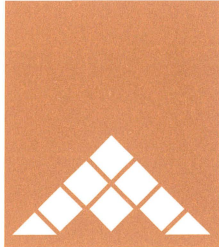


**THE PLANTATIONS COMMUNITY  
ASSOCIATION, INC.  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2020**

THE PLANTATIONS COMMUNITY ASSOCIATION, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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Adeptus

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Plantations Community Association, Inc.  
Damascus, Maryland

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of The Plantations Community Association, Inc. (a Maryland corporation), which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility***

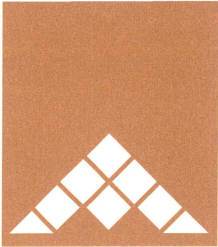
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Offices:

Maryland  
New York City  
Long Island  
New Jersey



Adeptus

**INDEPENDENT AUDITOR'S REPORT (continued)**

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Plantations Community Association, Inc. as of December 31, 2020, and the results of its operations, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Omission of Required Supplementary Information about Future Major Repairs and Replacements***

Management has omitted Supplementary Information about Future Major Repairs and Replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

*Adeptus Partners, LLC*

ADEPTUS PARTNERS, LLC  
Certified Public Accountants

Olney, Maryland  
May 28, 2022

THE PLANTATIONS COMMUNITY ASSOCIATION, INC.  
BALANCE SHEET  
DECEMBER 31, 2020

ASSETS

|                                    | Operating Fund    | Reserve Fund     | Total             |
|------------------------------------|-------------------|------------------|-------------------|
| <b>CURRENT ASSETS</b>              |                   |                  |                   |
| Cash                               | \$ 43,293         | \$ -             | \$ 43,293         |
| Assessments and other receivable   | 13,194            | -                | 13,194            |
| Prepaid expenses and other assets  | 1,897             | -                | 1,897             |
| Total current assets               | 58,384            | -                | 58,384            |
| <b>PROPERTY AND EQUIPMENT, NET</b> | 72,094            | -                | 72,094            |
| <b>OTHER ASSETS</b>                |                   |                  |                   |
| Restricted cash                    | -                 | 38,366           | 38,366            |
| <b>TOTAL ASSETS</b>                | <b>\$ 130,478</b> | <b>\$ 38,366</b> | <b>\$ 168,844</b> |

LIABILITIES AND FUND BALANCE

|  |                   |                  |                   |
|--|-------------------|------------------|-------------------|
| <b>CURRENT LIABILITIES</b>                 |                   |                  |                   |
| Accounts payable                           | \$ 105            | \$ -             | \$ 105            |
| Assessments received in advance            | 651               | -                | 651               |
| <b>TOTAL LIABILITIES</b>                   | 756               | -                | 756               |
| <b>FUND BALANCES</b>                       | 129,722           | 38,366           | 168,088           |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 130,478</b> | <b>\$ 38,366</b> | <b>\$ 168,844</b> |

See accompanying notes to financial statements.

THE PLANTATIONS COMMUNITY ASSOCIATION, INC.  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2020

|   | Operating Fund    | Reserve Fund     | Total             |
|---|-------------------|------------------|-------------------|
| <b>REVENUES</b>                         |                   |                  |                   |
| Assessments                             | \$ 73,792         | \$ -             | \$ 73,792         |
| Late fee income                         | 494               | -                | 494               |
| Other income                            | 789               | -                | 789               |
| Interest income                         | 5                 | 20               | 25                |
|   | <u>75,080</u>     | <u>20</u>        | <u>75,100</u>     |
| <b>TOTAL REVENUES</b>                   |                   |                  |                   |
| <b>EXPENSES</b>                         |                   |                  |                   |
| Landscaping and tree removal            | 36,590            | -                | 36,590            |
| Depreciation                            | 4,823             | -                | 4,823             |
| Taxes and fees                          | 4,097             | -                | 4,097             |
| Snow removal                            | 3,110             | -                | 3,110             |
| Insurance                               | 2,366             | -                | 2,366             |
| Administrative                          | 916               | -                | 916               |
| Telephone                               | 883               | -                | 883               |
| Printing and postage                    | 759               | -                | 759               |
| Trash removal                           | 690               | -                | 690               |
| Electricity                             | 560               | -                | 560               |
| Professional fees                       | 475               | -                | 475               |
| Repairs and maintenance                 | 303               | -                | 303               |
| Interest                                | 62                | -                | 62                |
|   | <u>55,634</u>     | <u>-</u>         | <u>55,634</u>     |
| <b>TOTAL EXPENSES</b>                   |                   |                  |                   |
| <b>EXCESS OF REVENUES OVER EXPENSES</b> | 19,446            | 20               | 19,466            |
| Transfers to reserve fund               | (8,838)           | 8,838            | -                 |
| <b>FUND BALANCES, BEGINNING OF YEAR</b> | <u>119,114</u>    | <u>29,508</u>    | <u>148,622</u>    |
| <b>FUND BALANCES, END OF YEAR</b>       | <u>\$ 129,722</u> | <u>\$ 38,366</u> | <u>\$ 168,088</u> |

See accompanying notes to financial statements.

