

HAMMOCKS COMMUNITY ASSOCIATION INCORPORATED

FINANCIAL STATEMENTS

For the Year Ended December 31, 2025

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To the Board of Directors
Hammocks Community Association Incorporated
Miami, Florida

INDEPENDENT AUDITOR'S REPORT

Qualified Opinion

We have audited the accompanying financial statements of Hammocks Community Association Incorporated, which comprise the balance sheet as of December 31, 2025, 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.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Hammocks Community Association Incorporated as of December 31, 2025, 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 Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence regarding certain legal settlements related to ongoing legal matters currently handled by outside litigation counsel and other receivables related to bank accounts that were closed while under receivership, respectively.

During the year, the Board of Directors changed the management company, and the current management company is in the process of researching these matters, with the intent to resolve them during the year ending 2026. We were unable to obtain sufficient appropriate audit evidence regarding these matters through alternative auditing procedures.

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 Hammocks Community Association Incorporated 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 qualified audit opinion.

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 C 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.

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 Hammocks Community Association Incorporated'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 Hammocks Community Association Incorporated'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 Hammocks Community Association Incorporated'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.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted the supplementary information about future major repairs and replacements 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 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. Our opinion on the basic financial statements is not affected by this missing information.

Leonardo & Company

Leonardo & Company
Certified Public Accountants
Boca Raton, Florida
March 13, 2026

HAMMOCKS COMMUNITY ASSOCIATION INCORPORATED
BALANCE SHEET
December 31, 2025

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 4,844,701	\$ -	\$ 4,844,701
Cash and cash equivalents - restricted cash	3,801	-	3,801
Member assessments receivables, net of allowance for credit losses - \$575,370	449,716	-	449,716
Other receivables	460,370	-	460,370
Prepaid insurance	205,172	-	205,172
Utility deposits	11,074	-	11,074
Total Assets	<u>\$ 5,974,834</u>	<u>\$ -</u>	<u>\$ 5,974,834</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 527,281	\$ -	\$ 527,281
Settlement recovery proceeds	17,550	-	17,550
Prepaid assessments	678,288	-	678,288
Note payable	130,495	-	130,495
Security deposits	3,801	-	3,801
Total Liabilities	1,357,415	-	1,357,415
FUND BALANCES	<u>4,617,419</u>	<u>-</u>	<u>4,617,419</u>
Total Liabilities and Fund Balances	<u>\$ 5,974,834</u>	<u>\$ -</u>	<u>\$ 5,974,834</u>

The accompanying notes are an integral part of these financial statements.

HAMMOCKS COMMUNITY ASSOCIATION INCORPORATED
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2025

	Operating Fund	Replacement Fund	Total
REVENUES			
Member assessments	\$ 6,222,021	\$ -	\$ 6,222,021
Legal settlement income	28,933	-	28,933
Interest income	88,793	-	88,793
Late fee income	16,672	-	16,672
Clubhouse rental income	21,840	-	21,840
Vehicle storage rental income	33,850	-	33,850
Insurance income	6,939	-	6,939
Other income	25,764	-	25,764
Total revenues	6,444,812	-	6,444,812
EXPENSES			
Administrative	1,102,214	-	1,102,214
Contract maintenance	2,012,942	-	2,012,942
Insurance	1,443,075	-	1,443,075
Personnel	1,361,758	-	1,361,758
Repairs and maintenance	295,366	-	295,366
Special projects	328,151	-	328,151
Utilities	197,772	-	197,772
Total expenses	6,741,278	-	6,741,278
Excess (deficiency) of revenues over expenses	(296,466)	-	(296,466)
Fund balances - beginning of year	4,893,133	-	4,893,133
Reclassification	(134,737)	-	(134,737)
Prior period adjustments	155,489	-	155,489
Fund balances - end of year	<u>\$ 4,617,419</u>	<u>\$ -</u>	<u>\$ 4,617,419</u>

The accompanying notes are an integral part of these financial statements.

