

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2020 and 2019

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Members

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

INDEPENDENT ACCOUNTANTS' 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, 2020, 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 Association 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.

Accountants' 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.

Accountants' 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.

Supplementary Information

Accounting principles generally accepted in the United States of America required that the information about future major repairs and replacements of common property on Page 13 be presented to supplement the basic financial statements. Such information, although not 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. The information is the responsibility of management. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

Report on 2019 Financial Statements and Summarized Comparative Information

The financial statements of Billy Creek Lot Owners' Association, Inc. as of December 31, 2019, were reviewed by other accountants whose report dated September 7, 2021, stated that based on their procedures, they are not aware of any material modifications that should be made to those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Hughes, Snell & Co.

HUGHES, SNELL & CO., P.A.

Fort Myers, Florida
November 29, 2021

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Balance Sheets
December 31, 2020 and 2019

	<u>ASSETS</u>			
	2020		2019	
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	<u>Total</u>
CURRENT ASSETS				
Cash and cash equivalents	\$ 89,702	\$ 61,011	\$ 150,713	\$ 140,288
Members' assessments receivable	7,973	-	7,973	1,900
Income tax receivable	-	-	-	1,051
Prepaid expenses	4,777	-	4,777	4,177
Due to/Due from Operating	-	6,495	6,495	-
Deposits	100	-	100	100
Total Current Assets	<u>102,552</u>	<u>67,506</u>	<u>170,058</u>	<u>147,516</u>
Total Assets	<u>\$ 102,552</u>	<u>\$ 67,506</u>	<u>\$ 170,058</u>	<u>\$ 147,516</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>				
CURRENT LIABILITIES				
Accounts payable	\$ 150	\$ -	\$ 150	\$ -
Income tax payable	-	-	-	3,993
Deferred tax liability	-	-	-	515
Due to/Due from Operating	6,495	-	6,495	-
Prepaid assessments	979	-	979	433
Total Current Liabilities	<u>7,624</u>	<u>-</u>	<u>7,624</u>	<u>4,941</u>
LONG-TERM LIABILITIES				
Assessments received in advance - replacement fund	<u>-</u>	<u>67,506</u>	<u>67,506</u>	<u>61,000</u>
Total Liabilities	<u>7,624</u>	<u>67,506</u>	<u>75,130</u>	<u>65,941</u>
FUND BALANCE, As restated	<u>94,928</u>	<u>-</u>	<u>94,928</u>	<u>81,575</u>
	<u>\$ 102,552</u>	<u>\$ 67,506</u>	<u>\$ 170,058</u>	<u>\$ 147,516</u>

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

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Statements of Revenues and Expenses
Years Ended December 31, 2020 and 2019

	2020			2019
	Operating Fund	Replacement Fund	Total	Total
REVENUES				
Members' Assessments	\$ 96,671	\$ -	\$ 96,671	\$ 97,563
Interest	217	-	217	102
	<u>96,888</u>	<u>-</u>	<u>96,888</u>	<u>97,665</u>
EXPENSES				
Grounds maintenance	60,947	-	60,947	92,558
Electricity	360	-	360	300
Water	919	-	919	686
Accounting and legal	4,074	-	4,074	1,109
Insurance	6,565	-	6,565	7,592
Licenses and fees	61	-	61	61
Management fees	9,000	-	9,000	9,000
Office expenses and bank charges	1,177	-	1,177	1,358
Income tax expense (benefit)	432	-	432	5,198
	<u>83,535</u>	<u>-</u>	<u>83,535</u>	<u>117,862</u>
Excess (deficiency) revenues over expenses	<u>\$ 13,353</u>	<u>\$ -</u>	<u>\$ 13,353</u>	<u>\$ (20,197)</u>

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

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Statement of Changes in Fund Balances
 Years Ended December 31, 2020 and 2019

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Balances - December 31, 2018, As restated	\$ 101,772	\$ -	\$ 101,772
Excess (deficiency) revenues over expenses	<u>(20,197)</u>	<u>-</u>	<u>(20,197)</u>
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	<u><u>\$ 94,928</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 94,928</u></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, 2020 and 2019

	2020			2019
	Operating Fund	Replacement Fund	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficiency) revenues over expenses	\$ 13,353	\$ -	\$ 13,353	\$ (20,197)
Deferred tax expense (benefit)	432	-	432	1,538
Adjustments to reconcile excess of revenues over expenses to cash provided by operating activities:				
Changes in assets and liabilities:				
Member assessments receivable	(6,073)	-	(6,073)	1,774
Income tax receivable	1,051	-	1,051	-
Prepaid expenses	(600)	-	(600)	1
Accounts payable	150	-	150	(2,814)
Hurricane insurance proceeds payable	-	-	-	(15,000)
Income tax payable	(4,425)	-	(4,425)	3,660
Increase (Decrease) in reserve funds	-	6,506	6,506	3,810
Deferred tax liability	(515)	-	(515)	-
Prepaid assessments	546	-	546	1
Net Cash Provided (Used) by Operating Activities	<u>3,919</u>	<u>6,506</u>	<u>10,425</u>	<u>(27,227)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Transfer of funds	<u>6,495</u>	<u>(6,495)</u>	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>6,495</u>	<u>(6,495)</u>	<u>-</u>	<u>-</u>
NET INCREASE IN CASH	10,414	11	10,425	(27,227)
CASH, beginning of year	<u>79,288</u>	<u>61,000</u>	<u>140,288</u>	<u>167,515</u>
CASH, end of year	<u>\$ 89,702</u>	<u>\$ 61,011</u>	<u>\$ 150,713</u>	<u>\$ 140,288</u>

