TIMOTHY, DeVOLT and COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
4099 McEWEN ROAD, SUITE 135
FARMERS BRANCH, TEXAS 75244
OFFICE: (972) 980-4315
FAX: (972) 702-0174
www.timothydevolt.com

August 17, 2023

To the Board of Directors
The Villages of Indian Creek Owners Association

We have audited the financial statements of The Villages of Indian Creek Owners Association, for the year ended December 31, 2022, and have issued our report thereon dated August 17, 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 to you executed November 29, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management (the Board of Directors) is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Villages of Indian Creek Owners Association are described in Footnote 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2022. 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 prepared by management (the Board of Directors) and are based on management's (the Board of Directors') 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 estimate affecting the financial statements was:

Management's (the Board of Directors') estimate of the allowance for doubtful accounts is based on historical revenue, historical loss levels, and an analysis of the collectibility of individual accounts. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Qualitative Aspects of Accounting Practices: (Continued):

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

The footnote dealing with the amounts allocated to the replacement fund for the year.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and 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. Management has 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.

Management Representations
We have requested certain representations from the Board of Directors that are included in the management representation letter dated August 17, 2023.

Other Audit Findings or 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.

This information is intended solely for the use of The Villages of Indian Creek Owners Association board of directors and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Edward Timothy

Timothy, DeVolt and Company, P.C.
Dallas, Texas

TIMOTHY, DeVOLT and COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
4099 McEWEN ROAD, SUITE 135
FARMERS BRANCH, TEXAS 75244
OFFICE: (972) 980-4315
FAX: (972) 702-0174
www.timothydevolt.com

August 17, 2023

To the Board of Directors
The Villages of Indian Creek Owners Association

In planning and performing our audit of the financial statements of The Villages of Indian Creek Owners Association as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered The Villages of Indian Creek Owners Association's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management (the board of directors) or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A fundamental concept in a good system of internal control is the separation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. If the separation of duties is inadequate, there is a resulting danger that intentional fraud or unintentional errors could occur and not be detected. Although the size of the entity's accounting staff might make complete adherence to this concept more difficult, we believe that adequate steps have been taken to segregate incompatible duties.

Management (the board of directors) is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles.

At times, management (the board of directors) may choose to outsource certain accounting functions due to cost or training considerations. Such accounting functions and service providers must be governed by the control policies and procedures of the entity. Management (the board of directors) is as responsible for outsourced functions performed by a service provider as it would be for such functions performed internally.

Specifically, management (the board of directors) is responsible for management decisions and functions: for designating an individual with suitable skill, knowledge, or experience to oversee any outsourced services; and for evaluating the adequacy and results of those services and accepting responsibility for them.

As part of the audit, management (the board of directors) requested us to prepare a draft of your financial statements, including the related notes to the financial statements. Management (the board of directors) reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management (the board of directors) did not perform a detailed review of our work papers underlying the financial statements.

The existence of significant deficiencies or material weaknesses may already be known to management (the board of directors) and may represent a conscious decision by management (the board of directors) or those charged with governance to accept that degree of risk because of cost or other considerations. Management (the board of directors) is responsible for making decisions concerning costs and the related benefits. We are responsible for communicating significant deficiencies and material weaknesses in accordance with professional standards, regardless of management (the board of directors)'s decisions.

This communication is intended solely for the information and use of the association's board of directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than those specified parties.

