

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2021**



# 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:

### Opinion

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, 2021, 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 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, 2021, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of High Point of Delray Beach Condominium Association Section 2, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about High Point of Delray Beach Condominium Association Section 2, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 High Point of Delray Beach Condominium Association Section 2, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about High Point of Delray Beach Condominium Association Section 2, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Disclaimer of Opinion on Required Supplementary Information**

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 is the responsibility of management and, 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. 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.*

Gerstle, Rosen & Goldenberg, P.A.  
Certified Public Accountants  
Boca Raton, Florida

October 5, 2022

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

**BALANCE SHEET**

**December 31, 2021**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 173,623	\$ 1,516,878	\$ 1,690,501
Accounts Receivable	32,647		32,647
Other Receivable	65,649		65,649
Prepaid Insurance	30,662		30,662
Due To/From Funds	(10,700)	10,700	
<b>TOTAL ASSETS</b>	<u>\$ 291,881</u>	<u>\$ 1,527,578</u>	<u>\$ 1,819,459</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Accrued Expenses	\$ 3,100	\$	\$ 3,100
Payroll Taxes Payable	256		256
Loan Payable	116,040		116,040
Prepaid Maintenance Fees	30,344		30,344
Contract Liability - Deferred Reserves		1,462,510	1,462,510
<b>TOTAL LIABILITIES</b>	<u>149,740</u>	<u>1,462,510</u>	<u>1,612,250</u>
Fund Balances	<u>142,141</u>	<u>65,068</u>	<u>207,209</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 291,881</u>	<u>\$ 1,527,578</u>	<u>\$ 1,819,459</u>

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, 2021**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>REVENUES</b>			
Maintenance Fees	\$ 1,020,456	\$ 4,635	\$ 1,025,091
Bad Debts	17,878		17,878
Interest Income	381	2,283	2,664
Late Fees	2,750		2,750
Admin Fees	6,800		6,800
Laundry Income	4,500		4,500
Miscellaneous Income	589		589
	<u>1,053,354</u>	<u>6,918</u>	<u>1,060,272</u>
<b>TOTAL REVENUES</b>			
<b>EXPENSES</b>			
Insurance	342,795		342,795
Landscaping	85,500		85,500
Maintenance	69,546		69,546
Loan Expense	7,059		7,059
Administrative	5,769		5,769
Office	2,491		2,491
Admin Services	96,108		96,108
Pool	16,678		16,678
Professional Fees	18,240		18,240
Utilities	335,142		335,142
Payroll Taxes	8,343		8,343
Reserve Expenditures		4,635	4,635
	<u>987,671</u>	<u>4,635</u>	<u>992,306</u>
<b>TOTAL EXPENSES</b>			
<b>EXCESS REVENUES (OVER EXPENSES)</b>	65,683	2,283	67,966
<b>FUND BALANCES - BEGINNING</b>	82,307	74,531	156,838
<b>PRIOR PERIOD ADJUSTMENT</b>	(5,849)	(11,746)	(17,595)
<b>FUND BALANCES - ENDING</b>	<u>\$ 142,141</u>	<u>\$ 65,068</u>	<u>\$ 207,209</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, 2021**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>EXCESS REVENUES (EXPENSES)</b>	\$ 65,683	\$ 2,283	\$ 67,966
<b>ADJUSTMENTS TO RECONCILE EXCESS REVENUES (EXPENSES) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Prior Period Adjustment	(5,849)	(11,746)	(17,595)
<b>DECREASE (INCREASE) IN ASSETS:</b>			
Accounts Receivable - Net of Allowance	(22,954)		(22,954)
Other Receivable	(65,649)		(65,649)
Prepaid Insurance	(7,381)		(7,381)
Prepaid Expenses	10,763		10,763
Due To/From Funds	(1,752)	1,752	
<b>INCREASE (DECREASE) IN LIABILITIES:</b>			
Accrued Expenses	3,100		3,100
Payroll Taxes Payable	256		256
Prepaid Maintenance Fees	6,088		6,088
Contract Liability - Deferred Reserves		135,765	135,765
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>(17,695)</u>	<u>128,054</u>	<u>110,359</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Certificate of Deposit		210,299	210,299
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>0</u>	<u>210,299</u>	<u>210,299</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds From (Payments On) Loan	(111,726)		(111,726)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>(111,726)</u>		<u>(111,726)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(129,421)	338,353	208,932
<b>CASH AND CASH EQUIVALENTS</b>			
<b>AT BEGINNING OF PERIOD</b>	<u>303,044</u>	<u>1,178,525</u>	<u>1,481,569</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 173,623</u>	<u>\$ 1,516,878</u>	<u>\$ 1,690,501</u>

Operating activities reflect interest paid of \$7,059

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, 2021**

**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 October 5, 2022, the date that the financial statements were available to be issued.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

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

Fund Accounting

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

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

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

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.



