

**THE FOUNDRY HOMEOWNERS ASSOCIATION, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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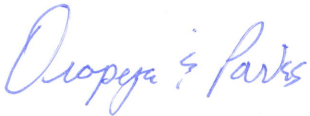
To the Board of Directors  
The Foundry Homeowners Association, Inc.  
201 Front Street, Suite 103  
Key West, Florida 33040

Management is responsible for the accompanying financial statements of The Foundry Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The supplementary information contained in the schedule of operating fund revenues and expenses – actual to budget is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property and schedule of replacement reserves components of fund balance as listed in the table of contents is presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, 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 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 accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

We are not independent with respect to The Foundry Homeowners Association, Inc.



February 4, 2020

**THE FOUNDRY HOMEOWNERS ASSOCIATION, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2019**

	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTAL</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 125,370	\$ 126,019	\$ 251,389
Investments	22,088	21,829	43,917
Prepaid Insurance	45,325	-	45,325
	<b>192,783</b>	<b>147,848</b>	<b>340,631</b>
<b>Total Current Assets</b>	<b>\$ 192,783</b>	<b>\$ 147,848</b>	<b>\$ 340,631</b>
<b>Liabilities and Fund Balance</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 4,237	\$ -	\$ 4,237
Income Tax Payable	1,312	-	1,312
Assessments Received in Advance	34,809	-	34,809
	<b>40,358</b>	-	<b>40,358</b>
<b>Total Current Liabilities</b>	<b>40,358</b>	-	<b>40,358</b>
<b>Fund Balance</b>	<b>152,425</b>	<b>147,848</b>	<b>300,273</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 192,783</b>	<b>\$ 147,848</b>	<b>\$ 340,631</b>

See accompanying notes and accountant's compilation report.

**THE FOUNDRY HOMEOWNERS ASSOCIATION, INC.**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>OPERATING FUND</b>	<b>REPLACEMENT FUND</b>	<b>TOTAL</b>
<b>Revenues</b>			
Member Assessments	\$ 166,490	\$ 16,590	\$ 183,080
Pool Reimbursement	6,400	-	6,400
Late/Other Fees	105	-	105
Interest Income	1,615	1,465	3,080
<b>Total Revenue</b>	<b>174,610</b>	<b>18,055</b>	<b>192,665</b>
<b>Expenses</b>			
Accounting and Legal	225	-	225
Bank Fees	410	-	410
Cable Television	13,005	-	13,005
Dues and Subscriptions	301	-	301
Income Tax	1,312	-	1,312
Insurance	96,666	-	96,666
Landscaping	1,158	-	1,158
Management Fees	26,411	-	26,411
Office Supplies	53	-	53
Postage and Printing	178	-	178
Repairs and Maintenance	27,384	5,152	32,536
Utilities	6,365	-	6,365
<b>Total Expenses</b>	<b>173,468</b>	<b>5,152</b>	<b>178,620</b>
<b>Excess of Revenues over Expenses</b>	<b>1,142</b>	<b>12,903</b>	<b>14,045</b>
<b>Fund Balance, December 31, 2018</b>	<b>128,915</b>	<b>157,313</b>	<b>286,228</b>
<b>Prior Period Adjustment</b>	<b>22,368</b>	<b>(22,368)</b>	<b>-</b>
<b>Fund Balance, December 31, 2019</b>	<b>\$ 152,425</b>	<b>\$ 147,848</b>	<b>\$ 300,273</b>

See accompanying notes and accountant's compilation report.

**THE FOUNDRY HOMEOWNERS ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>Cash Flows from Operating Activities:</b>			
Cash Received From:			
Member Assessments	\$ 180,184	\$ 16,590	\$ 196,774
Pool Reimbursement	6,400	-	6,400
Late/Other Fees	105	-	105
Interest Income	1,615	1,465	3,080
Cash Paid For:			
Repairs and Maintenance	(27,394)	(5,152)	(32,546)
Utilities and Cable	(19,370)	-	(19,370)
Insurance	(99,186)	-	(99,186)
Administrative and Other	(27,578)	-	(27,578)
<b>Net Cash Provided by Operating Activities</b>	<b>14,776</b>	<b>12,903</b>	<b>27,679</b>
<b>Cash Flows from Investing Activities:</b>			
Reinvestment of Interest Income	(355)	(225)	(580)
<b>Net Cash (Used For) Investing Activities</b>	<b>(355)</b>	<b>(225)</b>	<b>(580)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>14,421</b>	<b>12,678</b>	<b>27,099</b>
<b>Cash and Cash Equivalents, December 31, 2018</b>	<b>88,581</b>	<b>135,709</b>	<b>224,290</b>
<b>Prior Period Adjustment</b>	<b>22,368</b>	<b>(22,368)</b>	<b>-</b>
<b>Cash and Cash Equivalents, December 31, 2019</b>	<b>\$ 125,370</b>	<b>\$ 126,019</b>	<b>\$ 251,389</b>

See accompanying notes and accountant's compilation report.

