

**SPYGLASS POINT CONDOMINIUM
ASSOCIATION OF PENSACOLA, INC.**

Financial Statements

December 31, 2021

(With Independent Accountants' Report Thereon)

SPYGLASS POINT CONDOMINIUM ASSOCIATION OF PENSACOLA, INC.

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Independent Accountants' Review Report

**To the Board of Directors
Spyglass Point Condominium Association of Pensacola, Inc.
Pensacola, Florida**

We have reviewed the accompanying financial statements of Spyclass Point Condominium Association of Pensacola, 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 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.

Accountants' 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 the Spyclass Point Condominium Association of Pensacola, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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Accountants' Conclusion

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 of America.

Other Matters

During the course of conducting our review, we noted many general ledger accounts that were misstated. Based on our procedures, we proposed sixteen adjusting journal entries to management that increased the excess of revenues over expenses by \$14,580. We recommend the Association consider engaging an accountant or accounting firm to review and maintain their financial records.

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 12 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have compiled the required supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on it.

Griffin & Furman, LLC

November 17, 2022

SPYGLASS POINT CONDOMINIUM ASSOCIATION OF PENSACOLA, INC.

Statement of Revenues, Expenses, and Changes in Fund Balances

For the Year Ended December 31, 2021

(See Independent Accountants' Review Report)

	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>Total</u>
Revenues:			
Assessments	\$ 305,526	200,000	505,526
Insurance proceeds	825,440		825,440
Late fees	953	-	953
Interest	218	-	218
Miscellaneous	175	-	175
	<hr/>	<hr/>	<hr/>
Total revenues	1,132,312	200,000	1,332,312
	<hr/>	<hr/>	<hr/>
Expenditures:			
Administrative	4,288	-	4,288
Management fees	20,100	-	20,100
Repairs and maintenance	78,504	-	78,504
Utilities	42,336	-	42,336
Insurance	86,344	-	86,344
Hurricane mitigation & repairs	870,400	200,000	1,070,400
	<hr/>	<hr/>	<hr/>
Total expenditures	1,101,972	200,000	1,301,972
	<hr/>	<hr/>	<hr/>
Excess of revenues over			
 expenditures	30,340	-	30,340
	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	86,719	-	86,719
	<hr/>	<hr/>	<hr/>
Fund balances, end of year	\$ 117,059	-	117,059
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SPYGLASS POINT CONDOMINIUM ASSOCIATION OF PENSACOLA, INC.

Statement of Cash Flows

For the Year Ended December 31, 2021

(See Independent Accountants' Review Report)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Deficiency of revenues over			
expenditures	\$ 30,340	-	30,340
Adjustments to reconcile deficiency of			
revenues over expenditures to net cash			
provided (used) by operating activities:			
Changes in assets and liabilities:			
(Increase) decrease in:			
Assessments receivable	13,213	-	13,213
Prepaid expenses	(12,600)	-	(12,600)
Increase (decrease) in:			
Accounts payable	(457)	-	(457)
Other liabilities	280	-	280
Prepaid assessments	(973)	-	(973)
Performance obligations	-	(156,021)	(156,021)
	<u>29,803</u>	<u>(156,021)</u>	<u>(126,218)</u>
Net cash provided (used) by operating			
activities			
Cash flows from capital and related financing			
activities:			
Payments on long-term debt	<u>(7,677)</u>	-	<u>(7,677)</u>
Net cash used by financing activities	<u>(7,677)</u>	-	<u>(7,677)</u>
Cash flows from investing activities:			
Proceeds from certificate of deposit	<u>-</u>	<u>48,471</u>	<u>48,471</u>
Net cash provided by investing activities	<u>-</u>	<u>48,471</u>	<u>48,471</u>
Net increase (decrease) in cash and			
cash equivalents	22,126	(107,550)	(85,424)
Cash and cash equivalents, beginning of year	<u>90,444</u>	<u>167,152</u>	<u>257,596</u>
Cash and cash equivalents, end of year	<u>\$ 112,570</u>	<u>59,602</u>	<u>172,172</u>

SPYGLASS POINT CONDOMINIUM ASSOCIATION OF PENSACOLA, INC.

Notes to Financial Statements

December 31, 2021

(See Independent Accountants' Review Report)

(1) **Summary of Significant Accounting Policies**

(a) **Nature of Activities**

Spyglass Point Condominium Association of Pensacola, Inc. (the Association) was incorporated on April 28, 1982, under the Laws of the State of Florida, as a not for profit corporation for the operation, management, maintenance, and control of the Spyglass Point Condominiums located in Pensacola, Florida. The complex consists of 120 residential units with one or two-bedroom floor plans in 16 residential buildings located in Pensacola, Florida.