HAMMOCKS COMMUNITY ASSOCIATION INCORPORATED
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2025

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ (296,466)	\$ -	\$ (296,466)
Prior period adjustments	155,489	-	155,489
Adjustments to reconcile excess of revenues over expenses to net cash provided by (used in) operating activities:			
(Increase) decrease in assets:			
Member assessments receivables	84,987	-	84,987
Other receivables	(134,347)	-	(134,347)
Prepaid insurance	38,536	-	38,536
Prepaid expense	5,068	-	5,068
Utility deposits	(11,074)	-	(11,074)
Due from security	1,700	-	1,700
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	220,119	-	220,119
Settlement recovery proceeds	17,550	-	17,550
Prepaid assessments	(247,502)	-	(247,502)
Security deposits	(1,199)	-	(1,199)
Net cash provided by (used in) operating activities	<u>(167,139)</u>	<u>-</u>	<u>(167,139)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Reclassification property and equipment, net	<u>(134,737)</u>	<u>-</u>	<u>(134,737)</u>
Net cash provided by (used in) financing activities	<u>(134,737)</u>	<u>-</u>	<u>(134,737)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal repayments - Note payable	<u>(68,085)</u>	<u>-</u>	<u>(68,085)</u>
Net cash provided by (used in) financing activities	<u>(68,085)</u>	<u>-</u>	<u>(68,085)</u>
Net increase (decrease) in cash and cash equivalents	(369,961)	-	(369,961)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,218,463</u>	<u>-</u>	<u>5,218,463</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>4,848,502</u></u>	<u><u>-</u></u>	<u><u>4,848,502</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

HAMMOCKS COMMUNITY ASSOCIATION INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization - Hammocks Community Association Incorporated (the "Association") is a not-for-profit corporation, incorporated on November 21, 1979, in the State of Florida, pursuant to Chapter 617 of the Florida Statutes. The Association is responsible for the preservation and maintenance of the common property in accordance with the terms of Florida Statutes, Chapter 720, and consists of 6,527 residential units and 24 commercial units, located in Miami, Florida.
2. 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.
3. Fund Accounting - The Association uses fund accounting which requires that funds, such as the operating fund and the fund designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors and property manager. Disbursements from the replacement fund may be made only for their designated purposes. As of December 31, 2025, the Association has not accumulated funds for future major repairs and replacements.
4. Use of Estimates in the Preparation of Financial Statements - 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.
5. Member Assessments and Allowance for Credit Losses - Association members are subject to quarterly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Income and expenses are allocated to each unit owner based on the approved budget. Assessment revenue is recognized as the related performance obligations are satisfied at the 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 purposes. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The balances of assessments receivable, net as of the beginning and end of the year are \$534,703 and \$449,716, respectively.

The Association recognizes an expected allowance for credit losses, based on historical losses of aged receivables and adjusted for management's assessment of current conditions, reasonable and supportable economic forecasts, and any other factors deemed relevant by management. The Association believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Association's member base has remained relatively constant. The Association writes off receivables when the unit is sold and no possibility of recovery is determined.

6. Interest Income - The Association's policy is to allocate to the operating and replacement funds all interest earned on their respective cash accounts.
7. Recognition of Assets - Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.
8. Cash and Cash Equivalents - For purposes of the December 31, 2025 balance sheet and the statement of cash flows for the year ended December 31, 2025, the Association considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

HAMMOCKS COMMUNITY ASSOCIATION INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Income Taxes - The Association's policy is to record interest expense or penalties related to income tax in operating expenses. For the year ended December 31, 2025, no interest or penalties were paid or accrued.
10. Concentrations of Credit Risk - Financial instruments which potentially subject the Association to concentrations of credit risk are primarily cash and cash equivalents and assessments receivable. The Association invests its excess cash and cash equivalents in both deposits and high-quality short-term liquid money market instruments with major financial institutions and the carrying value approximates market value. The Association has not experienced losses related to these investments. The Association believes it is not exposed to any significant credit risk on cash and cash equivalents and assessments receivable.
11. Fair Value of Financial Instruments - The carrying amounts of cash and cash equivalents, receivables, and payables approximate their fair values due to their short-term maturities.
12. Prepaid Assessments - Assessments received in advance for the subsequent year are recognized as prepaid assessments on the accompanying balance sheet. The balances of prepaid assessments as of the beginning and end of the year are \$925,790 and \$678,288, respectively.
13. Reclassification - The Association previously capitalized certain assets that were expensed in the current year in accordance with the Association's accounting policies and industry practice for residential common interest realty associations. As a result, a reclassification adjustment of \$134,737 was recorded.

