

**HIGH POINT OF DELRAY BEACH  
CONDOMINIUM ASSOCIATION SECTION 2, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2019**



# Gerstle, Rosen & Goldenberg, P.A.

Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

Board of Directors and Unit Owners  
High Point of Delray Beach Condominium Association Section 2, Inc.

Dear Members:

### Report on the Financial Statements

We have audited the accompanying financial statements of High Point of Delray Beach Condominium Association Section 2, 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.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of High Point of Delray Beach Condominium Association Section 2, Inc., as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Effect of Adopting New Accounting Standard

As discussed in Note 4 to the financial statements, as of January 1, 2019, the Association adopted the new revenue guidance FASB ASC 606, *Revenue from Contracts with Customers*, the first applicable year. This new standard supersedes accounting standards that previously existed under GAAP and provides a comprehensive principle-based framework for recognizing revenue. Our opinion is not modified with respect to that matter.

## Disclaimer of Opinion on Required Supplementary Information On Future Major Repairs and Replacements

Accounting principles generally accepted in the United States of America require that the Supplementary Information on Future Major Repairs and Replacements 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, who 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Report on Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. 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 financial statements. Such information is the responsibility of Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Gerstle, Rosen & Goldenberg, P.A.*

Boca Raton, Florida  
December 18, 2020

**HIGH POINT OF DELRAY BEACH  
CONDOMINIUM ASSOCIATION SECTION 2, INC.**

**BALANCE SHEET**

**December 31, 2019**

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 335,879	\$ 1,166,307	\$ 1,502,186
Certificate of Deposit		208,545	208,545
Accounts Receivable	6,852		6,852
Prepaid Insurance	15,179		15,179
Due To/From Funds	86,689	(86,689)	
<b>TOTAL ASSETS</b>	<b>\$ 444,599</b>	<b>\$ 1,288,163</b>	<b>\$ 1,732,762</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Loan Payable	\$ 334,903	\$	\$ 334,903
Prepaid Maintenance Fees	11,893		11,893
Contract Liability - Deferred Reserves		1,226,315	1,226,315
<b>TOTAL LIABILITIES</b>	<b>346,796</b>	<b>1,226,315</b>	<b>1,573,111</b>
Clubhouse and Roof Loan Deficit	(334,903)		(334,903)
Fund Balances	432,706	61,848	494,554
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 444,599</b>	<b>\$ 1,288,163</b>	<b>\$ 1,732,762</b>

The Accompanying Notes Are An Integral Part Of This Financial Statement.

**HIGH POINT OF DELRAY BEACH  
CONDOMINIUM ASSOCIATION SECTION 2, INC.**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND BALANCES**

**Year Ended December 31, 2019**

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<b>REVENUES</b>			
Maintenance Fees	\$ 882,228	\$	\$ 882,228
Interest Income	1,336	12,153	13,489
Late Fees	2,375		2,375
Admin Fees	5,500		5,500
Laundry Income	4,500		4,500
Unit Income Sale	68,110		68,110
Miscellaneous Income	335		335
	<u>964,384</u>	<u>12,153</u>	<u>976,537</u>
<b>TOTAL REVENUES</b>			
<b>EXPENSES</b>			
Insurance	176,060		176,060
Landscaping	82,685		82,685
Maintenance	85,283		85,283
Loan Expense	118,785		118,785
Administrative	6,496		6,496
Office	2,204		2,204
Admin Services	71,211		71,211
Pool	6,933		6,933
Professional Fees	13,741		13,741
Utilities	325,643		325,643
	<u>889,041</u>	<u>0</u>	<u>889,041</u>
<b>TOTAL EXPENSES</b>			
<b>EXCESS REVENUES (EXPENSES)</b>	75,343	12,153	87,496
<b>FUND BALANCES - BEGINNING</b>	357,363	1,143,110	1,500,473
<b>CONTRACT LIABILITY RECLASSIFICATION</b>		(1,093,415)	(1,093,415)
<b>FUND BALANCES - ENDING</b>	<u>\$ 432,706</u>	<u>\$ 61,848</u>	<u>\$ 494,554</u>

The Accompanying Notes Are An Integral Part Of This Financial Statement.

