

**HARBOUR HILL CONDOMINIUM
APARTMENTS ASSOCIATION, INC.**

Compiled Financial Statements
and
Supplementary Information

December 31, 2023

HARBOUR HILL CONDOMINIUM APARTMENTS ASSOCIATION, INC.

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors
Harbour Hill Condominium
Apartments Association, Inc.
St. Petersburg, Florida

Management is responsible for the accompanying financial statements of Harbour Hill Condominium Apartments Association, Inc., which comprise the balance sheet as of December 31, 2023, and the related statements of revenues and expenses and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Accounting principles generally accepted in the United States of America require that information about future major repairs and replacements of common property on Page 11 be presented to supplement the basic financial statements. Such information is presented for purposes of additional analysis and, 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and we do not express an opinion, a conclusion, nor provide any assurance on such information.

Melby & Associates, P.A., CPAs

Melby & Associates, P.A., CPAs
March 12, 2024

HARBOUR HILL CONDOMINIUM APARTMENTS ASSOCIATION, INC.

Balance Sheets

December 31, 2023

Assets

	Operating Fund	Reserve and Replacement Fund	Total
Cash and cash equivalents	\$ 118,064	\$ 753,826	\$ 871,890
Certificates of deposit	-	256,606	256,606
Member assessments receivable	579	-	579
Prepaid expenses	102,567	-	102,567
Deposits	85	-	85
Total assets	<u>\$ 221,295</u>	<u>\$ 1,010,432</u>	<u>\$ 1,231,727</u>

Liabilities and Fund Balances

Accounts payable and accrued expenses	\$ 52,601	\$ -	\$ 52,601
Prepaid maintenance fees	16,734	-	16,734
Federal income taxes payable	4,620	-	4,620
Insurance premium financing payable	62,460	-	62,460
Deferred income - cable door fee	13,775	-	13,775
Contract liabilities (replacement fund assessments received in advance)	-	1,010,432	1,010,432
Total liabilities	150,190	1,010,432	1,160,622
Fund balances	71,105	-	71,105
Total liabilities and fund balances	<u>\$ 221,295</u>	<u>\$ 1,010,432</u>	<u>\$ 1,231,727</u>

See accompanying notes and independent accountants' compilation report.

HARBOUR HILL CONDOMINIUM APARTMENTS ASSOCIATION, INC.

Statements of Revenues and Expenses and Changes in Fund Balances

For the Year Ended December 31, 2023

	Operating Fund	Reserve and Replacement Fund	Total
Revenues			
Member assessments	\$ 293,201	\$ 16,959	\$ 310,160
Cable assessments	42,600	-	42,600
Interest income	-	16,646	16,646
Other income	2,922	-	2,922
Total revenues	<u>338,723</u>	<u>33,605</u>	<u>372,328</u>
Expenses			
Administrative expenses	4,469	-	4,469
Cable service	42,552	-	42,552
Federal income tax	4,620	-	4,620
Insurance	70,781	-	70,781
Interest expense	606	-	606
Maintenance labor	58,763	-	58,763
Management fees	5,924	-	5,924
Professional fees	8,894	-	8,894
Repairs and maintenance	61,173	33,605	94,778
Utilities	65,252	-	65,252
Total expenses	<u>323,034</u>	<u>33,605</u>	<u>356,639</u>
Revenues over expenses	15,689	-	15,689
Fund balance, beginning of year	<u>55,416</u>	<u>-</u>	<u>55,416</u>
Fund balance, end of year	<u>\$ 71,105</u>	<u>\$ -</u>	<u>\$ 71,105</u>

See accompanying notes and independent accountants' compilation report.

HARBOUR HILL CONDOMINIUM APARTMENTS ASSOCIATION, INC.

