

# Moreland Courts Condominium Association, Inc.

YEARS ENDED DECEMBER 31, 2022 AND 2021

## Independent Auditor's Report

Board of Directors  
Moreland Courts Condominium Association, Inc.  
Cleveland, Ohio

### **Opinion**

We have audited the accompanying financial statements of Moreland Courts Condominium Association, Inc. (an Ohio corporation) (the "Association") which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of revenue and expenses, changes in owners' equity (deficit), 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 the Association as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance 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 (GAAS). 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 Association 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 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 the 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 GAAS 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, including omissions, 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.

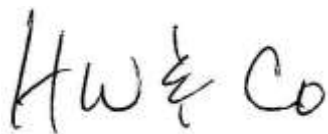
In performing an audit in accordance with GAAS, we:

- 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 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 the 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.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on future major repairs and replacements as of December 31, 2022 is presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Common Interest Realty Associations Audit and Accounting Guide which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. Such information is the responsibility of management and was derived from and related 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.



Cleveland, Ohio  
April 14, 2023

# MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

## BALANCE SHEETS

YEARS ENDED DECEMBER 31, 2022 AND 2021

### ASSETS

	<u>2022</u>	<u>2021</u>
<b>Current assets:</b>		
Cash and cash equivalents:		
Operating	\$ 169,298	\$ 236,775
Capital	19,436	134,223
Reserve	394,316	369,855
Accounts receivable, owners	60,476	75,170
Note receivable, owners	168,718	173,878
Prepaid expenses and deposits	57,984	58,441
Units held for resale	<u>35,481</u>	<u>35,481</u>
Total current assets	<u>905,709</u>	<u>1,083,823</u>
<b>Equipment, net</b>	<u>5,849</u>	<u>8,440</u>
<b>Other assets:</b>		
Notes receivable, owners	<u>659,097</u>	<u>895,401</u>
	<u><u>\$ 1,570,655</u></u>	<u><u>\$ 1,987,664</u></u>

**LIABILITIES AND OWNERS' EQUITY (DEFICIT)**

	2022	2021
<b>Current liabilities:</b>		
Accounts payable:		
Operating	\$ 19,962	\$ 48,850
Reserve	13,945	16,667
Accrued liabilities, payroll and related taxes	28,886	24,991
Prepaid rent	6,584	4,569
Deferred loan assessments	32,803	37,036
Security deposits	10,815	9,478
Deferred revenue, capital	241	50,991
Current portion of note payable, owners	168,718	173,878
Current portion of note payable, association	288,423	274,385
Total current liabilities	570,377	640,845
 <b>Long-term debt:</b>		
Note payable, net of current portion, owners	659,097	895,401
Note payable, net of current portion, association	1,677,847	1,970,621
Total long-term debt	2,336,944	2,866,022
Total liabilities	2,907,321	3,506,867
 <b>Owners' equity (deficit):</b>		
Operating	695,581	763,867
Capital Fund	(14,817)	-
Reserve Fund	(2,017,430)	(2,283,070)
	(1,336,666)	(1,519,203)
	\$ 1,570,655	\$ 1,987,664

See notes to financial statements.

# MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

## STATEMENTS OF REVENUE AND EXPENSES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
<b>Revenue:</b>		
<b>Operating:</b>		
Maintenance fees	\$ 2,147,745	\$ 2,018,277
Annual capital fees	250,750	169,862
Reserve fund	575,001	550,000
Garage fees	159,315	156,090
Rental fees	41,507	41,298
Guest suite	15,733	7,035
In-suite services	12,632	7,268
Garage services	5,542	4,699
Natural gas	213,564	270,001
Insurance	123,320	115,790
Interest	1,777	812
Late fees	1,000	1,500
Other	21,603	136,958
	3,569,489	3,479,590
<b>Nonoperating:</b>		
Debt service , owners	288,312	333,420
	3,857,801	3,813,010
<b>Expenses:</b>		
<b>Operating:</b>		
Wage and payroll taxes	1,286,872	1,225,830
Employee benefits	301,472	251,893
Utilities	466,997	478,204
Maintenance, including major recurring	171,435	150,156
Annual capital fund	172,567	169,862
Reserve fund	223,925	550,379
Administrative	299,022	227,038
Legal fees	11,251	6,606
Guest suite	13,919	12,616
Services	350,247	282,331
	3,297,707	3,354,915
<b>Nonoperating:</b>		
Debt service, owners	288,312	333,420
Debt service, association	86,654	83,807
Depreciation	2,591	4,099
	377,557	421,326
	3,675,264	3,776,241
<b>Revenue in excess of expense</b>	<b>\$ 182,537</b>	<b>\$ 36,769</b>

See notes to financial statements.

## MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

### STATEMENTS OF CHANGES IN OWNERS' EQUITY (DEFICIT)

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>Operating</u>	<u>Annual Capital</u>	<u>Reserve Fund</u>	<u>Total</u>
<b>Owners' equity (deficit), January 1, 2021</b>	<b>\$ 643,449</b>	<b>\$ -</b>	<b>\$ (2,199,421)</b>	<b>\$ (1,555,972)</b>
Revenue	3,092,336	169,862	550,000	3,812,198
Interest	275	-	537	812
Operating expenses	(2,972,193)	-	-	(2,972,193)
Annual capital expenses	-	(169,862)	-	(169,862)
Reserve fund expenses	-	-	(634,186)	(634,186)
Change in equity (deficit)	<u>120,418</u>	<u>-</u>	<u>(83,649)</u>	<u>36,769</u>
<b>Owners' equity (deficit), December 31, 2021</b>	<b><u>\$ 763,867</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (2,283,070)</u></b>	<b><u>\$ (1,519,203)</u></b>
<b>Owners' equity (deficit), January 1, 2022</b>	<b>\$ 763,867</b>	<b>\$ -</b>	<b>\$ (2,283,070)</b>	<b>\$ (1,519,203)</b>
Revenue	3,030,273	250,750	575,001	3,856,024
Interest	559	-	1,218	1,777
Operating expenses	(3,192,118)	-	-	(3,192,118)
Annual capital expenses	-	(172,567)	-	(172,567)
Reserve fund expenses	-	-	(310,579)	(310,579)
Board-approved transfers of cash and cash equivalents between funds	<u>93,000</u>	<u>(93,000)</u>	<u>-</u>	<u>-</u>
Change in equity (deficit)	<u>(68,286)</u>	<u>(14,817)</u>	<u>265,640</u>	<u>182,537</u>
<b>Owners' equity (deficit), December 31, 2022</b>	<b><u>\$ 695,581</u></b>	<b><u>\$ (14,817)</u></b>	<b><u>\$ (2,017,430)</u></b>	<b><u>\$ (1,336,666)</u></b>

See notes to financial statements.

**MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.**

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021  
(With Comparative Totals for 2021)

	2022			2021	
	Operating	Annual Capital	Reserve Fund	Total	Total
<b>Cash flows from operating activities:</b>					
Revenues in excess of expenses (expenses in excess of revenue)	\$ (161,286)	\$ -	\$ -	\$ (161,286)	\$ 120,418
Capital assessment	-	250,750	575,001	825,751	719,862
Interest - reserve	-	-	1,218	1,218	537
Major repairs, maintenance and other expense	-	(172,567)	(310,579)	(483,146)	(804,048)
Due to/from funds	101,941	(142,220)	40,279	-	-
Adjustments to reconcile revenue in excess of expenses (expenses in excess of revenue) net cash from operating activities:					
Depreciation	2,591	-	-	2,591	4,099
Bad debts	18,900	-	-	18,900	12,732
Decrease (increase) in assets:					
Accounts receivable, owners	(4,206)	-	-	(4,206)	(48,275)
Prepaid expenses and deposits	457	-	-	457	(30,320)
Increase (decrease) in liabilities:					
Accounts payable and accrued liabilities	(24,993)	-	(2,722)	(27,715)	17,067
Security deposits	1,337	-	-	1,337	2,750
Prepaid rent	2,015	-	-	2,015	(5,854)
Deferred revenue, capital	-	(50,750)	-	(50,750)	30,136
Net cash provided by (used in) operating activities	<u>(63,244)</u>	<u>(114,787)</u>	<u>303,197</u>	<u>125,166</u>	<u>19,104</u>
<b>Cash flows from investing activities:</b>					
Payments received on notes receivable, owners	<u>237,231</u>	<u>-</u>	<u>-</u>	<u>237,231</u>	<u>273,323</u>
Net cash provided by investing activities	<u>237,231</u>	<u>-</u>	<u>-</u>	<u>237,231</u>	<u>273,323</u>
<b>Cash flows from financing activities:</b>					
Payments on long-term debt, owners	(241,464)	-	-	(241,464)	(273,323)
Payments on long-term debt, association	<u>-</u>	<u>-</u>	<u>(278,736)</u>	<u>(278,736)</u>	<u>(274,504)</u>
Net cash used in financing activities	<u>(241,464)</u>	<u>-</u>	<u>(278,736)</u>	<u>(520,200)</u>	<u>(547,827)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(67,477)</u>	<u>(114,787)</u>	<u>24,461</u>	<u>(157,803)</u>	<u>(255,400)</u>
<b>Cash and cash equivalents, beginning</b>	<u>236,775</u>	<u>134,223</u>	<u>369,855</u>	<u>740,853</u>	<u>996,253</u>
<b>Cash and cash equivalents, ending</b>	<u><u>\$ 169,298</u></u>	<u><u>\$ 19,436</u></u>	<u><u>\$ 394,316</u></u>	<u><u>\$ 583,050</u></u>	<u><u>\$ 740,853</u></u>

