

**BAYCREST HOMEOWNERS
ASSOCIATION, INC.**
BONITA SPRINGS, FLORIDA
REVIEWED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors
Baycrest Homeowners
Association, Inc.
Bonita Springs, Florida

We have reviewed the accompanying financial statements of Baycrest Homeowners Association, Inc., which comprise the balance sheet, as of December 31, 2021, and the related statements of revenues, 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 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. We are required to be independent of Baycrest Homeowners Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion on the Financial Statements

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.

The Board of Directors
Baycrest Homeowners
Association, Inc.
Bonita Springs, Florida
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Supplementary Information

The supplementary information schedule of operating fund revenues and expenses – budget to actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on it.

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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which 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 Davis Group Audit & Attestation Services LLC

THE DAVIS GROUP
AUDIT & ATTESTATION SERVICES LLC

February 18, 2021

BAYCREST HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2021

	FUNDS		
	Operating	Replacement	Total
ASSETS			
Cash and cash equivalents	\$ 107,455	\$ 130,189	\$ 237,644
Accounts receivable assessments	775	-	775
Prepaid insurance	1,414	-	1,414
	<u>\$ 109,644</u>	<u>\$ 130,189</u>	<u>\$ 239,833</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,117	\$ 38,789	\$ 40,906
Security deposits	11,000	-	11,000
Assessments received in advance	25,785	-	25,785
Contract liability (assessments received in advance - replacement)	-	91,400	91,400
	<u>38,902</u>	<u>130,189</u>	<u>169,091</u>
Total liabilities	<u>38,902</u>	<u>130,189</u>	<u>169,091</u>
FUND BALANCES	<u>70,742</u>	<u>-</u>	<u>70,742</u>
Total liabilities and fund balances	<u>\$ 109,644</u>	<u>\$ 130,189</u>	<u>\$ 239,833</u>

Read Independent Accountants' Review Report.
The accompanying notes are an integral
part of the financial statements.

BAYCREST HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2021

	FUNDS		
	Operating	Replacement	Total
REVENUES			
Maintenance fees	\$ 227,940	\$ 100,715	\$ 328,655
Application fees	900	-	900
Owner late fees and interest income	179	-	179
Interest income	213	1,596	1,809
	<u>229,232</u>	<u>102,311</u>	<u>331,543</u>
Total revenues			
EXPENSES			
Administrative	38,857	-	38,857
Amenities	13,956	-	13,956
Landscaping	121,423	-	121,423
Maintenance	17,483	-	17,483
Utilities	18,344	-	18,344
Replacement	-	102,311	102,311
	<u>210,063</u>	<u>102,311</u>	<u>312,374</u>
Total expenses			
Excess of revenues over expenses	19,169	-	19,169
CAPITAL CONTRIBUTIONS - January 1, 2021	13,879	-	13,879
Capital contributions received	3,875	-	3,875
Capital expenditure	<u>(8,350)</u>	<u>-</u>	<u>(8,350)</u>
CAPITAL CONTRIBUTIONS - December 31, 2021	9,403	-	9,403
FUND BALANCES - January 1, 2021	<u>42,169</u>	<u>-</u>	<u>42,169</u>
FUND BALANCES - December 31, 2021	<u>\$ 70,742</u>	<u>\$ -</u>	<u>\$ 70,742</u>

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part of the financial statements.

BAYCREST HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	FUNDS		
	<u>Operating</u>	<u>Replacement</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Maintenance fees received	\$ 229,515	\$ 51,060	\$ 280,575
Application fees received	900	-	900
Owner late fees and interest income received	179	-	179
Interest income received	213	1,596	1,809
Cash paid for replacement expenditure	-	(63,523)	(63,523)
Cash paid for operating expenditures	<u>(225,708)</u>	<u>-</u>	<u>(225,708)</u>
Net cash provided (used) by operating activities	<u>5,099</u>	<u>(10,867)</u>	<u>(5,768)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital contributions received	3,875	-	3,875
Capital expenditure	<u>(8,350)</u>	<u>-</u>	<u>(8,350)</u>
Net cash (used) by investing activities	<u>(4,475)</u>	<u>-</u>	<u>(4,475)</u>
Net increase (decrease) in cash	624	(10,867)	(10,243)
CASH AND CASH EQUIVALENTS - January 1, 2021	<u>106,831</u>	<u>141,056</u>	<u>247,887</u>
CASH AND CASH EQUIVALENTS - December 31, 2021	<u>\$ 107,455</u>	<u>\$ 130,189</u>	<u>\$ 237,644</u>

