

**BILLY CREEK
LOT OWNERS' ASSOCIATION, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
(Reviewed)**

Years Ended December 31, 2022 and 2021

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Members
Billy Creek Lot Owners' Association, Inc.
Fort Myers, Florida

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

We have reviewed the accompanying financial statements of Billy Creek Lot Owners' Association, Inc., which comprise the balance sheet as of December 31, 2022, and the related statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility 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; this includes 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Billy Creek Lot Owners' Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 11 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not audited, reviewed or compiled the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

Report on Summarized Comparative Information

We have previously reviewed Billy Creek Lot Owners' Association, Inc. 2021 financial statements and our conclusion dated June 13, 2023 stated that based on our review, we were not aware of any material modifications that should be made to the 2021 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2021, for it to be consistent with the reviewed financial statements from which it has been derived.

A handwritten signature in black ink that reads "Hughes, Snell & Co., P.A." in a cursive script.

HUGHES, SNELL & CO., P.A.

Fort Myers, Florida
December 21, 2023

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Balance Sheet
 December 31, 2022
 (with Comparative Totals for December 31, 2021)

	<u>ASSETS</u>			
	2022			2021
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Total</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 84,580	\$ 74,014	\$ 158,594	\$ 136,521
Members' assessments receivable	25,798	-	25,798	19,750
Prepaid expenses	3,217	-	3,217	4,638
Due from operating fund	-	6,497	6,497	6,495
Deposits	100	-	100	100
Total Current Assets	<u>113,695</u>	<u>80,511</u>	<u>194,206</u>	<u>167,504</u>
CERTIFICATE OF DEPOSIT	<u>23,764</u>	<u>-</u>	<u>23,764</u>	<u>23,764</u>
Total Assets	<u>\$ 137,459</u>	<u>\$ 80,511</u>	<u>\$ 217,970</u>	<u>\$ 191,268</u>
<u>LIABILITIES AND FUND BALANCES</u>				
CURRENT LIABILITIES				
Accounts payable	\$ 27	\$ -	\$ 27	\$ 7,641
Income tax payable	371	-	371	-
Due to replacement fund	6,497	-	6,497	6,495
Prepaid assessments	1,942	-	1,942	11
Total Current Liabilities	<u>8,837</u>	<u>-</u>	<u>8,837</u>	<u>14,147</u>
LONG-TERM LIABILITIES				
Contract liabilities (assessments received in advance - replacement fund)	<u>-</u>	<u>80,497</u>	<u>80,497</u>	<u>74,000</u>
Total Liabilities	8,837	80,497	89,334	88,147
FUND BALANCES	<u>128,622</u>	<u>14</u>	<u>128,636</u>	<u>103,121</u>
	<u>\$ 137,459</u>	<u>\$ 80,511</u>	<u>\$ 217,970</u>	<u>\$ 191,268</u>

The accompanying notes are an integral part of these financial statements.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Statement of Revenues and Expenses
 Year Ended December 31, 2022
 (with Comparative Totals for December 31, 2021)

	2022			2021
	Operating Fund	Replacement Fund	Total	Total
REVENUES				
Member assessments	\$ 104,249	\$ -	\$ 104,249	\$ 102,127
Bad debt expense	-	-	-	(392)
Member assessments, net	104,249	-	104,249	101,735
Interest income	6	7	13	76
Other income	1,754	-	1,754	1,729
Total Revenues	<u>106,009</u>	<u>7</u>	<u>106,016</u>	<u>103,540</u>
EXPENSES				
Grounds maintenance	57,541	-	57,541	67,012
Electricity	942	-	942	741
Water	502	-	502	586
Accounting and legal	3,660	-	3,660	9,248
Insurance	7,295	-	7,295	7,458
Licenses and fees	61	-	61	123
Management fees	9,000	-	9,000	9,000
Office expenses and bank charges	1,129	-	1,129	1,059
Penalties	-	-	-	120
Income tax expense	371	-	371	-
	<u>80,501</u>	<u>-</u>	<u>80,501</u>	<u>95,347</u>
Excess revenues over expenses	\$ <u>25,508</u>	\$ <u>7</u>	\$ <u>25,515</u>	\$ <u>8,193</u>

