

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED

DECEMBER 31, 2022

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

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To the Board of Directors of
Scopello Condominium Association, Inc.
Indian Rocks Beach, Florida

Management is responsible for the accompanying financial statements of Scopello Condominium Association, Inc., which comprise the balance sheet as of December 31, 2022, and the related statements of revenues, expenses, and changes in fund balance 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 AICPA. 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.

Supplementary Information

The supplementary schedule of operating revenue and expenses – actual and budgeted on page 8 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.

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 pages 9 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.

We are not independent with respect to Scopello Condominium Association, Inc.

A handwritten signature in dark ink, appearing to read "BJM CPA", is written over the printed name.

BJM, CPA
Clearwater, Florida
May 26, 2023

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

Balance Sheet

December 31, 2022

| <u>Assets</u> | <u>Operating Fund</u> | <u>Replacement Fund</u> | <u>Total</u> |
|---------------------------------------|---------------------------|-----------------------------|-------------------|
| Cash | \$ 26,067 | \$ 151,102 | \$ 177,169 |
| Accounts Receivable | 3,565 | | 3,565 |
| Prepaid expenses | 22,912 | - | 22,912 |
| Due from Reserves | 1,052 | - | 1,052 |
| Utility deposits | <u>1,660</u> | <u>-</u> | <u>1,660</u> |
| Total assets | <u>\$ 55,256</u> | <u>\$ 151,102</u> | <u>\$ 206,358</u> |
| <u>Liabilities and Fund Balances</u> | | | |
| Accounts payable | \$ 1,627 | \$ - | \$ 1,627 |
| Prepaid assessments | 2,632 | - | 2,632 |
| Special Assessment | 217 | - | 217 |
| Due to Operating | <u>-</u> | <u>1,052</u> | <u>1,052</u> |
| Total liabilities | 4,476 | 1,052 | 5,528 |
| Fund balance | <u>50,780</u> | <u>150,050</u> | <u>200,830</u> |
| Total liabilities and members' equity | <u>\$ 55,256</u> | <u>\$ 151,102</u> | <u>\$ 206,358</u> |

See accompanying notes to financial statements and accountant's compilation report.

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

Statement of Revenues, Expenses and Changes in Fund Balance

For the Year Ended December 31, 2022

| | <u>Operating Fund</u> | <u>Replacement Fund</u> | <u>Total</u> |
|--|---------------------------|-----------------------------|-------------------|
| Revenues: | | | |
| Regular assessments | \$ 115,860 | \$ 34,404 | \$ 150,264 |
| Interest income | 5 | 59 | 64 |
| Special assessment | 31,784 | - | 31,784 |
| Other income | <u>577</u> | <u>-</u> | <u>577</u> |
| | <u>148,226</u> | <u>34,463</u> | <u>182,689</u> |
| Expenses: | | | |
| Administrative | 5,839 | - | 5,839 |
| Operating | 27,511 | - | 27,511 |
| Repairs and replacements | 53,616 | 816 | 54,432 |
| Special assessment | 31,784 | - | 31,784 |
| Insurance and other | <u>40,578</u> | <u>-</u> | <u>40,578</u> |
| Total expenses | <u>159,328</u> | <u>816</u> | <u>160,144</u> |
| Excess (deficit) of revenues over expenses | (11,102) | 33,647 | 22,545 |
| Fund balance - beginning of year | <u>61,882</u> | <u>116,403</u> | <u>178,285</u> |
| Fund balance - end of year | <u>\$ 50,780</u> | <u>\$ 150,050</u> | <u>\$ 200,830</u> |

See accompanying notes to financial statements and accountant's compilation report.

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

Statement of Cash Flows

For the Year Ended December 31, 2022

| | <u>Operating Fund</u> | <u>Replacement Fund</u> | <u>Total</u> |
|---|---------------------------|-----------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Excess (deficit) of revenues over expenses | \$ (11,102) | \$ 33,647 | \$ 22,545 |
| Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: | | | |
| (Increase) decrease in: | | | |
| Assessments receivable | (3,565) | - | (3,565) |
| Prepaid expenses | (4,680) | - | (4,680) |
| Due from reserves | (1,052) | - | (1,052) |
| Increase (decrease) in: | | | |
| Accounts payable | (23) | - | (23) |
| Assessments received in advance | (568) | - | (568) |
| Special assessment | 217 | - | 217 |
| Due to operating | <u>-</u> | <u>1,052</u> | <u>1,052</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (20,773) | 34,699 | 13,926 |
| CASH AT BEGINNING OF YEAR | <u>46,840</u> | <u>116,403</u> | <u>163,243</u> |
| CASH AT END OF YEAR | <u><u>\$ 26,067</u></u> | <u><u>\$ 151,102</u></u> | <u><u>\$ 177,169</u></u> |
| SUPPLEMENTAL DISCLOSURES | | | |
| Interest paid | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |
| Income taxes paid | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

See accompanying notes to financial statements and accountant's compilation report.

