

**OAK HAMMOCK PRESERVE COMMUNITY OWNERS  
ASSOCIATION, INC.**

**REPORT FOR THE PERIOD ENDED**

**NOVEMBER 30, 2023**

**OAK HAMMOCK PRESERVE COMMUNITY OWNERS ASSOCIATION, INC.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Oak Hammock Preserve Community Owners Association, Inc.

### **Opinion**

We have audited the accompanying financial statements of Oak Hammock Preserve Community Owners Association, Inc. (the "Association"), which comprise the balance sheet as of November 30, 2023, and the related statements of revenues and expenses and changes in fund balance and cash flows for the period 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 Oak Hammock Preserve Community Owners Association, Inc. as of November 30, 2023, and the results of its operations and its cash flows for the period 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.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

### **Auditor's 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 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.

#### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenues and schedule of expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

#### ***Disclaimer of Opinion on Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that future major repairs and replacements of common property on page 12 be presented to supplement the basic financial statements. Such information, 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.

*March & McMillin, CPAs, PLLC*

January 12, 2024

**OAK HAMMOCK PRESERVE COMMUNITY OWNERS ASSOCIATION, INC.**  
**BALANCE SHEET**  
**NOVEMBER 30, 2023**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 293,154	\$ 131,548	\$ 424,702
Accounts Receivable	12,163		12,163
Reserve for Doubtful Accounts	(12,134)		(12,134)
Prepaid Insurance	9,031		9,031
<b>TOTAL ASSETS</b>	<b><u>\$ 302,214</u></b>	<b><u>\$ 131,548</u></b>	<b><u>\$ 433,762</u></b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>			
Accounts Payable	\$ 489		\$ 489
Prepaid Assessments	10,504		10,504
Deferred Revenue	17,350		17,350
Accrued Expenses	5,000		5,000
<b>TOTAL LIABILITIES</b>	<b><u>\$ 33,343</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 33,343</u></b>
 <b>MEMBERS' EQUITY</b>	 <b><u>\$ 268,871</u></b>	 <b><u>\$ 131,548</u></b>	 <b><u>\$ 400,419</u></b>
 <b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	 <b><u>\$ 302,214</u></b>	 <b><u>\$ 131,548</u></b>	 <b><u>\$ 433,762</u></b>

**OAK HAMMOCK PRESERVE COMMUNITY OWNERS ASSOCIATION, INC.**  
**STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED NOVEMBER 30, 2023**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
REVENUES	<u>\$ 191,606</u>	<u>\$ 11,973</u>	<u>\$ 203,579</u>
EXPENSES			
Administrative	\$ 68,790		\$ 68,790
Utilities	37,499		37,499
Contracts	54,205		54,205
Maintenance and Repair Non-Contract	50,590		50,590
Reserves		\$ 24,065	24,065
TOTAL EXPENSES	<u>\$ 211,084</u>	<u>\$ 24,065</u>	<u>\$ 235,149</u>
EXCESS REVENUES OVER (UNDER) EXPENSES	\$ (19,478)	\$ (12,092)	\$ (31,570)
MEMBERS' EQUITY - Beginning	<u>288,349</u>	<u>143,640</u>	<u>431,989</u>
MEMBERS' EQUITY - Ending	<u><u>\$ 268,871</u></u>	<u><u>\$ 131,548</u></u>	<u><u>\$ 400,419</u></u>

See Independent Auditors' Report and accompanying notes

**OAK HAMMOCK PRESERVE COMMUNITY OWNERS ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED NOVEMBER 30, 2023**

Cash flows from operating activities:	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
Net excess of revenues (expenses)	\$ (19,478)	\$ (12,092)	\$ (31,570)
Adjustments to reconcile excess of revenues over expenses to net cash used by operating activities:			
(Increase) decrease in:			
Accounts Receivable, net	(3,531)		(3,531)
Prepaid Insurance	(8,026)		(8,026)
Increase (decrease) in:			
Accounts Payable	(8,884)		(8,884)
Prepaid Assessments	(19,869)		(19,869)
Deferred Revenue	17,350		17,350
Accrued Expenses	5,000		5,000
Net cash provided (used) by operating activities	\$ (37,438)	\$ (12,092)	\$ (49,530)
Cash flows from investing activities:			
Change in Certificates of Deposit	54,099		54,099
Cash flows from financing activities:	-	-	-
Net increase (decrease) in cash	\$ 16,661	\$ (12,092)	\$ 4,569
Cash, beginning of period	276,493	143,640	420,133
Cash, end of period	<u>\$ 293,154</u>	<u>\$ 131,548</u>	<u>\$ 424,702</u>
Supplemental Cash Flow Information:			
Cash Paid for Interest	\$ -	\$ -	\$ -
Cash Paid for Income Taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**OAK HAMMOCK PRESERVE COMMUNITY OWNERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2023**

**NOTE 1: NATURE OF ORGANIZATION**

Oak Hammock Preserve Community Owners Association, Inc. (the "Association") is a nonprofit association incorporated under the laws of the State of Florida and operated to perform those services normally associated with common interest realty associations, which includes preserving and maintaining the common property of the Association. The Association consists of 347 units and is located in Kissimmee, Florida.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Member Assessments

Association members are subject to regular assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable at the balance sheet date represent fees due from members, while assessments received in advance represent future months' fees paid in advance by members. The Association's policy is to retain legal counsel and place liens or foreclose on the units of members whose assessments are delinquent. Any excess assessments at period end are retained by the Association for use in future years.

