Valley Forge Towers South
Condominium Association
Financial Statements
and
Supplementary Information
For the Year Ended
December 31, 2023

Valley Forge Towers South Condominium Association
Year Ended December 31, 2023

Contents

Baratz & Associates, P.A.
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Independent Auditors' Report

To the Council of
Valley Forge Towers South Condominium Association
2000 Valley Forge Circle
King of Prussia, PA 19406

Opinion

We have audited the accompanying financial statements of Valley Forge Towers South Condominium Association, which comprise the balance sheet as of December 31, 2023, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Valley Forge Towers South Condominium Association 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Valley Forge Towers South Condominium Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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.

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- 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 Valley Forge Towers South Condominium Association'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 Valley Forge Towers South Condominium Association'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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Operating Expenses on page 18 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 aspects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Future Major Repairs and Replacements (UNAUDITED) on pages 14-15 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. 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 inquiries 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.

Baratz & Associates, P.A.

Baratz & Associates, P.A.
Marlton, NJ

November 5, 2024

Valley Forge Towers South Condominium Association
Balance Sheet
As of December 31, 2023

	Operating Fund	Capital Reserve Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 84,231	$ 1,092,979	$ 1,177,210
Investments	-	500,770	500,770
Assessments and other receivables, net	39,402	-	39,402
Prepaid expenses	27,021	-	27,021
Due from operating fund	-	181,403	181,403
Total Current Assets	150,654	1,775,152	1,925,806
Property and Equipment			
Property and equipment	280,635	-	280,635
Less: accumulated depreciation	(39,906)	-	(39,906)
Total Property and Equipment	240,729	-	240,729
Other Assets			
Operating lease right of use asset - net of accumulated amortization	2,363	-	2,363
Total Other Assets	2,363	-	2,363
Total Assets	$ 393,746	$ 1,775,152	$ 2,168,898

Valley Forge Towers South Condominium Association
Balance Sheet
As of December 31, 2023

	Operating Fund	Capital Reserve Fund	Total
Liabilities and Fund Balance (Deficit)			
Current Liabilities			
Accounts payable and accrued expenses	$ 228,326	$ 29,822	$ 258,148
Lease liability - operating - short term	1,132	-	1,132
Due to capital reserve fund	181,403	-	181,403
Total Current Liabilities	410,861	29,822	440,683
Long-Term Liabilities			
Lease liability - operating - long term	1,231	-	1,231
Contract liabilities	16,069	1,718,563	1,734,632
Security deposits	799	-	799
Total Long-Term Liabilities	18,099	1,718,563	1,736,662
Total Liabilities	428,960	1,748,385	2,177,345
Fund Balance (Deficit)	(35,214)	26,767	(8,447)
Total Liabilities and Fund Balance (Deficit)	$ 393,746	$ 1,775,152	$ 2,168,898

Valley Forge Towers South Condominium Association
Statement of Revenues, Expenses and Changes in Fund Balances
Year Ended December 31, 2023

	Operating Fund	Capital Reserve Fund	Total
Revenues			
Member assessments	$ 2,342,012	$ -	$ 2,342,012
Work order income	32,106	-	32,106
Move in fees and miscellaneous income	8,265	-	8,265
Allocation from operating fund	-	191,841	191,841
Income tax recovery	23,445	-	23,445
Total Revenues	2,405,828	191,841	2,597,669
Expenses			
Operating expense	2,450,622	-	2,450,622
Depreciation expense	7,947	-	7,947
Major repairs and replacements	-	191,841	191,841
Total Expenses	2,458,569	191,841	2,650,410
Other Income (Expense)			
Investment income	-	19,026	19,026
Realized gain on sale of investments	-	1,835	1,835
(Loss) on sale of garage	(23,779)	-	(23,779)
Total Other Income (Expense)	(23,779)	20,861	(2,918)
Surplus (Deficit) of Revenue Over Expenses	(76,520)	20,861	(55,659)
Beginning Fund Balance	41,306	5,906	47,212
Ending Fund Balance	$ (35,214)	$ 26,767	$ (8,447)

Valley Forge Towers South Condominium Association
Statement of Cash Flows
Year Ended December 31, 2023

