

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.
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FOR THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Hamptons at Brandon Condominium Association, Inc. (the "Association"), which comprise the balance sheet as of December 31, 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 the notes, 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements of common property on page 12 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hamilton & Associates CPA, LLC

Brandon, Florida
July 27, 2022

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
AS OF DECEMBER 31, 2021

ASSETS

	Operating Fund	Replacement Fund	Total
Cash	\$ 10,221	\$ 111,079	\$ 121,300
Assessments receivable, net	19,716	-	19,716
Property and equipment, net	67,670	-	67,670
Foreclosed units	126,698	-	126,698
 Total Assets	 <u>\$ 224,305</u>	 <u>\$ 111,079</u>	 <u>\$ 335,384</u>

LIABILITIES AND FUND BALANCES

Accounts payable	\$ 42,561	\$ -	\$ 42,561
Prepaid assessments	16,500	-	16,500
Accrued expenses	4,261	-	4,261
Security deposits	24,135	-	24,135
Note payable	-	214,766	214,766
Contract liabilities	-	111,079	111,079
 Total Liabilities	 <u>87,457</u>	 <u>325,845</u>	 <u>413,302</u>
 Fund Balances	 136,848	 (214,766)	 (77,918)
 Total Liabilities and Fund Balances	 <u>\$ 224,305</u>	 <u>\$ 111,079</u>	 <u>\$ 335,384</u>

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Replacement Fund	Total
Revenues			
Member assessments	\$ 574,792	\$ 33,547	\$ 608,339
Special assessments	-	102,088	102,088
Other income	46,568	-	46,568
Total revenues	621,360	135,635	756,995
Expenses			
Depreciation	6,353	-	6,353
General and administrative	30,637	-	30,637
Health insurance	12,011	-	12,011
Insurance	133,619	-	133,619
Interest	-	16,988	16,988
Landscaping and grounds	64,799	-	64,799
Payroll expenses	202,765	-	202,765
Professional	16,244	-	16,244
Recreational	10,195	-	10,195
Repairs and replacements	79,891	21,024	100,915
Security	9,998	-	9,998
Utilities	59,463	-	59,463
Other expense	4,124	-	4,124
Total expenses	630,099	38,012	668,111
Excess (deficiency) of revenues over expenses	(8,739)	97,623	88,884
Fund Balances, beginning of year	97,288	(312,389)	(215,101)
Transfer to operating fund	48,299	-	48,299
Fund Balances, end of year	<u>\$ 136,848</u>	<u>\$ (214,766)</u>	<u>\$ (77,918)</u>

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ (8,739)	\$ 97,623	\$ 88,884
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities			
Depreciation	6,354	-	6,354
(Increase) decrease in:			
Assessments receivable, net	(7,044)	-	(7,044)
Increase (decrease) in:			
Accounts payable and accrued expenses	10,929	-	10,929
Prepaid assessments	(883)	-	(883)
Security deposits	(3,266)	-	(3,266)
Contract liabilities (Assessments received in advance-replacement fund)	-	(39,268)	(39,268)
Net cash provided by operating activities	(2,649)	58,355	55,706
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(50,129)	-	(50,129)
Net cash used in investing activities	(50,129)	-	(50,129)
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal repayments of note payable	-	(97,623)	(97,623)
Transfer reserve funds to operating fund	48,299	-	48,299
Net cash used in financing activities	48,299	(97,623)	(49,324)
Net decrease in cash and cash equivalents	(4,479)	(39,268)	(43,747)
Cash, beginning of year	14,700	150,347	165,047
Cash, end of year	\$ 10,221	\$ 111,079	\$ 121,300
SUPPLEMENTAL DISCLOSURE			
Cash paid for interest	\$ -	\$ 16,988	\$ 16,988

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1- NATURE OF THE ORGANIZATION

The Hamptons at Brandon Condominium Association, Inc. (the "Association"), located in Brandon, Florida was incorporated 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. The development consists of 204 units, ranging from one-bedroom to three-bedroom units.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Association's significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

Basis of Presentation

The accompanying financial statements include the assets, liabilities, fund balances, revenue, and expenses as determined using the accrual basis of accounting. Income is thereby recognized in the period in which the right to receive such income is established, not necessarily, when it is received, and expenses are recognized in the period in which they are incurred, not necessarily when they are paid.

Fund Accounting

The Association's governing documents provide certain guidelines for carrying out its financial activities. To ensure observance of limitations and restrictions on the uses 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 the general operations of the Association.

Replacement Fund- This fund is used to accumulate financial resources designated for future major repairs and replacements, and special assessments.

Member Assessments

Association members are subject to monthly 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 on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are satisfied when these funds are expended for their designated purpose.