Edward Timothy

Timothy, DeVolt and Company, P.C.
Dallas, Texas

THE VILLAGES OF INDIAN CREEK OWNERS ASSOCIATION
Adjusting Entries - Detailed
12/31/2022

Date:	8/8/2023
Prepared By:	MRS
Reviewed By:	ST

AJE #	G/L Acct.	Account Name	Debit	Credit
1	30250	Restricted Replacement Reserves	5,604.00	
1	90400	Restricted Reserve Expense		5,604.00
		To adjust beginning equtiy for presentation purposes.		
3	20000	Accounts Payable	3,360.50	
3	14500	Prepaid Expenses		3,360.50
		To reverse posting of prepaid expense and accounts payable.		
4	20901	Insurance Note Payable	667.86	
4	14700	Prepaid Insurance		608.01
4	52040	Insurance - Property/Contents		59.85
		To adjust prepaid and insurance note payable as of 12/31/2022.		
5	30700	Retained Earnings	7,296.10	
5	17700	Accumulated Depreciation		7,296.10
		To adjust accumulated depreciation as of 12/31/2022.		
6	30700	Retained Earnings	863.40	
6	65200	Lawn Maint. - Contract		863.40
		To reclass 2021 expense into prior year.		
7	50035	Bad Debt Expense	3,900.00	
7	11900	Allowance for Doubtful Accounts		3,900.00

Page Totals / Difference	21,691.86	21,691.86	-

THE VILLAGES OF INDIAN CREEK OWNERS ASSOCIATION
Fixed Asset Analysis
12/31/2022

Date:	8/8/2023
Prepared By:	MRS
Reviewed By:	

G/L #	Description		Acquisition Date	Basis			Beginning Balance	Additions	Retirements	Ending Balance
17500	**Land**									
				-			-	-	-	-
				-			-	-	-	-
	TOTALS			-			-	-	-	-

	Furniture & Equipment		Acquisition Date	Basis	Useful Life	Depr. Method	Beginning Balance	Additions	Retirements	Ending Balance
	Playground Equipment		3/20/2006	5,222.00	5	s/l	5,222.00	-	-	5,222.00
	Playground Equipment		4/20/2006	3,711.11	5	s/l	3,711.11	-	-	3,711.11
	Playground Equipment		5/10/2006	754.50	5	s/l	754.50	-	-	754.50
	Fitness Equipment		5/8/2008	6,668.14	5	s/l	6,668.14	-	-	6,668.14
	Playground Equipment		12/10/2013	38,707.46	5	s/l	38,707.46	-	-	38,707.46
				-	5	s/l	-	-	-	-
				-	5	s/l	-	-	-	-
	TOTALS			55,063.21			55,063.21	-	-	55,063.21

17700	**Accumulated Depreciation**						Beginning Balance	Debit	Credit	Ending Balance
	Playground Equipment		3/20/2006	5,222.00	5	s/l	5,222.00	-	-	5,222.00
	Playground Equipment		4/20/2006	3,711.11	5	s/l	3,711.11	-	-	3,711.11
	Playground Equipment		5/10/2006	754.50	5	s/l	754.50	-	-	754.50
	Fitness Equipment		5/8/2008	6,668.14	5	s/l	6,668.14	-	-	6,668.14
	Playground Equipment		12/10/2013	38,707.46	5	s/l	38,707.46	-	-	38,707.46
		0	1/0/1900	-	5	s/l	-	-	-	-
		0	1/0/1900	-	5	s/l	-	-	-	-
	TOTALS			55,063.21			55,063.21	-	-	55,063.21

NET VALUE - FIXED ASSETS -

	Capitalized Loan Costs		Start Date	Basis	Loan Life	Depr. Method	Beginning Balance	Additions	Retirements	Ending Balance
				-	5	s/l	-	-	-	-
	TOTALS			-			-	-	-	-

	Accumulated Amortization						Beginning Balance	Debit	Credit	Ending Balance
		0	1/0/1900	-	5	s/l	-	-	-	-
	TOTALS			-			-	-	-	-