Statements of Cash Flows

For the Year Ended December 31, 2023

	Operating Fund	Reserve and Replacement Fund	Total
Cash flows from operating activities:			
Cash received from member assessments	\$ 303,259	\$ 470,008	\$ 773,267
Cash received from cable assessments	42,600	-	42,600
Interest received	-	10,040	10,040
Other income received	16,697	-	16,697
Cash paid for operating expenses	(349,088)	-	(349,088)
Cash paid for replacement fund expenses	-	(46,788)	(46,788)
Change in due (to) from other fund	(2,322)	2,322	-
Net cash provided by operating activities	<u>11,146</u>	<u>435,582</u>	<u>446,728</u>
Cash flows from investing activities:			
Purchase of certificates of deposit	-	(250,000)	(250,000)
Net cash (used in) investing activities	<u>-</u>	<u>(250,000)</u>	<u>(250,000)</u>
Cash flows from financing activities:			
Cash received from insurance premium financing	62,460	-	62,460
Cash paid on insurance premium financing	(30,888)	-	(30,888)
Net cash provided by financing activities	<u>31,572</u>	<u>-</u>	<u>31,572</u>
Net increase in cash and cash equivalents	42,718	185,582	228,300
Cash and cash equivalents at beginning of year	75,346	568,244	643,590
Cash and cash equivalents at end of year	<u>\$ 118,064</u>	<u>\$ 753,826</u>	<u>\$ 871,890</u>
Supplemental schedule reconciling revenues over expenses to cash flows from operating activities			
Revenues over expenses	\$ 15,689	\$ -	\$ 15,689
Adjustments to reconcile revenues over expenses to net cash provided by operating activities			
Change in due (to) from other fund	(2,322)	2,322	-
Interest accumulated in certificates of deposit	-	(6,606)	(6,606)
Decrease in assessments receivable	51	-	51
(Increase) in prepaid expenses	(31,786)	-	(31,786)
Increase (decrease) in accounts payable	1,382	(13,183)	(11,801)
Increase in income taxes payable	4,350	-	4,350
Increase in prepaid maintenance fees	10,007	-	10,007
Increase in deferred income - cable door fee	13,775	-	13,775
Increase in contract liabilities	-	453,049	453,049
Net cash provided by operating activities	<u>\$ 11,146</u>	<u>\$ 435,582</u>	<u>\$ 446,728</u>
Supplemental disclosure			
Income tax paid	<u>\$ 270</u>	<u>\$ -</u>	<u>\$ 270</u>
Interest paid on insurance financing	<u>\$ 605</u>	<u>\$ -</u>	<u>\$ 605</u>

See accompanying notes and independent accountants' compilation report.

HARBOUR HILL CONDOMINIUM APARTMENTS ASSOCIATION, INC.

Notes to Financial Statements

December 31, 2023

NOTE 1 - ORGANIZATION

Harbour Hill Condominium Apartments Association, Inc. (Association) is a not-for-profit corporation which was incorporated in the State of Florida in June 1971. The Association is a condominium association which consists of 56 residential units and a superintendent apartment in St. Petersburg, Florida. The purpose of the Association is to provide an entity of responsibility for the operation of a condominium, to protect the assets of the Association and to promote the safety, and general welfare of the residents within the residential community known as Harbour Hill Condominium Apartments, A Condominium. This includes the maintenance of any common areas and improvements within the community. The common areas include but are not limited to property not included in the apartments, automobile parking areas, sidewalks and landscaping. The Association is subject to Chapter 718 of the Florida Statutes. Operations of the Association are administered by a duly elected Board of Directors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association uses fund accounting to observe the limitations and restrictions placed on its financial resources by its governing documents. 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 operation of the Association.

Replacement Fund – This fund is used to account for financial resources designated for future major repairs and replacements.

Basis of Accounting

The Association maintains its accounting records on the accrual basis of accounting. Assessments and revenues are recorded when earned and expenses are recorded when incurred.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Allocation of Assessments

The assessments are allocated based upon the total square footage of each unit in relationship to the total square footage for all units. The assessments for the monthly cable contract are allocated to the units on a per unit basis.

Interest Earned

The Association's policy is to allocate interest income earned on monies in the reserve and replacement fund cash accounts to the reserve and replacement fund, and all other interest income to the operating fund.

HARBOUR HILL CONDOMINIUM APARTMENTS ASSOCIATION, INC.

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Common Property

The Association's policy for recognizing common property as assets in its balance sheet is to recognize (a) common personal property and (b) real property to which it has title and that it can dispose of for cash while retaining the proceeds or that is used to generate significant cash flows from members on the basis of usage or from nonmembers.

Certain real property and common areas are vested directly or indirectly in the unit owners and these assets are not deemed to be severable. Thus, the Association may not sell such property, nor does it produce positive cash flow. As a result, commonly owned property is not reflected in the Association's financial statements.

Member Assessments

Association members are subject to annual assessments, payable monthly, to provide funds for the Association's operating expenses 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 with the payment of the operating expenses. The performance obligations related to the replacement fund are satisfied when the funds are expended for their designated purpose.

Assessments receivable at the balance sheet date are stated at the amount expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are in arrears for a specified time. Any excess of assessments at year end are retained by the Association for use in the succeeding year. The balances of member assessments receivable as of the beginning and end of the year are \$630 and \$579, respectively. The Association provides an allowance for doubtful accounts, as needed, for accounts deemed uncollectible based on consideration of past experience and susceptibility to factors outside the Association's control. An allowance for doubtful accounts has not been provided as all accounts are deemed to be collectible on December 31, 2023.

