

**Heather Ridge I of Brookshire Condominium Association, Inc.**

**Financial Statements and  
Supplementary Information**

**Year Ended  
December 31, 2021**

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To the Board of Directors  
Heather Ridge I of Brookshire Condominium Association, Inc.  
North Fort Myers, Florida

Management is responsible for the accompanying financial statements of Heather Ridge I of Brookshire Condominium Association, Inc. (the "Association"), which comprise the balance sheet as of December 31, 2021, 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 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 American Institute of Certified Public Accountants. 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.

***Other Matter***

Management has omitted the amount expended or removed from each reserve account in accordance with the Florida Administrative Code Chapter 61B.

***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 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. The information is the responsibility of management. The required supplementary was subjected to our compilation engagement; however, we have not audited or reviewed the required supplementary information and do not express an opinion, a conclusion nor provide any assurance on on such information.

Management has omitted the date the reserve study was performed that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Financial Accounting 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.

**Affiliations**

**American Institute of Certified Public Accountants ♦ Florida Institute of Certified Public Accountants**


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**\*By Appointment Only**

**Supplementary Information**

The statement of revenues and expenses - operating fund, is presented for purposes of additional analysis and is not a required part of the 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, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on such information.



Stroemer & Company, LLC  
Fort Myers, Florida  
January 30, 2023

Heather Ridge I of Brookshire Condominium Association, Inc.  
 Balance Sheet  
 December 31, 2021

	Operating Fund	Replacement Fund	Total
<b>Assets</b>			
Cash, cash equivalents, and restricted cash	\$ 60,350	\$ 76,413	\$ 136,763
Assessments receivable	558	-	558
Prepaid insurance	52,484	-	52,484
<b>Total assets</b>	<b>\$ 113,392</b>	<b>\$ 76,413</b>	<b>\$ 189,805</b>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Prepaid assessments	\$ 7,264	\$ -	\$ 7,264
Deposits	3,525	-	3,525
Deferred maintenance and capital expenditures	-	76,413	76,413
<b>Total liabilities</b>	<b>10,789</b>	<b>76,413</b>	<b>87,202</b>
<b>Fund balances</b>	<b>102,603</b>	<b>-</b>	<b>102,603</b>
<b>Total liabilities and fund balances</b>	<b>\$ 113,392</b>	<b>\$ 76,413</b>	<b>\$ 189,805</b>

The accompanying notes are an integral part of this statement.

**Heather Ridge I of Brookshire Condominium Association, Inc.**  
**Statement of Revenues and Expenses**  
**Year Ended December 31, 2021**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Revenues</b>			
Assessments	\$ 111,367	\$ 109,881	\$ 221,248
Other income	1,479	-	1,479
Interest income	9	80	89
Total revenues	<u>112,855</u>	<u>109,961</u>	<u>222,816</u>
<b>Expenses</b>			
Reserves	-	120,465	120,465
Administration	70,917	-	70,917
Maintenance	40,666	-	40,666
Utilities	1,150	-	1,150
Total expenses	<u>112,733</u>	<u>120,465</u>	<u>233,198</u>
<b>Excess of revenues over (under) expenses</b>	<u><b>\$ 122</b></u>	<u><b>\$ (10,504)</b></u>	<u><b>\$ (10,382)</b></u>

The accompanying notes are an integral part of this statement.

**Heather Ridge I of Brookshire Condominium Association, Inc.**  
**Statement of Changes in Fund Balances**  
**Year Ended December 31, 2021**

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
Balances, January 1, 2021	\$ 102,481	\$ 10,504	\$ 112,985
Excess of revenues over (under) expenses	122	(10,504)	(10,382)
<b>Balances, December 31, 2021</b>	<b>\$ 102,603</b>	<b>\$ -</b>	<b>\$ 102,603</b>

The accompanying notes are an integral part of this statement.

