Goldklang, Cavanaugh & Associates, P.C.
Certified Public Accountants

Principals	MEMBERS OF	Managers
Howard A. Goldklang, CPA, MBA	American Institute of CPAs	Jamie L. Brodnax, CPA
Kevin D. Cavanaugh, CPA	Virginia Society of CPAs	Allison A. Day, CPA
Donald E. Harris, CPA	Greater Washington Society of CPAs	Jeremy W. Powell, CPA
Anne M. Sheehan, CPA	Maryland Society of CPAs	Renee L. Watson, CPA
S. Gail Moore, CPA	Texas Society of CPAs	

Independent Auditor's Report

Board of Directors
Lafayette Village Community Association, Inc.
Annandale, Virginia

We have audited the accompanying Balance Sheet of Lafayette Village Community Association, Inc. as of December 31, 2008, and the related Statements of Income, Members' Equity, and Cash Flows for the year then ended. These financial statements are the responsibility of the Association. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Association, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lafayette Village Community Association, Inc. as of December 31, 2008, 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.

Lafayette Village Community Association, Inc. raises funds for its operations and major repairs and replacement through assessment of its members. As of December 31, 2008, the Association had an Assessments Receivable balance of $32,638 (before an allowance for bad debt of $23,294). It is uncertain whether the receivables are actually collectible as of this report date. The inability to collect owner assessments impacts adversely on the Association's viability. In order for the association to maintain financial stability and to operate effectively, it must raise and be able to collect sufficient funds from its members to meet its operational and replacement reserve needs.

Maryland	Virginia and Administrative Office	Texas
1700 Rockville Pike, Suite 400	1801 Robert Fulton Drive, Suite 200	777 Lonesome Dove Trail, Suite B
Rockville, Maryland 20852	Reston, Virginia 20191	Hurst, Texas 76054
Phone (301) 998-6581	Phone (703) 391-9003	Phone (800) 934-7006
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	www.gcacpas.com	

The supplementary information on future major repairs and replacements on page 10 is not a required part of the basic financial statements of Lafayette Village Community Association, Inc., but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Goldklang, Cavanaugh & Associates, P.C.

August 31, 2009

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2008

ASSETS

Cash and Cash Equivalents	$ 163,335
Interest-Bearing Deposits	223,653
Assessments Receivable - Net	9,344
Accounts Receivable - Other	8,400
Income Taxes Receivable	1,532
Accrued Interest	521
Prepaid Expenses	1,047
Total Assets	$ 407,832

LIABILITIES AND MEMBERS' EQUITY

Accounts Payable	$ 3,115
Prepaid Assessments	39,704
Total Liabilities	$ 42,819
Replacement Reserves	$ 285,423
Unappropriated Members' Equity	79,590
Total Members' Equity	$ 365,013
Total Liabilities and Members' Equity	$ 407,832

See Accompanying Notes to Financial Statements

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2008

INCOME:	
Assessments	$ 364,392
Late Fees	2,060
Interest	8,314
Other	289
Total Income	$ 375,055
EXPENSES:	
Management	$ 38,488
Legal, Audit and Tax Preparation	10,263
Reserve Study	3,100
Engineering	6,700
Insurance	4,192
Recording Secretary	2,310
Administrative	6,772
Electricity - Security Lights	3,245
Pool Operations	40,514
Grounds Maintenance	70,678
Landscaping and Tree Service	32,402
Trash Removal	66,581
Snow Removal	1,855
Erosion Control/Retaining Wall	16,319
Mailboxes	4,858
Street Light Installation	11,055
Bad Debt	20,771
Income Taxes	1,168
Total Expenses	$ 341,271
Net Income before Contribution to Reserves	$ 33,784
Contribution to Reserves	(44,098)
Net Income (Loss)	$ (10,314)

See Accompanying Notes to Financial Statements

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
STATEMENT OF MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008

	Replacement Reserves	Unappropriated Members' Equity	Total Members' Equity
Balance as of December 31, 2007	$ 251,425	$ 89,904	$ 341,329
Addition:			
Contribution to Reserves	44,098		44,098
Deductions:			
Poolhouse	(3,700)		(3,700)
Drainage	(6,400)		(6,400)
Net Loss		(10,314)	(10,314)
Balance as of December 31, 2008	$ 285,423	$ 79,590	$ 365,013

