

N217423



STEVEN H. MEZER, P.A.
SUITE B
1212 COURT STREET
CLEARWATER, FL 34616

STEVEN H. MEZER
Board Certified Real Estate Attorney

TELEPHONE
(813) 443-4252
FACSIMILE
(813) 461-3938

April 25, 1997

Secretary of State
Division of Corporation
Post Office Box 6327
Tallahassee, FL 32314

Attn: Amendments

Re: Cove Cay Village III Condominium Association, Inc.
Cove Cay Village III Recreation Association, Inc.
Articles of Merger

900002156219--5
-04/28/97--01030--005
****122.50 ****122.50

Gentlemen:

Enclosed herewith please find an original Articles of Merger, along with the original Agreement of Merger for the above referenced associations. Please process accordingly and forward confirmation of the same to our office at your soonest possible convenience.

This firm's check in the amount of \$122.50 is enclosed for this service. Thank you for your assistance.

Sincerely,

Steven H. Mezer

SHM/cam
enclosures

FILED
SECRETARY OF STATE
DIVISION OF CORPORATION
97 JUN 16 PM 1:43
mercy

JUN 16 1997

STEVEN H. MEZER, P.A.

ATTORNEY AT LAW
SUITE 8
1212 COURT STREET
CLEARWATER, FLORIDA 34616

STEVEN H. MEZER
BOARD CERTIFIED REAL ESTATE ATTORNEY

EDWARD J. AIOSA*
*ALSO ADMITTED TO
PRACTICE IN NEW YORK

TEL. (813) 447-1888
FAX. (813) 461-3938

June 11, 1997

Florida Department of State
Division of Corporations
Post Office Box 6327
Tallahassee, FL 32314

Attn: Steven Harris - Corporate Specialist
Letter Number: 997A00023309

Dear Mr. Harris:

In accordance with your letter of May 5, 1997 enclosed herewith please find the original Articles of Merger, along with the original Agreement for Merger with Exhibit "A" attached thereto. Please process accordingly.

Thank you for your assistance and cooperation with regard to this matter

Sincerely,

Steven H. Mezer

SHM/cam
enclosures

RECEIVED
97 JUN 13 AM 8:18
DIVISION OF CORPORATIONS



FLORIDA DEPARTMENT OF STATE

Sandra B. Mortham
Secretary of State

May 5, 1997

Steven H. Mezer
1212 Court St.
Suite B
Clearwater, FL 34616

SUBJECT: COVE CAY VILLAGE III CONDOMINIUM ASSOCIATION, INC.
Ref. Number: N21723

We have received your document for COVE CAY VILLAGE III CONDOMINIUM ASSOCIATION, INC. and your check(s) totaling \$122.50. However, the enclosed document has not been filed and is being returned for the following correction(s):

On page 3, paragraphs 7 and 8, an exhibit "A" is referenced as being attached. When we received the document, the referenced exhibit was not included with the document.

Please return your document, along with a copy of this letter, within 60 days or your filing will be considered abandoned.

If you have any questions concerning the filing of your document, please call (904) 487-6908.

Steven Harris
Corporate Specialist

Letter Number: 997A00023309

ARTICLES OF MERGER
Merger Sheet

MERGING:

COVE CAY VILLAGE III RECREATION ASSOCIATION, INC., a Florida
corporation, N21724

INTO

COVE CAY VILLAGE III CONDOMINIUM ASSOCIATION, INC., a Florida
corporation, N21723

File date: June 16, 1997

Corporate Specialist: Thelma Lewis

ARTICLES OF MERGER

TO: DEPARTMENT OF STATE
Corporate Division
The Capitol
Tallahassee, FL 32304

FILED
SECRETARY OF STATE
DIVISION OF CORPORATIONS
97 JUN 16 PM 1:43

1. The undersigned corporations have adopted an Agreement and Plan of Merger, a copy of which is attached hereto as Exhibit "A" and incorporated herein by reference.

2. The name of the surviving corporation is Cove Cay Village III Condominium Association, Inc., a Florida non-profit corporation.

3. No changes in the Articles of Incorporation of the surviving corporation have been made.

4. The Agreement of Merger of the undersigned corporations was adopted pursuant to Section 617.051 of the Florida Not-For-Profit Corporation Act.

5. The merger of the undersigned corporations will become effective on the date the Certificate of Merger is issued by the Department of State.

6. The Board of Directors of each of the undersigned corporations have adopted the Plan and Agreement of Merger.

7. The Members of Cove Cay Village III Condominium Association, Inc. have adopted the Agreement of Merger at a special meeting called and held for that purpose on the 7th day of April, 1997, at which meeting a quorum was present and voting and such Plan and Agreement of Merger was ratified and approved by at least two-thirds of the members present and entitled to vote.

