

**THE HAMPTONS AT BRANDON CONDOMINIUM  
ASSOCIATION, INC.**

**FINANCIAL STATEMENTS,  
INDEPENDENT AUDITORS' REPORT AND  
SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2015**



**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
The Hamptons at Brandon Condominium Association, Inc.

***Report on the Financial Statements***

We have audited the accompanying financial statements of The Hamptons at Brandon Condominium Association, Inc., which comprise the balance sheet as of December 31, 2015, 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.

***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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Hamptons at Brandon Condominium Association, Inc. as of December 31, 2015,

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and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Future Major Repairs and Replacements***

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 6 and in the Supplementary Information on Future Major Repairs and Replacements are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that matter.

*Accell Audit & Compliance, PA*

Tampa, Florida  
August 31, 2016

**THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.**  
**BALANCE SHEET**  
**DECEMBER 31,**  
**2015**

**ASSETS**

Cash and cash equivalents  
 Assessments receivable, net of allowance  
 for doubtful accounts of \$172,235 Prepaid  
 insurance

Total assets

**LIABILITIES AND FUND BALANCES**

Accounts payable and accrued expenses  
 Prepaid assessments  
 Security deposits  
 Interfund payables  
 Total liabilities

Fund balances

Total liabilities and fund balances

Operating Fund	Replacement Fund	Total
\$ 929	\$ 51,140	\$ 52,069
74,806	-	74,806
20,775	-	20,775
\$ 96,510	\$ 51,140	\$ 147,650
\$ 40,343	\$ -	\$ 40,343
5,143	-	5,143
25,271	-	25,271
(14,595)	14,595	-
56,162	14,595	70,757
40,348	36,545	76,893
\$ 96,510	\$ 51,140	\$ 147,650

*See accompanying independent auditors' report and notes to the financial statements.*

**THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Operating Fund	Replacement Fund	Total
<b>REVENUES</b>			
Member assessments	\$ 563,241	\$ 14,400	\$ 577,641
Other income	34,773	-	34,773
	<u>598,014</u>	<u>14,400</u>	<u>612,414</u>
Total revenues	<u>598,014</u>	<u>14,400</u>	<u>612,414</u>
<b>EXPENSES</b>			
Payroll	158,743	-	158,743
Insurance	132,092	-	132,092
Repairs and maintenance	121,182	-	121,182
Bad debt	97,784	-	97,784
Utilities	63,123	-	63,123
Landscaping	43,035	-	43,035
Professional	32,057	-	32,057
General and administrative	25,099	-	25,099
Security	20,095	-	20,095
	<u>693,210</u>	<u>-</u>	<u>693,210</u>
Total expenses	<u>693,210</u>	<u>-</u>	<u>693,210</u>

*See accompanying independent auditors' report and notes to the financial statements.*

**THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.**

<b>DEFICIT OF REVENUES OVER EXPENSES</b>	(95,196)	14,400	(80,796)
Fund balances - beginning of year	<u>135,544</u>	<u>22,145</u>	<u>157,689</u>
<b>FUND BALANCES - END OF YEAR</b>	\$ 40,348	\$ 36,545	\$ 76,893

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Operating	Replacement	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Deficit of revenues over expenses	\$ (95,196)	\$ 14,400	\$ (80,796)
Adjustments to reconcile deficit of revenues over expenses to net cash flows from operating activities:			
Change in allowance for doubtful accounts	(14,866)	-	(14,866)
Changes in:			
Assessments receivable	93,194	-	93,194
Prepaid insurance	(10,813)	-	(10,813)
Accounts payable and accrued expenses	11,312	-	11,312
Prepaid assessments	5,143	-	5,143
Security deposits	<u>6,570</u>	<u>-</u>	<u>6,570</u>
Net cash from operating activities	<u>(4,656)</u>	<u>14,400</u>	<u>9,744</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interfund transfer	(14,595)	14,595	-
Net cash from financing activities	(14,595)	14,595	-

*See accompanying independent auditors' report and notes to the financial statements.*

**THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.**

<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(19,251)	28,995	9,744
Cash and cash equivalents - beginning of year	20,180	22,145	42,325
	Fund	Fund	Total
	_____	_____	_____
	_____	_____	_____
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 929</u>	<u>\$ 51,140</u>	<u>\$ 52,069</u>

*See accompanying independent auditors' report and notes to the financial statements.*

**THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 NATURE OF ORGANIZATION**

The Hamptons at Brandon Condominium Association, Inc. (the "Association") was incorporated under the laws of the State of Florida as a not-for-profit corporation on February 23, 2006. The Association, which operates under Chapter 718, Florida Statutes, is responsible for the maintenance, preservation and architectural control of common property within the development. There are 204 residential units located in Brandon, Florida.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting**

The financial statements of the Association are prepared on the accrual basis of accounting, which recognizes revenue when earned, regardless of when received, and expenses when incurred, regardless of when paid.

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 financial statements have been prepared 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.

**Liquidity**

Assets are presented in the accompanying balance sheet according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash is defined as demand deposits and money market accounts held at financial institutions.

**Commonly Owned Assets**

In conformity with industry practice, the Association's policy for recognizing common property as assets in its balance sheet is to recognize common property and real property to which it has title and that the Board of Directors (the "Board") can dispose of for cash while retaining the proceeds for the Association or that is used to generate significant cash flows from members on the basis of usage or from nonmembers.

Real common property acquired by the Association is not capitalized because its use and disposition by the Association's Board is restricted.



**THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**Member Assessments**

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Board uses historical collection data as its basis to determine an appropriate allowance for doubtful accounts.

The annual budget and assessments of members are determined by the Board. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

**Interest Earned**

The Board's policy is to allocate interest earned to the operating and replacement fund in proportion to the interest bearing deposits of each fund.

**Fair Value of Financial Instruments**

The Association's financial instruments consist primarily of cash and cash equivalents, assessments receivable, accounts payable and accrued expenses, and security deposits. The carrying amounts of such financial instruments approximate their respective estimated fair values due to the short term maturities and approximate market interest rates of these instruments. The estimated fair values are not necessarily indicative of the amounts the Association would realize in a current market exchange or from future earnings or cash flows.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 3 CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of bank deposits and assessments receivable.

The Association maintains bank accounts with balances 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 bank deposit accounts.

The Association has the ability to foreclose on units, reducing the risk of loss to the Association.

**THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 4 MEMBER ASSESSMENTS**

In 2015, the monthly assessments to homeowners ranged between \$171 and \$306 per unit, approximately \$4 to \$8 of which was designated for the replacement fund. The assessments are based upon each unit's percent of ownership.

**NOTE 5 ASSESSMENTS RECEIVABLE**

The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are seriously delinquent. As of December 31, 2015, the Association had gross member assessments receivable of \$247,041. It is the opinion of the Board that an allowance for doubtful accounts of \$172,235 is necessary to cover anticipated losses from uncollected funds.

**NOTE 6 FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents provide certain guidelines for governing its financial activities. The Association maintains an operating fund available for general operations and a replacement fund designated for future major repairs and replacements. Replacement funds are held in separate bank accounts and generally are not available for expenditures for normal operations.

The Board, in conjunction with outside consultant, conducted a formal study in 2006 to estimate the remaining useful lives and replacement costs of the components of common property. However, the budget has been created based on Board estimates of the replacement costs and estimated useful lives. Based on the Board's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund, the Board is partially funding for major repairs and replacements over the remaining useful lives of components. Accordingly, the funding requirement, which can be found in the supplementary information on Future Major Repairs and Replacements, have been included in the next year's budget.

Actual expenditures may vary from the estimated future expenditures, and the variations 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 has the right to increase regular assessments, pass special assessments, borrow, or delay major repairs and replacement until funds are available.

The Association, after obtaining approval of membership, has elected to use the Pooling Method to fund reserves. Additionally, after obtaining approval from membership, the Association transferred the balances from each of its replacement fund components into the pooled funds. As of December 31, 2015, the replacement fund balance was \$51,140. The following is a table of the current year's activity in the replacement fund, by component:

January 1, 2015	Additions	Charges	Transfers	December 31, 2015
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**THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

	\$	-	\$	4,800	\$	-	\$	(4,800)	\$	-
Roof										
Power meters		-		4,200		-		(4,200)		-
Paving		-		4,800		-		(4,800)		-
HVAC		-		600		-		(600)		-
Unallocated		<u>22,145</u>		<u>-</u>		<u>-</u>		<u>28,995</u>		<u>51,140</u>
	\$	22,145	\$	14,400	\$	-	\$	14,595	\$	51,140

**NOTE 7 INCOME TAXES**

The Association has elected to file as a homeowner’s association in accordance with Internal Revenue Code 528, using Form 1120-H. The Association’s investment income and other nonexempt income are subject to tax. The Association has evaluated its tax position and concluded that the Association has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Income Tax Topic of the Financial Accounting Standards Board Accounting Standards Codification. With few exceptions, the Association is subject to income tax examinations by the U.S. federal or state tax authorities up to three years after tax returns are file.

**NOTE 8 COMMITMENTS**

The Association has entered into several contractual agreements, generally cancelable upon 30 days written notice, with outside vendors and service providers to maintain the building and grounds and to facilitate the Association’s administration.

**NOTE 9 CONTINGENCIES**

The Association has obtained insurance coverage for the potential damages encountered from windstorm or hail. The coverage, however, has a 5% deductible per calendar year. Therefore, the Association would be responsible for losses up to these amounts and has the right to increase regular assessments, pass special assessments, borrow, or delay major repairs and replacements until funds become available.

**NOTE 10 SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 31, 2016 which is the date the financial statements were available to be issued.

## SUPPLEMENTARY INFORMATION

**THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS**  
**AND REPLACEMENTS (UNAUDITED)**  
**DECEMBER 31, 2015**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

The Board has estimated the replacement costs and the useful lives of the common components. Replacement costs were based on the estimated costs to repair or replace the property components at various dates in the future, using the Pooling Method. The estimate does not take into account inflation.

Components	Estimated		Balance	Required	Approved			
	Remaining	Current		Fully Funded	Partially Funded			
	Useful	Replacement	January 1,	Reserve	Reserve			
	Lives (Years)	Costs	2016	2016	2016			
Roof	7 to 10	\$ 315,000	\$ -	\$ 31,500	\$ 4,800			
Power meters	5 to 6	138,402	-	23,067	4,200			
Paving	3 to 5	93,675	-	18,735	4,800			
Painting	5	74,890	-	14,978	-			
Termites	8 to 9	62,000	-	6,889	-			
Irrigation pump 4	10,000	-	2,500	HAVC 7	4,000	-	571	600
Unallocated N/A N/A	51,140	(51,140)	-					
		<u>\$ 697,967</u>	<u>\$ 51,140</u>	<u>\$ 47,100</u>	<u>\$ 14,400</u>			

