BORISLOW FACTOR & KAUFMANN LLC
CERTIFIED PUBLIC ACCOUNTANTS

October 8, 2020

To the Board of Directors
Valley Forge Towers South Condominium Association

We have audited the financial statements of Valley Forge Towers South Condominium Association for the year ended December 31, 2018, and have issued our report thereon dated October 8, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated September 14, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

You are responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Valley Forge Towers South Condominium Association are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on your knowledge and experience about past and current events and 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 them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the allowance for doubtful accounts is based on historical collection information. We evaluated the key factors and assumptions used to develop

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the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciation is based on the accelerated methods over the estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of undiscounted cash flows associated with an asset or group of assets that is used in the review of long-lived assets for impairment of long-lived assets is based on the entity's planned use of the asset and internal projection, forecasts, or budgets using the expected present value technique. We have evaluated the key factors and assumptions used in determining if impairment is present in determining that it is reasonable in relation to the financial statement taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. You have corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Other Audit Findings and Issues

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.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

As noted in our Communication of Material Weaknesses and Significant Deficiencies, we identified the lack of numerous independent quotes for major renovations as a material weakness. Please refer to that letter for additional details. We have included a representation in the representation letter provided to us by management and the Board President and Board Treasurer that indicates all amounts paid to Perkin Design Interiors have been approved and are believed to be reasonable for the goods and services provided.

This information is intended solely for the use of the management and board of directors of Valley Forge Towers South Condominium Association of and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Borislow, Factor & Kaufmann, LLC

Borislow Factor & Kaufmann LLC
Certified Public Accountants

VALLEY FORGE TOWERS SOUTH CONDOMINIUM ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2018

VALLEY FORGE TOWERS SOUTH CONDOMINIUM ASSOCIATION

DECEMBER 31, 2018

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BORISLOW FACTOR & KAUFMANN LLC
BFK
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Valley Forge Towers South Condominium Association
King of Prussia, Pennsylvania

We have audited the accompanying financial statements of Valley Forge Towers South Condominium Association, which comprise the balance sheet as of December 31, 2018 and the related statements of revenues, expenses and comprehensive income (loss), changes in fund balances and cash flows for the year 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Forge Towers South Condominium Association as of December 31, 2018, and the results of its operations and its cash flows for the year 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, 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. Our opinion on the basic financial statements is not affected by the missing information.

Borislow, Factor & Kaufmann, LLC

October 8, 2020

VALLEY FORGE TOWERS SOUTH CONDOMINIUM ASSOCIATION

BALANCE SHEET

DECEMBER 31, 2018

ASSETS

	Operating Fund	Capital Reserve Fund	Total
CURRENT ASSETS:			
Cash and Cash Equivalents	$ 41,378	$ -	$ 41,378
Marketable Securities	-	581,321	581,321
Assessments and Other Receivables, Net	53,078	-	53,078
Prepaid Expenses	131,249	229	131,478
Due from Capital Reserve Fund	2,679	-	2,679
Total Current Assets	228,384	581,550	809,934
EQUIPMENT, FURNITURE AND AND IMPROVEMENTS - Net of Accumulated Depreciation of $54,148	41,074	-	41,074
	$ 269,458	$ 581,550	$ 851,008

LIABILITIES AND FUND BALANCES

	Operating Fund	Capital Reserve Fund	Total
CURRENT LIABILITIES:			
Accounts Payable and Accrued Expenses	$ 130,342	$ 87,000	$ 217,342
Deferred Revenue	61,094	-	61,094
Due to Operating Fund	-	2,679	2,679
Total Current Liabilities	191,436	89,679	281,115
FUND BALANCES:			
Fund Balances	78,022	491,157	569,179
Accumulated Other Comprehensive Income	-	714	714
Total Fund Balances	78,022	491,871	569,893
	$ 269,458	$ 581,550	$ 851,008