8. The members of Cove Cay Village III Recreation Association, Inc. adopted the Agreement of Merger at a special meeting held for that purpose on the 7th day of April, 1997, at which meeting a quorum was present and voting and such Agreement of Merger was ratified and approved by at least two-thirds of the members present and entitled to vote.

DATED: April 7, 1997.

COVE CAY VILLAGE III RECREATION
ASSOCIATION, INC.
(Disappearing Corporation)

By:

Ralph Davis
Ralph Davis, President

ATTEST:

Ann Orr
Ann Orr, Secretary

STATE OF FLORIDA)
COUNTY OF PINELLAS)

The foregoing instrument was acknowledged before me this 7 day of April, 1997 by Ralph Davis and Ann Orr, President and Secretary, respectively, of Cove Cay Village III Recreation Association, Inc., who are personally known to me or who have produced _____

_____ as identification, who did take an oath under the laws of the State of Florida, who executed the foregoing Articles of Merger, and severally acknowledged the execution thereof to be their free act and deed as such officers, for the uses and purposes therein mentioned, and that they affixed thereto the official seal of said corporation, and the said instrument is the act and deed of said corporation.

Lydia Benussi Martinez
Notary Public

State of Florida at Large

(SEAL)

Lydia Benussi Martinez
Print or Type Notary Signature

Comm. No. CC 538531
Exp. Mar. 8, 2000
Bonded thru Pichard Ins. Agcy.
My Commission Expires _____

COVE CAY VILLAGE III CONDOMINIUM
ASSOCIATION, INC.
(Surviving Corporation)

By:

Ralph Davis
Ralph Davis, President

ATTEST:

Ann Orr
Ann Orr, Secretary

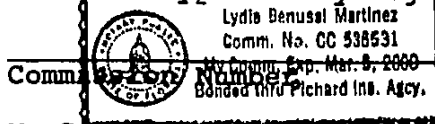
STATE OF FLORIDA)
COUNTY OF PINELLAS)

The foregoing instrument was acknowledged before me this
7 day of April, 1997 by Ralph Davis and Ann Orr,
President and Secretary, respectively, of Cove Cay
Village III Condominium Association Inc., who
are personally known to me or who have produced
as identification, who
did take an oath under the laws of the State of Florida, who
executed the foregoing Articles of Merger, and severally
acknowledged the execution thereof to be their free act and deed
as such officers, for the uses and purposes therein mentioned, and
that they affixed thereto the official seal of said corporation,
and the said instrument is the act and deed of said corporation.

Lydia Benussi Martinez (SEAL)
Notary Public

State of Florida at Large

Lydia Benussi Martinez
Print or Type Notary Signature



My Commission Expires:

AGREEMENT OF MERGER

THIS AGREEMENT is made this 7th day of April, 1997, by and between Cove Cay Village III Condominium Association, Inc., a Florida Non-Profit Corporation, and Cove Cay Village III Recreation Association, Inc., a Florida Non-Profit Corporation, said corporations being sometimes hereinafter collectively referred to as "Constituent Corporations."

R E C I T A L S:

A. The respective Boards of Directors and Members of the Constituent Corporations deem it advisable that Cove Cay Village III Recreation Association, Inc. (the "Disappearing Corporation") be merged into Cove Cay Village III Condominium Association, Inc. (the "Surviving Corporation"), under the laws of the State of Florida, in the manner provided therefor pursuant to Section 617.051 of the Florida Not-For-Profit Corporation Act.

B. The respective Boards of Directors and Members of the Constituent Corporations have agreed that no changes or amendments in the Articles of Incorporation of the Surviving Corporation will now be made incidental to this merger.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Constituent Corporations have agreed and do hereby agree, to merge upon the terms and conditions hereinbelow set forth.

1. Agreement to Merge.

The Constituent Corporations hereby agree that Cove Cay Village III Recreation Association, Inc., the Disappearing

Corporation, shall be merged into Cove Cay Village III Condominium Association, Inc., the Surviving Corporation.

2. Name of Merged Corporation.

The name of the surviving Corporation shall be Cove Cay Village III Condominium Association, Inc.

3. Principal Office of Surviving Corporation.

The principal office of the Surviving Corporation shall be located at the following address:

Cove Cay Village III Condominium Association
1200 Cove Cay Drive
Clearwater, Florida 34620

4. Purposes of Surviving Corporation.

The purposes of the Surviving Corporation are to engage in any lawful acts or activities for which such corporations may be formed under Chapter 617 of the Florida Statutes.

5. Board of Directors of Surviving Corporation.

(a) The Board of Directors of the Surviving Corporation at the date of merger will continue to serve in such capacity as otherwise provided by the By Laws of said corporation. Subsequently, all Directors shall be elected in the manner set forth in the Bylaws of the Surviving Corporation.

