

**Cross Fox Condominium, Inc.**

Financial Statements  
For the Years Ended  
October 31, 2008 and  
October 31, 2007



# OAO Mohn & Allen, PC

Certified Public Accountants

## Independent Auditor's Report

Board of Directors  
Cross Fox Condominium, Inc.  
Columbia, Maryland

We have audited the accompanying Balance Sheets of Cross Fox Condominium, Inc. as of October 31, 2008 and October 31, 2007, 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's management. 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 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 management, 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 position of Cross Fox Condominium, Inc. as of October 31, 2008 and October 31, 2007 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.

The supplementary information on future major repairs and replacements is not a required part of the basic financial statements of Cross Fox Condominium, Inc., but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*OAO Mohn & Allen, P.C.*

January 30, 2009

# Cross Fox Condominium, Inc.

## Balance Sheets

October 31, 2008 and October 31, 2007

	2008	2007
<b>ASSETS</b>		
Cash - Operating	\$ 54,964	\$ 71,671
Cash - Investments (Note E)	545,355	388,491
Assessments Receivable - Net (Note B)	43,253	29,840
Accrued Interest	-	602
Income Taxes Receivable	720	428
Accounts Receivable - Other	-	1,200
Prepaid Expenses	526	8,460
	<u>526</u>	<u>8,460</u>
Total Assets	\$ <u>644,818</u>	\$ <u>500,692</u>

## LIABILITIES AND MEMBERS' EQUITY

### LIABILITIES:

Accounts Payable	\$ 75,937	\$ 25,476
Prepaid Assessments	18,256	21,625
Total Liabilities	\$ <u>94,193</u>	\$ <u>47,101</u>

### MEMBERS' EQUITY:

Replacement Reserves (Note C)	\$ 416,019	\$ 351,364
Unappropriated Members' Equity	134,606	102,227
Total Members' Equity	\$ <u>550,625</u>	\$ <u>453,591</u>
Total Liabilities and Members' Equity	\$ <u>644,818</u>	\$ <u>500,692</u>

**Cross Fox Condominium, Inc.**  
**Statements of Income**  
**For the Years Ended**  
**October 31, 2008 and October 31, 2007**

	<u>2008</u>	<u>2007</u>
<b>INCOME:</b>		
Assessments	\$ 634,800	\$ 583,368
Gas Income	183,075	184,614
Interest	14,964	16,359
Laundry	7,500	7,200
Other	21,139	17,564
Total Income	<u>\$ 861,478</u>	<u>\$ 809,105</u>
<b>EXPENSES:</b>		
Management	\$ 58,680	\$ 55,920
Legal & Audit	16,655	7,624
Insurance	34,636	35,023
Collection Costs	11,312	11,988
Postage, Copying & Supplies	6,068	5,683
Administrative	5,399	2,649
Bad Debt	12,896	14,250
Meter Reading	9,818	12,806
Professional Fees	4,682	476
Electricity	42,276	32,235
Gas	160,490	166,958
Water & Sewer	46,461	43,424
Grounds	29,292	28,153
Tree Removal	23,461	15,200
Snow Removal	16,359	27,845
Trash Removal	35,547	35,463
Janitorial	40,445	40,127
Plumbing	17,930	14,081
General Repairs & Maintenance	88,912	99,648
Total Expenses	<u>\$ 661,319</u>	<u>\$ 649,553</u>
Net Income before Provision for Income Taxes and Contribution to Reserves	\$ 200,159	\$ 159,552
Provision for Income Taxes (Note D)	(2,280)	(2,572)
Contribution to Reserves (Note C)	<u>(165,500)</u>	<u>(146,000)</u>
Net Income	<u>\$ 32,379</u>	<u>\$ 10,980</u>

**Cross Fox Condominium, Inc.**  
**Statements of Members' Equity**  
**For the Years Ended**  
**October 31, 2008 and October 31, 2007**

