

**Starlight Towers
Association, Inc.**

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2022 AND 2021**

**TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT**

A. John Bono
Certified Public Accountant

Starlight Towers Association, Inc.
Financial Statements As Of December 31, 2022 And 2021

INDEX

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Assets, Liabilities, and Fund Balances (Deficit)	2
Statements of Assessments, Revenues, and Expenditures and Changes in Fund Balances	3
Statements of Cash Flows	4
Notes to Financial Statements	5 – 9
Supplementary Information on Operating Expenditures	10

A. John Bono, CPA, LLC.
Certified Public Accountants

2929 E. Commercial Blvd., Suite 100
Fort Lauderdale, FL 33308

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Starlight Towers Association, Inc.:

I have audited the accompanying Financial Statement of Starlight Towers Association, Inc. which comprise the Statement of Assets, Liabilities, and Fund Balances as of December 31, 2022, and 2021, and the related Statements of Assessments, Revenues, Expenditures, and Changes in Fund Balances (Deficit) and Cash Flows for the years then ended and the related Notes to the Financial Statements.

In my opinion, the Financial Statements referred to above present fairly, in all material respects, the financial position of Starlight Towers Association, Inc. as of December 31, 2022, and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

I have previously audited Starlight Towers Association, Inc. 2021 Financial Statements, and my report dated November 17, 2022, expressed an unmodified opinion on those Financial Statements. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited Financial Statements from which it has been derived.

Basis For Opinion

I conducted my Audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Starlight Towers Association, Inc., and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my Audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my Audit opinion.

Responsibilities Of Management 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, and for the design, implementation, and the 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 Starlight Towers Association, Inc.'s ability to continue as a going concern within one year after the date that the Financial Statements are available to be issued.

Cell: (954) 914-9731 • Office (954) 533-2389 • Fax (954) 533-2498 • Email: johnbono42@att.net
Licensed in Florida and North Carolina

INDEPENDENT AUDITOR'S REPORT

Page 2

Auditor's Responsibilities For The Audit Of The Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but it 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 in 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, I:

- ❖ 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 procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Starlight Towers Association, Inc. internal control. Accordingly, no such opinion is expressed.
- ❖ Evaluate the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Financial Statements.
- ❖ Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Starlight Towers Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the Audit.

INDEPENDENT AUDITOR'S REPORT

Page 3

Report on Supplementary Information

My Audit was made for the purpose of forming an opinion on the basic Financial Statements taken as a whole. The accompanying Supplementary Information on Operating Expenditures is presented for purposes of additional analysis and is not a required part of the basic Financial Statements. Such information was derived from and related 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 basic Financial Statements and, in my opinion, is fairly stated in all material respects in relation to the basic Financial Statements taken as a whole.

Omission of Required Supplementary Information about Major Repairs and Replacements

Management has omitted supplementary information on future repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic Financial Statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board (FASB), who considers it to be an essential part of the financial reporting for placing the basic Financial Statements in appropriate operational, economic, or historical context. My opinion of the basic Financial Statements is not affected by the missing information.

A. John Bono, CPA, LLC

A. John Bono, CPA, LLC
Certified Public Accountant
Fort Lauderdale, Florida 33308

February 7, 2024

Starlight Towers Association, Inc.
Statements of Assets, Liabilities and Fund Balances
December 31, 2022
(With Comparative Totals As Of December 31, 2021)

	2022			2021
	Operating Fund	Replacement Fund	Total	Total
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 9,337	\$ 937,087	\$ 946,424	\$ 975,981
Receivables From Unit Owners Member Assessment and Other	1,785	-	1,785	6,318
Prepaid Insurance	22,472	-	22,472	18,672
TOTAL ASSETS	\$ 33,594	\$ 937,087	\$ 970,681	\$ 1,000,971
<u>LIABILITIES</u>				
Accounts Payable And Other	\$ 9,941	\$ -	\$ 9,941	\$ 7,300
Prepaid Unit Owner Assessments	17,434	-	17,434	51,429
Contract Liabilities (Assessments Received In Advance - Replacement Fund)	-	937,087	937,087	908,674
TOTAL LIABILITIES	27,375	937,087	964,462	967,403
<u>FUND BALANCES</u>	6,219	-	6,219	33,568
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,594	\$ 937,087	\$ 970,681	\$ 1,000,971

The Accompanying Notes Are An Integral Part Of These Financial Statements.