Contract Liabilities (assessments received in advance of performance obligations)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to special and replacement reserve assessments. The balances of contract liabilities, for replacement fund assessments received in advance, as of the beginning and end of the year are \$557,383 and \$1,010,432, respectively.

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 revenue and expenses during the accounting period. Actual results could differ from those estimates.

HARBOUR HILL CONDOMINIUM APARTMENTS ASSOCIATION, INC.

Notes to Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The Association's financial instruments consist primarily of cash and cash equivalents, assessments receivable, and accounts payable. The carrying amounts of such financial instruments approximate their respective estimated fair values due to the short-term maturities and approximately 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.

NOTE 3 – CONCENTRATION OF RISK

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of cash. The Federal Deposit Insurance Corporation (FDIC) currently insures bank deposit accounts up to \$250,000 per depositor. At December 31, 2023, the Association had \$260,432 in cash balances that were not fully insured by the FDIC.

NOTE 4– INCOME TAXES

Condominium associations may elect to be taxed as regular corporations or, if they qualify, as homeowners associations. For 2023, the Association elected to be taxed as a homeowners association. As a homeowners association, membership income arising solely from membership in the organization is exempt from income. Other nonexempt income, such as interest earnings, net of any applicable deductions, is taxed at a flat rate of 30%. Income tax expense based on the federal income tax return was approximately \$4,620 for the year ended December 31, 2023.

NOTE 5– INSURANCE COVERAGE

The Association had its property insurance appraisal updated as required by Florida Statutes. Although insurance coverage has been obtained for damages caused by windstorm, the deductible for significant windstorm damage could be as high as approximately \$727,000. The Association would therefore be responsible for losses up to this amount and has the right to increase their regular assessments, levy special assessments or delay repairs until such funds are available.

NOTE 6 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents and Florida Statutes require that funds be accumulated for future major repairs and replacements unless waived pursuant to Section 718.112(2)(f) of the Florida Statutes. Accumulated funds are held in separate interest-bearing accounts and generally are not available for normal operations.

In 2021, a study was conducted by an engineer to estimate the remaining useful lives and estimated current replacement costs of the components of common property. In 2023 the study was updated by the Board of Directors to adjust the estimated replacement costs due to the significant inflation being experienced in recent years. The study is scheduled to undergo comprehensive updates at five-year intervals. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on this study.

HARBOUR HILL CONDOMINIUM APARTMENTS ASSOCIATION, INC.

Notes to Financial Statements

NOTE 6 – FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

Estimated replacement costs take into account about a 2% inflation factor for the years beyond 2028. The funding plan does not include any interest earned on funds between the five-year updates.

The Association is funding for major repairs and replacements using the pooled method. Under this method, funds from any beginning balances in the replacement accounts are pooled. A yearly contribution is calculated based on the updated Board estimates to arrive at a positive cash flow to adequately fund the projected future replacement costs throughout the period. The calculations are based on periods covering the longest-lived project element. Based on this analysis, the fully funding requirement for the 2024 budget is \$270,000. The fully funding requirement is being funded in 2024 through monthly member assessments. An electrical upgrade project, originally budgeted in 2025, will be done in late 2024 and will be partially funded by a special assessment of \$250,000 to be collected in November 2024 (see Note 13).

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. 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 Board has the right to increase regular assessments, pass special assessments, or delay the replacement until funds are available.

Based on the requirements of Florida Statute 718, the activity within the Replacement Fund for 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions to Fund</u>	<u>Charges to Fund</u>	<u>Ending Balance</u>
Pooled funds	<u>\$557,383</u>	<u>\$486,654</u>	<u>\$(33,605)</u>	<u>\$1,010,432</u>

The pooled Replacement Fund expenditures during the year ended December 31, 2023 were as follows:

Storm drains	\$11,125
Drains and sewer expenses	3,500
Roof project, stacks 2, 3, and 5-7	14,025
Roof anchor project refund	(2,500)
Harbour Room hot water	4,850
Re-key exterior doors	<u>2,605</u>
Total charges to fund	<u>\$33,605</u>

NOTE 7 – MANAGEMENT CONTRACT

The Association entered into a financial services management agreement with Associa Gulf Coast effective January 1, 2018. The agreement automatically renews annually unless notification to cancel is given prior to the expiration of the agreement. The amount paid to Associa for financial services for the year ended December 31, 2023 was \$5,924.

HARBOUR HILL CONDOMINIUM APARTMENTS ASSOCIATION, INC.

Notes to Financial Statements

NOTE 8 – INSURANCE PREMIUM FINANCING PAYABLE

In December 2023, the Association financed \$27,864 of insurance premiums with IPFS Corporation at 9%. The financing is to be repaid in three payments with the first payment due on January 28, 2024. Under the agreement, IPFS has a security interest in any unearned premiums or other sums which may become payable under the Association's insurance policies. The Association is also paying the annual property insurance premium to Citizen's Property Insurance in three installment payments of \$11,532 plus a 4% fee. These installment payments, totaling \$34,596, are included in the insurance premium financing payable balance of \$62,460 at December 31, 2023.

