



The Foundry Homeowners' Association, Inc.

**FINANCIAL STATEMENTS (AND
SUPPLEMENTARY INFORMATION)**

December 31, 2020

The Foundry Homeowners' Association, Inc.
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ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors and Members
The Foundry Homeowners' Association, Inc.
Key West, Florida

Management is responsible for the accompanying financial statements of The Foundry Homeowners' Association, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of revenue, 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 of these financial statements.

The schedule of changes in accumulated funds for future major repairs and replacements and the schedule of operating fund revenue and expenses – budget and actual are 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 form of assurance on such information.

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements of common property on page 15 be 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The required supplementary information was subject to our compilation engagement. We have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida
February 19, 2021

The Foundry Homeowners' Association, Inc.
Balance Sheet

December 31,

2020

	Operating Fund	Replacement Fund	Total
Assets			
Cash	\$ 83,407	\$ 121,572	\$ 204,979
Certificates of deposit	22,475	22,082	44,557
Accounts receivable	550	-	550
Prepaid expenses	50,069	-	50,069
Interfund balance	4,802	(4,802)	-
Total assets	\$ 161,303	\$ 138,852	\$ 300,155
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 5,960	\$ -	\$ 5,960
Prepaid assessments	23,015	-	23,015
Performance obligation	-	138,852	138,852
Total liabilities	28,975	138,852	167,827
Fund balance	132,328	-	132,328
Total liabilities and fund balance	\$ 161,303	\$ 138,852	\$ 300,155

See accompanying notes and accountants' compilation report.

The Foundry Homeowners' Association, Inc.
Statement of Revenue, Expenses and Changes in Fund Balance

For the year ended December 31,

2020

	Operating Fund	Replacement Fund	Total
Revenue			
Regular assessments	\$ 167,200	\$ 24,876	\$ 192,076
Interest income	752	253	1,005
Miscellaneous income	6,296	-	6,296
Total revenue	174,248	25,129	199,377
Expenses			
Administrative	3,778	-	3,778
Grounds	7,091	-	7,091
Insurance	102,102	-	102,102
Maintenance and repairs	33,821	25,129	58,950
Personnel	27,203	-	27,203
Utilities	20,350	-	20,350
Total expenses	194,345	25,129	219,474
Deficit of revenue over expenses	(20,097)	-	(20,097)
Beginning fund balance	152,425	-	152,425
Ending fund balance	\$ 132,328	\$ -	\$ 132,328

See accompanying notes and accountants' compilation report.

The Foundry Homeowners' Association, Inc.
Statement of Cash Flows

For the year ended December 31,

2020

	Operating Fund	Replacement Fund	Total
Operating activities			
Deficit of revenue over expenses	\$ (20,097)	\$ -	\$ (20,097)
Changes in operating assets and liabilities:			
Accounts receivable	(550)	-	(550)
Prepaid expenses	(4,744)	-	(4,744)
Accounts payable	1,723	-	1,723
Income tax payable	(1,312)	-	(1,312)
Prepaid assessments	(11,794)	-	(11,794)
Performance obligation	-	(8,996)	(8,996)
Interfund balance	(4,802)	4,802	-
Net cash used by operating activities	(41,576)	(4,194)	(45,770)
Investing activities			
Purchase of certificates of deposit	(387)	(253)	(640)
Net cash used by investing activities	(387)	(253)	(640)
Net decrease in cash	(41,963)	(4,447)	(46,410)
Cash at beginning of year	125,370	126,019	251,389
Cash at end of year	\$ 83,407	\$ 121,572	\$ 204,979

See accompanying notes and accountants' compilation report.

The Foundry Homeowners' Association, Inc.

Notes to Financial Statements

NOTE 1: DESCRIPTION OF THE ORGANIZATION

The Foundry Homeowners' Association, Inc., ("Association"), a Florida not-for-profit Corporation, was formed on May 16, 1994 as a homeowners' association for the operation management, maintenance and control of The Foundry Homeowners' Association, Inc. Members in the Association consists of the 30 residential unit owners and is located on approximately 1 acre in Key West, Florida.