Starlight Towers Association, Inc.
Statements of Assessments, Revenues and Expenditures and
Changes in Fund Balances (Deficit)
For the Year Ended December 31, 2022
(With Comparative Totals For 2021)

	2022			2021
	Operating Fund	Replacement Fund	Total	Total
<u>ASSESSMENTS AND REVENUE</u>				
Member Assessments	\$ 644,242	\$ 131,087	\$ 775,329	\$ 611,902
Rental Income	14,400	-	14,400	14,400
Other Revenue	2,635	-	2,635	9,535
Interest	-	1,826	1,826	-
TOTAL	<u>661,277</u>	<u>132,913</u>	<u>794,190</u>	<u>635,837</u>
<u>EXPENDITURES</u>				
Utilities	126,968	-	126,968	102,005
Maintenance	191,174	-	191,174	118,053
Payroll and Related Payroll Costs	172,867	-	172,867	171,846
Pool	9,477	-	9,477	17,022
Insurance Expense	219,510	-	219,510	179,238
Management Fees	20,904	-	20,904	18,604
Administrative and Office	8,529	-	8,529	11,652
Replacement and Major Repairs	-	132,913	132,913	-
TOTAL	<u>749,429</u>	<u>132,913</u>	<u>882,342</u>	<u>618,420</u>
EXCESS (DEFICIT) OF FUND				
ASSESSMENTS AND REVENUES				
OVER EXPENDITURES				
	(88,152)	-	(88,152)	17,417
FUND TRANSFER	60,000	-	60,000	-
PRIOR PERIOD ADJUSTMENTS	803	-	803	(1,704)
FUND BALANCES,				
BEGINNING OF YEAR				
	<u>33,568</u>	-	<u>33,568</u>	<u>17,855</u>
FUND BALANCES,				
END OF YEAR				
	<u>\$ 6,219</u>	<u>\$ -</u>	<u>\$ 6,219</u>	<u>\$ 33,568</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements.

Starlight Towers Association, Inc.
Statements of Cash Flows
For The Year Ended December 31, 2022
(With Comparative Totals for 2021)

	2022			2021
	Operating Fund	Replacement Fund	Total	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Member Assessments	\$ 614,780	\$ 131,087	\$ 745,867	\$ 597,952
Interest	-	1,826	1,826	-
Other Revenues	17,035	-	17,035	23,935
Contract Liabilities	-	88,413	88,413	220,591
Cash Paid For Operating and Other Expenditures	(750,588)	-	(750,588)	(619,549)
Replacement/Major Repairs Paid	-	(132,913)	(132,913)	-
Net Cash Provided (Used) By Operating Activities	(118,773)	88,413	(30,360)	222,929
FUND TRANSFER	60,000	(60,000)	-	-
PRIOR PERIOD ADJUSTMENTS	803	-	803	(1,704)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	67,307	908,674	975,981	754,756
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 9,337</u>	<u>\$ 937,087</u>	<u>\$ 946,424</u>	<u>\$ 975,981</u>

**RECONCILIATION OF EXCESS (DEFICIT) OF
FUND ASSESSMENTS AND REVENUES OVER
EXPENDITURES TO NET CASH PROVIDED
(USED) BY OPERATING ACTIVITIES**

Excess (Deficit) of Fund Assessments And Revenues Over Expenditures	\$ (88,152)	\$ -	\$ (88,152)	\$ 17,417
(Increase) Decrease In:				
Receivables	4,533	-	4,533	(4,511)
Prepaid Insurance	(3,800)	-	(3,800)	(1,629)
Increase (Decrease) In:				
Accounts Payable And Other	2,641	-	2,641	500
Prepaid Assessments	(33,995)	-	(33,995)	(9,439)
Contract Liabilities	-	88,413	88,413	220,591
Net Cash Provided (Used) By Operating Activities	<u>\$ (118,773)</u>	<u>\$ 88,413</u>	<u>\$ (30,360)</u>	<u>\$ 222,929</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements.

Starlight Towers Association, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 And 2021

NOTE 1 – ORGANIZATION

Starlight Towers Association, Inc. (Starlight Towers) is a statutory association organized under the laws of the State of Florida as a not-for-profit corporation for the purpose of maintaining 116 residential condominium units and preserving common property located in Lauderdale By The Sea, Florida.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Starlight Towers requires that the financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Starlight Towers uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Expenditures from the operating fund are generally at the discretion of the Board of Directors and the management company. Expenditures from the replacement fund generally may be only for designated purposes.