Property and Equipment

The Association records and depreciates only personal property assets to which the association has title. Common property of the Association is not recognized as property and equipment for depreciation.

Basis of Accounting

The Association's financial statements are prepared on the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Assessments paid by members in advance are deferred and recognized as revenue when earned.

Fund Accounting

The Association uses fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

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

Income Tax

The Association may, at its election, be taxed as a regular corporation or a homeowners association. This election is made yearly. For the current year, the Association was taxed as a homeowners association. The Association's federal tax return is subject to audit by the Internal Revenue Service. The tax returns for the current and prior two fiscal years remain open for examination by the IRS. In evaluating the Association's tax positions and accruals, the Association believes that its estimates are appropriate, based on the current facts and circumstances.



**OAK HAMMOCK PRESERVE COMMUNITY OWNERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2023**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)**

Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 12, 2024, which is the date that the financial statements were available to be issued.

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. Accordingly, actual results could differ from those estimates.

Interest Earned

The Association's policy is for interest to remain in the fund in which it is earned.

**NOTE 3: CONCENTRATION OF CREDIT RISK**

The Association's annual assessment revenue is subject to significant concentration of credit risk, given that the revenue is received primarily within a small geographic area. The financial instruments that potentially subject the Association to credit risk consist principally of assessments receivable, the majority of which contain provisions for recovery by placing liens on real property and through legal judgments. In the event that the owners did not comply with the terms of the Covenant, Conditions and Restrictions and collection efforts by the Association were unsuccessful, the Association could incur a loss equal to the amount due.

**NOTE 4: REVENUE RECOGNITION**

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606). The new guidance established the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The Association does not believe that the performance obligation relating to the reserve fund meets the required contractual liability obligations necessary to implement ASC 606.

**NOTE 6: FUNDED RESERVES**

The Association requires funds to be accumulated for future major repairs and replacements. The funds are held primarily in interest-bearing accounts. In 2018, the Association conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. The results of this study are summarized in the supplemental information section to these financial statements. Actual costs and expenditures may vary from those estimates and the variations may be material. As replacement funds are needed to meet future costs for major repairs and replacements, the Association has the right to borrow, increase regular assessments, pass special assessments subject to owner approval or delay major repairs and replacements until funds are available.

The combined balance in the Association's deposit accounts at a single financial institution exceeds the Federal Deposit Insurance Corporation's insured limitations. The Association believes it is not exposed to significant credit risk in this matter.

**OAK HAMMOCK PRESERVE COMMUNITY OWNERS ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2023**

**NOTE 6: FUNDED RESERVES (continued)**

*The budget of the association provides for limited voluntary deferred expenditure accounts, including capital expenditures and deferred maintenance, subject to limits on funding contained in our governing documents. Because the owners have not elected to provide for reserve accounts pursuant to section 720.303(6), Florida statutes, these funds are not subject to the restrictions on use of such funds set forth in that statute, nor are reserves calculated in accordance with that statute.*

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

Components	Balance January 1, 2023	Funding During the Period	Charges to Fund	Other	Balance November 30, 2023
Pool	\$ 42,431	\$ 6,452	\$ (24,065)		\$ 24,818
Tot Lot/Playground	15,465				15,465
Cabana Building	48,283	1,972			50,255
Gazebo	21,263	753			22,016
Benches - Site Furniture	16,090	2,609			18,699
Interest	108	187			295
Total	<u>\$ 143,640</u>	<u>\$ 11,973</u>	<u>\$ (24,065)</u>	<u>\$ -</u>	<u>\$ 131,548</u>

**NOTE 7: LEGAL MATTER**

On April 14, 2023, the Association received notice of a lawsuit asserting that the Association committed breach of contract when terminating the pool cleaning and janitorial services provided by the plaintiff. The Association filed a claim with their liability insurance provider and expects to be responsible for the \$5,000 insurance deductible when litigation is complete. The plaintiff's claim notes that the damages are not expected to exceed \$50,000 and has provided the Association with invoices for \$7,507.50 for pool services and \$37,716.50 for janitorial services. The lawsuit is ongoing, and the outcome is not clear.

