



**The Foundry Homeowners' Association, Inc.**

**FINANCIAL STATEMENTS  
(AND SUPPLEMENTARY INFORMATION)**

**December 31, 2021**



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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, 2021, 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. Information for the year ended December 31, 2020 is presented for comparative purposes only and was extracted from the financial statement presented by fund for that year on which we issued a compilation report dated February 19, 2021.

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 14 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 3, 2022

**The Foundry Homeowners' Association, Inc.**  
**Balance Sheet**

<i>December 31,</i>	<b>2021</b>			<b>2020</b>	
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>	<b>Total (For Comparative Purposes)</b>	
<b>Assets</b>					
Cash	\$ 100,723	\$ 132,954	\$ 233,677	\$	204,979
Certificates of deposit	-	22,511	22,511	\$	44,557
Accounts receivable	1,315	-	1,315	\$	550
Prepaid expenses	54,126	-	54,126	\$	50,069
Interfund balance	4,802	(4,802)	-	\$	-
<b>Total assets</b>	<b>\$ 160,966</b>	<b>\$ 150,663</b>	<b>\$ 311,629</b>	<b>\$</b>	<b>300,155</b>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities</b>					
Accounts payable	\$ 13,023	\$ -	\$ 13,023	\$	5,960
Prepaid assessments	41,094	-	41,094	\$	23,015
Performance obligation	-	150,663	150,663	\$	138,852
<b>Total liabilities</b>	<b>54,117</b>	<b>150,663</b>	<b>204,780</b>	<b>\$</b>	<b>167,827</b>
<b>Fund balance</b>	<b>106,849</b>	<b>-</b>	<b>106,849</b>	<b>\$</b>	<b>132,328</b>
<b>Total liabilities and fund balance</b>	<b>\$ 160,966</b>	<b>\$ 150,663</b>	<b>\$ 311,629</b>	<b>\$</b>	<b>300,155</b>

*See accompanying notes and accountants' compilation report.*

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

<i>For the year ended December 31,</i>	<b>2021</b>			<b>2020</b>	
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>	<b>Total (For Comparative Purposes)</b>	
<b>Revenue</b>					
Regular assessments	\$ 192,817	\$ 4,452	\$ 197,269	\$ 192,076	
Interest income	114	-	114	1,005	
Miscellaneous income	8,055	-	8,055	6,296	
<b>Total revenue</b>	<b>200,986</b>	<b>4,452</b>	<b>205,438</b>	<b>199,377</b>	
<b>Expenses</b>					
Administrative	2,597	-	2,597	3,778	
Grounds	25,457	-	25,457	7,091	
Insurance	114,176	-	114,176	102,102	
Maintenance and repairs	37,500	4,452	41,952	58,950	
Personnel	27,747	-	27,747	27,203	
Utilities	18,988	-	18,988	20,350	
<b>Total expenses</b>	<b>226,465</b>	<b>4,452</b>	<b>230,917</b>	<b>219,474</b>	
Deficit of revenue over expenses	(25,479)	-	(25,479)	(20,097)	
Beginning fund balance	132,328	-	132,328	152,425	
Ending fund balance	\$ 106,849	\$ -	\$ 106,849	\$ 132,328	

*See accompanying notes and accountants' compilation report.*

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

<i>For the year ended December 31,</i>	<b>2021</b>			<b>2020</b>
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>	<b>Total (For Comparative Purposes)</b>
<b>Operating activities</b>				
Deficit of revenue over expenses	\$ (25,479)	\$ -	\$ (25,479)	\$ (20,097)
Changes in operating assets and liabilities:				
Accounts receivable	(765)	-	(765)	(550)
Prepaid expenses	(4,057)	-	(4,057)	(4,744)
Accounts payable	7,063	-	7,063	1,723
Income tax payable	-	-	-	(1,312)
Prepaid assessments	18,079	-	18,079	(11,794)
Performance obligation	-	11,811	11,811	(8,996)
Net cash provided (used) by operating activities	(5,159)	11,811	6,652	(45,770)
<b>Investing activities</b>				
Redemption (purchase) of certificates of deposit	22,475	(429)	22,046	(640)
Net cash provided (used) by investing activities	22,475	(429)	22,046	(640)
Net increase (decrease) in cash	17,316	11,382	28,698	(46,410)
Cash at beginning of year	83,407	121,572	204,979	251,389
Cash at end of year	\$ 100,723	\$ 132,954	\$ 233,677	\$ 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, roofs, 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). 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.