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

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019 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, 2019, 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, 2020 and 2019, respectively, no allowance was deemed necessary.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements
December 31, 2020 and 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 \$979 and \$433 as of the years ended December 31, 2020 and 2019, 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. During the current, the Association assessed and received \$6,495 in the replacement fund. The balances of contract liabilities (assessments received in advance - replacement fund) as of the beginning and end of the year are \$61,000 and \$67,506, respectively.

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.

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.

Certificate of Deposit

At December 31, 2020 and 2019, the Association held a certificate of deposit that has been renewed and matured August 4, 2020. This certificate is expected to be held to maturity. Accordingly, the carrying value of the certificate of deposit plus accrued interest approximated its market value at December 31, 2020 and 2019.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements
December 31, 2020 and 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2020 and 2019. 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 November 29, 2021, 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.

Reclassifications

Certain reclassifications have been made to the 2019 financial statement presentation to correspond to the current year's format.

FASB ASC 606 New Accounting Guidance Implementation

The Financial Accounting Standards Board (FASB) Issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate – Common Interest Realty Associations, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Association expects to be entitled in exchange for those goods or services.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements
December 31, 2020 and 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FASB ASC 606 New Accounting Guidance Implementation

The Association adopted the requirements of new guidance as of January 1, 2020, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2020. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities related to the replacement fund, as previously described.

The adoption of the new revenue recognition guidance resulted in the following change to fund balance as of January 1, 2020:

Fund balance, as previously reported, at January 1, 2019	\$	142,575
Adjustment		<u>(61,000)</u>
Fund balance, as adjusted, at January 1, 2019	\$	<u>81,575</u>

The effect of the adoption is a decrease in 2020 assessments by \$6,495 and a recording of a contract liability (assessments received in advance-replacement fund) at December 31, 2020 of \$67,506. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance. The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our 2020 financial statements.

Following are the line items from our balance sheet as of December 31, 2020, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	Amounts that Would Have Been Reported	Effects of Applying New Guidance	As Reported
<u>Liabilities:</u>			
Contract liabilities (Assessments received in advance – replacement fund)	\$ -	\$ 67,506	\$ 67,506
Total liabilities	7,624	67,506	75,130
<u>Fund Balance:</u>			
Ending fund balances	\$ 162,434	\$ (67,506)	\$ 94,928

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements
December 31, 2020 and 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FASB ASC 606 New Accounting Guidance Implementation (continued)

The following are the line items from the statements of revenue, expenses, and the statements of changes in fund balances and the statements of cash flows for the year ended December 2020, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

	Amounts that Would Have Been Reported	Effects of Applying New Guidance	As Reported
<u>Revenue</u>			
Regular assessments	\$ 103,166	\$ (6,495)	\$ 96,671
Reserve interest	11	(11)	-
Excess of revenues over expenses	19,859	(6,506)	13,353
<u>Cash Flows:</u>			
Excess of revenues over expenses	19,859	(6,506)	13,353
Increase in contract liabilities (Assessments received in advance – replacement reserve)	\$ -	\$ 6,506	\$ 6,506

NOTE C – INCOME TAXES

Prior to the year ended December 31, 2020 the Association was paying corporate income tax. The income tax benefit on the financial statements was computed as follows:

	<u>2019</u>
Increase (decrease) in deferred income taxes arising from:	
Florida net operating loss utilized	\$ 1,043
Cash basis election for income tax purposes	494
Deferred income tax expense (benefit)	<u>1,537</u>
Current year Federal income tax liability	3,661
Income Tax Expense (Benefit)	<u>\$ 5,198</u>

NOTE D – 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, 2020 and 2019 there were no uninsured balances.

BILLY CREEK LOT OWNERS' ASSOCIATION, INC.

Notes to Financial Statements
December 31, 2020 and 2019

NOTE D – 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, 2020 and 2019:

	2020	2019
Member A	19.64%	-
Member B	48.52%	-
Member C	10.08%	-
Member D	-	99.45%

NOTE E – FUTURE MAJOR REPAIRS AND REPLACEMENTS

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 F – 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, 2020

See Independent Accountants' Review Report

	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	2020 Funding Requirement	Components of Fund Balance (Contract Liability at December 31, 2020)
Drainage	5	\$ 20,000	\$ 1,579	\$ 13,686
Emergency/Storm Fund	10	15,000	1,120	4,920
General Reserve	1	40,000	-	40,010
Signs	25	60,000	2,196	7,290
Irrigation Pumps	8	8,000	1,000	1,000
Irrigation Wells	20	12,000	600	600