Assessments receivable at the balance sheet date represent fees due from unit owners and are stated at the amounts expected to be collected. The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are seriously delinquent. An assessment receivable is considered 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. At December 31, 2021, the Association had outstanding delinquent assessments of thirty-days or more past due in the amount of \$93,240.

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Member Assessments - Continued

The Association establishes an allowance for doubtful assessments, based on past experience and susceptibility to factors outside the Association's control. 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 past due if any portion of the receivable balance is outstanding for more than thirty days. Late fees in the amount of \$25 are charged on past due assessments receivable and recognized as income when charged. The balances of assessments receivable, as of the beginning and end of the year, were \$86,196 and \$93,240, before an allowance of \$73,524 and \$73,524, respectively.

Assessments to unit owners are based on the size of the units within the Association as follows:

# of Units	Unit Type	Annual Assessment	Monthly Assessment	Per Unit
8	Sail	\$ 17,635	\$ 1,470	\$ 184
180	Harbor	542,786	45,232	251
16	Landing	63,120	5,260	329
204		\$ 623,542	\$ 51,962	\$ 764

The assessments in the above table include the reserve allocation which amounted to approximately 8% of the annual assessment. The annual budget and assessments are determined by the Association's Board of Directors. Any excess assessments at year end are retained by the Association for use in future operating periods.

Cash

For purposes of the Statements of Cash Flows, cash is defined as demand deposits and money market accounts held with financial institutions. The Association maintains its cash in checking and savings accounts. Separate cash bank accounts are maintained for each fund.

Property and Equipment

In accordance with ASC Subtopic 972-360, *Real Estate – Common Interest Realty Associations – Property, Plant and Equipment*, the Association capitalizes all property and equipment to which it has title or other evidence of ownership, with the exception of real property directly associated with the units. Common property not directly associated with the units consist of buildings, roads, parking areas, pools, landscaping, fencing, and recreational areas and facilities. These items are not capitalized, as they do not meet the capitalization criteria.

The Association holds title to certain equipment and furnishings used in recreational areas, and in performance of its daily operations. These items are recorded at historical cost and depreciated over their estimated useful lives over the straight-line method, as follows:

Golf Carts	7 years
Pool Furniture	5 years
Fitness Equipment	7 years
Playground	25 years

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At December 31, 2021, property and equipment consisted of the following:

Golf Carts	\$ 9,725
Pool Furniture	4,013
Playground	48,299
Fitness Center Equipment	18,511
Computers	<u>1,830</u>
Total property and equipment	82,378
Less: Accumulated depreciation	<u>(14,708)</u>
Property and equipment, net	<u><u>\$ 67,670</u></u>

Contract Liabilities (Assessments Received in Advance-Replacement Fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is recorded when the association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments and special assessments. Contract liabilities consist of funds collected for future major repairs and replacements and special assessments. During the current year, the Association assessed and received \$48,750 toward the replacement fund and collected \$102,088 in special assessments. The balances of contract liabilities as of the beginning and end of the year are \$150,347 and \$111,079, respectively.

Interest Income

The Association recognizes interest income on the operating fund and the reserve fund when earned. The Association's policy is to account for fund expenditures using fund interest income before fund assessment income.

Use of 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 expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year classifications have been changed in the current year financial statements in order to clarify financial presentation and conform to current accounting principles.

Date of Management's Review

Management has evaluated subsequent events through July 27, 2022, the date on which the financial statements were available to be issued and found no significant events requiring disclosure.

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3 - INCOME TAXES

The Association files its federal income tax return for as a homeowners' association under Section 528 of the Internal Revenue Code. Under Section 528 income from unit assessments is not taxable to the Association and expenses related to providing the services required of the Association are not deductible. Generally, all other income not received by pro rata assessments of the association members, net of any expenses directly related to the generation of such income, such as rental income, is fully taxable to the extent such net income exceeds \$100. Net revenues from Homeowner associations filing under Section 528 are exempt from State of Florida Corporate income taxes.

NOTE 4 - COMMITMENTS

The Association has entered into various agreements with vendors to maintain the common property. These agreements are of differing expiration dates and renewal terms and are generally cancelable upon 30-days written notice.

NOTE 5 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$111,079 are presented on the accompanying balance sheet as a contract liability (assessments received in advance – replacement fund) at December 31, 2021 are held in separate accounts and are generally not available for operating purposes.

The Association has not conducted a formal independent study to estimate the remaining useful lives and the current replacement costs of the components of common property. Current estimates are based on available industry information and the Board's knowledge and experience with the property. The Association is funding for such major repairs and replacements over the estimated useful lives of the 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 or levy special assessments, or it may delay major repairs and replacements until funds are available. The table included in the compiled supplementary information on Future Major Repairs and Replacements is based on the Board's estimates.