	FUNDS		
	<u>Operating</u>	<u>Replacement</u>	<u>Total</u>
RECONCILIATION OF EXCESS OF REVENUES OVER EXPENSES TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 19,169	\$ -	\$ 19,169
Adjustments to reconcile excess of revenues over expenses to net cash provided (used) by operating activities:			
(Increase) in accounts receivable assessments	(775)	-	(775)
(Increase) in prepaid insurance	(225)	-	(225)
(Decrease) increase in accounts payable	(14,420)	38,788	24,368
(Decrease) in security deposits	(1,000)	-	(1,000)
Increase in assessments received in advance	2,350	-	2,350
(Decrease) in contract liability (assessments received in advance - replacement)	-	(49,655)	(49,655)
Total adjustments	<u>(14,070)</u>	<u>(10,867)</u>	<u>(24,937)</u>
Net cash provided (used) by operating activities	<u>\$ 5,099</u>	<u>\$ (10,867)</u>	<u>\$ (5,768)</u>

Read Independent Accountants' Review Report.
The accompanying notes are an integral
part of the financial statements.

BAYCREST HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - THE ASSOCIATION

Baycrest Homeowners Association, Inc. (the "Association") is a not for profit homeowners' organization incorporated under the laws of the State of Florida, which began operating in 1994, for the purpose of operating, preserving, and maintaining the common areas and property of the Association. The Baycrest subdivision consists of 90 residential properties located in Bonita Springs, Florida.

NOTE 2 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 18, 2021; the date that the financial statements were available to be issued.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Accounting

The Association prepares its financial statements on the accrual basis and presents them as separate funds based on its different funding policies for operations and replacement expenditures.

Property and Equipment

Ownership of commonly owned real property and certain common personal property is vested directly or indirectly in the unit owners and those assets are not deemed to be severable. As a result, these commonly owned assets are not presented in the Association's financial statements.

Member Assessments and Revenue Recognition

Association members are subject to periodic 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 and recognized as collected. The performance obligations related to the reserve 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 unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. The Association treats uncollectible assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control.

BAYCREST HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds

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. The assets of the Association are maintained and classified into separate funds to account for daily operations or capital replacements.

The operating fund reflects the operating portion of annual assessments paid by the owners to meet various day-to-day expenditures incurred in the administration, maintenance, and operation of the Association.

The replacement fund is composed of the portion of the annual assessments designated in the budget to fund future major repairs and replacements, as further discussed in Note 9.

Cash Flows

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The Association made no cash payments for federal income taxes and no cash payments for state income taxes during the year ended December 31, 2021.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 4 - CASH AND CASH EQUIVALENTS

The Association maintains its cash and cash equivalents balances at various financial institutions located in Southwest Florida. Accounts at the commercial banking institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of December 31, 2021, none of these balances were uninsured. The reconciled book balance, as of December 31, 2021, was \$237,644.

NOTE 5 - ACCOUNTS RECEIVABLE - MEMBERS

Accounts receivable – members consists of maintenance fees billed which have not been collected by the Association, as of December 31, 2021. The accounts receivable are considered collectible.

NOTE 6 - FAIR VALUE MEASUREMENTS

The Fair Value Measurements Topic of the FASB Accounting Standards Codification defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure requirements for fair value measurements.

BAYCREST HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 - FAIR VALUE MEASUREMENTS (Continued)

The Association measures the fair value of assets and liabilities, as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included with Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable level 1 or 2 inputs are not available.

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Association's significant financial instruments are cash, accounts receivable, accounts payable, and other short-term assets and liabilities. For these financial instruments (level 1), carrying values approximate fair value, because of the short maturity of these instruments.

NOTE 7 - INCOME TAXES

The Association files its income tax return, as a homeowners' association, in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform assessments to members and other income received from Association members solely, as a function of their membership in the Association. The Association is taxed at the rate of 30% on its investment income and other non-exempt function income. The Association incurred no federal and no state income tax expense for the year ended December 31, 2021.

Management considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in its filed income tax returns that require recognition or disclosure in the accompanying financial statements. The Association's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

NOTE 8 - ASSESSMENTS RECEIVED IN ADVANCE

Assessments received in advance consist of unbilled maintenance fees, which were received by the Association, as of December 31, 2021.

BAYCREST HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9 - REPLACEMENT FUND

The Association's replacement fund is utilized to accumulate funds for future major repairs and replacements, by an allocation of the maintenance fees charged to each owner specifically designated for the fund in the annual budget. Deductions from the fund are recorded as costs, as incurred, which are determined by the Board, to meet the objective for which the fund was established.

