

# **Moreland Courts Condominium Association, Inc.**

YEARS ENDED DECEMBER 31, 2024 AND 2023

## 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, 2024 and 2023, 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, 2024 and 2023, 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.

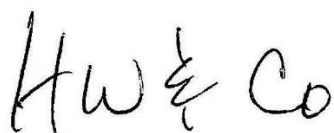
In performing an audit in accordance with GAAS, we:

- 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, 2024 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. This information is the responsibility of management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we do not express an opinion or provide assurance on it.

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

Cleveland, Ohio  
April 4, 2025

# MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

## BALANCE SHEETS

YEARS ENDED DECEMBER 31, 2024 AND 2023

### ASSETS

	2024	2023
<b>Current assets:</b>		
Cash and cash equivalents:		
Operating	\$ 151,897	\$ 129,290
Capital	809	30,139
Reserve	332,860	224,414
Accounts receivable, owners, net of allowance for credit losses of \$40,000 in 2024 and \$0 in 2023	69,554	116,926
Note receivable, owners	151,436	161,237
Prepaid expenses and deposits	64,427	73,553
Total current assets	770,983	735,559
<b>Equipment, net</b>	20,431	10,988
<b>Other assets:</b>		
Notes receivable, owners	241,329	439,194
Units held for resale - guest suite	35,481	35,481
	276,810	474,675
	<u>\$ 1,068,224</u>	<u>\$ 1,221,222</u>

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

	2024	2023
<b>Current liabilities:</b>		
Accounts payable, operating	\$ 23,721	\$ 65,181
Accrued liabilities, payroll and related taxes	50,973	46,931
Prepaid rent	7,662	8,357
Deferred loan assessments	28,853	48,422
Security deposits	3,878	12,202
Deferred revenue, capital	-	1,277
Current portion of note payable, owners	151,436	161,237
Current portion of note payable, association	318,691	303,179
	<hr/>	<hr/>
Total current liabilities	585,214	646,786
	<hr/>	<hr/>
<b>Long-term debt:</b>		
Note payable, net of current portion, owners	241,329	439,194
Note payable, net of current portion, association	1,070,149	1,382,080
	<hr/>	<hr/>
Total long-term debt	1,311,478	1,821,274
	<hr/>	<hr/>
Total liabilities	1,896,692	2,468,060
	<hr/>	<hr/>
<b>Owners' equity (deficit):</b>		
Operating	667,710	656,046
Reserve Fund	(1,496,178)	(1,902,884)
	<hr/>	<hr/>
	(828,468)	(1,246,838)
	<hr/>	<hr/>
	<u><u>\$ 1,068,224</u></u>	<u><u>\$ 1,221,222</u></u>

See notes to financial statements.

# MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

## STATEMENTS OF REVENUE AND EXPENSES

YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
<b>Revenue:</b>		
<b>Operating:</b>		
Maintenance fees	\$ 2,371,808	\$ 2,229,057
Annual capital fees	171,277	198,964
Reserve fund	650,000	625,002
Garage fees	184,182	187,091
Rental fees	48,324	48,984
Guest suite	16,320	20,020
In-suite services	22,691	18,434
Garage services	7,792	8,703
Natural gas	233,568	220,616
Insurance	163,664	162,000
Interest	3,957	3,823
Late fees	4,600	4,300
Other	40,241	37,805
	<u>3,918,424</u>	<u>3,764,799</u>
<b>Nonoperating:</b>		
Debt service , owners	<u>232,865</u>	<u>263,289</u>
	<u>4,151,289</u>	<u>4,028,088</u>
<b>Expenses:</b>		
<b>Operating:</b>		
Wage and payroll taxes	1,409,682	1,427,142
Employee benefits	256,321	222,893
Utilities	460,077	454,478
Maintenance, including major recurring	167,719	227,476
Annual capital fund	189,142	169,147
Reserve fund	163,040	414,728
Administrative	284,404	287,627
Legal fees	45,322	9,950
Credit losses	40,000	-
Credit losses, in-suite services	14,356	13,747
Services	380,782	345,443
	<u>3,410,845</u>	<u>3,572,631</u>
<b>Nonoperating:</b>		
Debt service, owners	233,131	263,391
Debt service, association	82,963	98,371
Depreciation	5,980	3,867
	<u>322,074</u>	<u>365,629</u>
	<u>3,732,919</u>	<u>3,938,260</u>
<b>Revenue in excess of expense</b>	<u><u>\$ 418,370</u></u>	<u><u>\$ 89,828</u></u>

See notes to financial statements.

# MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

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

YEARS ENDED DECEMBER 31, 2024 AND 2023

	Operating	Annual Capital	Reserve Fund	Total
<b>Owners' equity (deficit), January 1, 2023</b>	<u>\$ 695,581</u>	<u>\$ (14,817)</u>	<u>\$ (2,017,430)</u>	<u>\$ (1,336,666)</u>
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	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>	<u>-</u>
Change in equity (deficit)	<u>(39,535)</u>	<u>14,817</u>	<u>114,546</u>	<u>89,828</u>
<b>Owners' equity (deficit), December 31, 2023</b>	<u><u>\$ 656,046</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,902,884)</u></u>	<u><u>\$ (1,246,838)</u></u>
 <b>Owners' equity (deficit), January 1, 2024</b>	 <u>\$ 656,046</u>	 <u>\$ -</u>	 <u>\$ (1,902,884)</u>	 <u>\$ (1,246,838)</u>
Revenue	3,326,055	171,277	650,000	4,147,332
Interest	1,248	-	2,709	3,957
Operating expenses	(3,297,774)	-	-	(3,297,774)
Annual capital expenses	-	(189,142)	-	(189,142)
Reserve fund expenses	-	-	(246,003)	(246,003)
Transfer of equity between funds	<u>(17,865)</u>	<u>17,865</u>	<u>-</u>	<u>-</u>
Change in equity (deficit)	<u>11,664</u>	<u>-</u>	<u>406,706</u>	<u>418,370</u>
<b>Owners' equity (deficit), December 31, 2024</b>	<u><u>\$ 667,710</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (1,496,178)</u></u>	<u><u>\$ (828,468)</u></u>

See notes to financial statements.

# MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2024 AND 2023  
(With Comparative Totals for 2023)

	2024				2023
	Operating	Annual Capital	Reserve Fund	Total	Total
<b>Cash flows from operating activities:</b>					
Revenue in excess of expense (expenses in excess of revenue)	\$ 29,529	\$ -	\$ -	\$ 29,529	\$ (54,535)
Capital assessment	-	171,277	650,000	821,277	823,966
Interest - reserve	-	-	2,709	2,709	2,643
Major repairs, maintenance and other expense	-	(189,142)	(246,003)	(435,145)	(682,246)
Due to/from funds	12,029	(10,188)	(1,841)	-	-
Adjustments to reconcile revenue in excess of expenses (expenses in excess of revenue) net cash from operating activities:					
Depreciation	5,980	-	-	5,980	3,867
Credit losses	40,000	-	-	40,000	13,747
Decrease (increase) in assets:					
Accounts receivable, owners	7,372	-	-	7,372	(70,197)
Prepaid expenses and deposits	9,126	-	-	9,126	(15,569)
Increase (decrease) in liabilities:					
Accounts payable and accrued liabilities	(37,418)	-	-	(37,418)	49,319
Security deposits	(8,324)	-	-	(8,324)	1,387
Prepaid rent	(695)	-	-	(695)	1,773
Deferred revenue, capital	-	(1,277)	-	(1,277)	1,036
Net cash provided by (used in) operating activities	57,599	(29,330)	404,865	433,134	75,191
<b>Cash flows from investing activities:</b>					
Capital expenditures	(15,423)	-	-	(15,423)	(9,006)
Payments received on notes receivable, owners	188,097	-	-	188,097	243,003
Net cash provided by investing activities	172,674	-	-	172,674	233,997
<b>Cash flows from financing activities:</b>					
Payments on long-term debt, owners	(207,666)	-	-	(207,666)	(227,384)
Payments on long-term debt, association	-	-	(296,419)	(296,419)	(281,011)
Net cash used in financing activities	(207,666)	-	(296,419)	(504,085)	(508,395)
<b>Net increase (decrease) in cash and cash equivalents</b>	22,607	(29,330)	108,446	101,723	(199,207)
<b>Cash and cash equivalents, beginning</b>	129,290	30,139	224,414	383,843	583,050
<b>Cash and cash equivalents, ending</b>	<u>\$ 151,897</u>	<u>\$ 809</u>	<u>\$ 332,860</u>	<u>\$ 485,566</u>	<u>\$ 383,843</u>

See notes to financial statements.



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

## **NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2024 AND 2023**

### **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 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, 2024, the Association recorded allowance for credit losses totaling \$40,000. There were no allowance for credit losses recorded at December 31, 2023.

#### **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, 2024 AND 2023

### 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, 2023, the Association had capital fund fees received in excess of expenses in the amount of \$1,277. Amounts were presented as a deferred revenue in the balance sheets. The Association used \$1,277 during 2024 for capital fund expenses.

As of December 31, 2024, the Association had annual capital expenses in excess of capital fund fees received. Therefore, there was no deferred revenue for capital funds as of December 31, 2024. As of December 31, 2024 and 2023, 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.

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, 2023</u>	<u>December 31, 2023</u>	<u>December 31, 2024</u>
Accounts receivable, owners, net	\$ 60,476	\$ 116,926	\$ 69,554
Contract liabilities	241	1,277	-

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

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**YEARS ENDED DECEMBER 31, 2024 AND 2023**

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

#### **Income taxes:**

The Association is classified as a nonexempt membership organization for Federal income tax purposes for the years ended December 31, 2024 and 2023. 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, 2024 and 2023.