NOTE 6 - NOTE PAYABLE AND SPECIAL ASSESSMENTS

In 2018, the Association borrowed funds in the amount of \$490,000 from a financial institution to fund roofing repairs and replacements. The unsecured note bears interest at a fixed-rate of 6.25%, with principal and interest payments in the amount of \$9,551 due monthly, through the maturity date of December 17, 2023.

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 6 - NOTE PAYABLE AND SPECIAL ASSESSMENTS (Continued)

Future maturities of the above note payable are as follows for the years ending December 31:

2022	\$ 103,991
2023	<u>110,775</u>
	<u>\$ 214,766</u>

On November 2, 2018, the Association's Board of Directors approved a special assessment of \$582,000 to provide funds for repayment of the note payable. The special assessment is payable over 60 months. As of December 31, 2021, the Association has collected \$404,117 of the assessed amount.

NOTE 7 – FORECLOSED UNITS

Foreclosed units includes units acquired through, or in-lieu-of foreclosure. The Association holds title to three units within the property which it has foreclosed upon. The properties are recorded at fair value less estimated selling costs. Valuations are performed periodically by management and the assets are carried at the lower of the new cost basis or fair value less estimated selling costs.

Foreclosed units consisted of the following at December 31, 2021:

Unit Number	Cost	Estimated costs to sell	Carrying Value	2021 Property Taxes
1-648	\$ 45,718	\$ (4,572)	\$ 41,146	\$ 765
18-217	63,371	(6,337)	57,034	1,164
17-225	31,686	(3,169)	28,517	619
	<u>\$ 140,775</u>	<u>\$ (14,078)</u>	<u>\$ 126,698</u>	<u>\$ 2,548</u>

The Association is responsible for maintaining the above units. The Association currently has an agreement to rent Unit 1-648 at a monthly amount of \$1,000. Total rental income received during the year was \$7,463 and is included in other income in the statement of revenues, expenses, and changes in fund balance.

NOTE 8 - 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 does not believe it is exposed to any significant risk of loss on bank deposit accounts.

The Association's primary source of income is assessments paid by owners. The Association's policy is to retain legal counsel and place liens on the properties of unit owners whose assessments are ninety days or more delinquent. Interest is charged on past due accounts in accordance with the Association's covenants. The Association has the ability to foreclose on units. Should the collection of such liens be enforced by the sale of the unit, the collectability of the receivable is dependent on the quick sale market value of the unit, and the amount of any such other liens which have priority. Market values may be influenced by the real estate market in Tampa, Florida.

SUPPLEMENTARY INFORMATION

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
AS OF DECEMBER 31, 2021

On an annual basis, the Association's Board of Directors evaluates the estimated replacement costs and useful lives of the components of common property. Replacement costs were based on the Board's estimated costs to repair or replace the various components at future dates. Estimated current replacement costs do not take into account the effects of inflation or interest rates.

The following data was provided by the Board of Directors and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Life (in Years)</u>	<u>Estimated Remaining Life (in Years)</u>	<u>Estimated Replacement Cost</u>	<u>Annual Funding Requirement</u>
Painting	15	3	\$ 90,000	\$ 15,375
Paving	10	9	110,000	15,385
Playground	25	25	50,000	5,125
Roof	30	28	500,000	11,019
Tennis Court	20	2	20,500	10,000
			<u>\$ 770,500</u>	<u>\$ 56,904</u>

The Association has accumulated reserve funds totaling \$111,079. The Association's Board of Directors is using the pooling method to accumulate these funds, and accordingly, has not designated the funds to individual components.

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.
SCHEDULE OF BUDGET TO ACTUAL EXPENDITURES – OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Under / (Over) Budget</u>
Revenues			
Regular assessments	\$ 577,791	\$ 574,792	\$ 2,999
Bad debt expense	-	-	-
Other income	-	46,568	(46,568)
Total revenues	<u>577,791</u>	<u>621,360</u>	<u>(43,569)</u>
Expenses			
Depreciation	-	6,353	(6,353)
General and administrative	28,650	30,637	(1,987)
Health insurance	12,500	12,011	489
Insurance	124,717	133,619	(8,902)
Landscaping and grounds	53,170	64,799	(11,629)
Payroll expenses	190,641	202,765	(12,124)
Professional	19,000	16,244	2,756
Recreational	27,310	10,195	17,115
Repairs and maintenance	62,822	79,891	(17,069)
Security	3,545	9,998	(6,453)
Utilities	55,436	59,463	(4,027)
Other expense	-	4,124	(4,124)
Total expenses	<u>577,791</u>	<u>630,099</u>	<u>(52,308)</u>
Excess of revenues over expenses	<u>\$ -</u>	<u>\$ (8,739)</u>	<u>\$ 8,739</u>