**THE FOUNDRY HOMEOWNERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 1 – Summary of Significant Accounting Policies**

Organization and Purpose

The Foundry Homeowners Association, Inc. (The "Association") was incorporated in the State of Florida on May 16, 1994, as a not-for-profit corporation. The Association was established for the purpose of operating a homeowners association consisting of 30 residential units located in Key West, Florida.

The accounting policies of the Association conform to accounting principles generally accepted in the United States of America. The following is a summary of the more significant policies:

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The Association documents provide certain guidelines governing its financial activities. To ensure observation 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. Disbursements from this fund are generally at the discretion of the property manager pursuant to the annual budget. Expenditures not contemplated in the annual budget are approved by the Board of Directors.

Replacement Fund: This fund is used to accumulate financial resources designated for future major repairs and replacements. Disbursements from this fund may be made only for designated purposes.

Cash and Cash Equivalents

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

Investments

Investments are composed of direct investments in money market accounts in which cost equates fair value.

Credit Risk

Financial instruments, which potentially subject the Association to concentrations of credit risk, consist principally of cash and maintenance assessments receivable. The Association tries to limit the amount of its credit exposure by placing its cash with high credit quality financial institutions. To reduce credit risk with respect to receivables, the Association's policy is to retain legal counsel to enforce its liens on any unpaid assessments which are thirty days or more delinquent.

Member Assessments

Revenues are derived from monthly assessments charged to members based upon estimated annual operating expenses. Such assessments are due in equal quarterly installments. Assessments receivable at the balance sheet date represent fees due from unit owners. Assessments received in advance at the balance sheet date represent prepaid owner assessments for the next fiscal year. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. Any excess assessments at year-end are retained by the Association for use in the succeeding year.

Capital Stock

The Association has not issued any shares of stock. Membership in the Association consists of all legal owners of individual units. On matters on which membership is entitled to vote, the owner or owners of each unit may exercise one vote in a manner as provided in the Articles of Incorporation, Declaration of Covenants and the By-Laws of the Corporation.

**THE FOUNDRY HOMEOWNERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 - Summary of Significant Accounting Policies (continued)**

Recognition of Assets and Depreciation

The Association capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the members. Property and equipment acquired by the Association are recorded at cost. Capitalized common property is depreciated over its estimated useful life using straight line and double declining balance methods of depreciation. Real common property, donated to the Association by the Developer, is not recognized in the Association's financial statements and disposition by the Association's Board of Directors is restricted. The property ownership is vested in the lot owners and these assets are not deemed to be severable. Accordingly, real common property, primarily consisting of sidewalks, roadways, greenbelts, entry walls and neighborhood signs are not recognized as assets. Replacements, major repairs and the purchase of commonly owned assets are also not capitalized but are recorded as expenditures in the replacement fund.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The following methods and assumptions were used in estimating the fair value disclosures for financial instruments:

*Cash and cash equivalents, certificate of deposits, assessments receivable, prepaid insurance and other expenses, payables and assessments received in advance* – The carrying amounts reported in the balance sheet approximate fair values due to the relatively short maturities of these instruments.

Date of management's review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 4, 2020, the date that the financial statements were available to be issued.

**Note 2 – Cash and Investments**

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of a bank failure, Association's deposits may not be returned to it.

The Association maintains certificate of deposits at a financial institution located in Key West. Balances at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The carrying amount of deposits with the financial institutions at December 31, 2019 was \$43,917. At December 31, 2019 the Association did not have any uninsured balances for cash and certificates of deposit.

Investments:

*Interest Rate Risk* – As a means of limiting its exposure to fair value losses arising from interest rates, Association's investment policy is structured to meet cash flow requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

*Credit Risk* – The Association invests in money market funds. The investments are recorded at cost which equate to fair market value, i.e. quoted market price, as provided by the Association's agent.

*Concentration of credit risk* – The Association maintains a brokerage account with a national institution with a location in Key West. Balances for the brokerage account are insured by the Securities Investor Protection Corporation (SPIC) up to \$500,000, including \$100,000 in claims for cash awaiting investment. However, cash held in a deposit program is insured up to and under the conditions of the FDIC. The carrying amounts of cash held in deposit programs was \$224,716. At December 31, 2019 the Association did not have any uninsured balances for investments.



**THE FOUNDRY HOMEOWNERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Note 3 – Assessments Receivable**

There were no assessments receivable due from members as of December 31, 2019.

**Note 3 - Future Major Repairs and Replacements**

The Association included assessments of \$16,590 in its 2019 budget. Under chapter 720 of the Florida statutes, these reserves are for, but not limited to, roof replacement, building painting and pavement resurfacing. Accumulated funds, which aggregate \$147,848 at December 31, 2019, are generally not available for operating purposes. It is the Association's policy to allocate interest earned equally between the operating and replacement funds.

