

**THE COUNCIL OF UNIT OWNERS OF
ROCKLAND RUN CONDOMINIUM, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**Year Ended
December 31, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Council of Unit Owners of Rockland Run Condominium, Inc.

Opinion

We have audited the accompanying financial statements of The Council of Unit Owners of Rockland Run Condominium, Inc., which comprise the balance sheet as of December 31, 2022, 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 The Council of Unit Owners of Rockland Run Condominium, Inc. as of December 31, 2022, 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 The Council of Unit Owners of Rockland Run Condominium, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Council of Unit Owners of Rockland Run Condominium, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Council of Unit Owners of Rockland Run Condominium, 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 The Council of Unit Owners of Rockland Run Condominium, 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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information presented on page 12 is for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements on pages 10 and 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquires, 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.

A handwritten signature in black ink, appearing to be 'M. J. ...', is written over the printed text of the signature block.

Bel Air, Maryland
January 22, 2025

THE COUNCIL OF UNIT OWNERS OF ROCKLAND RUN CONDOMINIUM, INC.
BALANCE SHEET
DECEMBER 31, 2022

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS			
Cash-including interest bearing accounts	\$ 3,451	\$ 30,054	\$ 33,505
Assessments receivable (less allowance for doubtful accounts of \$204,105)	<u>53,886</u>	<u>-</u>	<u>53,886</u>
TOTAL ASSETS	<u><u>\$ 57,337</u></u>	<u><u>\$ 30,054</u></u>	<u><u>\$ 87,391</u></u>
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 78,129	\$ -	\$ 78,129
Assessments received in advance	<u>63,588</u>	<u>-</u>	<u>63,588</u>
TOTAL LIABILITIES	141,717	-	141,717
Fund Balances (Deficit)	<u>(84,380)</u>	<u>30,054</u>	<u>(54,326)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 57,337</u></u>	<u><u>\$ 30,054</u></u>	<u><u>\$ 87,391</u></u>

The accompanying notes are an integral part of these financial statements.

**THE COUNCIL OF UNIT OWNERS OF ROCKLAND RUN CONDOMINIUM, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2022**

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
REVENUES			
Assessments	\$ 795,590	\$ -	\$ 795,590
Other income	15,102	-	15,102
Recovery of bad debts	1,855	-	1,855
	<u>812,547</u>	<u>-</u>	<u>812,547</u>
EXPENSES			
Operating	818,621	-	818,621
Capital expenditures	-	71,972	71,972
	<u>818,621</u>	<u>71,972</u>	<u>890,593</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	(6,074)	(71,972)	(78,046)
BEGINNING FUND BALANCES (DEFICIT)	(63,303)	87,023	23,720
Replacement fund contributions	<u>(15,003)</u>	<u>15,003</u>	<u>-</u>
ENDING FUND BALANCES (DEFICIT)	<u>\$ (84,380)</u>	<u>\$ 30,054</u>	<u>\$ (54,326)</u>

The accompanying notes are an integral part of these financial statements.

THE COUNCIL OF UNIT OWNERS OF ROCKLAND RUN CONDOMINIUM, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over (under) expenses	\$ (6,074)	\$ (71,972)	\$ (78,046)
Adjustments to reconcile excess (deficiency) of revenues over (under) expenses to net cash provided (utilized) by operating activities			
(Increase) decrease in:			
Assessments receivable (net)	(14,600)	-	(14,600)
Prepaid insurance	2,653	-	2,653
Increase (decrease) in:			
Accounts payable	(22,331)	-	(22,331)
Assessments received in advance	5,337	-	5,337
NET CASH PROVIDED (UTILIZED) BY OPERATING ACTIVITIES	<u>(35,015)</u>	<u>(71,972)</u>	<u>(106,987)</u>
CASH AT BEGINNING OF YEAR	53,469	87,023	140,492
Replacement fund contributions	<u>(15,003)</u>	<u>15,003</u>	<u>-</u>
CASH AT END OF YEAR	<u>\$ 3,451</u>	<u>\$ 30,054</u>	<u>\$ 33,505</u>
Supplemental Disclosures			
Cash paid during the year for:			
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

THE COUNCIL OF UNIT OWNERS OF ROCKLAND RUN CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

NATURE OF ORGANIZATION

The Council of Unit Owners of Rockland Run Condominium, Inc. was organized in the State of Maryland. The Association is responsible for the operation and maintenance of the common property within the development. The development is located in Baltimore, Maryland. The development consists of 241 residential units. The property manager for the year ended December 31, 2022 was Metropolis Condominium Management.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Fund Accounting

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

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

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized when assessments are due. Any amounts received in advance of the due date are deferred until due. Any excess assessments at year end are retained by the Association for use in the succeeding year.

The Financial Accounting Standards Board issued Accounting Standards Code 606 requiring the deferral of the recognition of income until the services are rendered. The Association has determined ASC 606 does not apply to the Association as no customer relationship exists as it is defined by the Code. The Association does not defer the recognition of any portion of revenue as a Contract Liability.

Interest Income

Interest income is allocated to the operating and replacement fund in proportion to the interest-bearing deposits of each fund.

THE COUNCIL OF UNIT OWNERS OF ROCKLAND RUN CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the 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 contingencies 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.

Cash Equivalents

For purposes of reporting cash flow, cash and cash equivalents include money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less.

Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2022, the Association elected to be taxed as homeowners' association. Under that election, the Association is taxed on its nonexempt function income, such as interest income and investment earnings, less expenses specifically allocated to non-exempt income at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable. Income tax expense for year ended December 31, 2022 was \$0.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the year ended December 31, 2022, the Association incurred no penalties and interest related to income taxes. Management has determined that the Association does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Tax returns are subject to examination by the Internal Revenue Service for three years after they are filed.

