

Strauss & Associates, P.A.

Certified Public Accountants

9 Park Center Court, Suite 300 • Owings Mills, Maryland 21117
(410) 363-1011 • Fax (410) 363-6919

October 25, 2024

Judy Powers
Avondale Run Homeowners Association, Inc.
P.O. Box 2115
Westminster, Maryland 21158

Dear Judy:

Enclosed is the draft copy of the Financial Statements and Independent Auditor's Report of Avondale Run Homeowners Association, Inc. for the year ended December 31, 2023.

Also enclosed are the following:

*Representation letter - The representation letter is a letter from the Association to us confirming that to the best of your knowledge and belief all information was provided or disclosed to us. This letter needs to be signed and dated at the bottom of page 3 by a member of the Board of Directors. In order to issue the final audit please send the most recent financial statement along with the signed representation letter to our office.

*Adjusted Trial Balance and Adjusting Journal Entries - These are the proposed audit adjustments for the period under audit.

*Management letter - The management letter is not a required communication under auditing standards, but is a by-product of the audit. We generally issue a management letter to communicate our comments and recommendations.

*Communication with Those Charged with Governance - We are required to communicate audit matters that, in our professional judgment, may be significant and relevant to those charged with governance of the Association.

*Communication of Significant Deficiencies and/or Material Weaknesses - We are required to communicate in writing any significant deficiencies and/or material weaknesses in the Association's internal controls. If we did not note any significant deficiencies or material weaknesses, no letter will be issued.

Thank you for your cooperation.

Sincerely,



STRAUSS & ASSOCIATES, P.A.

MJS/srr
Enclosure

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
AVONDALE RUN
HOMEOWNERS ASSOCIATION, INC.
Year ended December 31, 2023

CHANGE

DRAFT - SUBJECT TO

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Avondale Run Homeowners Association, Inc.

Opinion

We have audited the accompanying financial statements of Avondale Run Homeowners Association, Inc., 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 Avondale Run Homeowners Association, Inc. 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 Avondale Run Homeowners Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the 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 Avondale Run 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 Responsibilities 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 Avondale Run 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 Avondale Run 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 the information on future major repairs and replacements on page 14 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.

AVONDALE RUN HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEET

December 31, 2023

	<u>ASSETS</u>		
	<u>Operating fund</u>	<u>Replacement fund</u>	<u>Total</u>
CURRENT ASSETS			
Cash	\$ 54,251	\$ 55,187	\$ 109,438
Assessments receivable	2,690	-	2,690
Prepaid expenses	144	-	144
	<hr/>	<hr/>	<hr/>
Total current assets	<u>\$ 57,085</u>	<u>\$ 55,187</u>	<u>\$ 112,272</u>
	<u>LIABILITIES AND FUND BALANCES</u>		
CURRENT LIABILITIES			
Accounts payable	\$ 1,250	\$ -	\$ 1,250
Assessments received in advance	<u>16,675</u>	<u>-</u>	<u>16,675</u>
	<hr/>	<hr/>	<hr/>
Total current liabilities	17,925	-	17,925
FUND BALANCES	<u>39,160</u>	<u>55,187</u>	<u>94,347</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 57,085</u>	<u>\$ 55,187</u>	<u>\$ 112,272</u>

See accompanying notes to financial statements.

AVONDALE RUN HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

Year ended December 31, 2023

	Operating fund	Replacement fund	Total
REVENUES			
Assessments	\$ 32,302	\$ -	\$ 32,302
Interest income	-	353	353
Other income	315	-	315
	<u>32,617</u>	<u>353</u>	<u>32,970</u>
EXPENSES			
Administrative	1,847	-	1,847
Bad debt expense	885	-	885
Grounds	16,890	-	16,890
Insurance	1,708	-	1,708
Professional fees	300	-	300
Reserve study	2,500	-	2,500
	<u>24,130</u>	<u>-</u>	<u>24,130</u>
EXCESS OF REVENUES OVER EXPENSES	8,487	353	8,840
FUND BALANCES			
- beginning of year	<u>30,673</u>	<u>54,834</u>	<u>85,507</u>
FUND BALANCES - end of year	<u><u>\$ 39,160</u></u>	<u><u>\$ 55,187</u></u>	<u><u>\$ 94,347</u></u>

See accompanying notes to financial statements.

