

**HAMMOCKS COMMUNITY ASSOCIATION, INC.**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2023**

**HAMMOCKS COMMUNITY ASSOCIATION, INC.  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Hammocks Community Association, Inc.

### Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of Hammocks Community Association, Inc. (the "Association"), which comprise the balance sheet as of December 31, 2023, and the related statements of revenue, expenses and change in fund balance and cash flows for the year then ended, and the related notes to the financial statements.

We do not express an opinion on the financial statements of Hammocks Community Association, Inc. referred to above. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

### Basis for Disclaimer of Opinion

Detailed records have not been maintained and certain prior year records and supporting data were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about various account balances as of and for the year ended December 31, 2023, including accounts receivable, other assets, property and equipment, accumulated depreciation, long-term debt, and fund balance.

### 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 responsibility is to conduct an audit of Hammocks Community Association's financial statements in accordance with auditing standards generally accepted in the United States of America and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.



Coral Gables, FL  
March 25, 2025

**HAMMOCKS COMMUNITY ASSOCIATION, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2023**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 3,944,094
Accounts receivable, net	61,968
Other receivables	35,904
Prepaid expenses	<u>202,874</u>
Total current assets	4,244,840
Property and equipment, net	603,032
Other assets	<u>183,482</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,031,354</u></b>

**LIABILITIES AND FUND BALANCE**

Current liabilities:	
Current portion of long-term debt	\$ 42,899
Accounts payable	102,739
Accrued expenses	425,291
Prepaid assessments	<u>645,920</u>
Total current liabilities	1,216,849
Long-term debt, net of current portion	<u>464,887</u>
Total liabilities	1,681,736
Fund balance	<u>3,349,618</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 5,031,354</u></b>

See accompanying notes to financial statements.

**HAMMOCKS COMMUNITY ASSOCIATION, INC.**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGE IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Revenues:	
Assessment revenue	\$ 6,996,453
Owner fees	67,757
Administrative revenue	30,903
Vehicle revenue	122,407
Rental income	22,970
Estoppel income	<u>22,150</u>
Total revenues	7,262,640
Operating expenses	<u>6,872,017</u>
Income from operations	<u>390,623</u>
Other income (expense):	
Other income	73,029
Other expenses	(112,078)
Settlement income	<u>2,870,918</u>
Other income, net	<u>2,831,869</u>
Net income	3,222,492
Fund balance - beginning	<u>127,126</u>
<b>FUND BALANCE - ENDING</b>	<b><u><u>\$ 3,349,618</u></u></b>

See accompanying notes to financial statements.

**HAMMOCKS COMMUNITY ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Cash flows from operating activities:	
Net income	\$ 3,222,492
Adjustments to reconcile net income to net cash provided by operating activities:	
Bad debt	23,644
Changes in assets and liabilities:	
Accounts receivable	158,718
Other receivables	(35,904)
Prepaid expenses	162,938
Other assets	363,878
Accounts payable	(242,766)
Accrued expenses	27,180
Prepaid assessments	<u>131,215</u>
Net cash provided by operating activities	3,811,395
Net cash used in financing activities:	
Net repayments of long-term debt	<u>(955,151)</u>
Net increase in cash and cash equivalents	2,856,244
Cash and cash equivalents - beginning	<u>1,087,850</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 3,944,094</u></b>

See accompanying notes to financial statements.

**HAMMOCKS COMMUNITY ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1. NATURE OF ORGANIZATION**

Hammocks Community Association, Inc. (the "Association") was incorporated on July 31, 1991, as a not-for-profit corporation in the state of Florida. The purpose of the Association is to maintain and administer the common properties and improvements in The Hammocks in Miami, Florida.

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

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fund accounting

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 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.

***Future major repairs and replacements fund*** - This fund is used to accumulate financial resources designated for future major repairs and replacements. As of December 31, 2023, the Association did not maintain a reserve fund for future major repairs and replacements.

Revenue recognition - assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, 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 a designated purpose. The performance obligation for long-term project contracts may be recognized at a point in time or over time depending on the circumstances. Such amounts may be amended in the event they are estimated to be insufficient or in excess of needs. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Non-assessment revenues are earned upon the completion of the services rendered.



**HAMMOCKS COMMUNITY ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Accounts receivable

Accounts receivable are stated at the amount the Association expects to collect. The Association maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectibility of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial conditions of the Association's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Association has made reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Property and equipment

Acquisitions of property and equipment are recorded at cost. Improvements and replacements are capitalized. Maintenance and repairs that do not improve or extend the lives of furniture and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss reported in the statement of revenue, expenses and changes in fund balance and Fund balance.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are as follows:

Computers	5 years
Furniture and fixtures	7 years
Machinery and equipment	7 years
Vehicles	5 years

Impairment of long-lived assets

The Association reviews long-lived assets for impairment when circumstances indicate that the carrying amount of an asset group may not be recoverable based on the undiscounted future cash flows of the asset group. If the carrying amount of an asset group may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. No such impairments were recorded for the year ended December 31, 2023.

**HAMMOCKS COMMUNITY ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income taxes

As a corporation, the Association files a corporate income tax return. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates which are expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A deferred tax asset is also recorded for net operating loss carryforwards available for income tax purposes to the extent their realization is more likely than not. The Association records a valuation allowance when uncertainty exists as to the ultimate realization of the future benefit of deferred tax assets. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. As of December 31, 2023, there were no deferred tax assets or liabilities.

Uncertainty in income taxes

The Association follows the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. This clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax provision taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Based on its evaluation, the Association has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The evaluation was performed for the tax year ended December 31, 2023.

Subsequent events

In accordance with FASB ASC 855, *Subsequent Events*, the Association has evaluated subsequent events through March 25, 2025, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**NOTE 3. CONCENTRATION OF CREDIT RISK**

The Association places its cash and cash equivalents, which may at times be in excess of Federal Deposit Insurance Corporation insurance limits, with high credit quality financial institutions and attempts to limit the amount of credit exposure with any one institution.

**HAMMOCKS COMMUNITY ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2023:

Computers	\$ 5,003
Furniture and fixtures	25,915
Machinery and equipment	1,176,575
Vehicles	<u>211,512</u>
	1,419,005
Less: accumulated depreciation	<u>(815,973)</u>
Property and equipment, net	<u>\$ 603,032</u>

**NOTE 5. LONG-TERM DEBT**

Long-term debt consisted of the following at December 31, 2023:

Navitas equipment loans	\$ 358,527
U.S. Small Business Administration Economic Injury Disaster Loan	<u>149,259</u>
	507,786
Less: current maturities	<u>(42,899)</u>
Long-term debt, net of current maturities	<u>\$ 464,887</u>

As of December 31, 2023, maturities for the next five years and thereafter are summarized as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2024	\$ 42,899
2025	75,776
2026	75,776
2027	70,103
2028	7,692
Thereafter	<u>235,540</u>
	<u>\$ 507,786</u>

**NOTE 6. LITIGATION AND SETTLEMENTS**

The Association is subject to various proceedings arising during the ordinary course of operations. Management believes that the ultimate resolution of these matters will not have a material adverse effect on the Association's financial condition.

In 2022, former members of the Board of Directors were alleged to have misappropriated funds from the Association. As a result of the misappropriation, various lawsuits were filed by the Association against, various parties alleged to have been involved in the misappropriation of the Associations assets. During 2022, the courts deemed it appropriate to appoint a receiver to the Association in order to protect and preserve the assets of the Association. The receiver is to be in place until further order from the court.

During the year ended December 31, 2023, the Association settled various lawsuits in connection with the misappropriation and collected approximately \$2,870,000.