Recognition of Assets

Real and personal common property acquired by the original owners from the developer is not recognized on the Association's financial statements because it is commonly owned by individual owners and its disposition by the Association is restricted.

Replacements and improvements to common property are not recognized as assets (but are expensed) because their disposition is restricted.

**THE COUNCIL OF UNIT OWNERS OF ROCKLAND RUN CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

CASH

The Association's cash at December 31, 2022 consists of the following:

Designated by homeowners for future repairs and replacements:

Truist Bank – money market	\$ 30,054
Sub-Total	30,054

Undesignated:

Pacific Western Bank – checking	2,585
National Cooperative Bank – checking	866
Sub-Total	3,451
Total Cash	\$ 33,505

ASSESSMENTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Assessments receivables represent the amounts owed to the Association by various homeowners and as of December 31, 2022, the amount owed is \$257,991. The reserve for doubtful accounts is \$204,105 as of December 31, 2022 and is based on a specific uncollectability rate of all account balances over 90 days past due.

ACCOUNTS PAYABLE

At December 31, 2022, the Association reflected an accounts payable balance of \$78,129. The accounts payable consists of the following:

Repairs and maintenance	\$ 60,090
Insurance	5,325
Utilities	3,762
Administrative	3,033
Trash removal	2,478
Accounting fees	2,410
Other costs	1,031
Total accounts payable	\$ 78,129

**THE COUNCIL OF UNIT OWNERS OF ROCKLAND RUN CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**

ASSESSMENTS RECEIVED IN ADVANCE

At December 31, 2022, assessments received in advance were \$63,588. This amount represents subsequent year homeowner assessments paid prior to December 31, 2022.

FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which include \$30,054 of cash equivalents at December 31, 2022, are held in separate accounts and are generally not available for operating purposes. Expenditures for major repairs and replacements for the year ended December 31, 2022 were \$71,972, which represents roofing improvements. Contributions to the replacement fund for the year ended December 31, 2022 were \$15,003.

The Association's Board of Directors engaged an independent engineering firm to conduct a study which was finalized in August 2019 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the end of their useful lives.

The following information is based on the study and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Replacement Cost (2019 Dollars)</u>
Building exteriors	1 to 11	\$ 2,117,330
Site components	1 to 20	490,269
Recreation	1 to 36	442,092
Building interiors	1 to 14	406,856
Pool house building	1 to 17	<u>28,274</u>
Total		<u>\$ 3,484,821</u>

Per the independent study, the recommended replacement reserve balance as of December 31, 2022 is \$258,965. The Association's replacement reserve balance as of December 31, 2022 was \$30,054, which is \$228,911 below the recommended levels.

THE COUNCIL OF UNIT OWNERS OF ROCKLAND RUN CONDOMINIUM, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

FUTURE MAJOR REPAIRS AND REPLACEMENTS (CONTINUED)

For the year ended December 31, 2022, the reserve study recommended replacement contributions to be \$398,152. For the year ended December 31, 2023, the reserve study recommends replacement contributions of \$398,152.

OPERATING FUND BALANCE DEFICIT

At December 31, 2022, the operating fund balance deficit was \$84,380. During the year ended December 31, 2022, the operating fund reflected expenditures in excess of revenues of \$21,077 after replacement fund contributions, which resulted in an operating fund balance deficit of \$84,380.

SUBSEQUENT EVENTS

Subsequent events were evaluated through January 22, 2025, which is the date the financial statements were available to be issued. As of January 22, 2025, no subsequent events were reported.

SUPPLEMENTARY INFORMATION

THE COUNCIL OF UNIT OWNERS OF ROCKLAND RUN CONDOMINIUM, INC.
SCHEDULE OF OPERATING AND REPLACEMENT FUND REVENUES AND EXPENSES-
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2022

	(compiled) Budget	Actual	(compiled) Variance
Revenues:			
Assessments	\$ 795,590	\$ 795,590	\$ -
Other income	12,600	15,102	2,502
Recovery of bad debts	-	1,855	1,855
	<u>808,190</u>	<u>812,547</u>	<u>4,357</u>
Total revenues			
Expenses:			
Accounting fees	1,900	5,470	(3,570)
Administrative expenses	19,990	6,185	13,805
Bad debt expense	1,000	-	1,000
Cleaning and janitorial	38,000	32,740	5,260
Grounds and lawn maintenance	56,000	82,479	(26,479)
Insurance	81,193	101,064	(19,871)
Management fees	51,582	51,563	19
Legal fees and collections	8,000	6,904	1,096
Pool expenses	36,200	40,379	(4,179)
Repairs and maintenance	263,600	318,329	(54,729)
Trash removal	28,125	38,929	(10,804)
Utilities	142,500	134,579	7,921
	<u>728,090</u>	<u>818,621</u>	<u>(90,531)</u>
Total expenses			
Excess (deficiency) of operating fund revenues over (under) operating fund expenses	80,100	(6,074)	(86,174)
Replacement fund contributions	<u>(80,100)</u>	<u>(74,129)</u>	<u>(5,971)</u>
Excess (deficiency) of operating fund revenues over (under) operating fund expenses after replacement fund contributions	<u>\$ -</u>	<u>\$ (80,203)</u>	<u>\$ (92,145)</u>
Additional Disclosures:			
Replacement fund activity			
Interest income	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital expenditures	<u>\$ -</u>	<u>\$ 71,972</u>	<u>\$ (71,972)</u>