



**Principals**

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

1801 Robert Fulton Drive, Suite 200  
Reston, VA 20191

**Associate Principals**

Jeremy W. Powell, CPA  
Renee L. Watson, CPA

**Managers**

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

**Independent Auditor's Report**

To the Board of Directors of  
Cross Fox Condominium, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Cross Fox Condominium, Inc., which comprise the balance sheets as of October 31, 2013 and 2012, and the related statements of income, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility 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; this includes 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.

**Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **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, 2013 and 2012, 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.

## **Emphasis of Matter Regarding Assessments Receivable**

Cross Fox Condominium, Inc. raises funds for its operations and major repairs and replacements through assessment of its members. As explained in Note 6, as of October 31, 2013, the Association had an assessments receivable balance of \$138,486 (before deducting the allowance for doubtful assessments of \$125,387). 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.

## **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 pages 11-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Goldklang Group CPAs, P.C.*

Reston, Virginia  
March 27, 2014

CROSS FOX CONDOMINIUM, INC.  
BALANCE SHEETS  
OCTOBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 219,307	\$ 307,385
Interest-Bearing Deposits	900,000	725,000
Assessments Receivable - Net	13,099	14,131
Accrued Interest	1,627	1,389
Income Taxes Receivable	760	670
Accounts Receivable - Other	4,178	3,880
Prepaid Expenses	<u>688</u>	<u>560</u>
Total Assets	<u>\$ 1,139,659</u>	<u>\$ 1,053,015</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Accounts Payable	\$ 32,725	\$ 20,013
Deferred Insurance Proceeds	30,808	30,808
Prepaid Assessments	<u>16,498</u>	<u>14,428</u>
Total Liabilities	<u>\$ 80,031</u>	<u>\$ 65,249</u>
Snow Reserve	\$ 57,000	\$ 57,000
Replacement Reserves	887,844	828,300
Unappropriated Members' Equity	<u>114,784</u>	<u>102,466</u>
Total Members' Equity	<u>\$ 1,059,628</u>	<u>\$ 987,766</u>
Total Liabilities and Members' Equity	<u>\$ 1,139,659</u>	<u>\$ 1,053,015</u>

See Accompanying Notes to Financial Statements

CROSS FOX CONDOMINIUM, INC.  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>INCOME:</u>		
Assessments	\$ 683,928	\$ 684,432
Interest	12,536	12,885
Gas	145,689	128,380
Laundry	9,000	9,750
Other	<u>15,009</u>	<u>34,555</u>
Total Income	<u>\$ 866,162</u>	<u>\$ 870,002</u>
<u>EXPENSES:</u>		
Management	\$ 67,056	\$ 66,000
Insurance	35,059	31,635
Legal, Audit and Tax Preparation	15,903	22,061
Administrative	16,513	22,225
Cleaning Contract	43,904	44,211
Trash Removal and Exterminating	53,047	57,417
Landscaping and Grounds Maintenance	89,367	79,771
Snow Removal	10,634	4,053
Utilities	233,754	204,717
Plumbing and Electrical	17,740	14,080
Repairs and Maintenance	75,541	79,788
Recreation Equipment and Supplies	2,649	2,757
Bad Debt	36,437	16,854
Income Taxes	<u>1,840</u>	<u>1,930</u>
Total Expenses	<u>\$ 699,444</u>	<u>\$ 647,499</u>
Net Income before Contribution to Reserves	\$ 166,718	\$ 222,503
Contribution to Reserves	<u>(154,400)</u>	<u>(167,000)</u>
Net Income	<u>\$ 12,318</u>	<u>\$ 55,503</u>

See Accompanying Notes to Financial Statements

CROSS FOX CONDOMINIUM, INC.  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