The following is a table of the activity in the replacement fund:

Components	Balance January 1, 2021	Additions To Fund	Intra-fund Transfer	Charges To Fund	Balance December 31, 2021
General fund	\$ 139,613	\$ 51,060	\$ 2,767	\$ 102,311	\$ 91,129
Unallocated interest	1,442	1,596	(2,767)	-	271
	<u>141,055</u>	<u>52,656</u>	<u>-</u>	<u>102,311</u>	<u>91,400</u>
ASC 606 adjustment	<u>(141,055)</u>	<u>49,655</u>	<u>-</u>	<u>-</u>	<u>(91,400)</u>
ASC 606 adjusted balance	<u>\$ -</u>	<u>\$ 102,311</u>	<u>\$ -</u>	<u>\$ 102,311</u>	<u>\$ -</u>

Additions to fund include \$1,596 of interest income.

During the year ended December 31, 2021, the Association funded major repairs and replacements based on the Board's estimates of current replacement costs. The 2021 statutory and approved budgeted funding is \$57,355, as shown in the unaudited supplementary information. The components' actual replacement cost, useful lives, and investment income may vary from estimated amounts and the variation may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association, through its Board, has the power to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 10 - COMMITMENTS

The Association currently has various contracts with vendors.

SUPPLEMENTARY INFORMATION

BAYCREST HOMEOWNERS ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON
 FUTURE MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2021
(Compiled)

The following table is based on estimates provided by the Board during 2021, using replacement costs and estimates from vendors, and presents significant information about the components of common property:

Components	Estimated Useful Lives	Estimated Remaining Useful Lives	Estimated Current Replacement Costs	2022 Approved and Statutory Funding
General fund	6-40 years	0-39 years	\$ 653,050	\$ 57,355
Unallocated interest	N/A	N/A	-	-
			\$ 653,050	\$ 57,355

Estimated future replacement costs are based on the assumption that the rate of interest income earned on replacement funds will be equal to the rate of inflation.

BAYCREST HOMEOWNERS ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES -
BUDGET TO ACTUAL -
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budget</u> <i>(Unaudited)</i>	<u>Actual</u>	Variance Favorable <i>(Unfavorable)</i>
REVENUES			
Owner maintenance income	\$ 227,940	\$ 227,940	\$ -
Application fees	-	900	900
Owner late fees and interest income	-	179	179
Interest income	-	213	213
	<u>227,940</u>	<u>229,232</u>	<u>1,292</u>
EXPENSES			
ADMINISTRATIVE			
Management fees	18,738	18,192	546
Office expense	2,543	2,352	191
Legal	2,000	4,024	(2,024)
Accounting fees	4,300	4,350	(50)
Corporate fees	61	61	-
Insurance	11,334	9,339	1,995
Miscellaneous administrative expense	1,250	539	711
	<u>40,226</u>	<u>38,857</u>	<u>1,369</u>
AMENITIES			
Amenities repair	2,000	1,726	-
Pool/spa maintenance contract	7,920	7,920	274
Pool/spa permits	250	250	-
Pool/spa repairs	5,000	4,060	940
Miscellaneous pool/spa expense	750	-	750
	<u>15,920</u>	<u>13,956</u>	<u>1,964</u>
LANDSCAPING			
Irrigation repairs	10,000	9,356	644
Landscape maintenance contract	92,436	92,436	-
Landscape replacements	6,658	6,791	(133)
Mulch	16,348	-	16,348
Tree trimming	9,838	9,983	(145)
Miscellaneous landscaping expense	1,000	2,857	(1,857)
	<u>136,280</u>	<u>121,423</u>	<u>14,857</u>

BAYCREST HOMEOWNERS ASSOCIATION, INC.
SCHEDULE OF OPERATING FUND REVENUES AND EXPENSES -
BUDGET TO ACTUAL - (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget	Actual	Variance Favorable (Unfavorable)
	<i>(Unaudited)</i>		
MAINTENANCE			
Building maintenance/pressure clean	325	280	45
Fire equipment	1,500	595	905
Janitorial services	2,472	2,472	-
Janitorial supplies	350	90	260
Pest control	4,200	3,638	562
Miscellaneous maintenance expense	6,500	10,408	(3,908)
Total maintenance	15,347	17,483	(2,136)
UTILITIES			
Cable tv	167	167	-
Electricity	8,500	9,158	(658)
Sewer & water	1,500	1,411	89
Water - irrigation	10,000	7,608	2,392
Total utilities	20,167	18,344	1,823
Total operating fund expenses	227,940	210,063	17,877
Excess of revenues over expenses	\$ -	\$ 19,169	\$ 19,169