The Accompanying Notes Are an Integral Part of These Financial Statements

VALLEY FORGE TOWERS SOUTH CONDOMINIUM ASSOCIATION

STATEMENT OF REVENUES, EXPENSES AND COMPREHENSIVE INCOME (LOSS)

YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Capital Reserve Fund	Total
REVENUES:			
Member Assessments	$1,883,352	$ 528,744	$2,412,096
Work Order Income	17,212	-	17,212
Move In Fees and Miscellaneous Income	25,234	-	25,234
Snow Assessment	26,377	-	26,377
Investment Income	-	9,096	9,096
Total Revenues	1,952,175	537,840	2,490,015
EXPENSES:			
Operating Expenses	2,026,769	-	2,026,769
Income Taxes	-	3,529	3,529
Major Repairs and Replacements	-	512,673	512,673
Total Expenses	2,026,769	516,202	2,542,971
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(74,594)	21,638	(52,956)
OTHER COMPREHENSIVE LOSS - Unrealized Loss on Marketable Securities	-	(4,045)	(4,045)
COMPREHENSIVE INCOME (LOSS)	$ (74,594)	$ 17,593	$ (57,001)

The Accompanying Notes Are an Integral Part of These Financial Statements

VALLEY FORGE TOWERS SOUTH CONDOMINIUM ASSOCIATION

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Capital Reserve Fund	Total Fund Balances	Accumulated Other Comprehensive Income
FUND BALANCES AT BEGINNING OF YEAR	$152,616	$469,519	$622,135	$ 4,759
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(74,594)	21,638	(52,956)	-
OTHER COMPREHENSIVE LOSS:				
Unrealized Loss on Marketable Securities	-	-	-	(4,045)
FUND BALANCES AT END OF YEAR	$ 78,022	$491,157	$569,179	$ 714

The Accompanying Notes Are an Integral Part of These Financial Statements

VALLEY FORGE TOWERS SOUTH CONDOMINIUM ASSOCIATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Capital Reserve Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess (Deficit) of Revenues over Expenses	$ (74,594)	$ 21,638	$ (52,956)
Adjustments to Reconcile Excess of Expenses over Revenues to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,381	-	1,381
Unrealized Loss on Marketable Securities	-	(4,045)	(4,045)
(Increase) Decrease in:			
Assessments and Other Receivables, Net	387	-	387
Prepaid Expenses	(19,985)	3,529	(16,456)
Due from Capital Reserve Fund	10,919	-	10,919
Increase (Decrease) in:			
Accounts Payable and Accrued Expenses	(7,109)	43,696	36,587
Deferred Revenue	31,543	-	31,543
Due to Operating Fund	-	(10,919)	(10,919)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(57,458)	53,899	$ (3,559)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in Marketable Securities	-	(53,899)	(53,899)
NET CASH USED BY INVESTING ACTIVITIES	-	(53,899)	(53,899)
DECREASE IN CASH	(57,458)	-	(57,458)
CASH AT BEGINNING OF YEAR	98,836	-	98,836
CASH AT END OF YEAR	$ 41,378	$ -	$ 41,378

The Accompanying Notes Are an Integral Part of These Financial Statements

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES:

A. Nature of Operations

Valley Forge Towers South Condominium Association (the Association) is a statutory condominium association incorporated in the Commonwealth of Pennsylvania on September 23, 1982. The Association is responsible for the operation and maintenance of the common property of Valley Forge Towers South Condominium. Valley Forge Towers South Condominium consists of 274 residential and commercial units located in King of Prussia, Pennsylvania.

B. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

C. Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purposes.

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

Capital Reserve Fund
This fund is used to accumulate financial resources designated for future major repairs and replacements.

D. Cash and Cash Equivalents

Cash equivalents include cash on hand and in banks. The Association also considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(Continued)

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Member Assessments

Association members are subject to monthly 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, reduced by the valuation allowance of $14,799 that reflects management's best estimate of the amounts that will not be collected. Amounts collected but not billed are recorded as deferred revenue.

