

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**Years Ended December 31, 2021 and 2020**

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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, 2021, and the related statements of revenues and expenses, and 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. 2020 financial statements and our conclusion dated November 29, 2021 stated that based on our review, we were not aware of any material modifications that should be made to the 2020 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, 2020, for it to be consistent with the reviewed financial statements from which it has been derived.



HUGHES, SNELL & CO., P.A.

Fort Myers, Florida  
June 13, 2023

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Balance Sheets  
 December 31, 2021  
 (with Comparative Totals for December 31, 2020)

|  | 2021              |                  |                   | 2020              |
|--|-------------------|------------------|-------------------|-------------------|
|  | Operating Fund    | Replacement Fund | Total             | Total             |
| <u>ASSETS</u>                                      |                   |                  |                   |                   |
| CURRENT ASSETS                                     |                   |                  |                   |                   |
| Cash and cash equivalents                          | \$ 69,009         | \$ 67,512        | \$ 136,521        | \$ 150,713        |
| Members' assessments receivable                    | 19,750            | -                | 19,750            | 7,973             |
| Prepaid expenses                                   | 4,638             | -                | 4,638             | 4,777             |
| Due to/Due from Operating                          | -                 | 6,495            | 6,495             | 6,495             |
| Deposits   | 100               | -                | 100               | 100               |
| Total Current Assets                               | <u>93,497</u>     | <u>74,007</u>    | <u>167,504</u>    | <u>170,058</u>    |
| CERTIFICATE OF DEPOSIT                             | <u>23,764</u>     | <u>-</u>         | <u>23,764</u>     | <u>-</u>          |
| Total Assets                                       | <u>\$ 117,261</u> | <u>\$ 74,007</u> | <u>\$ 191,268</u> | <u>\$ 170,058</u> |
| <u>LIABILITIES AND MEMBERS' EQUITY</u>             |                   |                  |                   |                   |
| CURRENT LIABILITIES                                |                   |                  |                   |                   |
| Accounts payable                                   | \$ 7,641          | \$ -             | \$ 7,641          | \$ 150            |
| Due to/Due from Operating                          | 6,495             | -                | 6,495             | 6,495             |
| Prepaid assessments                                | 11                | -                | 11                | 979               |
| Total Current Liabilities                          | <u>14,147</u>     | <u>-</u>         | <u>14,147</u>     | <u>7,624</u>      |
| LONG-TERM LIABILITIES                              |                   |                  |                   |                   |
| Assessments received in advance - replacement fund | <u>-</u>          | <u>74,000</u>    | <u>74,000</u>     | <u>67,506</u>     |
| Total Liabilities                                  | <u>14,147</u>     | <u>74,000</u>    | <u>88,147</u>     | <u>75,130</u>     |
| FUND BALANCE                                       | <u>103,114</u>    | <u>7</u>         | <u>103,121</u>    | <u>94,928</u>     |
|  | <u>\$ 117,261</u> | <u>\$ 74,007</u> | <u>\$ 191,268</u> | <u>\$ 170,058</u> |

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

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Statements of Revenues and Expenses  
 Year Ended December 31, 2021  
 (with Comparative Totals for December 31, 2020)

|                                  | 2021            |                  |                 | 2020             |
|----------------------------------|-----------------|------------------|-----------------|------------------|
|                                  | Operating Fund  | Replacement Fund | Total           | Total            |
| <b>REVENUES</b>                  |                 |                  |                 |                  |
| Member assessments               | \$ 102,127      | \$ -             | \$ 102,127      | \$ 95,058        |
| Bad debt expense                 | (392)           | -                | (392)           | -                |
| Member assessments, net          | 101,735         | -                | 101,735         | 95,058           |
| Interest                         | 69              | 7                | 76              | 217              |
| Other income                     | 1,729           | -                | 1,729           | 1,613            |
| Total Revenues                   | <u>103,533</u>  | <u>7</u>         | <u>103,540</u>  | <u>96,888</u>    |
| <b>EXPENSES</b>                  |                 |                  |                 |                  |
| Grounds maintenance              | 67,012          | -                | 67,012          | 60,947           |
| Electricity                      | 741             | -                | 741             | 360              |
| Water                            | 586             | -                | 586             | 919              |
| Accounting and legal             | 9,248           | -                | 9,248           | 4,074            |
| Insurance                        | 7,458           | -                | 7,458           | 6,565            |
| Licenses and fees                | 123             | -                | 123             | 61               |
| Management fees                  | 9,000           | -                | 9,000           | 9,000            |
| Office expenses and bank charges | 1,059           | -                | 1,059           | 1,177            |
| Penalties                        | 120             | -                | 120             | -                |
| Income tax expense (benefit)     | -               | -                | -               | 432              |
|                                  | <u>95,347</u>   | <u>-</u>         | <u>95,347</u>   | <u>83,535</u>    |
| Excess revenues over expenses    | \$ <u>8,186</u> | \$ <u>7</u>      | \$ <u>8,193</u> | \$ <u>13,353</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, 2021 and 2020

|  | Operating<br>Fund | Replacement<br>Fund | Total             |
|--|-------------------|---------------------|-------------------|
| Balances - December 31, 2019, As restated  | \$ 81,575         | \$ -                | \$ 81,575         |
| Excess (deficiency) revenues over expenses | <u>13,353</u>     | <u>-</u>            | <u>13,353</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               | <u>\$ 103,114</u> | <u>\$ 7</u>         | <u>\$ 103,121</u> |

