

HERITAGE PINES CONDOMINIUM ASSOCIATION, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors  
Heritage Pine Condominium Association, Inc.

Management is responsible for the accompanying financial statements of Heritage Pines Condominium, which comprise the balance sheets as of December 31, 2019 and the related statements of revenues and expenses and changes in fund balance, and cash flows for the years 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 compilation engagements 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 on these financial statements.

Hernden, Trapp & Westfall, LLC  
Certified Public Accountants  
March 20, 2020

HERITAGE PINES CONDOMINIUM ASSOCIATION, INC,  
 BALANCE SHEET  
 DECEMBER 31, 2019  
 "Unaudited - Read Accountant's Compilation Report"

ASSETS

<u>ASSETS</u>	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
Cash	\$ 119,541	\$ 182,877	\$ 302,418
Owners' assessments receivable, less allowance for uncollectible assessments of \$11,710	14,541	-	14,541
Prepaid expenses, other	1,088	-	1,088
<b>TOTAL ASSETS</b>	<b>\$ 135,170</b>	<b>\$ 182,877</b>	<b>\$ 318,047</b>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 2,484	-	\$ 2,484
Prepaid owners' assessments	3,857	-	3,857
	6,341	-	6,341
<b>FUND BALANCES</b>	<b>128,829</b>	<b>\$ 182,877</b>	<b>311,706</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 135,170</b>	<b>\$ 182,877</b>	<b>\$ 318,047</b>

Read the accompanying notes to these financial statements.

HERITAGE PINES CONDOMINIUM ASSOCIATION, INC.  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 "Unaudited - Read Accountant's Compilation Report"

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<b>REVENUES</b>			
Member assessments	\$ 185,243	\$ 88,165	\$ 273,408
Other Income	854	-	854
Interest	11	1,946	1,957
	<u>186,108</u>	<u>90,111</u>	<u>276,219</u>
<b>EXPENSES</b>	<u>(205,035)</u>	<u>(104,354)</u>	<u>(309,389)</u>
<b>EXCESS (DEFICIT) REVENUES OVER EXPENSES</b>	(18,927)	(14,243)	(33,170)
<b>FUND BALANCES, January 1, 2018</b>	<u>147,756</u>	<u>197,120</u>	<u>344,876</u>
<b>FUND BALANCES, December 31, 2018</b>	<u>\$ 128,829</u>	<u>\$ 182,877</u>	<u>\$ 311,706</u>

Read the accompanying notes to these financial statements.

HERITAGE PINES CONDOMINIUM ASSOCIATION, INC.  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 "Unaudited - Read Accountant's Compilation Report"

	OPERATING FUND	REPLACEMENT FUND	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net member assessments collected	\$ 192,910	\$ 88,165	\$ 281,075
Interest collected	11	1,946	1,957
Other revenues collected	854	-	854
Cash paid for expenditures	(189,773)	(104,354)	(294,127)
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>4,002</u>	<u>(14,243)</u>	<u>(10,241)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	4,002	(14,243)	(10,241)
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<u>115,539</u>	<u>197,120</u>	<u>312,659</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 119,541</u>	<u>\$ 182,877</u>	<u>\$ 302,418</u>
<b>RECONCILIATION OF EXCESS OF REVENUES (EXPENDITURES) TO NET CASH PROVIDED BY OPERATING EXPENSES:</b>			
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	<u>\$ (18,927)</u>	<u>\$ (14,243)</u>	<u>\$ (33,170)</u>
<b>ADJUSTMENTS TO RECONCILE EXCESS REVENUES (EXPENDITURES) TO NET CASH PROVIDED BY OPERATING EXPENSES:</b>			
Change in assessments receivable	9,290	-	9,290
Change in prepaid insurance	14,065	-	14,065
Change in prepaid assessments	(1,623)	-	(1,623)
Change in accounts payable	1,197	-	1,197
	<u>22,929</u>	<u>-</u>	<u>22,929</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 4,002</u>	<u>\$ (14,243)</u>	<u>\$ (10,241)</u>

Read the accompanying notes to these financial statements.

HERITAGE PINES CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

**NOTE A - NATURE OF ORGANIZATION**

Heritage Pines Condominium Association, Inc. is a statutory condominium association organized as a non-for-profit corporation for purposes of maintaining and preserving common property for 128 residential unit owners. The Association began its operations in November, 1980.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To insure observance of limitations and restrictions on the use of financial resources, 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 general operations of the Association.