NOTE B - UNINSURED CASH BALANCES

The Association maintains its cash balances at various major financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. At December 31, 2025, the Association did not have uninsured cash balances. The Association has not incurred losses related to these investments.

NOTE C - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents do not require funds be accumulated for future major repairs and replacements. The Association has not conducted an independent reserve study to determine the remaining useful lives and the replacement costs of the components of common property. Florida Statutes requires the Association to calculate this replacement fund assessment by utilizing a formula based upon the estimated remaining useful lives and estimated replacement costs of the common property. Accumulated funds are to be held in separate savings accounts not available for expenditures for normal operations.

THE BUDGET OF THE ASSOCIATION DOES NOT PROVIDE FOR FULLY FUNDED RESERVE ACCOUNTS FOR CAPITAL EXPENDITURES AND DEFERRED MAINTENANCE THAT MAY RESULT IN SPECIAL ASSESSMENTS REGARDING THOSE ITEMS. OWNERS MAY ELECT TO PROVIDE FOR FULLY FUNDED RESERVE ACCOUNTS UNDER SECTION 720.303(6), FLORIDA STATUTES, UPON OBTAINING THE APPROVAL OF A MAJORITY OF THE TOTAL VOTING INTERESTS OF THE ASSOCIATION BY VOTE OF THE MEMBERS AT A MEETING OR BY WRITTEN CONSENT.

HAMMOCKS COMMUNITY ASSOCIATION INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE C - FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

The Association is not funding for major repairs and replacements over the remaining useful lives of the components based on the estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Actual expenditures may vary from these estimated amounts and the variances may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, the Association has the right, subject to member approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE D - WINDSTORM INSURANCE

The Association maintains insurance coverage for damage sustained by the common property. The insurance coverage in force includes deductible amounts which the Association would be required to fund. In addition, inasmuch as certain other expenses may be incurred by the Association in the event of a hurricane, the ultimate extent of any such a loss in excess of the aforementioned maximum deductible cannot be determined.

NOTE E - SECURITY DEPOSITS AND RESTRICTED CASH

The Association collects refundable security deposits from unit owners who rent their units. As of December 31, 2025, security deposits liability totaled \$3,801. The Association holds all security deposits in a non-interest-bearing account. This account totaling \$3,801 is reflected as cash and cash equivalents restricted cash. These funds will be reimbursed at lease end if all conditions are met.

NOTE F - NOTES PAYABLE

On July 28, 2023, the Association entered into a loan agreement in the amount of \$203,596 with Navitas Credit Corp. to finance the purchase of fitness and playground equipment, with a maturity date of November 28, 2027, under the following terms: 9 monthly consecutive principal and interest payments of \$2,134, beginning July 28, 2023, 9 monthly consecutive principal and interest payments of \$3,201, beginning April 28, 2024 and 35 monthly consecutive principal and interest payments of \$5,674, beginning January 28, 2025. The total amount payable by the Association is \$246,589, including \$42,993 in interest due at the maturity date. As of December 31, 2025, the note payable balance was \$130,495, including interest.

