

# Foxwood Hills Property Owners Association

**Report to the Board of Directors  
For the year ended March 31, 2021**

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Board of Directors  
Foxwood Hills Property Owners Association  
Westminster, South Carolina

To the Members of the Board of Directors:

We are pleased to present this report related to our audit of the financial statements of Foxwood Hills Property Owners Association (the "Association") as of and for the year ended March 31, 2021. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Association's financial reporting process.

This report is intended solely for the information and use of the Board of Directors, Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to you.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina  
July 21, 2022

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## Required Communications about the Financial Statement Audit

AU-C Section 260, *The Auditor's Communications With Those Charged With Governance*, and other professional and regulatory standards require the auditor to communicate certain matters related to the conduct of an audit to those who have responsibility for the oversight of the financial reporting process. The following summarizes these communications.

### Audit Planning Process

Our audit approach placed a strong emphasis on obtaining an understanding of how your Association functions. This enabled us to identify key audit components and tailor our procedures to the unique aspects of your Association.

We obtained an understanding of internal control to assess the impact of internal control on determining the nature, timing and extent of audit procedures, and we established an overall materiality limit for audit purposes. We conducted formal discussions among engagement team members to consider how and where your financial statements might be susceptible to material misstatement due to fraud or error.

We used this knowledge and understanding, together with other factors, to first assess the risk that errors or fraud may cause a material misstatement at the financial statement level. The assessment of the risks of material misstatement at the financial statement level provides us with parameters within which to design the audit procedures for specific account balances and classes of transactions. Our risk assessment process at the account-balance or class-of-transactions level consists of:

- An assessment of inherent risk (the susceptibility of an assertion relating to an account balance or class of transactions to a material misstatement, assuming there are no related controls); and
- An evaluation of the design effectiveness of internal control over financial reporting and our assessment of control risk (the risk that a material misstatement could occur in an assertion and not be prevented or detected on a timely basis by the Association's internal control).

We then determined the nature, timing and extent of tests of controls and substantive procedures necessary given the risks identified and the controls as we understand them.

### Materiality in Planning and Executing the Audit

In planning the audit, the materiality limit is viewed as the maximum aggregate amount of misstatements, which if detected and not corrected, would cause us to modify our opinion on the financial statements. The materiality limit is an allowance not only for misstatements that will be detected and not corrected but also for misstatements that may not be detected by the audit. Our assessment of materiality throughout the audit was based on both quantitative and qualitative considerations. Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods.

### Internal Control Relevant to the Audit

Our audit of the financial statements included obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Our review and understanding of the Association's internal control was not undertaken for the purpose of expressing an opinion on the effectiveness of internal control.

## Required Communications about the Financial Statement Audit, continued

### Auditor's Responsibility Under Professional Standards

As communicated in our engagement letter dated August 25, 2021, our responsibility, as prescribed by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with the modified tax basis of accounting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the financial statements does not relieve you or management of your respective responsibilities.

### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. A summary of the significant accounting policies adopted by the Association is included in Note 1 to the financial statements.

#### *Adoption of, or Change in, Accounting Policies*

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Association. Management has represented to us that the Association did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval.

#### *Significant or Unusual Transactions*

We noted no transactions entered into by the Association during the year that were both significant and unusual, and that, under professional standards, we are required to inform you of, or a transaction in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Alternative Treatments Discussed with Management*

We have had discussions with management regarding the accounting treatment for certain transactions. However, there were no instances in the current year in which discussions revolved around transactions for which alternative accounting treatments are allowable under the modified tax basis of accounting.

## Required Communications about the Financial Statement Audit, continued

### Management Judgments and Accounting Estimates

The preparation of the financial statements requires management of the Association to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. These estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimates may differ markedly from management's current judgments.

There were no areas involving significant management judgment or estimates identified during the audit.

### Financial Statement Disclosures

The disclosures in the financial statements appear to be neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The most sensitive disclosures affecting the financial statements were as follows:

### Uncorrected and Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

#### *Audit Adjustments*

Audit adjustments recorded by the Association are shown on the attached "Summary of Recorded Audit Adjustments", **Appendix A**.

#### *Uncorrected Misstatements*

There were no uncorrected misstatements which were identified as a result of our audit.

### Management Representations

We have requested certain written representations from management that are included in the management representation letter dated July 21, 2022. A copy of that correspondence is included in **Appendix B** for your information.

### Disagreements with Management

For the purposes of this communication, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the Association's financial statements or the auditor's report.

No such disagreements arose during the course of the audit.

## Required Communications about the Financial Statement Audit, continued

### Consultations with Other Accountants

Management may consult with other accountants about auditing and accounting matters on certain situations. If a consultation involves the application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to notify us to determine that the consulting accountant has all the relevant facts.

To our knowledge, and as management has informed us, there were no such consultations with other accountants regarding auditing and accounting matters.

### Significant Issues Discussed with Management

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

No other significant issues arising from the audit were discussed or were the subject of correspondence with management.

### Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of our audit and we appreciate the cooperation received.

### Letter Communicating Internal Control Related Matters

We have separately communicated the material weakness identified during our audit of the financial statements, and this communication is attached as **Appendix B**.

### Certain Written Communications Between Management and Our Firm

Attached in **Appendix B** are copies of certain other written communications between management and Elliott Davis, LLC.