NET VALUE - CAPITALIZED LOAN COSTS -

Index

HOA-CX-12.2: Audit Difference Evaluation Form

CIRA Name: The Villages of Indian Creek Owners Association

Balance Sheet Date: 12/31/2022

PPC Guide Links

Completed by: Maira Salazar

Date: 8/8/2023

HOA-CX-2.1

Section 810

Instructions: This form may be used to accumulate audit differences (AD) greater than the amount considered clearly trivial (documented at **Step 5** of HOA-CX-2.1.) This form should not include normal closing entries. At the end of the audit, evaluate all uncorrected audit differences, individually and in the aggregate, in relation to individual amounts, subtotals, or totals in the financial statements and conclude on whether they materially misstate the financial statements taken as a whole. Before evaluating the effect of uncorrected misstatements, reassess whether materiality is still appropriate based on the CIRA's actual financial results. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements using both the rollover and iron curtain methods, as appropriate. You need to be familiar with the guidance beginning at section 810 before completing this form.

				Financial Statements Effect—Amount of Over (Under) Statement of:						
									FIT%	
Description (Nature) of Audit Difference (AD)	**Factual (F), Judgmental (J) or Projected (P)**	**Cause**	**W/P Ref.**	**Total Assets**	**Total Liabilities**	**Working Capital**	**Equity**	**Excess of Revenues Over Expenses Before Taxes**	**Income Taxes**	**Excess of Revenues Over Expenses After Taxes**
		Immaterial							$0	$0
									$0	$0
									$0	$0
									$0	$0
									$0	$0
									$0	$0
									$0	$0
									$0	$0
									$0	$0
									$0	$0
									$0	$0
Total				$0	$0	$0	$0	$0	$0	$0
Less Audit Adjustments Subsequently Booked									$0	$0
Net Unadjusted AD—Current Year (Iron Curtain Method)				$0	$0	$0	$0	$0	$0	$0
Effect of Unadjusted AD—Prior Years									$0	$0
Combined Current and Prior Year (Rollover Method)				$0	$0	$0	$0	$0	$0	$0
Financial Statement Caption Totals										
Current Year Differences as % of F/S Captions (Iron Curtain Method)				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Current and Prior Year Differences as % of F/S Captions (Rollover Method)				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Section 810

Qualitative Factors: Describe qualitative factors that entered into your evaluation of whether uncorrected accumulated misstatements are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole, and the reasons why.

Conclusion: Based on the results of the evaluation performed above, as well as the consideration of qualitative factors, uncorrected audit differences, individually and in the aggregate,
○ do ◉ do not cause the financial statements taken as a whole to be materially misstated.

Qualitative Considerations in Evaluating Materiality

The judgment about whether a misstatement is material is influenced by qualitative considerations as well as quantitative considerations. The following are examples of qualitative considerations:

1. Effect on other financial statement components (that is, the pervasiveness of the misstatement).
2. Effect of misstatement on overall trends, especially trends in meeting budget targets, such as a misstatement that changes an excess of revenues over expenses to a deficiency of revenues over expneses.
3. Significance of the financial statement element or portion of the CIRA's activities affected by the misstatement.
4. Effect of the misstatement on the CIRA's compliance with loan covenants, other contractual agreements, or regulatory provisions.
5. The existence of statutory or regulatory requirements affecting materiality thresholds.
6. A misstatement that affects management's compensation.
7. The sensitivity of the circumstances (such as implications of misstatements involving fraud, possible violations of laws and regulations, violations of contractual provisions, or conflicts of interest).
8. The effects of misclassifications that could be significant to the financial statement users.
9. Significance of the misstatement or disclosures in relation to known user needs (for example, a misstatement that could have a significant effect on the calculation of purchase price of shares in a cooperative housing corporation).
10. The character of the misstatement (for example, the precision of the audit differences).
11. Motivation of management.
12. Offsetting effects of individually significant misstatements.
13. Potential effect on future periods.
14. Cost of making the correction.
15. Risk of possible additional undetected misstatements.
16. A misstatement that may alter key ratios that are used to evaluate the CIRA's financial position, excess of revenues over expenses, or cash flows.
17. Misstatements that relate to transactions involving particular parties (for example, transactions with related parties).

