

**Representation Letter**

*This letter needs to be signed by the Board President or Treasurer and management representative, if applicable, and returned to our office within 60 days.*

**Tanyard Springs Homeowners Association, Inc.**

GOLDKLANG GROUP CPAs, P.C.  
1801 Robert Fulton Drive, Suite 200  
Reston, Virginia 20191

Dear Auditors:

The representation letter is provided in connection with your audits of the financial statements of **Tanyard Springs Homeowners Association, Inc.** which comprise the balance sheets as of **December 31, 2024 and 2023**, and the related statements of income, members' equity and cash flows for the years then ended, and the related notes to the financial statements (collectively, the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, **to the best of our knowledge and belief**, the following representations made to you during your audits:

**Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter, including our responsibility for the preparation and fair presentation of the financial statements. In regard to the non-attest services outlined in our engagement letter to be performed by you, we have –
  - Assumed all management responsibilities.
  - Designated an individual with suitable skill, knowledge, or experience to oversee the services.
  - Evaluated the adequacy and results of the services performed.
  - Accepted responsibility for the results of the services.
  - Ensured that the data and records are complete and we have sufficient information to oversee the services.
- The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- The methods, significant assumptions, and data used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Association's accounts, if appropriate.
- Revenue from contracts with customers has been appropriately accounted for and disclosed in accordance with FASB ASC 606, *Revenue from Contracts with Customers*. All contracts underlying revenue recognized in the financial statements have commercial substance and have been approved by appropriate parties. We have considered side agreements, implied promises, and unstated customary business practices in identifying performance obligations in the contracts. We have sufficient and appropriate documentation supporting all estimates and judgements underlying the amount and timing of revenue recognized in the financial statements.
- We have implemented ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* during the period. We have implemented the new accounting standard in accordance with the transition guidance prescribed in the ASU. We have sufficient and appropriate documentation supporting all estimates and judgements underlying the amounts recorded and disclosed in the financial statements.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- Material concentrations have been properly disclosed in accordance with U.S. GAAP and are complete and accurate.
- Guarantees, whether written or oral, under which the Association is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- Transfers or designations of equity balance or inter-equity borrowings have been properly authorized and approved and have been properly recorded or disclosed in accordance with U.S. GAAP.
- Uncollectible inter-equity loans have been properly accounted for and disclosed in accordance with U.S. GAAP.

### **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence.
- We have fully disclosed to you all terms of contracts that affect the amount and timing of revenue recognized in the financial statements, including price adjustments, side agreements, implicit provisions, unstated customary business practices, or other arrangements (written or oral).
- We have provided you with minutes of meetings of the Board of Directors.

- We have analyzed all financial instruments and appropriately recorded and/or disclosed expected credit losses in accordance with FASB ASC 326, *Financial Instruments-Credit Losses*.
- We have provided you with communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices, if any.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the Association and involves:
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's financial statements communicated by employees, former employees, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- We have disclosed to you the identity of the Association's related parties and all the related party relationships and transactions, including any side arrangements, of which we are aware.
- Except as made known to you and disclosed in the notes to the financial statements, the Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- If applicable, we have reviewed our long-lived assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable and have appropriately recorded the adjustment.
- Assessments receivable recorded in the financial statements represent valid claims against debtors for assessments or other charges arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
- We have reviewed with our insurance agent the adequacy of our insurance coverage, including compliance with any statutory or documentary requirements.
- We acknowledge our responsibilities for presenting the required supplementary information (RSI) in accordance with U.S. GAAP. The RSI is measured and presented within prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI. The board of directors is collecting funds for future major repairs and replacements in conformity with the Association's policy to fund for those needs based on a study conducted in 2022.


The board of directors believes the funds will adequately provide for future 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.

- We understand that the Association is responsible for the choice of income tax filing method and the consequences thereof. The Association's allocation of expenses against membership and non-membership income conforms to IRS rules, which require that the allocation be made "on a reasonable and consistently applied basis." We have adequately documented such allocation. If the Association has excess membership income in the current year the Association, for tax purposes, has elected to either (a) offset it against next year's assessments or (b) refund it to members. We have adequately documented such election in the current year.
- We have analyzed all debt investments for proper classification and valuation in accordance with ASU 2016-01.
- We have reviewed our investments in debt securities and their maturity dates. It is our intent to hold these investments to maturity and there are no known factors, at this time, which would alter that ability.
- The Association considers the decline in value of debt securities to be temporary.
- We have disclosed to you all material events, if any, that would require adjustments to, or disclosure in, the financial statements. In addition, we represent that no other material events have occurred since you completed your audit fieldwork on March 25, 2025 and through the date of this letter. Examples of material events include, but are not limited to, fraud, contracts for replacement reserve expenditures, losses due to a fire, changes in ongoing litigation or new litigation and approval of special assessments. Material events that have occurred are:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Tanyard Springs Homeowners Association, Inc.**  
**December 31, 2024 and 2023**

Management Representative:

  
Signature

Mark L. Morand  
Printed Name

4/8/25  
Date

President/Treasurer:

  
Signature

Rosie Rivera  
Printed Name

4/8/25  
Date

Client ID# 4289



**Principals**

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

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**Associate Principals**

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

**Managers**

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

March 31, 2025

Board of Directors

Tanyard Springs Homeowners Association, Inc.

