



Principals

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

1801 Robert Fulton Drive, Suite 200
Reston, VA 20191

Associate Principals

Matthew T. Stiefvater, CPA
Sheila M. Lewis, 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019, the Association had an assessments receivable balance of \$114,006 (before deducting the allowance for doubtful assessments of \$101,435). 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 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, 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.

Goldklang Group CPAs, P.C.

Reston, Virginia
February 4, 2020

CROSS FOX CONDOMINIUM, INC.
BALANCE SHEETS
OCTOBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 549,260	\$ 412,798
Interest-Bearing Deposits	600,000	600,000
Assessments Receivable - Net	12,571	10,735
Accrued Interest	1,648	1,426
Income Taxes Receivable	197	290
Accounts Receivable - Other	4,537	3,961
Prepaid Expenses	<u>734</u>	<u>715</u>
Total Assets	<u>\$ 1,168,947</u>	<u>\$ 1,029,925</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Accounts Payable	\$ 68,608	\$ 54,604
Income Taxes Payable	376	256
Prepaid Assessments	<u>18,817</u>	<u>16,239</u>
Total Liabilities	<u>\$ 87,801</u>	<u>\$ 71,099</u>
Snow Reserve	\$ 20,000	\$ 20,000
Replacement Reserves	1,116,395	1,007,366
Unappropriated Members' Equity (Deficit)	<u>(55,249)</u>	<u>(68,540)</u>
Total Members' Equity	<u>\$ 1,081,146</u>	<u>\$ 958,826</u>
Total Liabilities and Members' Equity	<u>\$ 1,168,947</u>	<u>\$ 1,029,925</u>

See Accompanying Notes to Financial Statements

CROSS FOX CONDOMINIUM, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>INCOME:</u>		
Assessments	\$ 821,328	\$ 779,424
Gas	104,498	105,834
Interest	14,266	11,821
Laundry	6,453	7,626
Bad Debt Recovery	6,583	-
Other	42,890	33,916
Total Income	<u>\$ 996,018</u>	<u>\$ 938,621</u>
<u>EXPENSES:</u>		
Management	\$ 73,800	\$ 72,012
Insurance	85,301	79,250
Legal, Audit and Tax Preparation	28,114	25,230
Administrative	12,907	12,419
Cleaning Contract	46,589	44,111
Trash Removal and Exterminating	57,626	55,910
Landscaping and Grounds Maintenance	58,673	66,467
Snow Removal	41,851	9,951
Utilities	219,625	238,193
Plumbing and Electrical	25,929	12,811
Repairs and Maintenance	174,487	147,013
Recreation Equipment and Supplies	5,420	7,683
Bad Debt	-	12,229
Income Taxes	2,679	1,966
Total Expenses	<u>\$ 833,001</u>	<u>\$ 785,245</u>
Net Income before Contribution to Reserves	\$ 163,017	\$ 153,376
Contribution to Reserves	<u>(149,726)</u>	<u>(149,726)</u>
Net Income	<u>\$ 13,291</u>	<u>\$ 3,650</u>

See Accompanying Notes to Financial Statements

CROSS FOX CONDOMINIUM, INC.
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018

	<u>Snow Reserve</u>	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity (Deficit)</u>	<u>Total Members' Equity</u>
Balance as of October 31, 2017	\$ 20,000	\$ 939,359	\$ (72,190)	\$ 887,169
Additions:				
Contribution to Reserves		149,726		149,726
Net Income			3,650	3,650
Deductions:				
Asphalt		(675)		(675)
Concrete		(51,540)		(51,540)
Roof		(4,367)		(4,367)
Plumbing		(10,175)		(10,175)
Electrical System		(2,014)		(2,014)
Doors		(3,580)		(3,580)
Hot Water Heater		(9,368)		(9,368)
Balance as of October 31, 2018	\$ 20,000	\$ 1,007,366	\$ (68,540)	\$ 958,826
Additions:				
Contribution to Reserves		149,726		149,726
Net Income			13,291	13,291
Deductions:				
Concrete		(2,900)		(2,900)
Roof		(7,932)		(7,932)
Exterior Building		(3,453)		(3,453)
Electrical System		(2,589)		(2,589)
Carpet		(1,458)		(1,458)
Water Meter		(2,547)		(2,547)
Hot Water Heater		(19,818)		(19,818)
Balance as of October 31, 2019	<u>\$ 20,000</u>	<u>\$ 1,116,395</u>	<u>\$ (55,249)</u>	<u>\$ 1,081,146</u>

See Accompanying Notes to Financial Statements

CROSS FOX CONDOMINIUM, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income	\$ 13,291	\$ 3,650
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Bad Debt Expense (Recovery)	(6,583)	12,229
Decrease (Increase) in:		
Assessments Receivable	4,747	(14,135)
Accrued Interest	(222)	71
Income Taxes Receivable	93	293
Accounts Receivable - Other	(576)	(553)
Prepaid Expenses	(19)	7
Increase (Decrease) in:		
Accounts Payable	14,004	(1,921)
Income Taxes Payable	120	256
Prepaid Assessments	2,578	5,466
Net Cash Flows from Operating Activities	<u>\$ 27,433</u>	<u>\$ 5,363</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Replacement Reserves)	\$ 149,726	\$ 149,726
Disbursed for Replacement Reserves Expenditures	(40,697)	(81,719)
Received from Interest-Bearing Deposits	75,000	150,000
Disbursed for Interest-Bearing Deposits	(75,000)	(75,000)
Net Cash Flows from Investing Activities	<u>\$ 109,029</u>	<u>\$ 143,007</u>
Net Change in Cash and Cash Equivalents	\$ 136,462	\$ 148,370
Cash and Cash Equivalents at Beginning of Year	<u>412,798</u>	<u>264,428</u>
Cash and Cash Equivalents at End of Year	<u>\$ 549,260</u>	<u>\$ 412,798</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash Paid for Income Taxes	<u>\$ 2,500</u>	<u>\$ 2,000</u>

See Accompanying Notes to Financial Statements

CROSS FOX CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018

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 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, 2019 AND 2018
(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 2019. For fiscal year 2019, 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, 2019 and 2018, the Association had designated \$1,116,395 and \$1,007,366, respectively, for replacement reserves. These designated reserves were not fully funded due to the deficit in unappropriated members' equity.

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 2019 and 2018, 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. 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, 2019 AND 2018
(CONTINUED)

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of October 31, 2019, the Association maintained its funds in the following manner:

<u>Institution</u>	<u>Cash and Cash Equivalents</u>	<u>Interest- Bearing Deposits</u>
Mutual Of Omaha	\$ 174,242	\$ -
Mutual Of Omaha (Various Institutions)	<u>375,018</u>	<u>600,000</u>
Totals	<u>\$ 549,260</u>	<u>\$ 600,000</u>

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>2019</u>	<u>2018</u>
Assessments Receivable	\$114,006	\$163,981
Less: Allowance for Doubtful Assessments	<u>(101,435)</u>	<u>(153,246)</u>
Assessments Receivable - Net	<u>\$ 12,571</u>	<u>\$ 10,735</u>

NOTE 7 - SNOW RESERVE:

The Association established a snow reserve for unexpected and/or excessive snow removal. As of October 31, 2019 and 2018, the balance in the snow reserve was \$20,000.

CROSS FOX CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019 AND 2018
(CONTINUED)

NOTE 8 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 4, 2020, the date the financial statements were available to be issued.

CROSS FOX CONDOMINIUM, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
OCTOBER 31, 2019
(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, 2019
(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