The Association was organized for the purpose of maintaining and protecting the elements owned by the unit owners in common, including building exteriors, roadways, sidewalks, lawns, parking areas, pool and related facilities, etc. Disposition of common area property requires consent of the members according to the governing documents and Florida Statutes.

All policy decisions, including the annual budget and owners' assessments, are formulated by the Board of Directors. Decisions are referred to the general Association membership before action is taken, when so required by the governing documents of the Association.

Management and accounting services are provided to the Association by The Community Association Company. The Association does not operate a rental program; instead, individual unit owners have contracted with various real estate companies to lease their individual rental units.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Foundry Homeowners' Association, Inc.

Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds

The Association is a not-for-profit organization which employs the fund method of accounting in order to properly account for restrictions on the expenditures resulting from actions of the Board of Directors, the Association voting membership, or applicable Florida Statute. The financial statements segregate the accounting for such funds as either operating or replacement funds. At the end of the year, excess funds are retained by the fund generating such excess during the year.

The operating fund is used to account for financial resources available for the general operation of the Association. Disbursements from the operating fund are generally at the discretion of the Board of Directors.

The replacement fund is generally used to account for assessments made for major repair and replacement of common property, and related expenses. Disbursements from the replacement fund may only be utilized in accordance with Florida Statutes and the purposes established by the Board of Directors and the Association membership. Interest income earned in the replacement fund is allocated to pooled components.

Cash Equivalents

Cash and cash equivalents include cash and all highly-liquid debt instruments with an original maturity date of 90 days or less.

Accounts Receivable from Owners and Allowance for Doubtful Accounts

Accounts receivable from owners are reported at the outstanding balance due from owners, net of any allowance for doubtful accounts. The Association provides for doubtful accounts based on experience and analysis of individual accounts. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific accounts are determined to be uncollectable, they are written off by charging the allowance and crediting the receivable. Since management considers all receivables to be collectible at December 31, 2020, no allowance has been established at this time.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items on the Balance Sheet. These items will be expensed over the applicable usage period.

Capitalization and Depreciation

Real property acquired by the Association is capitalized when it (a) is used to generate significant cash flows from members on the basis of usage or from nonmembers or (b) can be disposed of for

The Foundry Homeowners' Association, Inc.

Notes to Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

cash with the Association retaining the proceeds. Real property acquired by the Association that does not meet these guidelines is not capitalized, and accordingly, replacements, major repairs, and improvements to this property are not capitalized; instead, they are reported as expenses in the fund making the expenditure. Real property that has not been capitalized is identified in Note 1.

Contract Assets and Liabilities

Contract assets represent revenue recognized in excess of amounts billed. No such amounts are reported on the balance sheet as of December 31, 2020. Contract liabilities represent revenue collected in advance of the contract period or amounts billed in excess of revenue recognized. These liabilities are reported on the balance sheet as prepaid assessments and performance obligation liabilities.

Revenue Recognition

The Association recognizes revenue when performance obligations under the terms of the contracts with customers are satisfied. Revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. For purposes of this Association, the definition of customers include the Association's members.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 19, 2021 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

NOTE 3: OWNERS' ASSESSMENTS

Revenues and expenses are allocated to the unit owners based on the ratio of each unit's square footage to the total square footage of all units, and accordingly, assessment rates are established using this formula. Quarterly assessments for 2020 ranged from \$1,475 to \$2,065. Budgeted assessments for the year ended December 31, 2020 totaled \$183,080, of which \$15,880 was allocated to the replacement fund.