	<u>Snow Reserve</u>	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of October 31, 2011	\$ 40,000	\$ 664,514	\$ 198,963	\$ 903,477
Additions:				
Contribution to Reserves		167,000		167,000
Net Income			55,503	55,503
Inter-Equity Transfer	17,000	135,000	(152,000)	
Deductions:				
Concrete		(24,880)		(24,880)
Roof		(81,482)		(81,482)
Exterior Building Façade		(4,390)		(4,390)
Plumbing		(8,139)		(8,139)
Doors		(2,775)		(2,775)
Hot Water Heater		(16,548)		(16,548)
Balance as of October 31, 2012	\$ 57,000	\$ 828,300	\$ 102,466	\$ 987,766
Additions:				
Contribution to Reserves		154,400		154,400
Net Income			12,318	12,318
Deductions:				
Concrete		(7,375)		(7,375)
Roof		(38,120)		(38,120)
Exterior Building Façade		(22,749)		(22,749)
Plumbing		(708)		(708)
Recreational Facilities		(990)		(990)
Hot Water Heater		(24,914)		(24,914)
Balance as of October 31, 2013	<u>\$ 57,000</u>	<u>\$ 887,844</u>	<u>\$ 114,784</u>	<u>\$ 1,059,628</u>

See Accompanying Notes to Financial Statements

CROSS FOX CONDOMINIUM, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income	\$ 12,318	\$ 55,503
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Bad Debt Expense	36,437	16,854
Decrease (Increase) in:		
Assessments Receivable	(35,405)	(13,721)
Accrued Interest	(238)	345
Income Taxes Receivable	(90)	(204)
Accounts Receivable - Other	(298)	609
Prepaid Expenses	(128)	7,289
Increase (Decrease) in:		
Accounts Payable	12,712	(22,080)
Deferred Insurance Proceeds	-	30,808
Prepaid Assessments	2,070	2,634
Net Cash Flows from Operating Activities	<u>\$ 27,378</u>	<u>\$ 78,037</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Replacement Reserves)	\$ 154,400	\$ 167,000
Disbursed for Replacement Reserves Expenditures	(94,856)	(138,214)
Received from Interest-Bearing Deposits	75,000	125,000
Disbursed for Interest-Bearing Deposits	(250,000)	(300,000)
Net Cash Flows from Investing Activities	<u>\$ (115,456)</u>	<u>\$ (146,214)</u>
Net Change in Cash and Cash Equivalents	\$ (88,078)	\$ (68,177)
Cash and Cash Equivalents at Beginning of Year	<u>307,385</u>	<u>375,562</u>
Cash and Cash Equivalents at End of Year	<u>\$ 219,307</u>	<u>\$ 307,385</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash Paid for Income Taxes	<u>\$ 2,600</u>	<u>\$ 2,600</u>

See Accompanying Notes to Financial Statements

CROSS FOX CONDOMINIUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2013 AND 2012

NOTE 1 - NATURE OF OPERATIONS:

The Condominium is an association organized under the laws of the State of Maryland for the purposes of maintaining and preserving the common property of the Condominium. The Association administers the condominium operations and consists of 244 units located in Columbia, Maryland. The Association's Board of Directors administers the Condominium operations.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

A) Method of Accounting - The Association's financial statements are prepared on the accrual method of accounting in which revenues are recognized when earned and expenses when incurred, not necessarily when received or paid.

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

C) Common Property - Real property and common areas acquired from the declarant and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. Common property includes, but is not limited to, the exterior structures and mechanical equipment.

D) Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities. They also affect the disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

F) Reclassification - Certain amounts have been reclassified in the accompanying fiscal year 2012 financial statements to conform to the fiscal year 2013 presentation.

CROSS FOX CONDOMINIUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2013 AND 2012  
(CONTINUED)

NOTE 3 - REPLACEMENT RESERVES:

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

The Association had a replacement reserve study conducted by Miller Dodson Associates, Inc. during 2008. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on this study.

The study recommends a contribution of \$152,329 for fiscal year 2013. For fiscal year 2013, the Association budgeted to contribute \$154,400 to reserves.

Funds are being accumulated in replacement reserves based on estimates of future needs for repair and replacement of common property components. Actual expenditures may vary from the estimated future expenditures and the variations may be material; therefore, amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

As of October 31, 2013 and 2012, the Association had designated \$887,844 and \$828,300, respectively, for replacement reserves. These designated reserves were funded by cash and interest-bearing deposits.

