

Moreland Courts Condominium Association, Inc.

YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 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.

A handwritten signature in black ink that reads "HW & Co". The letters are cursive and somewhat stylized.

Cleveland, Ohio
April 3, 2024

LIABILITIES AND OWNERS' EQUITY (DEFICIT)

	2023	2022
Current liabilities:		
Accounts payable:		
Operating	\$ 65,181	\$ 19,962
Reserve	-	13,945
Accrued liabilities, payroll and related taxes	46,931	28,886
Prepaid rent	8,357	6,584
Deferred loan assessments	48,422	32,803
Security deposits	12,202	10,815
Deferred revenue, capital	1,277	241
Current portion of note payable, owners	161,237	168,718
Current portion of note payable, association	303,179	288,423
	<u>646,786</u>	<u>570,377</u>
Long-term debt:		
Note payable, net of current portion, owners	439,194	659,097
Note payable, net of current portion, association	1,382,080	1,677,847
	<u>1,821,274</u>	<u>2,336,944</u>
	<u>2,468,060</u>	<u>2,907,321</u>
Owners' equity (deficit):		
Operating	656,046	695,581
Capital Fund	-	(14,817)
Reserve Fund	(1,902,884)	(2,017,430)
	<u>(1,246,838)</u>	<u>(1,336,666)</u>
	<u>\$ 1,221,222</u>	<u>\$ 1,570,655</u>

See notes to financial statements.

MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

STATEMENTS OF REVENUE AND EXPENSES

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Revenue:		
Operating:		
Maintenance fees	\$ 2,229,057	\$ 2,147,745
Annual capital fees	198,964	250,750
Reserve fund	625,002	575,001
Garage fees	187,091	159,315
Rental fees	48,984	41,507
Guest suite	20,020	15,733
In-suite services	18,434	12,632
Garage services	8,703	5,542
Natural gas	220,616	213,564
Insurance	162,000	123,320
Interest	3,823	1,777
Late fees	4,300	1,000
Other	37,805	21,603
	3,764,799	3,569,489
Nonoperating:		
Debt service , owners	263,289	288,312
	4,028,088	3,857,801
Expenses:		
Operating:		
Wage and payroll taxes	1,427,142	1,286,872
Employee benefits	222,893	301,472
Utilities	454,478	466,997
Maintenance, including major recurring	227,476	171,435
Annual capital fund	169,147	172,567
Reserve fund	414,728	223,925
Administrative	287,627	299,022
Legal fees	9,950	11,251
Guest suite	13,747	13,919
Services	345,443	350,247
	3,572,631	3,297,707
Nonoperating:		
Debt service, owners	263,391	288,312
Debt service, association	98,371	86,654
Depreciation	3,867	2,591
	365,629	377,557
	3,938,260	3,675,264
Revenue in excess of expense	\$ 89,828	\$ 182,537

See notes to financial statements.

MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

STATEMENTS OF CHANGES IN OWNERS' EQUITY (DEFICIT)

YEARS ENDED DECEMBER 31, 2023 AND 2022

	Operating	Annual Capital	Reserve Fund	Total
Owners' equity (deficit), January 1, 2022	\$ 763,867	\$ -	\$ (2,283,070)	\$ (1,519,203)
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	93,000	(93,000)	-	-
Change in equity (deficit)	(68,286)	(14,817)	265,640	182,537
Owners' equity (deficit), December 31, 2022	\$ 695,581	\$ (14,817)	\$ (2,017,430)	\$ (1,336,666)
Owners' equity (deficit), January 1, 2023	\$ 695,581	\$ (14,817)	\$ (2,017,430)	\$ (1,336,666)
Revenue	3,200,299	198,964	625,002	4,024,265
Interest	1,180	-	2,643	3,823
Operating expenses	(3,256,014)	-	-	(3,256,014)
Annual capital expenses	-	(169,147)	-	(169,147)
Reserve fund expenses	-	-	(513,099)	(513,099)
Board-approved transfers of cash and cash equivalents between funds	15,000	(15,000)	-	-
Change in equity (deficit)	(39,535)	14,817	114,546	89,828
Owners' equity (deficit), December 31, 2023	\$ 656,046	\$ -	\$ (1,902,884)	\$ (1,246,838)

See notes to financial statements.

MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022
(With Comparative Totals for 2022)

	2023			2022	
	Operating	Annual Capital	Reserve Fund	Total	Total
Cash flows from operating activities:					
Expenses in excess of revenue	\$ (54,535)	\$ -	\$ -	\$ (54,535)	\$ (161,286)
Capital assessment	-	198,964	625,002	823,966	825,751
Interest - reserve	-	-	2,643	2,643	1,218
Major repairs, maintenance and other expense	-	(169,147)	(513,099)	(682,246)	(483,146)
Due to/from funds	9,642	(20,150)	10,508	-	-
Adjustments to reconcile expenses in excess of revenue					
net cash from operating activities:					
Depreciation	3,867	-	-	3,867	2,591
Credit losses	14,327	-	-	14,327	18,900
Decrease (increase) in assets:					
Accounts receivable, owners	(70,777)	-	-	(70,777)	(4,206)
Prepaid expenses and deposits	(15,569)	-	-	(15,569)	457
Increase (decrease) in liabilities:					
Accounts payable and accrued liabilities	63,264	-	(13,945)	49,319	(27,715)
Security deposits	1,387	-	-	1,387	1,337
Prepaid rent	1,773	-	-	1,773	2,015
Deferred revenue, capital	-	1,036	-	1,036	(50,750)
	<u>(46,621)</u>	<u>10,703</u>	<u>111,109</u>	<u>75,191</u>	<u>125,166</u>
Net cash provided by (used in) operating activities					
Cash flows from investing activities:					
Capital expenditures	(9,006)	-	-	(9,006)	-
Payments received on notes receivable, owners	243,003	-	-	243,003	237,231
	<u>233,997</u>	<u>-</u>	<u>-</u>	<u>233,997</u>	<u>237,231</u>
Net cash provided by investing activities					
Cash flows from financing activities:					
Payments on long-term debt, owners	(227,384)	-	-	(227,384)	(241,464)
Payments on long-term debt, association	-	-	(281,011)	(281,011)	(278,736)
	<u>(227,384)</u>	<u>-</u>	<u>(281,011)</u>	<u>(508,395)</u>	<u>(520,200)</u>
Net cash used in financing activities					
Net increase (decrease) in cash and cash equivalents	(40,008)	10,703	(169,902)	(199,207)	(157,803)
Cash and cash equivalents, beginning	169,298	19,436	394,316	583,050	740,853
Cash and cash equivalents, ending	<u>\$ 129,290</u>	<u>\$ 30,139</u>	<u>\$ 224,414</u>	<u>\$ 383,843</u>	<u>\$ 583,050</u>

See notes to financial statements.

MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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.

Recently adopted accounting pronouncement:

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which significantly changed how companies measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model which requires the measurement of expected credit losses based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. The ASU requires disclosures to provide users of the financial statements with useful information in analyzing a company's exposure to credit risk and the measurement of credit losses. Financial assets held by the Association that are subject to the guidance in ASU 2016-13 were accounts receivable, owners in the balance sheets.

As a result of utilizing the modified retrospective transition method, there was no effect to the opening balance of the allowance for credit losses or owners' equity (deficit) at January 1, 2023.

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.

MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2023 AND 2022

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

Accounts receivable, owners and allowance for credit losses:

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 allowance estimate is derived from a review of the Association's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Association. The Association provides for uncollectible amounts when specific credit problems are identified. In doing so, the Association analyzes historical bad debt trends, customer credit worthiness, current economic trends and changes in customer payment patterns when evaluating the adequacy of the allowance for expected credit losses on owners accounts. Legal counsel is retained and foreclosure proceedings begin on the units of members whose fees are ninety days or more delinquent. At December 31, 2023 and 2022, the Association has deemed it not necessary to have an allowance for credit losses.

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.

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, 2023, the Association had capital fund fees received in excess of expenses in the amount of \$1,277. As of December 31, 2022, the Association had capital fund fees received in excess of expenses in the amount of \$241. Amounts are presented as a deferred revenue in the balance sheets. The Association used \$241 during 2023 and expects to use the remaining amount of \$1,277 for future reserve fund expenses upon the Board of Director's approval. As of December 31, 2023 and 2022, for reserve fund fees, the Association had expenses for reserve in excess of fees. Therefore, there was no deferred revenue for reserve fund fees.

MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2023 AND 2022

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

Revenue recognition (continued):

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.