All policy decisions, including the annual budget and owners' assessments, are formulated by the Board of Directors. Major decisions are referred to the general Association membership before action is taken.

(b) **Basis of Accounting**

The financial statements of the Association have been prepared on the accrual basis of accounting and accordingly revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

(c) **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

(d) **Fund Accounting**

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 the financial resources available for the Association's general operations.

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

(e) **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and

SPYGLASS POINT CONDOMINIUM ASSOCIATION OF PENSACOLA, INC.

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December 31, 2021

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liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(f) Cash and Cash Equivalents

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(g) Revenue Recognition

Effective January 1, 2019, the Association adopted Accounting Standards Codification Topic 606, Revenue from Contracts with Customers. This topic requires the recognition of revenue when performance obligations under the terms of the contracts with customers are satisfied. Revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. For purposes of this Association, the definition of customers includes the Association's members.

(h) Member Assessments

Assessments receivable at the balance sheet date represent fees due from unit owners. Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments are due on the first day of the month and are considered past due if not received by the tenth day of the month. In addition, the Association charges interest at a rate of 18% on past due amounts. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are deemed uncollectible by management. Any excess assessments at year end are retained by the Association for use in the succeeding year.

At December 31, 2021, the Association had assessments receivable of \$5,225. The Association believes all amounts are collectible, and therefore, no allowance for doubtful accounts has been established at year end

(i) Interest Earned

The policy of the Association's Board is to allocate interest earned on Replacement Fund accounts to the Replacement Fund. All other interest earned on bank accounts and investments is available for use in daily operations.

(j) Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the Balance Sheet. These items will be expensed over the applicable usage periods.

Notes to Financial Statements

December 31, 2021

(See Independent Accountants' Review Report)

(2) Certificates of Deposit

At December 31, 2021, the Association had three certificates of deposit at a cost of \$115,228 with interest rates ranging from 0.20% to 0.70%, and maturity dates ranging from June 22, 2022 to October 6, 2023.

(3) Cashflow Information

Revenues and expenses include \$822,638 of insurance proceeds that were paid by the Association's insurance company directly to the contractor performing mitigation and damage repairs. These amounts are not reflected in the statement of cash flows.

(4) Member Assessments

Monthly assessments to owners during 2021, were \$200 per unit during the year, which provided for operations and reserve funding. The annual budget and owners' assessments are determined by the Board of Directors. Any excess assessments at year-end are retained by the Association for use in the succeeding year. Assessments also include a \$500 per unit special assessment that was assessed to prevent the Association's reserves being further depleted due to hurricane related expenses.

(5) Revenue Recognition

As disclosed in Note 1 to the financial statements, the Association's customers consist of its members, which are unit owners within the development. The contracts between these customers and the Association primarily relate to maintaining, managing and providing access to the property and amenities owned in common by the unit owners.

Performance Obligations

The Association's revenue is derived primarily from assessments to its members. The Association generally recognizes its revenue from contracts with customers over time with the exception of reserve assessments, interest on reserve funds, and special assessments, which are being recognized at a point in time. As of December 31, 2021, the Association has reported a performance obligation liability totaling \$174,831, relating to the future major repair and/or replacement of specific components of common property. The assessments related to this performance obligation are reported in the Replacement Fund and will be recognized as revenue at the point in time when the funds are expended for their designated purpose.

Significant Judgments

For those revenue items recognized over time, the Association generally utilizes the input method of measurement, where revenue is recognized based on the Association's efforts towards the satisfaction of a performance obligation. For operating fund amounts, revenue is recognized as time elapses and the Association performs routine maintenance, protection, and management of the common area property. For replacement fund amounts, the Association recognizes revenue at the point in time when reserve expenses are incurred.

SPYGLASS POINT CONDOMINIUM ASSOCIATION OF PENSACOLA, INC.

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Disaggregated Revenue

The Association derives its revenue from various activities and sources having different qualitative factors that may affect the amount, timing, or uncertainty of revenue and cash flows. The following chart contains disaggregated revenue information that reflects these qualitative factors.