THE VILLAGES OF INDIAN CREEK OWNERS ASSOCIATION

TABLE OF CONTENTS

DECEMBER 31, 2022

TIMOTHY, DeVOLT AND COMPANY, P.C.
4099 McEWEN ROAD, SUITE 135
FARMERS BRANCH, TEXAS 75244
OFFICE (972) 980-4315
FAX (972) 702-0174
www.timothydevolt.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Villages of Indian Creek Owners Association
Carrollton, Texas

Opinion

We have audited the financial statements of The Villages of Indian Creek Owners Association, which comprise of the balance sheet as of December 31, 2022, and the related statement of income, changes in fund balance and cash flows 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 financial position of The Villages of Indian Creek Owners Association as of December 31, 2022, 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 audits 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 The Villages of Indian Creek Owners Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As discussed in Footnote 6 to the financial statements, a material prior year adjustment was made to the prior year fund balance. 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 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 The Villages of Indian Creek Owners Association's ability to continue as a going concern for December 31, 2022, set by the applicable financial reporting framework.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these 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 The Villages of Indian Creek Owners 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Villages of Indian Creek Owners Association's ability to continue as an ongoing 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

As discussed in Footnote 7, the Association's Management (The Board of Directors) has not conducted a reserve study on future major repairs and replacements, which 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.

Very truly yours,

Timothy, DeVolt and Company, P.C.

Timothy, DeVolt and Company, P.C.
Certified Public Accountants
August 17, 2023

THE VILLAGES OF INDIAN CREEK OWNERS ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2022

ASSETS

	OPERATING FUND	REPLACEMENT FUND	TOTAL
CURRENT ASSETS			
Cash, including interest-bearing deposits	$ 2,284	$ 48,138	$ 50,422
Assessments receivable, less allowance for doubtful accounts of $ 3,900	4,416		4,416
Prepaid insurance	1,744		1,744
TOTAL CURRENT ASSETS	8,444	48,138	56,582
PROPERTY AND EQUIPMENT, AT COST			
Tools & equipment	55,063		55,063
Less: accumulated depreciation	(55,063)		(55,063)
PROPERTY AND EQUIPMENT, NET	-	-	-
TOTAL ASSETS	$ 8,444	$ 48,138	$ 56,582

LIABILITIES AND FUND BALANCES

	OPERATING FUND	REPLACEMENT FUND	TOTAL
CURRENT LIABILITIES			
Accounts payable	$ 154	$	$ 154
Assessments received in advance	10,250		10,250
Owner fees payable to management	20		20
TOTAL CURRENT LIABILITIES	10,424	-	10,424
TOTAL LIABILITIES	10,424	-	10,424
FUND BALANCES / (DEFICITS)	(1,980)	48,138	46,158
TOTAL LIABILITIES AND FUND BALANCES	$ 8,444	$ 48,138	$ 56,582

See the accompanying Independent Auditors' Report
and the Footnotes to the Financial Statements.

THE VILLAGES OF INDIAN CREEK OWNERS ASSOCIATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2022

REVENUES	OPERATING FUND	REPLACEMENT FUND	TOTAL
Regular assessments	$ 36,372	$ 5,604	$ 41,976
Miscellaneous owner fees	2,148		2,148
Late/collection charges	447		447
Interest income	2	102	104
TOTAL REVENUES	38,969	5,706	44,675
OPERATING EXPENSES			
Landscaping & lawn maintenance	14,460		14,460
Management fees - contract	8,955		8,955
Utilities expense	3,612		3,612
Repairs - irrigation	3,566		3,566
Office supplies & admin. costs	3,333		3,333
Insurance expense	2,937		2,937
Repairs - other	719		719
Porter service	640		640
Legal & professional fees	240		240
TOTAL OPERATING EXPENSES	42,362	-	42,362
EXCESS REVENUES / (EXPENSES)	$ (3,393)	$ 5,706	$ 2,313
BEGINNING FUND BALANCE / (DEFICIT)	9,573	42,432	52,005
PRIOR PERIOD ADJUSTMENTS	(8,160)	-	(8,160)
ENDING FUND BALANCE / (DEFICIT)	$ (1,980)	$ 48,138	$ 46,158

See the accompanying Independent Auditors' Report
and the Footnotes to the Financial Statements.

