



**Principals**

Howard A. Goldklang, CPA, MBA  
Donald E. Harris, CPA  
Anne M. Sheehan, CPA  
S. Gail Moore, CPA  
Jeremy W. Powell, CPA  
Renee L. Watson, CPA

1801 Robert Fulton Drive, Suite 200  
Reston, VA 20191

**Associate Principals**

Matthew T. Stiefvater, CPA  
Sheila M. Lewis, CPA

**Managers**

Andrew T. Plaugher, CPA  
Michele S. Lizama, CPA  
Jennifer L. Murray, CPA

Independent Auditor's Report

To the Board of Directors of  
Tanyard Springs Homeowners Association, Inc.

**Opinion**

We have audited the accompanying financial statements of Tanyard Springs Homeowners Association, Inc., which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, members' equity and cash flows for the years 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 Tanyard Springs Homeowners Association, Inc. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits 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 Tanyard Springs Homeowners Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Emphasis of Matter Regarding Assessments Receivable**

Tanyard Springs Homeowners Association, Inc. raises funds for its operations and major repairs and replacements through assessment of its members. As explained in Note 6, as of December 31, 2023, the Association had an assessments receivable balance of \$197,505 (before deducting the allowance for credit losses of \$152,447). It is uncertain whether the receivables are actually collectible. The inability to collect owner assessments impacts adversely on the Association's viability. In order for the Association to maintain financial stability and to operate effectively, it must raise and be able to collect sufficient funds from its members to meet its operational and replacement reserve needs. Our opinion on the financial statements is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 Tanyard Springs Homeowners Association, Inc.'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 Responsibility 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 Tanyard Springs Homeowners Association, Inc.'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 Tanyard Springs Homeowners Association, Inc.'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 information on future major repairs and replacements on page 13 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.

*Goldklang Group CPAs, P.C.*

Reston, Virginia  
May 20, 2024

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,698,087	\$ 1,405,367
Interest-Bearing Deposits	1,455,792	1,148,473
Assessments Receivable - Net	45,058	52,054
Accrued Interest	6,444	3,867
Income Taxes Receivable	4,793	7,043
Prepaid Expenses	<u>23,818</u>	<u>23,354</u>
Total Assets	<u>\$ 3,233,992</u>	<u>\$ 2,640,158</u>
 <u>LIABILITIES AND MEMBERS' EQUITY</u>		
Accounts Payable	\$ 39,879	\$ 32,490
Income Taxes Payable	15,720	1
Prepaid Assessments	<u>61,303</u>	<u>53,980</u>
Total Liabilities	<u>\$ 116,902</u>	<u>\$ 86,471</u>
Replacement Reserves	\$ 2,065,436	\$ 1,845,658
Snow Reserve	119,333	119,333
Contingency Reserve	140,687	92,363
Unappropriated Members' Equity	<u>791,634</u>	<u>496,333</u>
Total Members' Equity	<u>\$ 3,117,090</u>	<u>\$ 2,553,687</u>
Total Liabilities and Members' Equity	<u>\$ 3,233,992</u>	<u>\$ 2,640,158</u>

See Accompanying Notes to Financial Statements

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
<u>INCOME:</u>		
Residential Assessments	\$ 1,380,414	\$ 1,367,440
Townhome Assessments	196,248	180,492
Owner One-Time Assessments	-	5,520
Recreation Assessments	22,968	22,176
Club Room Rental Fees	25,419	27,109
Late and Legal Fees	57,692	72,396
Interest	74,693	31,091
Credit Loss Recovery - Receivables	2,081	-
Other	20,451	20,093
Total Income	\$ 1,779,966	\$ 1,726,317
<u>EXPENSES:</u>		
Management	\$ 235,782	\$ 225,656
Legal, Audit and Tax Preparation	51,082	63,161
Reimbursed Payroll Costs	114,391	104,877
Consulting / Engineering	6,372	5,450
Insurance	17,729	16,435
Administrative	39,558	38,426
Utilities	106,734	102,473
Pet Waste Station Services	2,751	2,567
Grounds Maintenance	253,275	209,591
Snow Removal	-	220,835
General Repair and Maintenance	110,458	112,075
Pool	95,438	99,948
Community Center	48,021	45,429
Storm Water Fees	37,403	28,192
Credit Loss - Receivables	-	32,413
Income Taxes	20,919	4,340
Total Expenses	\$ 1,139,913	\$ 1,311,868
Net Income before Contribution to Reserves	\$ 640,053	\$ 414,449
Contribution to Reserves	(344,752)	(253,230)
Net Income	\$ 295,301	\$ 161,219

