTE B - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and Florida statutes do not require that funds be accumulated for future major repairs and replacements and the Association has not established statutory reserves from the developer or through a vote of the membership. However, the Board of Directors adopted a budget to fund several replacement fund components in the annual budget as deemed necessary. The Board of Directors approved $100,000 in funding for the Replacement Fund in the 2020 budget.

NOTE B - FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

Accumulated funds, which aggregate to $481,117, are presented on the accompanying December 31, 2019 balance sheet as contract liabilities and replacement fund balance. These "Assessments Received in Advance - Replacement Fund" and replacement fund balance are held in separate accounts and are generally not available for operating purposes.

The funds are being accumulated based on estimates of future needs for repairs and replacements of common property components. 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.

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 OUR GOVERNING DOCUMENTS. 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 USE OF SUCH FUNDS SET FORTH IN THAT STATUTE, NOR ARE RESERVES CALCULATED IN ACCORDANCE WITH THAT STATUTE.

The activity was as following:

	Balance 1/1/2019	Additions (Including Interest)	Transfers	Balance 12/31/2019
Contingency	$ 374,410	$ 99,999	$ 3,807	$ 478,216
Interest	3,807	2,901	(3,807)	2,901
Totals	$ 378,217	$ 102,900	$ -	$ 481,117

NOTE C - INCOME TAXES

In 2019, the Association elected to file as a homeowners' association in accordance with Internal Revenue Service Code section 528. Under this section, the Association excludes from taxation exempt function income, which generally consists of revenue from assessments to owners. The Association's investment income and other nonexempt income are subject to tax at a rate of 30%, net of any applicable expenses.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Association's management believes it is no longer subject to income tax examinations for years prior to 2017.

NOTE D - CONCENTRATION OF CREDIT RISK

The Association's cash and cash equivalent bank balances are subject to the $250,000 per bank insurance limit established by the Federal Deposit Insurance Corporation (FDIC). The Association has not experienced any losses related to these balances and believes it is not exposed to any significant risk on these accounts. As of December 31, 2019, the Association had cash balances exceeding the FDIC limit of $301,335.

NOTE E - COMMITMENTS

The Association has various contract services to maintain the common property including management services, lawn and irrigation services, security, pool service, janitorial service, pest control and master association fees as a result of mandatory membership. These contracts have different expiration dates and renewal terms.

NOTE F - 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.

Litigation Matters
The Association is from time-to-time subject to claims and complaints, including litigation, arising in the ordinary course of business. Management believes that the claims and complaints not mentioned in this report of which it is currently aware will not materially affect its business, financial position, or future operating results.

NOTE G - 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.

The adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities related to the replacement fund, as previously described.

NOTE G - FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION (Continued)

The adoption of the new revenue recognition guidance resulted in the following change to fund balance as of January 1, 2019:

Fund balance, as previously reported, at January 1, 2019	$	467,401
Adjustment		(378,216)
Fund balance, as adjusted, at January 1, 2019	$	89,185

The effect of the adoption is a decrease in 2019 assessments by $100,000 and a recording of contract liabilities (assessments received in advance-replacement fund) at December 31, 2019, of $478,216. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our 2019 financial statements. Following are the line items from our balance sheet as of December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	Amounts That Would Have Been Reported	Effects of Applying New Guidelines	As Reported
Liabilities			
Contract liabilities (Assessments received in advance-replacement fund)	$ -	$ 478,216	$ 478,216
Total Liabilities	75,697	478,216	553,913
Fund Balance (Deficit)			
Ending Fund Balance (Deficit)	$ 590,493	$ (478,216)	$ 112,277

NOTE G - FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION (Continued)

The following are the line items from the statement of revenues, expenses, and changes in fund balances and the statement of cash flows for the year ended December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

	Amounts That Would Have Been Reported	Effects of Applying New Guidelines	As Reported
Revenue			
Members Assessments	$ 748,365	$ (100,000)	$ 648,365
Excess of Revenues over Expenses	123,092	(100,000)	23,092
Cash Flows			
Excess of Revenues over Expenses	123,092	(100,000)	23,092
Increase in Contract Liabilities (Assessments received in advance-replacement fund)	$ -	$ 100,000	$ 100,000