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

Member Assessments

Association members are subject to monthly assessments, based on each unit's square footage, to provide funds for the association's operating expenses, future capital acquisitions, and major repairs and replacements. Any excess assessments at year end are retained by the Association for use in future years. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent and who have failed to respond satisfactorily to notices urging payment. Balances over 6 months delinquent are generally added to a reserve for uncollectible accounts.

Income Taxes

Condominium associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2019, the Association was taxed as a homeowners association, whereby membership income is generally exempt and only nonmembership income, such as interest, and net rental income, is taxed at 30%.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements as those properties are owned by the individual unit owners in common and not by the Association. Presently, the Association has no capitalized assets.

HERITAGE PINES CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS - CONT'D  
DECEMBER 31, 2019

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Equivalents

For statement of cash flows presentation, cash includes highly liquid time and certificates of deposit with maturity of one year or less.

**NOTE C - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate accounts and are generally not available for expenditure for normal operations. It is the Association's policy to allocate interest earned on these accumulated funds to the reserve funds. The Association voted to fund the reserves for \$88,165 in 2019. The board has estimated the remaining useful lives and replacement costs of the common property components. 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, subject to member approval, to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available. The association had \$182,877 in its reserves as of December 31, 2019.

Members' equity designated for future major repairs and replacements has been allocated to the components of common property as follows:

Components	Beginning Balance	Additions			Transfers	Ending Balance
		Contributions	Interest	Charges		
Painting, stucco & trim	\$ 88,530	\$ 14,218	\$ -	\$ 20,350		\$ 82,398
Roof replacements	106,420	67,704	-	83,959		90,165
Paving	2,170	8,144	-	-		10,314
	<u>\$ 197,120</u>	<u>\$ 90,066</u>	<u>\$ -</u>	<u>\$ 104,309</u>	<u>\$ -</u>	<u>\$ 182,877</u>



HERITAGE PINES CONDOMINIUM ASSOCIATION, INC.  
 SUPPLEMENTARY SCHEDULE OF RESERVES' REPLACEMENT COSTS  
 DECEMBER 31, 2019  
 "Unaudited"

The following is the estimated remaining life and estimated cost to replace the components of the reserves. This information is based upon estimates determined by the Board of directors during the preparation of the proposed 2019 budget. An independent study of remaining lives and replacement costs has not been done.

<u>COMPONENTS</u>	<u>PROJECTED LIFE</u>	<u>ESTIMATED REMAINING LIFE</u>	<u>ESTIMATED COST TO REPLACE</u>	<u>BALANCE 12/31/2018</u>
Roofs	25 years	6-22 years	\$ 544,000	\$ 90,165
Paint Stucco & Trim	10 years	0-7 years	160,000	82,398
Paving	10 years	8 years	50,000	10,314
<b>TOTAL</b>			<u>\$ 754,000</u>	<u>\$ 182,877</u>

Read the accompanying notes to these financial statements.

HERITAGE PINES CONDOMINIUM ASSOCIATION, INC.  
 SUPPLEMENTARY SCHEDULE OF OPERATING FUND REVENUES  
 AND EXPENSES COMPARED WITH BUDGET  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 "Unaudited"

	ACTUAL	BUDGET	FAVORABLE (UNFAVORABLE) VARIANCE
<b>REVENUES</b>			
Assessments	\$ 185,243	\$ 185,292	\$ (49)
Other Income	854	\$ -	\$ 854
Late fees, fines and other	11	-	11
	<u>186,108</u>	<u>185,292</u>	<u>816</u>
<b>EXPENSES</b>			
Audit	1,375	2,000	625
Building maintenance	45,242	32,000	(13,242)
Roof repairs	-	3,000	3,000
lake/waterway maintenance	1,242	1,236	(6)
Contract lawn service	24,000	24,000	-
Other grounds expense	19,325	16,000	(3,325)
Tree trim and removal	8,500	8,000	(500)
Electricity	1,995	2,200	205
Management fee	13,056	13,056	-
Postage, copies, supplies	1,618	1,500	(118)
Legal	3,172	6,000	2,828
Insurance	76,804	60,000	(16,804)
Income Tax	338	-	(338)
Fees/Dues/Licenses	625	1,300	675
Bad debts	7,743	15,000	7,257
	<u>205,035</u>	<u>185,292</u>	<u>(19,743)</u>
<b>EXCESS (DEFICIT) REVENUES OVER EXPENSES</b>	<u>\$ (18,927)</u>	<u>\$ 6,000</u>	<u>\$ (18,927)</u>

Read the accompanying notes to these financial statements.