Appendix A

Summary of Recorded Audit Adjustments  
For the Year Ended March 31, 2021

During the course of our audit, certain adjustments were recorded by the Association. Following is a summary of those adjustments:

Recorded Adjustments:

Description	Balance Sheet Impact				Income Statement Impact
	Assets	Liabilities	Beginning Equity	Current Year Equity	
			Increase (decrease)		
<b>Recorded adjustments</b>					
Depreciation expense	\$ -	\$ -	\$ -	\$ -	\$ (5,152)
Accumulated depreciation	(5,152)	-	-	-	-
<i>To adjust depreciation to the depreciation schedule.</i>					
Accumulated depreciation	18,000	-	-	-	-
Loss on disposition of fixed asset	-	-	-	-	(6,000)
Fixed assets	(24,000)	-	-	-	-
<i>To record the disposal of a vehicle.</i>					
<b>Total recorded adjustments</b>	<u>\$ (11,152)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,152)</u>
<b>Balance sheet and net income amounts</b>	<u>\$ 1,227,481</u>	<u>\$ 299,093</u>	<u>\$ 982,235</u>	<u>\$ 928,388</u>	<u>\$ (53,847)</u>
<b>Percentage of misstatement to above amounts</b>	<u>(0.91)%</u>	<u>-%</u>	<u>-%</u>	<u>-%</u>	<u>20.71%</u>



**Appendix B**

**Material Written Communications  
For the Year Ended March 31, 2021**

Copies of these communications are attached.



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July 21, 2022

Elliott Davis, LLC  
PO Box 2227  
Columbia, South Carolina 29201

This representation letter is provided in connection with your audit of the financial statements of Foxwood Hills Property Owners Association (the Association), which comprise the statement of assets, liabilities and member's equity –modified cash basis as of March 31, 2021 the related statements of revenues, expenses and changes in members' equity – modified cash basis and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with the modified cash basis of accounting.

We confirm, to the best of our knowledge and belief, that as of July 21, 2022:

#### **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated August 25, 2021, for the preparation and fair presentation of the financial statements referred to above in accordance with the modified cash basis of accounting.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the modified cash basis of accounting.
6. All events subsequent to the date of the financial statements, and for which the modified cash basis of accounting requires adjustment or disclosure, have been adjusted or disclosed.
7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with the modified cash basis of accounting.
8. We have no knowledge of any uncorrected misstatements in the financial statements.

9. With respect to the preparation of financial statement services performed in the course of the audit:
  - a. We have made all management decisions and performed all management functions;
  - b. We assigned an appropriate individual to oversee the services;
  - c. We evaluated the adequacy and results of the services performed, and made an informed judgment on the results of the services performed;
  - d. We have accepted responsibility for the results of the services; and
  - e. We have accepted responsibility for all significant judgments and decisions that were made.

#### **Information Provided**

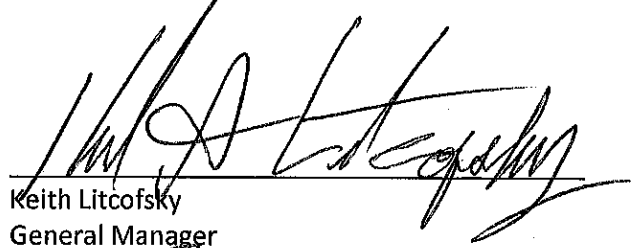
10. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit;
  - c. Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence; and
  - d. Minutes of the meetings of stockholders, directors and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have not performed a formal risk assessment.
13. We have no knowledge of allegations of fraud or suspected fraud affecting the Association's financial statements involving:
  - a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's financial statements received in communications from employees, former employees, analysts, regulators, or others.
15. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

16. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the Association's related parties and all the related-party relationships and transactions of which we are aware.
18. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect Association's ability to record, process, summarize and report financial data.
19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. We are in compliance with all of our debt covenants.
21. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
22. In May 2020, the Association filed for Chapter 11 bankruptcy to reorganize to address and correct defects in the documents governing the lot owner fees and assessments due to the Association. The goal of the Chapter 11 case was to make the provisions for payment of lot owner fees and assessments to the Association fair and equitable, so that all lot owners fairly share in the costs of maintaining the community and to place the Association on sound financial footing. The Chapter 11 case was closed in December 2021.


#### **Supplementary Information**

23. With respect to the Schedule of Future Major Repairs and Replacement Reserves presented as required to supplement the basic financial statements:
  - a. We acknowledge our responsibility for the presentation of such required supplementary information.
  - b. We believe such required supplementary information is measured and presented in accordance with guidelines for property owners associations.
  - c. The methods of measurement or presentation have not changed from those used in the prior period.

Foxwood Hills Property Owners Association



Keith Litcofsky  
General Manager



Patrick Coates  
Board Treasurer



To Management and the Board of Directors  
Foxwood Hills Property Owners Association  
Westminster, South Carolina

In planning and performing our audit of the financial statements of Foxwood Hills Property Association (the Association) as of and for the year ended March 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the following deficiency in the Association's internal control to be a material weakness:

**Cash Disbursements**

During our audit we noted that there is no documentation of review or approval. We recommend that evidence of review and approval is added to inventory before payment and that all invoices are obtained and retained to support cash disbursements. Furthermore, we noted several transactions where a receipt or invoice was not retained to support the cash disbursement. We recommend that a receipt or invoice be retained to support each cash disbursement.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina  
July 21, 2022