

April 10, 2025

Board of Directors Sunset Palms West Condominium Association, Inc.

Subject: Financial Statement Review Engagement - Inquiries for Fiscal Years Ended December 31, 2019, 2020, and 2021

Dear Members of the Board of Directors:

In conjunction with our review of the financial statements of Sunset Palms West Condominium Association, Inc. (the "Association") for the years ended December 31, 2019, 2020, and 2021, we are making inquiries concerning matters affecting the financial statements and specific account balances and transactions. This review is being conducted in accordance with Statements on Standards for Accounting and Review Services (SSARS) No. 21 issued by the American Institute of Certified Public Accountants and is required pursuant to the Consent Order (Case No. 2024031849) issued by the Florida Department of Business and Professional Regulation.

Our review procedures primarily consist of applying analytical procedures to the financial data and making inquiries of management and/or the Board. A review does not contemplate obtaining an understanding of internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate review evidence through inspection, observation, confirmation, or the examination of source documents; or other procedures ordinarily performed in an audit. Accordingly, we will not express an audit opinion on these financial statements.

We understand that the current Board members and property manager were not in place during the entire period under review (2019-2021). However, as part of our procedures, we request your written responses to the following inquiries based on your understanding and the Association's official books and records.

General & Accounting Policies:

1. To the best of your knowledge, are the Association's books and records for the years 2019, 2020, and 2021 complete and available for our review? Are you aware of any significant records that may be missing?
2. Please describe the basis of accounting used by the Association during 2019-2021 (e.g., cash, modified accrual, accrual). Has this basis been applied consistently across all three years?
3. What were the Association's accounting policies regarding revenue recognition for assessments (regular and special), late fees, and other income sources during this period?
4. What was the Association's policy for capitalizing expenditures versus expensing them during 2019-2021?
5. Were budgets formally adopted by the Board for the fiscal years 2019, 2020, and 2021? If so, please provide copies.

6. Regarding reserve funds:
 - o What was the Association's policy for funding reserves during 2019-2021? Was it consistent with Florida statutory requirements?
 - o We noted amounts allocated to capital reserves presented as expenses on the Profit & Loss statements. Please explain the rationale for this presentation, as typically reserve funding is an allocation of equity, not an expense.
7. Are you aware of any significant changes in accounting principles, practices, or methods adopted by the Association during the period 2019-2021?
8. What were the procedures in place during 2019-2021 for recording cash receipts and disbursements, authorizing transactions, and reconciling bank accounts?

Specific Inquiries Based on Preliminary Review:

9. We were not provided with monthly financial statements for June and July 2019. Are these available?
10. Beginning approximately August 2019, the balance sheet format appears to have changed, no longer explicitly separating the Operating Fund, Special Assessment Fund, and Replacement Fund. Was there a change in bookkeeper, accounting software, or accounting procedures around this time that would explain this change in presentation?
11. The Balance Sheet as of December 31, 2021, shows negative Accounts Receivable of \$10,905. Please provide an explanation for this balance. Was this due to prepayments, credit balances, or an accounting error?
12. We noted a significant decrease in Total Equity between December 31, 2021 (\$342,934 based on the 3-year BS, consistent with Dec 31, 2021 figures in the variance report) and January 31, 2022 (\$226,989 implied from Jan 31, 2022 figures in the variance report), a difference of approximately \$115,945. Please explain the primary reasons for this large decrease in equity during January 2022.
13. The financial report format and certain account classifications appear to change significantly between December 2021 and January 2022 (e.g., cash account naming, presentation of receivables and assessments). Was there a change in bookkeeper, property management, accounting software, or accounting policies effective January 2022? Please describe the nature of these changes.
14. Can you provide details regarding the loan payments noted as an expense in 2019? Were these principal and interest payments, and are the underlying loan documents available?
15. Please provide context for the lawsuit/settlement payment expense of \$78,000 recorded in 2021.

Other Matters:

16. To the best of your knowledge, has the Association complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance during 2019-2021?
17. Are you aware of any violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for

recording a loss contingency during this period, other than the matter addressed by the Consent Order?

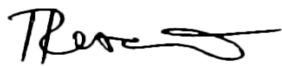
18. Are minutes available for all meetings of the Board of Directors and unit owners held during the period January 1, 2019, through December 31, 2021?

Please provide written responses to these inquiries at your earliest convenience, but no later than April 24, 2025. Your responses will assist us in completing our review engagement.

Should you have any questions regarding these inquiries, please do not hesitate to contact us. We appreciate your cooperation.

Sincerely,

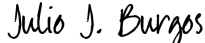
Russell Rosario, CPA



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Signed by:

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