The maturities of the debt for each of the next two years are as follows:

Year ending	
2026	\$ 68,084
2027	62,411
	<u>\$ 130,495</u>

HAMMOCKS COMMUNITY ASSOCIATION INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE G - ALLOWANCE FOR CREDIT LOSSES FOR ASSESSMENTS RECEIVABLE

The activity of the allowance for credit losses for assessments receivable was as follows for the year ended December 31, 2025:

Beginning Balance	\$ 706,144
Provision for credit losses	-
Write-offs	-
Recoveries	-
Adjustments	<u>(130,774)</u>
Ending Balance	<u>\$ 575,370</u>

NOTE H - VEHICLE STORAGE RENTAL INCOME

The Association has leased certain property pursuant to a written Lease Agreement. The Association has designated a portion of the properties for use as a parking lot area to permit residents to park vehicles, which may include, recreational vehicles, commercial vehicles, or vessels, including a boat and/or boat trailer. Payments and terms are agreed upon in each contract. At the end of the lease term, the lease can be renewed or extended only by written agreement signed by both Landlord and Tenant. For the year ended December 31, 2025, total rental income from these leases totaled \$33,850.

NOTE I - CLUBHOUSE RENTAL INCOME

The Association has leased the clubhouse pursuant to a written lease agreement for use for private events. The renter must pay a deposit of \$300, a usage fee that ranges from \$350 to \$500 depending on the day of the week and the time of the event, and an hourly rate that ranges from \$50 to \$100. For the year ended December 31, 2025, total rental income from these leases totaled \$21,840.

NOTE J - COMMITMENTS

The Association has entered into various contract services to maintain the common property and to administer the Association. The contracts have different expiration dates and renewal terms.

NOTE K - APPOINTMENT TO RECEIVER AND TRANSITION FROM RECEIVER TO MONITOR

On November 21, 2022, the court granted an appointment of receiver wherein the receiver is authorized to take possession of the Association, in order to protect and preserve the assets from waste, ensure compliance with the court's orders, and protect the rights of the members of the Association. Within forty-five (45) days of the date of the order, the receiver shall file with the court an initial inventory of the Association's property coming under the receiver's control or possession and of which the receiver is hereby given custody. Additional monthly reports detailing the Association's bank account balances, lease revenues, assessments made and collected, and the payment of Association expenses will be prepared and filed by the receiver, within 20 days following the close of each month. The receiver shall serve without bond. The receiver shall be compensated by the Association for the professional services provided.

In August 2024, the court ordered the transition from receivership to monitorship. The newly elected Advisory Board of Directors was hereby transitioned to the full-functioning Board of the Association. The monitor shall file an annual report by December 1st of each year evaluating the Association's financial status, budget, and allegations of corruption, if any. The monitor will also have other duties that are established in the court documents related to the transition. The Association shall compensate the monitor for the professional services provided.

HAMMOCKS COMMUNITY ASSOCIATION INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE L - SETTLEMENT RECOVERY PROCEEDS

In 2025, the Association suffered fire damage. During 2025, the Association received an amount of \$17,550 from their insurance carrier for the claim mentioned above. No expenditures were incurred in 2025.

NOTE M - INCOME TAXES

In 2025, the Association has elected to file as a homeowners' association and file an 1120-H in accordance with Internal Revenue Code section 528. Under this section, the Association excludes from taxation exempt function income, which generally consists of revenue from assessments to owners. The Association's investment income and other nonexempt income are subject to tax at a rate of 30%, net of any applicable expenses.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2025, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE N - CONTINGENCIES

The Association is from time-to-time subject to complaints and claims, including litigation, arising in the ordinary course of business. Management believes that none of the claims and complaints of which it is currently aware will materially affect its financial position or future operating results with the exception to increase legal costs which may or may not be covered by the Association's directors' and officers' insurance, although no assurance can be given with respect to the ultimate outcome of any such claims or with respect to the occurrence of any future claims. The Association is a defendant in a lawsuit which is still ongoing and for which the outcome cannot be determined as of the date of this report.

NOTE O - PRIOR PERIOD ADJUSTMENTS

Prior period adjustments are transactions and corrections related to prior accounting periods and are made in order to reflect the current year without distortion. Prior period transactions increasing the operating fund balance totaled \$155,489 for the year ended December 31, 2025. There is no effect on current year (loss).

NOTE P - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 13, 2026, the date that the financial statements were available to be issued.