See notes to financial statements.



# **MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2022 AND 2021**

### **1. Description of Association and summary of significant accounting policies:**

#### **Description:**

Moreland Courts Condominium Association, Inc. (the "Association") is a statutory condominium association, which was incorporated in the State of Ohio on August 29, 1978. The Association is responsible for the operation and maintenance of the common property of Moreland Courts Condominium. Moreland Courts Condominium consists of 146 residential units in Cleveland, Ohio.

#### **Use of estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

#### **Cash and cash equivalents:**

Cash and cash equivalents for operating, annual capital and capital reserves include interest and non-interest bearing accounts, and money market funds. At times during the year, funds on deposit at financial institutions were in excess of FDIC insurable limit. Management does not expect to incur any losses resulting from cash held at financial institutions.

#### **Accounts receivable, owners:**

Unit owners are subject to monthly fees to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements. Accounts receivable represent fees due from unit owners. The Association's policy is to place liens on the units of members whose fees are delinquent for sixty days and to foreclose on units of members whose fees are delinquent for ninety days. The determination of the allowance for doubtful accounts as of December 31, 2022 and 2021 is based on unit owner accounts that are delinquent according to the aforementioned policy. Legal counsel is retained and foreclosure proceedings begin on the units of members whose fees are ninety days or more delinquent. At December 31, 2022 and 2021, the Association has deemed it not necessary to have an allowance for doubtful accounts.

#### **Equipment:**

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners. The Association capitalizes, at cost, personal property to which it has title. Depreciation is computed using a straight-line method ranging from five to seven years.

# MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

### 1. Description of Association and summary of significant accounting policies (continued):

#### Revenue recognition:

The Association enters into contractual agreements with its residents that include maintenance, utilities and other amenity services as well as a requirement to fund reserve and capital obligations. Fees are assessed on a monthly basis. Performance obligations satisfied are determined based on the type of fee assessed.

The performance obligations as determined by the Association are as follows:

#### Maintenance fees

Revenue is recognized as performance obligations are met on a monthly basis.

#### Reserve and capital fund fees

Revenue is recognized when the related expenditures occur. Unspent reserve and capital fund fees are included in the balance sheets as a contractual liability. As of December 31, 2022, the Association had capital fund fees received in excess of expenses in the amount of \$241. As of December 31, 2021, the Association had capital fund fees received in excess of expenses in the amount of \$50,991. Amounts are presented as a deferred revenue in the balance sheets. The Association used \$50,750 during 2022 and expects to use the remaining amount of \$241 for future reserve fund expenses upon the Board of Director's approval. As of December 31, 2022 and 2021, for reserve fund fees, the Association had expenses for reserve in excess of fees. Therefore, there was no deferred revenue for reserve fund fees.

#### Utility and other amenity fees

Revenue is recognized as performance obligations are met which the Association has determined to be on a monthly basis for garage, rental, guest suite, in-suite, garage services, natural gas and insurance.

The Association determines the transaction price based on contractually agreed-upon amounts or rates. The Association uses the expected value method to determine the amount of variable consideration that should be included to arrive at the transaction price, using contractual agreements and historical reimbursement experience. The Association assesses collectability on all accounts prior to providing services.