Dear Board Members:

Enclosed, please find the draft audit for Tanyard Springs Homeowners Association, Inc. for the years ended December 31, 2024 and 2023.

- Please sign and date the enclosed representation letter. The letter should be signed by either the President or Treasurer of the Association and the management agent representative. **This letter needs to be returned to our office before the audit can be finalized.**
- Please send the Association's most recent financial statements (which should include the balance sheet and income statement) to our office with the signed representation letter. We are requesting this information to comply with auditing standards.
- **Please return the signed representation letter and most recent financial statements to our office within 60 days from the date of this letter.** This information can be mailed, faxed or emailed to our office. Our email address is [RLs@GGroupCPAs.com](mailto:RLs@GGroupCPAs.com).

If we do not receive the above information within 60 days from the date of this letter, we may need to perform additional audit procedures to satisfy ourselves that no material events have occurred from the date that we completed our audit fieldwork through the date that we receive the signed representation letter. These additional procedures would include examining the bank statements, minutes, financial statements, general ledger and would also include inquiries of management and the board of directors. **We will bill the Association for these additional audit procedures at our hourly rates.**

Please do not hesitate to contact us if there are any questions regarding the draft audit.

Sincerely,

***Goldklang Group CPAs, P.C.***

GOLDKLANG GROUP CPAs, P.C.



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**INFORMATION INCLUDED WITH THE AUDIT**

**COVER LETTER** - The audit report is issued in draft for the Association to review. The cover letter explains what information must be returned to our office before the audit report (and other letters) can be finalized.

**INDEPENDENT AUDITOR'S REPORT** - This is our report on the Association's financial statements. Once finalized, the Association may distribute this document, along with the audited financial statements, notes to financial statements and any supplementary information in its entirety to members, potential members, etc.

**MANAGEMENT LETTER** - The management letter is not a required communication under auditing standards, but is a by-product of the audit. We generally issue a management letter to communicate our comments and recommendations. Use of this letter is restricted to the board of directors and management.

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE UNDER AU-C §260** - Under the Clarified Statements of Auditing Standards AU-C §260 we are required to communicate audit matters that, in our professional judgment, may be significant and relevant to those charged with governance of the Association. Use of this letter is restricted to the board of directors and management.

**COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND/OR MATERIAL WEAKNESSES UNDER AU-C §265** - Under the Clarified Statements of Auditing Standards AU-C §265, we are required to communicate in writing any significant deficiencies and/or material weaknesses in the Association's internal controls. Use of this letter is restricted to the board of directors and management. If we did not note any significant deficiencies or material weaknesses, no letter will be issued.

**ADJUSTED TRIAL BALANCE AND ADJUSTING JOURNAL ENTRIES** - These are the proposed audit adjustments for the period under audit.

**REPRESENTATION LETTER (Separate Attachment)** - The representation letter is a letter from the Association to us confirming that to the best of your knowledge and belief all information was provided or disclosed to us. This letter needs to be signed by the President or Treasurer of the Association and the management agent representative. The letter needs to be returned to our office before the audit can be finalized.

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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, 2024 and 2023, 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, 2024 and 2023, 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, 2024, the Association had an assessments receivable balance of \$245,210 (before deducting the allowance for credit losses of \$188,710). 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 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.

Reston, Virginia

Draft

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEETS

DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 2,027,154	\$ 1,698,087
Interest-Bearing Deposits	1,224,000	1,455,792
Investments - Debt Securities	222,620	-
Assessments Receivable - Net	56,500	45,058
Accrued Interest	15,168	6,444
Income Taxes Receivable	960	4,793
Prepaid Expenses	<u>24,093</u>	<u>23,818</u>
Total Assets	<u>\$ 3,570,495</u>	<u>\$ 3,233,992</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Accounts Payable	\$ 34,174	\$ 39,879
Income Taxes Payable	4,191	15,720
Prepaid Assessments	<u>60,515</u>	<u>61,303</u>
Total Liabilities	<u>\$ 98,880</u>	<u>\$ 116,902</u>
Replacement Reserves	\$ 2,289,662	\$ 2,065,436
Snow Reserve	119,333	119,333
Contingency Reserve	161,288	140,687
Unappropriated Members' Equity	<u>901,332</u>	<u>791,634</u>
Total Members' Equity	<u>\$ 3,471,615</u>	<u>\$ 3,117,090</u>
Total Liabilities and Members' Equity	<u>\$ 3,570,495</u>	<u>\$ 3,233,992</u>

