

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
THE VILLAS AT CATTAIL
CREEK CONDOMINIUM, INC.
Year ended December 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Villas at Cattail Creek Condominium, Inc.

Opinion

We have audited the accompanying financial statements of The Villas at Cattail Creek Condominium, Inc., which comprise the balance sheet as of December 31, 2024, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the year 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 Villas at Cattail Creek Condominium, Inc. as of December 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 The Villas at Cattail Creek Condominium, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Villas at Cattail Creek Condominium, 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 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 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 The Villas at Cattail Creek Condominium, 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 The Villas at Cattail Creek Condominium, 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 the information on future major repairs and replacements on page 14 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.

Struss + Associates, P.A.

April 2, 2026
Owings Mills, Maryland

THE VILLAS AT CATTAIL CREEK CONDOMINIUM, INC.

BALANCE SHEET

December 31, 2024

ASSETS

	<u>Operating fund</u>	<u>Replacement fund</u>	<u>Total</u>
CURRENT ASSETS			
Cash (Note D)	\$ 11,853	\$ 248,201	\$ 260,054
Investments (Note E)	-	985,000	985,000
Assessments receivable	1,196	-	1,196
Accrued interest receivable	-	12,437	12,437
Other receivable	3,559	-	3,559
Prepaid expenses	33,898	-	33,898
Due from operating fund	-	59,033	59,033
	<u> </u>	<u> </u>	<u> </u>
Total current assets	<u>\$ 50,506</u>	<u>\$ 1,304,671</u>	<u>\$ 1,355,177</u>

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES			
Accounts payable	\$ 30,701	\$ 10,992	\$ 41,693
Assessments received in advance	27,378	-	27,378
Income taxes payable	2,042	-	2,042
Due to replacement fund	59,033	-	59,033
	<u> </u>	<u> </u>	<u> </u>
Total current liabilities	119,154	10,992	130,146
FUND BALANCES (DEFICIT)	<u>(68,648)</u>	<u>1,293,679</u>	<u>1,225,031</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 50,506</u>	<u>\$ 1,304,671</u>	<u>\$ 1,355,177</u>

See accompanying notes to financial statements.

THE VILLAS AT CATTAIL CREEK CONDOMINIUM, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

Year ended December 31, 2024

	Operating fund	Replacement fund	Total
REVENUES			
Assessments	\$ 451,080	\$ 196,200	\$ 647,280
Late fee income	136	-	136
Interest income	-	46,496	46,496
Other income	3,474	-	3,474
	<u>454,690</u>	<u>242,696</u>	<u>697,386</u>
EXPENSES			
Capital improvements	-	139,323	139,323
Clubhouse expenses	4,194	-	4,194
Electricity and gas	27,751	-	27,751
Exterminating	2,475	-	2,475
Fire alarm	3,998	-	3,998
Grounds	80,361	5,310	85,671
Income taxes	11,847	-	11,847
Insurance	94,289	-	94,289
Landscaping	-	1,875	1,875
Management fees	23,484	-	23,484
Office	1,974	25	1,999
Professional fees	3,400	-	3,400
Repairs and maintenance	36,734	-	36,734
Snow removal	30,873	-	30,873
Telephone	2,047	-	2,047
Trash removal	15,840	-	15,840
Water and sewer	134,837	-	134,837
	<u>474,104</u>	<u>146,533</u>	<u>620,637</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(19,414)	96,163	76,749
FUND BALANCES (DEFICIT)			
- beginning of year	<u>(49,234)</u>	<u>1,197,516</u>	<u>1,148,282</u>
FUND BALANCES (DEFICIT)			
- end of year	<u><u>\$ (68,648)</u></u>	<u><u>\$ 1,293,679</u></u>	<u><u>\$ 1,225,031</u></u>

See accompanying notes to financial statements.

THE VILLAS AT CATTAIL CREEK CONDOMINIUM, INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2024

	Operating fund	Replacement fund	Total
	<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ (19,414)	\$ 96,163	\$ 76,749
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	(950)	-	(950)
Accrued interest receivable	-	(3,321)	(3,321)
Other receivable	(3,559)	-	(3,559)
Prepaid expenses	(30,495)	-	(30,495)
Due from operating fund	-	(48,241)	(48,241)
Increase (decrease) in:			
Accounts payable	14,939	10,992	25,931
Assessments received in advance	3,840	-	3,840
Income taxes payable	(4,229)	-	(4,229)
Due to replacement fund	48,241	-	48,241
	<u>8,373</u>	<u>55,593</u>	<u>63,966</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>8,373</u>	<u>55,593</u>	<u>63,966</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	(385,000)	(385,000)
Redemption of investments	-	175,000	175,000
	<u>-</u>	<u>(210,000)</u>	<u>(210,000)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>-</u>	<u>(210,000)</u>	<u>(210,000)</u>
NET INCREASE (DECREASE) IN CASH	8,373	(154,407)	(146,034)
CASH AT BEGINNING OF YEAR	<u>3,480</u>	<u>402,608</u>	<u>406,088</u>
CASH AT END OF YEAR	<u>\$ 11,853</u>	<u>\$ 248,201</u>	<u>\$ 260,054</u>
<u>SUPPLEMENTAL DISCLOSURE</u>			
Income taxes paid	\$ 16,076	\$ -	\$ 16,076

See accompanying notes to financial statements.