AVONDALE RUN HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2023

	Operating fund	Replacement fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over expenses	\$ 8,487	\$ 353	\$ 8,840
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	(2,445)	-	(2,445)
Prepaid expenses	(21)	-	(21)
Increase (decrease) in:			
Accounts payable	1,250	-	1,250
Assessments received in advance	1,020	-	1,020
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>8,291</u>	<u>353</u>	<u>8,644</u>
NET INCREASE IN CASH	8,291	353	8,644
CASH AT BEGINNING OF YEAR	<u>45,960</u>	<u>54,834</u>	<u>100,794</u>
CASH AT END OF YEAR	<u>\$ 54,251</u>	<u>\$ 55,187</u>	<u>\$ 109,438</u>

SUPPLEMENTAL DISCLOSURE

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

AVONDALE RUN HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE A - ORGANIZATION, PURPOSE, AND MANAGEMENT

Avondale Run Homeowners Association, Inc., a non-stock corporation incorporated in the State of Maryland in January 1988, 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 Westminster, Maryland, is comprised of 193 residential units. The Association is self-managed.

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 (*date inserted after completion of the final audit*), 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 accordance with accounting principles generally accepted in the United States of America.

2. Funds

The Association uses fund accounting, which requires that funds, such as operating and replacement funds, be classified separately for accounting and reporting purposes. The operating fund is used to account for financial resources available for the general operations of the Association. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

AVONDALE RUN HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. 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 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.

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. Tax returns are subject to examination by the Internal Revenue Service and State of Maryland for three years after they are filed.

4. 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 operating assessments are satisfied over time on a pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are also satisfied over time on a 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 fees from unit owners. The Association's policy is to retain legal counsel to help in the collection of unit owners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. It is the opinion of the Board of Directors that the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for credit losses is deemed necessary.

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. The balances of assessments receivable as of the beginning and end of the year are \$245 and \$2,690, respectively.

AVONDALE RUN HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. 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.

6. 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.

NOTE D - CASH

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

<u>Institution</u>	<u>Type of account</u>	<u>Cash</u>
PayPal	Checking	\$ 654
PNC Bank	Checking	53,597
PNC Bank	Certificate of Deposit	<u>55,187</u>
		<u>\$ 109,438</u>

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.

AVONDALE RUN HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023

NOTE E - FUTURE MAJOR REPAIRS AND REPLACEMENTS - CONTINUED

The Association levied assessments of \$0 during the year ended December 31, 2023, for estimated future major repairs and replacements. The reserve study begins making contribution recommendations for the year ended December 31, 2024.

An outside consulting firm conducted a study in October 2023 to estimate the remaining useful lives and the replacement costs of the components of common 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, Maryland legislation allows the Board of Directors to increase assessments, regardless of any restrictions in the Association's governing documents, in order to meet the funding requirements of the reserve study.

DRAFT - SUBJECT TO CHANGE

SUPPLEMENTARY INFORMATION

AVONDALE RUN HOMEOWNERS ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

December 31, 2023

(Unaudited)

An outside consulting firm conducted a study in October 2023 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. Estimated current replacement costs have not been revised since that date and 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.

