FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

HABITAT 1, SECTION A

Year ended December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Habitat 1, Section A

Opinion

We have audited the accompanying financial statements of Habitat 1, Section A, which comprise the balance sheet as of December 31, 2021, 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, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat 1, Section A as of December 31, 2021, 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 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 Habitat 1, Section A 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 Habitat 1, Section A'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 Habitat 1, Section A'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 Habitat 1, Section A'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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 15 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Strauss + Associates, P.A.

December 19, 2022
Owings Mills, Maryland

HABITAT 1, SECTION A

BALANCE SHEET

December 31, 2021

ASSETS

	Operating fund	Replacement fund	Total
CURRENT ASSETS			
Cash	$ 176,506	$ 471,778	$ 648,284
Investments	-	457,277	457,277
Assessments receivable (net of allowance for doubtful accounts of $26,672)	11,485	-	11,485
Prepaid expenses	3,773	-	3,773
Income taxes recoverable	342	-	342
Due from replacement fund	2,687	-	2,687
Total current assets	$ 194,793	$ 929,055	$ 1,123,848

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES			
Accounts payable	$ 23,522	$ -	$ 23,522
Assessments received in advance	15,184	-	15,184
Due to operating fund	-	2,687	2,687
Total current liabilities	38,706	2,687	41,393
FUND BALANCES	156,087	926,368	1,082,455
Total liabilities and fund balances	$ 194,793	$ 929,055	$ 1,123,848

See accompanying notes to financial statements.

HABITAT 1, SECTION A

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

Year ended December 31, 2021

	Operating fund	Replacement fund	Total
REVENUES			
Assessments	$ 252,387	$ 70,500	$ 322,887
Late fee income	1,393	-	1,393
Dividend income	-	8,377	8,377
Interest income	150	2,950	3,100
Other income	755	-	755
	254,685	81,827	336,512
EXPENSES			
Capital improvements	-	139,625	139,625
Electricity	7,245	-	7,245
Exterminating	7,959	-	7,959
Grounds	51,092	-	51,092
Income taxes	1,858	-	1,858
Insurance	28,347	-	28,347
Management fees	46,410	-	46,410
Office expenses	10,971	-	10,971
Professional fees	7,500	-	7,500
Repairs and maintenance	57,022	-	57,022
Snow removal	10,307	-	10,307
Social	59	-	59
Water and sewer	38,555	-	38,555
	267,325	139,625	406,950
EXCESS OF EXPENSES OVER REVENUES	(12,640)	(57,798)	(70,438)
FUND BALANCES - beginning of year	168,727	988,381	1,157,108
NET CHANGE IN UNREALIZED LOSSES ON INVESTMENTS	-	(4,215)	(4,215)
FUND BALANCES - end of year	$ 156,087	$ 926,368	$ 1,082,455

See accompanying notes to financial statements.

HABITAT 1, SECTION A

STATEMENT OF CASH FLOWS

Year ended December 31, 2021

	Operating fund	Replacement fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of expenses over revenues	$ (12,640)	$ (57,798)	$ (70,438)
Adjustments to reconcile excess of expenses over revenues to net cash provided (used) by operating activities:			
(Increase) decrease in:			
Assessments receivable	(3,287)	-	(3,287)
Due from Brodie Management, Inc.	91	-	91
Prepaid expenses	(513)	-	(513)
Income taxes recoverable	671	-	671
Due from replacement fund	129,276	-	129,276
Increase (decrease) in:			
Accounts payable	7,139	(13,654)	(6,515)
Assessments received in advance	38	-	38
Due to operating fund	-	(129,276)	(129,276)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	120,775	(200,728)	(79,953)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments	-	8,376	8,376
Purchase of investments	-	(8,376)	(8,376)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	-	-
NET INCREASE (DECREASE) IN CASH	120,775	(200,728)	(79,953)
CASH AT BEGINNING OF YEAR	55,731	672,506	728,237
CASH AT END OF YEAR	$ 176,506	$ 471,778	$ 648,284
SUPPLEMENTAL DISCLOSURE			
Income taxes paid	$ 1,187	$ -	$ 1,187

See accompanying notes to financial statements.