6. Registered Agent of Surviving Corporation.

The individual hereinafter named shall be the registered agent for the Surviving Corporation, at the address hereinbelow set forth, upon whom process, notices and demands against Cove Cay Village III Condominium Association, Inc. or Cove Cay Village III Recreation Association, Inc. may be served: Ralph Davis, 1200 Cove Cay Drive, Clearwater, FL 34620.

7. Assets of Disappearing Corporation.

All property, real, personal and mixed and all debts due on whatever account, and all other choses in action and all and every other interest of or belonging to or due to Cove Cay Village III Recreation Association, Inc. shall be deemed to be transferred, conveyed to and vested in the Surviving Corporation without further act or deed and the title to or any interest in any real estate vested in such corporations shall not revert or be in any way impaired by reason of such merger. Such assets are described on Exhibit "A" attached hereto and incorporated herein by reference.

8. Liabilities of Disappearing Corporation.

The Surviving Corporation shall assume, and henceforth be responsible and liable for, all the liabilities and obligations of the Disappearing Corporation and any claim existing, or action or proceeding pending by or against Cove Cay Village III Recreation Association, Inc. may be prosecuted as if such merger had not taken place or the Surviving Corporation may be substituted in its place. Such liabilities and obligations of Cove Cay Village III Recreation Association, Inc. are more particularly described on Exhibit "A" attached hereto and incorporated here by reference.

9. Articles of Incorporation of Cove Cay Village III Condominium Association, Inc.

The Articles or Certificate of Incorporation of the Surviving Corporation shall not be amended and shall continue to be the

Articles or Certificate of Incorporation of the Surviving Corporation in its present form and content.

10. Bylaws of Cove Cay Village III Condominium Association, Inc.

The Bylaws of the Surviving Corporation shall continue in its present form and content, to be the Bylaws of the Surviving Corporation.

11. Effective Date of Agreement.

This Agreement shall become effective on the date of filing of the Articles of Merger with the office of the Secretary of State.

12. Officers of Surviving Corporation.

It is anticipated that on the effective date of the merger, the following persons who have been dully elected shall remain in office as described hereinbelow and shall serve in that capacity through the expiration of their term as determined by the Bylaws of the Corporation or until their successors are elected and shall qualify:

President:	Ralph Davis
Vice President:	Kenneth Brouwer
Secretary/Treasurer:	Ann Orr

13. Books and Records of Cove Cay Village III Recreation Association, Inc.

It is agreed that the books and records of Cove Cay Village III Recreation Association, Inc. shall be prepared for the period

from the end of the last fiscal year of said corporation through the effective date of the merger. Such financial report shall be completed within six (6) months following the date of the merger.

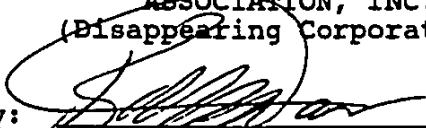
14. Management and Decisions by Board of Directors of Cove Cay Village III Condominium Association, Inc.

Following the effective date of the merger, all decisions shall be made by the Board of Directors of the Surviving Corporation and by the members of the surviving corporation, Cove Cay Village III Condominium Association, Inc., as provided by the Articles of Incorporation, By Laws or applicable Florida law.

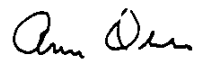
IN WITNESS WHEREOF, the Constituent Corporations have-caused their respective corporate names to be signed hereto by their respective Presidents and Secretaries, thereunto duly authorized by the respective Board of Directors and Members thereof, the day and year first above written.

DATED: April 7, 1997.

COVE CAY VILLAGE III RECREATION
ASSOCIATION, INC.
(Disappearing Corporation)

By: 
Ralph Davis, President

ATTEST:

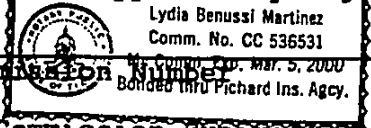

Ann Orr, Secretary

STATE OF FLORIDA)
)
COUNTY OF PINELLAS)

The foregoing instrument was acknowledged before me this
7 day of April, 1997 by Ralph Davis and Ann Orr,

President and Secretary, respectively, of Cove Cay Village III Recreation Association, Inc., who are personally known to me or who have produced _____ as identification, who did take an oath under the laws of the State of Florida, who executed the foregoing Agreement of Merger, and severally acknowledged the execution thereof to be their free act and deed as such officers, for the uses and purposes therein mentioned, and that they affixed thereto the official seal of said corporation, and the said instrument is the act and deed of said corporation.