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 CURRENT REPLACEMENT COST</u>
Asphalt pavement, crack repair, patch, and striping	2	\$ 5,400
Asphalt pavement, repaving, parking areas	10	113,400
Concrete curbs and gutters, partial	10-30+	158,400
Concrete sidewalks, partial	4-30+	190,900
Mailbox stations	5	18,000
Signage, property identification	4	<u>8,900</u>
TOTAL		<u>\$ 495,000</u>

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Certified Public Accountants
9 Park Center Court, Suite 300
Owings Mills, Maryland 21117

This representation letter is provided in connection with your audit of the financial statements of Avondale Run Homeowners Association, Inc., 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, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, the following representations made to you during the audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 15, 2023, including our responsibility for the preparation and fair presentation of the financial statements.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. We understand the accrual basis of accounting but choose to prepare our internal financial statements on a cash basis. We are in agreement with the adjusting journal entries you have recommended, and they have been posted to the Association's accounts, if appropriate.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Significant estimates and material concentrations have been properly disclosed in accordance with U.S. GAAP.
11. Guarantees, whether written or oral, under which the Association is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
12. Transfers or designations of fund balances or interfund borrowings have been properly authorized and approved and have been properly recorded or disclosed in accordance with U.S. GAAP.
13. Uncollectible interfund loans have been properly accounted for and disclosed in accordance with U.S. GAAP.

14. Receivables recorded in the financial statements represent valid claims against debtors for assessments or other charges arising on or before the balance sheet date and, if applicable, have been reduced to their estimated net realizable value.
15. We have recorded revenue in accordance with FASB ASC 606, *Revenue from Contracts with Customers*. We have sufficient and appropriate documentation supporting all the estimates and judgments underlying the amounts recorded and disclosed in the financial statements including those regarding the recognition of operating fund and replacement fund revenues on a pro-rata basis throughout the year.

Information Provided

16. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence.
17. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
18. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
19. We have no knowledge of any fraud or suspected fraud that affects the Association and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
20. We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's financial statements communicated by employees, former employees, regulators, or others.
21. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations, including those regarding insurance coverage and reserve funding requirements by the State of Maryland, whose effects should be considered when preparing financial statements.
22. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with FASB Accounting Standards Codification 450, Contingencies (formerly Statement of Financial Accounting Standards No. 5), and we have not consulted a lawyer concerning litigation, claims, or assessments.
23. We have disclosed to you the identity of the Association's related parties and all the related party relationships and transactions of which we are aware.
24. Except as made known to you, the Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

25. We acknowledge our responsibilities for presenting the required supplementary information (RSI) in accordance with U.S. GAAP. The RSI is measured and presented within prescribed guidelines, and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
26. The Board of Directors is collecting funds for future major repairs and replacements in conformity with Avondale Run Homeowners Association, Inc.'s policy to fund for those needs based on a study conducted in October 2023. The Board of Directors believes the funds will adequately provide for future major repairs and replacements.
27. Legislation passed requiring all homeowner associations, condominium associations, and cooperative housing corporations in the State of Maryland to obtain a reserve study at least every five years. The Association is in compliance with this legislation.
28. The Association's allocation of expenses against exempt and nonexempt function income conforms with the IRS rules, which require that the allocation be made "on a reasonable basis." We have adequately documented such allocation.
29. We understand that the Association is responsible for the choice of filing Form 1120H and the consequences thereof.
30. In regard to the financial statement and tax preparation services provided by you, we have:
 - a. Assumed all management responsibilities.
 - b. Designated a member of our senior management who has suitable skill, knowledge, or experience to oversee the services.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the result of the services.
31. We have disclosed to you all material events, if any, that would require adjustments to, or disclosure in, the financial statements. In addition, we represent that no other material events have occurred since you completed your audit fieldwork and through the date of this letter. Examples of material events include, but are not limited to, contracts for replacement reserve expenditures, losses due to fire, changes in ongoing litigation or new litigation and approval of special assessments. Material events that have occurred are:

