

**VILLAGE OF FOUNTAINVIEW
CONDOMINIUM ASSOCIATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**Year Ended
December 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Village of Fountainview Condominium Association

Opinion

We have audited the accompanying financial statements of Village of Fountainview Condominium Association, which comprise the balance sheet as of December 31, 2023, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Village of Fountainview Condominium Association as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Village of Fountainview Condominium Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Village of Fountainview Condominium Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Village of Fountainview Condominium Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Village of Fountainview Condominium Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented on page 14 is for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 10 and 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquires, 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.

A handwritten signature in black ink, appearing to be 'M. J. S.', is written over the text of the disclaimer.

Bel Air, Maryland
September 5, 2024

VILLAGE OF FOUNTAINVIEW CONDOMINIUM ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2023

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS			
Cash-including interest bearing accounts	\$ 1,824,668	\$ 460,352	\$ 2,285,020
Investments	-	800,000	800,000
Assessments receivable	8,569	-	8,569
Insurance claim receivable	2,874,542	-	2,874,542
Prepaid expenses	1,320	-	1,320
Prepaid insurance	405,772	-	405,772
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 5,114,871</u>	<u>\$ 1,260,352</u>	<u>\$ 6,375,223</u>
 LIABILITIES AND FUND BALANCES			
Accounts payable and accrued expenses	\$ 21,921	\$ -	\$ 21,921
Income taxes payable	13,812	-	13,812
Insurance claim payable	4,764,041	-	4,764,041
Assessments received in advance	68,508	-	68,508
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	4,868,282	-	4,868,282
 Fund Balances	<u>246,589</u>	<u>1,260,352</u>	<u>1,506,941</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,114,871</u>	<u>\$ 1,260,352</u>	<u>\$ 6,375,223</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF FOUNTAINVIEW CONDOMINIUM ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2023

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
REVENUES			
Assessments	\$ 579,783	\$ -	\$ 579,783
Utility assessments	90,681	-	90,681
Capital contributions	8,056	-	8,056
Insurance claim proceeds	8,125,400	-	8,125,400
Other income	13,212	-	13,212
Settlement proceeds	326,749	-	326,749
Interest income	<u>29,456</u>	<u>45,881</u>	<u>75,337</u>
TOTAL REVENUES	<u>9,173,337</u>	<u>45,881</u>	<u>9,219,218</u>
EXPENSES			
Operating	8,831,811	-	8,831,811
Capital expenditures	<u>-</u>	<u>210,515</u>	<u>210,515</u>
TOTAL EXPENSES	<u>8,831,811</u>	<u>210,515</u>	<u>9,042,326</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	341,526	(164,634)	176,892
BEGINNING FUND BALANCES	49,665	1,280,384	1,330,049
Replacement fund contributions	<u>(144,602)</u>	<u>144,602</u>	<u>-</u>
ENDING FUND BALANCES	<u><u>\$ 246,589</u></u>	<u><u>\$ 1,260,352</u></u>	<u><u>\$ 1,506,941</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF FOUNTAINVIEW CONDOMINIUM ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over (under) expenses	\$ 341,526	\$ (164,634)	\$ 176,892
Adjustments to reconcile excess (deficiency) of revenues over (under) expenses to net cash provided (utilized) by operating activities			
(Increase) decrease in:			
Assessments receivable (net)	19,859	-	19,859
Insurance claim receivable	(2,874,542)	-	(2,874,542)
Prepaid expenses	(1,023)	-	(1,023)
Prepaid insurance	(391,459)	-	(391,459)
Increase (decrease) in:			
Accounts payable	(25,646)	-	(25,646)
Income taxes payable	13,425	-	13,425
Insurance claim payable	4,764,041	-	4,764,041
Assessments received in advance	47,560	-	47,560
NET CASH PROVIDED (UTILIZED) BY OPERATING ACTIVITIES	<u>1,893,741</u>	<u>(164,634)</u>	<u>1,729,107</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of certificates of deposit	-	400,000	400,000
NET CASH PROVIDED (UTILIZED) BY INVESTING ACTIVITIES	<u>-</u>	<u>400,000</u>	<u>400,000</u>
NET INCREASE (DECREASE) IN CASH	1,893,741	235,366	2,129,107
CASH AT BEGINNING OF YEAR	75,529	80,384	155,913
Replacement fund contributions	<u>(144,602)</u>	<u>144,602</u>	<u>-</u>
CASH AT END OF YEAR	<u>\$ 1,824,668</u>	<u>\$ 460,352</u>	<u>\$ 2,285,020</u>
Supplemental Disclosures			
Cash paid during the year for:			
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ 13,812</u>	<u>\$ -</u>	<u>\$ 13,812</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF FOUNTAINVIEW CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

NATURE OF ORGANIZATION

Village of Fountainview Condominium Association was organized in the State of Delaware. The Association is responsible for the operation and maintenance of the common property within the development. The development is located in Newark, Delaware and consists of 217 residential units. The property manager for the year ended December 31, 2023 was First Service Residential.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized when assessments are due. Any amounts received in advance of the due date are deferred until due. Any excess assessments at year end are retained by the Association for use in the succeeding year.

