TIMOTHY, DeVOLT and COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
4099 McEWEN ROAD, SUITE 135
FARMERS BRANCH, TEXAS 75244
OFFICE: (972) 980-4315
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www.timothydevolt.com

To the Board of Directors February 1, 2022
Northcrest Homeowners Association, Inc.

We have audited the financial statements of Northcrest Homeowners Association, Inc., for the year ended December 31, 2020, and have issued our report thereon dated February 1, 2022. 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 to you executed March 4, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management (the Board of Directors) is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Northcrest Homeowners Association, Inc., are described in Footnote 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2020. 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 (the Board of Directors) and are based on management's (the Board of Directors') 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. The most sensitive estimate affecting the financial statements was:

Management's (the Board of Directors') estimate of the allowance for doubtful accounts is based on historical revenue, historical loss levels, and an analysis of the collectibility of individual accounts. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Qualitative Aspects of Accounting Practices: (Continued):

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The footnote dealing with the amounts allocated to the replacement fund for the year.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and 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. Management has corrected all such misstatements.

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.

Management Representations
We have requested certain representations from the Board of Directors that are included in the management representation letter dated February 1, 2022.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the association’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Northcrest Homeowners Association, Inc. board of directors and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Timothy, DeVolt and Company, P.C.
Dallas, Texas

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To the Board of Directors February 1, 2022
Northcrest Homeowners Association, Inc.

In planning and performing our audit of the financial statements of Northcrest Homeowners Association, Inc. as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Northcrest Homeowners Association, Inc.'s internal control over financial reporting (internal control) 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 was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management (the board of directors) 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A fundamental concept in a good system of internal control is the separation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. If the separation of duties is inadequate, there is a resulting danger that intentional fraud or unintentional errors could occur and not be detected. Although the size of the entity's accounting staff might make complete adherence to this concept more difficult, we believe that adequate steps have been taken to segregate incompatible duties.

Management (the board of directors) is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles.

At times, management (the board of directors) may choose to outsource certain accounting functions due to cost or training considerations. Such accounting functions and service providers must be governed by the control policies and procedures of the entity. Management (the board of directors) is as responsible for outsourced functions performed by a service provider as it would be for such functions performed internally.

Specifically, management (the board of directors) is responsible for management decisions and functions: for designating an individual with suitable skill, knowledge, or experience to oversee any outsourced services; and for evaluating the adequacy and results of those services and accepting responsibility for them.

As part of the audit, management (the board of directors) requested us to prepare a draft of your financial statements, including the related notes to the financial statements. Management (the board of directors) reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management (the board of directors) did not perform a detailed review of our work papers underlying the financial statements.

The existence of significant deficiencies or material weaknesses may already be known to management (the board of directors) and may represent a conscious decision by management (the board of directors) or those charged with governance to accept that degree of risk because of cost or other considerations. Management (the board of directors) is responsible for making decisions concerning costs and the related benefits. We are responsible for communicating significant deficiencies and material weaknesses in accordance with professional standards, regardless of management (the board of directors)'s decisions.

This communication is intended solely for the information and use of the association's board of directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than those specified parties.

Timothy, DeVolt and Company, P.C.
Dallas, Texas

NORTHCREST HOMEOWNERS ASSOCIATION, INC.
Adjusting Entries - Detailed
12/31/2020

Date:	9/29/2021
Prepared By:	MRS
Reviewed By:	ST

AJE #	G/L Acct.	Account Name	Debit	Credit
1	90400	Restricted Reserve Expense		79,230.96
1	30250	Restricted Replacement Reserves	79,230.96	
		To adjust beginning equity for presentation purposes		
2	30700	Retained Earnings	24,700.00	
2	11900	Allowance for Doubtful Accounts		24,700.00
		To record prior year audit AJE's		
3	60060	Water / Sewer	603.06	
3	20650	Accrued Expenses Payable		603.06
		To record accrued expense payable as of 12/31/2020		
4	50300	Supplies - Administrative		455.44
4	14500	Prepaid Expenses	455.44	
		Reclass prepaid 2021 Coupon Books to Prepaid		