See Accompanying Notes to Financial Statements

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
<u>INCOME:</u>		
Residential Assessments	\$ 1,380,414	\$ 1,380,414
Townhome Assessments	196,248	196,248
Recreation Assessments	22,968	22,968
Club Room Rental Fees	31,588	25,419
Late and Legal Fees	67,543	57,692
Interest	141,994	74,693
Credit Loss Recovery - Receivables	-	2,081
Other	23,482	20,451
Total Income	\$ 1,864,237	\$ 1,779,966
<u>EXPENSES:</u>		
Management	\$ 244,010	\$ 235,782
Legal, Audit and Tax Preparation	59,141	51,082
Reimbursed Payroll Costs	113,793	114,391
Consulting / Engineering	-	6,372
Insurance	18,326	17,729
Administrative	39,576	39,558
Utilities	107,923	106,734
Pet Waste Station Services	2,832	2,751
Grounds Maintenance	263,298	253,275
Snow Removal	118,230	-
General Repair and Maintenance	102,828	110,458
Pool	106,499	95,438
Community Center	55,435	48,021
Storm Water Fees	38,523	37,403
Credit Loss - Receivables	36,264	-
Income Taxes	34,430	20,919
Total Expenses	\$ 1,341,108	\$ 1,139,913
Net Income before Contribution to Reserves	\$ 523,129	\$ 640,053
Contribution to Reserves	(413,431)	(344,752)
Net Income	\$ 109,698	\$ 295,301

See Accompanying Notes to Financial Statements

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Replacement Reserves	Snow Reserve	Contingency Reserve	Unappropriated Members' Equity	Total Members' Equity
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	\$ 2,065,436	\$ 119,333	\$ 140,687	\$ 791,634	\$ 3,117,090
Additions:					
Contribution to Reserves	391,894		21,537		413,431
Net Income				109,698	109,698
Deductions:					
Asphalt	(800)				(800)
Basketball Court	(2,666)				(2,666)
Clubhouse Furniture	(20,700)				(20,700)
Electrical	(987)				(987)
Engineering/Consulting	(70,609)				(70,609)
Exterior Painting	(19,385)				(19,385)
Fire Alarm System	(305)				(305)
Fitness Equipment	(10,768)				(10,768)
Office Equipment	(1,532)				(1,532)
Plumbing	(22,050)				(22,050)
Retaining Wall	(10,350)				(10,350)
Sprinkler System	(2,420)				(2,420)
Striping	(4,990)				(4,990)
Towing	(106)				(106)
Video Conference System			(936)		(936)
Balance as of December 31, 2024	\$ 2,289,662	\$ 119,333	\$ 161,288	\$ 901,332	\$ 3,471,615

See Accompanying Notes to Financial Statements

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income	\$ 109,698	\$ 295,301
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Credit Loss (Recovery) - Receivables	36,264	(2,081)
Early Withdrawal Penalty	-	1,846
Decrease (Increase) in:		
Assessments Receivable	(47,706)	9,077
Accrued Interest	(8,724)	(2,577)
Income Taxes Receivable	3,833	2,250
Prepaid Expenses	(275)	(464)
Increase (Decrease) in:		
Accounts Payable	6,024	(5,738)
Income Taxes Payable	(11,529)	15,719
Prepaid Assessments	(788)	7,323
Net Cash Flows from Operating Activities	\$ 86,797	\$ 320,656
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	\$ 271,437	\$ 270,059
Received from Interest (Reserves)	141,994	74,693
Disbursed for Reserve Expenditures	(180,333)	(33,053)
Received from Interest-Bearing Deposits	660,844	1,166,728
Disbursed for Interest-Bearing Deposits	(429,052)	(1,506,363)
Disbursed for Investments	(222,620)	-
Net Cash Flows from Investing Activities	\$ 242,270	\$ (27,936)
Net Change in Cash and Cash Equivalents	\$ 329,067	\$ 292,720
Cash and Cash Equivalents at Beginning of Year	1,698,087	1,405,367
Cash and Cash Equivalents at End of Year	\$ 2,027,154	\$ 1,698,087
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash Paid for Income Taxes	\$ 45,959	\$ 5,200

See Accompanying Notes to Financial Statements

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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, 2024 AND 2023  
(CONTINUED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

F) Investments - The Association's debt securities have been classified and accounted for either as available-for-sale or held-to-maturity. Debt securities are classified as held-to-maturity when the Association has the positive intent and the ability to hold the securities to maturity. Debt securities not classified as held-to-maturity are classified as available-for-sale. The cost of securities sold is based upon the specific identification method. The Association reviews its debt securities annually to determine if any security has experienced decline in fair value due to credit loss. If a determination is made that the decline is due to credit loss, the Association records an allowance for credit losses to writes down the investment to its market value and records the related write-down as an investment loss in its Statement of Income.

