Goldklang Group CPAs PC

Principals
Howard A. Goldklang, CPA, MBA
Donald E. Harris, CPA
Anne M. Sheehan, CPA
S. Gail Moore, CPA
Jeremy W. Powell, CPA
Renee L. Watson, CPA

1801 Robert Fulton Drive, Suite 200
Reston, VA 20191

Associate Principals
Matthew T. Stiefvater, CPA
Sheila M. Lewis, CPA

Managers
Andrew T. Plaugher, CPA
Michele S. Lizama, CPA
Jennifer L. Murray, CPA

Independent Auditor's Report

To the Board of Directors of
Lafayette Village Community Association, Inc.

Opinion

We have audited the accompanying financial statements of Lafayette Village Community Association, Inc., which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, members' equity and cash flows for the years 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 Lafayette Village Community Association, Inc. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Lafayette Village Community Association, 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 Lafayette Village Community Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 Lafayette Village Community Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lafayette Village Community Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 page 12 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.

Reston, Virginia
June 19, 2024

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	$ 153,354	$ 253,033
Interest-Bearing Deposits	913,566	727,061
Assessments Receivable - Net	6,314	2,409
Income Taxes Receivable	661	1,825
Accrued Interest	7,121	3,194
Prepaid Expenses	7,910	7,836
Total Assets	$ 1,088,926	$ 995,358
LIABILITIES AND MEMBERS' EQUITY		
Accounts Payable	$ 1,370	$ 2,073
Income Taxes Payable	2,613	83
Prepaid Assessments	45,915	45,322
Total Liabilities	$ 49,898	$ 47,478
Replacement Reserves	$ 905,393	$ 869,585
Unappropriated Members' Equity	133,635	78,295
Total Members' Equity	$ 1,039,028	$ 947,880
Total Liabilities and Members' Equity	$ 1,088,926	$ 995,358

See Accompanying Notes to Financial Statements

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
INCOME:		
Assessments	$ 460,740	$ 425,376
Late Fees	1,067	745
Interest	27,833	12,375
Credit Loss Recovery - Receivables	-	100
Other	9,666	822
Total Income	$ 499,306	$ 439,418
EXPENSES:		
Management	$ 50,076	$ 48,855
Legal, Audit and Tax Preparation	12,722	11,490
Insurance	13,986	10,558
Recording Secretary	2,100	2,100
Administrative	6,454	4,989
Electricity - Security Lights	3,647	3,501
Pool Operations	62,943	59,472
Grounds Maintenance	84,180	79,569
Landscaping and Tree Service	9,282	20,088
Trash Removal	75,614	70,285
Snow Removal	-	12,520
Common Area Maintenance	6,266	3,488
Credit Loss - Receivables	3,831	-
Income Taxes	7,985	2,072
Total Expenses	$ 339,086	$ 328,987
Net Income before Contribution to Reserves	$ 160,220	$ 110,431
Contribution to Reserves	(104,880)	(98,982)
Net Income	$ 55,340	$ 11,449

See Accompanying Notes to Financial Statements

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Replacement Reserves	Unappropriated Members' Equity	Total Members' Equity
Balance as of December 31, 2021	$ 850,915	$ 66,846	$ 917,761
Additions:			
Contribution to Reserves	98,982		98,982
Net Income		11,449	11,449
Deductions:			
Pole Light	(27,379)		(27,379)
Pool	(6,781)		(6,781)
Professional Services	(19,900)		(19,900)
Tot Lots	(900)		(900)
Tree Management	(8,900)		(8,900)
Water Line	(16,452)		(16,452)
Balance as of December 31, 2022	$ 869,585	$ 78,295	$ 947,880
Additions:			
Contribution to Reserves	104,880		104,880
Net Income		55,340	55,340
Deductions:			
Basketball Court Repairs	(39,500)		(39,500)
Pool Repairs	(4,872)		(4,872)
Tree Removal	(24,700)		(24,700)
Balance as of December 31, 2023	$ 905,393	$ 133,635	$ 1,039,028