The Financial Accounting Standards Board issued Accounting Standards Code 606 requiring the deferral of the recognition of income until the services are rendered. The Association has determined ASC 606 does not apply to the Association as no customer relationship exists as it is defined by the Code. The Association does not defer the recognition of any portion of revenue as a Contract Liability.

**VILLAGE OF FOUNTAINVIEW CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Contributions

An Association member is subject to a one-time assessment, which is paid at closing of a condominium unit to provide funding for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Capital contributions collected for the year ended December 31, 2023 were \$8,056 and are reflected as operating income because funds were not segregated for future use.

Interest Income

Interest income is allocated to the operating and replacement fund in proportion to the interest-bearing deposits of each fund.

Use of Estimates

The preparation of the 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 contingencies 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.

Cash Equivalents

For purposes of reporting cash flow, cash and cash equivalents include money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less.

Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2023, the Association elected to be taxed as a regular corporation. Income tax expense for year ended December 31, 2023 was \$13,812.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the year ended December 31, 2023, the Association incurred no penalties and interest related to income taxes. Management has determined that the Association does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Tax returns are subject to examination by the Internal Revenue Service for three years after they are filed.

**VILLAGE OF FOUNTAINVIEW CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Assets

Real and personal common property acquired by the original owners from the developer is not recognized on the Association's financial statements because it is commonly owned by individual owners and its disposition by the Association is restricted.

Replacements and improvements to common property are not recognized as assets (but are expensed) because their disposition is restricted.

CASH

The Association's cash at December 31, 2023 consists of the following:

Designated by homeowners for future repairs and replacements:

Merrill Lynch – money market	\$ 412,764
WSFS Bank – money market	<u>47,588</u>
Sub-Total	<u>460,352</u>

Undesignated:

Metropolitan Commercial Bank – checking	1,501,406
Alliance Association Bank - checking	<u>323,262</u>
Sub-Total	<u>1,824,668</u>
Total Cash	<u>\$ 2,285,020</u>

The Association may maintain cash balances that exceed federally insured limits during the year. The Association does not believe that this results in any significant credit risk.

VILLAGE OF FOUNTAINVIEW CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

INVESTMENTS

The Association's investments are certificates of deposit with maturities over three months and are designated by the Association for future major repairs and replacements. The Association's investments at December 31, 2023 consist of the following:

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u>
Merrill Lynch	Various	Various	<u>\$ 800,000</u>
Total investments			<u>\$ 800,000</u>

ASSESSMENTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Assessments receivables represent the amounts owed to the Association by various homeowners and as of December 31, 2023, the amount owed is \$8,569. It was not necessary to establish an allowance for doubtful accounts as the Board has determined that all accounts are 100% collectible.

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

At December 31, 2023, the Association reflected an accounts payable balance of \$21,921. As of report date September 5, 2024, the accounts payable and accrued expenses balance as of December 31, 2023 has been fully paid.

ASSESSMENTS RECEIVED IN ADVANCE

As of December 31, 2023, assessments received in advance were \$68,508. This amount represents future homeowner assessments paid prior to December 31, 2023.

FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which include \$460,352 of cash equivalents and \$800,000 of investments, aggregating to \$1,260,352 at December 31, 2023, are held in separate accounts and are generally not available for operating purposes. Expenditures from the replacement fund for the year ended December 31, 2023 were \$210,515, which represents façade replacement and improvements. Contributions and transfers to the replacement fund were \$144,602 for the year ended December 31, 2023.

VILLAGE OF FOUNTAINVIEW CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

The Association's Board of Directors engaged an independent engineering firm to conduct a study in July 2020 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 end of their useful lives.

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

<u>Components</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Replacement Cost (Present Dollars)</u>
Site amenities	1 to 50	\$ 1,998,948
Building exteriors	1 to 50	3,563,001
Building interiors	1 to 20	394,466
Mechanical systems	1 to 25	502,577
Electrical systems	1 to 40	282,953
Plumbing systems	1 to 15	18,278
Fire protection	1 to 20	<u>46,777</u>
Total		<u>\$ 6,807,000</u>

Per the independent study, the study's recommended replacement reserve balance as of December 31, 2023 is \$3,780,000. The Association's replacement reserve balance as of December 31, 2023 was \$1,260,352, which is \$2,519,648 below the recommended levels.