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 \$249,900 from assessments and \$14,158 from interest for 2024. For 2024, the Association budgeted to contribute \$249,900 to replacement reserves. Additionally, during 2024, the Association contributed interest income of \$141,994 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, 2024 and 2023, the Association had designated replacement reserves as follows:

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023  
(CONTINUED)

NOTE 3 - REPLACEMENT RESERVES: (CONTINUED)

	2024	2023
Townhome Replacement Reserves	\$ 1,459,799	\$ 1,322,799
General Replacement Reserves	827,363	740,137
Community Room Reserves	2,500	2,500
Total Replacement Reserves	\$ 2,289,662	\$ 2,065,436

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

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 2024 and 2023, the income taxes were calculated using the corporate and exempt 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, 2024, the Association maintained funds in the following manner:

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023  
(CONTINUED)

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS: (CONTINUED)

Institution	Cash and Cash Equivalents	Interest- Bearing Deposits
NCB	\$ 76,151	\$ -
Forbright Bank		
(Various Institutions)	967,954	
Capital Bank		
(Various Institutions)	919,163	249,000
XML		
(Various Institutions)	63,886	975,000
Totals	\$ 2,027,154	\$ 1,224,000

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.

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.

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023  
(CONTINUED)

NOTE 6 - ASSESSMENTS RECEIVABLE - NET: (CONTINUED)

	2024	2023
Assessments Receivable	\$ 245,210	\$ 197,505
Less: Allowance for Credit Losses	(188,710)	(152,447)
Assessments Receivable - Net	\$ 56,500	\$ 45,058
	2024	2023
Allowance for Credit Losses:		
Beginning Balance	\$ 152,447	\$ 165,108
Write-Offs	-	(10,580)
Provision	36,263	(2,081)
Ending Balance	\$ 188,710	\$ 152,447

NOTE 7 - INVESTMENTS - DEBT SECURITIES:

Held-to-maturity debt securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity. In accordance with ASC 820-10, the fair value of the debt securities was obtained using Level 1 Inputs. The amortized cost, gross unrealized gains and losses, allowance for credit losses, and fair value of the held-to-maturity debt securities are summarized below:

	<u>Held-to-Maturity Debt Securities</u>			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>December 31, 2024</u>				
U.S. Treasury Obligations	\$ 222,620	\$ -	\$ (2,222)	\$ 220,398

Accrued interest receivable on held to maturity securities totaled \$21 as of December 31, 2024. The accrued interest on investment securities is excluded from the amortized cost of the securities and is reported as a receivable in the balance sheet.

Contractual maturities of investments in debt securities as of December 31, 2024 are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023  
(CONTINUED)

NOTE 7 - INVESTMENTS - DEBT SECURITIES: (CONTINUED)

	<u>Cost as of</u> <u>12/31/2024</u>
One to Five Years	<u>\$ 222,620</u>

On January 1, 2023, the Association adopted Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* using the modified retrospective method, which utilizes a new impairment model known as the current expected credit loss model to estimate its lifetime “expected credit losses” and records an allowance that, when deducted from the amortized costs basis of the investments, presents the net amount expected to be collected on the investments.

The adoption of the new credit loss standard resulted in no changes to balances as of January 1, 2023.

NOTE 8 - 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, 2024 and 2023, the balance in the snow reserve was \$119,333. This reserve was funded by cash, interest-bearing deposits and investments.

NOTE 9 - CONTINGENCY RESERVE:

The Association has established a contingency reserve for unexpected contingencies. During 2024 and 2023, the Association elected to contribute \$21,537 and \$49,259, respectively, to this reserve. As of December 31, 2024 and 2023, the balance in the contingency reserve was \$161,288 and \$140,687, respectively. This reserve was funded by cash, interest-bearing deposits and investments.

NOTE 10 - 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.

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023  
(CONTINUED)

NOTE 11 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through [date to be inserted upon finalization], the date the financial statements were available to be issued.

During 2024, the Association contracted for drainage improvements and a sinkhole remediation project of \$185,000. As of December 31, 2024, no payments have been made under this contract. In addition, subsequent to year-end, the Association contracted for a pedestrian bridge rehabilitation project of approximately \$403,000. These projects will be funded through replacement reserves.

In addition, subsequent to year-end, the Association incurred other replacement reserve expenditures of approximately \$64,000.

Draft

TANYARD SPRINGS HOMEOWNERS ASSOCIATION, INC.  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2024  
(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

**Principals**

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

**Managers**

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

***Management Letter***

*This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.*

March 31, 2025

Board of Directors and Management  
Tanyard Springs Homeowners Association, Inc.

Dear Board Members and Management:

In planning and performing our audit of the financial statements of Tanyard Springs Homeowners Association, Inc. as of December 31, 2024 and for the year then ended, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and improving operating efficiency. This letter summarizes our comments and suggestions regarding those matters.

**Association Specific Comments**

**Financial Analysis**

Associations budget their income evenly over a twelve-month period. When assessments become delinquent, cash flow problems develop and the Association may have problems paying its monthly expenses. Assessments receivable at a level of 3% or less of annual assessments indicates good collection procedures and has a positive impact on cash flow, whereas a balance of more than 3% of annual assessments suggests the Association may have future cash flow problems. As of December 31, 2024, the Association's assessments receivable balance of \$245,210 (before deducting the allowance for credit losses of \$188,710) was equal to 16% of annual assessments. We recommend the Association continue to aggressively pursue all delinquent accounts.