	General Fund	Capital Reserve Fund	Total
Cash Flows From Operating Activities:			
Surplus (Deficit) of revenues over expenses	$ (76,520)	20,861	(55,659)
Adjustments to Reconcile Surplus (Deficit) of Revenues Over Expenses to Net Cash and Cash Equivalents (Used In) or Provided By Operating Activities:			
Depreciation	7,947	-	7,947
(Loss) on sale of garage	23,779		23,779
Realized gain on sale of investments	-	(1,835)	(1,835)
Changes In Operating Assets and Liabilities			
(Increase) Decrease in Assets:			
Assessments and other receivables, net	(23,388)	-	(23,388)
Prepaid expenses	88,227	-	88,227
Due from operating fund	-	345,782	345,782
Increase (Decrease) in Liabilities:			
Accounts payable and accrued expenses	40,758	21,757	62,515
Other liabilities	(53,277)	-	(53,277)
Due to capital reserve fund	(345,782)	-	(345,782)
Contract liabilities	(9,500)	353,135	343,635
Deferred income tax	(27,445)		(27,445)
Security deposits	799	-	799
Net Cash (Used In) or Provided By Operating Activities	(374,402)	739,700	365,298
Cash Flows From Investing Activities			
Purchase of marketable securities	-	(1,404,103)	(1,404,103)
Sale of marketable securities	-	1,135,198	1,135,198
Net Cash (Used In) Investing Activities	-	(268,905)	(268,905)
Net Increase/(Decrease) In Cash and Cash Equivalents	(374,402)	470,795	96,393
Cash and Cash Equivalents at Beginning of Year	458,633	622,184	1,080,817
Cash and Cash Equivalents at End of Year	$ 84,231	$ 1,092,979	$ 1,177,210

1. Organization

Valley Forge Towers South Condominium Association (the Association) is a statutory condominium 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 251 residential units and commercial units located in King of Prussia, Pennsylvania.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are presented on the accrual basis of accounting.

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 purpose.

<u>Operating Fund</u> - This fund is used to account for financial resources available for operations, general management, and maintenance of the Association.

<u>Capital Reserve Fund</u> – This fund is used to accumulate financial resources for the restricted use of future major repairs and replacements to the Association's common areas.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Owner Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Of the monthly assessments, the Association's Council determines an amount to allocate to the capital reserve fund based on the future needs projected in the Association's capital reserve study. These assessments are designated for future major repairs and replacements. The remaining assessments are available for operating expenses.

Revenue Recognition

The Association recognizes revenue based on the five-step model; (i) identify the contract with the customer; (ii) identify the performance obligation in the contract (iii) determine the transaction price; (iv) allocate the transaction price; and (v) recognize revenue (or as) each performance obligation is satisfied. If the Association determines that a contract with enforceable rights and obligations does not exist, revenues are deferred until all criteria for an enforceable contract are met.

The Association is a membership organization comprising owners of condominiums in the building located at 1000 Valley Forge Circle, King of Prussia, PA. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the capital reserve fund assessments are satisfied when these funds are expended for their designated purpose. Management exercises judgment to determine when performance obligations have been satisfied. For further information on Topic 606, as well as their various streams of revenue, refer Note 3, Revenue from Contracts with Customers (Members), in the notes to the accompanying financial statements.

Owner Receivables

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to rely on its building and office managers to pursue collection from homeowners whose assessments are thirty days or more delinquent. The Association treats uncollectible assessments as credit losses. Methods, inputs and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and the residents' status as current or former owners. At December 31, 2023, the Association recorded a decrease in allowance for credit losses, reflecting payment that was originally written off. For the year ended December 31, 2023, the Association recorded a credit loss recovery of $8,536.

Amounts collected but not billed are recorded as contract liabilities.

Cash and Cash Equivalents

Cash and cash equivalents include cash and money markets which mature in three months or less.

Concentration of Credit Risk

The Association maintains deposit accounts in reputable financial institutions. At times such deposits may exceed FDIC insurance limits.

Fair Value of Financial Instruments

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

Planned Major Maintenance Activities

The Association's property is required to undergo major maintenance to support its condition. The Association uses the direct method to recognize the cost of major maintenance expense as they are incurred.

Property, Plant 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 since these properties are owned by the unit owners in common. The Association capitalizes personal property at cost and depreciates it using the straight-line method over the estimated useful lives of the respective assets. The estimated useful life of the equipment and furniture is 5 to 7 years. Equipment or property sold or scrapped is relieved from the asset and accumulated depreciation accounts and any gain or loss on the disposition of the equipment is recorded in the statement of revenue and expenses.

Accounting Standards Issued but Not Yet Adopted

The Association believes that any new accounting standard issued during the year but not yet adopted will not have a material impact on these financial statements.