**HIGH POINT OF DELRAY BEACH  
CONDOMINIUM ASSOCIATION SECTION 2, INC.**

**STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2019**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
EXCESS REVENUES (EXPENSES)	\$ 75,343	\$ 12,153	\$ 87,496
<b>ADJUSTMENTS TO RECONCILE EXCESS REVENUES (EXPENSES) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Contract Liability Reclassification		(1,093,415)	(1,093,415)
Principal Loan Expenses	102,970		102,970
<b>DECREASE (INCREASE) IN ASSETS:</b>			
Accounts Receivable	1,121		1,121
Prepaid Insurance	(1,127)		(1,127)
Due To/From Funds	(85,119)	85,119	
<b>INCREASE (DECREASE) IN LIABILITIES:</b>			
Accounts Payable	(23,205)		(23,205)
Prepaid Maintenance Fees	2,835		2,835
Contract Liability - Deferred Reserves		1,226,315	1,226,315
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>72,818</u>	<u>230,172</u>	<u>302,990</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Certificate of Deposit		(5,482)	(5,482)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>0</u>	<u>(5,482)</u>	<u>(5,482)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds From (Payments On) Loan	(102,970)		(102,970)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>(102,970)</u>		<u>(102,970)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(30,152)	224,690	194,538
<b>CASH AND CASH EQUIVALENTS</b>			
AT BEGINNING OF PERIOD	<u>366,031</u>	<u>941,617</u>	<u>1,307,648</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 335,879</u>	<u>\$ 1,166,307</u>	<u>\$ 1,502,186</u>

Operating activities reflect interest paid of \$15,815

The Accompanying Notes Are An Integral Part Of This Financial Statement.

**HIGH POINT OF DELRAY BEACH  
CONDOMINIUM ASSOCIATION SECTION 2, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2019**

**1. ORGANIZATION**

High Point of Delray Beach Condominium Association Section 2, Inc. is a statutory condominium association incorporated on June 6, 1971, in the State of Florida. The Association is responsible for the operation and maintenance of the common property of High Point of Delray Beach Condominium Association Section 2, Inc. and consists of 276 units located in Delray Beach, Florida.

**2. DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 18, 2020, 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.

**HIGH POINT OF DELRAY BEACH  
CONDOMINIUM ASSOCIATION SECTION 2, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Continued**

**December 31, 2019**

**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. No allowance for uncollectible accounts is deemed necessary. 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 \$7,973 and \$6,852, 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 \$-0- and \$1,226,315, respectively. (Note 4)

Cash and Cash Equivalents

For presentation purposes, cash and cash equivalents consists of checking and money market

Certificate(s) of Deposit

The Association holds a certificate of deposit totaling \$208,545, bearing interest rate of 2.66%. These certificates have original maturities of greater than 90 days, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.



**HIGH POINT OF DELRAY BEACH  
CONDOMINIUM ASSOCIATION SECTION 2, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Continued**

**December 31, 2019**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property and Equipment

Real property and common area property acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the owners in common and not by the Association. Capital Expenditures are charged to the designated funds. Generally, personal property purchased by the Association is expensed.

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.

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, 2019; therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2019.

**4. FUTURE MAJOR REPAIRS AND REPLACEMENTS**

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 Association is funding the future major repairs and replacements based on a study conducted by an independent reserve study specialist in November 2015 to estimate the remaining useful lives and the replacement costs of the common property components, as disclosed in the Supplementary information. Actual expenditures, however, may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments levy special assessments, or delay major repairs and replacements until funds are available.

**HIGH POINT OF DELRAY BEACH  
CONDOMINIUM ASSOCIATION SECTION 2, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Continued**

**December 31, 2019**

**4. FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)**

The balance of the Replacement Fund at December 31, 2019, consists of the following:

COMPONENTS	BALANCE 12/31/2018	INTEREST/ ASSESSMENTS	TRANSFERS	EXPENDITURES	BALANCE 12/31/2019
Roofing	\$728,320	\$70,200	\$0	\$0	\$798,520
Paving	261,019	17,400	0	0	278,419
Painting	74,779	14,100	0	0	88,879
Pool	29,297	1,200	0	0	30,497
Water Services	0	30,000	0	0	30,000
SUB-TOTAL CONTRACT LIABILITY - DEFERRED RESERVES	0	0	0	0	1,226,315
Unallocated Interest (Fund Balance as of 12/31/2019)	49,695	12,153	0	0	61,848
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$1,143,110</b>	<b>\$145,053</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,288,163</b>

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.