The accompanying notes are an integral part of these financial statements.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Statements of Changes in Fund Balances
Years Ended December 31, 2022 and 2021

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Balances - December 31, 2020	\$ 94,928	\$ -	\$ 94,928
Excess (deficiency) revenues over expenses	<u>8,186</u>	<u>7</u>	<u>8,193</u>
Balances - December 31, 2021	103,114	7	103,121
Excess (deficiency) revenues over expenses	<u>25,508</u>	<u>7</u>	<u>25,515</u>
Balances - December 31, 2022	<u>\$ 128,622</u>	<u>\$ 14</u>	<u>\$ 128,636</u>

The accompanying notes are an integral part of these financial statements.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Statement of Cash Flows
Year Ended December 31, 2022
(with Comparative Totals for December 31, 2021)

	2022			2021
	Operating Fund	Replacement Fund	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) revenues over expenses	\$ 25,508	\$ 7	\$ 25,515	\$ 8,193
Adjustments to reconcile excess of revenues over expenses to cash provided by operating activities:				
Bad debt expense	-	-	-	392
Changes in assets and liabilities:				
Member assessments receivable	(6,048)	-	(6,048)	(12,169)
Prepaid expenses	1,423	-	1,423	139
Accounts payable	(7,614)	-	(7,614)	7,491
Income tax payable	371	-	371	-
Assessments received in advance - replacement fund	-	6,495	6,495	6,494
Prepaid assessments	1,931	-	1,931	(968)
Net Cash Provided (Used) by Operating Activities	<u>15,571</u>	<u>6,502</u>	<u>22,073</u>	<u>9,572</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of certificate of deposit	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,764)</u>
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,764)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,571	6,502	22,073	(14,192)
CASH AND CASH EQUIVALENTS, beginning of year	<u>69,009</u>	<u>67,512</u>	<u>136,521</u>	<u>150,713</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 84,580</u>	<u>\$ 74,014</u>	<u>\$ 158,594</u>	<u>\$ 136,521</u>

The accompanying notes are an integral part of these financial statements.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements
December 31, 2022 and 2021

NOTE A – NATURE OF OPERATIONS

Billy Creek Lot Owners' Association, Inc. (the "Association") was incorporated in June 1980. The purpose of the Association is to manage and maintain the common areas of the Billy Creek Commerce Center located in Fort Myers, Florida. At December 31, 2022 and 2021 there were 163 lots of various sizes, each with a voting interest. Billy Creek Lot Owners' Association, Inc. is a Common Interest Realty Association as defined by the American Institute of Certified Public Accountants.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 accumulate financial resources available for the general operations of the Association.

Replacement Fund – This fund is used to account for financial resources designated for future major repairs and replacements of drainage, emergency/storm, general, signs, irrigation pumps, and irrigation wells.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Member Assessments

Association members are subject to annual 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. Any excess assessments at year-end are retained by the Association for use in future years. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose. Assessments receivable were \$25,798, \$19,750 and \$7,973 as of December 31, 2022, 2021 and 2020, respectively.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from lot owners. The Association's policy is to retain legal counsel and place liens on the properties of lot owners whose assessments are delinquent up to the statutory limit. At December 31, 2022 and 2021, no allowance for doubtful accounts was deemed necessary.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements
December 31, 2022 and 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Member Assessments (continued)

Each member is assessed, and shares prorate in the operating expense and other income (based on their square footage of property owned). All assessments must be approved by the Board of Directors. If the assessment exceeds the maximum assessment as defined in the Declaration, then the increase must be assented to by two-thirds of the lot owners.

Non-Member Assessments

Non-members are subject to an annual payment equivalent to the prorated share assessed to a member based on their square footage of property owned. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected and reported in other income. The Association's performance obligations related to its assessments are satisfied over time on a daily pro-rata basis using the input method.