Page Totals / Difference	104,989.46	104,989.46	-

NORTHCREST HOMEOWNERS ASSOCIATION, INC.
Fixed Asset Analysis
12/31/2020

Date:	9/29/2021
Prepared By:	MRS
Reviewed By:	

G/L #	Description									
17500	**Land**	Acquisition Date	Basis			Beginning Balance	Additions	Retirements	Ending Balance
	7 plots		760.00			760.00	-	-	760.00
			-			-	-	-	-
	TOTALS		760.00			760.00	-	-	760.00

	Acquisition Date	Basis	Useful Life	Depr. Method	Beginning Balance	Additions	Retirements	Ending Balance
Furniture & Equipment								
		-	5	s/l	-	-	-	-
TOTALS		-			-	-	-	-

G/L #							Beginning Balance	Debit	Credit	Ending Balance
17700	**Accumulated Depreciation**									
		0	1/0/1900	-	5	s/l	-	-	-	-
	TOTALS			-			-	-	-	-

NET VALUE - FIXED ASSETS 760.00

	Start Date	Basis	Loan Life	Depr. Method	Beginning Balance	Additions	Retirements	Ending Balance
Capitalized Loan Costs								
		-	5	s/l	-	-	-	-
TOTALS		-			-	-	-	-

						Beginning Balance	Debit	Credit	Ending Balance
Accumulated Amortization									
	0	1/0/1900	-	5	s/l	-	-	-	-
TOTALS			-			-	-	-	-

NET VALUE - CAPITALIZED LOAN COSTS -

Index

CIRA Name: Northcrest Homeowners Association, Inc.

Balance Sheet Date: 12/31/2020

Completed by: Maira Salazar

Date: 10/1/2021

Instructions: This form may be used to accumulate audit differences (AD) greater than the amount considered clearly trivial (documented at **Step 5** of HOA-CX-2.1.) This form should not include normal closing entries. At the end of the audit, evaluate all uncorrected audit differences, individually and in the aggregate, in relation to individual amounts, subtotals, or totals in the financial statements and conclude on whether they materially misstate the financial statements taken as a whole. Before evaluating the effect of uncorrected misstatements, reassess whether materiality is still appropriate based on the CIRA's actual financial results. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements using both the rollover and iron curtain methods, as appropriate. You need to be familiar with the guidance beginning at section 810 before completing this form.

				Financial Statements Effect—Amount of Over (Under) Statement of:						
									FIT%	
Description (Nature) of Audit Difference (AD)	**Factual (F), Judgmental (J) or Projected (P)**	**Cause**	**W/P Ref.**	**Total Assets**	**Total Liabilities**	**Working Capital**	**Equity**	**Excess of Revenues Over Expenses Before Taxes**	**Income Taxes**	**Excess of Revenues Over Expenses After Taxes**
				$0			$0		$0	$0
									$0	$0
									$0	$0
									$0	$0
									$0	$0
									$0	$0
									$0	$0
									$0	$0
									$0	$0
									$0	$0
									$0	$0
Total				$0	$0	$0	$0	$0	$0	$0
Less Audit Adjustments Subsequently Booked									$0	$0
Net Unadjusted AD—Current Year (Iron Curtain Method)				$0	$0	$0	$0	$0	$0	$0
Effect of Unadjusted AD—Prior Years									$0	$0
Combined Current and Prior Year (Rollover Method)				$0	$0	$0	$0	$0	$0	$0
Financial Statement Caption Totals										
Current Year Differences as % of F/S Captions (Iron Curtain Method)				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Current and Prior Year Differences as % of F/S Captions (Rollover Method)				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Qualitative Factors: Describe qualitative factors that entered into your evaluation of whether uncorrected accumulated misstatements are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole, and the reasons why.

Conclusion: Based on the results of the evaluation performed above, as well as the consideration of qualitative factors, uncorrected audit differences, individually and in the aggregate, ○ do ○ do not cause the financial statements taken as a whole to be materially misstated.

