FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

SHIPLEY'S CROSSING HOMEOWNERS ASSOCIATION, INC.

Year ended December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Shipley's Crossing Homeowners Association, Inc.

Opinion

We have audited the accompanying financial statements of Shipley's Crossing Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2025, 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 Shipley's Crossing Homeowners Association, Inc. as of December 31, 2025, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shipley's Crossing Homeowners Association, Inc. 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 Shipley's Crossing Homeowners Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 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 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.

- 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 Shipley's Crossing Homeowners Association, Inc.'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 Shipley's Crossing Homeowners Association, Inc.'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 basic financial statements as a whole. The supplementary information of the schedules of operating revenues, expenses, and changes in fund balances on page 15, and replacement revenues, expenses, and changes in fund balances on page 16 is presented for purposes of additional analysis and is not a required part of the basic 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 17 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.

Strauss + Associates, P.A.

July 29, 2026
Owings Mills, Maryland

SHIPLEY'S CROSSING HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEET

December 31, 2025

ASSETS

	Operating fund	Replacement fund	Total
CURRENT ASSETS			
Cash	$ 40,573	$ 193,301	$ 233,874
Investments	-	250,000	250,000
Assessments receivable	1,016	-	1,016
Accrued interest receivable	-	4,480	4,480
Prepaid expenses	2,549	-	2,549
Income taxes recoverable	246	-	246
Total current assets	$ 44,384	$ 447,781	$ 492,165

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES			
Accounts payable	$ 1,651	$ -	$ 1,651
Assessments received in advance	25,144	-	25,144
Total current liabilities	26,795	-	26,795
FUND BALANCES	17,589	447,781	465,370
Total liabilities and fund balances	$ 44,384	$ 447,781	$ 492,165

See accompanying notes to financial statements.

SHIPLEY'S CROSSING HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

Year ended December 31, 2025

	Operating fund	Replacement fund	Total
REVENUES			
Assessments	$ 226,878	$ 44,334	$ 271,212
Clubhouse income	750	-	750
Interest income	-	14,269	14,269
Other income	20	-	20
	227,648	58,603	286,251
EXPENSES			
Administrative	1,712	300	2,012
Capital improvements	-	10,803	10,803
Clubhouse	1,151	-	1,151
Credit loss expense	60	-	60
Electricity	12,387	-	12,387
Exterminating	1,030	-	1,030
Grounds	93,051	-	93,051
Income taxes	3,154	-	3,154
Insurance	4,740	-	4,740
Janitorial	4,514	-	4,514
Management fees	28,968	-	28,968
Pool	36,512	-	36,512
Professional fees	2,845	-	2,845
Repairs and maintenance	5,464	-	5,464
Reserve study	3,605	-	3,605
Security	3,543	-	3,543
Snow removal	27,630	-	27,630
Social	4,439	-	4,439
Taxes - other	2,058	-	2,058
Telephone	4,463	-	4,463
Water and sewer	6,514	-	6,514
	247,840	11,103	258,943

(CONTINUED)

See accompanying notes to financial statements.

SHIPLEY'S CROSSING HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES - CONTINUED

Year ended December 31, 2025

	Operating fund	Replacement fund	Total
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(20,192)	47,500	27,308
FUND BALANCES - beginning of year	25,468	412,594	438,062
INTERFUND TRANSFER	12,313	(12,313)	-
FUND BALANCES - end of year	$ 17,589	$ 447,781	$ 465,370

See accompanying notes to financial statements.

SHIPLEY'S CROSSING HOMEOWNERS ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2025

	Operating fund	Replacement fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	$ (20,192)	$ 47,500	$ 27,308
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:			
(Increase) decrease in:			
Assessments receivable	892	-	892
Accrued interest receivable	-	536	536
Prepaid expenses	7,103	-	7,103
Income taxes recoverable	(246)	-	(246)
Increase (decrease) in:			
Accounts payable	251	-	251
Assessments received in advance	1,428	-	1,428
Income taxes payable	(1,008)	-	(1,008)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(11,772)	48,036	36,264
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund transfer	12,313	(12,313)	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	12,313	(12,313)	-
NET INCREASE IN CASH	541	35,723	36,264
CASH AT BEGINNING OF YEAR	40,032	157,578	197,610
CASH AT END OF YEAR	$ 40,573	$ 193,301	$ 233,874
SUPPLEMENTAL DISCLOSURE			
Income taxes paid	$ 4,408	$ -	$ 4,408

See accompanying notes to financial statements.

SHIPLEY'S CROSSING HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE A - ORGANIZATION, PURPOSE, AND MANAGEMENT

Shipley's Crossing Homeowners Association, Inc., a non-stock corporation incorporated in the State of Maryland in December 2006, exists for the private benefit of its members having as its purpose the general upkeep and maintenance of the common elements of the development and any other common expenses of the unit owners. The Association, located in Millersville, Maryland, is comprised of 139 residential units.

The Association has engaged Professional Community Management, Inc. as its agent to collect maintenance fees for the unit owners, to administer the policies of the Board of Directors and to assist in the management of the Association's affairs.

NOTE B - DATE OF MANAGEMENT'S REVIEW

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 29, 2026, the date the financial statements were available to be issued.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant policies consistently applied in the preparation of the accompanying statements follows:

1. Method of accounting

   The financial statements are presented on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

2. Funds

   The Association uses fund accounting, which requires that funds, such as operating and replacement funds, be classified separately for accounting and reporting purposes. The operating fund is used to account for financial resources available for the general operations of the Association. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Income taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2025, the Association elected to be taxed as a regular corporation. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income, such as interest earned, at 21% by the federal government and 8.25% by the State of Maryland.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the year ended December 31, 2025, the Association incurred no penalties and interest related to income taxes. Tax returns are subject to examination by the Internal Revenue Service and State of Maryland for three years after they are filed.