Heather Ridge I of Brookshire Condominium Association, Inc.  
Statement of Cash Flows  
Year Ended December 31, 2021

	Operating Fund	Replacement Fund	Total
<b>Cash flows from operating activities:</b>			
Cash collected from members	\$ 113,739	\$ 47,175	\$ 160,914
Cash paid for expenditures	(129,093)	(120,465)	(249,558)
Other income received	1,479	-	1,479
Interest income received	9	80	89
<b>Net cash used in operating activities</b>	<b>(13,866)</b>	<b>(73,210)</b>	<b>(87,076)</b>
<b>Cash flows from financing activities:</b>			
Interfund transfers	2,601	(2,601)	-
<b>Net cash provided by financing activities</b>	<b>2,601</b>	<b>(2,601)</b>	<b>-</b>
<b>Net decrease in cash, cash equivalents, and restricted cash</b>	<b>(11,265)</b>	<b>(75,811)</b>	<b>(87,076)</b>
Cash, cash equivalents, and restricted cash at beginning of year	71,615	152,224	223,839
<b>Cash, cash equivalents, and restricted cash at end of year</b>	<b>\$ 60,350</b>	<b>\$ 76,413</b>	<b>\$ 136,763</b>
<b>Cash, cash equivalents, and restricted cash consists of the following:</b>			
Cash and cash equivalents	\$ 56,825	\$ 76,413	\$ 133,238
Restricted cash	3,525	-	3,525
	<b>\$ 60,350</b>	<b>\$ 76,413</b>	<b>\$ 136,763</b>

The accompanying notes are an integral part of this statement.



**Heather Ridge I of Brookshire Condominium Association, Inc.**  
**Statement of Cash Flows (Continued)**  
**Year Ended December 31, 2021**

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
<b>Reconciliation of excess of revenues over (under) expenses to net cash used in operating activities</b>			
Excess of revenues over (under) expenses	\$ 122	\$ (10,504)	\$ (10,382)
Adjustments to reconcile excess of revenues over (under) expenses to net cash used in operating activities:			
(Increase) decrease in assets:			
Assessments receivable	5,104	-	5,104
Accounts receivable	297	-	297
Prepaid insurance	(6,123)	-	(6,123)
Prepaid expenses	176	-	176
Increase (decrease) in liabilities:			
Accounts payable	(5,873)	-	(5,873)
Accrued liabilities	(4,837)	-	(4,837)
Prepaid assessments	1,813	-	1,813
Deposits	(4,545)	-	(4,545)
Deferred maintenance and capital expenditures	-	(62,706)	(62,706)
<b>Net cash used in operating activities</b>	<b>\$ (13,866)</b>	<b>\$ (73,210)</b>	<b>\$ (87,076)</b>

The accompanying notes are an integral part of this statement.

**Heather Ridge I of Brookshire Condominium Association, Inc.**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2021**

**Note A - Summary of Significant Accounting Policies**

**1. Nature of organization**

Heather Ridge I of Brookshire Condominium Association, Inc. (the "Association") was incorporated on April 25, 1988 under Chapter 617 of the Florida Statutes as a corporation not for profit to administer the operation and management of the common property of Heather Ridge I of Brookshire. The Declaration of Condominium (the "Declaration") was recorded in the official records of Lee County, Florida, on April 14, 1988 as a condominium pursuant to Chapter 718 of the Florida Statutes. The Association consists of 44 residential units, located in Fort Myers, Florida.

**2. Fund accounting**

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.

Replacement fund

This fund is used to accumulate financial resources designated for future major repairs and replacements.

The Association prepares its financial statements on the accrual basis of accounting in accordance with Topic 972 of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), "Real Estate - Common Interest Realty Associations".

**3. Management estimates**

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

**4. Cash and cash equivalents**

For purposes of reporting cash flows, the Association considers all short-term highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**5. Restricted cash**

Any cash that is legally restricted from use is recorded in restricted cash. Cash and deposits are considered restricted when they are subject to contingent rights of third parties.

Amounts included in restricted cash represent cash received as security deposits from unit owners

**Heather Ridge I of Brookshire Condominium Association, Inc.**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2021**

**Note A - Summary of Significant Accounting Policies (continued)**

**Restricted cash (continued)**

for rentals within the Association. The deposits are generally refundable once the renter moves out and any amounts are deducted for damages sustained to the Association's common areas.

**6. Assessments receivable**

Assessments receivable are carried at the original charge amount less an estimate made for doubtful receivables, if any, based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Assessments receivable are written off when deemed uncollectible. Recoveries of assessments receivable previously written off are recorded as income when received.

An assessment receivable is considered to be past due if any portion of the receivable balance is outstanding for more than one month. A late fee is charged on assessments receivable that are outstanding for more than one month and is recognized as income as it is charged.

As of December 31, 2021, management considers all assessments receivable to be fully collectible therefore no allowance for doubtful accounts is considered necessary.

**7. Fair value of financial instruments**

The Association has determined that the estimated fair value of the financial assets and liabilities do not differ considerably from their book value due to the short maturity of these financial instruments.