The Association is funding the replacement and/or major repair and painting of commonly owned assets based on estimates of the useful lives of the assets and estimated replacement or repair costs as determined by the Board of Directors. This funding is based on an independent study conducted September 23, 2006. The costs do not take into account the effects of inflation. Actual expenditures may vary from the estimated amounts and the variations may be material. As a result, amounts designated for future repairs and replacements may not be adequate. If additional funds are needed, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

**Note 4 – Income Taxes**

For federal income tax purposes, the Association files its tax return on a calendar year basis and may elect annually to be taxed as a homeowners association pursuant to Section 528 of the Internal Revenue code. The effect of the election is to exclude from taxation exempt function net income, which is the excess of revenue from lot owner assessments over expenditures for maintenance of common property.

For the tax year ended December 31, 2019, the Association is subject to \$1,312 in federal income tax on its non-exempt function income.

The federal income tax returns for the tax years ended December 31, 2019, 2018, 2017 and 2016 are subject to examination by taxing authorities. The state income tax return for the tax year ended December 31, 2018 is subject to examination by taxing authorities.

**Note 5 – Commitments and Contingencies**

Insurance

The Association's insurance policy deductibles are all less than or equal to \$1,000, with the exception of windstorm deductible, which is currently 3% of property value.

**Note 6 – Contractual Agreements**

The Association has entered into a contract with a management company to provide management services to the Association. The contract is on a calendar year basis.

The Association entered into a five-year cable television service contract, which commenced December 1, 2016.

**Note 7 – Granting of Easement to Third Parties for use of Pool Facilities**

The Association's recorded documents provide for the Developer to grant a license to up to twenty (20) units that are not members of The Foundry Homeowners Association to use the Association's pool facilities. The Developer has granted eight (8) such licenses, and these units are invoiced annually for their pro-rata share of expenses associated with the care and maintenance of the pool and its related facilities. For the year ending December 31, 2019, the Association received \$6,400 in pool reimbursements.

**Note 8 – Prior Period Adjustment**

An adjustment was made to beginning replacement fund due to a prior year calculation error.

**SUPPLEMENTARY INFORMATION**

**THE FOUNDRY HOMEOWNERS ASSOCIATION, INC.  
SCHEDULE OF REPLACEMENT RESERVES COMPONENTS OF FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>RESERVE</u>	<u>BALANCE AT 12/31/18</u>	<u>PRIOR PERIOD ADJUSTMENT</u>	<u>2019 FUNDING</u>	<u>INTEREST INCOME</u>	<u>RESERVE EXPENDITURES</u>	<u>BALANCE AT 12/31/19</u>
Roof Building 101	65,586	(3,815)	10,500	621	3,028	69,864
Roof Building 103	52,810	(16,585)	1,450	386	335	37,726
Paving	15,368	(399)	740	164	-	15,873
Pool	23,549	(1,569)	3,900	294	1,789	24,385
Pooled Reserves	<u>157,313</u>	<u>(22,368)</u>	<u>16,590</u>	<u>1,465</u>	<u>5,152</u>	<u>147,848</u>

See accompanying notes and accountant's compilation report.

**THE FOUNDRY HOMEOWNERS ASSOCIATION, INC.**  
**SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES - ACTUAL TO BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>Revenues</b>			
Member Assessments	\$ 166,490	\$ 166,490	\$ -
Pool Reimbursement	6,400	6,400	-
Late/Other Fees	105	120	(15)
Interest Income	1,615	480	1,135
<b>Total Revenue</b>	<b>174,610</b>	<b>173,490</b>	<b>1,120</b>
<b>Expenses</b>			
Accounting and Legal	225	1,600	1,375
Bank Fees	410	300	(110)
Cable Television	13,005	12,000	(1,005)
Dues and Subscriptions	301	360	59
Income Tax	1,312	-	(1,312)
Insurance	96,666	94,696	(1,970)
Landscaping	1,158	1,020	(138)
Management Fees	26,411	26,411	-
Office Supplies	53	9,645	9,592
Postage and Printing	178	360	182
Repairs and Maintenance	27,384	24,720	(2,664)
Utilities	6,365	6,480	115
<b>Total Expenses</b>	<b>173,468</b>	<b>177,592</b>	<b>4,124</b>
<b>Excess of Revenue Over (Under) Expenses</b>	<b>\$ 1,142</b>	<b>\$ (4,102)</b>	<b>\$ 5,244</b>

See accompanying notes and accountant's compilation report.

**THE FOUNDRY HOMEOWNERS ASSOCIATION, INC.  
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>RESERVE</u>	<u>ESTIMATED REMAINING USEFUL LIFE (YEARS)</u>	<u>ESTIMATED CURRENT REPLACEMENT COST</u>	<u>REPLACEMENT FUND BALANCE</u>
Roof Building 101	6 - 20	\$ 261,914	\$ 69,864
Roof Building 103	6 - 18	49,675	37,726
Paving	1	15,000	15,873
Pool	1 - 16	57,577	24,385
Total		<u>\$ 384,166</u>	<u>\$ 147,848</u>

See accompanying notes and accountant's compilation report.