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

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Statements of Cash Flows  
 Years Ended December 31, 2021  
 (with Comparative Totals for December 31, 2020)

|   | 2021             |                  |                   | 2020              |
|---|------------------|------------------|-------------------|-------------------|
|   | Operating Fund   | Replacement Fund | Total             | Total             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                  |                  |                   |                   |
| Excess (deficiency) revenues over expenses  | \$ 8,186         | \$ 7             | \$ 8,193          | \$ 13,353         |
| Deferred tax expense (benefit)  | -                | -                | -                 | 432               |
| Adjustments to reconcile excess of revenues over expenses to cash provided by operating activities: |                  |                  |                   |                   |
| Bad debt expense  | 392              | -                | 392               | -                 |
| Changes in assets and liabilities:  |                  |                  |                   |                   |
| Member assessments receivable   | (12,169)         | -                | (12,169)          | (6,073)           |
| Income tax receivable   | -                | -                | -                 | 1,051             |
| Prepaid expenses  | 139              | -                | 139               | (600)             |
| Accounts payable  | 7,491            | -                | 7,491             | 150               |
| Income tax payable  | -                | -                | -                 | (4,425)           |
| Reserve funds   | -                | 6,494            | 6,494             | 6,506             |
| Deferred tax liability  | -                | -                | -                 | (515)             |
| Prepaid assessments   | (968)            | -                | (968)             | 546               |
| Net Cash Provided (Used) by Operating Activities  | <u>3,071</u>     | <u>6,501</u>     | <u>9,572</u>      | <u>10,425</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                  |                  |                   |                   |
| Purchase of certificate of deposit  | <u>(23,764)</u>  | <u>-</u>         | <u>(23,764)</u>   | <u>-</u>          |
| Net Cash Provided (Used) by Investing Activities  | <u>(23,764)</u>  | <u>-</u>         | <u>(23,764)</u>   | <u>-</u>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                  |                  |                   |                   |
| Net Cash Provided (Used) by Financing Activities  | <u>-</u>         | <u>-</u>         | <u>-</u>          | <u>-</u>          |
| NET INCREASE (DECREASE) IN CASH   | (20,693)         | 6,501            | (14,192)          | 10,425            |
| CASH, beginning of year   | <u>89,702</u>    | <u>61,011</u>    | <u>150,713</u>    | <u>140,288</u>    |
| CASH, end of year   | <u>\$ 69,009</u> | <u>\$ 67,512</u> | <u>\$ 136,521</u> | <u>\$ 150,713</u> |

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

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements  
December 31, 2021 and 2020

**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, 2021 and 2020 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, 2020, 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 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, 2021 and 2020, respectively, no allowance was deemed necessary.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements  
December 31, 2021 and 2020

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Member Assessments

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. The performance obligations related to the operating fund assessments are satisfied when these funds are expended for their designated purpose.

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 \$11 and \$979 as of the years ended December 31, 2021 and 2020, 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 market value and matures in September 2023.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements  
December 31, 2021 and 2020

**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, 2021 and 2020. 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.

Reclassifications

Certain balances from the 2020 financial statements have been reclassified to conform to the 2021 financial statement presentation. Such reclassification had no effect on the previously reported excess revenue over expenses for the year ended December 31, 2020.

Date of Management Review

The Association has evaluated subsequent events through June 13, 2023, the date on which the financial statements were available to be issued. No event has occurred that materially affects these financial statements or the Association's future operations.

**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, 2021 and 2020 there were no uninsured balances.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements  
December 31, 2021 and 2020

**NOTE C – CONCENTRATION OF CREDIT RISK**

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, 2021 and 2020:

|          | 2021   | 2020   |
|----------|--------|--------|
| Member A | -      | 19.64% |
| Member B | -      | 48.52% |
| Member C | -      | 10.08% |
| Member D | 10.00% | -      |
| Member E | 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. The board of directors has chosen to maintain a replacement fund to accumulate funds for the estimated costs of future major repairs and replacements. Accumulated funds, which aggregate \$74,000 and \$67,506 are presented on the accompanying Balance Sheets, as contract liabilities (assessments received in advance – replacement fund) at December 31, 2021 and 2020, respectively, are held in separate accounts and are generally not available for operating purposes.

The Association's Board of Directors has conducted a study to determine the remaining useful lives of the components of common property, current estimates of costs of major repairs and replacements that may be required in the future. The Board has developed a plan to fund those needs by including a portion of annual assessments for replacement funds. When replacement funds are needed for major repairs and replacements, the Association has the right to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

**NOTE E – CONTINGENCY**

The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on members and vendors all of which are uncertain and cannot be predicted. The Association's management has implemented risk mitigation tactics related to the risk of impact, if any, of COVID-19 as it relates to all aspects of the Association's business transactions with members, vendors, and human interaction within and outside of the Association. The extent to which COVID-19 may impact financial condition or results of operations of the Association is unknown 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, 2021

**See Independent Accountant's Review Report**

|                      | Estimated<br>Remaining Useful<br>Lives (Years) | Estimated<br>Current<br>Replacement<br>Costs | 2021 Funding<br>Requirement | Components of<br>Fund Balance<br>(Contract Liability<br>at December 31,<br>2021) |
|----------------------|--|--|-----------------------------|--|
| Drainage             | 5  | \$ 20,000                                    | \$ 1,579                    | \$ 15,264  |
| Emergency/Storm Fund | 10   | 15,000                                       | 1,120                       | 6,040  |
| General Reserve      | 1  | 40,000                                       | -                           | 40,010   |
| Signs                | 25   | 60,000                                       | 2,196                       | 9,486  |
| Irrigation Pumps     | 8  | 8,000  | 1,000                       | 2,000  |
| Irrigation Wells     | 20   | 12,000                                       | 600                         | 1,200  |