By: _____
Member of Board of Directors

Date: _____

AVONDALE RUN HOA
Trial Balance Worksheet

Account	Type	Description	12/31/22 Adjusted Balance	12/31/23 Unadjusted Balance	Adjusting JE Adjustments	12/31/23 Adjusted Balance
1010	A	PNC CHECKING 1. TO RECORD OPENING BALANCES 2. TO RECORD 2023 ACTIVITY 6. TO RECORD PAYPAL ACCOUNT	0.00	0.00	43,833.82 7,473.20 2,290.12	53,597.14
1015	A	CASH - PAYPAL 1. TO RECORD OPENING BALANCES 6. TO RECORD PAYPAL ACCOUNT	0.00	0.00	2,126.54 (1,472.22)	654.32
1020	A	PNC CD 6258 1. TO RECORD OPENING BALANCES 2. TO RECORD 2023 ACTIVITY	0.00	0.00	34,827.36 348.82	35,176.18
1030	A	PNC CD 9353 1. TO RECORD OPENING BALANCES 2. TO RECORD 2023 ACTIVITY	0.00	0.00	5,001.75 1.00	5,002.75
1040	A	PNC CD 7181 1. TO RECORD OPENING BALANCES 2. TO RECORD 2023 ACTIVITY	0.00	0.00	15,005.26 3.01	15,008.27
1110	A	ASSESSMENTS RECEIVABLE 1. TO RECORD OPENING BALANCES 5. TO ADJUST ASSESSMENTS RECEIVABLE AND PREPAID ASSESSMENTS	0.00	0.00	245.00 2,445.00	2,690.00
1410	A	PREPAID INSURANCE 1. TO RECORD OPENING BALANCES 3. TO ADJUST PREPAID INSURANCE	0.00	0.00	122.50 21.50	144.00
2010	L	ACCOUNTS PAYABLE 4. TO RECORD 2023 PAYABLES	0.00	0.00	(1,250.00)	(1,250.00)
2250	L	PREPAID ASSESSMENTS 1. TO RECORD OPENING BALANCES 5. TO ADJUST ASSESSMENTS RECEIVABLE AND PREPAID ASSESSMENTS	0.00	0.00	(15,655.00) (1,020.00)	(16,675.00)
2800	Q	RETAINED EARNINGS 1. TO RECORD OPENING BALANCES	0.00	0.00	(30,672.86)	(30,672.86)
2870	Q	REPLACEMENT FUND 1. TO RECORD OPENING BALANCES 2. TO RECORD 2023 ACTIVITY	0.00	0.00	(54,834.37) (352.83)	(55,187.20)
4000	R	ASSESSMENT INCOME 2. TO RECORD 2023 ACTIVITY 5. TO ADJUST ASSESSMENTS RECEIVABLE AND PREPAID ASSESSMENTS 6. TO RECORD PAYPAL ACCOUNT 7. TO RECORD WRITE OFF	0.00	0.00	(28,804.19) (1,425.00) (1,263.05) (810.00)	(32,302.24)
4010	R	OTHER INCOME 2. TO RECORD 2023 ACTIVITY 7. TO RECORD WRITE OFF	0.00	0.00	(240.00) (75.00)	(315.00)

**AVONDALE RUN HOA
Trial Balance Worksheet**

Account	Type	Description	12/31/22 Adjusted Balance	12/31/23 Unadjusted Balance	Adjusting JE Adjustments	12/31/23 Adjusted Balance
5000	E	GRASS MOWING 2. TO RECORD 2023 ACTIVITY	0.00	0.00	14,715.00	14,715.00
5100	E	TREE REMOVAL 2. TO RECORD 2023 ACTIVITY	0.00	0.00	2,175.00	2,175.00
5200	E	INSURANCE 2. TO RECORD 2023 ACTIVITY 3. TO ADJUST PREPAID INSURANCE	0.00	0.00	1,729.00 (21.50)	1,707.50
5300	E	ADMIN 2. TO RECORD 2023 ACTIVITY	0.00	0.00	1,126.99	1,126.99
5350	E	PAYPAL FEES 6. TO RECORD PAYPAL ACCOUNT	0.00	0.00	445.15	445.15
5400	E	TAX PREP 2. TO RECORD 2023 ACTIVITY	0.00	0.00	300.00	300.00
5500	E	RESERVE STUDY 2. TO RECORD 2023 ACTIVITY 4. TO RECORD 2023 PAYABLES	0.00	0.00	1,250.00 1,250.00	2,500.00
5600	E	WEBSITE 2. TO RECORD 2023 ACTIVITY	0.00	0.00	275.00	275.00
5900	E	BAD DEBT EXPENSE 7. TO RECORD WRITE OFF	0.00	0.00	885.00	885.00
Totals			<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Profit/(Loss)			<u>0.00</u>	<u>0.00</u>		<u>8,487.60</u>