Ownership of commonly owned assets such as Starlight Towers' furnishings is vested directly or indirectly with the unit owners and is not capitalized in Starlight Towers' financial statements. Replacements and major repairs; and the purchase of additional commonly owned assets are included in fund expenditures in the year of addition.

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.

For purposes of the statement of cash flows, the Association considers all highly liquid investments and investments with an initial maturity of three months or less to be cash equivalents.

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 market of the 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 were no material differences between the carrying value of its financial assets and liabilities at December 31, 2022, therefore, no adjustment for the effect of FASB ASC 820 was made to the Association's financial statements at December 31, 2022.

The Association recognizes interest income on the operating fund and the replacement fund when earned. The Association's policy is to account for fund expenditures using fund interest income before fund assessment income.

The By-Laws of the Corporation require that Starlight Towers maintain adequate hazard, crime, and directors and officers' insurance.

Starlight Towers Association, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 And 2021

NOTE 3 – MEMBER ASSESSMENTS

Association members are subject to quarterly 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. Assessments receivable at Statement of Assets, Liabilities, and Fund Balance date are stated at the amounts expected to be collected from outstanding assessments from unit owners.

The Association's policy is to retain legal counsel and place liens on properties of unit owners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in future operating periods. At December 31, 2022, no allowance for uncollectible accounts is deemed necessary.

NOTE 4 – CONTRACT LIABILITES (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 balance of contract liabilities as of the beginning and end of the year are \$908,674 and \$937,087, respectively.

NOTE 5 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

Accumulated funds, which aggregate \$937,087, and are presented in the accompanying Statement of Assets, Liabilities, and Fund Balances as a contract liability (assessments received in advance-replacement fund) at December 31, 2022, are held in separate cash accounts and are generally not available for operating purposes.

The Board of Directors and the management company has not updated a study to estimate the remaining useful lives and the replacement costs of the components of common property as part of the 2023 budget process.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the estimate of current replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, funding of \$225,816 has been included in the 2023 budget.

Funds are being accumulated in the replacement fund based on estimates for future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs or replacements until funds are available.

Starlight Towers Association, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 And 2021

NOTE 5 – FUTURE MAJOR REPAIRS AND REPLACEMENTS - CONTINUED

The balance in the replacement fund (contract liabilities) consists of the following:

	Balance 12/31/2021	Interest/ Assessments	Expenditures	Transfers/ Other	Balance 12/31/2022	2023 Budget
Painting	\$ 74,454	\$ 5,068	\$ -	\$ -	\$ 79,522	\$ 5,068
Building Systems	388,263	80,000	-	(60,000)	408,263	80,000
Parking Lot	22,775	1,111	-	-	23,886	1,111
A/C, Plumbing, Electrical	146,609	47,400	(52,661)	-	141,348	47,400
Roof Resurface	59,273	22,591	-	-	81,864	22,591
Rec Room and Lobby	61,475	20,000	-	-	81,475	20,000
Elevators	66,692	33,331	(75,779)	-	24,244	39,646
Concrete Restoration	1,451	-	-	-	1,451	-
Carport Roof	54,968	-	-	-	54,968	-
Betterments	19,877	10,000	(4,473)	-	25,404	10,000
Interest - Unallocated	12,837	1,825	-	-	14,662	-
	<u>\$ 908,674</u>	<u>\$ 221,326</u>	<u>\$ (132,913)</u>	<u>\$ (60,000)</u>	<u>\$ 937,087</u>	<u>\$ 225,816</u>

NOTE 6 – INCOME TAXES

Condominium and residential real estate management associations may elect annually to be treated as a tax-exempt organization under Section 528 of the Internal Revenue Code. Tax-exempt status protects an association, such as Starlight Towers from taxation on its “Exempt Function Income”, such as membership assessments. Non-exempt income, such as interest, is taxed at regular corporate rates. There are no income taxes due for 2022.

The Association has evaluated its tax position and concluded that there are no material uncertain tax positions that were identified.

NOTE 7 - CONCENTRATION OF CREDIT RISK

The Association invests its excess cash in both deposits and high-quality short term liquid money market accounts with a major bank and carrying value approximates fair value. Cash balances have exceeded the FDIC deposit limit of \$250,000 by \$696,040 as of December 31, 2022. The Association believes it is not exposed to any significant credit risk.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Association has various contract services to maintain common property, including management and other services. These contracts have various termination dates and renewal terms.