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, 2024 and 2023 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.

#### **Reclassification:**

Certain 2023 amounts have been reclassified to conform to the 2024 presentation.

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

The note receivable reflects amounts due from certain owners. The Association will receive monthly principal and interest payments equal to an amount for debt payments made on behalf of certain 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.

# MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2024 AND 2023

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

The Association is of the opinion that an allowance for credit losses amounts is not necessary at December 31, 2024 and 2023.

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 2024, two owners made advance payments. The first payment was made in June 2024 in the amount of \$18,564 and the second payment was made in December 2024 in the amount of \$30,767. In addition to the advance payments, other owners made principal and interest payments totaling \$183,539 in 2024. The outstanding note balance is \$392,765 as of December 31, 2024.

During 2023, two owners made 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, other owners made principal and interest payments totaling \$202,171 in 2023. The outstanding note balance is \$600,431 as of December 31, 2023.

Future minimum payments expected under this note receivable are:

#### Year ending December 31,

2025	\$ 151,436
2026	158,941
2027	<u>82,388</u>
	<u>\$ 392,765</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, 2024 and December 31, 2023. The Association made principal and interest payments totaling \$379,382 in 2024 and 2023. 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, 2024, the Association was in compliance with its covenants.

# MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2024 AND 2023

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

Future minimum payments expected under the notes payable are:

Year ending December 31,

2025	\$ 318,691
2026	334,995
2027	352,134
2028	370,150
2029	<u>12,870</u>
	<u>\$ 1,388,840</u>

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

Major repair, replacement and other expenses are as follows:

	<u>2024</u>		<u>2023</u>	
	<u>Reserve</u>	<u>Capital</u>	<u>Reserve</u>	<u>Capital</u>
Plumbing major repairs	\$ 43,683	\$ -	\$ 28,783	\$ -
Entrances and lighting	-	21,693	-	2,239
Electrical	-	48,935	-	-
Security upgrade	30,507	-	1,500	5,086
Interior design	-	10,011	-	3,506
Exterior design	-	11,473	-	7,049
Boiler plant controls	-	-	34	-
Gas meter	-	1,199	-	94
Gallery renovations	-	15,924	-	4,100
Elevator restoration/repairs	1,901	-	-	-
Major heating system repairs	41,052	9,995	5,476	19,763
Garage major repairs	18,731	2,900	377,845	15,232
Roof replacement	-	-	-	7,170
Masonry and lintel repairs	14,444	60,934	-	44,373
Ground repairs and waterproof	2,835	-	-	-
Other capital expense	9,887	5,383	1,090	21,457
Landscaping	-	695	-	13,977
Laundry room renovations	-	-	-	25,101
Debt service, association	<u>82,963</u>	<u>-</u>	<u>98,371</u>	<u>-</u>
Total major repairs and replacement expenses	<u>\$ 246,003</u>	<u>\$ 189,142</u>	<u>\$ 513,099</u>	<u>\$ 169,147</u>

# MORELAND COURTS CONDOMINIUM ASSOCIATION, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2024 AND 2023

### 5. Equipment:

Equipment consists of the following:

	2024	2023
Cost:		
Machinery and equipment	\$ 85,736	\$ 70,313
Computer and office equipment	39,511	39,511
Office and guest suite furniture	21,867	21,867
Vehicles	<u>27,568</u>	<u>27,568</u>
	174,682	159,259
Accumulated depreciation	<u>(154,251)</u>	<u>(148,271)</u>
Equipment, net	<u>\$ 20,431</u>	<u>\$ 10,988</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, 2024 and 2023, the Association has accumulated \$332,860 and \$224,414, respectively, in the reserve fund for the reserve of contingencies and replacements. During 2024, a study was conducted which estimated the cost of repairs and replacements through 2043. The study had an estimated current replacement cost of \$8,308,252, excluding inflation as of December 31, 2024.

The Association collects a monthly Annual Capital Fee to support capital expenditures totaling \$171,277 in 2024 and \$198,964 in 2023. The Association also collected monthly fees for the Reserve Fund totaling \$650,000 in 2024 and \$625,002 in 2023.

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. Subsequent events:

In preparing these financial statements, Moreland Courts Condominium Association, Inc. has evaluated events and transactions for potential recognition or disclosure through April 4, 2025, 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, 2024

Criterium Engineers conducted a study in 2008 that was revised in 2013, 2017, 2021 and 2024 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 2.5%, 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:

Components	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs	2025 Funding Requirement	Components of Fund Balance at December 31, 2024
Site	5	\$ 163,835	\$ 12,500	\$ 14,502
Building exterior	1-19	3,015,331	50,000	58,010
Building interior	1-17	779,731	61,000	70,772
Mechanical	1-19	4,249,642	161,400	187,256
Other	1-19	<u>99,713</u>	<u>2,000</u>	<u>2,320</u>
Totals		<u>\$ 8,308,252</u>	<u>\$ 286,900</u>	<u>\$ 332,860</u>