For the year ended December 31, 2023, the reserve study recommended a replacement contribution of \$138,000. For the year ending December 31, 2024, the reserve study recommends a replacement contribution of \$141,000.

**VILLAGE OF FOUNTAINVIEW CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

OTHER INCOME

For the year ended December 31, 2023, the financial statements reflected \$13,212 as other income. The other income account represents legal fee collection cost re-billed to the homeowners, late interest allocated to past due homeowners, nonsufficient fund charges and miscellaneous expense reimbursements billed to various homeowners.

SETTLEMENT PROCEEDS

During 2023, the Association was awarded and received \$326,749 from the developer, which is reflected as settlement proceeds income in the current financial statements. The proceeds received were from a dispute over responsibility of certain construction and renovation deficiencies. As of December 31, 2023, the legal action against the developer has finalized.

INSURANCE CLAIM PROCEEDS AND EXPENSES

During the year ended December 31, 2023, the Association incurred a building damage incident. The estimated total cost to repair the building is \$8,125,400 and the estimated insurance coverage for all the damages is \$8,125,400, which is reflected as insurance claim proceeds and insurance claim expenses in the current financial statements, respectively. During the year ended December 31, 2023, the Association has received \$5,250,858 of the total insurance claim proceeds. The remaining \$2,874,542 of expected proceeds is reflected as insurance claim receivable at December 31, 2023. During the year ended December 31, 2023, the Association has paid out to various vendors \$3,361,359 of the total insurance claim expenses. The remaining \$4,764,041 of expected claim disbursements is reflected as insurance claim payable at December 31, 2023. As of report date, the claim remains open with anticipated proceeds and disbursements to be received and paid out.

CONTINGENCY LITIGATION

The Association, in conjunction with their legal-council, is involved in two current litigation matters against two unrelated homeowners of the Association. The first matter involves the Association taking a position that a current homeowner who owns 37 rental units within the community has violated the current by-laws of the Association. The second matter involves the Association forcing a "hoarding" homeowner to clean up their personal unit, which the Association's position is that it is a health and environment issue within the building. As of report date, the ultimate outcome of these negotiations and cases is unknown at this time.

**VILLAGE OF FOUNTAINVIEW CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023**

SUBSEQUENT EVENTS

Subsequent events were evaluated through September 5, 2024, which is the date the financial statements were available to be issued. As of September 5, 2024, no subsequent events were reported.

SUPPLEMENTARY INFORMATION

VILLAGE OF FOUNTAINVIEW CONDOMINIUM ASSOCIATION
SCHEDULE OF OPERATING AND REPLACEMENT FUND REVENUES AND EXPENSES-BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023

	(compiled) Budget	Actual	(compiled) Variance
Revenues:			
Assessments	\$ 590,747	\$ 579,783	\$ (10,964)
Utility assessments	-	90,681	90,681
Capital contributions	-	8,056	8,056
Insurance claim proceeds	-	8,125,400	8,125,400
Other income	-	13,212	13,212
Settlement proceeds	-	326,749	326,749
Interest income	-	29,456	29,456
	<u>590,747</u>	<u>9,173,337</u>	<u>8,582,590</u>
Total revenues			
Expenses:			
Accounting fees	4,000	12,331	(8,331)
Administrative	6,000	10,087	(4,087)
Cleaning and janitorial	36,110	32,192	3,918
Grounds and lawn maintenance	64,835	46,480	18,355
Income tax expense	-	13,812	(13,812)
Insurance	63,000	137,511	(74,511)
Insurance claim expense	-	8,135,400	(8,135,400)
Legal fees and litigation costs	25,000	94,427	(69,427)
Management fees	61,800	59,687	2,113
Professional fees	4,000	8,669	(4,669)
Recreation expenses	14,200	14,665	(465)
Repairs and maintenance	94,202	133,934	(39,732)
Utilities	73,600	132,616	(59,016)
	<u>446,747</u>	<u>8,831,811</u>	<u>(8,385,064)</u>
Total expenses			
Excess (deficiency) of operating fund revenues over (under) operating fund expenses	144,000	341,526	197,526
Replacement fund contributions	<u>144,000</u>	<u>144,602</u>	<u>(602)</u>
Excess (deficiency) of operating fund revenues over (under) operating fund expenses after replacement fund contributions	<u>\$ -</u>	<u>\$ 196,924</u>	<u>\$ 196,924</u>
Additional Disclosures:			
Replacement fund activity			
Interest income	<u>\$ -</u>	<u>\$ 45,881</u>	<u>\$ 45,881</u>
Capital expenditures	<u>\$ -</u>	<u>\$ 210,515</u>	<u>\$ 210,515</u>