Florida Statute requires that replacement funds be accounted for separately and be fully funded. The Due To/From reflects an amount of \$86,689, by which the reserves are under funded. The Association should make the necessary cash transfer in order to correct this situation.

**HIGH POINT OF DELRAY BEACH  
CONDOMINIUM ASSOCIATION SECTION 2, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Continued**

**December 31, 2019**

**4. FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)**

FASB ASC 606 New Accounting Standard 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 Association, 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 an Association expects to be entitled in exchange for those goods or services.

The Association adopted the 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 the beginning fund balances. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to Replacement Fund expenditures/contracts that were not complete as of January 1, 2019. Adoption of the new standard resulted in changes to our accounting policies for assessment revenue and contract liability (assessments received in advance – Replacement Fund), as previously described.

The modified retrospective method of transition requires us to disclose the effect of applying the new standard on each item included in our current year financial statements. The line items from our Balance Sheet as of year-end that were affected, the amounts that would have been reported under the former standard, the effects of applying the new standard, and the balances reported under the new standards are as follows:

	Replacement Fund Old Standard	Replacement Fund New Standard
<b>LIABILITIES AND FUND BALANCES</b>		
Contract Liability - Deferred Reserves	\$0	\$1,226,315
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>1,226,315</b>
Fund Balances	1,288,163	61,848
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$1,288,163</b>	<b>\$1,288,163</b>

**HIGH POINT OF DELRAY BEACH  
CONDOMINIUM ASSOCIATION SECTION 2, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Continued**

**December 31, 2019**

**4. FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)**

As a result of the above reference modification, line items from the Statement of Revenues, Expenses and Changes in Fund Balances as of year-end were affected. The recognized maintenance fees for the Replacement Fund changed as follows:

	Old Standard	New Standard	
	(Per) (Budget)	(Expenses Less Any) (Allocated Interest)	Variance
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Maintenance Fees	<u>\$132,900.</u>	<u>\$0</u>	<u>\$132,900</u>

**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 will file its 2019 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 2016.

**HIGH POINT OF DELRAY BEACH  
CONDOMINIUM ASSOCIATION SECTION 2, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Continued**

**December 31, 2019**

**6. UNAMORTIZED PRINCIPAL/NOTE PAYABLE**

The Association financed the clubhouse repairs and roof replacement projects with two loans. During 2012, the Association entered into an agreement with a bank to consolidate the remaining principal balances on the clubhouse repairs loan \$597,608 and roof replacement loan \$377,941 by refinancing them into one new fixed rate loan totaling \$975,549. The loan is being paid at a fixed rate of 3.99% over ten (10) years with the final payment due in December 2022. The loan is collateralized by assessments.

The principal payments for each year through maturity are as follows:

<u>YEAR</u>	<u>PRINCIPAL PAYMENT</u>
2020	\$107,371
2021	111,734
2022	115,798
TOTAL	<u><u>\$334,903</u></u>

For the current year ended, the Association had \$118,785 of loan payments, consisting of \$102,970 of principal and \$15,815 of interest.

**7. CONCENTRATION OF CREDIT RISK**

As of December 31, 2019, the Association maintained cash and cash equivalent balances which exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. The Association has not experienced any losses related to these cash balances and believes it is not exposed to any significant risk on these accounts.

**8. 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.

**HIGH POINT OF DELRAY BEACH  
CONDOMINIUM ASSOCIATION SECTION 2, INC.**

**NOTES TO FINANCIAL STATEMENTS  
Continued**

**December 31, 2019**

**8. CONTINGENCIES (Continued)**

Legal

The Association is from time-to-time subject to complaints and claims, including litigation, arising in the ordinary course of business. As of the date of this report, the Association believes that there are no claims or complaints of which it is currently aware that will materially affect its business, financial position, or future operating results.