4. Member assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses and major repairs and replacements. 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 pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are also satisfied over time on a pro-rata basis using the input method. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding fees from unit owners. The Association's policy is to retain legal counsel to help in the collection of unit owners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. It is the opinion of the Board of Directors that the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for credit losses is deemed necessary.

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 susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year are $1,908 and $1,016, respectively.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Common property

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.

6. 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.

NOTE D - CASH

As of December 31, 2025, the Association maintained its funds in the following manner:

Institution	Type of account	Cash
Axos Bank	Checking	$ 40,573
Axos Bank	Money Market	125,106
Morgan Stanley Bank, N.A.	Money Market	1,806
Morgan Stanley Bank, N.A.	Savings	54,664
Axos Bank	ICS	11,725
		$ 233,874

NOTE D - CASH - CONTINUED

An Insured Cash Sweep (ICS) account is a type of deposit account that allows the Association to maintain Federal Deposit Insurance Corporation (FDIC) coverage on deposits exceeding the standard insurance limits. The account automatically sweeps funds into a network of participating financial institutions, ensuring that the Association's deposits are fully insured, with each participating bank insuring up to $250,000 per depositor. Funds in the ICS account are subject to the interest rates and terms provided by the participating banks.

NOTE E - INVESTMENTS

The Association holds certificates of deposit in an account with Morgan Stanley that are recognized as held-to-maturity investments in the financial statements and are recorded at cost. The cost basis of these investments is $250,000 as of December 31, 2025.

NOTE F - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for expenditures for normal operations.

The Association levied assessments of $44,334 during the year ended December 31, 2025, for estimated future major repairs and replacements. The reserve study recommends $39,767 of contributions for the year ended December 31, 2025.

An outside consulting firm conducted a study in June 2025 to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information of future major repairs and replacements is based on the study.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Actual expenditures and investment income 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 all future needs for major repairs and replacements. If additional funds are needed, Maryland legislation allows the Board of Directors to increase assessments, regardless of any restrictions of the Association's governing documents, in order to meet the funding requirements of the reserve study.

SUPPLEMENTARY INFORMATION

SHIPLEY'S CROSSING HOMEOWNERS ASSOCIATION, INC.

SCHEDULE OF OPERATING REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

Year ended December 31, 2025

	Clubhouse	North	South	Total
REVENUES				
Assessments	$ 145,817	$ 88,877	$ 36,518	$ 271,212
Clubhouse income	750	-	-	750
Other income	20	-	-	20
	146,587	88,877	36,518	271,982
EXPENSES				
Administrative	1,712	-	-	1,712
Clubhouse expenses	1,151	-	-	1,151
Credit loss expense	60	-	-	60
Electricity	6,961	5,043	383	12,387
Exterminating	1,030	-	-	1,030
Grounds	13,356	51,591	28,104	93,051
Income taxes	1,393	1,634	127	3,154
Insurance	4,740	-	-	4,740
Janitorial	4,514	-	-	4,514
Management fees	28,968	-	-	28,968
Pool expenses	36,512	-	-	36,512
Professional fees	2,845	-	-	2,845
Repairs and maintenance	2,617	1,172	1,675	5,464
Reserve study	3,605	-	-	3,605
Security	3,543	-	-	3,543
Snow removal	5,545	22,085	-	27,630
Social expenses	4,439	-	-	4,439
Taxes - other	-	1,309	749	2,058
Telephone	4,463	-	-	4,463
Water and sewer	2,076	1,860	2,578	6,514
	129,530	84,694	33,616	247,840
EXCESS OF EXPENSES OVER REVENUES	17,057	4,183	2,902	24,142
FUND BALANCES (DEFICIT) - beginning of year	18,687	10,074	(3,294)	25,467
INTERFUND TRANSFER	12,312	-	-	12,312
FUND BALANCES (DEFICIT) - end of year	$ 48,056	$ 14,257	$ (392)	$ 61,921

SHIPLEY'S CROSSING HOMEOWNERS ASSOCIATION, INC.

SCHEDULE OF REPLACEMENT REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

Year ended December 31, 2025

	Clubhouse	North	South	Total
REVENUES				
Assessments	$ 21,739	$ 21,703	$ 892	$ 44,334
Interest	4,468	9,223	578	14,269
	26,207	30,926	1,470	58,603
EXPENSES				
Administrative	150	150	-	300
Capital improvements	3,938	6,865	-	10,803
	4,088	7,015	-	11,103
EXCESS OF EXPENSES OVER REVENUES	22,119	23,911	1,470	47,500
FUND BALANCES (DEFICIT) - beginning of year	168,063	224,756	19,775	412,594
INTERFUND TRANSFER	(12,312)	-	-	(12,312)
FUND BALANCES (DEFICIT) - end of year	$ 177,870	$ 248,667	$ 21,245	$ 447,782

SHIPLEY'S CROSSING HOMEOWNERS ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

December 31, 2025

(Unaudited)

An outside consulting firm conducted a study in June 2025 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since that date and do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

COMPONENTS	ESTIMATED REMAINING USEFUL LIFE	ESTIMATED CURRENT REPLACEMENT COST
Clubhouse:		
Site	3-20	$ 56,004
Swimming pool and exterior party area	0-43	565,529
Fitness room	8-15	55,684
Exterior	13-30	147,085
Clubhouse furnishings and decorating	3-40	319,366
Building utility and HVAC systems	0-35	57,500
South:		
Site	5-40	43,935
North:		
Site	0-41	485,525
TOTAL		$ 1,730,628