

FOXWOOD HILLS PROPERTY OWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2022

FOXWOOD HILLS PROPERTY OWNERS ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Foxwood Hills Property Owners Association, Inc.

Opinion

We have audited the financial statements of Foxwood Hills Property Owners Association, Inc., which comprise the statement of assets, liabilities, and fund balances – modified cash basis as of March 31, 2022, and the related statements of revenue, expenses, and changes in fund balances – modified cash basis and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities, and fund balances of Foxwood Hills Property Owners Association, Inc. as of March 31, 2022, and the results of its operations, changes in fund balances, and its cash flows for the year then ended in accordance with the modified cash basis of accounting described in the “Basis of Accounting” footnote.

Basis for Opinion

We conducted our audit 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 Foxwood Hills Property Owners Association, 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.

Emphasis of Matter – Basis of Accounting

We draw attention to the “Basis of Accounting” footnote of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in the “Basis of Accounting” footnote, 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.

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 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 Foxwood Hills Property Owners Association, 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 Foxwood Hills Property Owners Association, 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.

Report on Summarized Comparative Information

The Association's 2021 financial statements were audited by another auditor whose report, dated July 21, 2022, expressed an unmodified opinion on those audited financial statements. The summarized comparative information presented for the year ended March 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Salisbury, Maryland
January 31, 2023

CERTIFIED PUBLIC ACCOUNTANTS

FOXWOOD HILLS PROPERTY OWNERS ASSOCIATION, INC.

**STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCES
MODIFIED CASH BASIS**

MARCH 31, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

	ASSETS				2021 Total
	Operating Fund	2022 Replacement Funds		Total	
		Capital	Roads		
CURRENT ASSETS					
Cash	\$ 471,323	\$ 10,106	\$ 124,325	\$ 605,754	\$ 659,273
Inventory	4,565			4,565	5,666
Due from other fund		25,716		25,716	
Total current assets	<u>475,888</u>	<u>35,822</u>	<u>124,325</u>	<u>636,035</u>	<u>664,939</u>
PROPERTY AND EQUIPMENT					
Building and building improvements	502,608			502,608	483,417
Other property and equipment	361,621			361,621	361,621
Land improvements	525,209			525,209	525,209
Transportation equipment	129,278			129,278	129,278
Grounds equipment	124,472			124,472	124,472
Computer software	1,439			1,439	1,439
Computer equipment	5,048			5,048	5,048
Furniture and fixtures	262,668			262,668	262,668
Land/Association owned lots	51,414			51,414	37,305
Accumulated depreciation	(1,441,900)			(1,441,900)	(1,367,915)
Property and equipment, net	<u>521,857</u>			<u>521,857</u>	<u>562,542</u>
Total assets	<u>\$ 997,745</u>	<u>\$ 35,822</u>	<u>\$ 124,325</u>	<u>\$ 1,157,892</u>	<u>\$ 1,227,481</u>
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Payroll and sales tax liabilities	\$ 901			\$ 901	\$ 1,462
Collection fees payable	9,933			9,933	
Current portion of note payable	13,021			13,021	14,106
Architectural committee deposits	52,088			52,088	20,550
Assessments received in advance	366,264			366,264	244,528
Due to other fund	25,716			25,716	
Total current liabilities	<u>467,923</u>			<u>467,923</u>	<u>280,646</u>
LONG-TERM LIABILITIES					
Long term portion of note payable	5,425			5,425	18,447
Total liabilities	<u>473,348</u>			<u>473,348</u>	<u>299,093</u>
FUND BALANCES					
Designated for legal fees	29,000			29,000	
Undesignated	495,397			495,397	
Total fund balances	<u>524,397</u>	<u>35,822</u>	<u>124,325</u>	<u>540,484</u>	<u>928,388</u>
Total liabilities and fund balances	<u>\$ 997,745</u>	<u>\$ 35,822</u>	<u>\$ 124,325</u>	<u>\$ 1,013,832</u>	<u>\$ 1,227,481</u>

The accompanying notes are an integral part of these financial statements.

FOXWOOD HILLS PROPERTY OWNERS ASSOCIATION, INC.