**9. COMMITMENTS**

The Association has various contract services to maintain the common property including cable television service, common area landscaping, pool service, trash service, and pest control. These contracts have different expiration dates and renewal terms.

Cable Contract Renewal

During the year ended December 31, 2017, the Association negotiated with Blue Stream to be its new cable service provider beginning on January 1, 2018. During the Association's final arrangements, it was brought to the board's attention that the Association could incur significant monetary damages for not providing proper "Notice of Cancellation" to Comcast. During December 31, 2017, an agreement was reached with Comcast to renew the Association's existing cable contract through December 31, 2019, but with no automatic renewal clause. Therefore, no monetary damages (\$0) were incurred by the Association for renewing the Comcast contract. On January 1, 2020, Blue Stream became the Association's cable provider.

**10. ASSOCIATION OWNED PROPERTY**

The Association has taken title to a unit subject to the first mortgage. The Association has determined that the existing mortgage exceed the fair value of the unit and therefore has not recognized an asset in the financial statements. Although the unit is encumbered by an existing mortgage, the Association is not liable for this debt, and therefore has not recognized a liability. The rental income and expenses, if any, are reflected on the income statement. On July 8, 2019, the Association sold Unit D and recognized \$68,110 on the Statement of Revenues, Expenses and Changes in Fund Balances.

## **SUPPLEMENTARY INFORMATION**

**HIGH POINT OF DELRAY BEACH  
CONDOMINIUM ASSOCIATION SECTION 2, INC.**

**SUPPLEMENTARY INFORMATION ON  
FUTURE MAJOR REPAIRS AND REPLACEMENTS**

**December 31, 2019  
(Unaudited)**

The Association **has** conducted an independent reserve study (November 2015) 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:

<u>COMPONENTS</u>	<u>ESTIMATED REMAINING USEFUL LIVES</u>	<u>ESTIMATED CURRENT REPLACEMENT COSTS</u>	<u>2020 FUNDING REQUIREMENT</u>
Painting	3 Years	\$131,893	\$14,100
Paving	0-11 Years	472,005	17,100
Pool	0-17 Years	47,087	1,200
Roofing	9 Years	1,437,782	69,996
		<hr/>	<hr/>
TOTAL		<u>\$2,088,767</u>	<u>\$102,396</u>

See independent auditors' report.



**HIGH POINT OF DELRAY BEACH  
CONDOMINIUM ASSOCIATION SECTION 2, INC.**

**SUPPLEMENTARY INFORMATION**

**DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES  
BUDGET COMPARISON**

**Year Ended December 31, 2019**

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
<b><u>REVENUES:</u></b>			
Maintenance Fees	\$882,228	\$882,228	\$0
Interest Income	1,336	500	836
Late Fees	2,375	3,000	(625)
Admin Fees	5,500	4,000	1,500
Laundry Income	4,500	4,500	0
Unit Income Sale	68,110	0	68,110
Miscellaneous Income	335	557	(222)
<b>Total Revenues</b>	<u>964,384</u>	<u>894,785</u>	<u>69,599</u>
<b><u>EXPENSES:</u></b>			
<b><u>INSURANCE</u></b>			
Insurance Bldg.	171,060	168,000	(3,060)
Insurance Claim	5,000	2,500	(2,500)
<b>TOTAL INSURANCE</b>	<u>176,060</u>	<u>170,500</u>	<u>(5,560)</u>
<b><u>LANDSCAPING</u></b>			
Lawn & Fert. Contract	62,200	62,500	300
Tree Trimming	14,998	7,000	(7,998)
Landscaping Trees Plants	5,487	9,000	3,513
<b>TOTAL LANDSCAPING</b>	<u>82,685</u>	<u>78,500</u>	<u>(4,185)</u>
<b><u>MAINTENANCE</u></b>			
General Bldgs. & Common Area	32,992	45,000	12,008
Clubhouse	22,056	6,000	(16,056)
Lake/Sprinklers/Plumb	3,858	4,000	142
Assn Owned Unit	14,771	0	(14,771)
Pest Control	11,606	9,000	(2,606)
Building Repairs	0	5,000	5,000
<b>TOTAL MAINTENANCE</b>	<u>85,283</u>	<u>69,000</u>	<u>(16,283)</u>

See Independent auditors' report.