NOTE 4 - INCOME TAXES:

For income tax purposes, the Association may elect annually to file either as an exempt condominium or as an association taxable as a corporation. As an exempt condominium, the Association's net assessment income would be exempt from income tax, but its interest and rental income would be taxed. Electing to file as a corporation, the Association is taxed on its net income from all sources (to the extent not capitalized or deferred) at normal corporate rates after corporate exemption, subject to the limitation that operating expenses are deductible only to the extent of income from members. For fiscal years 2013 and 2012, the income taxes were calculated using the corporate method.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the fiscal years ended October 31, 2013 and 2012, the Association did not incur any penalties and interest related to income taxes. 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.



CROSS FOX CONDOMINIUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2013 AND 2012  
(CONTINUED)

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of October 31, 2013, the Association maintained its funds in the following manner:

<u>Institution</u>	<u>Type Account</u>	<u>Cash and Cash Equivalents</u>	<u>Interest- Bearing Deposits</u>	<u>Total</u>
Mutual of Omaha	Checking	\$ 27,412	\$ -	\$ 27,412
Mutual of Omaha	Money Market	190,380		190,380
Mutual of Omaha	Money Fund	1,515		1,515
Mutual of Omaha (Various Institutions)	Certificates of Deposit (12)		<u>900,000</u>	<u>900,000</u>
	Totals	<u>\$ 219,307</u>	<u>\$ 900,000</u>	<u>\$ 1,119,307</u>

The Association has funds maintained in a Mutual of Omaha money fund. Although the value per share of this account has not changed since it was opened and its goal is to maintain a per share value of \$1, this account is subject to market fluctuation risk. Therefore, the market fluctuation risk as of October 31, 2013 and 2012 was \$1,515 and \$711, respectively.

Balances at banks are insured by the FDIC for up to \$250,000 per financial institution. As of October 31, 2013 and 2012, amounts in excess of the insured limits were approximately \$19,721 and \$0, respectively.

NOTE 6 - ASSESSMENTS RECEIVABLE - NET:

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

	<u>2013</u>	<u>2012</u>
Assessments Receivable	\$ 138,486	\$ 122,508
Less: Allowance for Doubtful Assessments	<u>(125,387)</u>	<u>(108,377)</u>
Assessments Receivable - Net	<u>\$ 13,099</u>	<u>\$ 14,131</u>

CROSS FOX CONDOMINIUM, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2013 AND 2012  
(CONTINUED)

NOTE 7 - SNOW RESERVE:

The Association established a snow reserve for unexpected snow removal. During fiscal year 2012, the Association elected to transfer \$17,000 from unappropriated members' equity to this fund. As of October 31, 2013 and 2012, the balance in the snow reserve was \$57,000, per year. This fund was funded by cash and interest-bearing deposits.

NOTE 8 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 27, 2014, the date the financial statements were available to be issued.

Subsequent to year end, the Association entered into a contract for concrete and drainage repairs of approximately \$34,000. The repairs will be funded by replacement reserves. In addition, the Association incurred other replacement reserve expenditures of approximately \$18,000.

CROSS FOX CONDOMINIUM, INC.  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
OCTOBER 31, 2013  
(UNAUDITED)

The Association had a replacement reserve study conducted by Miller Dodson Associates, Inc. in 2008 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated replacement costs do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

<u>Component</u>	<u>2008 Estimated Remaining Useful Life (Years)</u>	<u>2008 Estimated Replacement Cost</u>
Asphalt Pavement	0-5	\$ 257,830
Concrete Curb and Gutter	0-57	13,600
Wood Curb	0-27	69,000
Immediate Concrete Work	0	28,000
Concrete Sidewalk	0-54	204,000
Site Lights	7	31,200
Signage	2-5	11,500
Handrailing	0-10	7,960
Retaining Wall	2-15	18,325
Water Lines	2-7	69,100
Stormwater Management	17	1,300
Roofing, shingles	0-19	546,125
Gutter and Downspout	0-17	143,000
Building Caulking	0	11,000
Siding and Trim	3-14	391,125
Brick Repointing	3-43	382,500
Balcony, railing	3-14	71,500
Entry Doors	0-34	66,000
Rear Exit Doors	2-5	17,600
Common Doors and Windows	6-14	104,580
Exterior Building Lighting	5-10	5,440
Carpet	3	31,200
Vinyl Tile Floor Covering	13	15,170
Rubber Stair Treads	13	5,760
Common Interior Doors	13	20,800