SUPPLEMENTARY INFORMATION

**OAK HAMMOCK PRESERVE COMMUNITY OWNERS ASSOCIATION, INC.**  
**SCHEDULE OF REVENUES**  
**FOR THE YEAR ENDED NOVEMBER 30, 2023**

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
Regular Assessments	\$ 179,064	\$ 11,786	\$ 190,850
Interest	7,790	187	7,977
Delinquent Assessments Fee	1,002		1,002
Late - Collection Fees	3,750		3,750
TOTAL REVENUES	<u>\$ 191,606</u>	<u>\$ 11,973</u>	<u>\$ 203,579</u>

**OAK HAMMOCK PRESERVE COMMUNITY OWNERS ASSOCIATION, INC.**  
**SCHEDULE OF EXPENSES**  
**FOR THE YEAR ENDED NOVEMBER 30, 2023**

	Operating Fund	Reserve Fund	Total
ADMINISTRATIVE			
Management Fees	\$ 20,831		\$ 20,831
Administrative	7,212		7,212
Insurance	8,240		8,240
Insurance Deductible (Note 7)	5,000		5,000
Legal Fees	26,050		26,050
Bad Debt	246		246
Corp Filing - DBPR	61		61
Fees and Licenses	325		325
CPA Services	825		825
TOTAL ADMINISTRATIVE	<u>\$ 68,790</u>	<u>\$ -</u>	<u>\$ 68,790</u>
UTILITIES			
Electricity	\$ 27,472		\$ 27,472
Water and Sewer	5,904		5,904
Trash/Recycling	2,775		2,775
Phone/Cable/Internet	1,348		1,348
TOTAL UTILITIES	<u>\$ 37,499</u>	<u>\$ -</u>	<u>\$ 37,499</u>
CONTRACTS			
Grounds/Landscaping Contract	\$ 36,850		\$ 36,850
Ponds - Waterways Contract	1,550		1,550
Pool Contract	9,512		9,512
Clubhouse Janitorial/Cleaning Contract	6,293		6,293
TOTAL CONTRACTS	<u>\$ 54,205</u>	<u>\$ -</u>	<u>\$ 54,205</u>
MAINTENANCE AND REPAIR NON-CONTRACT			
Grounds/Landscape	\$ 2,611		\$ 2,611
Mulch	8,830		8,830
Irrigation	4,099		4,099
Ponds - Waterways	16,795		16,795
Pool	2,334		2,334
Pet Stations/Janitorial	1,261		1,261
Security/Safety	4,311		4,311
Tree Trimming	1,670		1,670
General Maintenance	8,679		8,679
TOTAL MAINTENANCE AND REPAIR NON-CONTRACT	<u>\$ 50,590</u>	<u>\$ -</u>	<u>\$ 50,590</u>
RESERVES			
Pool		\$ 24,065	\$ 24,065
TOTAL RESERVES	<u>\$ -</u>	<u>\$ 24,065</u>	<u>\$ 24,065</u>
TOTAL EXPENSES	<u>\$ 211,084</u>	<u>\$ 24,065</u>	<u>\$ 235,149</u>

See Independent Auditors' Report and accompanying notes

**OAK HAMMOCK PRESERVE COMMUNITY OWNERS ASSOCIATION, INC.**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR**  
**REPAIRS AND REPLACEMENTS**  
**NOVEMBER 30, 2023**  
**(UNAUDITED)**

In 2018, the Association hired a firm to conduct a replacement reserve study to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. The following has been extracted or derived from the Association's replacement reserve study and presents significant information about the components of common property.

Reserve Component	Useful Life (Yrs)	Remaining Useful Life (Yrs)	Estimated 1st Year of Replacement	Estimated Total Cost for Future 30 Years (\$)
<b>Property Site Elements</b>				
Asphalt Pavement, Total Replacement	15 to 20	4	2022	27,535
Concrete Sidewalks, Partial	to 65	1 to 30+	2019	159,889
Gazebos	to 25	11	2029	50,902
Perimeter Walls, Masonry, Inspections	8 to 12	2	2020	55,547
Playground Equipment	15 to 20	5	2023	61,397
Ponds, Erosion Control, Partial	to 10	10	2028	83,196
Signage, Renovation	15 to 20	2	2020	18,949
Site Furniture, Phased	15 to 25	5 to 9	2023	91,695
<b>Pool House Elements</b>				
Floor Coverings, Tile	to 25	10	2028	16,618
HVAC Equipment, Split System	15 to 20	13	2031	23,247
Rest Rooms, Fixtures	to 20	5	2023	30,699
Roof, Asphalt Shingles	12 to 18	3	2021	23,504
Windows and Doors	to 40	20	2038	20,003
<b>Pool Elements</b>				
Deck, Pavers	to 25	10	2028	23,438
Fence, Aluminum (Incl. Playground Fence)	to 25	10	2028	21,173
Furniture	to 12	7	2025	19,499
Mechanical Equipment, Phased	to 15	3 to 10	2021	59,024
Pool Finish, Plaster	8 to 12	2	2020	126,294
Pool Finish, Tile	15 to 25	10	2028	21,046
Reserve Study Update w/Site Visit	2	2	2020	2,800