THE PLANTATIONS COMMUNITY ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020

|  | <u>Operating Fund</u> | <u>Reserve Fund</u> | <u>Total</u>     |
|--|-----------------------|---------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                       |                     |                  |
| Excess of revenues over expenses   | \$ 19,446             | \$ 20               | \$ 19,466        |
| Adjustments to reconcile excess of revenues over expenses<br>to net cash provided by operating activities: |                       |                     |                  |
| Depreciation   | 4,823                 | -                   | 4,823            |
| Change in interfund balance  | (8,838)               | 8,838               | -                |
| (Increase) decrease in assets:   |                       |                     |                  |
| Assessments and other receivable   | 2,500                 | -                   | 2,500            |
| Prepaid expenses and other assets  | (31)                  | -                   | (31)             |
| Increase (decrease) in liabilities:  |                       |                     |                  |
| Accounts payable   | (2,229)               | -                   | (2,229)          |
| Assessments received in advance  | (241)                 | -                   | (241)            |
| Net cash provided by operating activities  | <u>15,430</u>         | <u>8,858</u>        | <u>24,288</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                       |                     |                  |
| Capital expenditures   | <u>(7,415)</u>        | <u>-</u>            | <u>(7,415)</u>   |
| Net cash used in investing activities  | <u>(7,415)</u>        | <u>-</u>            | <u>(7,415)</u>   |
| CHANGE IN CASH AND RESTRICTED CASH   | 8,015                 | 8,858               | 16,873           |
| CASH AND RESTRICTED CASH, BEGINNING OF YEAR  | <u>35,278</u>         | <u>29,508</u>       | <u>64,786</u>    |
| CASH AND RESTRICTED CASH, END OF YEAR  | <u>\$ 43,293</u>      | <u>\$ 38,366</u>    | <u>\$ 81,659</u> |

See accompanying notes to financial statements.

THE PLANTATIONS COMMUNITY ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 1 – NATURE OF OPERATIONS

The Plantations Community Association, Inc. (the Association) is a non-stock corporation incorporated in State of Maryland on August 18, 1978. The Association is responsible for the operation and maintenance of the common property of The Plantations Community. The Association is located in Gaithersburg, Maryland and consists of 346 single-family homes and 60 townhomes.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

*Basis of accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

To ensure observance of limitations and restrictions on use of financial resources which are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

*Operating Fund:* This fund is used to account for financial resources available for the general operations of the Association.

*Replacement Fund:* This fund is used to accumulate financial resources designated for major repairs and replacement of existing facilities or equipment. The Association's governing documents do not require that funds be accumulated for these purposes.

*Member Assessments*

Association members are subject to annual assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. 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. At December 31, 2020, the Association had delinquent assessments of \$13,194. The Association's management believes all assessments will be collected and has not established an allowance for doubtful accounts.

Revenues from assessments are recognized in the period assessed. Assessments received in advance of the period are deferred and reported on the balance sheet as assessments received in advance.

*Property and 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 owners in common and not by the Association. The Association capitalizes personal property at cost and is depreciated over the estimated useful life using the straight-line method.

*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. Actual results could differ from those estimates.

*Cash*

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



THE PLANTATIONS COMMUNITY ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

*Restricted cash*

The Association maintains separate savings accounts for General Reserves and Townhouse Reserves. As of December 31, 2020, the amounts maintained for the reserves were \$17,838 and \$20,528, respectively. These funds are restricted for use in that they are designated for major repairs and replacements.

*Income Taxes*

The Association qualifies as a tax-exempt homeowners' association under the Internal Revenue Code Section 528 for the year ended December 31, 2020. Under that section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government and 8.25% by the State of Maryland.

No current year income tax expense was recorded for the year ended December 31, 2020 because the Association has a specific deduction that eliminated any potential tax liability. The Association has a net operating loss carryforward available to them in the amount of \$31,945, which will expire in 2038.

The Association's management evaluates tax positions and recognizes a tax liability (or asset) if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Association's management has analyzed its tax positions and has concluded that as of December 31, 2020, there are no uncertain tax positions that would require recognition or disclosure. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

*Subsequent Events Evaluation*

The Association has evaluated events and transactions for potential recognition or disclosure through May 28, 2022, the date the financial statements were available to be issued.

NOTE 3 – REPLACEMENT RESERVES

The Association's governing documents do not require that funds be accumulated for future major repairs and replacements; however, the Association has elected to set aside funds for replacement reserves. Accumulated funds are generally not available for expenditures for normal operations.

The Association has not estimated the remaining useful lives and the replacement costs of the components of common property.

The Association is funding the replacement reserves based on recommendations from the Board of Directors. Accordingly, the funding recommendation of \$8,838 from assessments has been included in the 2020 financial statements.

Funds are being accumulated in the replacement reserves based on estimates of future needs for repair and replacement of common property components. Actual expenditures made from reserves may vary from the estimated future expenditures and the variation may be material; amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major replacements until funds are available.

As of December 31, 2020, the Association had designated \$38,366 for replacement reserves. These designated reserves were funded by cash and cash equivalents.

THE PLANTATIONS COMMUNITY ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

NOTE 4 – CASH AND CASH EQUIVALENTS

The Association maintains its funds in the following accounts:

| Institution                                    | Type of Account | December 31,<br>2020 |
|--|-----------------|----------------------|
| M&T Bank                                       | Checking        | \$ 32,403            |
| M&T Bank                                       | Money Market    | 10,890               |
| M&T Bank                                       | Money Market    | 17,838               |
| M&T Bank                                       | Savings         | 20,528               |
| Total operating and reserve fund cash balances |                 | \$ 81,659            |

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

|                                | December 31,<br>2020 |
|--------------------------------|----------------------|
| Park equipment                 | \$ 93,460            |
| Permanent structures           | 5,481                |
| Office equipment               | 774                  |
|                                | 99,715               |
| Less: accumulated depreciation | (27,621)             |
| Property and equipment, net    | \$ 72,094            |

Depreciation expense for the year ended December 31, 2020 was \$4,823.

NOTE 6 – FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605 *Real Estate - Common Interest Realty Associations (CIRA), Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

NOTE 7 – CONTINGENCIES

From time to time, the Association may become involved in legal claims arising in the ordinary course of its activities. In the opinion of management, the outcome of any proceedings would be covered by the Association's insurance policies, subject to normal deductibles, and accordingly would not have a material effect on its financial position or results of operations.