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Independent Auditor's Report

To the Board of Directors of
Meadows at Morris Farm Community Association

Opinion

We have audited the accompanying financial statements of Meadows at Morris Farm Community Association, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, members' equity and cash flows for the years 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 Meadows at Morris Farm Community Association as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits 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 Meadows at Morris Farm Community 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 Meadows at Morris Farm Community Association’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 Meadows at Morris Farm Community 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 Meadows at Morris Farm Community 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.

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 page 15 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 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
May 21, 2024

MEADOWS AT MORRIS FARM COMMUNITY ASSOCIATION
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	$ 428,943	$ 589,767
Interest-Bearing Deposits	1,030,000	980,000
Assessments Receivable - Net	11,153	8,427
Income Taxes Receivable	385	1,407
Accrued Interest	9,991	4,981
Accounts Receivable - Other	-	45
Prepaid Expenses	6,960	7,615
Fixed Assets - Net	409	622
Total Assets	$ 1,487,841	$ 1,592,864
LIABILITIES AND MEMBERS' EQUITY		
Accounts Payable	$ 21,638	$ 47,777
Income Taxes Payable	313	-
Insurance Claim Payable	1,624	-
Prepaid Assessments	53,994	51,824
Total Liabilities	$ 77,569	$ 99,601
Replacement Reserves	$ 1,060,980	$ 1,171,150
Capital Improvements Reserve	116,156	116,156
Operating Reserve	60,000	60,000
Unappropriated Members' Equity	173,136	145,957
Total Members' Equity	$ 1,410,272	$ 1,493,263
Total Liabilities and Members' Equity	$ 1,487,841	$ 1,592,864

See Accompanying Notes to Financial Statements

MEADOWS AT MORRIS FARM COMMUNITY ASSOCIATION
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
INCOME:		
Residential Assessments	$ 835,849	$ 809,696
Credit Loss Recovery - Receivables	-	980
Interest	32,158	19,192
Legal Fees	8,565	5,246
Late Fees	10,250	7,650
Other	4,023	3,780
Total Income	$ 890,845	$ 846,544
EXPENSES:		
Management	$ 33,777	$ 32,794
Legal, Audit and Tax Preparation	30,106	33,205
Engineering	2,250	-
Insurance	14,517	12,794
Reimbursed Payroll and Related Costs	112,095	91,220
Activities	4,746	3,644
Administrative	18,616	20,055
Electricity	11,302	9,665
Water Service	22,700	13,933
Irrigation	5,590	5,029
Grounds Contract and Landscaping	153,460	152,605
Trash Removal	144,734	142,603
Snow Removal	-	31,312
Pet Station	11,530	10,493
General Repairs and Maintenance	17,897	23,071
Pond Maintenance	6,976	6,976
Pool	102,948	82,238
Credit Loss - Receivables	1,601	-
Depreciation	213	213
Income Taxes	6,928	3,592
Total Expenses	$ 701,986	$ 675,442

See Accompanying Notes to Financial Statements

MEADOWS AT MORRIS FARM COMMUNITY ASSOCIATION
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(CONTINUED)

	2023	2022
Net Income before Contribution to Reserves	$ 188,859	$ 171,102
Contribution to Reserves	(161,680)	(144,929)
Net Income	$ 27,179	$ 26,173

See Accompanying Notes to Financial Statements

MEADOWS AT MORRIS FARM COMMUNITY ASSOCIATION
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Replacement Reserves	Capital Improvements Reserve	Operating Reserve	Unappropriated Members' Equity	Total Members' Equity
Balance as of December 31, 2021	$ 1,195,599	$ 176,156	$ 60,000	$ 119,784	$ 1,551,539
Additions:					
Contribution to Reserves	144,929				144,929
Net Income				26,173	26,173
Inter-Equity Transfer	60,000	(60,000)			
Deductions:					
Pet Waste Station	(890)				(890)
Pool House	(178,689)				(178,689)
Signs	(529)				(529)
Pool	(300)				(300)
Landscape Enhancements	(27,473)				(27,473)
Asphalt/Concrete	(2,130)				(2,130)
Electrical	(577)				(577)
Exterior Repairs	(14,400)				(14,400)
Playground Equipment	(4,390)				(4,390)
Balance as of December 31, 2022	$ 1,171,150	$ 116,156	$ 60,000	$ 145,957	$ 1,493,263
Additions:					
Contribution to Reserves	161,680				161,680
Net Income				27,179	27,179
Deductions:					
HVAC	(9,600)				(9,600)
Pool House	(137,038)				(137,038)
Pool	(90,255)				(90,255)
Playground Equipment	(3,522)				(3,522)
Courtyards	(30,435)				(30,435)
Signs	(1,000)				(1,000)
Balance as of December 31, 2023	$ 1,060,980	$ 116,156	$ 60,000	$ 173,136	$ 1,410,272

See Accompanying Notes to Financial Statements

MEADOWS AT MORRIS FARM COMMUNITY ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 27,179	$ 26,173
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Credit Loss (Recovery) - Receivables	1,601	(980)
Depreciation	213	213
Decrease (Increase) in:		
Assessments Receivable	(4,327)	(750)
Income Taxes Receivable	1,022	2,836
Accrued Interest	(5,010)	(1,650)
Accounts Receivable - Other	45	(45)
Prepaid Expenses	655	(2,535)
Increase (Decrease) in:		
Accounts Payable	6,781	2,632
Income Taxes Payable	313	-
Insurance Claim Payable	1,624	-
Prepaid Assessments	2,170	(6,869)
Net Cash Flows from Operating Activities	$ 32,266	$ 19,025
CASH FLOWS FROM INVESTING ACTIVITIES:		
Received from Assessments (Reserves)	$ 129,600	$ 125,900
Received from Interest (Reserves)	32,080	19,029
Disbursed for Reserve Expenditures	(304,770)	(211,435)
Disbursed for Interest-Bearing Deposits	(50,000)	(130,000)
Net Cash Flows from Investing Activities	$ (193,090)	$ (196,506)
Net Change in Cash and Cash Equivalents	$ (160,824)	$ (177,481)
Cash and Cash Equivalents at Beginning of Year	589,767	767,248
Cash and Cash Equivalents at End of Year	$ 428,943	$ 589,767