Wind and hail insurance is subject to a 5% deductible.

Starlight Towers Association, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 And 2021

NOTE 8 - COMMITMENTS AND CONTINGENCIES - CONTINUED

The Association is, from time-to-time, subject complaints and claims, including litigation, arising in the management of the Association. 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 financial position, or future operating results.

NOTE 9 – PRIOR PERIOD ADJUSTMENTS

Prior period adjustments of \$803 were made in 2022 and \$1,704 in 2021 to match assessments and revenues with related expenditures between accounting periods.

NOTE 10 - FASB ASC TOPIC 842 – LEASES – NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 842, Leases, in the Accounting Standards Classification (ASC). Topic 842 supersedes the leasing requirements of Topic 840, Leases, and requires entities to recognize substantially all operating and finance leases separately on their balance sheets as lease liabilities with a corresponding right-of-use asset, and to disclose certain information concerning the nature of the lease, significant judgements in measuring the lease, and information adequate to assess the amount, timing, and uncertainty of cash flows arising from such leases.

The Association adopted the requirements of the new guidance as of December 15, 2022, using a modified retrospective approach. The Association applied the new guidance using the practical expedient provided in Topic 842 that allows the new guidance to be applied only to leases finalized after the implementation date. Leases executed prior to the implementation date will continue to be accounted for under the previous FASB ASC Topic 840, unless modifications are made to the lease.

The Association has evaluated the new standard (Topic 842) and has concluded that no material modifications should be made to the Association’s financial statements at December 31, 2022.

NOTE 11 - CONDOMINIUM STRUCTURAL SAFETY FUNDING REQUIREMENTS

On May 26, 2022, the Governor of the State of Florida signed into law Senate Bill 4D, creating Florida Statute 553.899 and amending Florida Statutes 718 and 719. Florida Senate Bill 154 further amended and clarified the provisions enacted by Florida Senate Bill 4D, and will take effect on July 1, 2023.

Under the new Florida Statute 553.899, Condominium and Cooperative residential Associations that are three (3) stories or more are required to complete a building Milestone Inspection. Buildings that are at least thirty (30) years old, as of July 1, 2022, must complete the building Milestone Inspection by December 31, 2024. Buildings that are less than thirty (30) years old, as of July 1, 2022, must complete the building Milestone Inspection by December 31, 2025. Local enforcement agencies may require an Association to complete the Milestone Inspection before the building reaches 25 years of age.

Starlight Towers Association, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 And 2021

NOTE 11 - CONDOMINIUM STRUCTURAL SAFETY FUNDING REQUIREMENTS –
CONTINUED

An Association must further complete a Structural Integrity Reserve Study, as defined by Florida Statutes 718 and 719, by December 31, 2026. Associations must then complete a Structural Integrity Reserve Study every ten (10) years thereafter, or earlier, if determined by local enforcement agencies.

The provision with the largest potential impact on the Association is the prohibition of waiving the funding for certain structural reserves, as defined in Florida Statutes 718 and 719. The financial impact on the Association and its unit owners is not known as of the date of this Audit Report.

NOTE 12 - DATE OF MANAGEMENT REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date of the Auditor's Report, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Starlight Towers Association, Inc.
Supplemental Information On Operating Expenditures
For The Year Ended December 31, 2022 And 2021

	<u>2022</u>	<u>2021</u>
<u>UTILITIES</u>		
Water and Sewer	\$ 67,513	\$ 60,754
Electricity	27,306	24,347
Gas	18,893	6,410
Telephone	11,389	9,020
Cable Television	1,867	1,474
	<u>\$ 126,968</u>	<u>\$ 102,005</u>
 <u>MAINTENANCE</u>		
Building Maintenance	\$ 85,449	\$ 67,282
Elevator	57,126	15,611
Air Conditioning	7,275	3,532
Exterminating	6,140	7,133
Fire Maintenance	5,781	8,621
Grounds Maintenance	16,225	8,083
Trash Removal	12,750	7,691
Security Camera	428	100
	<u>\$ 191,174</u>	<u>\$ 118,053</u>
 <u>ADMINISTRATIVE AND OFFICE</u>		
Legal Fees	\$ 470	\$ 1,694
Accounting Fees	3,900	3,900
Licenses and Fees	766	1,234
Office Supplies and Expense	3,393	4,824
	<u>\$ 8,529</u>	<u>\$ 11,652</u>

The Accompanying Auditor's Report And Notes Are An Integral Part Of These Financial Statements.