As of December 31, 2024, the Association had excess operating funds of \$1,181,953 (unappropriated members' equity, snow reserve and contingency reserve). This represents 75% of annual assessments. We recommend the Association maintain excess operating funds at a level of 10% to 20% of annual assessments. Any funds in excess of 20% may be transferred to replacement reserves.

For tax purposes, a transfer to replacement reserves should be communicated to the owners in advance. If so, it may be treated as a qualified contribution to reserves for the purpose of calculating membership income on the tax return. This could result in lower income taxes by preserving the ability to file using corporate method (Form 1120). Therefore, we recommend that a transfer to replacement reserves be structured in one of the following ways.

- In next year's budget, increase the replacement reserve contribution and plan for a budgeted net loss.
- In the current year's budget, issue a revised budget to all of the owners with an increase in the replacement reserve contribution and plan for a budgeted net loss.
- Approve a resolution to make an inter-equity transfer to replacement reserves, document this in the meeting minutes and provide a copy of the approved meeting minutes to all of the owners.

The designated replacement reserves of \$2,289,662 as of December 31, 2024 were funded by cash, interest-bearing deposits and investments.

#### Prior Management Prepaid Assessment Balances

During the management transition in 2020, the prior management assessments receivable and prepaid assessment balances for prior owners were not recorded in the current management's system. We proposed adjustments to record the prior management prior owners' prepaid assessment balances totaling \$8,855 that were not recorded. We continue to recommend the Association investigate this balance and refund the amounts. If the owners cannot be located, we recommend the Association discuss with its attorney whether the funds should be turned over to the State as unclaimed property.

#### Replacement Reserves

During 2022, the Maryland General Assembly passed legislation setting certain minimum requirements related to the Association's replacement reserve program. The legislation requires the following minimum standards.

- 1) The Association must obtain and/or update its reserve study at least every five years.
- 2) The Association must annually budget to fund its replacement reserve program in an amount that is at least equal to the funding recommendations provided in the most recent reserve study.

In addition, the legislation allows the Board of Directors to increase assessments, without consideration of any restrictions provided in the Association's governing documents, to meet the requirements of this legislation.

#### Income Taxes

For 2024, we recommend the Association file using the corporate method.

## Industry Standard Comments

The comments below are industry standard recommendations that we believe provide important guidance to all associations, especially since the volunteers serving on the Association's Board of Directors change periodically. The comments listed below do not imply that the Association is not in compliance with these industry standard recommendations, but rather serve as reminders.

### Insurance

We recommend the Association meet with its insurance agent at least annually to discuss insurance coverage. The Association should make sure the insurance policies provide the necessary and appropriate protection. In addition to all of the standard coverage that is usually recommended, the Association should maintain appropriate crime and directors & officers (D&O) coverage. At a minimum, the Association should maintain crime coverage that equals or exceeds the total of its funds or as required by state law. It should be structured to include a defalcation or misappropriation committed by a Board member, an employee of the Association, or employees of the management company, including principals.

### Investment Policy

The Association should have a conservative investment policy, which is structured around three elements, in order of importance 1) safety, 2) liquidity and 3) yield. Because safety and liquidity are of prime importance to any association, we recommend investments be limited to instruments of the federal government, which are backed by its full faith and credit, and money market accounts and certificates of deposit at insured institutions.

Periodically, the Association should monitor its accounts for FDIC and SIPC coverage. The FDIC insurance limit is \$250,000 per financial institution. 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 should also periodically check the ratings for all financial institutions used by the Association.

### Monitoring Activities

The Board of Directors is an integral part of the Association's internal controls. Each month the individual board members should be performing monitoring activities. When performed routinely, these monitoring activities strengthen the Association's internal controls and are essential to ensuring the financial security of the Association's resources.

The Board of Directors should obtain and read the monthly financial statements as prepared and presented by management. At a minimum, the financial statements should include a balance sheet, income statement with budget to actual comparisons, a check register, a general ledger, and bank statements with reconciliations. Variances and unusual transactions should be discussed with management and resolved in a timely manner.

The Board of Directors should consider periodically reviewing randomly selected copies of paid invoices to ensure that the appropriate level of approval has occurred and that the approval is appropriately documented. The Board of Directors should also consider selecting invoices from vendors not recognized or not used on a regular basis.

We shall be pleased to discuss our comments and recommendations in greater detail and we are always available to give advice on any financial matter. Please do not hesitate to contact us if there are any questions regarding proper accounting procedures or the implementation of our suggested changes.

Very truly yours,

GOLDKLANG GROUP CPAs, P.C.

Draft

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***Communication with Those Charged with Governance under AU-C §260***

*This communication is intended solely for the information and use of management and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.*

March 31, 2025

Board of Directors and Management  
Tanyard Springs Homeowners Association, Inc.

Dear Board Members and Management:

We have audited the financial statements of Tanyard Springs Homeowners Association, Inc. as of December 31, 2024 and for the year then ended and have issued our report thereon. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards (GAAS)

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information required by the Financial Accounting Standards Board, as described by professional standards, is to apply certain limited procedures to the information about management's methods of preparing the information; however, we will not express an opinion or any assurance on the information.

