

COLLEGE SQUARE ASSOCIATION, INC.

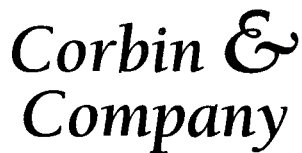
FINANCIAL STATEMENTS

DECEMBER 31, 2023

**(WITH COMPARATIVE FINANCIAL INFORMATION
FOR DECEMBER 31, 2022)**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
College Square Association, Inc.
Suffolk, Virginia

Opinion

We have audited the accompanying financial statements of College Square 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 College Square Association, Inc., as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in conformity 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 College Square 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 College Square 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 College Square 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 College Square 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.

Report on Summarized Comparative Information

We have previously audited College Square Association, Inc.'s 2023 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated November 8, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information on future repairs and replacements on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Chesapeake, Virginia
November 12, 2024

COLLEGE SQUARE ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2023

(WITH COMPARATIVE FINANCIAL INFORMATION FOR DECEMBER 31, 2022)

	2023		2022	
	OPERATING FUND	REPLACEMENT FUND	TOTAL	TOTAL
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 118,610	\$ 128,933	\$ 247,543	\$ 271,019
Certificate of deposit	-	102,479	102,479	-
Assessments and fees receivable, less allowance for uncollectible assessments of \$60,000	23,052	-	23,052	8,445
Prepaid insurance	17,169	-	17,169	16,685
Total current assets	158,831	231,412	390,243	296,149
TOTAL ASSETS	\$ 158,831	\$ 231,412	\$ 390,243	\$ 296,149
LIABILITIES AND FUND BALANCES				
Current liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Prepaid assessments	23,115	-	23,115	25,238
Total current liabilities	23,115	-	23,115	25,238
Fund balances	135,716	231,412	367,128	270,911
TOTAL LIABILITIES AND FUND BALANCES	\$ 158,831	\$ 231,412	\$ 390,243	\$ 296,149

See independent auditors' report and notes to financial statements.

COLLEGE SQUARE ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2023

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

	2023		2022	
	OPERATING FUND	REPLACEMENT FUND	TOTAL	TOTAL
Revenues:				
Assessments	\$ 270,287	\$ 132,913	\$ 403,200	\$ 381,696
Bad debt recoveries	-	-	-	7,000
Interest	153	4,127	4,280	708
Late and collection fees income	4,695	-	4,695	8,063
Miscellaneous income	3,805	-	3,805	6,036
Total revenues	<u>278,940</u>	<u>137,040</u>	<u>415,980</u>	<u>403,503</u>
Expenses:				
Accounting	2,300	-	2,300	2,235
Common area maintenance	44,099	-	44,099	42,464
Fencing	-	-	-	288,955
Grounds & landscaping	51,040	-	51,040	43,800
Grounds improvements	17,495	-	17,495	11,624
Insurance	67,031	-	67,031	61,125
Legal fees	9,744	-	9,744	4,125
Management fees	45,696	-	45,696	44,352
Office, printing and postage	6,943	-	6,943	8,329
Reserve study	-	-	-	2,898
Roofing and other building repairs	-	75,415	75,415	30,480
Total expenses	<u>244,348</u>	<u>75,415</u>	<u>319,763</u>	<u>540,387</u>
Excess (deficiency) of revenues over expenses	34,592	61,625	96,217	(136,884)
Fund balances - beginning of year	108,338	162,573	270,911	407,795
Transfers - net	<u>(7,214)</u>	<u>7,214</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	<u>\$ 135,716</u>	<u>\$ 231,412</u>	<u>\$ 367,128</u>	<u>\$ 270,911</u>

See independent auditors' report and notes to financial statements.

COLLEGE SQUARE ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2022)

	2023		2022	
	OPERATING FUND	REPLACEMENT FUND	TOTAL	TOTAL
Cash flows from operating activities:				
Excess (deficiency) of revenues over expenses	\$ 34,592	\$ 61,625	\$ 96,217	\$ (136,884)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash from operating activities:				
Change in allowance for uncollectible assessments	-	-	-	(7,000)
(Increase) decrease in:				
Assessments and fees receivable	(14,607)	-	(14,607)	7,350
Prepaid insurance	(484)	-	(484)	3,160
Increase (decrease) in:				
Accounts payable	-	-	-	(2,325)
Prepaid assessments	(2,123)	-	(2,123)	6,061
Net cash from operating activities	<u>17,378</u>	<u>61,625</u>	<u>79,003</u>	<u>(129,638)</u>
Cash flows from investing activities:				
Purchase of certificate of deposit	-	(100,000)	(100,000)	-
Interest earned on certificate of deposit	-	(2,479)	(2,479)	-
Net cash from investing activities	<u>-</u>	<u>(102,479)</u>	<u>(102,479)</u>	<u>-</u>
Cash flows from financing activities:				
Inter-fund transfers	<u>(7,214)</u>	<u>7,214</u>	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	10,164	(33,640)	(23,476)	(129,638)
Cash and cash equivalents - beginning of year	<u>108,446</u>	<u>162,573</u>	<u>271,019</u>	<u>400,657</u>
Cash and cash equivalents - end of year	<u>\$ 118,610</u>	<u>\$ 128,933</u>	<u>\$ 247,543</u>	<u>\$ 271,019</u>