AVONDALE RUN HOA
Adjusting Journal Entries

January 1, 2023 - December 31, 2023

Date	Reference	Account	Description	WP Reference	Debit	Credit	Net Income Effect
Adjusting Journal Entries							
12/31/23	1.		TO RECORD OPENING BALANCES				0.00
		1010	PNC CHECKING		43,833.82		
		1020	PNC CD 6258		34,827.36		
		1030	PNC CD 9353		5,001.75		
		1040	PNC CD 7181		15,005.26		
		1110	ASSESSMENTS RECEIVABLE		245.00		
		1410	PREPAID INSURANCE		122.50		
		2870	REPLACEMENT FUND			54,834.37	
		2250	PREPAID ASSESSMENTS			15,655.00	
		1015	CASH - PAYPAL		2,126.54		
		2800	RETAINED EARNINGS			30,672.86	
12/31/23	2.		TO RECORD 2023 ACTIVITY				7,473.20
		4000	ASSESSMENT INCOME			28,804.19	
		4010	OTHER INCOME			240.00	
		5000	GRASS MOWING		14,715.00		
		5100	TREE REMOVAL		2,175.00		
		5200	INSURANCE		1,729.00		
		5300	ADMIN		1,126.99		
		5400	TAX PREP		300.00		
		5500	RESERVE STUDY		1,250.00		
		1020	PNC CD 6258		348.82		
		1030	PNC CD 9353		1.00		
		1040	PNC CD 7181		3.01		
		2870	REPLACEMENT FUND			352.83	
		5600	WEBSITE		275.00		
		1010	PNC CHECKING		7,473.20		
12/31/23	3.		TO ADJUST PREPAID INSURANCE				21.50
		1410	PREPAID INSURANCE		21.50		
		5200	INSURANCE			21.50	
12/31/23	4.		TO RECORD 2023 PAYABLES				(1,250.00)
		5500	RESERVE STUDY		1,250.00		
		2010	ACCOUNTS PAYABLE			1,250.00	
12/31/23	5.		TO ADJUST ASSESSMENTS RECEIVABLE AND PREPAID ASSESSMENTS				1,425.00
		1110	ASSESSMENTS RECEIVABLE		2,445.00		
		2250	PREPAID ASSESSMENTS			1,020.00	
		4000	ASSESSMENT INCOME			1,425.00	

AVONDALE RUN HOA
Adjusting Journal Entries

January 1, 2023 - December 31, 2023

Date	Reference	Account	Description	WP Reference	Debit	Credit	Net Income Effect
12/31/23	6.		TO RECORD PAYPAL ACCOUNT				817.90
		1015	CASH - PAYPAL			1,472.22	
		5350	PAYPAL FEES		445.15		
		1010	PNC CHECKING		2,290.12		
		4000	ASSESSMENT INCOME			1,263.05	
12/31/23	7.		TO RECORD WRITE OFF				0.00
		5900	BAD DEBT EXPENSE		885.00		
		4010	OTHER INCOME			75.00	
		4000	ASSESSMENT INCOME			810.00	
Totals for Adjusting Journal Entries					<u>137,896.02</u>	<u>137,896.02</u>	<u>8,487.60</u>
Report Totals					<u>137,896.02</u>	<u>137,896.02</u>	<u>8,487.60</u>

Journal Entry count = 7

Strauss & Associates, P.A.

