

Cross Fox Condominium, Inc.

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

**Financial Statements
For the Years Ended
October 31, 2009 and
October 31, 2008**



Harold L. Mohn, Jr.
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(1964-2008)

Independent Auditor's Report

Alice L. Orzechowski
Consultant

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, 2009 and October 31, 2008, 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 audit.

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, 2009 and October 31, 2008 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 accounting principles generally accepted in the United States of America. 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.

February 16, 2010

Cross Fox Condominium, Inc.

Balance Sheets

October 31, 2009 and October 31, 2008

	2009	2008
ASSETS		
Cash - Operating	\$ 70,440	\$ 54,964
Cash - Investments (Note E)	605,483	545,355
Assessments Receivable - Net (Note B)	72,130	43,253
Accrued Interest	1,134	-
Prepaid Expenses	513	526
Income Taxes Receivable	701	720
	<u>750,401</u>	<u>644,818</u>
Total Assets	\$ <u>750,401</u>	\$ <u>644,818</u>
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES:		
Accounts Payable	\$ 24,295	\$ 75,937
Prepaid Assessments	16,066	18,256
Total Liabilities	\$ <u>40,361</u>	\$ <u>94,193</u>
MEMBERS' EQUITY:		
Replacement Reserves (Note C)	\$ 447,316	\$ 416,019
Unappropriated Members' Equity	262,724	134,606
Total Members' Equity	\$ <u>710,040</u>	\$ <u>550,625</u>
Total Liabilities and Members' Equity	\$ <u>750,401</u>	\$ <u>644,818</u>

Cross Fox Condominium, Inc.
Statements of Income
For the Years Ended
October 31, 2009 and October 31, 2008

FOOTNOTES TO FINANCIAL STATEMENTS: 1. GENERAL INFORMATION 2. ACCOUNTING POLICIES 3. ASSETS 4. LIABILITIES 5. EQUITY 6. REVENUE 7. EXPENSES 8. RELATED PARTY TRANSACTIONS 9. CONTINGENT LIABILITIES 10. CONTINGENT ASSETS 11. SUBSEQUENT EVENTS

	<u>2009</u>	<u>2008</u>
INCOME:		
Assessments	\$ 663,681	\$ 634,800
Gas Income	173,205	183,075
Marketing Fee Income	29,280	-
Interest	15,541	14,964
Laundry	9,000	7,500
Other	23,077	21,159
Total Income	<u>\$ 913,784</u>	<u>\$ 861,498</u>
EXPENSES:		
Management	\$ 61,968	\$ 58,680
Legal & Audit	13,436	16,655
Insurance	32,952	34,636
Collection Costs	12,950	11,312
Bad Debt (Recovery)	(8,058)	12,896
Postage, Copying & Supplies	5,851	6,068
Administrative	6,893	5,401
Meter Reading	13,583	9,818
Professional Fees	145	4,682
Electricity	46,062	42,276
Gas	152,406	160,490
Water & Sewer	50,531	46,461
Janitorial	42,939	40,445
Plumbing	11,457	17,930
Tree Removal	14,764	23,461
Snow Removal	19,872	16,359
Trash Removal	37,974	35,547
Grounds	38,089	29,292
General Repairs & Maintenance	78,553	88,930
Total Expenses	<u>\$ 632,367</u>	<u>\$ 661,339</u>
Net Income before Provision for Income Taxes and Contribution to Reserves	<u>\$ 281,417</u>	<u>\$ 200,159</u>
Provision for Income Taxes (Note D)	(2,299)	(2,280)
Contribution to Reserves (Note C)	<u>(151,000)</u>	<u>(165,500)</u>
Net Income (Loss)	<u>\$ 128,118</u>	<u>\$ 32,379</u>

Cross Fox Condominium, Inc.
Statements of Members' Equity
For the Years Ended
October 31, 2009 and October 31, 2008

	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity (Deficit)</u>	<u>Total Members' Equity</u>
Balance as of October 31, 2007	\$ 351,364	\$ 102,227	\$ 453,591
Additions:			
Contributions to Reserves - Budget	165,500		165,500
Net Income		32,379	32,379
Deductions:			
Roof	(53,436)		(53,436)
Exterior Building Façade	(25,295)		(25,295)
Doors/Windows/Railings	(19,671)		(19,671)
Plumbing and Electrical	(2,443)		(2,443)
Balance as of October 31, 2008	\$ 416,019	\$ 134,606	\$ 550,625
Additions:			
Contributions to Reserves - Budget	151,000		151,000
Net Income		128,118	128,118
Deductions:			
Roof	(54,128)		(54,128)
Exterior Building Façade	(21,182)		(21,182)
Plumbing and Electrical	(7,619)		(7,619)
Doors/Windows/Railings	(20,000)		(20,000)
Retaining Wall	(16,774)		(16,774)
Balance as of October 31, 2009	\$ <u>447,316</u>	\$ <u>262,724</u>	\$ <u>710,040</u>