F. 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 unit owners in common and not by the Association.

Depreciation of property and equipment is provided utilizing both the straight-line and accelerated methods over the estimated useful lives of the respective assets as follows:

Equipment and Furniture	5 – 7 years
Building and Improvements	39 years

G. Fair Value of Financial Instruments

The Association's financial instruments consist of cash, investments, short-term receivables and payables. The carrying value of all such instruments, considering the terms, approximates fair value at December 31, 2018.

H. Revenue Recognition

Assessments are billed on the first of each month and revenue is recognized when billed. Other income is recognized when received.

(Continued)

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

I. Impairment of Long-Lived Assets

The Association assesses whether there has been impairment in the value of its long-lived assets whenever events or change in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount to the future net cash flows, undiscounted and without interest, expected to be generated by the asset. If such assets are considered to be impaired, the amount of impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported as the lower of carrying amount of fair value, less costs to sell.

Management believes no impairment in the net carrying values of the property and equipment has occurred for the year presented.

2. EQUIPMENT, FURNITURE AND IMPROVEMENTS:

The following is the common property owned:

Equipment	$ 35,025
Furniture	6,331
Garages and Storage Unit	53,866
	95,222
Accumulated Depreciation	54,148
	$ 41,074

Depreciation expense for the year ended December 31, 2018 was $1,381.

3. FAIR VALUE MEASUREMENT OF MARKETABLE SECURITIES:

As defined in the FASB's guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in a transaction between market participants. The FASB defines a fair value hierarchy, which prioritizes inputs, or valuation techniques by level. The valuation hierarchy is based upon transparency of inputs into the valuation of the fair value of the assets or liability at the measurements date.

3. FAIR VALUE MEASUREMENT OF MARKETABLE SECURITIES (CONTINUED):

These three levels are defined as follows:

Level 1- Represented by quoted prices that are available in an active market.

Level 2 - Represented by assets and liability similar to Level 1 where quoted prices are not available, but observable, either directly or indirectly through corroboration with observable market data and estimated using pricing models or discounted cash flows.

Level 3 - Represented by financial instruments where this is limited activity or unobservable markets prices and pricing models significant to determining the fair value measurement including the reporting entity's own assumption about the market risk.

The Association investments are in short-term mutual and bond funds with Vanguard. These investments are reported at fair value based on Level 1 inputs.

The following accumulated unrealized gains are reflected as a component of fund balances at December 31, 2018:

Market Value of Marketable Securities	$ 581,321
Cost	587,595
Accumulated Unrealized Loss	($ 6,274)

4. COMMITMENTS:

In August 2009, the Association and Comcast of Southeast Pennsylvania, LLC entered into a ten year contract to provide cable television and other premium services. The contract expired in 2019, and was renewed through March 2023.

5. FEDERAL INCOME TAX:

The Association has elected to be taxed as an organization under Section 277 of the Internal Revenue Code. Under this code section, all income is taxed at corporate rates or the Association may make an election to pay income tax on nonexempt function income only, such as interest income, dividend income and capital gains, at a flat rate of 30%. The method used is the one that results in lesser tax. For the year ended December 31, 2018, income tax expense was $3,529.

6. UNINSURED CASH BALANCES:

The Association maintains its cash balances at several financial institutions. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to $250,000. At times, such balances may be in excess of the $250,000 Federal Deposit Insurance Corporation insurance limit.

7. RETIREMENT PLAN:

The Association sponsors a salary reduction simplified employee pension plan. A salary reduction of up to 5% is allowed for eligible employees, a portion of which is matched by the Association. The retirement contribution for the year ended December 31, 2018 was $14,703.

8. SPECIAL ASSESSMENTS:

In July 2018, Council approved a $26,667 special assessment to its homeowners for the Association's share of excess snow removal costs that were incurred by the Valley Forge Towers Community Association during the 2017-2018 winter. The full amount was paid to the Community Association during 2018.