The Foundry Homeowners' Association, Inc.
Notes to Financial Statements

NOTE 3: OWNERS' ASSESSMENTS (Continued)

The following table reconciles budgeted regular assessments to the amounts recognized as assessment revenue in the statement of revenue, expenses, and changes in fund balance:

<i>For the year ended December 31,</i>	2020		
	Operating Fund	Replacement Fund	Total
Regular assessments	\$ 167,200	\$ 15,880	\$ 183,080
Add releases from performance obligation	-	8,996	8,996
Total assessments	\$ 167,200	\$ 24,876	\$ 192,076

NOTE 4: REVENUE RECOGNITION

As disclosed in Note 2 to the financial statements, the Association's customers consist of its members, which are unit owners within the homeowners' association. The contracts between these customers and the Association primarily relate to maintaining, managing and providing access to the property and amenities owned in common by the unit owners.

Performance Obligations

The Association's revenue is derived primarily from assessments to its members. The Association generally recognizes its revenue from contracts with customers over time with the exception of reserve assessments, which are being recognized at a point in time. As of December 31, 2020, the Association has reported a performance obligation liability totaling \$138,852, relating to the future major repair and/or replacement of specific components of common property. The assessments related to this performance obligation are generally reported in the replacement fund and will be recognized as revenue at the point in time when the funds are expended for their designated purpose.

Significant Judgments

For those revenue items recognized over time, the Association generally utilizes the input method of measurement, where revenue is recognized based on the Association's efforts towards the satisfaction of a performance obligation. For operating fund amounts, revenue is recognized as time elapses and the Association performs routine maintenance, protection and management of the common area property. For replacement fund amounts, the Association recognizes revenue at the point in time when the reserve expenses are incurred.

The Foundry Homeowners' Association, Inc.
Notes to Financial Statements

NOTE 4: REVENUE RECOGNITION (Continued)

Disaggregated Revenue

The Association derives its revenue from various activities and sources having different qualitative factors that may affect the amount, timing, or uncertainty of revenues and cash flows. The following chart contains disaggregated revenue information that reflects these qualitative factors:

<i>For the year ended December 31,</i>	2020
<i>Recognized over time</i>	
Operating fund assessments	\$ 167,200
Miscellaneous income	6,296
<i>Recognized at a point in time</i>	
Replacement fund assessments	24,876
<i>Not subject to ASC Topic 606</i>	
Interest income	1,005
Total revenue	\$ 199,377

The following chart contains disaggregated revenue information that reflects these qualitative factors.

<i>December 31,</i>	2020
Accounts receivable - beginning balance	\$ -
Accounts receivable - ending balance	550
Contract assets - no beginning or ending balance for the year	
Contract liabilities	
Prepaid assessments - beginning balance	34,809
Prepaid assessments - ending balance	23,015
Performance obligation liabilities - beginning balance	147,848
Performance obligation liabilities - ending balance	138,852

NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require the Association to accumulate funds for future major repairs and replacements, unless otherwise decided by the voting membership. The Association has adopted a program to accumulate funds for future major repairs and replacements

The Foundry Homeowners' Association, Inc.

Notes to Financial Statements

NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

through regular assessments. The Association uses the cash flow method of funding the replacement fund, which pools the reserve components.

The Board of Directors and management annually review the major components of common property. As a part of this review, the Board and management re-evaluate the estimated remaining useful lives and the estimated replacement costs of each of the components of the replacement fund utilizing information obtained from a 2006 professional study. The Board of Directors last performed a review of estimated replacement costs, remaining lives, and funding requirements for the reserve components in 2020 based on the professional study.

The Association is funding for future major repairs and replacements over the estimated useful lives of the components based on their study's estimates of replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding amount of \$15,880, based on a full funding plan, was included in the 2020 budget.

Actual expenditures, however, may vary from the estimated amounts and the variations may be significant. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE 6: INCOME TAXES

The Association elected to file its tax return for 2020 as a homeowner association on Form 1120H. As such, the Association must comply with Internal Revenue Code (IRC) Section 528, which applies specifically to homeowners associations. Under IRC Section 528, the Association is not taxed on income and expenses directly related to its exempt purpose, which is the management, maintenance and protection of Association property. However, net nonexempt function income, such as interest income and revenues from nonmembers, is taxed for federal purposes at a flat 30% rate. For the year ended December 31, 2020, the Association had no net nonexempt function income, which resulted in no federal income tax expense. State income taxes do not apply to associations that qualify under IRC Section 528.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2020, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association's policy is to record interest expense or penalties related to income tax in operating expense. For the year ended December 31, 2020, no interest or penalties were paid or accrued. The Association is

The Foundry Homeowners' Association, Inc.