#### Income taxes:

The Association is classified as a nonexempt membership organization for Federal income tax purposes for the years ended December 31, 2022 and 2021. It does not qualify as an exempt organization. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, nonmembership transactions, and capital/reserve transactions.

# MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

### 1. Description of Association and summary of significant accounting policies (continued):

#### Income taxes (continued):

For Federal tax purposes, the Association is taxed on all taxable income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses, and any excess membership deductions may only be carried forward to offset membership income of future tax periods. The Association files Federal Form 1120, which has tax rates that are applied to net taxable income. The Association did not have taxable income for the years ended December 31, 2022 and 2021.

The State of Ohio regards the Association as a nonprofit corporation.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. The Association's evaluations at December 31, 2022 and 2021 revealed no tax positions that would have a material impact on the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

#### Expenses:

Expenses are recorded when incurred and classified according to the budget categories determined by management. Office and maintenance supplies are expensed as they are received. Supply inventories are not significant.

### 2. Note receivable and payable, owners:

The note receivable reflects amounts due from the owners. The Association will receive monthly principal and interest payments equal to an amount for debt payments made on behalf of the owners to a Bank in conjunction with the Master Plan financing and the subsequent re-purchase of the common elements on December 31, 2012. The payments from owners are received one month in advance of when the payment is due on the loan payable. Advance payments are included in deferred loan assessments until the payments are made to the bank. After payment is made to the bank, the Association will reduce the deferred loan assessment and the notes receivable, owners. The note receivable is recorded at the amount expected to be collected, net of allowance for doubtful amounts. In evaluating the collectability of the note receivable, the Association considers a number of factors. An allowance for doubtful amounts is recorded based upon a consideration of the likelihood that the note will not be collected in full.

The Association is of the opinion that an allowance for doubtful amounts is not necessary at December 31, 2022 and 2021.

During 2015, the Association refinanced the note for \$5,023,000 related to the Master Plan with a fixed interest rate of 4.78%. Under the new loan, the owners have an opportunity to make two loan pay down payments annually.

# MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

### 2. Note receivable and payable, owners (continued):

During 2022, the owners made two advance payments. The first payment was made in June 2022 in the amount of \$48,658 and the second payment was made in December 2022 in the amount of \$23,286. In addition to the advance payments, the owners made principal and interest payments totaling \$216,368 in 2022. The outstanding note balance is \$827,815 as of December 31, 2022.

During 2021, the owners made two advance payments. The first payment was made in June 2021 in the amount of \$42,337 and the second payment was made in December 2021 in the amount of \$53,958. In addition to the advance payments, the owners made principal and interest payments totaling \$273,125 in 2021. The outstanding note balance is \$1,069,279 as of December 31, 2021.

Future minimum payments expected under this note receivable are:

Year ending December 31,

2023	\$ 168,718
2024	176,992
2025	185,850
2026	195,060
Thereafter	<u>101,195</u>
	<u>\$ 827,815</u>

### 3. Note payable, Association:

During 2018, the Association entered in a note with a bank totaling \$3,000,000 for the purpose of completing an elevator rehabilitation project with a maturity date of January 1, 2029. The 10-year note was interest only for the first nine months. The loan converted to principal and interest January 1, 2019 at an interest rate of .50% below the prime rate, with the minimum rate of 3.50% and maximum rate of 5.35%. The interest rate on the loan was 5.35% as of December 31, 2022 and 3.5% as of December 31, 2021. The Association made principal and interest payments totaling \$365,390 in 2022 and \$358,311 in 2021. Interest payments are included within debt service, association in the statements of revenue and expenses.

The Association is subject to certain restrictive covenants under the note, including provisions relating to certain debt ratios and other matters. At December 31, 2022, the Association was in compliance with its covenants.

## MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

#### 3. Note payable, Association (continued):

Future minimum payments expected under the notes payable are:

<u>Year ending December 31,</u>	
2023	\$ 288,423
2024	303,179
2025	318,691
2026	334,995
2027	352,134
Thereafter	368,848
	\$ 1,966,270

#### 4. Major repairs, replacements and other expense:

Major repair, replacement and other expenses are as follows:

	2022		2021	
	Reserve	Capital	Reserve	Capital
Plumbing major repairs	\$ 33,176	\$ -	\$ 11,300	\$ -
Entrances and lighting	-	12,699	191,288	8,978
Architectural	-	-	-	1,325
Interior design	7,113	54,598	-	72,672
Exterior design	-	16,381	-	-
Boiler plant controls	-	-	18,776	-
Gas meter	-	50,750	-	-
Carpet replacement	-	-	43,505	-
Elevator restoration/repairs	730	-	32,253	13,654
Major heating system repairs	58,854	-	-	-
Common area windows	10,986	-	14,173	-
Garage major repairs	-	-	41,840	-
Roof replacement	9,888	5,160	4,715	-
Masonry and lintel repairs	39,315	10,150	55,662	27,993
Ground repairs and waterproof	61,007	-	34,262	-
Concrete work	-	-	46,860	1,644
Door restoration	-	-	47,038	-
Other capital expense	-	16,187	-	22,132
Maintenance/major equipment replacement	2,856	-	1,377	-
Professional fees	-	-	2,500	-
Landscaping	-	6,642	-	21,464
Fire stairs	-	-	4,830	-
Debt service, association	86,654	-	83,807	-
Total major repairs and replacement expenses	\$ 310,579	\$ 172,567	\$ 634,186	\$ 169,862

# MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

### 5. Equipment:

Equipment consists of the following:

	<u>2022</u>	<u>2021</u>
Cost:		
Machinery and equipment	\$ 67,783	\$ 67,783
Computer and office equipment	33,035	33,035
Office and guest suite furniture	21,867	21,867
Vehicles	<u>27,568</u>	<u>27,568</u>
	150,253	150,253
Accumulated depreciation	<u>(144,404)</u>	<u>(141,813)</u>
Equipment, net	<u>\$ 5,849</u>	<u>\$ 8,440</u>

### 6. Future major repairs and replacements:

The Association's governing documents, the By-Laws at Article X, Section 4, require the accumulation of a reasonable reserve for contingencies and replacements. In addition, Ohio law now requires adequate reserves, based on budget expenditures to repair and replace capital items in the normal course of operations. As of December 31, 2022 and 2021, the Association has accumulated \$394,316 and \$369,855, respectively, in the reserve fund for the reserve of contingencies and replacements. During 2021, a study was conducted which estimated the cost of repairs and replacements through 2041. The study had an estimated current replacement cost of \$3,879,000, excluding inflation as of December 31, 2021.

The Association collects a monthly Annual Capital Fee to support capital expenditures totaling \$250,750 in 2022 and \$169,862 in 2021. The Association also collected monthly fees for the Reserve Fund totaling \$575,001 in 2022 and \$550,000 in 2021.

Under the Association's governing documents, the Board of Directors has the authority to increase both operating and capital fees and to authorize capital assessments to pay for major repair and replacement.

### 7. Employee retention credit:

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provides an employee retention credit (ERC) which is a refundable tax credit against certain employment taxes. Eligible employers were required to meet certain gross receipts reduction or were subject to fully or partially suspended operations (as defined) due to orders from an appropriate governmental authority during any calendar quarter in 2020 and through September 30, 2021. The calculation of the credit is determined based on qualifying wages (as defined) paid beginning March 13, 2020 through September 30, 2021. The Association received ERC credits, net of fees, totaling \$123,668 during 2021. The credit amounts are recorded in other revenue in the statements of revenue and expenses.

## **MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2022 AND 2021

**8. Subsequent events:**

In preparing these financial statements, Moreland Courts Condominium Association, Inc. has evaluated events and transactions for potential recognition or disclosure through April 14, 2023, the date the Association's financial statements were available to be issued.

## MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

### SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)

DECEMBER 31, 2022

Criterion Engineers conducted a study in 2008 that was revised in 2013, 2017 and 2021 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements consider interest of .3%, net of taxes, on amounts funded for future major repairs and replacements. 3.5% of annual inflation is not included in the estimated current replacement costs.

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 Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>2023 Funding Requirement</u>	<u>Components of Fund Balance at December 31, 2022</u>
Site	4	\$ 250,000	\$ 60,000	\$ 147,869
Building exterior	1-19	2,150,000	35,000	86,257
Building interior	1-13	581,000	30,000	73,934
Mechanical	1-15	683,000	33,000	81,325
Other	1-5	<u>70,000</u>	<u>2,000</u>	<u>4,931</u>
Totals		<u>\$ 3,734,000</u>	<u>\$ 160,000</u>	<u>\$ 394,316</u>