See independent auditors' report and notes to financial statements.

COLLEGE SQUARE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

NOTE 1 - NATURE OF ORGANIZATION

College Square Association, Inc. (the "Association") is a condominium association organized for the purpose of maintaining and preserving the common property within the College Square development. The housing development consists of 224 units of residential property located in Suffolk, Virginia.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The financial statements are prepared using the accrual method of accounting and as such recognizes revenues when earned and expenses when incurred.

The Association's governing documents provide certain guidelines 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 general operations of the Association.

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

Cash and Cash Equivalents and Concentration of Credit Risk

The Association considers all short-term investments purchased with a maturity of three months or less to be cash equivalents. The Association maintains its cash in bank deposit accounts at financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. At times, account balances may exceed federally insured limits. The Association has not experienced any losses on such accounts.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, maintenance, and repairs. Assessments and fees receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel for collection of assessments that are several months delinquent. Any excess assessments at year-end are retained by the Association for use in future years.

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. An allowance for uncollectible assessments is provided for accounts which management has determined to be questionable of collection.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

COLLEGE SQUARE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

For the years ended December 31, 2023 the Association elected to be treated as a condominium association under Section 528 of the Internal Revenue Code. Under Section 528, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes interest earned, is taxed at 30% by the federal government and 6% by the State of Virginia.

As of December 31, 2023, the tax years that remain subject to examination by taxing authorities begin with 2020. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Association has concluded that as of December 31, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Comparative Data

The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31 of the prior year, from which the comparative information was derived.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. At December 31, 2023 funds and investments totaling approximately \$231,000, were held in separate financial institution accounts and are generally not available for operating purposes.

The Association engaged an independent engineer to conduct a study which was completed in June 2022 to estimate the remaining useful lives and the replacement costs of the common property components. The estimates were based on current replacement costs at that time. This study is presented on page 10.

During 2023, the Association was funding for major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. In 2023 \$132,913 was allocated from member assessments to the replacement fund. In addition, \$7,214 was transferred from the operating fund to the replacement fund in 2023. The funds were used to pay for major capital improvements.

COLLEGE SQUARE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023

NOTE 3 - FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future repairs and replacements may not be adequate to meet future needs. The Association has the right, subject to member approval, to increase regular assessments or levy special assessments or it may delay major repairs and replacements until funds are available.

NOTE 4 - SUBSEQUENT EVENTS

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through November 12, 2024, the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

COLLEGE SQUARE ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE REPAIRS AND REPLACEMENTS DECEMBER 31, 2023 (UNAUDITED)

In June 2022 an independent engineer was engaged to conduct a study 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. Funding requirements consider an annual inflation rate of 7.90% and net annual interest of 1.00% on amounts funded for future major repairs and replacements. The following table is based on the study and presents significant information about the components of common property.

Components	As of June 2023	
	Estimated Remaining Useful Lives	Estimated Replacement Cost
Asphalt shingle roofs	0-24 years	\$ 1,049,860
Board fence (wood)	0-18 years	816,145
Chain link fence	10 years	2,695
Concrete driveways (3%)	5 years	50,280
Concrete front patio (3%)	1 year	3,626
Concrete leadwalks (3%)	5 years	3,144
Entrance - repair & repoint masonry	1 year	1,665
Entry porch wood trim	5 years	2,590
Entry sign	1 year	3,320
Entry wood columns & pilasters	1 year	2,519
Gutters and downspouts	0-15 years	139,050
Landscaping allowance	1 year	6,750
Mailboxes	2 years	2,299
Masonry repointing (2%)	2 years	28,485
Roof sheathing	6-24 years	11,760
Steel lintels	1 year	14,900
		<u>\$ 2,139,088</u>

See independent auditors' report.