See Accompanying Notes to Financial Statements

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income (Loss)	$ (10,314)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:	
Decrease (Increase) in:	
Assessments Receivable - Net	15,421
Accounts Receivable - Other	(8,400)
Income Taxes Receivable	(1,466)
Accrued Interest	202
Prepaid Expenses	1,364
Increase (Decrease) in:	
Accounts Payable	2,064
Income Taxes Payable	(91)
Prepaid Assessments	13,916
Net Cash Flows from Operating Activities	$ 12,696

CASH FLOWS FROM INVESTING ACTIVITIES:

Received from Assessments (Reserves)	$ 44,098
Disbursed for Reserve Expenditures	(10,100)
Disbursed for Interest-Bearing Deposits	(7,781)
Net Cash Flows from Investing Activities	$ 26,217
Net Change in Cash and Cash Equivalents	$ 38,913
Cash and Cash Equivalents at Beginning of Year	124,422
Cash and Cash Equivalents at End of Year	$ 163,335

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash Paid for Income Taxes	$ 2,791

See Accompanying Notes to Financial Statements

NOTE 1 - NATURE OF OPERATIONS:

The Association is organized under the laws of the Commonwealth of Virginia for the purposes of maintaining and preserving the common property of the Association. The Association is located in Annandale, Virginia and consists of 21 single-family homes and 294 townhomes. The Board of Directors administers the operations of the Association.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

A) Method of Accounting - The financial statements are presented on the accrual method of accounting in which revenues are recognized when earned and expenses recognized when incurred, not necessarily when received or paid.

B) Member Assessments - Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from homeowners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years. The Association utilizes the allowance method of accounting for bad debt.

C) Common Property - Common real property and common areas acquired from the declarant and related improvements to such property are not recorded in the Association's financial statements since the property cannot be disposed of at the discretion of the Board of Directors. Common property includes, but is not limited to, the land, recreational facilities and site improvements.

D) Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities. They also affect the 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.

E) Cash Equivalents - For purposes of the statement of cash flows, the Association considers all highly liquid investments and interest-bearing deposits with an original maturity date of three months or less to be cash equivalents.

NOTE 3 - REPLACEMENT RESERVES:

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are generally not available for expenditures for normal operations.

NOTE 3 - REPLACEMENT RESERVES: (CONTINUED)

The Association had a replacement reserve study conducted by Miller-Dodson Associates, Inc. during 2008. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on this study. The study recommends an annual contribution to reserves of $57,197 beginning in 2009. During 2008, the Association budgeted to contribute $44,098 to reserves.

Funds are being accumulated in replacement reserves based on estimates by management. Actual expenditures may vary from the estimated future expenditures and the variations may be material; therefore, amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

As of December 31, 2008, the Association had designated $285,423 for replacement reserves. These designated reserves were funded by cash and interest-bearing deposits.

NOTE 4 - INCOME TAXES:

For income tax purposes, the Association may elect annually to file either as an exempt homeowners association or as an association taxable as a corporation. As an exempt homeowners association, the Association's net assessment income would be exempt from income tax, but its interest would be taxed. Electing to file as a corporation, the Association is taxed on its net income from all sources (to the extent not capitalized or deferred) at normal corporate rates after corporate exemption, subject to the limitation that operating expenses are deductible only to the extent of income from members. For 2008, the Association's income taxes were calculated using the corporate method.

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of December 31, 2008, the Association maintained its funds in the following manner:

Institution	Type Account	Cash and Cash Equivalents	Interest-Bearing Deposits	Total
Mutual of Omaha	Checking	$ 8	$ -	$ 8
RBC Bank	Checking	124,282		124,282
Mutual of Omaha	Money Market	28,992		28,992
Mutual of Omaha	Certificates of Deposit (3)	10,053	72,813	82,866
SonaBank	Certificate of Deposit		36,876	36,876
CapitalOne	Certificate of Deposit		70,305	70,305
Cardinal Bank	Certificate of Deposit		43,659	43,659
	Totals	$ 163,335	$ 223,653	$ 386,988

NOTE 6 - ASSESSMENTS RECEIVABLE - NET:

The Association utilizes the allowance method of accounting for bad debt. Individual receivables are written off as a loss when a determination is made that they are non-collectible. Under the allowance method, collection efforts may continue and recoveries of amounts previously written off are recognized as income in the year of collection.