Leases

For any new or modified lease, the Association, at the inception of the contract, determines whether a contract is or contains a lease. The Association records right-of-use ("ROU") assets and lease obligations for its operating leases, which are initially recognized based on the discounted future lease payments over the term of the lease. If the rate in the Association's leases is not easily determinable, either the Association's applicable incremental borrowing rate or the risk-free rate is used in calculating the present value of the sum of the lease payments. The lease term is defined as the non-cancelable period of the lease plus any options to extend or terminate the lease when it is reasonably certain that the Association will exercise the option.

The Association has elected not to recognize ROU asset and lease obligations for its short-term leases, which are defined as leases with an initial term of 12 months or less. For a majority of all classes of underlying assets, the Association has elected to not separate lease from non-lease components. The operating ROU asset and lease obligations will be amortized on a straight-line basis to the earlier of its useful life or lease term. For leases in which the lease and non-lease components have been combined, the variable lease expense includes expenses such as common area maintenance, utilities, and repairs and maintenance.

New Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses and additional disclosures related to credit risk. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses for loans and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. This model replaces the multiple existing impairment models in current GAAP, which generally require that a loss be incurred before it is recognized. The new standard also applies to receivables arising from revenue transactions such as contract assets and accounts receivables. The standard has been applied prospectively with no adjustment to retained earnings needed.

Allowance for Credit Losses

When the association records customer receivables, contract assets, and financing receivables arising from revenue transactions, the association records an allowance for credit losses for the current expected credit losses (CECL) inherent in the asset over its expected life. The allowance for credit losses is a valuation account deducted from the amortized cost basis of the assets to present their net carrying value at the amount expected to be collected. Each period the allowance for credit losses is adjusted through earnings to reflect expected credit losses over the remaining lives of the assets. The association evaluates debt securities with unrealized losses to determine whether any of the losses arise from concerns about the issuer's credit or the underlying collateral and record an allowance for credit losses, if required.

Subsequent Events

The Association has evaluated subsequent events through November 5, 2024 which is the date the financial statements were available to be issued.

During 2024, the Association began a capital reserve project to remediate the building façade, balconies and railings. This project is estimated to cost the Association $1.6 million, which is a significant portion of the capital reserve fund assets. The project will run for approximately 10 months, with estimated completion in 2025. As of the date of these financial statements, the Association does not plan to impose a special assessment on residents to cover this cost, and Council believes that the capital reserve fund will be replenished sufficiently to cover future projects.

3. Revenue from Contracts with Members

Revenue is recognized in five major segments – member assessments – operating, member assessments – capital reserve, special assessments, chargeable maintenance, and various fees. The timing of revenue recognition for these five service segments are:

Timing of revenue recognition:		
Services transferred over time	$	2,382,383
Services transferred upon meeting a specified performance obligation		191,841
	$	2,574,224

The following economic factors affect the nature, amount, timing, and uncertainty of the Association's revenue and cash flows as indicated:

Type of Member:

All of the services performed by the Association are for the benefit of the owners of the condominiums.

Geographical location of members:

The Association's members are primarily located in the Southeastern Pennsylvania area.

Type of contract:

Membership services tend to be long term but are billed and collected monthly. Some of these services are rendered on a regular ongoing basis, whereas others are performed at a point in time in the future.

The opening and closing balances of trade receivables, contract assets, contract liabilities and assessments received in advance from contracts with members are as follows:

	Trade Receivables	Contract Assets	Contract Liabilities	Assessments Received in Advance, Contract Liability
Balance 1/1/2023	$ 16,014	$ -	$ 1,371,399	$ 25,569
Balance 12/31/2023	$ 39,402	$ -	$ 1,718,563	$ 16,069

Transaction Price

The transaction price of a contract is the amount of consideration to which the Association expects to be entitled in exchange for transferring promised services to a member. Transaction prices do not include amounts collected on behalf of third parties (e.g., sales taxes).

To determine the transaction price of a contract, the Association considers its customary business practices as well as the terms of the contract. For the purpose of determining transaction prices, the Association assumes that the services will be transferred to the members as promised in accordance with existing contracts and that the contracts will not be cancelled, renewed, or modified. Most of the Association's contracts with members have fixed transaction prices that are denominated in US. dollars and payable in cash.

The Association does not adjust the transaction prices of contracts for collectability. At the end of each calendar year, the Association updates the estimated transaction prices of contracts having unsatisfied performance obligations. At those times, revenue and related account balances are adjusted to reflect any changes in transaction prices.