**8. Concentration of credit risk**

The Association maintains accounts at financial institutions in bank deposits which, at times, may exceed federally-insured limits. The Association has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash.

Concentration of credit risk with respect to the receivables relate to billings to unit owners who pay monthly assessments and live within the Association. The Association does not anticipate credit losses in the near future.

**9. Property and equipment**

Common property of the Association is accounted for in accordance with ASC Subtopic 972-360, "Real Estate - Common Interest Realty Associations - Property, Plant, and Equipment". It is the Association's responsibility to preserve and maintain the common property.

Real property is not recognized as assets.

Common real property to which the Association has title, or other evidence of ownership, that is not recognized as assets in the Association's balance sheet consists of buildings, sheds and roadways.

**Heather Ridge I of Brookshire Condominium Association, Inc.**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2021**

**Note A - Summary of Significant Accounting Policies (continued)**

**10. Prepaid assessments**

Prepaid assessments represent amounts paid to the Association before the assessments were due.

**11. Revenue recognition**

The following is a description of principal activities from which the Association generates its revenue and their respective treatment under ASC 606.

Operating assessments

The Association's annual budget is the basis for establishing the annual assessment required from each unit owner to cover the Association's operating expenses. Each unit owner is an Association member and an equal portion of the assessment is assessed and payable monthly. The performance obligation for operating assessments is the maintenance and management of the common area property of the Association. The Association recognizes revenue from operating assessments on a daily pro-rata basis using the input method to the extent that collection of the assessments is probable.

Replacement reserve assessments

The Association's annual budget is the basis for establishing the annual assessment required from each unit owner to cover the Association's estimated future major repairs and replacements. Each unit owner is an Association member and an equal portion of the assessment is assessed and payable monthly. The performance obligation for replacement reserve assessments is the expenditure of the assessed funds for the intended purpose. The Association recognizes revenue from replacement reserve assessments when or as the related expenditures are made (generally at a point in time) to the extent that collection of the assessments is probable. Unspent replacement reserve assessments are presented as a contract liability on the balance sheet (deferred maintenance and capital expenditures).

Ancillary operations

Ancillary operations describe any Association activities other than the ordinary maintenance, security, governance, and administrative activities common to most associations. The Association's ancillary operations include:

- Other income

The Association recognizes revenues from these ancillary operations as the Association's performance obligation for those operations is satisfied. Generally, this is at a point in time when the goods or services are provided.

**Heather Ridge I of Brookshire Condominium Association, Inc.**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2021**

**Note A - Summary of Significant Accounting Policies (continued)**

**12. Income taxes**

The Association may be taxed as a regular corporation or may elect to be taxed as a homeowners association. For the year ended December 31, 2021, the Association elected to file its income tax return as a homeowners association in accordance with Internal Revenue Code Section 528. Under that Section, the Association excludes from taxation exempt function income, which generally consists of revenue from uniform assessments to unit owners. The Association's investment and other nonexempt income net of related expenses is subject to federal income tax at a rate of 30%. Homeowners associations are exempt from Florida income tax. There was no income tax expense for the year ended December 31, 2021.

The Association follows ASC Topic 740, "Income Taxes" in accounting for uncertain tax positions. The Association's tax filings are generally subject to examination by taxing authorities for three years after the returns are filed. The Association has evaluated its tax positions and any estimates utilized in its tax returns, and concluded that the Association has taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. Interest and penalties associated with uncertain tax positions will be recognized in income tax expense, if required.

**Note B - Assessments Receivable**

As of December 31, 2021 and 2020, the Association had assessments receivable of:

	<u>2021</u>	<u>2020</u>
Assessments receivable	\$ 558	\$ 5,662
Allowance for doubtful accounts	-	-
	<u>\$ 558</u>	<u>\$ 5,662</u>

**Note C - Contract Liabilities**

Contract liabilities generally represent payments or consideration received in advance for future major repairs and replacements that the Association has not yet transferred to the unit owners. Contract liabilities as of December 31, 2021 consisted of deferred maintenance and capital expenditures of \$76,413.

