

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
TRURO HOMES ASSOCIATION  
Year ended December 31, 2023

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# **Strauss & Associates, P.A.**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Truro Homes Association

### **Opinion**

We have audited the accompanying financial statements of Truro Homes Association, which comprise the balance sheet as of December 31, 2023, and the related statements of revenues and expenses, changes in members' equity, 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 Truro Homes Association 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 Truro Homes Association 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 Truro Homes Association'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 Truro Homes Association'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 Truro Homes Association'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 basic financial statements as a whole. The supplementary information of the Schedule of Operating Revenues and Expenses by Class on page 15 is presented for purposes of additional analysis and are not a required part of the basic 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.

## **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 16 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.

*Struss & Associates, P.A.*

December 31, 2024  
Owings Mills, Maryland

TRURO HOMES ASSOCIATION

BALANCE SHEET

December 31, 2023

ASSETS

CURRENT ASSETS

Cash	\$	456,873
Accounts receivable		2,456
Prepaid expenses		<u>47,069</u>
Total current assets	\$	<u>506,398</u>

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$	<u>15,391</u>
Total current liabilities		15,391

MEMBERS' EQUITY

Operating		58,634
Replacement reserves		<u>432,373</u>
Total members' equity		<u>491,007</u>

Total liabilities and members' equity	\$	<u>506,398</u>
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See accompanying notes to financial statements.

TRURO HOMES ASSOCIATION  
STATEMENT OF REVENUES AND EXPENSES

Year ended December 31, 2023

REVENUES

Assessments	\$ 389,786
Late fee income	830
Clubhouse income	11,942
Rental income	8,256
Swim team income	37,631
Dive team income	11,898
Interest income	7,175
Other income	<u>6,315</u>
	<u>473,833</u>

EXPENSES

Administrative	15,388
Dive team expenses	14,925
Electricity	6,048
Gas	1,463
Grounds	72,005
Insurance	23,949
Internet service	1,027
Pool expenses	117,968
Professional fees	31,048
Repairs and maintenance	29,891
Social	111
Swim team expenses	32,732
Taxes - other	802
Telephone	1,186
Trash removal	6,154
Water and sewer	<u>2,526</u>
	<u>357,223</u>

EXCESS OF REVENUES OVER EXPENSES  
BEFORE CONTRIBUTION TO RESERVES

116,610

CONTRIBUTION TO RESERVES

(109,175)

EXCESS OF REVENUES  
OVER EXPENSES

\$ 7,435

See accompanying notes to financial statements.

TRURO HOMES ASSOCIATION  
STATEMENT OF CHANGES IN MEMBERS' EQUITY

Year ended December 31, 2023

	Operating	Replacement Reserves	Total
MEMBERS' EQUITY			
- beginning of year	\$ 51,199	\$ 361,002	\$ 412,201
Additions			
Contribution to reserves	-	109,175	109,175
Excess of revenues over expenses	7,435	-	7,435
Deductions			
Capital improvements	-	(29,000)	(29,000)
Painting	-	(7,294)	(7,294)
Repairs and maintenance	-	(1,510)	(1,510)
MEMBERS' EQUITY			
- end of year	<u>\$ 58,634</u>	<u>\$ 432,373</u>	<u>\$ 491,007</u>

See accompanying notes to financial statements.



TRURO HOMES ASSOCIATION

STATEMENT OF CASH FLOWS

Year ended December 31, 2023

CASH FLOWS FROM OPERATING  
ACTIVITIES

Excess of revenues over expenses	\$ 7,435
Adjustments to reconcile excess of revenues over expenses to net cash used by operating activities:	
(Increase) decrease in:	
Accounts receivable	(2,458)
Prepaid expenses	(33,416)
Increase (decrease) in:	
Accounts payable	<u>4,561</u>

NET CASH USED  
BY OPERATING ACTIVITIES (23,878)

CASH FLOWS FROM INVESTING  
ACTIVITIES

Replacement reserve contributions	109,175
Replacement reserve expenditures	<u>(37,804)</u>

NET CASH PROVIDED  
BY INVESTING ACTIVITIES 71,371

NET INCREASE IN CASH 47,493

CASH AT BEGINNING OF YEAR 409,380

CASH AT END OF YEAR \$ 456,873

SUMMARY OF CASH ACCOUNTS

Operating	\$ 205,719
Replacement reserves	<u>251,154</u>
Total cash	<u><u>\$ 456,873</u></u>

SUPPLEMENTAL DISCLOSURE

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

TRURO HOMES ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE A - ORGANIZATION, PURPOSE, AND MANAGEMENT

Truro Homes Association, a non-stock corporation incorporated in the State of Virginia in May 1968, 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 Annandale, Virginia, is comprised of 377 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 December 31, 2024, 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 reserves 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 reserves fund is used to accumulate financial resources designated for future major repairs and replacements.