##### ***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, 2021, 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.

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 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, 2021. 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 3, 2022, 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**

Revenue 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 2021 ranged from \$1,475 to \$2,065. Budgeted assessments for the year ended December 31, 2021 totaled \$209,080, of which \$16,263 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>	<b>2021</b>		
	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
Budgeted Regular assessments	\$ 192,817	\$ 16,263	\$ 209,080
Add releases from performance obligation	-	(11,811)	(11,811)
<b>Total assessments</b>	<b>\$ 192,817</b>	<b>\$ 4,452</b>	<b>\$ 197,269</b>

**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, 2021, the Association has reported a performance obligation liability totaling \$150,663, 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>	<b>2021</b>
<b><i>Recognized over time</i></b>	
Operating fund assessments	\$ 192,817
Miscellaneous income	8,055
<b><i>Recognized at a point in time</i></b>	
Replacement fund assessments	4,452
<b><i>Not subject to ASC Topic 606</i></b>	
Interest income	114
Total revenue	\$ 205,438

The following table presents information about accounts receivable, contract assets, and contract liabilities:

<i>For the year ended December 31,</i>	<b>2021</b>
Accounts receivable - beginning balance	\$ 550
Accounts receivable - ending balance	1,315
Contract assets - no beginning or ending balance for the year	
Contract liabilities	
Prepaid assessments - beginning balance	23,015
Prepaid assessments - ending balance	41,094
Performance obligation liabilities - beginning balance	138,852
Performance obligation liabilities - ending balance	150,663

## **The Foundry Homeowners' Association, Inc.**

### **Notes to Financial Statements**

#### **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 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 2014 professional study. The Board of Directors last performed a review of estimated replacement costs, remaining lives, and funding requirements for the reserve components in 2021 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 \$16,263, based on a full funding plan, was included in the 2021 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 2021 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, 2021, 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, 2021, there are no uncertain positions taken or expected to be taken that

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

**NOTE 6: INCOME TAXES (Continued)**

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, 2021, no interest or penalties were paid or accrued. The Association is 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 2018.

**NOTE 7: WINDSTORM DEDUCTIBLE**

The insurance policy for windstorm coverage renewed June 2021. The deductible amount for named storms is estimated at \$148,017, 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 WKFC Underwriting Managers (WKFC). In the event WKFC 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, 2021, the Association had \$22,511 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 November 2022.

## **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,*

**2021**

<b>Component</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Subtractions</b>	<b>Ending Balance</b>
Pool			\$ 4,452	
<b>Pooled items</b>	\$ 138,852	\$ 16,263	\$ 4,452	\$ 150,663

*December 31,*

**2021**

Performance obligation liability	\$ 150,663
Replacement fund balance	-
<b>Total</b>	<b>\$ 150,663</b>

*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,*

**2021**

	Actual	Budget	Variance - Favorable (Unfavorable)
<b>Revenue</b>			
Regular assessments	\$ 192,817	\$ 192,817	\$ -
Interest income	114	450	(336)
Miscellaneous income	8,055	7,770	285
<b>Total revenue</b>	<b>200,986</b>	<b>201,037</b>	<b>(51)</b>
<b>Expenses</b>			
Administrative	2,597	10,276	7,679
Grounds	25,457	540	(24,917)
Insurance	114,176	117,705	3,529
Maintenance and repairs	37,500	31,860	(5,640)
Personnel	27,747	27,747	-
Utilities	18,988	20,640	1,652
<b>Total expenses</b>	<b>226,465</b>	<b>208,768</b>	<b>(17,697)</b>
<b>Deficit of revenue over expenses</b>	<b>\$ (25,479)</b>	<b>\$ (7,731)</b>	<b>\$ (17,748)</b>

*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:

<b>Component</b>	<b>Estimated Remaining Useful Life</b>	<b>Estimated Replacement Cost</b>	<b>Accumulated Funds at 12/31/21</b>
<b>Pooled items</b>			
Roof	5 - 17	\$ 311,589	
Paving	0	15,000	
Pool	0 - 15	57,577	
<b>Total pooled items</b>		<b>\$ 384,166</b>	<b>\$ 150,663</b>

*See accountants' compilation report.*