

**Principals**

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Independent Auditor's Report

To the Board of Directors of
Lakelands Ridge Homeowners Association, Inc.

Opinion

We have audited the accompanying financial statements of Lakelands Ridge Homeowners Association, Inc., 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 Lakelands Ridge Homeowners Association, Inc. 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 Lakelands Ridge Homeowners Association, Inc. 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 Lakelands Ridge Homeowners Association, Inc.'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 Lakelands Ridge Homeowners Association, Inc.'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 Lakelands Ridge Homeowners Association, Inc.'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 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 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
December 20, 2024

LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 492,024	\$ 432,062
Assessments Receivable	1,559	554
Income Taxes Receivable	200	200
Prepaid Expenses	<u>844</u>	<u>1,994</u>
Total Assets	<u>\$ 494,627</u>	<u>\$ 434,810</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>		
Accounts Payable	\$ 7,363	\$ 21,854
Income Taxes Payable	2,308	-
Prepaid Assessments	<u>1,830</u>	<u>1,830</u>
Total Liabilities	<u>\$ 11,501</u>	<u>\$ 23,684</u>
Replacement Reserves	\$ 399,765	\$ 332,974
Unappropriated Members' Equity	<u>83,361</u>	<u>78,152</u>
Total Members' Equity	<u>\$ 483,126</u>	<u>\$ 411,126</u>
Total Liabilities and Members' Equity	<u>\$ 494,627</u>	<u>\$ 434,810</u>

See Accompanying Notes to Financial Statements

LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
<u>INCOME:</u>		
Assessments	\$ 378,182	\$ 377,619
Interest	15,711	2,617
Late and Legal Fees	165	385
Grant	-	7,960
Other	1,790	960
Total Income	\$ 395,848	\$ 389,541
<u>EXPENSES:</u>		
Management	\$ 50,715	\$ 50,715
Legal, Audit and Tax Preparation	15,566	5,690
Postage and Printing	2,895	2,259
Administrative	5,473	6,299
Insurance	8,509	8,728
Utilities	16,342	21,249
Trash Removal	34,943	35,053
Cleaning	17,018	17,081
Grounds	60,493	73,349
Swimming Pool	46,196	45,911
Cable	3,673	2,874
Snow Removal	-	15,557
Income Taxes	3,228	-
Common Area Maintenance	25,588	18,984
Total Expenses	\$ 290,639	\$ 303,749
Net Income before Contribution to Reserves	\$ 105,209	\$ 85,792
Contribution to Reserves	(80,000)	(80,000)
Net Income	\$ 25,209	\$ 5,792

See Accompanying Notes to Financial Statements

LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC.
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of December 31, 2021	\$ 310,463	\$ 72,360	\$ 382,823
Additions:			
Contribution to Reserves	80,000		80,000
Net Income		5,792	5,792
Deductions:			
Concrete	(8,195)		(8,195)
Fence	(4,650)		(4,650)
Heat Pump System	(13,790)		(13,790)
Landscaping	(12,388)		(12,388)
Pool	(7,000)		(7,000)
Roof	(11,466)		(11,466)
Balance as of December 31, 2022	\$ 332,974	\$ 78,152	\$ 411,126
Additions:			
Contribution to Reserves	80,000		80,000
Net Income		25,209	25,209
Inter-Equity Transfer	20,000	(20,000)	
Deductions:			
Blinds	(8,438)		(8,438)
Electrical	(1,728)		(1,728)
Fence	(1,060)		(1,060)
Roof Replacement	(67)		(67)
Walkway	(3,780)		(3,780)
Pool Cover	(5,790)		(5,790)
Heat Pump System	(12,346)		(12,346)
Balance as of December 31, 2023	<u>\$ 399,765</u>	<u>\$ 83,361</u>	<u>\$ 483,126</u>

See Accompanying Notes to Financial Statements

LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income	\$ 25,209	\$ 5,792
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Decrease (Increase) in:		
Assessments Receivable	(1,005)	(454)
Income Taxes Receivable	-	200
Prepaid Expenses	1,150	138
Increase (Decrease) in:		
Accounts Payable	(1,971)	3,561
Income Taxes Payable	2,308	-
Prepaid Assessments	-	(583)
Net Cash Flows from Operating Activities	<u>\$ 25,691</u>	<u>\$ 8,654</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	\$ 80,000	\$ 80,000
Disbursed for Reserve Expenditures	<u>(45,729)</u>	<u>(44,968)</u>
Net Cash Flows from Investing Activities	<u>\$ 34,271</u>	<u>\$ 35,032</u>
Net Change in Cash and Cash Equivalents	\$ 59,962	\$ 43,686
Cash and Cash Equivalents at Beginning of Year	<u>432,062</u>	<u>388,376</u>
Cash and Cash Equivalents at End of Year	<u>\$ 492,024</u>	<u>\$ 432,062</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash Paid for Income Taxes	<u>\$ 920</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - NATURE OF OPERATIONS:

The Association was incorporated under the laws of the State of Maryland for the purpose of maintaining and preserving the common property. The Association is located in Gaithersburg, Maryland and consists of 215 homes. 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 are 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 - Real property and common areas acquired from the declarant and related improvements to each 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, land, recreational facilities and other 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) 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.

LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(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 for normal operations.

The Association had a replacement reserve study conducted by Property Diagnostics, Inc. in 2019. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on this study.

For 2023, the study recommends an annual contribution of \$80,000. For 2022, the Association budgeted to contribute \$80,000 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 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 \$399,765 and \$332,974, respectively, for replacement reserves. These designated reserves were funded by cash and cash equivalents.

NOTE 4 - INCOME TAXES:

For income tax purposes, the Association may elect annually to file either as an exempt homeowners association or as an association taxable as a corporation. As an exempt homeowners 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 Association's income taxes were calculated using the corporate and exempt method, respectively.

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.

LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(CONTINUED)

NOTE 5 - CASH AND CASH EQUIVALENTS:

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

Institution	Cash and Cash Equivalents
NCB	\$ 959
Capital One	267,056
Forbright	224,009
Total	\$ 492,024

Balances at banks are insured by the FDIC for up to \$250,000 per financial institution. Amounts in excess of the insured limits were \$17,056 and \$0 as of December 31, 2023 and 2022, respectively.

NOTE 6 - ASSESSMENTS RECEIVABLE:

At December 31, 2023 and 2022, the Association had delinquent assessments of \$1,559 and \$554, respectively. It is the opinion of the board of directors that the Association will ultimately prevail against members with delinquent assessments and, accordingly, no allowance for credit losses is deemed necessary.

NOTE 7 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 20, 2024, the date the financial statements were available to be issued.

LAKELANDS RIDGE HOMEOWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2023
(UNAUDITED)

The Association had a replacement reserve study conducted by Property Diagnostics, Inc. in 2019 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 contracted from the Association's replacement reserve study and presents significant information about the components of common property.

<u>Component</u>	2019 Estimated Remaining Useful Life (Years)	2019 Estimated Replacement Cost
Architectural Grounds	2-43	\$1,324,214
Building Exterior	1-30	136,103
Building Interior	1-10	94,714
Mechanical/Plumbing	2-20	63,000
Electrical	3-23	129,855