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**HOBBITS GLEN CONDOMINIUM ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2023**

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Management of Hobbits Glen Condominium Association, Inc.

I have reviewed the accompanying financial statements of Hobbits Glen Condominium Association, Inc., which comprise the balance sheet as of December 31, 2023, and the related statements of revenues, expenses and changes in members equity 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 entity 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, I 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

My responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* (SSARS) promulgated by the Accounting and Review Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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. I believe that the results of my procedures provide a reasonable basis for my conclusion.

I am required to be independent of Hobbits Glen Condominium Association, Inc. and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements related to my review.

### Accountant's Conclusion

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance 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 a required part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context.

*B. L. Brenner CPA PLLC*

Germantown, Tennessee  
June 5, 2024

**Balance Sheet*****Hobbits Glen Condominium Association, Inc.******December 31, 2023*****ASSETS**

Cash and cash equivalents	
Cash in bank	\$ 120,526
Certificates of deposit	52,082
Total cash and cash equivalents	<u>172,608</u>
Member assessments receivable	<u>400</u>
Total assets	<u>\$ 173,008</u>

**LIABILITIES AND MEMBERS' EQUITY**

Liabilities	
Accounts payable and accrued expenses	\$ 6,680
Prepaid member assessments	16,075
Total liabilities	<u>22,755</u>
Members' equity	<u>150,253</u>
Total liabilities and members' equity	<u>\$ 173,008</u>

## Statement of Revenues, Expenses and Changes in Members Equity

*Hobbits Glen Condominium Association, Inc.*

*For the Year Ended December 31, 2023*

Revenue		
Member assessments	\$	390,600
Interest income		841
Other income		1,710
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Total revenue		393,151
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Expenses		
Insurance expense	\$	69,782
Management fees		17,400
Office expense		3,143
Pest control		6,740
Professional fees		4,563
Termite control		6,086
Utilities		63,061
Landscaping		38,870
Pool contract and maintenance		8,645
Repairs and maintenance		48,176
Capital improvements		61,347
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Total expenses		327,813
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Excess of revenues over expenses		65,338
Members' equity - beginning of year		84,915
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Members' equity - end of year	\$	150,253
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## Statement of Cash Flows

*Hobbits Glen Condominium Association, Inc.*

*For the year ending December 31, 2023*

Cash flows from operating activities:	
Excess of revenues over expenses	\$ 65,338
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
Change in operating assets and liabilities	
Member assessments receivable	2,487
Prepaid insurance	12,191
Accounts payable	5,380
Prepaid member assessments	<u>1,588</u>
Net cash provided by operating activities	<u>86,984</u>
Net change in cash and cash equivalents	86,984
Cash and cash equivalents, beginning of year	<u>85,624</u>
Cash and cash equivalents, end of year	<u><u>\$ 172,608</u></u>

**Note 1- Association**

*Activity and Association*

Hobbits Glen Condominium Association, Inc. (“the Association”) is a statutory condominium association organized as a not-for-profit corporation, under the laws of the State of Tennessee, for the purposes of maintaining and preserving common property of the Association. The Association began its operations in September 1973.

The Association consists of 93 residential units, sitting on approximately 12.4 acres in Germantown, Tennessee.

**Note 2- Summary of significant accounting policies**

*Basis of accounting and presentation*

The Association prepares its financial statements in accordance with accounting principles generally accepted in the United States, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned and expenses and losses when incurred.

*Members’ assessments*

Monthly member assessments are established each year based on an annual budget of estimated operating expenses, plus an amount determined by the Board of Directors to be a reasonable addition to the reserve for future major repairs and replacements. The share of the budget to be paid by each member is equal to that member’s percentage of ownership in the entire project.

*Concentration of revenue sources*

Approximately 99% of total revenues was derived from member and special assessments for the year ended December 31, 2023.

*Use of estimates in the preparation of financial statements*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

*Income taxes*

The Association has the option of filing its federal income tax return as a regular C corporation or under the provisions of Internal Revenue Code Section 528, whereby it pays income taxes only on non-exempt taxable income. The Association selects the method annually which results in the lower tax.

*Cash equivalents*

All highly liquid investments with an original maturity of three months or less are considered cash equivalents.

*Common property*

The Association follows generally accepted accounting principles prescribed (GAAP) for homeowner associations as they relate to capitalization of common property. As such, the Association’s policy is to expense improvements to common real property whether or not directly associated with the units in the year costs are incurred. Common property not recognized as assets in these financial statements includes the roads and common areas located within the development. Although the Association is responsible for the repair and replacement of the common real property, it is unable to sell or otherwise dispose of the property.

***Concentrations of credit risks***

The Association has concentrated its credit risk for cash by maintaining bank deposits which may periodically exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation. The Association has not experienced any losses of such funds, and management believes the Association is not exposed to significant credit risk to cash.

***Economic dependency***

The Association's members are in Memphis, Tennessee. The ability of these members to honor their obligations to the Association is dependent on the economy of the region since all the Association's revenue is derived from homeowners in the development. The Association has the right to file liens on the property of an owner who fails to pay dues and assessments.

***Events occurring after reporting date***

Management has evaluated events and transactions that have occurred through June 5, 2024, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

***Revenue recognition***

The Association is supported by assessments from its homeowners. The Association has evaluated its contracts and determined that its contracts qualify for recognizing revenue over the life of the contract. The primary criterion management has identified is that the customer simultaneously receives and consumes the benefit provided by the Association's performance as the Association performs its obligations under the contract. The Association uses an input method for measuring progress on its contracts. Input methods use measures that are incurred in the process of satisfying performance obligations. Accordingly, management considers the passage of time to be the best available measure of inputs to the contract. Assessments received in advance consist of amounts collected in advance for future services.

**Note 3 – Member assessments and receivables**

The Association members are subject to monthly assessments to provide funds for operating expenses, future major repairs and replacements. Monthly assessments to owners are \$350 per unit. The annual budget and assessments of owners are determined by the Board of Directors.

Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the units of members whose dues are more than sixty days delinquent. The Association considers all assessments receivable at December 31, 2023, to be fully collectible. Any excess revenues from member assessments at year end are retained by the Association for use in succeeding years.

Conversely, prepaid assessments at the balance sheet date represent fees paid in advance from unit owners.

**Note 4 – Income taxes**

The Association is subject to routine audits by taxing jurisdictions; however, there are no current audits for any tax periods in progress. The Association's filing years for federal purposes that remain open and subject to examination include the years ended December 31, 2021, 2022 and 2023.

For the year ended December 31, 2023, the Association elected to file its annual income tax return as a regular C corporation.



**Note to Financial Statements**

***Hobbits Glen Condominium Association, Inc.***

***December 31, 2023***

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**Note 5 – Contingencies**

The Association is subject to various claims and legal proceedings covering a wide range of matter that arise in the ordinary course of its activities. The Association believes that any liability that may ultimately result from the resolution of these matters will not have a material effect on the financial position, results of activities or cash flows of the Association.