HABITAT 1, SECTION A

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE A - ORGANIZATION, PURPOSE, AND MANAGEMENT

Habitat 1, Section A, an unincorporated association, exists for the private benefit of its members having as its purpose the general upkeep and maintenance of the common elements of the development and any other common expenses of the unit owners. The Association, located in Crofton, Maryland, is comprised of 108 condominium units.

The Association has engaged Brodie Management, Inc. as its agent to collect maintenance fees for the unit owners, to administer the policies of the Board of Directors and to assist in the management of the Association's affairs.

NOTE B - DATE OF MANAGEMENT'S REVIEW

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 19, 2022, the date the financial statements were available to be issued.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant policies consistently applied in the preparation of the accompanying statements follows:

1. Method of accounting

   The financial statements are presented on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

2. Funds

   The Association uses fund accounting, which requires that funds, such as operating and replacement funds, be classified separately for accounting and reporting purposes. The operating fund is used to account for financial resources available for the general operations of the Association. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Income taxes

Condominium associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2021, the Association elected to be taxed as a homeowners' association. Under that election, the Association is taxed on its nonexempt function income, such as interest earned, at 30% by the federal government and 8.25% by the State of Maryland. Exempt function income, which consists primarily of member assessments, is not taxable.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the year ended December 31, 2021, the Association incurred no penalties and interest related to income taxes. Tax returns are subject to examination by the Internal Revenue Service and State of Maryland for three years after they are filed.

4. Member assessments

Association members are subject to monthly assessments 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 pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are also satisfied over time on a pro-rata basis using the input method. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding fees from unit owners. The Association's policy is to retain legal counsel to help in the collection of unit owners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. An allowance for doubtful accounts has been set up as an estimate for those accounts which may not be collectible.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year are $43,220 and $38,157, respectively.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Common property

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.

6. 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. Actual results could differ from those estimates.

7. Investments

Investments include mutual funds which are classified as available for sale and are stated at fair market value. The fair market value of the investment in mutual funds is based on quoted prices in active markets, sometimes referred to as a Level 1 measurement. Unrealized gains and losses are recognized as a component of the replacement fund. Realized gains and losses are recognized using the average cost method.

NOTE D - CASH

As of December 31, 2021, the Association maintained its funds in the following manner:

Institution	Type of account	Cash
Wells Fargo	Checking	$ 176,506
Citibank, N.A.	Money Market	4,502
Severn Savings Bank	Money Market	159,614

(CONTINUED)

NOTE D – CASH - CONTINUED

Institution	Type of account	Cash
State Street Bank & Trust Company	Money Market	11,256
Truist Bank	Money Market	37,669
Synchrony Bank	Certificate of Deposit	258,737
		$ 648,284

NOTE E - UNINSURED CASH BALANCES

The Association maintains its cash and bank deposit accounts which at times throughout the year may exceed federally insured limits. The Association does not believe that it is exposed to any significant credit risk.

NOTE F – INVESTMENTS

Realized and unrealized gains (losses) are as follows:

Unrealized losses on investments 01/01/21		$ (1,399)
Reclassification adjustments for gains (losses) realized in net income	$ -	
Unrealized losses arising during period	(4,215)	(4,215)
Unrealized losses on investments 12/31/21		$ (5,614)

NOTE F – INVESTMENTS - CONTINUED

Cost	Market Value	Gross Unrealized Losses
$400,000	$394,386	$ (5,614)

The Association also holds Treasury Bills in an account with Edward Jones that are recognized as held-to-maturity investments in the financial statements and are recorded at cost. The cost basis of these investments is $62,891 as of December 31, 2021.

NOTE G - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for expenditures for normal operations.

The Association levied assessments of $70,500 during the year ended December 31, 2021, for estimated future major repairs and replacements.

An outside consulting firm conducted a study in November 2017 to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information of future major repairs and replacements is based on the study.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Actual expenditures and investment income may vary from the estimated amounts, 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 Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

SUPPLEMENTARY INFORMATION

HABITAT 1, SECTION A

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

December 31, 2021

(Unaudited)

An outside consulting firm conducted a study in November 2017 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. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

COMPONENTS	ESTIMATED REMAINING USEFUL LIFE	ESTIMATED CURRENT REPLACEMENT COST
Site	0-10	$ 182,509
Building exteriors	10-38	2,630,124
Building systems	10	7,500
TOTAL		$ 2,820,133