Performance Obligations

The Association typically satisfies its performance obligations based on the passage of time. Performance obligations related to future major repairs and replacements are satisfied when those major repairs and replacements are performed.

The Association’s operating services are typically performed over time. Members obtain the benefits of such services as the services are performed. Therefore, the Association satisfies its operating performance obligations as services are rendered.

The Association’s capital reserve services are performed as major repairs and replacements are made to common property. Therefore, the Association’s capital reserve assessments are recorded as contract liabilities when they are invoiced and are recognized as revenue when major repairs and replacements are made.

Payment for services sold by the Association is typically due on the first day of each month. Assessments are determined and voted on by the council, which comprises the members of the Association. The Association does not offer discounts if the member pays some or all of an invoiced amount prior to the due date. Such advance payments are recorded as assessments received in advance.

None of the Association’s contracts have a significant financing component.

In all cases, consideration paid for membership is non-refundable. Therefore, at the time revenue is recognized, the Association does not estimate expected refunds for services, nor does the Association exclude any such amounts from revenue.

The Association may, at times, be required to make assessments of the members, and this amount will be determined at the time in order to meet the needs of the association.

Contract Estimates and Modifications

The Association accounts for contract modifications as a separate contract when the modification results in the promise to deliver additional goods or services that are distinct, and the increase in the price of the contract is for the same amount as the stand-alone selling price of the additional goods or services included in the modification.

Contract Liabilities

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment or has received payment in advance of the satisfaction of performance obligations related to capital reserve assessments. The change in contract liabilities for the year ended December 31, 2023 is as follows:

Balance - January 1, 2023	$	1,365,428
2023 Capital Reserve Contributions		544,976
2023 Capital Reserve Expenditures		(191,841)
Balance - December 31, 2023	$	1,718,563

4. Condominium Units, Equipment, Furniture and Improvements

The following is the common property owned as of December 31, 2023:

Garages and Storage Unit	$	18,022
Condominium Units		262,613
		280,635
Accumulated Depreciation		(39,906)
	$	240,729

5. Condominium Property – Condominium Units

In January 2020, the Association purchased commercial units 115 and 116 for $256,055 (including all related settlement costs), using Capital Reserve funds. The Association intends to keep one unit to use an office for the maintenance staff. The Association intended to sell the other unit, and has listed it for sale. However, no offers were received. The member assessments and the other costs of maintaining these units have been absorbed by the homeowners. As of December 31, 2023, the funds used to purchase the units have been restored to the Capital Reserve fund.

6. Future Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. This reserve fund is restricted for major repairs and replacements and is generally not available for normal operating expenditures. The reserve fund is used for larger scale projects, such as replacement and repair of the roof, building systems such as plumbing, electric and ventilation, and renovations of common areas. Accumulated funds, which aggregate $1,718,563, and are presented on the accompanying balance sheet as a contract liability, are held in separate accounts (savings, money market and certificates of deposit) and are generally not available for expenditures for normal operations. The Association is funding such major repairs and replacements over the estimated useful lives of the components based on estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

A capital reserve study was performed in August 2021 to estimate the remaining lives of common property components and the cost of future repairs and replacements. The Schedule of Future Major Repairs and Replacements has been included in the Supplementary Information presented in these financial statements to summarize the results of the study.

If additional funds are needed, the Association has the right, subject to majority vote of the Council, to increase regular assessments, levy special assessments, borrow, or it may delay major repairs and replacements until funds become available.

7. Fair Value Measurements

The Association's investments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under Topic 820 are described as follows:

Level 1	Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as: a. Quoted prices for similar assets or liabilities in active markets b. Quoted prices for identical or similar assets or liabilities in inactive markets c. Inputs other than quoted prices that are observable for the asset or liability d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs that are unobservable inputs for the asset or liability.

Fair Value Measurement as of December 31, 2023 Reporting Date Using:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Unobservable Inputs (Level III)
Investments:				
Certificates of Deposit	$ 500,091	$ -	$ 500,091	$ -
Mutual Funds	679	679	-	-
Total assets in the fair value hierarchy	$ 500,770	$ 679	$ 500,091	$ -

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2023. Certificates of deposit are valued using pricing models maximizing the use of observable inputs for similar securities. The investment income is made up of interest income of $14,923 and dividend income of $4,103.