THE VILLAGES OF INDIAN CREEK OWNERS ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

	OPERATING FUND	REPLACEMENT FUND	TOTAL
CASH FLOW FROM OPERATING ACTIVITIES:			
Excess revenues/ (expenses)	$ (3,393)	$ 5,706	$ 2,313
Add: Depreciation	-	-	-
Decrease / (Increase) in:			
Accounts receivable	(384)	-	(384)
Prepaid expenses	584	-	584
Increase / (Decrease) in:			
Accounts payable	(996)	-	(996)
Prepaid assessments	3,440	-	3,440
Collection fee escrow	20	-	20
NET CASH PROVIDED/ (USED) BY OPERATIONS	(729)	5,706	4,977
CASH FLOW FROM FINANCING ACTIVITIES:			
Increase / (Decrease) in:			
Insurance notes payable	(639)	-	(639)
NET CASH PROVIDED/ (USED) BY FINANCING	(639)	-	(639)
NET INCREASE/ (DECREASE) IN CASH	(1,369)	5,706	4,337
CASH BALANCE, BEGINNING OF YEAR	3,653	42,432	46,085
CASH BALANCE, END OF YEAR	$ 2,284	$ 48,138	$ 50,422
SUPPLEMENTAL DISCLOSURE:			
Cash paid during the year for:			
Federal Income Tax	$ -	$ -	$ -
Interest Expense	$ -	$ -	$ -

See the accompanying Independent Auditors' Report
and the Footnotes to the Financial Statements.

THE VILLAGES OF INDIAN CREEK OWNERS ASSOCIATION
FOOTNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

FOOTNOTE 1: The Villages of Indian Creek Owners Association is a Texas non-profit corporation formed October 8, 1985. The purpose of the Association is to operate and maintain the Villages of Indian Creek homeowners project. The project consists of 159 units and associated common areas located in Carrollton, Texas.

FOOTNOTE 2: In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 17, 2023, the date that the financial statements were available to be issued.

FOOTNOTE 3: The books and records for The Villages of Indian Creek Owners Association are maintained 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 restriction 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:

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 future major repairs and replacements.

CASH AND CASH EQUIVALENTS: For the purposes of these financial statements, cash and cash equivalents are deemed to be cash in bank checking, savings and money market accounts and time deposits with a maturity date of ninety days or less.

REVENUES: Revenues are accrued each quarter as the member assessments become due. Both the rate for members' assessments and the amount of any special assessments due are determined by the vote of the Board of Directors.

REPLACEMENT FUND ASSESSMENT REVENUES: The Association has applied ASC 605 revenue recognition whereby "rules based" specific guidance was defined for CIRAs rather than ASC 606 which provides "principles based" broad standards that do not include specific guidance for CIRAs. Furthermore, Replacement Fund Assessments cannot apply the following four tests required under ASC 606: (1.) Assessments are not related to a "customer or customers" (2.) Assessments do not have a performance obligation (3.) There is no transaction price for replacement expenses (4.) Cannot allocate Assessments to a future performance obligation. As a result, we do not believe that the application of ASC 606 would fairly present the financial position to the CIRA financial readers.

See the accompanying Independent Auditors' Report.

FOOTNOTE 3: (CONTINUED):

EXPENDITURES: Expenditures are recognized when incurred, rather than when paid. Unbudgeted, non-emergency expenditures must be approved by the President, Treasurer, or other member of the Board. All other expenditures, projects and services are contracted using competitive bidding policies. The Board of Directors has the final approval on all contracts.