Cross Fox Condominium, Inc.
Statements of Cash Flows
For the Years Ended
October 31, 2009 and October 31, 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ 128,118	\$ 32,379
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Decrease (Increase) in:		
Assessments Receivable - Net (Note B)	(28,877)	(13,413)
Accrued Interest	(1,134)	602
Prepaid Expenses	13	7,934
Accounts Receivable - Other	-	1,200
Income Taxes Receivable	19	(292)
Increase (Decrease) in:		
Accounts Payable	(51,642)	(2,975)
Prepaid Assessments	(2,190)	(3,369)
Net Cash Provided by Operating Activities	<u>\$ 44,307</u>	<u>\$ 22,066</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Received from Assessments (Reserves)	\$ 151,000	\$ 165,500
Disbursed for Expenditures (Reserves)	(119,703)	(47,409)
Net Decrease (Increase) in Non Cash Equivalents	<u>(154,281)</u>	<u>(50,000)</u>
Net Cash Provided by Investing Activities	<u>\$ (122,984)</u>	<u>\$ 68,091</u>
Net Increase (Decrease) in Cash and Cash Equivs	\$ (78,677)	\$ 90,157
Cash and Cash Equivalents at Beginning of Year	<u>350,319</u>	<u>260,162</u>
Cash and Cash Equivalents at End of Year	<u>\$ 271,642</u>	<u>\$ 350,319</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid for Income Taxes	<u>\$ 3,000</u>	<u>\$ 3,000</u>

Cross Fox Condominium, Inc.
Notes to Financial Statements
October 31, 2009 and October 31, 2008

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 \$447,316 and \$416,019 at October 31, 2009 and October 31, 2008, respectively, are held in separate accounts and are generally not available for operating purposes. These designated replacement reserves were fully funded by cash-investments.

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 estimates were based on current estimated replacement costs. The table included in the unaudited supplementary information on future major repairs and replacements is based on the 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, \$151,000 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 has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE D – INCOME TAXES

For income tax purposes, the Association may elect annually to file as an Association classified as a nonexempt membership organization or as a tax-exempt homeowners 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 an association classified as a nonexempt membership organization for both federal and state income tax purposes for the years ended October 31, 2009 and October 31, 2008. This resulted in a provision for income taxes of \$2,299 and \$2,280, respectively.

Cross Fox Condominium, Inc.
Notes to Financial Statements
October 31, 2009 and October 31, 2008

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:		
CAB	Money Market	\$ 201,202
Total Cash Equivalents		<u>\$ 201,202</u>
Non Cash Equivalents:		
Bank of Shorewood	Certificate of Deposit	\$ 50,000
Florida Citizens Bank	Certificate of Deposit	50,000
CIT Bank	Certificate of Deposit	75,000
Park Bank	Certificate of Deposit	50,000
Southern First Bank	Certificate of Deposit	50,000
Bank of Hiawasse	Certificate of Deposit	50,000
Fours Oaks Bank	Certificate of Deposit	75,000
Treasury Obligations	Other	4,281
Total Non Cash Equivalents		<u>\$ 404,281</u>
Total Cash – Investments		<u>\$ 605,483</u>

The Association maintains fund balances at various banks. Accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. Amounts in excess of insured limits as of October 31, 2009 and October 31, 2008 were approximately \$34,220 and \$95,355, respectively.

Cross Fox Condominium, Inc.
Supplementary Information on Future Repairs and Replacements
October 31, 2009
Unaudited

A professional engineer conducted a study in 2000 (updated in 2004) 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 have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date the components will require repair or replacement. The Association has not designated the replacement reserve balance of \$447,316 into specific categories as detailed below and utilizes the cash flow method of allocating replacement reserves.

The following information is based on the 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, 2009</u>
Asphalt	20	\$ 127,342	\$ 66,188
Concrete	20	322,566	91,002
Roof	20	293,969	23,751
Exterior Building Façade	18	350,000	26,816
Plumbing	20	216,000	98,931
Electrical	20	450,640	78,401
Doors/Windows/Railings	20	80,246	7,031
Carpet	10	50,000	29,466
Misc Recreational Facilities	20	22,625	9,466
Fence & Signs	20	78,450	12,981
Miscellaneous			13,500
Hot Water Heater			(10,370)
Retaining Walls	20	17,950	153
		<u>\$ 2,009,788</u>	<u>\$ 447,316</u>