

Budget Sense

Serving Homeowners Associations, Condominiums and Cooperatives Since 1974

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February 2013

The Audit Report Has a New Look What does it mean for you?

As part of the Auditing Standards Board's Clarity Project, the format and content of the auditor's report has been changed for periods ending after December 15, 2012. (i.e. audits for December 31, 2012 and fiscal year-ends in 2013).

These changes will provide end users with a more readable format for a clearer understanding of the information being presented to them and also highlights the responsibilities of the Association, management and the auditors in greater detail.

Audit Report Changes

Headings have been added for each section of the audit report to make it easier to read through all of the information and to highlight specific information. Worth noting, sections will list management's responsibilities for the financial statements and the auditor's responsibilities separately and in greater detail than in the past. The following key points are emphasized:

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; and designing, implementing and maintaining a system of internal controls.

The auditor is responsible for expressing an opinion on the audited financial statements; exercising judgment to assess risk and design audit procedures; and expressing the belief that the auditor has obtained sufficient and appropriate evidence to provide a basis for the opinion on the financial statements.

Topics to which we would like to draw extra attention will be described under the heading "Emphasis of Matter." These topics might include whether the Association has a deficit in unappropriated members' equity or large assessments receivable.

The Association is still required to disclose information about its replacement reserve

study as supplementary information, which will be found under the heading "Disclaimer of Opinion on Required Supplementary Information." Because we are not engaged to audit the reserve study, we do not express an opinion on this information.

Representation Letter

The representation letter will be divided into two bulleted sections: "Financial Statements" and "Information Provided."

SAS 115 Letter

Under SAS No. 115, the auditor is required to communicate significant deficiencies and/or material weaknesses in writing to those charged with governance. As a result of the Clarity Project, these communications will now include an explanation of the potential effects of the significant deficiencies or material weaknesses identified.

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Peer Review Results Are In...

Goldklang Group CPAs received the highest rating available of "pass".

As a member of the American Institute of Certified Public Accountants (AICPA) Peer Review Program, our firm is required to have a review of our accounting and auditing practices, including an evaluation of our firm's quality control policies and procedures, once every three years. As with all of our prior peer reviews, we received the highest rating available of "pass"; concluding that our firm's system of quality control complies with all applicable professional standards in all material respects.

The Audit Report - *continued*

Other Changes

Engagement Letters: All previously signed engagements for audits for periods ending after December 15, 2012 will be receiving an addendum with updated wording. There will be no change to our fees or signatures necessary as a result of the addendum.

New Inquiries of Property Managers and Board Members: We are now required to make inquiries about whether the Association is in compliance with laws and regulations. We also must obtain copies of and read any correspondence between the Association and regulatory bodies such as the IRS, State, OSHA, EPA, etc.

Taxes – What's New for 2012?

- We continue to recommend that **state tax payments** be made electronically, but payments can be made by check. Payment coupons are available online. Federal payments must be made electronically. For **Virginia clients**, our firm has received a one-year waiver from the state of Virginia regarding the new electronic filing and electronic payment requirement.
- **Health Insurance Tax Credits** continue to be available for 2012.
- **Residential Energy Tax Credits** continue to be available for 2012 and 2013. Associations are able to pass through the cost of any qualifying energy efficiency improvement to the individual unit owners for them to use on the individual Form 5695. There continues to be no tax benefit available to the associations.
- **Did you sell any investments in 2012?** If so, we will ask if you received a 1099-B from your broker for the completion of Schedule D to the Forms 1120 and 1120-H.
- For **12/31/12 year ends**, clients will receive a letter from us with recommended **estimated tax payments** before the end of March 2013. The first quarterly estimated payment for 2013 will be due on April 15, 2013.

**Congratulations
To Our New...**

Associate Principals

Jeremy W. Powell, CPA

Renee L. Watson, CPA

Manager

Matthew T. Stiefvater, CPA



**We Welcome
Our Newest
Accountants...**

Svitlana Monteverde

DeokHo Kim

Joseph Emswiler

Daniel Parra

Brittany Mason

Sheila Lewis, CPA

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