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

NOTES TO FINANCIAL STATEMENTS  
Continued

December 31, 2021

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 \$9,693 and \$32,647, 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 \$1,326,745 and \$1,462,510, respectively. (See Note 4)

Cash and Cash Equivalents

For presentation purposes, cash and cash equivalents consists of checking account.

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.

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

NOTES TO FINANCIAL STATEMENTS  
Continued

December 31, 2021

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement

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

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

4. 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 approved budget includes provisions for reserves for capital improvements and deferred maintenance. At a duly constituted meeting, the Association elected to partially waive reserve funding for the current fiscal year based on a study conducted by an independent reserve study specialist in September, 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, 2021

4. FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

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

COMPONENTS	BALANCE 12/31/2020	INTEREST/ ASSESSMENTS	PRIOR PERIOD ADJUSTMENT	EXPENDITURES	BALANCE 12/31/2021
Roofing	\$894,520	\$96,000	\$0	\$0	\$990,520
Paving	251,399	17,400	0	0	268,799
Painting	100,754	15,000	0	0	115,754
Pool	20,072	12,000	0	0	32,072
Water Services	60,000	0	0	(4,635)	55,365
SUB-TOTAL CONTRACT LIABILITY - DEFERRED RESERVES	1,326,745	140,400	0	(4,635)	1,462,510
Fund Balance - Unallocated Interest	74,531	2,283	(11,746)	0	65,068
TOTAL LIABILITIES AND FUND BALANCE	\$1,401,276	\$142,683	(\$11,746)	(\$4,635)	\$1,527,578

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 \$10,700, 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, 2021**

**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 2021 federal income tax return on Form 1120H under Section 528 of the Internal Revenue Code.

There is no current year provision for income taxes.

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

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

**6. CONCENTRATION OF CREDIT RISK**

As of December 31, 2021, 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.

**7. 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 and roof replacement loan by refinancing them into one new fixed rate loan. 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.

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

**NOTES TO FINANCIAL STATEMENTS  
Continued**

**December 31, 2021**

**7. NOTE PAYABLE (Continued)**

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

YEAR	PRINCIPAL PAYMENT
2022	\$ 116,040
<b>TOTAL</b>	<b><u>\$ 116,040</u></b>

For the current year ended, the Association had \$118,785 of loan payments, consisting of \$111,726 of principal and \$7,059 of interest.

**8. PRIOR PERIOD ADJUSTMENT**

Prior period adjustments are transactions and corrections relating to prior accounting periods, and are made in order to reflect the current year without distortion. This prior period adjustment is to reconcile fund balance due to prior adjusting journal entries not posted.

**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.

**10. OTHER RECEIVABLE**

During November 2021, the Association was involved in fraud involving fraudulent checks. The checks were issued and cleared out of the Association's not closed checking account. Three of the checks were reproduced with altered Payee and account information. The Association was credited on January 26, 2022 for 4 out of the 5 fraudulent checks to the newly opened checking account. The Association created a receivable in the amount of \$65,649 of the total balance of 5 fraudulent checks.



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

**NOTES TO FINANCIAL STATEMENTS  
Continued**

**December 31, 2021**

**11. CONTINGENCIES**

Insurance Deductible

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

Legal

The Association is from time-to-time subject to complaints and claims, including litigation, arising in the ordinary course of business. As of the date of this report, management 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.

COVID-19

In December 2019, a novel strain of coronavirus ("COVID-19") was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements, and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus began causing business disruptions domestically beginning in January 2020 that are anticipated to continue for the near future. The Association may be impacted but the extent of the impact on the Association's operational and financial performance will depend on future developments, including the duration and spread of the outbreak, related travel restrictions and the impact of the COVID-19 pandemic on overall demand for the Association's services. As of the date of this report, the impact cannot be predicted.