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS**

**YEAR ENDED MARCH 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

	2022			2021	
	Operating	Replacement Funds		Total	Total
	Fund	Capital	Roads		
REVENUES					
Member assessments	\$ 1,169,428	\$ 18,729	\$ 74,550	\$ 1,262,707	\$ 1,038,051
Food and beverage income	136,650			136,650	71,988
Land sale proceeds, net	40,743			40,743	49,050
Late fees and other revenues	48,597		16,284	64,881	55,272
Total revenues	<u>1,395,418</u>	<u>18,729</u>	<u>90,834</u>	<u>1,504,981</u>	<u>1,214,361</u>
EXPENSES					
General and administrative	395,688	900		396,588	362,636
Legal fees	652,652			652,652	421,971
Restaurant	187,171			187,171	115,195
Security	90,100			90,100	97,218
Maintenance	98,799	7,412	110,569	216,780	86,180
Swimming pool	45,943			45,943	45,720
Comfort stations	24,523			24,523	25,373
Repairs and maintenance					20,826
Depreciation	73,985			73,985	84,459
Interest					2,630
Loss on disposal of property and equipment					6,000
Settlement expenses	61,084			61,084	
Total expenses	<u>1,629,945</u>	<u>8,312</u>	<u>110,569</u>	<u>1,748,826</u>	<u>1,268,208</u>
Net revenues under expenses before transfers	(234,527)	10,417	(19,735)	(243,845)	(53,847)
Transfers					
Fixed assets purchased in replacement fund	11,155	(11,155)			
Note payments made by replacement fund	14,107	(14,107)			
Net change in fund balance	(209,265)	(14,845)	(19,735)	(243,845)	(53,847)
FUND BALANCES, BEGINNING OF YEAR	<u>733,662</u>	<u>50,667</u>	<u>144,060</u>	<u>784,329</u>	<u>982,235</u>
FUND BALANCES, END OF YEAR	<u>\$ 524,397</u>	<u>\$ 35,822</u>	<u>\$ 124,325</u>	<u>\$ 540,484</u>	<u>\$ 928,388</u>

The accompanying notes are an integral part of these financial statements.

FOXWOOD HILLS PROPERTY OWNERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

**YEAR ENDED MARCH 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

	2022			2021	
	Operating Fund	Replacement Funds Capital	Roads	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Net revenues over (under) expenses	\$ (234,527)	\$ 10,417	(19,735)	\$ (243,845)	\$ (53,847)
Adjustments to reconcile net revenues over (under) expenses to net cash provided (used) by operating activities:					
Depreciation	73,985			73,985	84,459
Loss on disposal of property and equipment					6,000
(Increase) decrease					
Inventory	1,101			1,101	(2,094)
Increase (decrease)					
Accounts payable	(561)			(561)	1,462
Collection fees payable	9,933			9,933	
Architectural committee deposits	31,538			31,538	13,962
Assessments received in advance	121,735			121,735	(139,546)
Net cash flows provided (used) by operating activities	<u>3,204</u>	<u>10,417</u>	<u>(19,735)</u>	<u>(6,114)</u>	<u>(89,604)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	<u>(22,144)</u>	<u>(11,155)</u>		<u>(33,299)</u>	<u>(24,320)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Principal payments on notes payable		(14,107)		(14,107)	(127,237)
Interfund borrowings	25,716	(25,716)			
Net cash flows provided (used) by financing activities	<u>25,716</u>	<u>(39,823)</u>		<u>(14,107)</u>	<u>(127,237)</u>
Net increase (decrease) in cash	6,776	(40,561)	(19,735)	(53,520)	(241,161)
CASH, BEGINNING OF YEAR	<u>464,547</u>	<u>50,667</u>	<u>144,060</u>	<u>659,274</u>	<u>900,434</u>
CASH, END OF YEAR	<u>\$ 471,323</u>	<u>\$ 10,106</u>	<u>124,325</u>	<u>\$ 605,754</u>	<u>\$ 659,273</u>
SUPPLEMENTAL CASH FLOW INFORMATION					
Cash paid for interest	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,630</u>

The accompanying notes are an integral part of these financial statements.