The opening and closing balances of accounts receivables and current and long-term contract liabilities recorded in accordance with Accounting Standards Codification 606 are as follows:

	<u>January 1, 2022</u>	<u>December 31, 2022</u>	<u>December 31, 2023</u>
Accounts receivable, owners	\$ 75,170	\$ 60,476	\$ 116,926
Contract liabilities	50,991	241	1,277

Income taxes:

The Association is classified as a nonexempt membership organization for Federal income tax purposes for the years ended December 31, 2023 and 2022. 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.

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, 2023 and 2022.

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, 2023 and 2022 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.

MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2023 AND 2022

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

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 that occurred 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 credit losses. In evaluating the collectability of the note receivable, the Association considers a number of factors. An allowance for credit losses 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 credit losses amounts is not necessary at December 31, 2023 and 2022.

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.

During 2023, the owners made two advance payments. The first payment was made in June 2023 in the amount of \$21,334 and the second payment was made in December 2023 in the amount of \$39,784. In addition to the advance payments, the owners made principal and interest payments totaling \$202,171 in 2023. The outstanding note balance is \$600,431 as of December 31, 2023.

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.

Future minimum payments expected under this note receivable are:

Year ending December 31,

2024	\$ 161,237
2025	169,306
2026	177,696
2027	<u>92,192</u>
	<u>\$ 600,431</u>

MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 and December 31, 2022. The Association made principal and interest payments totaling \$379,382 in 2023 and \$365,390 in 2022. 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, 2023, the Association was in compliance with its covenants.

Future minimum payments expected under the notes payable are:

Year ending December 31,

2024	\$	303,179
2025		318,691
2026		334,995
2027		352,134
2028		370,150
Thereafter		<u>6,110</u>
		<u>\$ 1,685,259</u>

4. Major repairs, replacements and other expense:

Major repair, replacement and other expenses are as follows:

	2023		2022	
	Reserve	Capital	Reserve	Capital
Plumbing major repairs	\$ 28,783	\$ -	\$ 33,176	\$ -
Entrances and lighting	-	2,239	-	12,699
Security Upgrade	1,500	5,086	-	-
Interior design	-	3,506	7,113	54,598
Exterior design	-	7,049	-	16,381
Boiler plant controls	34	-	-	-
Gas meter	-	94	-	50,750
Gallery Renovations	-	4,100	-	-
Elevator restoration/repairs	-	-	730	-
Major heating system repairs	5,476	19,763	58,854	-
Common area windows	-	-	10,986	-
Garage Major Repairs	377,845	15,232	-	481
Roof replacement	-	7,170	9,888	5,160
Masonry and lintel repairs	-	44,373	39,315	10,150
Ground repairs and waterproof	-	-	61,007	-

MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2023 AND 2022

4. Major repairs, replacements and other expense (continued):

	2023		2022	
	Reserve	Capital	Reserve	Capital
Other capital expense	1,090	21,457	-	2,941
Maintenance/major equipment replacement	-	-	2,856	-
Landscaping	-	13,977	-	6,642
Laundry room renovations	-	25,101	-	12,765
Debt service, association	98,371	-	86,654	-
Total major repairs and replacement expenses	\$ 513,099	\$ 169,147	\$ 310,579	\$ 172,567

5. Equipment:

Equipment consists of the following:

	2023	2022
Cost:		
Machinery and equipment	\$ 70,313	\$ 67,783
Computer and office equipment	39,511	33,035
Office and guest suite furniture	21,867	21,867
Vehicles	27,568	27,568
Accumulated depreciation	159,259	150,253
	(148,271)	(144,404)
Equipment, net	\$ 10,988	\$ 5,849

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, 2023 and 2022, the Association has accumulated \$224,414 and \$394,316, 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 \$198,964 in 2023 and \$250,750 in 2022. The Association also collected monthly fees for the Reserve Fund totaling \$625,002 in 2023 and \$575,001 in 2022.

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.

MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2023 AND 2022

7. Subsequent events:

In preparing these financial statements, Moreland Courts Condominium Association, Inc. has evaluated events and transactions for potential recognition or disclosure through April 3, 2024, 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, 2023

Criterium 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>2024 Funding Requirement</u>	<u>Components of Fund Balance at December 31, 2023</u>
Site	5	\$ 250,000	\$ 60,000	\$ 34,974
Building exterior	1-19	2,150,000	10,000	166,125
Building interior	1-17	581,000		
Mechanical	1-19	683,000	35,500	20,693
Other	1-19	<u>70,000</u>	<u>4,500</u>	<u>2,623</u>
	Totals	<u>\$ 3,734,000</u>	<u>\$ 110,000</u>	<u>\$ 224,414</u>