

September 13, 2023

To the Council
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, 2022, and have issued our report thereon dated September 13, 2023. 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 January 4, 2023. 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 2 to the financial statements. The Association adopted the provisions of Financial Accounting Standards Board Topic 606, *Revenue from Contracts with Customers* and ASC 842, *New Lease Standards*. 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 uncollectible accounts related to its accounts receivable. We evaluated the key factors and assumptions used to develop the allocation. In determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of revenue recognition in Note 2 to the financial statements is sensitive because it explains the method with which revenue related to the capital reserve fund is recognized. The Association follows ASC 606 in its recognition of revenue related to contracts with members, and this method may be confusing to users of the financial statements who are not familiar with the standards.

The disclosure of contract liabilities in Note 2 to the financial statements is sensitive because it explains how the surplus in the capital reserve fund is reported as a contract liability until the funds are spent on capital repairs and improvements. This concept may be difficult for financial statement users to understand without an explanation.

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 Entity's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

During the audit was noted that although the internal controls are effectively designed, there were some instances of management override of controls. Some out of the ordinary transactions were not timely recorded due to lack of communication between CIRA and the managing company.

There is a lack of segregation of transaction related to Reserve Fund and Operating Fund as well as allocation of proceeds and expense between proper bank accounts.

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.

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

Very truly yours,

McCarthy & Co., P.C.