NOTE 9 – SPECIAL ASSESSMENT

In October 2022, the Board of Directors approved a special assessment in the amount of \$250,000 to provide additional funding for the replacement fund. The special assessment was allocated based upon the total square footage of each unit in relationship to the total square footage for all units and was collected in June 2023. The purpose was to meet the 2023 replacement fund fully funded requirement as outlined in the updated replacement fund study data. The funds will be used for the roof replacement project in 2024.

NOTE 10 - RELATED PARTY TRANSACTIONS

During 2023 the Association contracted with Karins Engineering Group to provide services to the Association related to the re-roofing project. These expenditures were authorized by an appropriate vote of the Board of Directors. The wife of a principal owner of Karins Engineering Group is on the Board of Directors of the Association. Karins Engineering was paid \$14,025 in 2023.

NOTE 11 – COMMITMENTS

In October 2023 the Association entered into a contract for the re-roofing project of stacks 2, 3, and 5 – 7. The main contract for this project is \$459,175. The contract also includes \$236,900 of additional work (including garage roof) that the Association can elect to have done. The total projected cost for the re-roofing project is \$861,664.

The Association also entered into a \$50,800 contract for the installation of roof anchors and a \$359,227 contract for electric upgrades to the building. Additional work on the electrical project is expected to bring the total cost to \$465,000.

The roofing and electrical upgrades projects are expected to occur in 2024. All of these contracts are being paid for with reserve and replacement funds. If additional funds are needed, the Board has the right to approve and pass a special assessment (see Note 13).

NOTE 12 – COMMUNICATIONS SERVICE AGREEMENT

In July 2023, the Association entered into a contract with Spectrum Sunshine State, LLC for communication services that includes cable and internet. The contract is for a term from September 14, 2023 through September 13, 2028. The monthly rate is subject to annual increases of 5%, beginning January 1, 2025. As of December 31, 2023, the monthly rate (excluding taxes) was \$3,283.

HARBOUR HILL CONDOMINIUM APARTMENTS ASSOCIATION, INC.

Notes to Financial Statements

NOTE 12 – COMMUNICATIONS SERVICE AGREEMENT (CONTINUED)

The Association received a one-time cash payment in the amount of \$14,250 for signing the contract, which is subject to refund if the contract is canceled prior to September 13, 2028. This amount is being deferred and recognized as revenue over the length of the contract. \$475 of revenue was recognized in 2023 and \$13,775 is reflected as deferred income at December 31, 2023.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 12, 2024, the date on which the financial statements were available to be issued.

In April 2024, the Board expects to approve a special assessment in the amount of \$250,000 to be collected in November 2024. The special assessment will be allocated based upon the total square footage of each unit in relationship to the total square footage for all units. This special assessment will provide funding to help pay for an electrical upgrade project that was planned for 2025 but is being moved to late 2024.

SUPPLEMENTARY INFORMATION

HARBOUR HILL CONDOMINIUM APARTMENTS ASSOCIATION, INC.

Supplementary Information on Reserve and Replacement Fund

December 31, 2023

The Board of Directors is funding for major repairs and replacements using the pooled method. Under this method, funds from any beginning balances in the replacement accounts are pooled together. A yearly contribution is calculated based on the updated Board of Directors estimates to arrive at a positive cash flow to adequately fund the projected future replacement costs throughout the period. The calculations are based on periods covering the longest-lived project element.

The following table is based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Lives (Years)	Estimated Future Replacement Costs	2024 Full Funding Requirement	Amount of Funding Adopted in 2024 Budget
Exterior building elements	3 - 31	\$ 1,086,777		
Roof	0 - 47	1,276,783		
Elevators	7 - 27	349,970		
Hallway slabs	0 - 10	148,323		
Hallways interior	1 - 32	428,069		
Harbour Room	0 - 17	136,683		
Lobby and library	1 - 20	52,141		
Unit 204	2 - 12	39,181		
Internal communications	1 - 6	29,039		
Drainage and plumbing	3 - 100	541,190		
Electrical	0 - 5	512,859		
Fire protection	0 - 45	151,271		
Garbage system	8 - 12	65,163		
Garage	0 - 12	241,444		
Heating and cooling	3 - 7	19,774		
Laundry	0 - 20	128,595		
Landscaping and parking	2 - 100	145,843		
Total		<u>\$ 5,353,105</u>	<u>\$ 270,000</u>	<u>\$ 270,000</u>

See independent accountants' compilation report.