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A - NATURE OF ORGANIZATION

SCOPELLO CONDOMINIUM ASSOCIATION, INC., (the Association) was organized as a not-for-profit corporation pursuant to the Florida Statutes on September 4, 2003. The Association consists of 18 residential units located in Indian Rocks Beach, Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 reports 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 (Reserve) Fund - This fund is used to accumulate financial resources designated for future major repairs and replacement.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits at December 31, 2022.

Revenue Recognition

Revenue is derived principally from the assessment of monthly fees from owners and is recorded at the time such amounts become due. Uncollected fees are recorded as delinquent members' assessments and amounts received prior to their due date are recorded as Prepaid Assessments.

Members' Assessments

Association members are subject to monthly fees to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements. Accounts receivable amounts at the balance sheet date represent the net monthly fees due from owners. The Association's policy is to retain legal counsel and place liens on the units of members whose assessments are 45 days delinquent. Any excess assessments at year-end are retained by the Association for use in the succeeding years.

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Special Assessment

A Special Assessment was passed on October 18, 2022 to improve the pool furnishings. The total amount of the Special Assessment was \$32,000, with varying payments due on December 1, 2022. The total expenditures for 2022 were \$31,784. The remaining balance was \$217 as of December 31, 2022.

Income Taxes

Associations may pay taxes either as a Homeowners' Association or as a Regular Corporation. For the year ended December 31, 2022 the Association elected to be taxed as a Homeowners' Association.

As a Homeowners' Association, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non-membership income, such as interest earnings, at regular federal corporate tax rates. There was no income tax expense for the year ended December 31, 2022.

Property and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. Property and equipment acquired by the Association are recorded at cost and property contributed to the Association by the developer is recorded at estimated fair value at the date of contribution. The Association has no property and equipment capitalized at December 31, 2022.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The Association's financial statements consist primarily of cash and cash equivalents, member assessments receivable, prepaid insurance, deposits, notes payable and accounts payable. The carrying amounts of such financial instruments approximate their respective estimated fair values due to the short-term maturities and approximate market interest rates of these instruments. The estimated fair values are not necessarily indicative of the amounts the Association would realize in a current market exchange or from future earnings or cash flows.

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 26, 2023, the date that the financial statements were available to be issued.

NOTE C - MAJOR REPAIRS AND REPLACEMENTS RESERVES

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$150,050 at December 31, 2022, are held in a separate account and are generally not available for operating purposes. It is the Association's policy that interest earned on such funds is allocated to the replacement fund.

The Association's Board of Directors conducted a study in November, 2022 to estimate the remaining useful lives and replacement costs of the common property components. Because actual expenditures may vary from estimated future expenditures, variations may be material. Therefore, amounts designed for future repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Association could increase regular assessments, levy special assessments or delay major repairs and replacements until funds are available. Fund balance designated for future major repairs and replacements has been allocated by the board of directors to the components of common property as follows:

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

| <u>Component</u> | <u>Balance</u> <u>January 1,</u> <u>2022</u> | <u>Members'</u> <u>Assessments</u> | <u>Interest and</u> <u>Transfers</u> | <u>Expenditures</u> | <u>Balance</u> <u>December 31,</u> <u>2022</u> |
|--------------------|--|---------------------------------------|---|---------------------|--|
| Pool/Spa area | \$ 8,250 | \$ 2,437 | \$ - | (1,051) | \$ 9,636 |
| Common Corridor | 12,842 | 4,040 | - | - | 16,882 |
| Elevator | 16,317 | 2,369 | - | - | 18,686 |
| Security Equipment | 5,425 | 288 | - | - | 5,713 |
| Paving | 3,000 | - | - | - | 3,000 |
| Painting | 21,398 | 5,720 | - | - | 27,118 |
| Roof | 32,333 | 3,561 | - | - | 35,894 |
| Railings | 11,745 | 1,085 | - | - | 12,830 |
| Contingency | <u>5,093</u> | <u>14,904</u> | <u>59</u> | <u>235</u> | <u>20,291</u> |
| | <u>\$ 116,403</u> | <u>34,404</u> | <u>\$ 59</u> | <u>\$ (816)</u> | <u>\$ 150,050</u> |