Planned Scope and Timing of the Audit, Significant Risks, and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the Association and its environment, including the system of internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Association or to acts by management or employees acting on behalf of the Association. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We have identified the following significant risks of material misstatement as part of our audit planning: cash, accounts receivable, other assets, investments, accounts payable and other liabilities, income taxes, revenue, expenses, and equity. According to GAAS, significant risks include management override of controls, and GAAS presumes that revenue recognition is a significant risk. Accordingly, we have considered these as significant risks.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

#### Allowance for Credit Losses

The Association's estimate of the allowance for expected credit losses is based on historical loss levels and an analysis of the collectability of individual accounts. We evaluated the methods, assumptions, and data used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of subsequent events, if applicable.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The adjusting journal entries have been provided to the Association and will be posted to the Association's accounts, if appropriate. The journal entries are material, either individually or in the aggregate, but are limited to individual account consolidations or reclassifications for financial statement presentation purposes only.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **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, 2024, the Association had an assessments receivable balance of \$245,210 (before deducting the allowance for credit losses of \$188,710). 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.

*Required Supplementary Information*

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

Very truly yours,

GOLDKLANG GROUP CPAs, P.C.

Draft

03/25/2025  
11:25 AM

Adjusted Trial Balance  
for the period ended December 31, 2024

Reviewed by \_\_\_\_\_  
Page 1

Account # / Description	Prior Period (Adjusted) 12/31/2023	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
10020 Cash Operating NCB	215,678.65	76,150.99			76,150.99	B-1
10610 Certificate of Deposit	255,791.94	249,000.00			249,000.00	B-2
10810 CD INVESTMENTS - XML	1,200,000.00	975,000.00			975,000.00	B-3
10820 Treasury Bill		226,193.53	AJE-2	(3,573.46)	222,620.07	B-3
11420 Money Market	2,910.09	63,886.16			63,886.16	B-3
11440 Money Market	245,879.15	245,834.92			245,834.92	B-2
11450 Money Market	2,000.00					
11460 Money Market	362,156.35	722,119.00			722,119.00	B-2
11470 Money Market Fund	869,463.05	919,162.62			919,162.62	B-2
12080 HOA Fees Receivable	197,505.24	245,209.52			245,209.52	E-1
12840 Accounts Receivable - Other		(95.00)			(95.00)	
12880 Allowance for Doubtful Assessments	(152,446.70)	(152,446.70)	AJE-4	(36,263.72)	(188,710.42)	F-1
12920 Income Taxes Receivable	4,793.00	(4,038.68)	AJE-9	4,998.68	960.00	T-1
12980 Accrued Interest Receivable	6,443.62	6,443.62	AJE-3 AJE-3	(6,443.62) 15,168.35	15,168.35	Y-2
13020 Prepaid Expenses	19,447.02	19,462.58			19,462.58	G-2
13100 Prepaid Insurance	4,370.99	6,955.89	AJE-1	(2,325.89)	4,630.00	G-1
15360 Office Equipment	2,819.00	2,819.00			2,819.00	I-1
15980 Accumulated Depreciation	(2,819.00)	(2,819.00)			(2,819.00)	I-1
20020 A/P Trade	(36,039.15)	(27,226.47)	AJE-5	(2,187.30)	(29,413.77)	N-1
20045 Resident Refunds	(3,844.61)	(3,844.61)			(3,844.61)	
20151 Due to Mgmt		(820.10)			(820.10)	
20260 Income Taxes Payable	(15,720.00)	(15,720.00)	AJE-7 AJE-8	15,719.00 (4,190.00)	(4,191.00)	T-1
21041 Prior Owner Prepaid	(8,855.07)	(8,855.07)			(8,855.07)	E-1
21080 Prepaid Residential Assessments	(52,448.06)	(51,659.86)			(51,659.86)	E-1
33110 Repair/Replacement Reserves Contribution	(740,136.65)	(685,368.44)	AJE-6	(141,994.42)	(827,362.86)	R-1
33120 Reserve Interest Earned		(136,843.15)	AJE-6	136,843.15		
33140 Reserve - Contingency	(140,686.54)	(161,288.12)			(161,288.12)	R-1

03/25/2025  
11:25 AM

Adjusted Trial Balance  
for the period ended December 31, 2024

Reviewed by\_\_\_\_\_  
Page 2

Account # / Description	Prior Period (Adjusted) 12/31/2023	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
33142 Reserve-Snow Removal	(119,333.33)	(119,333.33)			(119,333.33)	R-1
33720 TH Reserves - Contribution	(1,322,799.00)	(1,459,799.00)			(1,459,799.00)	R-1
33940 Reserve- Community Room	(2,500.00)	(2,500.00)			(2,500.00)	R-1
34020 Unapprop. Members' Equity	(496,333.57)	(791,629.99)			(791,629.99)	***
(Profit) Loss	(295,296.42)	(133,950.31)		24,249.23	(109,701.08)	
	-	-		-	-	