Assessments Receivable	$ 32,638
Less: Allowance for Doubtful Assessments	(23,294)
Assessments Receivable - Net	$ 9,344

NOTE 7 - MANAGEMENT SERVICES:

During 2008, the Association changed management agents. Effective January 1, 2008, Klingbeil, Powell & Alrutz, Inc. became the new managing agent. In addition, Klingbeil, Powell & Alrutz, Inc. and Diversified Property Services, Inc. (DPS) share common ownership interests. During 2008, the Association paid DPS $955 for repair and maintenance services. No amounts were owed to DPS at year end.

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2008
(UNAUDITED)

The Association had a replacement reserve study conducted by Miller-Dodson Associates, Inc. during 2008 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 replacement costs do not take into account the effects of inflation between the date of the study and the date the components will require repair or replacement.

The following has been extracted from the Association's replacement reserve study and presents significant information about the components of common property.

Component	2008 Estimated Remaining Useful Life (Years)	2008 Estimated Replacement Cost
Concrete Sidewalk	0-54	$ 134,250
Concrete Curb & Gutter	3-57	262,400
Concrete Pool Deck	0-20	59,850
Wood Retaining Wall	8	5,120
Trash Receptacles	16	1,100
Carved Wood Signage	1-10	3,920
Pavement	0-17	345,524
Pool Building Exteriors	1-46	19,493
Pool Building Interiors	4-11	27,650
Swimming Pool Structures	2-27	441,803
Swimming Pool Furniture	0-9	19,500
Tot Lot and Courts	0-26	58,000

Lafayette Village Community Association, Inc.

Date *August 31, 2009*

GOLDKLANG, CAVANAUGH & ASSOCIATES, P.C.
1801 Robert Fulton Drive, Suite 200
Reston, Virginia 20191

Dear Auditors:

We are providing this letter in connection with your audit of the financial statements of **Lafayette Village Community Association, Inc.** as of **December 31, 2008**, and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, and results of operations and cash flows, in conformity with accounting principles generally accepted in the United States of America. You were previously provided with a representation letter dated **July 12, 2009**. No information has come to our attention that would cause us to believe that any of those previous representations should be modified.

No events have occurred subsequent to December 31, 2008 and through the date of this letter that would require adjustment to or disclosure in the financial statements.

Management Representative:

D Tschirhart, Agent *D. Tschirhart, Agent*
Signature Printed Name

Representation Letter
This letter needs to be signed by the Board President or Treasurer and management representative, if applicable, and returned to our office within 60 days.

Lafayette Village Community Association, Inc.

Date JULY 12, 2009

GOLDKLANG, CAVANAUGH & ASSOCIATES, P.C.
1801 Robert Fulton Drive, Suite 200
Reston, Virginia 20191

3591

Dear Auditors:

We are providing this letter in connection with your audit of the financial statements of **Lafayette Village Community Association, Inc.** as of **December 31, 2008**, and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, and results of operations and cash flows, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

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

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.

2. We have made available to you all –
   A) Financial records and related data.
   B) Minutes of meetings of the Board of Directors.

3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

4. There are no material transactions that have not been properly recorded in accounting records underlying the financial statements.

5. We are in agreement with the adjusting journal entries you have recommended, and they have been posted to the Association's accounts, if appropriate.

6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

7. We have no knowledge of any fraud or suspected fraud affecting the Association involving:
   A) management,
   B) employees who have significant roles in internal control, or
   C) others where the fraud could have a material effect on the financial statements.

8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Association received in communications from employees, former employees, owners, regulators, or others.

