

Bill Valka

I believe the information contained in the Seven Coves Association, Inc., Financial Statement, dated December 31, 2021 and approved by the Board of Directors contains incorrect information and misrepresents the financial position of our community. The responsibility for these errors and misrepresentations rests solely with Board members that voted to approve the report.

The most egregious misrepresentation occurs in Note 12 - Subsequent Events, through the omission of information related to the Reserve Study completed on February 7, 2023 which identifies future financial reserves needed to maintain community assets to be more than \$3 million over the next 20 years. By remaining silent, the Board, under the section titled Supplementary Information of Future Major Repairs and Replacements (unaudited) December 31st, 2021, continues to report the Estimated Current Replacement Cost for Components to be \$110,859, an amount unchanged from November of 2016. In a similar manner the Estimated Useful Lives for the Components are also unchanged since 2016.

On a more detailed level, there are the following discrepancies.

Note 2 Summary of Significant Accounting Policies

- Member Assessments: The procedure defined in this section is NOT followed and hence erroneous.
- Marina Rental Income: The number of marina slips is incorrect

Note 7 – Future Major Repairs and Replacements: The report states” in addition, the board and Finance Committee are reviewing the replacement reserve procedure to ensure that adequate funds are available, if needed.” However, there was no Finance Committee in the year 2021 and thus no work done in this regard.

Financial Adjustments: Multiple adjustments were made to financial statements in 2020 and 2021. These adjustments should have been explained within this report.

Report results show:

- Year-end 2021 net cash decreased by \$48,359 compared to 2020.
- Dock 2 replacement and Club House Renovation
 - Total Amount borrowed \$563,671
 - Balance due as of December 31, 2021 is \$442,384
 - Payoff July 2031, Payments \$55,808 per year
 - Total Interest at payoff, \$141,739.
 - In my opinion, Interest represents the penalty members will pay due to the Board’s failure to identify, plan and raise funds to be available when needed for major repairs and replacements.

Conclusion:

The Board’s continued utilization of unrealistically low funding needs for future major repairs and replacements, failure to update useful remaining component life data, the lack of a comprehensive approach to identify future funding requirements and failure to implement a funding plan to meet these needs, in my opinion, has placed our community in a precarious financial position in which it is uncertain how community assets will be maintained.