03/25/2025  
11:25 AMAdjusted Trial Balance  
for the period ended December 31, 2024Reviewed by\_\_\_\_\_  
Page 3

Account # / Description	Prior Period (Adjusted) 12/31/2023	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
41080 Residential Assessments	(1,380,414.00)	(1,380,414.00)			(1,380,414.00)	Y-1
41081 Townhome Assessments	(196,248.00)	(196,248.00)			(196,248.00)	Y-1
41240 Club Room Rental Income	(25,418.50)	(31,587.50)			(31,587.50)	
41310 Recreational Assessments	(22,968.00)	(22,968.00)			(22,968.00)	Y-3
41400 Late Fees & Interest	(22,690.00)	(22,875.00)			(22,875.00)	
41440 Legal Reimbursements	(25,417.21)	(34,038.00)			(34,038.00)	
41442 Legal Admin Cost	(9,585.00)	(10,630.00)			(10,630.00)	
41500 Repairs/Supplies Fees	75.00	(535.50)			(535.50)	
41553 Postage & Printing Reimbursement	(10,719.48)	(9,786.92)			(9,786.92)	
41560 Miscellaneous Income	(3,909.70)	(3,315.50)	AJE-9	(4,998.68)	(8,314.18)	
41570 Clubhouse/Party Room Rental Fees	(360.50)					
43020 Interest Income	(74,692.81)	(136,843.15)	AJE-2 AJE-3 AJE-3	3,573.46 6,443.62 (15,168.35)	(141,994.42)	Y-2
43060 Vending Machine Income		(1,498.91)			(1,498.91)	
43100 Pool Fees	(900.00)	(910.50)			(910.50)	
43310 Garden Plot Income	(1,280.00)	(1,100.00)			(1,100.00)	
43510 Bad Debt Recovery	(2,080.52)					
43910 Gate & Access Fees	(2,880.50)	(1,185.00)			(1,185.00)	
43920 NSF	(475.00)	(150.00)			(150.00)	
50020 Management Fees	235,781.76	244,009.98			244,009.98	X-1
50030 Legal Fee - Collections	25,425.00	34,483.00			34,483.00	X-1
50032 Legal Admin Cost	9,685.00	9,135.00	AJE-5	1,030.00	10,165.00	
50040 Legal Fee - General	8,837.09	6,630.00			6,630.00	X-1
50051 Corporate Transparency Act		500.00			500.00	
50060 Audit & Tax Preparation	7,135.00	7,863.40			7,863.40	X-1
50070 Consultant Fee	6,372.00					
50100 Office Supplies		422.95			422.95	
50110 Office Equipment Lease	4,309.44	2,827.00	AJE-5	196.94	3,023.94	

Adjusted Trial Balance  
for the period ended December 31, 2024

Account # / Description	Prior Period (Adjusted) 12/31/2023	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
50130 Postage	7,793.19	7,172.97	AJE-5	559.12	7,732.09	
50140 Printing/Copying	4,862.97	4,675.04	AJE-5	323.90	4,998.94	
50300 Annual Meeting Expenses	1,735.63	1,498.00			1,498.00	
50380 Bank Charges	(35.00)	255.00			255.00	
50450 Social Committe	7,471.37	8,941.81			8,941.81	
50460 Minutes/Recording Secretary	2,750.00	2,750.00			2,750.00	
50475 Garden Committee	888.75	1,697.53			1,697.53	
50830 Web Site Maintenance	2,962.06	720.19	AJE-5	77.34	797.53	
50960 Bad Debt			AJE-4	36,263.72	36,263.72	F-1
50980 Misc Expenses	390.36	463.40			463.40	
51010 Electricity - Street Lights	106,374.37	107,591.65			107,591.65	X-1
51031 Electricity - Clock Tower	359.98	331.21			331.21	X-1
51090 Telephone	6,431.36	6,490.47			6,490.47	
52020 Trash and Recycling Service	2,750.97	2,831.50			2,831.50	X-1
52040 Grounds & Landscaping - Contract	204,270.24	204,194.24			204,194.24	X-1
52060 Exterminating	82.63					
52100 HVAC	1,470.00	1,150.00			1,150.00	X-1
52180 Pool Management Contract	89,800.00	99,400.80			99,400.80	X-1
52320 Snow Removal - TH Common Area		101,677.80			101,677.80	X-1
52322 Snow Removal - HOA		10,522.47			10,522.47	X-1
52324 Snow Removal - Clubhouse		6,029.73			6,029.73	X-1
52400 Fire System Monitoring	264.90	370.86			370.86	
53060 Plumbing Services	546.77	577.30			577.30	
53110 Tot Lot Repair and Maintenance	8,338.09	8,282.94			8,282.94	X-1
53260 Gounds/Landscaping	39,145.18	13,908.29			13,908.29	X-1
53280 Tree Care	4,900.00	38,653.00			38,653.00	X-1
53312 Irrigation System Water	4,960.10	6,543.24			6,543.24	X-1
53420 General Repairs & Maintenance	83,241.21	74,728.25			74,728.25	X-1