Lydia Benussi Martinez (SEAL)
Notary Public
State of Florida at Large

Lydia Benussi Martinez
~~Print or Type Notary Signature~~

My Commission Expires:

COVE CAY VILLAGE III CONDOMINIUM
ASSOCIATION, INC.
(Surviving Corporation)

By: [Signature]
Ralph Davis, President

ATTEST:

[Signature]
_____, Secretary

STATE OF FLORIDA)
COUNTY OF PINELLAS)

The foregoing instrument was acknowledged before me this 7 day of April, 1997 by Ralph Davis and Ann Orr, President and Secretary, respectively, of Cove Cay Village III Condominium Association, Inc., who are personally known to me or who have produced _____ as identification, who did take an oath under the laws of the State of Florida, who executed the foregoing Agreement of Merger, and severally acknowledged the execution thereof to be their free act and deed

as such officers, for the uses and purposes therein mentioned, and that they affixed thereto the official seal of said corporation, and the said instrument is the act and deed of said corporation.

Lydia Benussi Martinez (SEAL)
Notary Public
State of Florida at Large.

Lydia Benussi Martinez
~~Print or Type Notary Signature~~

~~Commission Number~~
 Lydia Benussi Martinez
Comm. No. CC 538531
My Comm. Exp. Mar. 8, 2000
Bonded thru Pichard Ins. Agcy.

My Commission Expires:

COVE CAY VILLAGE III RECREATION ASSOCIATION, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 1996

COVE CAY VILLAGE III RECREATION ASSOCIATION, INC.

DECEMBER 31, 1996

C O N T E N T S

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Certified Public Accountants

Hicks, Frankenberg & Associates, P.A.

(813) 796-2459
FAX (813) 791-0507

Don R. Frankenberg
Michael D. Hicks

To The Board of Directors of
Cove Cay Village III Recreation Association, Inc.
Clearwater, Florida

We have compiled the accompanying balance sheet of Cove Cay Village III Recreation Association, Inc. as of December 31, 1996, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended and the accompanying supplementary information, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary information and, accordingly, do not express an opinion or any other form of assurance on them.

The supplementary information about future major repairs and replacements is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have compiled the supplementary information from information that is the representation of the management of Cove Cay Village III Recreation Association, Inc., without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Hicks, Frankenberg & Associates, P.A.

Certified Public Accountants

February 21, 1997
Clearwater, Florida

**COVE CAY VILLAGE III RECREATION ASSOCIATION, INC.
BALANCE SHEET**

DECEMBER 31, 1996

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 13	\$ 2,888	\$ 2,901
Member Assessments Receivable	330		330
Developer Assessments Receivable	273		273
Prepaid Insurance	1,154		1,154
Due from Cove Cay Village III Condominium Association, Inc.		407	407
Deposits	<u>640</u>		<u>640</u>
	<u>\$ 2,410</u>	<u>\$ 3,295</u>	<u>\$ 5,705</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts Payable	\$ 1,663	\$	\$ 1,663
Fund Balances	<u>747</u>	<u>3,295</u>	<u>4,042</u>
	<u>\$ 2,410</u>	<u>\$ 3,295</u>	<u>\$ 5,705</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANTS' REPORT

**· COVE CAY VILLAGE III RECREATION ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCES FOR THE YEAR ENDED DECEMBER 31, 1996**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>REVENUES</u>			
Member Assessments	\$ 35,833	\$ 999	\$ 36,832
Member Special Assessments	1,501		1,501
Interest Income		19	19
Miscellaneous Income	<u>165</u>		<u>165</u>
Total Revenues	37,499	1,018	38,517
<u>EXPENSES</u>			
Legal and Accounting	1,680		1,680
Postage and Office Expenses	1,730		1,730
Manager Health Insurance	1,920		1,920
Janitorial	3,600		3,600
Electric	4,111		4,111
Supplies	214		214
Pool Service	7,531		7,531
Propane	5,417		5,417
Grounds Maintenance	3,952		3,952
Contingency -Spa Heater	1,455		1,455
Insurance	5,825		5,825
Fees and Permits	296		296
Pool, Deck, Spa		4,245	4,245
Master Association Expense	2,640		2,640
Forgiveness of Debt-Cove Cay Village III Condominium Association, Inc.	<u>1,069</u>		<u>1,069</u>
Total Expenses	<u>41,440</u>	<u>4,245</u>	<u>45,685</u>
Excess (deficit) of Revenues over Expenses	(3,941)	(3,227)	(7,168)
Transfer from Cove Cay Village III Condominium Association, Inc.		6,522	6,522
Beginning Fund Balance(Deficit)	<u>4,688</u>	<u>-0-</u>	<u>4,688</u>
Ending Fund Balance (Deficit)	\$ <u>747</u>	\$ <u>3,295</u>	\$ <u>4,042</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANTS' REPORT

COVE CAY VILLAGE III RECREATION ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1996