CROSS FOX CONDOMINIUM, INC.  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
OCTOBER 31, 2013  
(UNAUDITED)  
(CONTINUED)

<u>Component</u>	<u>2008 Estimated Remaining Useful Life (Years)</u>	<u>2008 Estimated Replacement Cost</u>
Mailboxes	13	30,720
Common Interior Lighting (Allowance)	3	1,425
Fire Alarm System	3-20	105,000
Gas Lines	20	23,000
Hot Water Heaters	2-11	19,200
Wall Heaters (Allowance)	2	1,200
Tot Lot	2-17	19,360
Benches	2	2,000
Picnic Tables	2	15,300
Trash Can Containers 2		



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***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.*

December 19, 2013

Board of Directors  
Cross Fox Condominium, Inc.

Dear Board Members:

We have audited the financial statements of Cross Fox Condominium, Inc. for the year ended October 31, 2013. During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. As a result, we make the following comments and recommendations.

Financial Analysis

As of October 31, 2013, the Association had a surplus of \$114,784 in unappropriated members' equity (excess operating funds). This represents approximately 17% of annual assessments, which is good. We recommend associations maintain excess operating funds at a level of 10% to 20% of annual assessments. This procedure should ensure that potential operating deficits will not consume funds for replacement reserves.

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. As of October 31, 2013, the Association's assessments receivable balance of \$138,486 (before deducting the allowance for doubtful assessments of \$125,387) was equal to 20% of annual assessments. An assessments receivable balance of 3% or more of annual assessments suggests the Association may have future cash flow problems. We recommend the Association continue to aggressively pursue all delinquent accounts.

The designated replacement reserves of \$887,844 were funded by cash and interest bearing deposits as of October 31, 2013.

## 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.

## Federal Deposit Insurance Corporation (FDIC)

On July 21, 2010, the FDIC insurance limit of \$250,000 per financial institution was extended permanently. Also, effective December 31, 2010 and through December 31, 2012, all non-interest bearing transaction accounts (checking accounts) had unlimited FDIC insurance. This unlimited FDIC insurance expired on December 31, 2012. We recommend the Association monitor its accounts and immediately transfer funds in excess of the FDIC limit to other institutions or Treasury instruments so all Association funds will be insured. The Association should also periodically check the ratings for all financial institutions used by the Association.

## Income Taxes

For fiscal year 2013, we recommend the Association file using the corporate method.

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.*

GOLDKLANG GROUP CPAs, P.C.



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***Communication with Those Charged with Governance under SAS No. 114***

*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.*

December 19, 2013

Board of Directors  
Cross Fox Condominium, Inc.

Dear Board Members:

We have audited the financial statements of Cross Fox Condominium, Inc. as of October 31, 2013 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. 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

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

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 CIRA and its environment, including 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.

### Significant Audit Findings

#### *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 the allowance for doubtful assessments.

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.

#### *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 trivial, and communicate them to the appropriate level of management. The adjusting journal entries have been provided to the Association. The journal entries are material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is 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.

### *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.*

GOLDKLANG GROUP CPAs, P.C.



**Principals**

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Donald E. Harris, CPA  
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***Communication of Significant Deficiencies and/or Material Weaknesses under SAS No. 115***

*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.*

December 19, 2013

Board of Directors  
Cross Fox Condominium, Inc.

Dear Board Members:

In planning and performing our audit of the financial statements of Cross Fox Condominium, Inc. as of October 31, 2013 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses or other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in internal control to be a material weakness:

Modified Cash Basis of Accounting Used

The Association's accounting records are maintained on a modified cash basis of accounting throughout the year. We have proposed several material adjustments to present the financial statements on the accrual basis of accounting. The absence of controls over preparing the financial statements on the accrual basis of accounting, which is in accordance with U.S. GAAP, is considered a material weakness because there is a reasonable possibility that a material misstatement of the financial statements could occur and not be prevented, or detected and corrected, by the Association's internal control.

Very truly yours,

*Goldklang Group CPAs, P.C.*

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