

Bridgewater Crossing Homeowners Association, Inc.

Financial Statements and
Supplementary Information

December 31, 2015

Cole & Associates, LLC

Certified Public Accountants

Cole & Associates, LLC

Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Bridgewater Crossing Homeowners Association, Inc.

To the Board of Directors:

We have reviewed the accompanying financial statements of Bridgewater Crossing Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2015 and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements. 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.

Accountant's 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.

Accountant's 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 conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management has omitted supplementary information about future major repairs and replacements of common property 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 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 results of our review of the basic financial statements are not affected by that missing information.

Supplementary Information

The supplementary comparison schedules on pages 11 - 12 are 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 compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA; however, we have not audited or reviewed the required supplementary information and accordingly, do not express an opinion, a conclusion nor provide any assurance on it.

Handwritten signature in black ink that reads "Cole & Associates, LLC". The signature is written in a cursive, flowing style.

Cole & Associates, CPA, LLC
Certified Public Accountants
May 17, 2016

BRIDGEWATER CROSSING HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2015

	Operating Fund	Replacement Fund	Total
ASSETS:			
Cash	\$ 117,743	\$ 76,534	\$ 194,277
Assessments receivable (Note 3)	15,813	-	15,813
Prepaid expenses	789	-	789
Other assets	1,995	-	1,995
TOTAL ASSETS	\$ 136,340	\$ 76,534	\$ 212,874
LIABILITIES:			
Accounts payable and accrued expenses	\$ 5,627	\$ -	\$ 5,627
Prepaid assessments	23,340	-	23,340
TOTAL LIABILITIES	28,967	-	28,967
FUND BALANCE	107,373	76,534	183,907
TOTAL LIABILITIES AND FUND BALANCE	\$ 136,340	\$ 76,534	\$ 212,874

See accompanying notes and accountant's review report.

BRIDGEWATER CROSSING HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2015

	Operating Fund	Replacement Fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUE:			
Assessment income	\$ 129,795	\$ 16,001	\$ 145,796
Interest income	205	150	355
Other income	<u>7,171</u>	<u>-</u>	<u>7,171</u>
TOTAL REVENUE	<u>137,171</u>	<u>16,151</u>	<u>153,322</u>
EXPENDITURES:			
Accounting & legal	12,554	-	12,554
Bad debt	5,634	-	5,634
Contract grounds maintenance	45,656	-	45,656
Insurance	9,579	-	9,579
Irrigation repair	2,047	-	2,047
Licenses, permits & taxes	342	-	342
Management fees	14,004	-	14,004
Office & other expenses	5,895	-	5,895
Other grounds maintenance	38,122	-	38,122
Other pool maintenance	414	-	414
Pool maintenance	7,063	-	7,063
Safety & security	2,668	-	2,668
Utilities	17,368	-	17,368
Reserve expenditures	<u>-</u>	<u>13,004</u>	<u>13,004</u>
TOTAL EXPENDITURES	<u>161,346</u>	<u>13,004</u>	<u>174,350</u>
EXPENDITURES IN EXCESS OF REVENUE	<u>(24,175)</u>	<u>3,147</u>	<u>(21,028)</u>
BEGINNING FUND BALANCE	<u>131,548</u>	<u>73,387</u>	<u>204,935</u>
ENDING FUND BALANCE	<u>\$ 107,373</u>	<u>\$ 76,534</u>	<u>\$ 183,907</u>

See accompanying notes and accountant's review report.

BRIDGEWATER CROSSING HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Operating Fund	Replacement Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Assessment fees collected	\$ 135,976	\$ 16,001
Interest received	205	150
Other income	7,171	-
Cash paid for operating expenses	(164,127)	-
Replacement expenses paid	-	(13,004)
Net cash provided (used) by operating activities	(20,775)	3,147
NET CHANGE IN CASH	(20,775)	3,147
CASH AND CASH EQUIVALENTS - Beginning of Year	138,518	73,387
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 117,743</u>	<u>\$ 76,534</u>

See accompanying notes and accountant's review report.