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Member Assessments Received	\$ 37,308	\$ 592	\$ 37,900
Interest Income	-0-	19	19
Miscellaneous Income	163	-0-	163
Replacement Fund Transfer from Cove Cay Village III Condominium Association, Inc.		6,522	6,522
Expenses Paid	<u>(40,536)</u>	<u>(4,245)</u>	<u>(44,781)</u>
Net Cash Provided (Used) by Operating Activities	(3,065)	2,888	(177)
Beginning Cash	<u>3,078</u>	<u>-0-</u>	<u>3,078</u>
Ending Cash	\$ <u>13</u>	\$ <u>2,888</u>	\$ <u>2,901</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANTS' REPORT

COVE CAY VILLAGE III RECREATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1996

NOTE A - NATURE OF ORGANIZATION

Cove Cay Village III Recreation Association, Inc. is a not for profit statutory condominium association incorporated in the State of Florida on July 27, 1987. The Association is responsible for the operation and maintenance of the common recreation property of Cove Cay Village III Condominium. The Condominium consists of 154 units in Clearwater, Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide certain guidelines for 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in future years. Monthly assessments for the current fiscal year were \$19.39 per unit for the operating fund and \$6.49 per unit for the month of January, 1996 only, for the replacement fund. The Board of Directors of Cove Cay Village III Condominium Association, Inc. transferred \$3.85 per unit per

COVE CAY VILLAGE III RECREATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1996

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Member Assessments - Continued

month for February through December, 1996, to the Recreation Association Replacement Fund, out of their \$16.00 per month assessment for replacements. The annual budget and owners assessments are determined by vote of the unit owners.

Income Taxes

The Association's tax return is filed based on a December 31 year end. The Association generally files its income tax return as a homeowners' association in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform assessments to members and other income received from association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income, which includes interest income and revenue received from nonmembership sources. The Association had no tax for its year ended December 31, 1996.

Property

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statement because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property to which it has title. At December 31, 1996, no property was capitalized. The "Developer Turnover" audit for the period from inception to April 25, 1994, was completed during 1996. The audited financial statements indicate that the land upon which the Association's recreational facilities are located is owned by the developer, See Note G.

NOTE C - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements, unless this requirement is waived by the unit owners in accordance with Florida law. Accumulated funds are held in separate savings accounts and are not available for expenditures for normal operations.

The board of directors made a study in December, 1995 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were made by the Board of Directors based on information obtained from contractors. The table included in the supplementary information on Future Major Repairs and Replacements is based on the study.

COVE CAY VILLAGE III RECREATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1996

NOTE C - FUTURE MAJOR REPAIRS AND REPLACEMENTS - Continued

The funding program was included in the proposed budget for the period ended December 31, 1996, which was presented to unit owners at a general meeting. No quorum was present at the December, 1995 meeting, so full reserves were collected for January, 1996. The December meeting, which was recessed, was reconvened in February, 1996. A majority of owners voted not to include funding for major repairs and replacements in the annual budget for the months of February through December, 1996. For that reason, and because actual expenditures may vary from estimated future expenditures and the variations may be material, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. When funds are needed for those purposes, the Association has the right, subject to membership approval, to increase the regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE D - RELATED PARTY TRANSACTIONS

During the year, the Association forgave advances of \$1,069 to Cove Cay Village III Condominium Association, Inc., a related party. Cove Cay Village III Recreation Association, Inc. is comprised of the same 154 unit owners as Cove Cay Village III Condominium Association, Inc.

An employee manager hired by Cove Cay Village III Condominium Association, Inc. is providing management services to the Recreation Association. The Recreation Association paid \$1,920 for the manager's health insurance premiums.

NOTE E - CONTINGENCY EXPENSES

The amount in "Contingency Expenses" on the statement of revenues, expenses and changes in fund balances consists of the following:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
New Spa Heater	<u>\$1,455</u>

**COVE CAY VILLAGE III RECREATION ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1996**

NOTE F - CHANGE IN FISCAL YEAR END

The Association changed its fiscal year end from March 31 to December 31 effective December 31, 1995.

NOTE G - DEVELOPER TURNOVER AUDIT

The "Developer Turnover" audit for the period from inception to April 25, 1994 has been completed. The audit was performed by an independent Certified Public Accountant selected by the Developer. Legal counsel for the Association has initiated an inquiry to the developer concerning various significant items in the audited financial statements. The \$273 developer assessment receivable was recorded as a result of the audit. The audited financial statements also indicate that the land upon which the Association's recreation facilities are located is owned by the developer. The Association expects the land to be deeded to the unit owners in common by the developer.

NOTE H - SPECIAL ASSESSMENTS AND SUBSEQUENT EVENTS

In early 1996, a special assessment of \$57 per unit was approved to cover a deficit in operating fund cash needs. The assessment consisted of \$47.25 per unit for Cove Cay Village III Condominium Association, Inc., and \$9.75 per unit for Cove Cay Village III Recreation Association, Inc.