9. The Association has no undisclosed plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

10. The following have been properly recorded or disclosed in the financial statements –
    A) Related party transactions and related accounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangement, and guarantees.
    B) Guarantees, whether written or oral, under which the Association is contingently liable.

11. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Association vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements. We understand that concentrations include individual or group concentrations of sources of labor, services, suppliers or lenders. We further understand that severe impact means a significantly financially disruptive effect on the normal functioning of the Association.

12. Except for legal issues disclosed to you, there are no other -
    A) Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
    B) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
    C) Pending or threatened litigation, claims or unasserted claims that are required to be accrued or disclosed in the financial statements in accordance with Statement of Financial Accounting Standards No. 5, and we have not consulted a lawyer concerning litigation or claims.

13. The Association has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged, except as made known to you and disclosed in the notes to the financial statements.

14. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

15. We are responsible for the fair presentation of the supplemental information accompanying the financial statements about future major repairs and replacements. The Association had a study conducted in 2008. Amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the

Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

16. We understand that the Association is responsible for the choice of income tax filing method and the consequences thereof. The Association's allocation of expenses against membership and non-membership income conforms to IRS rules, which require that the allocation be made "on a reasonable and consistently applied basis." We have adequately documented such allocation. If the Association has excess membership income in the current year the Association, for tax purposes, has elected to either (a) offset it against next year's assessments or (b) refund it to members. We have adequately documented such election in the current year.

17. We have reviewed the transactions affecting replacement reserves (including inter-equity transfers). We are in agreement with them and they are properly authorized and approved.

18. Based on the advice of an insurance professional, insurance coverage is considered adequate for any anticipated property damage losses or liability claims.

19. Assessments receivable recorded in the financial statements represent valid claims against debtors for assessments or other charges arising on or before the balance sheet date and have been reduced to their estimated realizable value.

20. If we intend to print a portion of your report (not in its entirety), we will notify you in advance, and you will have the opportunity to review such printed material before its issuance.

21. We have disclosed to you all material events, if any, that would require adjustments to, or disclosure in, the financial statements. In addition, we represent that no other material events have occurred since you completed your audit fieldwork on April 20, 2009 and through the date of this letter. Examples of material events include, but are not limited to, contracts for replacement reserve expenditures, losses due to a fire, changes in ongoing litigation or new litigation and approval of special assessments. Material events that have occurred are:

Lafayette Village Community Association, Inc.
December 31, 2008

Management Representative:

D. Tschirhart, Agent — D. Tschirhart, Agent
Signature — Printed Name

President/Treasurer:

S. Walsh — SEAN WALSH
Signature — Printed Name

Goldklang, Cavanaugh & Associates, P.C.
Certified Public Accountants

Principals	MEMBERS OF	Managers
Howard A. Goldklang, CPA, MBA	American Institute of CPAs	Jamie L. Brodnax, CPA
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S. Gail Moore, CPA	Texas Society of CPAs	

Management Letter

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

April 30, 2009

Board of Directors
Lafayette Village Community Association, Inc.
Annandale, Virginia

Dear Board Members:

In connection with our examination of the financial statements of Lafayette Village Community Association, Inc. for the year ended December 31, 2008, we make the following comments and recommendations.

<u>Financial Analysis</u>

As of December 31, 2008, the Association had a surplus of $79,590 in excess operating funds (unappropriated members' equity). This represents approximately 22% of annual assessments. Generally, we recommend associations only maintain a buffer of 10% to 20% of annual assessments as excess operating funds. Any amount above 20% should be transferred to replacement reserves.

The Association's assessments receivable balance of $32,638 (before deducting the allowance for doubtful accounts of $23,294) represents approximately 9% of annual assessments. Assessments receivable, at a level of 3% or less of annual assessments, indicates good collection procedures and has a positive impact on cash flow. We recommend the Association continue to aggressively pursue all delinquent accounts. In addition, during 2008, the Association incurred a net loss of $10,314, which was caused by the unbudgeted bad debt expense of $20,771. We recommend the Association include a bad debt expense line item in the annual budget.

<u>Reserve Study</u>

We commend the Association for updating its replacement reserve study during 2008. Additionally, we commend the Association for increasing its 2009 budgeted reserve contribution in excess of the minimum recommended contribution.