Qualitative Considerations in Evaluating Materiality

The judgment about whether a misstatement is material is influenced by qualitative considerations as well as quantitative considerations. The following are examples of qualitative considerations:

1. Effect on other financial statement components (that is, the pervasiveness of the misstatement).
2. Effect of misstatement on overall trends, especially trends in meeting budget targets, such as a misstatement that changes an excess of revenues over expenses to a deficiency of revenues over expneses.
3. Significance of the financial statement element or portion of the CIRA's activities affected by the misstatement.
4. Effect of the misstatement on the CIRA's compliance with loan covenants, other contractual agreements, or regulatory provisions.
5. The existence of statutory or regulatory requirements affecting materiality thresholds.
6. A misstatement that affects management's compensation.
7. The sensitivity of the circumstances (such as implications of misstatements involving fraud, possible violations of laws and regulations, violations of contractual provisions, or conflicts of interest).
8. The effects of misclassifications that could be significant to the financial statement users.
9. Significance of the misstatement or disclosures in relation to known user needs (for example, a misstatement that could have a significant effect on the calculation of purchase price of shares in a cooperative housing corporation).
10. The character of the misstatement (for example, the precision of the audit differences).
11. Motivation of management.
12. Offsetting effects of individually significant misstatements.
13. Potential effect on future periods.
14. Cost of making the correction.
15. Risk of possible additional undetected misstatements.
16. A misstatement that may alter key ratios that are used to evaluate the CIRA's financial position, excess of revenues over expenses, or cash flows.
17. Misstatements that relate to transactions involving particular parties (for example, transactions with related parties).

NORTHCREST HOMEOWNERS ASSOCIATION, INC.

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DECEMBER 31, 2020

TIMOTHY, DeVOLT AND COMPANY, P.C.
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4099 McEWEN ROAD, SUITE 135
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Northcrest Homeowners Association, Inc.
Carrollton, Texas

We have audited the accompanying financial statements of Northcrest Homeowners Association, Inc., which comprise the Balance Sheet as of December 31, 2020, and the related Statements of Revenues, Expenses and Changes in Fund Balance, and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northcrest Homeowners Association, Inc. as of December 31, 2020, 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.

Report on Supplementary Information

As discussed in Footnote 6, the Association's Management (The Board of Directors) has not conducted a reserve study on future major repairs and replacements, which accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Very truly yours,

Timothy, DeVolt and Company, P.C.

Timothy, DeVolt and Company, P.C.
Certified Public Accountants
February 1, 2022

NORTHCREST HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS		OPERATING FUND	REPLACEMENT FUND	TOTAL
Cash, including interest-bearing deposits		$ 42,745	$ 229,042	$ 271,787
for doubtful accounts of	$ 24,700	16,047		16,047
Prepaid insurance		881		881
Prepaid expense - other		455		455
TOTAL CURRENT ASSETS		60,128	229,042	289,170
PROPERTY AND EQUIPMENT, AT COST				
Land		760		760
PROPERTY AND EQUIPMENT, NET		760	-	760
TOTAL ASSETS		$ 60,888	$ 229,042	$ 289,930

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES			
Accounts payable	$ 4,807	$	$ 4,807
Assessments received in advance	17,502		17,502
TOTAL CURRENT LIABILITIES	22,309	-	22,309
TOTAL LIABILITIES	22,309	-	22,309
FUND BALANCES / (DEFICITS)	38,579	229,042	267,621
TOTAL LIABILITIES AND FUND BALANCES	$ 60,888	$ 229,042	$ 289,930

See the accompanying Independent Auditors' Report
and the Footnotes to the Financial Statements.

