



**Principals**

Howard A. Goldklang, CPA, MBA  
Donald E. Harris, CPA  
Anne M. Sheehan, CPA  
S. Gail Moore, CPA

1801 Robert Fulton Drive, Suite 200  
Reston, VA 20191

**Associate Principals**  
Jeremy W. Powell, CPA  
Renee L. Watson, CPA

**Managers**

Allison A. Day, CPA  
Matthew T. Stiefvater, CPA

Independent Auditor's Report

**Board of Directors**

Tanyard Springs Homeowners Association, Inc.

We have audited the accompanying Balance Sheets of Tanyard Springs Homeowners Association, Inc. as of February 29, 2012 and February 28, 2011 and the related Statements of Income, Members' Equity and Cash Flows for the years then ended. These financial statements are the responsibility of the Association. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Association, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Tanyard Springs Homeowners Association, Inc. as of February 29, 2012 and February 28, 2011, 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.

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 10 be presented to supplement the basic financial statements. Such information, although not a 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. 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.*

October 7, 2013

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
BALANCE SHEETS  
FEBRUARY 29, 2012 AND FEBRUARY 28, 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 494,473	\$ 368,660
Assessments Receivable - Net	8,224	5,620
Accounts Receivable - One -Time Owner Assessments	13,680	22,680
Income Taxes Receivable	500	200
Prepaid Insurance	2,035	803
Utility Deposits	<u>4,093</u>	<u>43</u>
 Total Assets	 <u>\$ 523,005</u>	 <u>\$ 398,006</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts Payable	\$ 73,620	\$ 55,082
Prepaid Assessments	<u>31,070</u>	<u>27,621</u>
Total Liabilities	<u>\$ 104,690</u>	<u>\$ 82,703</u>
 Replacement Reserves	 \$ 210,800	 \$ 107,200
Unappropriated Members' Equity	<u>207,515</u>	<u>208,103</u>
Total Members' Equity	<u>\$ 418,315</u>	<u>\$ 315,303</u>
 Total Liabilities and Members' Equity	 <u>\$ 523,005</u>	 <u>\$ 398,006</u>

See Accompanying Notes to Financial Statements

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED FEBRUARY 29, 2012 AND FEBRUARY 28, 2011

	2012	2011
<u>INCOME:</u>		
General Assessments	\$ 438,045	\$ 253,314
Townhome Assessments	96,072	66,132
Owner One -Time Assessments	137,196	197,748
Interest	675	1,547
Other	18,125	9,065
Total Income	\$ 690,113	\$ 527,806
 <u>EXPENSES:</u>		
Management	\$ 72,858	\$ 28,500
Legal, Audit and Tax Preparation	28,823	7,958
Payroll and Related	85,514	42,259
Consulting / Engineering	17,558	12,272
Insurance	9,943	2,552
Administrative	54,145	42,298
Activities	2,513	-
Utilities	39,308	25,891
Gas	-	581
Ground Maintenance	138,848	63,770
Snow Removal	2,175	53,492
General Repair and Maintenance	25,243	13,174
Pool	51,384	38,164
Community Center	51,923	35,645
Bad Debt	6,866	3,309
Total Expenses	\$ 587,101	\$ 369,865
Net Income before Contribution to Reserves	\$ 103,012	\$ 157,941
Contribution to Reserves	(103,600)	(49,000)
Net Income (Loss)	\$ (588)	\$ 108,941

See Accompanying Notes to Financial Statements

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED FEBRUARY 29, 2012 AND FEBRUARY 28, 2011

	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of February 28, 2010	\$ 58,200	\$ 99,162	\$ 157,362
Additions:			
Contribution to Reserves	49,000		49,000
Net Income		108,941	108,941
Balance as of February 28, 2011	\$ 107,200	\$ 208,103	\$ 315,303
Addition:			
Contribution to Reserves	103,600		103,600
Deduction:			
Net Loss		(588)	(588)
Balance as of February 29, 2012	<u>\$ 210,800</u>	<u>\$ 207,515</u>	<u>\$ 418,315</u>

See Accompanying Notes to Financial Statements

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED FEBRUARY 29, 2012 AND FEBRUARY 28, 2011

	<u>2012</u>	<u>2011</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income (Loss)	\$ (588)	\$ 108,941
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Allowance for Doubtful Assessments	6,262	3,309
Decrease (Increase) in:		
Assessments Receivable	(8,866)	(5,332)
Accounts Receivable - One-Time Owner Assessments	9,000	(4,212)
Income Taxes Receivable	(300)	(200)
Prepaid Insurance	(1,232)	(321)
Utility Deposits	(4,050)	-
Increase (Decrease) in:		
Accounts Payable	18,538	(39,990)
Prepaid Assessments	3,449	8,819
Net Cash Flows from Operating Activities	<u>\$ 22,213</u>	<u>\$ 71,014</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	<u>\$ 103,600</u>	<u>\$ 49,000</u>
Net Change in Cash and Cash Equivalents	\$ 125,813	\$ 120,014
Cash and Cash Equivalents at Beginning of Year	<u>368,660</u>	<u>248,646</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 494,473</u></u>	<u><u>\$ 368,660</u></u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash Paid for Income Taxes	<u><u>\$ 300</u></u>	<u><u>\$ 100</u></u>

See Accompanying Notes to Financial Statements

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2012 AND FEBRUARY 28, 2011

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 currently consists of 822 homes. The Association will consist of 1,114 homes when fully developed. 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 which revenues are recognized when earned and expenses when incurred, not necessarily when received or paid.