SUPPLEMENTARY INFORMATION

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

Supplementary Schedule of Operating Revenues and Expenses - Actual and Budgeted

For the Year Ended December 31, 2022

| | <u>Actual</u> | <u>Budget</u> | <u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u> |
|-----------------------------------|--------------------|----------------|---|
| Revenues: | | | |
| Regular assessments | \$ 115,860 | \$ 115,866 | \$ (6) |
| Interest income | 5 | - | 5 |
| Other income | <u>577</u> | <u>-</u> | <u>577</u> |
| | <u>116,442</u> | <u>115,866</u> | <u>576</u> |
| Expenses: | | | |
| Administration | | | |
| Office expenses | 1,219 | 523 | (696) |
| Accounting and legal fees | 4,059 | 3,940 | (119) |
| Licenses & Fees | <u>561</u> | <u>561</u> | <u>-</u> |
| | <u>5,839</u> | <u>5,024</u> | <u>(815)</u> |
| Operating | | | |
| Electricity | 9,294 | 10,000 | 706 |
| Water/sewer/trash | 15,712 | 14,400 | (1,312) |
| Fuel-SPA | 705 | 1,400 | 695 |
| Pest Control | <u>1,800</u> | <u>2,030</u> | <u>230</u> |
| | <u>27,511</u> | <u>27,830</u> | <u>319</u> |
| Repairs and maintenance | | | |
| Building/Equip, repair/supplies | 20,569 | 16,000 | (4,569) |
| Bldg. cleaning & pool maintenance | 18,907 | 15,500 | (3,407) |
| Elevator expenses | 6,836 | 6,428 | (408) |
| Telephone | 132 | 540 | 408 |
| Lawn & landscaping | 5,060 | 6,630 | 1,570 |
| Fire alarm monitor/inspection | 1,914 | 956 | (958) |
| Fire equipment repair | <u>198</u> | <u>270</u> | <u>72</u> |
| | <u>53,616</u> | <u>46,324</u> | <u>(7,292)</u> |
| Insurance and other | | | |
| Insurance | 40,506 | 36,577 | (3,929) |
| Income taxes | - | 60 | 60 |
| Bureau of Condominiums | <u>72</u> | <u>75</u> | <u>3</u> |
| | <u>40,578</u> | <u>36,712</u> | <u>(3,866)</u> |
| Total expenses | <u>127,544</u> | <u>115,890</u> | <u>(11,654)</u> |
| Excess of revenues over expenses | <u>\$ (11,102)</u> | <u>\$ (24)</u> | <u>\$ (11,078)</u> |

See accompanying accountant's compilation report.

SCOPELLO CONDOMINIUM ASSOCIATION, INC.

Supplementary Information on Future Major Repairs And Replacements (Unaudited)

December 31, 2022

The Association's Board of Directors conducted a study in November, 2022 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacements costs have not been revised since that data and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property.

| <u>Component</u> | <u>Estimated Life</u> | <u>Estimated Remaining Useful Life</u> | <u>Estimated Current Replacement Cost</u> | <u>2022 Funding Requirement</u> | <u>Component of Fund Balance at December 31, 2022</u> |
|------------------|---------------------------|--|---|---|---|
| Pool/Spa area | 15 | 3 | \$ 15,000 | \$ 2,437 | \$ 7,650 |
| Common Corridor | 15 | 3 | 29,000 | 4,040 | 12,842 |
| Elevator | 15 | 9 | 40,000 | 2,369 | 16,317 |
| Security Equip. | 15 | 1 | 6,000 | 288 | 5,425 |
| Paving | 20 | 4 | 3,000 | - | 3,000 |
| Painting | 8 | 4 | 50,000 | 5,720 | 21,398 |
| Roof | 20 | 18 | 100,000 | 3,561 | 32,333 |
| Railings | 10 | 3 | 15,000 | 1,085 | 11,745 |
| Contingency | - | - | - | 14,904 | 5,093 |
| | | | <u>\$ 258,000</u> | <u>\$ 34,404</u> | <u>\$ 115,803</u> |

See accompanying accountant's compilation report.