	<b>Replacement Reserves</b>	<b>Unappropriated Members' Equity</b>	<b>Total Members' Equity</b>
Balance as of October 31, 2006	\$ 303,476	\$ 91,247	\$ 394,723
Additions:			
Contribution to Reserves	146,000		146,000
Net Income		10,980	10,980
Deductions:			
Concrete	(9,650)		(9,650)
Roof	(60,889)		(60,889)
Plumbing	(15,173)		(15,173)
Doors/Windows/Railings	(12,400)		(12,400)
Balance as of October 31, 2007	\$ 351,364	\$ 102,227	\$ 453,591
Additions:			
Contribution to Reserves	165,500		165,500
Net Income		32,379	32,379
Deductions:			
Roof	(53,436)		(53,436)
Exterior Building Façade	(25,295)		(25,295)
Plumbing	(1,314)		(1,314)
Electrical	(1,129)		(1,129)
Doors/Windows/Railings	(12,375)		(12,375)
Doors/Windows/Railings	(7,296)		(7,296)
Balance as of October 31, 2008	\$ <u>416,019</u>	\$ <u>134,606</u>	\$ <u>550,625</u>

**Cross Fox Condominium, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended**  
**October 31, 2008 and October 31, 2007**

See accompanying notes to financial statements for further information.

	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income	\$ 32,379	\$ 10,980
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Decrease (Increase) in:		
Assessments Receivable - Net	(13,413)	(10,328)
Accrued Interest	602	(198)
Income Taxes Receivable	(292)	(428)
Accounts Receivable - Other	1,200	-
Prepaid Expenses	7,934	821
Increase (Decrease) in:		
Accounts Payable	(2,975)	(37,307)
Income Taxes Payable	-	(1,004)
Prepaid Assessments	(3,369)	(1,182)
Net Cash Flows From Operating Activities	<u>\$ 22,066</u>	<u>\$ (38,646)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Received from Assessments (Reserves)	\$ 165,500	\$ 146,000
Reserve Expenditures	(47,409)	(98,112)
Decrease (Increase) in Long-Term Investments	(50,000)	-
Net Cash Flows From Investing Activities	<u>\$ 68,091</u>	<u>\$ 47,888</u>
Net Increase (Decrease) in Cash	\$ 90,157	\$ 9,242
Cash Equivalants at Beginning of Year	<u>260,162</u>	<u>250,920</u>
Cash Equivalants at End of Year	<u><u>\$ 350,319</u></u>	<u><u>\$ 260,162</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid For Income Taxes	<u><u>\$ 3,000</u></u>	<u><u>\$ 4,004</u></u>

**Cross Fox Condominium, Inc.**  
**Notes to Financial Statements**  
**October 31, 2008 and October 31, 2007**

**NOTE A - ORGANIZATION**

Cross Fox Condominium, Inc. is a condominium organized under the laws of the State of Maryland for the purpose of operating and maintaining the common property of the Association. The Association consists of 244 residential units located on approximately 11 acres in Columbia, Maryland.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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. The Association's financial statements are maintained on the cash basis of accounting throughout the year.

**Property** – Real property and common areas acquired from the developer and related improvements to such property are not recorded on the Association's financial statements because those properties are owned by the individual homeowners in common and not by the Association.

**Assessments Receivable - Net** – Association members are subject to monthly assessments to provide funds for the Condominium's operating expenses, future major repairs and replacements. Assessments Receivable at the balance sheet date represents fees due from homeowners. The Association utilizes the allowance method of accounting for bad debt. Under the allowance method, collection efforts may continue and recovery of amounts previously written off are recognized as income in the year of collection.

	<u>2008</u>	<u>2007</u>
Assessments Receivable	\$79,253	\$52,944
Less: Allowance for Doubtful Assessments	<u>(36,000)</u>	<u>(23,104)</u>
Assessments Receivable – Net	<u>\$43,253</u>	<u>\$29,840</u>

**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.

**Cash Equivalents** – For purposes of the statement of cash flows, the Association considers all highly liquid investments that mature within three months from the balance sheet date to be cash equivalents.