See Accompanying Notes to Financial Statements

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 55,340	$ 11,449
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Credit Loss (Recovery) - Receivables	3,831	(100)
Amortization	1,347	2,749
Decrease (Increase) in:		
Assessments Receivable	(7,736)	427
Income Taxes Receivable	1,164	2,179
Accrued Interest	(3,927)	(1,891)
Prepaid Expenses	(74)	(2,527)
Increase (Decrease) in:		
Accounts Payable	(703)	(17,594)
Income Taxes Payable	2,530	83
Prepaid Assessments	593	(2,252)
Net Cash Flows from Operating Activities	$ 52,365	$ (7,477)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Received from Assessments (Reserves)	$ 104,880	$ 98,982
Disbursed for Reserve Expenditures	(69,072)	(112,853)
Received from Interest-Bearing Deposits/Investments	475,000	975,000
Disbursed for Interest-Bearing Deposits/Investments	(662,852)	(875,000)
Net Cash Flows from Investing Activities	$ (152,044)	$ 86,129
Net Change in Cash and Cash Equivalents	$ (99,679)	$ 78,652
Cash and Cash Equivalents at Beginning of Year	253,033	174,381
Cash and Cash Equivalents at End of Year	$ 153,354	$ 253,033
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid for Income Taxes	$ 6,104	$ 2,000

See Accompanying Notes to Financial Statements

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - NATURE OF OPERATIONS:

The Association is incorporated under the laws of the Commonwealth of Virginia in 1983 for the purposes of maintaining and preserving the common property of the Association. The Association is located in Annandale, Virginia and consists of 21 detached 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 accordance with accounting principles generally accepted in the United States of America.

B) 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 assessments are satisfied over time on a daily pro-rata basis using the input method. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from members. The Association's policy is to retain legal counsel and place liens on the properties of homeowners 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.

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 that affect certain reported amounts and disclosures. Accordingly, 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.

The Association had a replacement reserve study conducted by Reserve Advisors, LLC during 2021. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on the study.

The study recommends a contribution to reserves of $96,700 for 2023 plus interest of $8,180. For 2023, the Association budgeted to contribute $104,880 to reserves.

Funds are being accumulated in replacement reserves based on estimates of future needs for repair and replacement of common property components. 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, 2023 and 2022, the Association had designated $905,393 and $869,585, respectively, 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 2023 and 2022, the Association's income taxes were calculated using the exempt and corporate methods, respectively.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. The Association's federal and state tax returns for the past three years remain subject to examination by the Internal Revenue Service and the Commonwealth of Virginia.

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of December 31, 2023, the Association maintained its funds in the following manner:

Institution	Cash and Cash Equivalents	Interest-Bearing Deposits
Pinnacle	$ 68,028	$ -
Wells Fargo (Various Institutions)	85,326	913,566
Totals	$ 153,354	$ 913,566

Cash and securities held at a SIPC member brokerage firm are insured by the SIPC for up to $500,000, which includes $250,000 limit for cash. The Association maintains funds in a brokerage account which are subject to SIPC limits.

NOTE 6 - ASSESSMENTS RECEIVABLE - NET:

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include closely monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association's control.

On January 1, 2023, the Association adopted FASB Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which affects current U.S. GAAP primarily as it relates to the methodology for estimating allowances for credit losses and the presentation and disclosure requirements.

The main effect resulting from the adoption of the new standard is that previously reported allowance for doubtful assessments are now shown as allowance for credit losses. The adoption of the new guidance resulted in no changes to unappropriated members' equity as of January 1, 2023.

NOTE 6 - ASSESSMENTS RECEIVABLE - NET: (CONTINUED)

	2023	2022
Assessments Receivable	$ 11,335	$ 3,599
Less: Allowance for Credit Losses	(5,021)	(1,190)
Assessments Receivable - Net	$ 6,314	$ 2,409

	2023	2022
Allowance for Credit Losses:		
Beginning Balance	$ 1,190	$ 1,190
Write-Offs	-	-
Recoveries	-	100
Provision	3,831	(100)
Ending Balance	$ 5,021	$ 1,190

NOTE 7 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 19, 2024, the date the financial statements were available to be issued.

Subsequent to year-end, the Association entered into a contract for retaining wall removal and replacement in the amount of $49,107. This project will be funded through replacement reserves.

Subsequent to year-end, the Association incurred additional replacement reserve expenditures of approximately $20,000.

LAFAYETTE VILLAGE COMMUNITY ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2023
(UNAUDITED)

The Association had a replacement reserve study conducted by Reserve Advisors, LLC during 2021 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. The estimated replacement costs presented below 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; however, the Association's replacement reserve study does take inflation into consideration when evaluating future expenditures and recommended contributions to reserves.

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

Component	2021 Estimated Remaining Useful Life (Years)	2021 Estimated Replacement Cost
Property Site Elements	0-30	$2,411,050
Clubhouse Elements	1-30	41,290
Pool Elements	1-21	724,058