

**Audited Financials**  
**Treover, A Condominium**

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FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
TREOVER, A CONDOMINIUM, INC.  
Years ended December 31, 2018 and 2017

## TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
BALANCE SHEETS	5
STATEMENTS OF REVENUES AND EXPENSES	6
STATEMENTS OF CHANGES IN MEMBERS' EQUITY	7
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	10
SUPPLEMENTARY INFORMATION	
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS	16

# **Strauss & Associates, P.A.**

*Certified Public Accountants*

9 Park Center Court, Suite 210 • Owings Mills, Maryland 21117  
(410) 363-1011 • Fax (410) 363-6919

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Treover, A Condominium, Inc.

We have audited the accompanying financial statements of Treover, A Condominium, Inc., which comprise the balance sheets as of December 31, 2018 and 2017 and the related statements of revenues and expenses, changes in 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 audit. We conducted our audit 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 Treover, A Condominium, Inc. as of December 31, 2018 and 2017 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 16 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.

*Stumm + Associates P.A.*

October 14, 2019  
Owings Mills, Maryland

TREOVER, A CONDOMINIUM, INC.

BALANCE SHEETS

December 31, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash - operating	\$ 539,020	\$ 441,191
Cash - replacement reserves	252,303	169,040
Certificates of deposit - replacement reserves	400,000	400,000
Investments	500,000	500,000
Unamortized premiums on certificates of deposit	3,111	4,845
Unamortized premiums on investments	11,154	12,431
Assessments receivable (net of allowance for doubtful accounts of \$246,674 and \$115,371, respectively)	30,838	138,932
Prepaid expenses	96,969	117,295
Income taxes recoverable	<u>2,083</u>	<u>3,080</u>
Total current assets	<u>\$ 1,835,478</u>	<u>\$ 1,786,814</u>

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	\$ 64,289	\$ 66,736
Assessments received in advance	<u>62,709</u>	<u>39,150</u>
Total current liabilities	126,998	105,886
MEMBERS' EQUITY		
Operating	541,911	594,612
Replacement reserves	<u>1,166,569</u>	<u>1,086,316</u>
Total members' equity	<u>1,708,480</u>	<u>1,680,928</u>
Total liabilities and members' equity	<u>\$ 1,835,478</u>	<u>\$ 1,786,814</u>

See accompanying notes to financial statements.

TREOVER, A CONDOMINIUM, INC.

STATEMENTS OF REVENUES AND EXPENSES

Years ended December 31, 2018 and 2017

	2018	2017
REVENUES		
Assessments - operating	\$ 1,286,602	\$ 1,277,069
Assessments - replacement reserve	205,096	214,860
Late fee income	8,283	10,920
Laundry income	31,828	29,807
Bad debt recovery	-	2,801
Dividend income	-	4,319
Interest income	30,572	9,571
Other income	93,526	65,408
	<u>1,655,907</u>	<u>1,614,755</u>
EXPENSES		
Administrative	22,253	24,868
Bad debt	133,543	-
Capital improvements	155,269	614,604
Electricity and gas	229,305	211,883
Exterminating	9,533	10,839
Fire alarm	7,670	10,856
Grounds	125,085	110,802
Income taxes	817	-
Insurance	100,525	100,494
Janitorial	96,720	97,006
Management fees	110,100	100,796
Payroll	91,677	83,607
Professional fees	42,672	9,777
Realized losses on sales of investments	-	23,538
Repairs and maintenance	279,596	367,776
Reserve study	1,030	1,000
Security	37,203	27,522
Snow removal	27,048	33,323
Telephone	5,416	3,373
Trash removal	9,475	8,496
Water and sewer	143,418	189,198
	<u>1,628,355</u>	<u>2,029,758</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 27,552</u>	<u>\$ (415,003)</u>

See accompanying notes to financial statements.

TREOVER, A CONDOMINIUM, INC.

STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years ended December 31, 2018 and 2017

	<u>Operating</u>	<u>Replacement Reserves</u>	<u>Total</u>
MEMBERS' EQUITY			
- January 1, 2017	\$ 594,998	\$ 1,475,371	\$ 2,070,369
Excess of expenses over revenues	(415,003)	-	(415,003)
Allocated to replacement reserves			
Assessments	(214,860)	214,860	-
Dividend income	(4,319)	4,319	-
Interest income	(8,763)	8,763	-
Administrative	3,417	(3,417)	-
Capital improvements	614,604	(614,604)	-
Realized losses on sales of investments	23,538	(23,538)	-
Reserve study	1,000	(1,000)	-
NET CHANGE IN UNREALIZED GAINS ON INVESTMENTS	<u>-</u>	<u>25,562</u>	<u>25,562</u>
MEMBERS' EQUITY			
- December 31, 2017	594,612	1,086,316	1,680,928
Excess of revenues over expenses	27,552	-	27,552
Allocated to replacement reserves			
Assessments	(205,096)	205,096	-
Interest income	(30,426)	30,426	-
Capital improvements	<u>155,269</u>	<u>(155,269)</u>	<u>-</u>
MEMBERS' EQUITY			
- December 31, 2018	<u>\$ 541,911</u>	<u>\$ 1,166,569</u>	<u>\$ 1,708,480</u>

See accompanying notes to financial statements.



TREOVER, A CONDOMINIUM, INC.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ 27,552	\$ (415,003)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:		
Realized losses on sales of investments	-	23,538
(Increase) decrease in:		
Unamortized premiums on certificates of deposit	1,734	(4,845)
Unamortized premiums on investments	1,277	(12,431)
Assessments receivable	108,094	(6,924)
Other receivable	-	20,102
Prepaid expenses	20,326	15,656
Income taxes recoverable	997	(1,826)
Increase (decrease) in:		
Accounts payable	(2,447)	11,927
Assessments received in advance	<u>23,559</u>	<u>(1,116)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>181,092</u>	<u>(370,922)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(883,818)
Proceeds from sales of investments	-	742,847
Reinvested investment income	<u>-</u>	<u>(2,756)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>-</u>	<u>(143,727)</u>

(CONTINUED)

See accompanying notes to financial statements.

TREOVER, A CONDOMINIUM, INC.  
STATEMENTS OF CASH FLOWS - CONTINUED

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
NET INCREASE (DECREASE) IN CASH	181,092	(514,649)
CASH AT BEGINNING OF YEAR	<u>1,010,231</u>	<u>1,524,880</u>
CASH AT END OF YEAR	<u>\$ 1,191,323</u>	<u>\$ 1,010,231</u>
<u>SUMMARY OF CASH ACCOUNTS</u>		
Operating	\$ 539,020	\$ 441,191
Replacement reserves	<u>652,303</u>	<u>569,040</u>
Total cash	<u>\$ 1,191,323</u>	<u>\$ 1,010,231</u>

SUPPLEMENTAL DISCLOSURE

Income taxes paid	\$ -	\$ -
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See accompanying notes to financial statements.

TREOVER, A CONDOMINIUM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE A - ORGANIZATION, PURPOSE, AND MANAGEMENT

Treover, A Condominium, Inc., a non-stock corporation incorporated in the State of Maryland in February 2000, exists for the private benefit of its members having as its purpose the general upkeep and maintenance of the common elements of the development and any other common expenses of the unit owners. The Association, located in Columbia, Maryland, is comprised of 438 residential condominium units.

The Association has engaged Summit Management Services, Inc. and Quality 1 Property Management, LLC as its agents to collect maintenance fees for the unit owners, to administer the policies of the Board of Directors and to assist in the management of the Association's affairs.

NOTE B - DATE OF MANAGEMENT'S REVIEW

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 14, 2019, the date the financial statements were available to be issued.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant policies consistently applied in the preparation of the accompanying statements follows:

1. 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.

2. Income taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the years ended December 31, 2018 and 2017, the Association elected to be taxed as a homeowners' association. Under that election, the Association is taxed on its nonexempt function income, such as interest earned, at 30% by the federal government and 8.25% by the State of Maryland. Exempt function income, which consists primarily of member assessments, is not taxable.