TRURO HOMES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Income taxes

The Internal Revenue Service has approved the Association's application to be recognized as a tax-exempt organization under section 501(c)(4) of the Internal Revenue Code. Accordingly, no income tax provision has been established for the year ended December 31, 2023.

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 Virginia 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 reserves fund assessments are also satisfied over time on a pro-rata basis using the input method. 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.

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. There were no assessments receivable as of the beginning and end of the year.

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.

TRURO HOMES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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>
PNC Bank	Checking	\$ 23,069
TD Bank	Checking	182,650
PNC Bank	Money Market	10,287
Capital One Bank	Savings	<u>240,867</u>
		<u>\$ 456,873</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.

The Association levied assessments of \$102,000 during the year ended December 31, 2023, for estimated future major repairs and replacements. The reserve study recommends \$87,436 of contributions for the year ended December 31, 2023.

TRURO HOMES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2023

NOTE E - FUTURE MAJOR REPAIRS AND REPLACEMENTS - CONTINUED

An outside consulting firm conducted a study in April 2019 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 reserves fund. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement reserves fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE F – RELATED PARTY TRANSACTIONS

The Treasurer of the Association provides professional services for the Association. In 2023, the Association incurred \$3,675 of expenses for these services.

Additionally, a unit owner of the Association provides recordkeeping services for the Association. In 2023, the Association incurred \$7,434 of expenses for these services.

NOTE G – MEMBERSHIP CERTIFICATES

Those who wish to use the Clubhouse must purchase a membership certificate as well as pay an annual fee. The price of the certificate and the annual fee are determined by the Board. As per the governing documents, the Association is not obligated to buy back a certificate which is no longer needed or wanted. Proceeds from sales of membership certificates are recognized as income in the period received. As of December 31, 2023, there were 392 outstanding membership certificates, and an additional 8 certificates are owned by the Association. As of December 31, 2023, the price of a membership certificate is \$650 and the annual fee is \$626.

SUPPLEMENTARY INFORMATION

TRURO HOMES ASSOCIATION

SCHEDULE OF OPERATING REVENUES AND EXPENSES BY CLASS

Year ended December 31, 2023

	Dive Team	Swim Team	Truro Community Center	Truro Homes Association	Total
<b>REVENUES</b>					
Assessments	\$ -	\$ -	\$ 181,195	\$ 106,591	\$ 287,786
Late fee income	-	-	610	220	830
Clubhouse income	-	-	11,942	-	11,942
Rental income	-	-	8,256	-	8,256
Swim team income	-	37,631	-	-	37,631
Dive team income	11,898	-	-	-	11,898
Other income	-	-	1,150	5,165	6,315
	<u>11,898</u>	<u>37,631</u>	<u>203,153</u>	<u>111,976</u>	<u>364,658</u>
<b>EXPENSES</b>					
Administrative	-	-	7,368	3,496	10,864
Dive team expenses	10,425	-	4,500	-	14,925
Electricity	-	-	6,048	-	6,048
Gas	-	-	1,463	-	1,463
Grounds	-	-	31,672	40,333	72,005
Insurance	-	-	5,893	18,057	23,950
Internet service	-	-	1,027	-	1,027
Pool expenses	-	-	109,567	3,717	113,284
Professional fees	-	-	7,397	23,650	31,047
Repairs and maintenance	-	-	36,430	73	36,503
Social	-	-	111	-	111
Swim team expenses	-	34,391	-	805	35,196
Taxes - other	-	-	760	43	803
Telephone	-	-	1,186	-	1,186
Tennis	-	-	130	-	130
Trash removal	-	-	6,155	-	6,155
Water and sewer	-	-	2,526	-	2,526
	<u>10,425</u>	<u>34,391</u>	<u>222,233</u>	<u>90,174</u>	<u>357,223</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<u>\$ 1,473</u>	<u>\$ 3,240</u>	<u>\$ (19,080)</u>	<u>\$ 21,802</u>	<u>\$ 7,435</u>

TRURO HOMES ASSOCIATION

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND  
REPLACEMENTS

December 31, 2023

(Unaudited)

An outside consulting firm conducted a study in April 2019 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. 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>
Site improvements	0-23	\$ 659,968
Community building exterior	0-19	173,848
Community building interior	0-22	132,945
Building systems	1-25	51,850
Swimming pool	0-29	<u>657,852</u>
TOTAL		<u>\$ 1,676,463</u>