In April, 1997 a meeting will be held by Cove Cay Village III Condominium Association, Inc. and Cove Cay Village III Recreation Association, Inc. to vote on combining the two associations into one.

SUPPLEMENTARY INFORMATION

**COVE CAY VILLAGE III RECREATION ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS - COMPILED**

DECEMBER 31, 1996

The Board of Directors made a study in December, 1995 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were made by the Board of Directors based on information obtained from contractors. The following information is based on the study and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Life</u>	<u>Estimated Remaining Useful Lives(Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Beginning Fund Balance</u>	<u>Additions to Fund</u>	<u>Charges to Fund</u>	<u>Ending Fund Balance</u>
Recreation Building	30	23	\$ 150,000	\$ -0-	\$ 528	\$ -0-	\$ 528
Roof	15	8	4,225	-0-	39	-0-	39
Pool, Spa, Deck	20	13	40,000	-0-	191	191	-0-
Painting-Clubhouse	5	5	3,000	-0-	260	-0-	260
Paving	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unallocated-Transfer from Cove Cay Village III Condominium Association, Inc. N/A	N/A	N/A	N/A	-0-	6,522	4,054	2,468
TOTALS			\$ 197,225	\$ -0-	\$ 7,540	\$ 4,245	\$ 3,295

SEE ACCOUNTANTS' REPORT

COVE CAY VILLAGE III CONDOMINIUM ASSOCIATION, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 1996

COVE CAY VILLAGE III CONDOMINIUM ASSOCIATION, INC.

DECEMBER 31, 1996

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Certified Public Accountants

Hicks, Frankenberg & Associates, P.A.

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Don R. Frankenberg
Michael D. Hicks

To The Board of Directors of
Cove Cay Village III Condominium Association, Inc.
Clearwater, Florida

We have compiled the accompanying balance sheet of Cove Cay Village III Condominium Association, Inc. as of December 31, 1996, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended and the accompanying supplementary information, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary information and, accordingly, do not express an opinion or any other form of assurance on them.

The supplementary information about future major repairs and replacements is not a required part of the basic financial statements but is supplementary information required by the American Institute of Certified Public Accountants. We have compiled the supplementary information from information that is the representation of the management of Cove Cay Village III Condominium Association, Inc., without audit or review. Accordingly, we do not express an opinion or any other form of assurance on it.

Hicks, Frankenberg & Associates, P.A.
Certified Public Accountants

February 21, 1997
Clearwater, Florida

**COVE CAY VILLAGE III CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET**

DECEMBER 31, 1996

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 26	\$ 9,624	\$ 9,650
Member Assessments Receivable	1,946	272	2,218
Developer Assessments Receivable	15,481		15,481
Prepaid Insurance	5,517		5,517
Deposits	1,910		1,910
Due from Replacement Fund	<u>416</u>	<u> </u>	<u>416</u>
	<u>\$ 25,296</u>	<u>\$ 9,896</u>	<u>\$ 35,192</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts Payable	\$ 3,740	\$	\$ 3,740
Prepaid 1997 Special Assessment	603		603
Due to Operating Fund		416	416
Due To Cove Cay Village III Recreation Assoc., Inc.	<u>407</u>	<u> </u>	<u>407</u>
Total Liabilities	4,750	416	5,166
Fund Balances	<u>20,546</u>	<u>9,480</u>	<u>30,026</u>
	<u>\$ 25,296</u>	<u>\$ 9,896</u>	<u>\$ 35,192</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANTS' REPORT

**COVE CAY VILLAGE III CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCES FOR THE YEAR ENDED DECEMBER 31, 1996**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<u>REVENUES</u>			
Member Assessments	\$ 211,245	\$ 37,257	\$ 248,502
Member Special Assessment	7,277		7,277
Rental Application Fees, Etc.	3,992		3,992
Interest Income		309	309
Forgiveness of Debt-Cove Cay Village III Recreation Association, Inc.	<u>1,069</u>		<u>1,069</u>
Total Revenues	223,583	37,566	261,149
<u>EXPENSES</u>			
Legal and Accounting	4,454		4,454
Postage and Office Expenses	1,394		1,394
Janitorial Expense	18,000		18,000
Manager Salary and Payroll Taxes	24,654		24,654
Buildings-Elevator Service	12,686		12,686
Landscaping	882		882
Maintenance-Building and Grounds	14,560		14,560
Fire Equipment	3,801		3,801
Electrical Supplies	1,456		1,456
Insurance	24,225		24,225
Water and Sewer	38,516		38,516
Electric	12,074		12,074
Trash Collection	7,759		7,759
Elevator Telephones	1,760		1,760
Pest Control	881		881
Lift Station	380		380
Fees, Licenses and Permits	655		655
Master Association Expense	48,959		48,959
Fees to the Division	616		616
Unanticipated Maintenance and Repairs	3,447		3,447
Contingency Expenses	1,592		1,592
Appraisal of Recreation Building	1,200		1,200
Paving		2,100	2,100
Painting		23,840	23,840
Fire Pump		2,740	2,740
Replacement Fund transfer to Cove Cay Village III Recreation Association, Inc.		<u>6,522</u>	<u>6,522</u>
Total Expenses	<u>223,951</u>	<u>35,202</u>	<u>259,153</u>
Excess (Deficit) of Revenues over Expenses	\$(368)	\$ 2,364	\$ 1,996