TREOVER, A CONDOMINIUM, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Income taxes - continued

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the years ended December 31, 2018 and 2017, the Association incurred no penalties and interest related to income taxes. Tax returns are subject to examination by the Internal Revenue Service and State of Maryland for three years after they are filed.

3. Common property

Real property and common areas acquired from the developer 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.

4. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

5. Member assessments

Association members are subject to monthly 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 to help in the collection of unit owners whose assessments are delinquent. An allowance for doubtful accounts has been set up as an estimate for those accounts which may not be collectible.

6. Investments

The Association invests in municipal bonds. These investments are carried at cost. Premiums and discounts related to the purchase of the investments are being amortized on a straight-line basis over the life of the bonds.

7. Reclassification

Certain amounts may have been reclassified in the accompanying 2017 financial statements to conform to the 2018 presentation.

TREOVER, A CONDOMINIUM, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

NOTE D - CASH AND INVESTMENTS

As of December 31, 2018 and 2017, the Association maintained its cash in the following manner:

<u>Institution</u>	<u>Type of account</u>	<u>2018</u>	<u>2017</u>
Alliance Association Bank (2)	Checking	\$ 64,610	\$ -
Alliance Association Bank	Checking	-	5,214
Community Association Banc	Checking	-	24,626
Bank of China	Money Market	1	1
Citibank	Money Market	14	14
Community Association Banc	Money Market	-	35,960
Congressional Bank	Money Market	163,549	217,311
Edward Jones	Money Market	752	752
Fifth Third Bank	Money Market	246,694	246,608
First Tennessee Bank NA	Money Market	69,010	-
Florida Community Bank	Money Market	246,693	79,745
American Express Bank (2)	Certificate of Deposit	200,000	200,000

(CONTINUED)

TREOVER, A CONDOMINIUM, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

NOTE D - CASH AND INVESTMENTS - CONTINUED

<u>Institution</u>	<u>Type of account</u>	<u>2018</u>	<u>2017</u>
Discover Bank	Certificate of Deposit	50,000	50,000
Goldman Sachs Bank (2)	Certificate of Deposit	<u>150,000</u>	<u>150,000</u>
		<u>\$ 1,193,341</u>	<u>\$ 1,012,248</u>

As of December 31, 2018 and 2017, the Association maintained its investments in the following manner:

<u>Institution</u>	<u>Type of account</u>	<u>2018</u>	<u>2017</u>
Maryland State Health and Higher Education (3)	Municipal Bonds	\$ 400,000	\$ 400,000
Howard County, Maryland	Municipal Bonds	<u>100,000</u>	<u>100,000</u>
		<u>\$ 500,000</u>	<u>\$ 500,000</u>

Premiums and discounts related to the purchase of the CD's are being amortized on a straight-line basis over the life of the CD.

NOTE E - FUTURE MAJOR REPAIRS AND REPLACEMENTS

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

TREOVER, A CONDOMINIUM, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2018 and 2017

NOTE E - FUTURE MAJOR REPAIRS AND REPLACEMENTS - CONTINUED

The Association levied assessments of \$205,096 and \$214,860 during the years ended December 31, 2018 and 2017, respectively, for estimated future major repairs and replacements.

An outside consulting firm conducted a study in December 2017 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from licensed contractors who inspected the property. The table included in the unaudited supplementary information of future major repairs and replacements is based on the study.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

## SUPPLEMENTARY INFORMATION



TREOVER, A CONDOMINIUM, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND  
REPLACEMENTS

December 31, 2018

(Unaudited)

An outside consulting firm conducted a study in December 2017 to estimate the remaining useful life and 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 future inflation rate of 3.0% is used for estimating future replacement costs.

The following table is based on the study and presents significant information about the components of common property.

<u>COMPONENTS</u>	<u>ESTIMATED REMAINING USEFUL LIFE</u>	<u>ESTIMATED FUTURE REPLACEMENT COST</u>
Architectural	2-24	\$ 1,755,248
Electrical	5-22	395,550
Mechanical	2-12	792,350
Site	2-25	885,917
Miscellaneous	2	<u>10,000</u>
TOTAL		<u>\$ 3,839,065</u>