Changes in contract liabilities during the year ended December 31, 2021 were as follows:

Deferred maintenance and capital expenditures at beginning of year	\$ 139,119
Additions (replacement reserve assessments)	47,175
Revenue recognized	(109,881)
<b>Deferred maintenance and capital expenditures at end of year</b>	<u><b>\$ 76,413</b></u>

**Heather Ridge I of Brookshire Condominium Association, Inc.**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2021**

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

During the year ended December 31, 2021, the Association was in compliance with Chapter 718.112(2)(f)2 of the Florida Statutes which requires the Association's budget to include assessments for future major repairs and replacements, unless waived by an annual vote of the unit owners. Such assessments shall be for items including, but not limited to, roof replacement, building painting, pavement resurfacing and any other item for which the deferred maintenance expense or replacement cost exceeds \$10,000. The Association conducted a study to estimate the remaining useful lives and the replacement costs of the common property components.

During the year ended December 31, 2021, the Association was in compliance with their funding policy for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement cost, considering amounts previously accumulated in the replacement fund. Funding for such major repairs and replacements is based on a pooled analysis of two or more of the components, commonly referred to as the pooling method. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the option to increase regular assessments, levy special assessments, borrow, or delay major repairs and replacements until funds are available.

**Note E - Commitments and Contingencies**

**Insurance coverage**

The Association maintains insurance coverage for damage sustained by the condominium building. The insurance policy contains a deductible clause which would require the Association to pay a certain amount of expenses prior to the insurance company covering the remaining costs. In addition, as certain other expenses may be incurred by the Association in the event of a hurricane, the ultimate extent of any such losses in excess of the deductible cannot be determined.

**Note F - Subsequent Events**

Management has assessed subsequent events through January 30, 2023, the date on which the financial statements were available to be issued and noted the following:

On September 28, 2022 the Association sustained damages as a result of Hurricane Ian. Losses related to those damages were not estimable as of the date the financial statements were available to be issued.

***Supplementary Information***

**Heather Ridge I of Brookshire Condominium Association, Inc.**  
**Schedule of Future Major Repairs and Replacements**  
**Year Ended December 31, 2021**

The Association conducted a study to estimate the remaining useful lives and the replacement costs of the components of common property. These estimates were obtained from licensed contractors. Replacement costs were based on the estimated current costs to repair or replace the common property components at the date of the study.

The Association allocates interest earned in the replacement fund to future deferred maintenance and capital expenditures.

The following is a presentation of components to be repaired and replaced, estimates of the remaining useful lives of those components, estimates of current replacement costs, and amounts of funds accumulated for each to the extent designated by the board:

<u>Reserve Account</u>	<u>Estimated Remaining Useful Life (in years)</u>	<u>Estimated Current Replacement Costs</u>
Asphalt overlay/milled	3	\$ 57,000
Asphalt sealcoat/rejuvenation	2	5,489
Balcony restoration	3	52,800
Gutters & downspouts	15	18,500
Landscaping allowance	0	15,000
Paint/waterproofing exteriors	7	50,000
Engineering and professional fees	7	15,000
Perimeter fencing/vinyl	12	66,920
Roof repair/replacement	9	160,000
Sheds	0	50,000
Insurance deductible	N/A	320,880
		<u>\$ 811,589</u>

<u>Reserve Account</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Expenditures</u>	<u>Ending Balance</u>
<b>Future deferred maintenance and capital expenditures</b>	<u>\$ 149,623</u>	<u>\$ 47,255</u>	<u>\$ (120,465)</u>	<u>\$ 76,413</u>

The amount of annual funding required to fully fund the reserve accounts for years subsequent to December 31, 2021 is \$46,500.



**Heather Ridge I of Brookshire Condominium Association, Inc.  
Statement of Revenues and Expenses - Operating Fund  
Year Ended December 31, 2021**

**Revenues**

Assessments	\$ 111,367
Other income	1,479
Interest income	9
<b>Total revenues</b>	<b>112,855</b>

**Expenses**

**Administration**

Management contract	8,732
Legal fee	130
Professional fees	1,150
CPA services	200
Office expense	1,214
License and fees	352
Filing fees	123
Postage	326
Website	132
Insurance flood	22,146
Insurance-property/wind	32,734
Insurance/workers' compensation	103
Insurance/D&O	163
Irreconcilable difference	3,412
<b>Total administration</b>	<b>70,917</b>

**Utilities**

Electricity	1,150
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**Maintenance**

Building maintenance	2,876
Roof repairs	1,850
Pest control	3,124
Lawn/pest/irrigation/fertilization	27,289
Landscape maintenance	5,332
Fire extinguisher	195

<b>Total maintenance</b>	<b>40,666</b>
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<b>Total expenses</b>	<b>112,733</b>
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<b>Excess of Revenues Over (Under) Expenses</b>	<b>\$ 122</b>
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