See Accompanying Notes to Financial Statements

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>Replacement Reserves</u>	<u>Snow Reserve</u>	<u>Contingency Reserve</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of December 31, 2021	\$ 1,668,556	\$ 119,333	\$ 61,796	\$ 335,114	\$ 2,184,799
Additions:					
Contribution to Reserves	222,663		30,567		253,230
Net Income				161,219	161,219
Deductions:					
Access Control System	(3,756)				(3,756)
Engineering	(6,180)				(6,180)
HVAC	(6,056)				(6,056)
Playground Equipment	(5,423)				(5,423)
Plumbing	(6,895)				(6,895)
Pool Equipment	(17,251)				(17,251)
Balance as of December 31, 2022	\$ 1,845,658	\$ 119,333	\$ 92,363	\$ 496,333	\$ 2,553,687
Additions:					
Contribution to Reserves	295,493		49,259		344,752
Net Income				295,301	295,301
Deductions:					
Asphalt	(3,360)				(3,360)
Engineering/Consulting	(29,103)				(29,103)
Entertainment System Removal	(2,088)				(2,088)
Playground Equipment	(10,694)				(10,694)
Loss on Sale of Interest-Bearing Deposits	(30,470)				(30,470)
Video Conference System			(935)		(935)
Balance as of December 31, 2023	<u>\$ 2,065,436</u>	<u>\$ 119,333</u>	<u>\$ 140,687</u>	<u>\$ 791,634</u>	<u>\$ 3,117,090</u>

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income	\$ 295,301	\$ 161,219
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Credit Loss (Recovery) - Receivables	(2,081)	32,413
Early Withdrawal Penalty	1,846	-
Decrease (Increase) in:		
Assessments Receivable	9,077	1,156
Accrued Interest	(2,577)	(525)
Income Taxes Receivable	2,250	5,072
Prepaid Expenses	(464)	(9,392)
Increase (Decrease) in:		
Accounts Payable	(5,738)	(11,804)
Income Taxes Payable	15,719	1
Prepaid Assessments	7,323	(4,889)
Net Cash Flows from Operating Activities	<u>\$ 320,656</u>	<u>\$ 173,251</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	\$ 270,059	\$ 222,267
Received from Interest (Reserves)	74,693	30,963
Disbursed for Reserve Expenditures	(33,053)	(63,210)
Received from Interest-Bearing Deposits	1,166,728	225,000
Disbursed for Interest-Bearing Deposits	<u>(1,506,363)</u>	<u>(301,789)</u>
Net Cash Flows from Investing Activities	<u>\$ (27,936)</u>	<u>\$ 113,231</u>
Net Change in Cash and Cash Equivalents	\$ 292,720	\$ 286,482
Cash and Cash Equivalents at Beginning of Year	<u>1,405,367</u>	<u>1,118,885</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,698,087</u></u>	<u><u>\$ 1,405,367</u></u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash Paid for Income Taxes	<u>\$ 5,200</u>	<u>\$ 5,500</u>

See Accompanying Notes to Financial Statements

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

NOTE 1 - NATURE OF OPERATIONS:

The Association is organized under the laws of the State of Maryland for the purposes of maintaining and preserving the common property of the Association. The Association is located in Glen Burnie, Maryland and consists of 1,429 homes. The Board of Directors administers the Association's operations.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

A) 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.

B) Member Assessments - Association members are subject to annual 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 assessments are satisfied over time on a daily 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 assessments from members. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. 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.

C) Common Property - Real property and common areas acquired from the declarant and related improvements to such property are not recorded in the Association's financial statements since the property cannot be disposed of at the discretion of the Board of Directors. Common property includes, but is not limited to, the land, recreation facilities and site improvements.

D) Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E) Cash Equivalents - For purposes of the statement of cash flows, the Association considers all highly liquid investments and interest-bearing deposits with an original maturity date of three months or less to be cash equivalents.

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022  
(CONTINUED)

NOTE 3 - REPLACEMENT RESERVES:

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

The Association had a replacement reserve study conducted by Reserve Advisors, LLC. during 2022. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on this study.

The study recommends a contribution to reserves of \$220,800 from assessments and \$13,052 from interest for 2023. For 2023, the Association budgeted to contribute \$220,800 to replacement reserves. Additionally, during 2023, the Association contributed interest income of \$74,693 to replacement reserves.

Funds are being accumulated in replacement reserves based on estimates of future needs for repair and replacement 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 reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

As of December 31, 2023 and 2022, the Association had designated replacement reserves as follows:

	<u>2023</u>	<u>2022</u>
Townhome Replacement Reserves	\$ 1,322,799	\$ 1,195,299
General Replacement Reserves	740,137	647,859
Community Room Reserves	<u>2,500</u>	<u>2,500</u>
Total Replacement Reserves	<u>\$ 2,065,436</u>	<u>\$ 1,845,658</u>

These designated replacement reserves were funded by cash and interest-bearing deposits.

