

**THE HAMPTONS AT BRANDON CONDOMINIUM
ASSOCIATION, INC
FINANCIAL STATEMENTS,
INDEPENDENT AUDITORS' REPORT AND
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016**

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, 2016 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 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 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.

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, 2016 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.

Raulerson Castillo & Company

Brandon, Florida

November 20, 2017

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 62,117	\$ 62,117
Assessments receivable, net allowance for doubtful accounts of \$43,091	<u>118,963</u>	<u>-</u>	<u>118,963</u>
Total Assets	<u>\$ 118,963</u>	<u>\$ 62,117</u>	<u>\$ 181,080</u>
LIABILITIES AND FUND BALANCES			
Accounts payable and accrued expenses	\$ 14,345	\$ -	\$ 14,345
Bank Overdraft	34,955	-	34,995
Security Deposits	13,810	-	13,810
Interfund Payables	<u>21,229</u>	<u>(21,229)</u>	<u>-</u>
Total Liabilities	<u>84,339</u>	<u>(21,229)</u>	<u>63,110</u>
Fund Balances	<u>34,624</u>	<u>83,346</u>	<u>117,970</u>
Total Liabilities and Fund Balances	<u>\$ 118,963</u>	<u>\$ 62,117</u>	<u>\$ 181,080</u>

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Operating Fund	Replacement Fund	Total
REVENUES			
Member Assessments	\$ 548,695	\$ 46,801	\$ 595,496
Other Income	23,138	-	23,138
Bad Debt Recovery	134,850	-	134,850
Total Revenues	<u>706,683</u>	<u>46,801</u>	<u>753,484</u>
EXPENSES			
Payroll	127,383	-	127,383
Payroll Tax	9,744	-	9,774
Health Insurance	10,230	-	10,230
Leased Employees	10,768	-	10,768
Insurance	135,767	-	135,767
Repairs and Maintenance	127,199	-	127,199
Bad Debt	112,331	-	112,331
Utilities	66,385	-	66,385
Landscaping	27,702	-	27,702
Professional	60,208	-	60,208
General and Administrative	39,042	-	39,042
Security	11,824	-	11,824
Total Expenses	<u>712,407</u>	<u>-</u>	<u>712,407</u>
DEFICIT OF REVENUES OVER EXPENSES	(5,724)	46,801	(41,077)
Fund Balances- beginning of year	<u>40,348</u>	<u>36,545</u>	<u>76,893</u>
FUND BALANCES- END OF YEAR	<u>\$ 34,624</u>	<u>\$ 83,346</u>	<u>\$ 117,970</u>

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Revenues over expenses	(5,724)	\$ 46,801	\$ (163,335)
Adjustments to reconcile deficit of revenues over expenses to net cash flows from operating activities:			
Changes in :			
Assessments receivable	(44,157)	-	(44,157)
Prepaid insurance	20,775	-	20,775
Accounts payable and accrued expenses	(25,998)	-	(25,998)
Bank Overdraft	34,955	-	34,955
Prepaid assessments	(5,143)	-	(5,143)
Security deposits	(11,461)	-	(11,461)
Net cash from operating activities	<u>46,801</u>	<u>46,801</u>	<u>10,048</u>
	<u>(36,753)</u>		
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund transfer	<u>35,824</u>	<u>(35,824)</u>	<u>-</u>
Net cash from financial activities	<u>35,824</u>	<u>(35,824)</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(929)	10,977	10,048
Cash and cash equivalents – beginning of year	929	51,140	52,069
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 0</u>	<u>\$ 62,117</u>	<u>\$ 62,117</u>

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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.

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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.

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.

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 of bank deposit accounts.

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

NOTE 4 MEMBER ASSESSMENTS

In 2016, the monthly assessments to homeowners ranged between \$171 and \$306 per unit, approximately \$19 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, 2016 the Association had gross member assessments receivable of \$162,054. It is the opinion of the Board that an allowance for doubtful accounts of \$43,091 is necessary to cover anticipated losses from uncollected funds.

THE HAMPTONS AT BRANDON CONDOMINIUM ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 unit 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 balance from each of its replacement fund components into the pooled funds. As of December 31, 2016, the replacement fund balance was \$62,117. The following is a table of the current year's activity in the replacement fund, by component:

	January 1, 2016	Additions	Charges	Transfers	December 31, 2016
Roof	\$ -	\$ -	\$ -	\$ -	\$ -
Power meters	-	-	-	-	-
Paving	-	-	-	-	-
HVAC	-	-	-	-	-
Unallocated	\$ 51,140	\$ 46,801	\$ -	\$ 35,824	\$ 62,117

THE HAMPTONS AT BRANDON CONDOMIUM ASSOCIATION, LLC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 the 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 November 20, 2017 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, 2016

(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 date in the future, using the Pooling Method. The estimate does not take into account inflation.

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	Balance January 1, 2017	Required Fully Funded Reserve 2017	Approved Fully Funded Reserve 2017
Roof	7 to 10	\$ 315,000	\$ -	\$ 31,500	\$ 31,500
Paving	3 to 5	93,675	-	18,735	18,735
Painting	5	74,890	-	14,978	14,978
Unallocated	N/A	\$ N/A	-	-	\$ -
		<u>\$ 483,565</u>	<u>\$ 83,346</u>	<u>\$ 65,213</u>	<u>\$ 65,213</u>