NORTHCREST HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2020

REVENUES	OPERATING FUND	REPLACEMENT FUND	TOTAL
Regular assessments	$ 316,649	$ 18,151	$ 334,800
Late/collection charges	12,099		12,099
Miscellaneous owner fees	1,250		1,250
Interest income	20	515	535
TOTAL REVENUES	330,018	18,666	348,684
OPERATING EXPENSES			
Landscaping & lawn maintenance	59,894		59,894
Repairs - garage / carport	53,977		53,977
Common area maintenance	40,587		40,587
Pool maintenance & repairs	29,731		29,731
Management fees - contract	27,434		27,434
Utilities expense	11,134		11,134
Repairs - exterior	7,315		7,315
Porter service	6,047		6,047
Repairs - foundation	5,440		5,440
Repairs - clubhouse	5,296		5,296
Repairs - fence / gate / walls	4,889		4,889
Bad debt expense	3,980		3,980
Office supplies & admin. costs	3,976		3,976
Legal & professional fees	3,885		3,885
Insurance expense	3,689		3,689
Repairs - irrigation	2,685		2,685
Repairs - roofs	2,354		2,354
Repairs - plumbing	1,687		1,687
Cable / telephone expense	1,201		1,201
Pest control	487		487
Repairs - other	210		210
Taxes - real property	21		21
TOTAL OPERATING EXPENSES	275,919	-	275,919
EXCESS REVENUES / (EXPENSES)	$ 54,099	$ 18,666	$ 72,765
BEGINNING FUND BALANCE / (DEFICIT)	54,480	140,376	194,856
INTER-FUND TRANSFERS	(70,000)	70,000	-
ENDING FUND BALANCE / (DEFICIT)	$ 38,579	$ 229,042	$ 267,621

See the accompanying Independent Auditors' Report
and the Footnotes to the Financial Statements.

NORTHCREST HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	OPERATING FUND	REPLACEMENT FUND	TOTAL
CASH FLOW FROM OPERATING ACTIVITIES:			
Excess revenues/ (expenses)	$ 54,099	$ 18,666	$ 72,765
Add: Depreciation	-	-	-
Decrease / (Increase) in:			
Accounts receivable	4,085	-	4,085
Prepaid expenses	36	-	36
Increase / (Decrease) in:			
Accounts payable	3,506	-	3,506
Prepaid assessments	2,024	-	2,024
Miscellaneous payable	(50)	-	(50)
NET CASH PROVIDED/ (USED) BY OPERATIONS	63,700	18,666	82,366
CASH FLOW FROM FINANCING ACTIVITIES:			
Increase / (Decrease) in:			
Inter-fund transfers	(70,000)	70,000	-
NET CASH PROVIDED/ (USED) BY FINANCING	(70,000)	70,000	-
NET INCREASE/ (DECREASE) IN CASH	(6,300)	88,666	82,366
CASH BALANCE, BEGINNING OF YEAR	49,045	140,376	189,421
CASH BALANCE, END OF YEAR	$ 42,745	$ 229,042	$ 271,787

	OPERATING FUND	REPLACEMENT FUND	TOTAL
SUPPLEMENTAL DISCLOSURE:			
Cash paid during the year for:			
Federal Income Tax	$ -	$ -	$ -
Interest Expense	$ -	$ -	$ -

See the accompanying Independent Auditors' Report
and the Footnotes to the Financial Statements.

NORTHCREST HOMEOWNERS ASSOCIATION, INC.
FOOTNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

FOOTNOTE 1: Northcrest Homeowners Association, Inc. is a Texas non-profit corporation incorporated May 3, 1972. The purpose of the Association is to operate and maintain the Northcrest homeowners project. The project consists of 155 townhomes and associated common elements located in Carrollton, Texas.

FOOTNOTE 2: In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 1, 2022, the date that the financial statements were available to be issued.

FOOTNOTE 3: The books and records for the Northcrest Homeowners Association, Inc. are maintained on the accrual basis of accounting.

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

OPERATING FUND: This fund is used to account for financial resources available for the general operations of the Association.

REPLACEMENT FUND: This fund is used to accumulate financial resources designated for future major repairs and replacements.

CASH AND CASH EQUIVALENTS: For the purposes of these financial statements, cash and cash equivalents are deemed to be cash in bank checking, savings and money market accounts and time deposits with a maturity date of ninety days or less.

REVENUES: Revenues are accrued each month as the member assessments become due. Both the rate for members' assessments and the amount of any special assessments due are determined by the vote of the Board of Directors.

(Intentionally Blank)

See the accompanying Independent Auditors' Report.