8. Certificates of Deposit

The Association holds three Certificates of Deposit (CD) with a total value of $500,091 at December 31, 2023. Two CD's with a value of $300,013 mature in February 2024 and one CD with a value of $200,078 matures in May 2024.

9. Leases

The Association leases a copy machine under an operating lease that matures in January 2026. The following is the schedule of future minimum rental payments and reconciliation to the combined balance sheet at December 31, 2023:

2024	$ 1,140
2025	1,140
2026	94
Total future undiscounted lease payments	2,374
Less present value factor (.46%)	(11)
Total lease liability	$ 2,363

10. Income Taxes

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, 2023, the Association filed form 1120, under which there was no income tax liability.

The Association's policy is to record interest expense or penalties related to income tax in operating expenses. For the year ended December 31, 2023, no interest or penalties were paid or accrued.

FASB requires financial statement recognition of the impact of a tax position, if that position is more than likely than not to be sustained on examination, based on the technical merits of the position. The benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. The Association has evaluated its tax positions and believes all could be sustained upon examination. With few exceptions, the Association is no longer subject to income tax examinations by federal authorities prior to 2020.

Supplementary Information

Valley Forge Towers South Condominium Association
Schedule of Future Major Repairs and Replacements
Year Ended December 31, 2023

Kipcon Incorporated conducted a study in August 2021 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements consider an annual inflation rate of 2% and interest at 1%, net of taxes, on amounts funded for future major repairs and replacements.

The following table is based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Lives (Years)	Estimated Future Replacement Costs	2024 Funding Requirement
Waterproofing			
Main Roof	20	$ 560,000	$ 28,000
Lower Roof	4	85,000	13,909
Garage Roofs	14	562,500	35,753
Brick Repointing (50%)	12	817,000	55,084
Garage Brick Repointing (50%)	12	32,500	2,191
Exposed Aggregate Façade (50%)	20	630,000	25,717
Exterior			
Balcony Contingency Fund	10	1,350,000	105,850
Balcony Railings	15	396,000	20,700
Rooftop Railings	15	75,600	3,952
Interior			
Carpeting	7	298,243	34,940
Porcelain Tile	20	122,053	5,224
Vinyl Tile	15	10,929	650
Tile Flooring	20	23,783	1,086
Common Area Furnishing	5	50,000	7,841
Elevator Cab Refurbishment	5	30,000	4,704
Wallpaper	7	250,000	29,288
Electrical			
Interior Lighting	10	85,000	6,665
Exterior Lighting	10	10,000	784
Fire Safety Equipment	10	110,000	8,625
Security System	8	25,000	2,495
Intercom System	8	15,000	1,497
Breaker Closet Replacement Fund	3	670,000	141,355

Valley Forge Towers South Condominium Association
Schedule of Future Major Repairs and Replacements
Year Ended December 31, 2023

Components	Estimated Remaining Useful Lives (Years)	Estimated Future Replacement Costs	2024 Funding Requirement
Mechanical			
Elevator (Passengers)	20	613,981	26,280
Elevator (Service)	20	309,162	13,233
Heat Pump (1st Floor)	12	44,189	3,046
Heat Pumps (Units)	1	184,122	184,122
Hot Water Heater	1	20,462	20,462
Trash Compactor	2	22,506	6,782
Portable A/C Units	7	5,000	550
Transformers	25	300,000	9,409
Generator	20	96,936	4,149
Entry Air Curtain	10	4,000	314
Sprinkler System	10	20,000	1,568
Rooftop Unit	10	40,000	3,136
		$ 7,868,966	$ 809,361

Valley Forge Towers South Condominium Association
Schedule of Operating Expenses
Year Ended December 31, 2023

Salaries and Employee Costs		
Salaries	$	115,737
Payroll Taxes		26,493
Employee Benefits		46,154
Total Salaries and Employee Costs		188,384
Utilities		
Cable Television		304,359
Electricity		356,450
Sewer and Water		194,720
Total Utilities		855,529
Maintenance		
Building Repairs		92,739
Elevator		21,391
Security Services		249,930
Trash Removal		63,536
Total Maintenance		427,596
Other Operating Expenses		
Community Association Fees		496,374
Credit Loss (Recovery)		(8,536)
Insurance		135,949
Management Fees		261,399
Office Expenses		32,684
Payroll Service		324
Professional Fees:		
Accounting		19,550
Legal		5,530
Other Fees		104
Service Agreements		27,880
Telephone		7,855
Total Other Operating Expenses		979,113
Total Operating Expenses	$	2,450,622