**HIGH POINT OF DELRAY BEACH  
CONDOMINIUM ASSOCIATION SECTION 2, INC.**

**SUPPLEMENTARY INFORMATION**

**DETAILED STATEMENT OF OPERATING REVENUES AND EXPENSES  
BUDGET COMPARISON**

**Year Ended December 31, 2019**

	<u>ACTUAL</u>	<u>BUDGET (Unaudited)</u>	<u>VARIANCE</u>
<b><u>EXPENSES(Continued):</u></b>			
<b><u>LOAN EXPENSE</u></b>			
BU Loan Principal	102,970	118,785	15,815
BU Loan Interest	15,815	0	(15,815)
<b>TOTAL LOAN EXPENSE</b>	<b>118,785</b>	<b>118,785</b>	<b>(0)</b>
<b><u>ADMINISTRATIVE</u></b>			
Bad Debt	25	6,000	5,975
General Expenses	1,034	1,000	(34)
Credit Reports	810	1,000	190
Bank Service Charges	60	0	(60)
License, Taxes & Fees	2,024	1,000	(1,024)
Computer Equipment & Repairs	272	1,000	728
Phone & Internet	2,271	2,200	(71)
<b>TOTAL ADMINISTRATIVE</b>	<b>6,496</b>	<b>12,200</b>	<b>5,704</b>
<b><u>OFFICE</u></b>			
Postage & Election	860	1,500	640
Printing	1,047	500	(547)
Office Supplies	297	1,500	1,203
<b>TOTAL OFFICE</b>	<b>2,204</b>	<b>3,500</b>	<b>1,296</b>
<b><u>ADMIN SERVICES</u></b>			
Maintenance Services	36,136	37,500	1,364
Office	35,075	31,500	(3,575)
<b>TOTAL ADMIN SERVICES</b>	<b>71,211</b>	<b>69,000</b>	<b>(2,211)</b>
<b><u>POOL</u></b>			
Pool Contract	4,904	5,000	96
Pool Supplies & Repairs	2,029	1,000	(1,029)
<b>TOTAL POOL</b>	<b>6,933</b>	<b>6,000</b>	<b>(933)</b>
<b><u>PROFESSIONAL FEES</u></b>			
Year End Audit & Tax	4,300	4,300	0
Legal & Accounting	9,441	15,000	5,559
<b>TOTAL PROFESSIONAL FEES</b>	<b>13,741</b>	<b>19,300</b>	<b>5,559</b>
<b><u>UTILITIES</u></b>			
Cable TV	136,044	136,000	(44)
Electric	38,063	40,000	1,937
Water, Sewer, Garbage	151,536	172,000	20,464
<b>TOTAL UTILITIES</b>	<b>325,643</b>	<b>348,000</b>	<b>22,357</b>
Total Operating Expenses	889,041	894,785	5,744
Excess Operating Revenues (Expenses)	\$75,343	\$0	\$75,343

See independent auditors' report.

Form **1120-H**

**U.S. Income Tax Return  
for Homeowners Associations**

OMB No. 1545-0123

**2019**

Department of the Treasury  
Internal Revenue Service

Go to [www.irs.gov/Form1120H](http://www.irs.gov/Form1120H) for instructions and the latest information.

