



Principals

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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, 2016 and 2015, 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, 2016 and 2015, 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, 2016, the Association had an assessments receivable balance of \$133,315 (before deducting the allowance for doubtful assessments of \$126,699). 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.

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
June 14, 2017

CROSS FOX CONDOMINIUM, INC.

BALANCE SHEETS

OCTOBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 312,518	\$ 276,866
Interest-Bearing Deposits	675,000	675,000
Assessments Receivable - Net	6,616	6,952
Accrued Interest	1,400	1,390
Income Taxes Receivable	764	1,274
Accounts Receivable - Other	3,429	3,140
Prepaid Expenses	<u>767</u>	<u>703</u>
 Total Assets	 <u>\$ 1,000,494</u>	 <u>\$ 965,325</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts Payable	\$ 52,703	\$ 41,129
Prepaid Assessments	<u>16,339</u>	<u>16,741</u>
Total Liabilities	<u>\$ 69,042</u>	<u>\$ 57,870</u>
 Snow Reserve	 \$ 20,000	 \$ 20,000
Replacement Reserves	867,863	785,675
Unappropriated Members' Equity	<u>43,589</u>	<u>101,780</u>
Total Members' Equity	<u>\$ 931,452</u>	<u>\$ 907,455</u>
 Total Liabilities and Members' Equity	 <u>\$ 1,000,494</u>	 <u>\$ 965,325</u>

See Accompanying Notes to Financial Statements

CROSS FOX CONDOMINIUM, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED OCTOBER 31, 2016 AND 2015

	2016	2015
<u>INCOME:</u>		
Assessments	\$ 708,048	\$ 684,432
Interest	9,033	10,340
Gas	100,697	118,672
Laundry	8,450	7,173
Other	27,649	38,514
Total Income	\$ 853,877	\$ 859,131
 <u>EXPENSES:</u>		
Management	\$ 69,612	\$ 69,612
Insurance	56,181	43,489
Legal, Audit and Tax Preparation	19,288	21,357
Administrative	11,521	15,159
Cleaning Contract	44,286	44,211
Trash Removal and Exterminating	60,923	58,158
Landscaping and Grounds Maintenance	56,549	51,937
Snow Removal	28,063	18,843
Utilities	231,228	239,117
Plumbing and Electrical	23,414	16,838
Repairs and Maintenance	129,940	90,828
Recreation Equipment and Supplies	3,487	5,571
Bad Debt	26,814	30,601
Income Taxes	1,036	1,326
Total Expenses	\$ 762,342	\$ 707,047
Net Income before Contribution to Reserves	\$ 91,535	\$ 152,084
Contribution to Reserves	(149,726)	(150,000)
Net Income (Loss)	\$ (58,191)	\$ 2,084

See Accompanying Notes to Financial Statements

CROSS FOX CONDOMINIUM, INC.
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED OCTOBER 31, 2016 AND 2015

	<u>Snow Reserve</u>	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of October 31, 2014	\$ 57,000	\$ 854,417	\$ 99,696	\$ 1,011,113
Additions:				
Contribution to Reserves		150,000		150,000
Net Income			2,084	2,084
Deductions:				
Snow Removal	(37,000)			(37,000)
Concrete		(15,202)		(15,202)
Roof		(68,087)		(68,087)
Exterior Building Façade		(30,685)		(30,685)
Plumbing		(9,848)		(9,848)
Electrical		(6,901)		(6,901)
Carpet		(7,680)		(7,680)
Signs		(75,631)		(75,631)
Retaining Wall		(1,995)		(1,995)
Hot Water Heater		(2,713)		(2,713)
Balance as of October 31, 2015	\$ 20,000	\$ 785,675	\$ 101,780	\$ 907,455
Addition:				
Contribution to Reserves		149,726		149,726
Deductions:				
Roof		(38,278)		(38,278)
Plumbing		(9,891)		(9,891)
Carpet		(10,553)		(10,553)
Hot Water Heater		(8,816)		(8,816)
Net Loss			(58,191)	(58,191)
Balance as of October 31, 2016	<u>\$ 20,000</u>	<u>\$ 867,863</u>	<u>\$ 43,589</u>	<u>\$ 931,452</u>