SEE ACCOMPANYING NOTES AND ACCOUNTANTS' REPORT

• COVE CAY VILLAGE III CONDOMINIUM ASSOCIATION, INC.
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
 BALANCES FOR THE YEAR ENDED DECEMBER 31, 1996

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Excess (Deficit) of Revenues over Expenses	\$(368)	\$ 2,364	\$ 1,996
Beginning Fund Balance	<u>20,914</u>	<u>7,116</u>	<u>28,030</u>
Ending Fund Balance	<u>\$ 20,546</u>	<u>\$ 9,480</u>	<u>\$ 30,026</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANTS' REPORT

. COVE CAY VILLAGE III CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1996

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Member Assessments Received	\$ 219,483	\$ 36,985	\$ 256,468
Interest Income		309	309
Rental Application Fees, Etc.	3,992		3,992
Receipt of Members Assessments due to Cove Cay Village III Recreation Association, Inc.	407		407
Transfers to Replacement Fund	(4,991)	4,991	-0-
Expenses Paid	<u>(224,801)</u>	<u>(35,202)</u>	<u>(260,003)</u>
Net Cash Provided (Used) by Operating Activities	(5,910)	7,083	1,173
Beginning Cash	<u>5,936</u>	<u>2,541</u>	<u>8,477</u>
Ending Cash	\$ <u>26</u>	\$ <u>9,624</u>	\$ <u>9,650</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANTS' REPORT

COVE CAY VILLAGE III CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1996

NOTE A - NATURE OF ORGANIZATION

Cove Cay Village III Condominium Association, Inc. is a not for profit statutory condominium association incorporated in the State of Florida on July 27, 1987. The Association is responsible for the operation and maintenance of the common property of Cove Cay Village III Condominium, except for the Recreation facility which is a separate corporation. The Condominium consists of 154 units in Clearwater, Florida.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide certain guidelines for 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in future years. Monthly assessments for the current fiscal year were \$114.31 per unit for the operating fund. Monthly assessments for the replacement fund were \$65.93 per unit for the month of January 1996 and \$16.00 per unit for February through December 1996. The Board of Directors transferred \$3.85 per month for February through December, 1996, to the Recreation Association Replacement Fund, out of the \$16.00 per month assessment for replacements. The annual budget and owners assessments are determined by vote of the unit owners.

COVE CAY VILLAGE III CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1996

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Association's tax return is filed based on a December 31 year end. The Association generally files its income tax return as a homeowners' association in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform assessments to members and other income received from association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income, which includes interest income and revenue received from nonmembership sources. The Association had no tax for its year ended December 31, 1996.

Property

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statement because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property to which it has title. At December 31, 1996, no property was capitalized.

Amounts Due To or From Operating and Replacement Fund

Revenue and expenses are allocated between the operating fund and the replacement fund. An interfund receivable or payable has been established to reflect cash amounts due between the funds resulting from the allocation of revenues and expenses.

NOTE C - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements, unless this requirement is waived by the unit owners in accordance with Florida law. Accumulated funds are held in separate savings accounts and are not available for expenditures for normal operations.

The board of directors made a study in December, 1995 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were made by the Board of Directors based on information obtained from contractors. The table included in the supplementary information on Future Major Repairs and Replacements is based on the study.

The funding program was included in the proposed budget for the period ended December 31, 1996, which was presented to unit owners at a general meeting. No quorum was present at the December, 1995 meeting, so full reserves were collected for January, 1996. The December meeting, which was recessed, was reconvened in February, 1996. A majority of owners voted to include partial funding for major repairs and replacements in the annual budget for the months of February through December, 1996. For that reason, and because actual expenditures may vary from estimated future expenditures and the variations may be material, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. When funds are

COVE CAY VILLAGE III CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1996

NOTE C - FUTURE MAJOR REPAIRS AND REPLACEMENTS - Continued

needed for those purposes, the Association has the right, subject to membership approval, to increase the regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE D - RELATED PARTY TRANSACTIONS

During the current period, the Recreation Association forgave advances of \$1,069 previously made to the Association. Cove Cay Village III Recreation Association, Inc. is comprised of the same 154 unit owners as Cove Cay Village III Condominium Association, Inc.