Recognized over time:

Operating fund assessments \$ 305,526

Recognized at a point in time:

Replacement reserve assessments 200,000

Interest proceeds -

Special assessments -

Not subject to ASC Topic 606:

Insurance proceeds 825,440

Late fees 953

Interest 218

Miscellaneous 175

\$ 1,332,312

The following table presents information about assessments receivable, contract assets, and contract liabilities:

Assessments receivable - beginning balance \$ 18,438

Assessments receivable - ending balance 5,225

Contract assets - no beginning or ending balance for the year

Contract liabilities:

Prepaid assessments - beginning balance 22,968

Prepaid assessments - ending balance 21,995

Performance obligations - beginning balance 330,851

Performance obligations - ending balance 174,830

(6) Reserves for Renewal and Replacement

The Association's governing documents, Florida Statute 718.112 and Florida Administrative Code Rule 61B 22.005(2)(b), require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate bank accounts and are generally not available for normal operating expenditures. The Association's reserves for renewal and replacement are accounted for in the Association's pooled Replacement Fund.

SPYGLASS POINT CONDOMINIUM ASSOCIATION OF PENSACOLA, INC.

Notes to Financial Statements

December 31, 2021

(See Independent Accountants' Review Report)

The Association is reserving funds for major repairs and replacements using replacement costs and accumulated balances over the remaining useful lives of the components based on Board developed estimates for both costs and estimated remaining lives. The estimates used in the 2022 budget process were not updated to reflect current accumulated balances or reserve component conditions. For that reason, and because actual expenditures may vary from estimated future expenditures, and the variations may be material, amounts accumulated in the pooled Replacement Fund may not be adequate to meet all future needs for major repairs and replacements. When funds are needed for those purposes, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

The following is a summary of the financial activity of the pooled Replacement Fund during the year.

	<u>Beginning Balance</u>	<u>Operating Fund Assessments</u>	<u>Interest Proceeds</u>	<u>Withdrawals</u>	<u>Ending Balance</u>
Roofing	\$	15,552	316	(80,693)	
Fences		2,592	40	(10,426)	
Painting		4,320	180	(45,454)	
Paving		4,320	136	(34,427)	
Pool & deck		-	12	(3,074)	
Water pipe		<u>16,416</u>	<u>95</u>	<u>(25,926)</u>	
	<u>\$ 330,851</u>	<u>43,200</u>	<u>779</u>	<u>(200,000)</u>	<u>174,830</u>

(7) Income Taxes

The Association may be taxed either as a homeowner's association or as a regular corporation. This election is made annually taking into account the best interest of the Association. For the year ended December 31, 2021, the Association elected to file as a homeowners' association in accordance with Internal Revenue Code Section 528. Under that 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, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. Under federal and state income tax laws, an entity's income tax returns are subject to examination by the applicable taxing authorities; however, there are currently no examinations for any tax periods in progress. The Association's management believes it is no longer subject to income tax examinations for years prior to 2019.

Notes to Financial Statements

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(See Independent Accountants' Review Report)

(8) Contingencies

Insurance Deductibles

The insurance policy for windstorm coverage was renewed in May 2021. The Association's policy for windstorm coverage, in the event of a hurricane, has a maximum deductible amount of \$330,881, representing 3% of the insured value of the buildings, which is listed on the policy at \$11,029,380.

(9) Concentration of Credit Risk

The Association assesses regular and special assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual units. Should the collection of any such liens be enforced by the sale of the unit, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens that have priority. Market value may be influenced by the real estate market in Pensacola, Florida.

(10) Evaluation of Subsequent Events

The Association has evaluated subsequent events through November 17, 2022, the date which the financial statements were available to be issued. In August 2022, the Association settled a suit involving a personal injury sustained on Association property. The settlement amount of \$1,000,000 was fully covered by the Association's liability insurance. No subsequent events occurring after November 17, 2022 have been evaluated for inclusion in these financial statements.

SPYGLASS POINT CONDOMINIUM ASSOCIATION OF PENSACOLA, INC.

Supplementary Information on Future Major Repairs & Replacements

December 31, 2021

The following table is based on the Association's review and presents significant information about the components of common property:

<u>Pooled Components</u>	<u>Estimated Remaining Life</u>	<u>Estimated Replacement Cost</u>	<u>Accumulated Funds at 12/31/2021</u>
Roofing	4 - 20	\$ 568,850	
Fencing	4 - 17	69,200	
Painting	0 - 5	16,050	
Paving	4 - 12	208,350	
Pool & deck	6 - 17	54,650	
Water pipe	6	64,000	
Site & grounds	0 - 20	217,450	
Building exterior	7 - 13	2,921,700	
Mechanical / electrical / plumbing	6	30,000	
		<u>\$ 4,150,250</u>	<u>174,830</u>