See Accompanying Notes to Financial Statements

CROSS FOX CONDOMINIUM, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income (Loss)	\$ (58,191)	\$ 2,084
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Bad Debt Expense	26,814	30,601
Decrease (Increase) in:		
Assessments Receivable	(26,478)	(22,997)
Accrued Interest	(10)	333
Income Taxes Receivable	510	276
Accounts Receivable - Other	(289)	1,716
Prepaid Expenses	(64)	13
Increase (Decrease) in:		
Accounts Payable	11,574	9,200
Prepaid Assessments	(402)	(237)
Net Cash Flows from Operating Activities	<u>\$ (46,536)</u>	<u>\$ 20,989</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Replacement Reserves)	\$ 149,726	\$ 150,000
Disbursed for Replacement Reserves Expenditures	(67,538)	(218,742)
Disbursed for Snow Reserve Fund Expenditures	-	(37,000)
Received from Interest-Bearing Deposits	225,000	225,000
Disbursed for Interest-Bearing Deposits	(225,000)	(150,000)
Net Cash Flows from Investing Activities	<u>\$ 82,188</u>	<u>\$ (30,742)</u>
Net Change in Cash and Cash Equivalents	\$ 35,652	\$ (9,753)
Cash and Cash Equivalents at Beginning of Year	<u>276,866</u>	<u>286,619</u>
Cash and Cash Equivalents at End of Year	<u>\$ 312,518</u>	<u>\$ 276,866</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash Paid for Income Taxes	<u>\$ 1,800</u>	<u>\$ 2,600</u>

See Accompanying Notes to Financial Statements

CROSS FOX CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2016 AND 2015

NOTE 1 - NATURE OF OPERATIONS:

The Condominium is an association incorporated 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 assess late and interest charges and 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 of accounting 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.

CROSS FOX CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2016 AND 2015
(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 2014. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on this study.

The study recommends a contribution of \$149,726 for fiscal year 2016. For fiscal year 2016, the Association budgeted to contribute \$149,726 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, 2016 and 2015, the Association had designated \$867,863 and \$785,675, 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 2016 and 2015, 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, 2016 and 2015, 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, 2016 AND 2015
(CONTINUED)

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of October 31, 2016, 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	\$ 44,083	\$ -	\$ 44,083
Mutual of Omaha	Money Market	152,070		152,070
Mutual of Omaha	Money Fund	3,781		3,781
Mutual of Omaha	ICS Savings	112,584		112,584
Mutual of Omaha (Various Institutions)	Certificates of Deposit (9)		<u>675,000</u>	<u>675,000</u>
	Totals	<u>\$ 312,518</u>	<u>\$ 675,000</u>	<u>\$ 987,518</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, 2016 and 2015 was \$3,781 and \$1,688, respectively.

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 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>2016</u>	<u>2015</u>
Assessments Receivable	\$ 133,315	\$ 115,413
Less: Allowance for Doubtful Assessments	<u>(126,699)</u>	<u>(108,461)</u>
Assessments Receivable - Net	<u>\$ 6,616</u>	<u>\$ 6,952</u>

CROSS FOX CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2016 AND 2015
(CONTINUED)

NOTE 7 - SNOW RESERVE:

The Association established a snow reserve for unexpected and/or excessive snow removal. As of October 31, 2016 and 2015, the balance in the snow reserve was \$20,000. 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 June 14, 2017, the date the financial statements were available to be issued.

Subsequent to year end, the Association incurred replacement reserve expenditures of \$30,560.

CROSS FOX CONDOMINIUM, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
OCTOBER 31, 2016
(UNAUDITED)

The Association had a replacement reserve study conducted by Miller Dodson Associates, Inc. in 2014 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 that 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 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>2014 Estimated Remaining Useful Life (Years)</u>	<u>2014 Estimated Replacement Cost</u>
Asphalt Pavement	0-6	\$ 257,830
Concrete Header Curb	0-24	81,180
Concrete Sidewalk	0-51	243,200
Concrete Steps	6	1,500
Segmental Retaining Wall	4-39	17,720
Railing	5-10	5,400
Site Light	5	19,500
Entry Monument Sign	14	2,143
Cluster Mailbox	25	9,880
Stormwater Management	10	1,300
Roofing Shingles	0-18	546,977
Gutter & Downspout	0-18	118,800
Building Caulking	0	11,550
Window	4	23,760
Siding and Trim	0-11	424,650
Masonry	0-8	484,500
Privacy Fencing	0-8	78,000
Balcony, Metal Railing	5-11	91,000
Entry Doors	0-32	10,944
Rear Exit Doors	6	9,600
Common Utility Room Doors	2	16,000
Exterior Building Lighting	3	8,320
Flooring	5	47,950

CROSS FOX CONDOMINIUM, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
OCTOBER 31, 2016
(UNAUDITED)
(CONTINUED)

<u>Component</u>	<u>2014 Estimated Remaining Useful Life (Years)</u>	<u>2014 Estimated Replacement Cost</u>
Vinyl Stair Treads	10	5,760
Common Interior Doors	8	19,200
Mailboxes	25	30,720
Interior Lighting	15	27,840
Life Safety	5	48,000
Fire Supression Security System	14	80,000
Gas Lines	14	25,000
Water Heaters	4	129,600
Storage Room	5	14,400
Stairway Drywall	14	40,000