Effective October 1, 1995 the Association hired an employee to provide management services. This manager serves the Condominium Association and the Recreation Association. The Recreation Association pays the manager's health insurance premiums.

NOTE E - CONTINGENCY EXPENSES

The amount in "Contingency Expenses" on the statement of revenues, expenses and changes in fund balances consists of the following:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Building Maintenance	\$ <u>1,592</u>

NOTE F - CHANGE IN FISCAL YEAR END

The Association changed its fiscal year end from March 31 to December 31 effective December 31, 1995.

NOTE G - DEVELOPER TURNOVER AUDIT

The "Developer Turnover" audit for the period from inception to April 25, 1994 has been completed. The audit was performed by an independent Certified Public Accountant selected by the Developer. Legal counsel for the Association has initiated an inquiry to the developer concerning various significant items in the audited financial statements. The \$15,481 developer assessment receivable was recorded as a result of the audit.

**COVE CAY VILLAGE III CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1996**

NOTE H - SPECIAL ASSESSMENTS AND SUBSEQUENT EVENTS

In early 1996, a special assessment of \$57 per unit was approved to cover a deficit in operating fund cash needs. The assessment consisted of \$47.25 per unit for Cove Cay Village III Condominium Association, Inc., and \$9.75 per unit for Cove Cay Village III Recreation Association, Inc.

In late 1996 a special assessment of \$67 per unit was approved to cover specific non-recurring maintenance items and the appraisal of the Recreation building. The appraisal was completed in December, 1996 and is reported in these financial statements. The assessment is due in January, 1997 and has therefore not been reported in these financial statements.

In April, 1997 a meeting will be held by Cove Cay Village III Condominium Association, Inc. and Cove Cay Village III Recreation Association, Inc. to vote on combining the two associations into one.

SUPPLEMENTARY INFORMATION

COVE CAY VILLAGE III CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS - COMPILED

DECEMBER 31, 1996

The Board of Directors made a study in December, 1995 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were made by the Board of Directors based on information obtained from contractors. The following information is based on the study and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Life</u>	<u>Estimated Remaining Useful Lives(Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Beginning Fund Balance</u>	<u>Additions to Fund</u>	<u>Charges to Fund</u>	<u>Ending Fund Balance</u>
Roofing:							
800 Cove Cay Dr.	10	3	\$ 32,000	\$ 1,388	\$ 667		\$ 2,055
900 Cove Cay Dr.	10	4	35,000		584		584
1000 Cove Cay Dr.	10	4	<u>32,000</u>		<u>533</u>		<u>533</u>
			Roofing Total	<u>1,388</u>	<u>1,784</u>	<u>0</u>	<u>3,172</u>
Painting:							
800 Cove Cay Dr.	5	3	28,500	1,983	584		2,567
900 Cove Cay Dr.	5	4	32,500		533		533
1000 Cove Cay Dr.	5	5	<u>28,500</u>		<u>1,683</u>	<u>1,683</u>	<u>-0-</u>
			Painting Total	<u>1,983</u>	<u>2,800</u>	<u>1,683</u>	<u>3,100</u>
Paving:							
800 Cove Cay Dr.	5	0	10,000	594	778	700	672
900 Cove Cay Dr.	5	0	10,000		778	700	78
1000 Cove Cay Dr.	5	0	<u>10,000</u>		<u>778</u>	<u>700</u>	<u>78</u>
			Paving Total	<u>594</u>	<u>2,334</u>	<u>2,100</u>	<u>828</u>

SEE ACCOUNTANTS' REPORT

COVE CAY VILLAGE III CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS
AND REPLACEMENTS - COMPILED

DECEMBER 31, 1996

Component	Estimated Life	Estimated Remaining Useful Lives(Years)	Estimated Current Replacement Costs	Beginning Fund Balance	Additions to Fund	Charges to Fund	Ending Fund Balance
Elevators:							
800 Cove Cay Drive	20	13	99,000		590		590
900 Cove Cay Drive	20	14	99,000		550		550
1000 Cove Cay Drive	20	14	99,000		550		550
		Elevator Total	297,000	0	1,690	0	1,690
Carpeting:							
	5	1	30,000	0	1,250	0	1,250
Fire Pump:							
800 Cove Cay Drive	20	13	50,000	0	295	295	0
Unallocated (Deficit)			N/A	3,151	27,413	31,124	(560)
TOTALS			\$595,500	\$ 7,116	\$37,566	\$ 35,202	\$ 9,480

SEE ACCOUNTANTS' REPORT