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022  
(CONTINUED)

NOTE 4 - INCOME TAXES:

For income tax purposes, the Association may elect annually to file either as an exempt homeowners association or as an association taxable as a corporation. As an exempt homeowners association, the Association's net assessment income would be exempt from income tax, but its interest income would be taxed. Electing to file as a corporation, the Association is taxed on its net income from all sources (to the extent not capitalized or deferred) at normal corporate rates after corporate exemption, subject to the limitation that operating expenses are deductible only to the extent of income from members. For 2023 and 2022, the income taxes were calculated using the exempt and corporate methods, respectively.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. The Association's federal and state tax returns for the past three years remain subject to examination by the Internal Revenue Service and the State of Maryland.

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of December 31, 2023, the Association maintained funds in the following manner:

<u>Institution</u>	<u>Cash and Cash Equivalents</u>	<u>Interest- Bearing Deposits</u>
NCB	\$ 215,679	\$ -
Forbright Bank (Various Institutions)	608,035	
Capital Bank (Various Institutions)	871,463	255,792
XML (Various Institutions)	2,910	1,200,000
Totals	<u>\$ 1,698,087</u>	<u>\$ 1,455,792</u>

Balances at banks are insured by the FDIC for up to \$250,000 per financial institution. Amounts in excess of the insured limits were approximately \$18,473 and \$59,619 as of December 31, 2023 and 2022, respectively.

Cash and securities held at a SIPC member brokerage firm are insured by the SIPC for up to \$500,000, which includes \$250,000 limit for cash. The Association maintains funds in a brokerage account which are subject to SIPC limits.

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022  
(CONTINUED)

NOTE 6 - ASSESSMENTS RECEIVABLE - NET:

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include closely monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association's control.

On January 1, 2023, the Association adopted FASB Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which affects current U.S. GAAP primarily as it relates to the methodology for estimating allowances for credit losses and the presentation and disclosure requirements.

The main effect resulting from the adoption of the new standard is that previously reported allowance for doubtful assessments are now shown as allowance for credit losses. The adoption of the new guidance resulted in no changes to unappropriated members' equity as of January 1, 2023.

	2023	2022
Assessments Receivable	\$ 197,505	\$ 217,162
Less: Allowance for Credit Losses	(152,447)	(165,108)
Assessments Receivable - Net	\$ 45,058	\$ 52,054
	2023	2022
Allowance for Credit Losses:		
Beginning Balance	\$ 165,108	\$ 132,730
Write-Offs	(10,580)	(35)
Provision	(2,081)	32,413
Ending Balance	\$ 152,447	\$ 165,108

NOTE 7 - SNOW RESERVE:

The Association established a snow reserve during 2019 through an inter-equity transfer of \$119,333 from unappropriated members' equity. This reserve was established to set aside unused budgeted snow removal funds for future snow removal costs. As of December 31, 2023 and 2022, the balance in the snow reserve was \$119,333. This reserve was funded by cash and interest-bearing deposits.

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022  
(CONTINUED)

NOTE 8 - CONTINGENCY RESERVE:

The Association has established a contingency reserve for unexpected contingencies. During 2023 and 2022, the Association elected to contribute \$49,259 and \$30,567, respectively, to this reserve. As of December 31, 2023 and 2022, the balance in the contingency reserve was \$140,687 and \$92,363, respectively. This reserve was funded by cash and interest-bearing deposits.

NOTE 9 - REIMBURSED PAYROLL AND RELATED COSTS:

Abaris Realty, Inc. utilize central management payroll systems, whereby payroll returns were filed under the management agent's name and federal identification number. In addition to the payment of management fees, the Association reimbursed management for wages, retirement contributions, payroll taxes, workers' compensation and health insurance for the employee that performed work for the Association.

NOTE 10 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 20, 2024, the date the financial statements were available to be issued.

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2023  
(UNAUDITED)

The Association had a replacement reserve study conducted by Reserve Advisors, LLC during 2022 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. The estimated replacement costs presented below do not take into account the effects of inflation between the date of the study and the date the components will require repair or replacement; however, the Association's replacement reserve study does take inflation into consideration when evaluating future expenditures and recommended contributions to reserves.

The following has been extracted from the Association's replacement reserve study and presents significant information about the components of common property.

<u>Component</u>	<u>2022 Estimated Remaining Useful Life (Years)</u>	<u>2022 Estimated Replacement Cost</u>
<u>General:</u>		
Exterior Clubhouse	3-28	\$ 93,920
Interior Clubhouse	0-18	253,640
Clubhouse Building Services	2-13	71,500
Property Site	1-30+	1,342,355
Pool	2-13	334,955
<u>Townhouse:</u>		
Asphalt Pavement	1-15	\$ 1,425,600
Catch Basins	7-15	59,850
Concrete Curbs and Gutters	7-30+	2,552,850
Concrete Sidewalks	7-30+	2,795,600
Fences	14	50,400
Mailbox Stations	11-19	168,000
Railings	11	17,630
Retaining Walls	8	19,040