FOOTNOTE 3: (CONTINUED):

EXPENDITURES: Expenses are recognized when incurred, rather than when paid. Unbudgeted, non-emergency expenditures exceeding $ 500 must be approved by the President, Treasurer, or other member of the Board. All large expenditures, projects and services are contracted using competitive bidding policies. The Board of Directors has the final approval on all contracts.

REPLACEMENT FUND ASSESSMENT REVENUES: The Association has applied ASC 605 revenue recognition whereby “rules based” specific guidance was defined for CIRAs rather than ASC 606 which provides “principles based” broad standards that do not include specific guidance for CIRAs. Furthermore, Replacement Fund Assessments cannot apply the following four tests required under ASC 606: (1.) Assessments are not related to a “customer or customers” (2.) Assessments do not have a performance obligation (3.) There is no transaction price for replacement expenses (4.) Cannot allocate Assessments to a future performance obligation. As a result, we do not believe that the application of ASC 606 would fairly present the financial position to the CIRA financial readers.

ACCOUNTS RECEIVABLE: Monthly maintenance assessments from the homeowners are accrued each month as they become due to the Association. The Association has a lien right against each unit until all dues or assessments are paid, such liens being subordinate to governmental and mortgage liens and legal fees associated with foreclosure proceedings. Any excess assessments at year end are retained by the Association for use in the succeeding year.

ALLOWANCE FOR DOUBTFUL ACCOUNTS: The allowance for doubtful accounts has been determined by the Association based on historical losses and by estimates based on current economic conditions. At December 31, 2020, the allowance for doubtful accounts of $ 24,700 represents approximately 60 % of the total accounts receivable and 76 % of the outstanding amounts in excess of ninety days old.

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. The Association capitalizes personal property, if any, at cost and depreciates it using the straight-line method, over the applicable useful lives.

FOOTNOTE 3: (CONTINUED):

FEDERAL INCOME TAX: The Association must make an annual election to file its Federal Income Tax return either under the provisions of the Internal Revenue code dealing specifically with Homeowners Associations (Section 528) or (Section 277 Sub-Chapter A), dealing with corporations in general. Section 528 would impose a tax rate of 30 % to the extent of the Association's non-exempt function net income, primarily vending, rental and interest income. Alternatively, Section 277 Sub-Chapter A imposes a tax rate of 21 % on the Association's overall net income, if any.

As a result of the Association's operations for the year ended December 31, 2020, the Association has elected to file under Section 528. Income tax for the year was $ -0-.

Currently, the open tax years available to audit by the IRS are 2018, 2019 and 2020. However, the Association has not been notified that any of these tax return years have been selected for audit by the IRS.

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.

FOOTNOTE 4: COMMITMENTS: The Association enters into various contracts for management and accounting, lawn maintenance, and other services. These contracts are generally for a term of one year and may generally be canceled by either party giving 30 days' notice.

(Intentionally Blank)

FOOTNOTE 5: FAIR VALUE: The Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements), moderate priority to a valuation based on quoted prices in active markets for similar assets and liabilities and/or based on assumptions that are observable (level 2 measurements), and the lowest priority to unobservable inputs (level 3 measurements).

The carrying amounts reflected in the December 31, 2020 balance sheet for cash and cash equivalents approximate the respective fair values. All cash and cash equivalents, including money market accounts, are held in banks. The Association currently has no money market accounts with non-federally insured institutions.

FOOTNOTE 6: REPLACEMENT FUND: The Association has not conducted a study to determine the amount of future major repairs and replacements. The Association's governing documents generally provide for the levying for special assessments or the increasing of regular assessments when major repairs and replacements are needed. The Board of Directors, however, has chosen to establish a replacement fund and to accumulate funds for the estimated costs of future major repairs and replacements. For the year ended December 31, 2020, the Association added approximately $ 18,151, before earnings of $ 515 to the replacement fund. Accumulated funds, which aggregate approximately $ 229,042 at December 31, 2020, are held in separate accounts and are generally not available for operating purposes.

If cash amounts are not sufficient to fund future major repairs and replacements, the Association may levy special assessments or increase regular assessments. Additionally, the Association may postpone needed repairs until funds are available.

(Intentionally Blank)