B) Member Assessments - Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from homeowners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years. The Association utilizes the allowance method to account for bad debt.

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. Such estimates affect the reported amounts of assets and liabilities. They also affect the 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.

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  
FEBRUARY 29, 2012 AND FEBRUARY 28, 2011  
(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 Community Management Corporation during 2010. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on this study.

The study recommends an annual contribution to reserves of \$73,000 for fiscal year 2012. For fiscal year 2012, the Association budgeted to contribute \$103,600 to 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 February 29, 2012 and February 28, 2011, the Association had designated \$210,800 and \$107,200, respectively, for replacement reserves. These designated replacement reserves were funded by cash and cash equivalents.

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 fiscal years 2012 and 2011, the income taxes were calculated using the exempt method, which resulted in no tax liability.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the fiscal years ended February 29, 2012 and February 28, 2011, the Association did not incur any penalties and interest related to income taxes.

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2012 AND FEBRUARY 28, 2011  
(CONTINUED)

NOTE 4 - INCOME TAXES: (CONTINUED)

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 CASH EQUIVALENTS:

As of February 29, 2012 the Association maintained funds in the following manner:

Institution	Type Account	Cash and Cash Equivalents
First Associations Bank	Checking	\$ 391,870
Petty Cash	Imprest Account	300
First Associations Bank	Money Market	<u>102,303</u>
	Total	<u>\$ 494,473</u>

NOTE 6 - ASSESSMENTS RECEIVABLE - NET:

The Association utilizes the allowance method of accounting for bad debt. Individual receivables are written off as a loss when a determination is made that they are non-collectible. Under the allowance method, collection efforts may continue and recoveries of amounts previously written off are recognized as income in the year of collection.

	2012	2011
Assessments Receivable	\$ 19,188	\$ 10,322
Less: Allowance for Doubtful Assessments	<u>(10,964)</u>	<u>(4,702)</u>
Assessments Receivable - Net	<u>\$ 8,224</u>	<u>\$ 5,620</u>

NOTE 7 - OWNER ONE-TIME ASSESSMENTS:

At settlement, the Association collects from each original purchaser a one-time assessment equal to twelve times the monthly assessment to provide working capital in the early stages of the community's operations. For fiscal years 2012 and 2011, the Association recognized one-time assessment income of \$137,196 and \$197,748, respectively.

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 29, 2012 AND FEBRUARY 28, 2011  
(CONTINUED)

NOTE 8 - RELATED PARTY TRANSACTIONS:

The Association is managed by Community Management Corporation (CMC). During fiscal years 2012 and 2011, the Association paid CMC \$8,614 and \$2,741, respectively, for casual labor services and general and repair maintenance. As of February 29, 2012 and February 28, 2011, \$1,693 and \$0, respectively, were owed to CMC for these additional services.

CMC is owned by Associa. Officers of Associa are stockholders in First Associations Bank. In addition, the President/Chief Executive Officer of Associa serves on the bank's board of directors. The Association maintains funds at First Associations Bank.

Associa owns ACW Programs, a company which provides website administration and waste removal consulting. During fiscal years 2012 and 2011, the Association paid ACW Programs \$525 and \$0, respectively, for website administration. As of February 29, 2012 and February 28, 2011, \$40 and \$0, respectively, were owed to ACW Programs for these services.

Associa also owns Associations Insurance Agency, Inc. Associations Insurance Agency, Inc. has acted as an insurance broker on behalf of several communities to obtain individual insurance policies for each participating community. During fiscal years 2012 and 2011, the Association participated in this insurance program. The Association paid Associations Insurance Agency, Inc. \$10,822 and \$2,284 in insurance costs during fiscal years 2012 and 2011, respectively. No amounts were owed to Associations Insurance Agency, Inc. for insurance costs as of February 29, 2012 and February 28, 2011.

NOTE 9 - UTILITY DEPOSITS:

As of February 29, 2012 and February 28, 2011, the Association maintained utility deposits with BGE in the amounts of \$4,093 and \$43 respectively.

NOTE 10 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 7, 2013, the date the financial statements were available to be issued.

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
FEBRUARY 29, 2012  
(UNAUDITED)

The Association had a replacement reserve study conducted by Community Management Corporation during 2010 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 replacement costs 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.

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>2010 Estimated Remaining Useful Life (Years)</u>	<u>2010 Estimated Replacement Cost</u>
Community Center:		
Building Exterior	0-34	\$ 69,860
Building Interior	0-9	35,700
Mechanical	0-14	36,300
Parking Lot	1-14	34,350
Recreation Areas:		
Swimming Pool	0-34	83,580
Tennis Courts	6-29	20,320
Multi-Purpose Courts	6-29	6,080
Tot Lot	0-19	45,800
Pavements and Sidewalks	2-15	141,140
Site Items	0-17	52,170