See Accompanying Notes to Financial Statements

MEADOWS AT MORRIS FARM COMMUNITY ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(CONTINUED)

	2023	2022
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid for Income Taxes	$ 7,000	$ 5,000

NOTE 1 - NATURE OF OPERATIONS:

Meadows at Morris Farm Community Association is a non-stock corporation organized under the laws of the Commonwealth of Virginia for the purposes of preserving and maintaining the common property of the Association. The Association is located in Gainesville, Virginia and consists of 660 single family homes and townhomes. The Board of Directors administers the operations of the Association.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

A) Method of Accounting - The financial statements are presented on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

B) Member Assessments - Association members are subject to annual assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its assessments is satisfied over time on a daily pro-rata basis using the input method. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from members. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control.

C) Common Property - Common real property and common areas acquired from the declarant and related improvements to such property are not recorded in the Association's financial statements since the property cannot be disposed of at the discretion of the Board of Directors. Common property includes, but is not limited to, the land, recreational facilities and site improvements.

D) Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E) Depreciation - Fixed assets are carried at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Items capitalized are depreciated through the statement of income.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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 for normal operations.

The Association had a reserve study conducted by Reserve Advisors in 2021. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on this study.

The study recommends a contribution to reserves of $129,600, plus estimated interest earned of $12,259 for 2023. For 2023, the Association budgeted to contribute $129,600 in assessments and $32,080 in interest income to replacement 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 December 31, 2023 and 2022, the Association had designated $1,060,980 and $1,171,150, 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 community association or as an association taxable as a corporation. As an exempt community association, the Association's net assessment income would be exempt from income tax, but its interest 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 2023 and 2022, the income taxes were calculated using the corporate method.

NOTE 4 - INCOME TAXES: (CONTINUED)

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 Commonwealth of Virginia.

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of December 31, 2023, the Association maintained funds in the following manner:

Institution	Cash and Cash Equivalents	Interest-Bearing Deposits
First Citizens	$ 148,410	$ -
Forbright	155,994	
Morgan Stanley	124,539	
(Various Institutions)		1,030,000
Totals	$ 428,943	$ 1,030,000

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 treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include closely monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association's control.

On January 1, 2023, the Association adopted FASB Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which affects current U.S. GAAP primarily as it relates to the methodology for estimating allowances for credit losses and the presentation and disclosure requirements.

The main effect resulting from the adoption of the new standard is that previously reported allowance for doubtful assessments are now shown as allowance for credit losses. The adoption of the new guidance resulted in no changes to unappropriated members' equity as of January 1, 2023.

NOTE 6 - ASSESSMENTS RECEIVABLE - NET: (CONTINUED)

	2023	2022
Assessments Receivable	$ 20,550	$ 17,058
Less: Allowance for Credit Losses	(9,397)	(8,631)
Assessments Receivable - Net	$ 11,153	$ 8,427

	2023	2022
Allowance for Credit Losses:		
Beginning Balance	$ 8,631	$ 11,536
Write-offs	(835)	(1,925)
Recoveries		
Provision	1,601	(980)
Ending Balances	$ 9,397	$ 8,631

NOTE 7 - FIXED ASSETS - NET:

Equipment is being depreciated over an estimated useful life of five years using the straight-line method. The depreciation expense for 2023 and 2022 was $213 per year.

	2023	2022
Equipment	$ 1,066	$ 1,066
Less: Accumulated Depreciation	(657)	(444)
Fixed Assets - Net	$ 409	$ 622

NOTE 8 - REIMBURSED PAYROLL AND RELATED COSTS:

The Association's management agent utilizes a central management payroll system, whereby payroll returns were filed under the management agent’s name and federal identification number. In addition to the payment of management fees, the Association reimbursed management for wages, payroll taxes, workers’ compensation and health insurance for employees that performed work for the Association.

NOTE 9 - CAPITAL IMPROVEMENTS RESERVE:

The Association has elected to establish a capital improvements reserve for major capital projects. During 2022, the Association elected to transfer $60,000 from capital improvements reserve to replacement reserves. The Association elected not to contribute any funds during 2023 and 2022, respectively, to this reserve. The balance in the capital improvements reserve as of December 31, 2023 and 2022 was $116,156. This reserve was funded by cash and interest-bearing deposits.

NOTE 10 - OPERATING RESERVE:

The Association elected to establish an operating reserve for unexpected operating contingencies. During 2023 and 2022, the Association elected not to contribute any funds to this reserve. The balance in the operating reserve as of December 31, 2023 and 2022 was $60,000. This reserve was funded by cash and interest-bearing deposits.

NOTE 11 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 21, 2024, the date the financial statements were available to be issued.

MEADOWS AT MORRIS FARM COMMUNITY ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2023
(UNAUDITED)

The Association had a replacement reserve study conducted by Reserve Advisors in 2021 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 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 has been extracted from the Association's replacement reserve study and presents significant information about the components of common property.

Component	2021 Estimated Remaining Useful Life (Years)	2021 Estimated Replacement Cost
Property Site Elements	1-30+	$ 3,480,858
Clubhouse Elements	1-18	273,000
Pool Elements	0-19	437,385