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Adjusted Trial Balance  
for the period ended December 31, 2024

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Account # / Description	Prior Period (Adjusted) 12/31/2023	Unadjusted Balance Dr (Cr)	Ref #	Adjustments Dr (Cr)	Adjusted Balance Dr (Cr)	Workpaper Reference
53542 Basketball Courts Repair & Maintenance	2,215.00					
53620 Fitness Equipment Repair & Maintenance	4,383.04	5,155.26			5,155.26	
53663 Community Center Janitorial Service	24,732.48	27,575.96			27,575.96	X-1
53664 Community Center Electricity	12,957.13	15,674.69			15,674.69	X-1
53665 Community Center Gas	2,124.79	2,015.90			2,015.90	X-1
53666 Community Center Water/Sewer	5,028.92	5,477.84			5,477.84	X-1
53668 Community Center Access System	3,177.75	4,689.75			4,689.75	
53720 Maintenance /Supplies	9,707.19	12,564.44			12,564.44	
53850 Signage Repair & Maintenance	209.45					
53870 Pool Supplies/Repair & Maintenance	3,638.04	5,097.70			5,097.70	
53872 Pool Registration	2,000.00	2,000.00			2,000.00	X-1
54680 Contract Staffing	114,391.32	113,793.14			113,793.14	X-2
59100 Insurance	17,728.90	16,000.10	AJE-1	2,325.89	18,325.99	G-1
59300 Corporate Income Taxes	20,919.00	45,959.00	AJE-7 AJE-8	(15,719.00) 4,190.00	34,430.00	T-1
59440 CCOC Storm Water Reimbursment	37,402.56	38,522.72			38,522.72	X-1
63110 Reserve Contribution	93,300.00	112,900.00			112,900.00	R-1
63120 Reserve- Interest Earned	74,692.81	136,843.15	AJE-6	5,151.27	141,994.42	R-1
63140 Reseve - Contingency	49,259.00	21,537.00			21,537.00	R-1
63720 Reserve Contribution - Townhomes	127,500.00	137,000.00			137,000.00	R-1
(Profit) Loss	<u>(295,296.42)</u>	<u>(133,950.31)</u>		<u>24,249.23</u>	<u>(109,701.08)</u>	

Account #	Account Name / Description	Debits	Credits
12/31/2024		<u>AJE 1</u>	
13100	Prepaid Insurance		2,325.89
59100	Insurance	2,325.89	
	TO ADJUST PREPAID INSURANCE		
12/31/2024		<u>AJE 2</u>	
10820	Treasury Bill		3,573.46
43020	Interest Income	3,573.46	
	TO RECLASSIFY ACCRUED INTEREST PAID AT PURCHASE OF TREASURY NOTE AS A REDUCTION TO INTEREST INCOME		
12/31/2024		<u>AJE 3</u>	
12980	Accrued Interest Receivable		6,443.62
43020	Interest Income	6,443.62	
12980	Accrued Interest Receivable	15,168.35	
43020	Interest Income		15,168.35
	TO REVERSE PRIOR YEAR ACCRUED INTEREST AND RECORD CURRENT		
12/31/2024		<u>AJE 4</u>	
12880	Allowance for Doubtful Assessments		36,263.72
50960	Bad Debt	36,263.72	
	TO ADJUST ALLOWANCE FOR DOUBTFUL ASSESSMENTS		
12/31/2024		<u>AJE 5</u>	
20020	A/P Trade		2,187.30
50032	Legal Admin Cost	1,030.00	
50110	Office Equipment Lease	196.94	
50130	Postage	559.12	
50140	Printing/Copying	323.90	
50830	Web Site Maintenance	77.34	
	TO RECORD ADDITIONAL ACCOUNTS PAYABLE		
12/31/2024		<u>AJE 6</u>	
33120	Reserve Interest Earned	136,843.15	
63120	Reserve- Interest Earned	5,151.27	
33110	Repair/Replacement Reserves Contribution		141,994.42
	TO COMBINE RESERVE INTEREST WITH RESERVE EQUITY ACCOUNT AND RECORD ADDITIONAL INTEREST INCOME CONTRIBUTION		

Account #	Account Name / Description	Debits	Credits
12/31/2024	AJE 7		
59300	Corporate Income Taxes		15,719.00
20260	Income Taxes Payable	15,719.00	
	TO REVERSE 2023 TAX PAYMENTS AGAINST CORRESPONDING PAYABLE		
12/31/2024	AJE 8		
59300	Corporate Income Taxes	4,190.00	
20260	Income Taxes Payable		4,190.00
	TO ADJUST INCOME TAXES PAYABLE		
12/31/2024	AJE 9		
12920	Income Taxes Receivable	4,998.68	
41560	Miscellaneous Income		4,998.68
	TO RECLASSIFY EXCESS TAX REFUND AS MISC INCOME		
	Totals	232,864.44	232,864.44