

HARRODSBURG SQUARE CONDOMINIUM ASSOCIATION, INC.
LEXINGTON, KENTUCKY

AUDITED FINANCIAL STATEMENT

YEAR ENDED DECEMBER 31, 2019

*HICKS & ASSOCIATES CPAS
CERTIFIED PUBLIC ACCOUNTANTS*

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Hicks & Associates CPAs

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Harrodsburg Square Condominium Association, Inc.
Lexington, Kentucky

We have audited the accompanying financial statement of Harrodsburg Square Condominium Association, Inc. ("Association"), which comprises the statement of cash receipts, disbursements and cash balances as of and for the year ended December 31, 2019, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash receipts and disbursements basis of accounting as described in Note B; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts, disbursements and cash balances of the Association as of and for the year ended December 31, 2019, in conformity with the cash receipts and disbursements basis of accounting as described in Note B.

INDEPENDENT AUDITORS' REPORT

- CONTINUED -

Basis of Accounting

We draw attention to Note B of the financial statement, which describes the basis of accounting. The financial statement is prepared on the cash receipts and disbursements basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted the required supplementary information pertaining to Future Major Repairs and Replacements. Such missing information, although not a part of the basic financial statement, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statement is not affected by the missing information.

Hicks & Associates CPAs

Lexington, Kentucky

October 5, 2021

HARRODSBURG SQUARE CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CASH BALANCES
YEAR ENDED DECEMBER 31, 2019

RECEIPTS	
Condominium fees	\$ 609,027
Special assessment	168,420
Interest	609
Late charges	2,658
Legal recovery	7,693
Miscellaneous	<u>1,735</u>
TOTAL RECEIPTS	790,142
DISBURSEMENTS	
Administrative	10,297
Groundskeeping	80,320
Insurance	45,901
Legal	4,690
Management fees	49,704
Pool	11,012
Professional fees	11,970
Repairs and maintenance	220,024
Security	1,826
Snow Removal	3,222
Tax and licenses	291
Trash removal	7,977
Utilities	<u>370,704</u>
TOTAL DISBURSEMENTS	<u>817,938</u>
CHANGE IN CASH BALANCES	(27,796)
CASH BALANCES - BEGINNING OF YEAR	<u>206,755</u>
CASH BALANCES - END OF YEAR	<u><u>\$ 178,959</u></u>

See Accompanying Notes and Independent Auditors' Report.

HARRODSBURG SQUARE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENT

NOTE A - NATURE OF ORGANIZATION

Harrodsburg Square Condominium Association, Inc. ("Association"), located in Lexington, KY, is comprised of 166 condominiums spread across ten buildings. The financial and maintenance oversight of these residences are controlled by a Board of Directors ("Board") under the guidance, mandate and restriction of the Association's declaration and by-laws.

The Board formulates all policy decisions. Major decisions are referred to the general Association membership before action is taken.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

The Association prepares its financial statement on the cash receipts and disbursements basis of accounting, that is, revenues are recognized as cash is received and expenses are recorded as cash is disbursed.

Condominium Fees

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. The monthly condominium fee ranged from \$255 to \$433 depending on the unit type during the year ended December 31, 2019.

Late Charges and Collection Process

Any assessments due for a period of ten (10) days shall incur a late charge of ten (10%) percent compounded monthly. After thirty (30) days, a notice of delinquency demanding payment is to be given to the owner(s). If the assessments are not paid within sixty (60) days, the Association has the right to place a lien on the owner's property. The late fee of ten (10%) percent compounded monthly is stated in the notice of lien and therefore, the lien contains the proper language to compute the actual amount due if, and when, payment is received (including the costs of collection). The Association has the right to initiate a foreclosure action upon any owner's unit within sixty (60) days of the filing of a lien if an acceptable payment plan is not established and/or honored. Any costs incurred by the Association in its attempt to collect outstanding fees are chargeable to the owner(s).

Tax Status

For the year ended December 31, 2019, the Association elected to be treated as a tax-exempt homeowners' association under Internal Revenue Code Section 528. Under IRC Section 528, only income derived from nonmember activities (investment earnings) is taxable at a flat rate of 30%.

As of December 31, 2019, the Association has no uncertain tax positions that qualify for disclosure in the financial statement. Tax years still open under federal and state statute of limitations remain subject to review and change.

HARRODSBURG SQUARE CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENT

NOTE C - CASH BALANCES

Cash and Cash Equivalents

Cash balances include cash in financial institutions. Cash balances in financial institutions as of December 31, 2019 are as follows:

Bank of the Bluegrass - Operating	\$ 42,433
Bank of the Bluegrass - Assessment	23,309
Bank of the Bluegrass - Money Market	62,061
Bank of the Bluegrass - Certificates of Deposits	<u>51,156</u>
	<u>\$ 178,959</u>

The cash balances were directly confirmed by financial institutions at December 31, 2019.

NOTE D - SPECIAL ASSESSMENT

During the year ended December 31, 2019, the Association approved a special assessment to address necessary capital projects. The special assessment required each owner to pay \$85 monthly during the year ended December 31, 2019. Total special assessment receipts recognized during the year ended December 31, 2019 was \$168,420.

NOTE E - RELATED PARTY TRANSCATIONS

The Association credited a Board member's monthly condominium fees as payment for property management services. The monthly condominium fees credited were \$457.

The Association paid a Board member for monthly bookkeeping services. Payments disbursed to the Board member totaled \$10,700 for the year ended December 31, 2019.

NOTE F - DATE OF MANAGEMENT'S REVIEW

The Association's subsequent events have been evaluated through October 5, 2021, which is the date the financial statement was available to be issued.

NOTE G - SUBSEQUENT EVENT

The financial effects of COVID-19 have impacted a variety of entities within the United States and abroad. As of October 5, 2021, the Association cannot reasonably estimate the impact COVID-19 will have on its overall financial performance, if any. Accordingly, this financial statement does not include any adjustments associated with the possible consequences of COVID-19.