THE VILLAS AT CATTAIL CREEK CONDOMINIUM, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE A - ORGANIZATION, PURPOSE, AND MANAGEMENT

The Villas at Cattail Creek Condominium, Inc., a non-stock corporation incorporated in the State of Maryland in December 2003, exists for the private benefit of its members having as its purpose the general upkeep and maintenance of the common elements of the development and any other common expenses of the unit owners. The Association, located in Glenwood, Maryland, is comprised of 93 condominium units.

The Association has engaged UTZ Property Management, LLC as its agent to collect maintenance fees for the unit owners, to administer the policies of the Board of Directors and to assist in the management of the Association's affairs.

NOTE B - DATE OF MANAGEMENT'S REVIEW

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 2, 2026, the date the financial statements were available to be issued.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant policies consistently applied in the preparation of the accompanying statements follows:

1. 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.

2. Funds

The Association uses fund accounting, which requires that funds, such as operating and replacement funds, be classified separately for accounting and reporting purposes. The operating fund is used to account for financial resources available for the general operations of the Association. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

THE VILLAS AT CATTAIL CREEK CONDOMINIUM, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Income taxes

Condominium associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2024, the Association was taxed as a regular corporation. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earned, at 21% by the federal government and 8.25% by the State of Maryland.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the year ended December 31, 2024, the Association incurred no penalties and interest related to income taxes. Tax returns are subject to examination by the Internal Revenue Service and State of Maryland for three years after they are filed.

4. Member assessments

Association members are subject to monthly 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 operating assessments are satisfied over time on a pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are also satisfied over time on a 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 fees from unit owners. The Association's policy is to retain legal counsel to help in the collection of unit owners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. It is the opinion of the Board of Directors that the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for credit losses is deemed necessary.

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. The balances of assessments receivable as of the beginning and end of the year are \$246 and \$1,196, respectively.

THE VILLAS AT CATTAIL CREEK CONDOMINIUM, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Common property

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 in common and not by the Association.

6. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE D - CASH

As of December 31, 2024, the Association maintained its funds in the following manner:

<u>Institution</u>	<u>Type of account</u>	<u>Cash</u>
Pinnacle Bank	Checking	\$ 11,853
Morgan Stanley Private Bank, N.A.	Money Market	4,390
Pinnacle Bank	Money Market	34,312
Morgan Stanley Bank, N.A.	Savings	114,039
Morgan Stanley Private Bank, N.A.	Savings	<u>95,460</u>
		<u>\$ 260,054</u>

THE VILLAS AT CATTAIL CREEK CONDOMINIUM, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024

NOTE E – INVESTMENTS

The Association holds certificates of deposit in an account with Morgan Stanley that are recognized as held-to-maturity investments in the financial statements and are recorded at cost. The cost basis of these investments is \$985,000 as of December 31, 2024.

NOTE F - FUTURE MAJOR REPAIRS AND REPLACEMENTS

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

The Association levied assessments of \$196,200 during the year ended December 31, 2024, for estimated future major repairs and replacements. The reserve study recommends \$196,200 of contributions for the year ended December 31, 2024.

An outside consulting firm conducted a study in August 2023 to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information of future major repairs and replacements is based on the study.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Actual expenditures and investment income may vary from the estimated amounts, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, Maryland legislation allows the Board of Directors to increase assessments, regardless of any restrictions in the Association's governing documents, in order to meet the funding requirements of the reserve study.

NOTE G – RELATED PARTY TRANSACTIONS

The Association retains Creating Excellence, LLC, a company with common ownership with the management company, for certain maintenance services. In 2024, the Association incurred \$6,521 of expenses for those services.

SUPPLEMENTARY INFORMATION

THE VILLAS AT CATTAIL CREEK CONDOMINIUM, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND
REPLACEMENTS

December 31, 2024

(Unaudited)

An outside consulting firm conducted a study in August 2023 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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 LIFE</u>	<u>ESTIMATED CURRENT REPLACEMENT COST</u>
Exterior building elements	1-26	\$ 2,811,200
Property site elements	1-17	568,490
Clubhouse elements	5-29	211,420
Domestic water supply system elements	1-15	144,900
Wastewater treatment system elements	3-15	370,700
Contingency/reserve study update	1-2	<u>9,900</u>
TOTAL		<u>\$ 4,116,610</u>