9. FUTURE MAJOR REPAIRS AND REPLACEMENTS (RESERVE FOR REPLACEMENTS):

Reserve for replacements is determined by Council and funded by the members' monthly assessments. In order to budget proper additions to the reserve for the replacements (as required in the by-laws), Council engaged an outside engineering firm in 2003 to estimate the remaining useful lives of the structural and mechanical components of the common property. The information for the plan was supplied by a variety of sources, including published data, local contractors, and the Association.

Accumulated marketable securities in the reserve for replacement fund, which are designated for future major repairs and replacements, totaled $581,321 at December 31, 2018, and are held in a separate account, which generally is not available for operating purposes. These funds have not been allocated to specific components of common property, but are available in total to fund reserve expenditures. It is the Association's policy that interest earned on funds designated for future major repairs and replacements is used for reserve purposes.

(Continued)

9. FUTURE MAJOR REPAIRS AND REPLACEMENTS (RESERVE FOR REPLACEMENTS) (CONTINUED):

Actual expenditures may vary from the estimated amounts, and these variations may be material. Therefore, amounts designated for future major repairs and replacements may not be adequate to meet future needs. If the reserves are deemed to be inadequate for any reason, Council may, at any time, levy additional assessments.

10. SUBSEQUENT EVENTS:

Subsequent events were evaluated through October 8, 2020, which is the date the financial statements were available to be issued.

In September 2020, the Association settled two lawsuits that originated in 2018, resulting in the payment of damages by the Association of $15,000. The Association has accrued the settlement payments as of December 31, 2018 as major repairs and replacement expense because both lawsuits related to the cost of repairs made to the building in 2018 due to a broken pipe. The settlement payments made in 2020 were paid out of the capital reserve account.

As a result of the current global pandemic, the Association and businesses in general are being affected throughout the country. The financial impact to the Association cannot be estimated at this time. Management of the association, as well as our federal, state and local governments, are addressing how to best manage the situation.

SUPPLEMENTAL INFORMATION

BORISLOW FACTOR & KAUFMANN LLC
CERTIFIED PUBLIC ACCOUNTANTS

VALLEY FORGE TOWERS SOUTH CONDOMINIUM ASSOCIATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors of Valley Forge Towers South Condominium Association:

We have audited the financial statements of Valley Forge Towers South Condominium Association as of and for the year ended December 31, 2018, and our report thereon dated October 8, 2020, which expressed an unmodified opinion on those financial statements, appears on Page 1. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Operating Expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

October 8, 2020

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VALLEY FORGE TOWERS SOUTH CONDOMINIUM ASSOCIATION

SCHEDULE OF OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 2018

SALARIES AND RELATED EXPENSES:	
Salaries	$ 330,089
Payroll Taxes	30,866
Employee Benefits	57,723
Retirement Contribution	14,703
TOTAL SALARIES AND RELATED EXPENSES	433,381
UTILITIES:	
Cable Television	134,747
Electricity	274,898
Sewer	69,828
Water	83,134
TOTAL UTILITIES	562,607
MAINTENANCE:	
Building Repairs	26,102
Elevator	17,535
Security Services	168,688
Maintenance Supplies	67,751
Trash Removal	32,961
Snow Removal	26,667
Uniforms	756
TOTAL MAINTENANCE	340,460
OTHER OPERATING EXPENSES:	
Community Association Fees	445,536
Bad Debt Expense	8,206
Depreciation	1,381
Insurance	139,198
Office Expenses	43,196
Payroll Service	2,406
Postage	345
Professional Fees:	
Accounting	7,545
Legal	6,146
Service Agreements	31,714
Telephone	4,648
TOTAL OTHER OPERATING EXPENSES	690,321
TOTAL OPERATING EXPENSES	$ 2,026,769

This Statement Must Be Read in Conjunction with the Auditors' Report on Supplemental Information Dated October 8, 2020.