ACCOUNTS RECEIVABLE: 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 homeowners whose assessments are ninety days or more delinquent. The Association has a lien right against each unit until all dues or assessments are paid, such liens being subordinate to governmental and mortgage liens and legal fees associated with foreclosure proceedings. At December 31, 2022, the Association considers all accounts receivable to be fully collectible. Any excess assessments at year end are retained by the Association for use in the succeeding year.

ALLOWANCE FOR DOUBTFUL ACCOUNTS: The allowance for doubtful accounts has been determined by the Association based on historical losses and by estimates based on current economic conditions. At December 31, 2017, the allowance for doubtful accounts of $ 3,900 represents approximately 47 % of the total accounts receivable and approximately 50 % of the outstanding amounts in excess of ninety days old.

PROPERTY AND EQUIPMENT: The Association assumed, from the developer, the responsibility to maintain and preserve the common areas of the project. 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 the Association cannot dispose of this property. The Association capitalizes personal property, if any, at cost and depreciates it using the straight-line method, over applicable useful lives.

FEDERAL INCOME TAX: The Association must make an annual election to file its Federal Income Tax return either under the provisions of the Internal Revenue code dealing specifically with Homeowners Associations (Section 528) or (Section 277 Sub-Chapter A), dealing with corporations in general. Section 528 would impose a tax rate of 30 % to the extent of the Association's non-exempt function net income, primarily vending, rental and interest income. Alternatively, Section 277 Sub-Chapter A imposes a tax rate of 21 % on the Association's overall net income, if any.

As a result of the Association's operations for the year ended December 31, 2022, the Association has elected to file under Section 528. Income tax for the year was $ -0-.

FOOTNOTE 3: (CONTINUED):

FEDERAL INCOME TAX: (Continued): Currently, the open tax years available to audit by the IRS are 2020, 2021 and 2022. However, the Association has not been notified that any of these return years have been selected for audit by the IRS.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

FOOTNOTE 4: COMMITMENTS: The Association enters into various contracts for management and accounting, lawn maintenance and other services. These contracts are generally for a term of one year and may generally be canceled by either party giving 30 days' notice.

FOOTNOTE 5: FAIR VALUE: The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. The framework 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 measurements), moderate priority to a valuation based on quoted prices in active markets for similar assets and liabilities and/or based on assumptions that are observable (level 2 measurements), and the lowest priority to unobservable inputs (level 3 measurements).

The carrying amounts reflected in the December 31, 2022, balance sheet for cash and cash equivalents approximate the respective fair values. All cash and cash equivalents, including money market accounts, are held in banks. The Association currently has no money market accounts with non-federally insured institutions.

FOOTNOTE 6: PRIOR YEAR ADJUSTMENT: The Association did not have an audit for the year ended December 31, 2021. As a result, a prior year adjustment was made to the operating fund balance effective December31, 2021 to properly account for the Association's expenses. The following adjustments were made to expense accounts:

Accumulated Depreciation	$ (7,296)
Accounts Payable	(864)
TOTAL:	$ (8,160)

See the accompanying Independent Auditors' Report.

FOOTNOTE 7: REPLACEMENT FUND: The Association has not conducted a reserve study to determine the amount of future major repairs and replacements. The Association's governing documents generally provide for the levying for special assessments or the increasing of regular assessments when major repairs and replacements are needed. The Board of Directors, however, has chosen to establish a replacement fund and to accumulate funds for the estimated costs of future major repairs and replacements. For the year ended December 31, 2022, the Association added $ 5,604, before earnings of $ 102 to the replacement fund. Accumulated cash funds, which aggregate approximately $ 43,138 at December 31, 2022, are held in separate accounts and are generally not available for operating purposes.

If replacement funds are not sufficient to fund future major repairs and replacements, the Association has the right to increase regular assessments or levy special assessments, or it may postpone needed repairs until funds are available.

(Intentionally Blank)