**NOTE C – REPLACEMENT RESERVES**

In accordance with the Association's governing documents, it is accumulating for future major repairs and replacements. Accumulated funds, which aggregate \$416,019 and \$351,364 at October 31, 2008 and October 31, 2007, respectively, are held in separate accounts and are generally not available for operating purposes.

**Cross Fox Condominium, Inc.**  
**Notes to Financial Statements**  
**October 31, 2008 and October 31, 2007**

**NOTE C – REPLACEMENT RESERVES (CONTINUED)**

In 2000 (updated in 2004), the Association hired a professional engineer to estimate the remaining useful lives and the replacement costs of the components of common property. The Association uses this information as part of its annual budget preparation process. The table included in the unaudited supplementary information on future major repairs and replacements is based on this study.

The Association is funding the replacement reserves over the remaining useful lives of the components based on the study's estimates of the replacement costs and considering amounts previously accumulated in the replacement reserves. Accordingly, \$165,500 has been included in the current financial statements as a contribution to reserves.

The Association is funding for major repairs and replacements based on estimates of future needs. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future repairs and replacements may not be adequate to meet future needs. If additional funds are needed, however, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**NOTE D – INCOME TAXES**

For income tax purposes, the Condominium may elect annually to file as an Association classified as a nonexempt membership organization or as a tax-exempt condominium association.

The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, nonmembership transactions and capital transactions.

For federal and state tax purposes, the Association is taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses, and any net membership losses may only be carried forward to offset membership income of future tax periods. Any net membership income not applied to the subsequent tax year is subject to taxation.

The Association elected to be taxed as a nonexempt membership organization for both federal and state income tax purposes for the years ended October 31, 2008 and October 31, 2007. This resulted in a provision for income taxes of \$2,280 and \$2,572, respectively.



**Cross Fox Condominium, Inc.**  
**Notes to Financial Statements**  
**October 31, 2008 and October 31, 2007**

**NOTE E – CASH – INVESTMENTS**

The Association maintains its cash – investments as follows:

<u>Institution</u>	<u>Type of Account</u>	<u>Amount</u>
Cash Equivalents:		
US Government Securities	Money Market	\$295,355
Non Cash Equivalents:		
Bank of Shorewood	Certificate of Deposit	50,000
Enterprise Bank	Certificate of Deposit	50,000
Merrick Bank	Certificate of Deposit	50,000
Southern First Bank	Certificate of Deposit	50,000
Park Bank	Certificate of Deposit	<u>50,000</u>
	Total	<u>\$545,355</u>

**Cross Fox Condominium, Inc.**  
**Supplementary Information on**  
**Future Repairs and Replacements**  
**October 31, 2008**  
**Unaudited**

In 2000 (updated in 2004), the Association hired a professional engineer to estimate the remaining useful lives and the replacement costs of the components of common property. The Association uses this information as part of its annual budget preparation process. Replacement costs were based on the estimated costs to repair or replace the common property components. 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>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Replacement Cost</u>	<u>Balance as of October 31, 2008</u>
Asphalt	20	\$ 127,342	\$ 46,187
Concrete	20	322,566	66,002
Roof	20	293,969	27,879
Exterior Building Façade	18	350,000	30,001
Plumbing	20	216,000	91,482
Electrical	20	450,640	80,394
Doors/Windows/Railings	20	80,246	19,031
Carpet	10	50,000	21,466
Misc Recreational Facilities	20	22,625	7,466
Fence & Signs	20	78,450	9,981
Miscellaneous			10,500
Hot Water Heater			(7,297)
Retaining Walls	20	17,950	12,927
		<u>\$ 2,009,788</u>	<u>\$ 416,019</u>