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1700 Rockville Pike, Suite 400	1801 Robert Fulton Drive, Suite 200	777 Lonesome Dove Trail, Suite B
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	www.gcacpas.com	

Certificates of Deposit

During 2008, the Association did not receive routine account statements for one of its Mutual of Omaha certificates of deposit or its Cardinal Bank certificate of deposit. We have sent bank confirmations in order to verify the existence and balance of these accounts as of December 31, 2008. We recommend the Association ensure that each financial institution used by the association is sending routine account statements and that the Association's address has been updated.

Brokerage Account

The Association has numerous certificates of deposits at various financial institutions. Bank documentation was not always provided timely, or at all, by some of these institutions for accurate monthly financial statement disclosure. Due to the significant amount of cash and interest-bearing deposits accumulated, we recommend the Association consider opening an account with a brokerage company such as Morgan Stanley, Merrill Lynch or Wachovia Securities. These and other companies could assist the Association in development of a conservative investment policy, potentially earn higher interest rate returns in certificate of deposits, but also manage the funds to ensure that all are continually federally insured.

Crime Coverage

We recommend the Association meet with its insurance agent at least annually to discuss coverage and to make sure that the coverage provides the necessary and appropriate protection. In addition, the Association must get a clear understanding of the process necessary for prompt payment should an event occur and a claim becomes necessary. The Association should maintain crime coverage that equals or exceeds the total of its funds. It should be structured to include a defalcation or misappropriation committed by a Board member, an employee of the Association, or employees of the management company, including principals.

Federal Deposit Insurance Corporation (FDIC)

Effective October 3, 2008 through December 31, 2009, the FDIC insures bank accounts for up to $250,000 per financial institution. At times throughout the year, the Association's account balances may exceed this limit. We recommend the Association monitor its accounts and immediately transfer funds in excess of the FDIC limit to other institutions or Treasury instruments so all Association funds will be insured. The Association should also periodically check the ratings for all financial institutions used by the Association.

Detailed Minutes of Board Meetings

Minutes of board meetings are important records of the decisions concerning areas of the Association's business and financial affairs. A review of the Association's minutes for 2008 showed good form. We recommend the Association continue to maintain financially detailed minutes and send a copy of each meeting's minutes to the management company.

Income Taxes

For 2008, we recommend the Association file using the corporate method.

We shall be pleased to discuss our comments and recommendations in greater detail and we are always available to give advice on any financial matter. Please do not hesitate to contact us if there are any questions regarding proper accounting procedures or the implementation of our suggested changes.

Very truly yours,

Goldklang, Cavanaugh & Associates, P.C.

GOLDKLANG, CAVANAUGH & ASSOCIATES, P.C.

Goldklang, Cavanaugh & Associates, P.C.
Certified Public Accountants

Principals
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Renee L. Watson, CPA

Communication with Those Charged with Governance under SAS No. 114

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

April 30, 2009

Board of Directors
Lafayette Village Community Association, Inc.
Annandale, Virginia

Dear Board Members:

We have audited the financial statements of Lafayette Village Community Association, Inc. as of December 31, 2008 and for the year then ended and have issued our report thereon. Professional standards require that we provide you with the following information related to our audit.

<u>Our Responsibility under U.S. Generally Accepted Auditing Standards</u>

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

<u>Planned Scope and Timing of the Audit</u>

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and through discussions with management or the board of directors.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

The Association is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used

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Fax (866) 416-9212

by the Association are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by the Association and are based on the Association's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the Association's estimate of the Allowance for Doubtful Assessments. We evaluated the key factors and assumptions used to develop the Allowance for Doubtful Assessments in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no significant disclosures to the financial statements for the year under audit.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The adjusting journal entries have been provided to the Association. The journal entries are material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 and Board of Directors Representations

We have requested certain representations from management and the board of directors that are included in the representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with the board of directors and management each year. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Very truly yours,

Goldklang, Cavanaugh & Associates, P.C.

GOLDKLANG, CAVANAUGH & ASSOCIATES, P.C.