FOXWOOD HILLS PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

ORGANIZATION

Foxwood Hills Property Owners Association, Inc. (the “Association”), is a corporation organized pursuant to the laws of the State of South Carolina on April 28, 1978. The Association establishes, owns, maintains, and operates certain recreational facilities and amenities at Foxwood Hills, Westminster, South Carolina, for the use and benefit of the Association’s members. The Association consists of over 4,000 members who own lots located on approximately 2,600 acres in Oconee County, South Carolina near Westminster, South Carolina.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Association prepares the financial statements in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis of accounting is an accounting policy that records certain accounting items in the financial statements using the cash basis of accounting and certain items using the accrual basis of accounting.

- The Association records revenue and expenses which occur throughout the year on the cash basis of accounting. Consequently, the Association does not recognize accounts receivable from members or accounts payable to vendors.
- Long-term items are recorded using the accrual basis of accounting. This includes, property and equipment and notes payable. Similarly, depreciation is reported on the income statement.
- Assessments received in advance consists of member dues and assessments billed and collected in advance. These are deferred and recognized as revenue in the year in which they are billed.

Fund accounting

In accordance with industry standards and practices, the Association has segregated its activities into two funds: the operating fund and the replacement fund.

Operating fund

Provides working capital for operations, contingencies, and replacements where specific funds have not been designated. If the operating fund is inadequate to meet funding requirements for any reason, the Board of Directors may levy at any time a further assessment.

Replacement fund

Provides funding for future major repairs and replacements. Expenditures from this fund may be used only for designated purposes.

FOXWOOD HILLS PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total columns on combined statements

Total columns on the combined statements are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Cash and cash equivalents

The Association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Inventory

The Association values its inventory, which consists of alcohol and food, at the lower of cost or net realizable value determined on a first-in, first-out basis.

Property and equipment

Property and equipment are carried at cost, if purchased. Property and equipment contributed to the Association is recorded at estimated fair value at the date of donation. The Association generally capitalizes assets with a cost of \$1,000 or more. The Association is responsible for preserving and maintaining the common property. The Association's policy is to evaluate property and equipment for impairment annually.

The Association has established its capitalization policy for purchased or contributed real property in accordance with prevalent industry practice:

Real property that is not directly associated with the lots, such as recreational facilities, are generally capitalized only if the Association has title and can sell the property and retain the proceeds or use the property to generate significant cash flows from members or non-members on the basis of usage.

Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of revenues, expenses, and changes in fund balances.

FOXWOOD HILLS PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (continued)

Included in property and equipment are lots that the Association has purchased or lots that have been received from owners who surrendered ownership in lieu of payment. As of March 31, 2022, the Association owns approximately 730 lots which are reported at \$51,414.

Depreciation is provided over the estimated useful lives of the related assets and is computed using the straight-line method as follows:

<u>Description</u>	<u>Estimated useful lives</u>
Building and building improvements	5 – 40 years
Other property and equipment	3 – 40 years
Land improvements	5 – 40 years
Transportation equipment	3 – 5 years
Grounds equipment	5 – 7 years
Computer software	5 years
Computer equipment	5 years
Furniture and fixtures	5 – 15 years

Use of estimates

The preparation of financial statements in conformity with the modified cash basis of accounting 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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

Management has evaluated subsequent events through January 31, 2023, which is the date the financial statements were available to be issued.

Reclassifications

Certain prior year amounts reported in the March 31, 2021 financial statements have been reclassified to conform with the current year presentation.

FOXWOOD HILLS PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

CASH

The Association's cash and cash equivalents are held at federally insured commercial banks. The Federal Deposit Insurance Corporation ("FDIC") insures the holders of accounts at participating commercial banks for up to \$250,000. At March 31, 2022, the Association had deposits of \$396,098 in excess of FDIC limits.

MEMBER ASSESSMENTS

Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Revenues for member assessments are recognized when cash is received, except for revenues received in advance. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year.

In addition to annual assessments, the Board of Directors has the authority to levy interest, late fees, and collection fees for overdue and unpaid assessments.

For 2022, the assessments per unit were as follows:

POA dues and assessments	\$ 605
Partial lots dues and assessments	\$ 272

ASSESSMENTS RECEIVED IN ADVANCE

Assessments received in advance include subsequent year's assessment that were received prior to year-end.