BRIDGEWATER CROSSING HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Operating Fund</u>	<u>Replacement Fund</u>
RECONCILIATION OF NET EXPENDITURES AND REVENUES TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Excess of expenditures over revenues	\$ (24,175)	\$ 3,147
Adjustment to reconcile net expenditures and revenues to net cash provided by operating activities:		
Bad debt expense	5,634	-
(Increase) decrease in:		
Assessments receivable	(7,475)	-
Prepaid expenses	279	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(3,060)	-
Prepaid assessments	8,022	-
Net cash provided (used) by operating activities:	<u>(20,775)</u>	<u>3,147</u>
NET CHANGE IN CASH	<u>(20,775)</u>	<u>3,147</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>138,518</u>	<u>73,387</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 117,743</u>	<u>\$ 76,534</u>

See accompanying notes and accountant's review report.

BRIDGEWATER CROSSING HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Bridgewater Crossing Homeowners Association, Inc. ("The Association") is incorporated in the State of Florida. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 210 residential units located in Polk County, Florida.

Financial Statements

The accompanying financial statements were prepared pursuant to the requirements of Florida Statutes and the American Institute of Certified Public Accountants.

Fund Accounting

The Association presents its financial statements on the accrual basis using fund accounting. The financial statements are therefore segregated into funds based upon different funding policies established for operating and capital expenditures.

The Operating Fund reflects the maintenance assessments paid by unit owners to meet the regular, recurring costs of operations. Expenditures from this fund are limited to those connected with daily operations.

The Replacement Fund is composed of capital assessments paid by unit owners to fund future replacements and major repairs. Expenditures from this fund are typically restricted to those items for which assessments were specifically collected. Interest earned on replacement funds remains in the Replacement Fund and may only be expended for components previously funded.

Revenue Recognition

Regular assessments to members are recognized as revenue during the period for which they are assessed. Assessments received in advance of this period are reported as prepaid assessments on the balance sheet.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

BRIDGEWATER CROSSING HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real and Common Area Property

The Association capitalizes all property and equipment to which it holds title or has other evidence of ownership. Real and common area property acquired from the developer is not capitalized in the Association's financial statements, as it is owned by the individual unit owners in common and not by the Association. As a result, improvements made to the real property and common areas are expensed as incurred.

Estimates

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

Concentrations of Risk

The Association maintains cash balances at several banks. Deposits at banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2015, the uninsured portion of cash balances is \$0.

The Association has obtained insurance coverage for damages covered by windstorm. The Association would be responsible for losses up to the amount of the deductible and has the right to increase regular assessments, levy a special assessment or delay repairs until adequate funds are available.

Commitments and Contingency

The Association has entered into various short-term contractual agreements with outside vendors and service providers to maintain its common property and to administer the Association. These contracts have different expiration dates and renewal terms.

Subsequent Events

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through the date that the financial statements were issued.

BRIDGEWATER CROSSING HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 2: RESERVE FOR MAJOR REPAIRS AND REPLACEMENTS

The budget of the Association provides for limited voluntary deferred expenditure accounts, including capital expenditures and deferred maintenance, subject to limits on funding contained in its governing documents. Because the owners have not elected to provide for reserve accounts pursuant to Section 720.303(6) of the Florida Statutes, these funds are not subject to the restrictions on use of such funds set forth in that statute, nor are reserves calculated in accordance with that statute.

In the fall of 2015, the Association estimated the remaining useful lives and current replacement costs of common property components. Estimates were based on professional judgment, which may include contractor estimates for major components. The Association is funding for major repairs and replacements over the remaining useful lives, and considering amounts previously accumulated in the replacement fund.

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 right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

The following table presents significant information about the components of common property:

COMPONENT	BALANCE 12/31/14	FUNDING DURING YEAR	INTEREST & OTHER INCOME	CHARGES TO FUND	BALANCE 12/31/15
Tennis court	\$ 4,080	\$ 997	\$ -	\$ -	\$ 5,077
Tot lot	2,000	2,003	-	-	4,003
Pool	14,119	1,500	-	(1,237)	14,382
Contingency	(466)	4,998	-	-	4,532
Wall	1,619	1,500	-	-	3,119
Cabana	17,974	2,003	-	(2,684)	17,293
Hurricane repair	19,833	997	-	(5,262)	15,568
Mailbox repair	2,000	2,003	-	-	4,003
Road repair	9,836	-	-	(3,821)	6,015
Legal	2,117	-	-	-	2,117
Unallocated interest	275	-	150	-	425
TOTAL	\$ 73,387	\$ 16,001	\$ 150	\$ (13,004)	\$ 76,534

See independent accountant's report.