Notes to Financial Statements

NOTE 6: INCOME TAXES (Continued)

subject to routine audits by taxing jurisdictions; however, there are no audits for any tax periods in progress. The Association's management believes it is no longer subject to income tax examinations for years prior to 2017.

NOTE 7: WINDSTORM DEDUCTIBLE

The insurance policy for windstorm coverage renewed December 2020. The deductible amount for named storms is estimated at \$179,841, which represents 3% of the insured value of the residential buildings. In addition, the Association's windstorm policy is underwritten by the State of Florida's Citizens Property Insurance Corporation (Citizens). In the event Citizens incurs a deficit that exceeds the amount collected via regular premiums, an emergency assessment may be levied. The Association may be required to pay substantially more in insurance premiums relating to the year for which the emergency assessment is levied.

NOTE 8: CREDIT RISK

The Association assesses regular and special assessments to its members. It is the Association's policy to turn over significantly past due accounts for collection and to file liens against the individual units. Should the collection of any such liens be enforced by the sale of the unit, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens that have priority. Market value may be influenced by the real estate market in Key West, Florida.

NOTE 9: CERTIFICATES OF DEPOSIT

At December 31, 2020, the Association had \$22,475 of operating fund monies and \$22,082 of replacement fund monies in certificates of deposit at various financial institutions. The carrying value of these certificates of deposit is at cost plus accrued interest, which approximates fair value. These certificates bear interest at 1.75% and mature in May and November 2022, respectively.

NOTE 10: CONTINGENCY

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Association. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii)

The Foundry Homeowners' Association, Inc.
Notes to Financial Statements

NOTE 10: CONTINGENCY (Continued)

voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Supplementary Information

The Foundry Homeowners' Association, Inc.
Schedule of Changes in Accumulated Funds for Future Major Repairs and Replacements

For the year ended December 31,

2020

Component	Beginning Balance	Additions	Subtractions	Ending Balance
Roofing			\$ 2,343	
Pavement			21,015	
Pool			1,771	
Pooled items	\$ 147,848	\$ 16,133	25,129	\$ 138,852

December 31,

2020

Performance obligation liability	\$ 138,852
Replacement fund balance	-
Total	\$ 138,852

See accountants' compilation report.

The Foundry Homeowners' Association, Inc.
Schedule of Operating Fund Revenue and Expenses – Budget and Actual

For the year ended December 31,

2020

	Actual	Budget	Variance - Favorable (Unfavorable)
Revenue			
Regular assessments	\$ 167,200	\$ 167,200	\$ -
Interest income	752	1,800	(1,048)
Miscellaneous income	6,296	7,448	(1,152)
Total revenue	174,248	176,448	(2,200)
Expenses			
Administrative	3,778	11,269	7,491
Grounds	7,091	1,020	(6,071)
Insurance	102,102	102,062	(40)
Maintenance and repairs	33,821	29,580	(4,241)
Personnel costs	27,203	27,203	-
Utilities	20,350	18,480	(1,870)
Total expenses	194,345	189,614	(4,731)
Deficit of revenue over expenses	\$ (20,097)	\$ (13,166)	\$ (6,931)

See accountants' compilation report.

The Foundry Homeowners' Association, Inc.
Supplementary Information on Future Major Repairs and Replacements

The following table is based on the Board's review and presents significant information about the components of common property:

Component	Estimated Remaining Useful Life	Estimated Replacement Cost	Accumulated Funds at 12/31/20
Pooled items			
Roof	6 - 18	\$ 311,589	
Paving	1	15,000	
Pool	1 - 16	57,577	
Total pooled components			\$ 138,852
		\$ 384,166	\$ 138,852

See accountants' compilation report.