ARCHITECTURAL COMMITTEE DEPOSITS

Architectural committee deposits include refundable deposits collected from owners before making a change or improvement to their property. The deposits are returned to the owners after the improvements are inspected and approved. The balance of architectural committee deposits as of March 31, 2022 was \$52,088.

FOXWOOD HILLS PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

INCOME TAXES

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the year ended March 31, 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, non-membership transactions, and capital transactions.

The Association is taxed on all net income from non-membership activities reduced only by losses from non-membership activities for which a profit motive exists. Non-membership 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. Any net membership income not applied to the subsequent tax year is subject to taxation. The Association files Form 1120, which has a tax rate of 21% that is applied to net taxable income. It is the Association's policy that penalties and interest assessed by income taxing authorities, if any, are included in operating expenses.

The Association has determined that it does not have any material unrecognized tax benefits or obligations as of March 31, 2022.

FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds are held in separate accounts and are generally not available for operating purposes. It is the policy of the Association that interest earned in the replacement fund remains in the replacement fund as an additional contribution.

A reserve study was conducted in July 2015 to estimate the remaining useful lives and the replacement costs of the common property components. The study utilized various publications written by the R.S. Means Company and construction related experience of Ray Engineering to calculate replacement costs. The study assumed an inflation rate of 3.0% and a yield on reserves of .05%. The table included in the unaudited supplementary information is based on the study.

FOXWOOD HILLS PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

According to the study, the recommended annual contribution for 2022 was \$350,000. The Association, however, elected to contribute \$93,279 to the replacement fund. For that reason and because actual expenditures may vary from estimated expenditures, and the variations may be material, 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, the Association has the right, subject to the Board of Directors' approval, to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available.

During the year ended March 31, 2022, disbursements from the replacement fund included the following:

Road repairs	\$ 110,569
Clubhouse restroom repairs	2,596
Vehicle transmission repairs	4,816
Bank fees	900
Total expenses	<u>118,881</u>
Transfer to operating fund for bar deck	11,155
Transfer to operating fund for tractor loan payments	14,107
Total disbursements from the replacement fund	<u><u>\$ 144,143</u></u>

LONG-TERM DEBT

Long-term debt consists of the following on March 31, 2022:

Note payable in monthly installments of \$1,085 through September 5, 2023. The note is collateralized by a tractor.	\$ 18,446
Less current portion	<u>(13,021)</u>
Long-term portion	<u><u>\$ 5,425</u></u>

Principal maturities for the years following March 31, 2022 are as follows:

2023	\$ 13,021
2024	<u>5,425</u>
	<u><u>\$ 18,446</u></u>

FOXWOOD HILLS PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

RETIREMENT PLAN

The Association offers a Simple IRA retirement plan to its employees. All employees are eligible to elect to participate in the plan. The Association can make a discretionary match of up to 3% of pay contributed by an employee. The Association did not make an employer's match in 2022.

BANKRUPTCY

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 is to make the provisions for payment of low owner fees and assessments to the Associations 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.

In June 2021, the Association filed an amendment to the amended and restated Chapter 11 plan of reorganization for provisions to settle damages with Community Association Management Services (CAMS) in the amount of \$50,000. The \$50,000 will be paid in equal monthly installments over a period of 18 months. As of March 31, 2022, the Association owes \$22,222 for the CAMS settlement.

The amendment also included provisions to settle a claim with Total Environment Solutions, Inc. (TESI) in the amount of \$60,000. The Association offset this claim with \$26,694 in costs it incurred for repairing roads damaged by TESI. The remaining \$33,306 was paid in full as of March 31, 2022. These payments are included in settlement expenses in the statement of revenues, expenses, and changes in fund balances.

In December 2021, the aforementioned Chapter 11 reorganization was deemed fully administered and closed by the United States Bankruptcy Court, District of South Carolina.

As of March 31, 2022, there were \$29,000 of unpaid legal fees related to the bankruptcy. These fees have been reported as a designated fund balance.

FOXWOOD HILLS PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

CONTINGENCIES

The Association is involved in legal proceedings which arise periodically in the normal course of business. While the result of such matters cannot be predicted with certainty, management does not expect any such matter to have a material adverse effect on the Association's financial statements.