Certified Public Accountants

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Management Letter

October 25, 2024

Board of Directors
Avondale Run Homeowners Association, Inc.

Dear Board of Directors:

In connection with our examination of the financial statements of Avondale Run Homeowners Association, Inc. for the year ended December 31, 2023, we make the following comments and recommendations.

Maryland Legislation

Effective October 1, 2023, legislation in the State of Maryland requires all residential condominiums, homeowners associations, and cooperative housing corporations to obtain and update its reserve study at least every five years and requires the Association to annually budget replacement reserve funding in the amount, at minimum, equal to the recommendation of the most recent reserve study. The legislation allows the Board of Directors to increase assessments, regardless of any restrictions in the Association's governing documents, in order to meet the funding requirements of the reserve study.

Cash to Accrual Basis

The financial statements were prepared using the accrual basis of accounting. These statements may differ from the cash basis reports issued monthly by the management company. These differences do not represent errors or the need for material modifications.

Bank Reconciliations

The Association should reconcile all bank accounts on a monthly basis.

Insurance

We recommend the Association meet with its insurance agent at least annually to discuss insurance coverage. The Association should make sure the insurance policies provide the necessary and appropriate protection. In addition to all of the standard coverage that is usually recommended, the Association should maintain appropriate crime and directors and officers (D&O) coverage.

Maryland legislation requires all condominiums, homeowner associations, and housing cooperatives to purchase fidelity bond insurance to provide for the indemnification of the community against loss resulting from fraud or theft by any officer, director, managing agent, or employee who disburses funds for the community. The fidelity insurance coverage must cover three months of assessments and the amount in investment accounts held by the community at the time the fidelity bond insurance is issued.

General Ledger

The Association should keep a detailed general ledger to make sure that all activity for the year is properly recorded and accounted for.

These comments and recommendations are intended solely for the information and use of the Board of Directors and management and are not intended to be, and should not be, used by anyone other than those specified parties.

We would be pleased to discuss our comments and recommendations in greater detail.

Sincerely,

A handwritten signature in black ink, appearing to be a stylized 'S' or similar mark.

STRAUSS & ASSOCIATES, P.A.

Strauss & Associates, P.A.

Certified Public Accountants

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 25, 2024

Board of Directors
Avondale Run Homeowners Association, Inc.

Dear Board of Directors,

We have audited the financial statements of Avondale Run Homeowners Association, Inc. for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated January 15, 2023. Professional standards also require that we communicate the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Avondale Run Homeowners Association, Inc. are described in Note C to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates for the year under audit.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The proposed adjusting entries have been provided to the Association.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Required Supplementary Information

With respect to the supplementary information required by the Financial Accounting Standards Board, we applied certain limited procedures to the information, including inquiring of management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

This information is intended solely for the use of management and the Board of Directors of Avondale Run Homeowners Association, Inc., and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to be a stylized 'S' or similar mark.

STRAUSS & ASSOCIATES, P.A.

Strauss & Associates, P.A.

Certified Public Accountants

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COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND/OR MATERIAL WEAKNESSES

October 25, 2024

Board of Directors
Avondale Run Homeowners Association, Inc.

Dear Board of Directors:

In planning and performing our audit of the financial statements of Avondale Run Homeowners Association, Inc. for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Avondale Run Homeowners Association, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Avondale Run Homeowners Association, Inc.'s internal control to be material weaknesses:

The Association's internal financial reports are maintained using Microsoft Excel spreadsheets. Accounting systems have controls in place that do not exist with Microsoft Excel spreadsheets.

Due to the small number of volunteers at the Association, the appropriate separation of duties and responsibilities is not possible. The Association attempts to overcome this by close review of the financial information by the Treasurer.

This communication is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



STRAUSS & ASSOCIATES, P.A.