Interest Income

Interest income is recognized when earned and allocated to the operating and replacement funds in proportion to the interest-bearing deposit of the funds. The Association's policy is to account for fund expenditures using fund interest income before fund assessment income.

Prepaid Assessments

Prepaid assessments consist of operating and reserve assessments paid in advance by members. The balance of prepaid assessments will increase or decrease based on the timing of payments by members. The balance of the contract liability, prepaid assessments, was \$1,942 and \$11 as of December 31, 2022 and 2021, respectively.

Contract Liabilities (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.

Common Property

The ownership of commonly owned assets is vested directly or indirectly in the lot owners and these assets are not deemed to be severable. As a result, commonly owned assets are not capitalized in the Association's financial statements. Instead, replacements, major repairs, and the purchase of commonly owned assets are accounted for as expenditures from the appropriate reserve account of the replacement fund.

Certificate of Deposit

The Association has a certificate of deposit that is carried at cost plus accrued interest which approximates fair value and matures in September 2023.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements
December 31, 2022 and 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The Association prepares its financial statements in conformity with generally accepted accounting principles, which require the Association to make estimates and assumptions that affect the amounts of assets, liabilities, fund balances, members' assessments and expenses during the periods presented. They also affect the disclosure of contingencies. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Association considers certificates of deposits with an original maturity date of three months or less when purchased to be cash equivalents.

Income Taxes

The Association is not taxed on amounts received as assessments from owners. Interest and other amounts received by the Association for non-membership activities, net of related expenses, are subject to federal and state income taxes.

The Association has evaluated its tax positions and management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2022 and 2021. Currently, the last three tax years are open and subject to examination by the Internal Revenue Service. The Association is not currently under audit nor has the Association been contacted by any taxing jurisdiction regarding an audit.

Fund Transfers

The Association transfers funds from the general fund to the replacement fund to cover anticipated budgeted expenses.

Date of Management Review

The Association has evaluated subsequent events through December 21, 2023, the date on which the financial statements were available to be issued.

NOTE C – CONCENTRATION OF CREDIT RISK

Cash

The Association maintains its cash accounts at one financial institution located in Fort Myers, Florida. Accounts at the commercial banking institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At December 31, 2022 and 2021, there were no uninsured balances.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements
December 31, 2022 and 2021

NOTE C – CONCENTRATION OF CREDIT RISK (continued)

Accounts Receivable

The Association defines a concentration in accounts receivable as those that comprise 10% or more of accounts receivable balance at year-end. The following table summarizes concentrations in accounts receivable at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Member D	-	10.00%
Member E	13.07%	13.84%

NOTE D – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents generally provide for the levying of special assessments or the increasing of regular assessments when major repairs and replacements are needed for components of common property. The Board of Directors has chosen to maintain a replacement fund to accumulate funds for the estimated costs of future major repairs and replacements based on estimated remaining useful lives and past expenses. The Board has developed a plan to fund those needs by including a portion of annual assessments for replacement funds. Accumulated funds, which aggregate \$80,496,804,97 and \$74,000 and are presented on the accompanying balance sheet, as contract liabilities (assessments received in advance – replacement fund) at December 31, 2022 and 2021, respectively, are held in separate accounts and are generally not available for operating purposes. The effect on future assessments has not been determined at this time.

SUPPLEMENTARY INFORMATION

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Schedule of Changes in Replacement Assessments Received in Advance (Replacement Fund Balances)
For the Year Ended December 31, 2022

See Independent Accountant's Review Report

	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	2022 Funding Requirement	Components of Fund Balance (Contract Liability at December 31, 2022)
Drainage	4	\$ 20,000	\$ 1,579	\$ 16,843
Emergency/Storm Fund	9	15,000	1,120	7,160
General Reserve	1	40,012	-	40,012
Signs	24	60,000	2,196	11,682
Irrigation Pumps	7	8,000	1,000	3,000
Irrigation Wells	19	12,000	600	1,800