COMMITMENTS

In June 2020, the Association entered into a financial services agreement with Goodmanagement, LLC. The agreement commenced on October 1, 2020, with a term through March 31, 2022. The agreement renews for additional one-year terms unless terminated in writing by either party. The Association pays monthly installments of \$5,400 for these services. Additional services not covered in the agreement may be provided at additional costs. The Association paid \$65,475 for management fees and other services for the year ended March 31, 2022.

NEW ACCOUNTING STANDARD

FASB issued ASU 2016-02, *Leases*. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operation lease. However, unlike current GAAP – which requires only capital leases to be recognized on the statement of financial position – the new ASC will require both type of leases to be recognized on the statement of financial position. The new guidance on leases will take effect for the year ending March 31, 2023.

SUPPLEMENTARY INFORMATION



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Foxwood Hills Property Owners Association, Inc.

We have audited the financial statements of Foxwood Hills Property Owners Association, Inc. as of and for the year ended March 31, 2022, and our report thereon dated January 31, 2023, which expressed an unmodified opinion on those financial statements, appears on pages one through three. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on page 17, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked as "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That 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, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who 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 inquires 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.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 31, 2023

FOXWOOD HILLS PROPERTY OWNERS ASSOCIATION, INC.

**SCHEDULES OF OPERATING FUND REVENUES AND EXPENSES
BUDGET AND ACTUAL**

**YEAR ENDED MARCH 31, 2022
(WITH COMPARATIVE TOTALS FOR 2021)**

	2022		2021
	Budget (Unaudited)	Actual	Actual
REVENUES			
Member assessments	\$ 968,416	\$ 1,262,707	\$ 1,038,051
Less: contribution to replacement fund	(74,916)	(93,279)	(63,558)
Net member assessments	893,500	1,169,428	974,493
Food and beverage income	117,578	136,650	71,988
Land sale proceeds, net	20,000	40,743	49,050
Late fees and other revenues	1,550	48,597	55,272
Total revenues	<u>1,032,628</u>	<u>1,395,418</u>	<u>1,150,803</u>
EXPENSES			
General and administrative	352,567	395,688	362,636
Legal fees	242,765	652,652	421,971
Restaurant	167,574	187,171	115,195
Security	113,465	90,100	97,218
Maintenance	91,464	98,799	86,180
Swimming pool	40,001	45,943	45,720
Comfort stations	24,792	24,523	25,373
Repairs and maintenance			20,826
Depreciation		73,985	84,459
Interest			2,630
Loss on disposal of property and equipment			6,000
Settlement expenses		61,084	
Total expenses	<u>1,032,628</u>	<u>1,629,945</u>	<u>1,268,208</u>
Net revenues under expenses	<u>\$</u>	<u>\$ (234,527)</u>	<u>\$ (117,405)</u>

See independent auditors' report on supplementary information.

FOXWOOD HILLS PROPERTY OWNERS ASSOCIATION, INC.

**SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS**

YEAR ENDED MARCH 31, 2022

(Unaudited)

The Association's Board of Directors commissioned a Level II updated reserve study in July 2015 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. The Board of Directors will review and update this study periodically.

The Board of Directors has contracted for a reserve study to be completed in the subsequent fiscal year.

The following information is based on the study and the Board's estimates and presents significant information about the components of common property.

Components	Estimated Remaining Useful Life (Years)	Estimated Future Replacement Costs
Clubhouse	1 to 13	\$ 724,957
Comfort stations	1 to 13	177,657
Landscaping	1 to 11	43,085
Picnic pavillion	4 to 12	17,273
Maintenance equipment	4 to 12	304,635
Swimming pool	1 to 9	435,451
Main roads	1	368,962
Maintenance building	5 to 13	12,551
Equipment	3	26,095
Site fencing	3 to 9	14,314
Drainage	4 to 9	10,157
Sidewalk	3 to 7	6,933
Sports courts	6 to 13	15,897
Tennis courts	2 to 9	45,195
Signage	5	13,842
Vehicles	6 to 12	78,205
Total		<u>\$ 2,295,209</u>
Replacement fund cash and cash equivalents		<u>\$ 134,430</u>

See independent auditors' report on supplementary information.