For calendar year 2019 or tax year beginning , and ending

TYPE OR PRINT	Name <b>HIGH POINT OF DELRAY BEACH CAI #2</b>	Employer identification number <b>59-1503589</b>
	Number, street, and room or suite no. If a P.O. box, see instructions. <b>245 HIGH POINT BLVD.</b>	Date association formed
	City or town, state or province, country, and ZIP or foreign postal code <b>DELRAY BEACH FL 33445</b>	

Check if: (1) Final return (2) Name change (3) Address change (4) Amended return

A Check type of homeowners association: Condominium management association  Residential real estate association  Timeshare association

B Total exempt function income. Must meet 60% gross income test. See instructions **1,075,988**

C Total expenditures made for purposes described in 90% expenditure test. See instructions **854,775**

D Association's total expenditures for the tax year. See instructions **889,041**

E Tax-exempt interest received or accrued during the tax year

**Gross Income (excluding exempt function income)**

1	Dividends	1	
2	Taxable interest	2	<b>13,489</b>
3	Gross rents	3	
4	Gross royalties	4	
5	Capital gain net income (attach Schedule D (Form 1120))	5	
6	Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	6	
7	Other income (excluding exempt function income) (attach statement) <b>STMT 1</b>	7	<b>19,960</b>
8	<b>Gross income (excluding exempt function income). Add lines 1 through 7</b>	8	<b>33,449</b>

**Deductions (directly connected to the production of gross income, excluding exempt function income)**

9	Salaries and wages	9	
10	Repairs and maintenance	10	
11	Rents	11	
12	Taxes and licenses	12	
13	Interest	13	
14	Depreciation (attach Form 4562)	14	
15	Other deductions (attach statement) <b>STMT 2</b>	15	<b>34,266</b>
16	<b>Total deductions. Add lines 9 through 15</b>	16	<b>34,266</b>
17	<b>Taxable income before specific deduction of \$100. Subtract line 16 from line 8</b>	17	<b>-817</b>
18	<b>Specific deduction of \$100</b>	18	<b>100</b>

**Tax and Payments**

19	<b>Taxable income. Subtract line 18 from line 17</b>	19	<b>-917</b>
20	Enter 30% (0.30) of line 19. (Timeshare associations, enter 32% (0.32) of line 19.)	20	<b>0</b>
21	Tax credits (see instructions)	21	
22	<b>Total tax. Subtract line 21 from line 20. See instructions for recapture of certain credits</b>	22	<b>0</b>
23a	2018 overpayment credited to 2019 <b>23a</b>		
b	2019 estimated tax payments <b>23b</b>	c Total <b>23c</b>	
d	Tax deposited with Form 7004 <b>23d</b>		
e	Credit for tax paid on undistributed capital gains (attach Form 2439) <b>23e</b>		
f	Credit for federal tax paid on fuels (attach Form 4136) <b>23f</b>		
g	Add lines 23c through 23f <b>23g</b>		
24	<b>Amount owed. Subtract line 23g from line 22. See instructions</b>	24	<b>0</b>
25	Overpayment. Subtract line 22 from line 23g	25	
26	Enter amount of line 25 you want: <b>Credited to 2020 estimated tax</b> <input type="checkbox"/> <b>Refunded</b> <input type="checkbox"/>	26	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. Do you pay the IRS discuss this return with the preparer shown below? See Instr.  Yes  No

Signature of officer \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_

Paid Print/Type preparer's name **ROBERT N ROSEN CPA** Preparer's signature \_\_\_\_\_ Date **12/20/20** Check  if self-employed PTIN **P00930797**

Preparer Firm's name **GERSTLE, ROSEN & GOLDENBERG, P.A.** Firm's EIN **65-0675434**

Use Only Firm's address **3835 NW BOCA RATON BLVD STE 100 BOCA RATON, FL 33431** Phone no. **561-447-4000**

For Paperwork Reduction Act Notice, see separate instructions.

Form **1120-H (2019)**

**Federal Statements**

FYE: 12/31/2019

**Statement 1 - Form 1120-H, Line 7 - Other Income****COPY**

<u>Description</u>	<u>Amount</u>
LATE FEES	\$ 2,375
SCREENING FEES	5,500
LAUNDRY INCOME	4,500
MISCELLANEOUS INCOME	335
GAIN ON SALE	7,250
TOTAL	<u>\$ 19,960</u>

**Statement 2 - Form 1120-H, Line 15 - Other Deductions**

<u>Description</u>	<u>Amount</u>
OFFICE EXPENSE	\$ 45
INSURANCE	5,282
ELECRICITY	5,709
WATER & SEWER	22,730
ACCOUNTING	500
TOTAL	<u>\$ 34,266</u>