BRIDGEWATER CROSSING HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

NOTE 3: MEMBER ASSESSMENTS

Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Association expenses are allocated on a pro-rata basis per unit (1/210). Assessments receivable at the balance sheet date represent fees due from unit owners. It is the Association's policy to retain legal counsel and place liens on the property of delinquent homeowners. Assessments that have been deemed to be uncollectible as of the report date have been charged to bad debts. The allowance for uncollectible accounts is \$15,800 on December 31, 2015.

NOTE 4: INCOME TAXES

Associations may be taxed as homeowners' associations or as regular corporations. In 2015, the Association elected to be taxed as a homeowners' association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, net of directly related expenses, at a rate of 30%. Income tax expense was \$0 for the year then ended.

SUPPLEMENTAL INFORMATION

BRIDGEWATER CROSSING HOMEOWNERS ASSOCIATION, INC.

**SUPPLEMENTARY INFORMATION - STATEMENT OF REVENUES AND EXPENDITURES
ACTUAL TO BUDGET (UNAUDITED)**

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
REVENUE:			
Assessment income	\$ 145,796	\$ 161,843	\$ (16,047)
Interest income	205	-	205
Other income	<u>7,171</u>	<u>-</u>	<u>7,171</u>
TOTAL REVENUE	<u>153,172</u>	<u>161,843</u>	<u>(8,671)</u>
EXPENDITURES:			
Accounting & legal	12,554	11,600	954
Bad debt	5,634	5,000	634
Building repairs & maintenance	-	300	(300)
Contract grounds maintenance	45,656	44,088	1,568
Insurance	9,579	8,990	589
Irrigation repair	2,047	3,000	(953)
Licenses, permits & taxes	342	732	(390)
Management fees	14,004	14,004	-
Office & other expenses	5,895	5,520	375
Other grounds maintenance	38,122	21,869	16,253
Other pool maintenance	414	240	174
Pool maintenance	7,063	7,900	(837)
Recreation repairs & maintenance	-	200	(200)
Safety & security	2,668	3,300	(632)
Utilities	17,368	19,100	(1,732)
Reserve funding	<u>16,001</u>	<u>16,001</u>	<u>-</u>
TOTAL EXPENDITURES	<u>177,347</u>	<u>161,844</u>	<u>15,503</u>
EXPENDITURES IN EXCESS OF REVENUE	<u>\$ (24,175)</u>	<u>\$ (1)</u>	<u>\$ (24,174)</u>

See independent accountant's report.

BRIDGEWATER CROSSING HOMEOWNERS ASSOCIATION, INC.

**SUPPLEMENTARY INFORMATION - STATEMENT OF REVENUES AND EXPENDITURES
ACTUAL TO PRIOR YEAR (UNAUDITED)**

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>	<u>Variance</u>
REVENUE:			
Assessment income	\$ 145,796	\$ 145,520	\$ 276
Interest income	205	216	(11)
Other income	<u>7,171</u>	<u>6,220</u>	<u>951</u>
TOTAL REVENUE	<u>153,172</u>	<u>151,956</u>	<u>1,216</u>
EXPENDITURES:			
Accounting & legal	12,554	17,918	(5,364)
Bad debt	5,634	2,256	3,378
Contract grounds maintenance	45,656	36,565	9,091
Insurance	9,579	9,531	48
Irrigation repair	2,047	2,602	(555)
Licenses, permits & taxes	342	1,393	(1,051)
Management fees	14,004	14,000	4
Office & other expenses	5,895	4,117	1,778
Other grounds maintenance	38,122	15,764	22,358
Other pool maintenance	414	-	414
Pool maintenance	7,063	8,047	(984)
Safety & security	2,668	3,596	(928)
Utilities	17,368	19,011	(1,643)
Reserve funding	<u>16,001</u>	<u>16,000</u>	<u>1</u>
TOTAL EXPENDITURES	<u>177,347</u>	<u>150,800</u>	<u>26,547</u>
EXPENDITURES IN EXCESS OF REVENUE	<u>\$ (24,175)</u>	<u>\$ 1,156</u>	<u>\$ (25,331)</u>

See independent accountant's report.