

Goldklang & Group

CPAs, P.C.

Goldklang Group CPAs, P.C. (formerly Goldklang, Cavanaugh & Associates, P.C.) is proud to have 45 employees providing audit and tax services to homeowners associations, condominiums and cooperatives in Virginia, Washington, D.C., Maryland, West Virginia and Delaware.

Our name may have changed, but we still have the same dedication to providing outstanding audit and tax services to our community association clients.

Peer Review Passed Again

Goldklang Group CPAs, P.C. is pleased to announce that we have once again passed our peer review. A peer review is a periodic outside review, performed by another accounting firm, of our firm's quality control system in auditing. Peer reviews are intended to maintain and improve the quality of the auditing services performed by firms. CPA firms that provide audit services are required by various state boards of accountancy and the American Institute of Certified Public Accountants (AICPA) to have a peer review.

Home Energy Efficiency Improvement Tax Credits

Homeowners may be able to take advantage of the Home Energy Efficiency Improvement Tax Credits for improvements made by their associations. There is no benefit at the association level; however, associations can pass through the improvements and the related tax credits to the individual owners. Owners in a condominium or a cooperative housing corporation are treated as having paid their proportionate share of any qualifying costs paid by the association. Improvements such as energy-efficient windows, insulation, doors, roofs, and heating and cooling equipment in existing homes can provide for a tax credit for 30% of the cost, up to \$1,500, for improvements "placed in service" starting January 1, 2009, through December 31, 2010. *(continues on back)*

Snow Removal Costs – A Financial Crisis

The industry is abuzz with one resounding and constant question: What can be done related to funding the significant costs incurred due to the recent snowstorms?



Significant events, such as snowstorms, demonstrate the need for associations to be in a strong financial position and to maintain appropriate levels of excess operating funds. An association needs to consider all the costs that are related to the snowstorms. Costs may include:

- Snow removal
- Tree removal and landscape damage
- Road, curb and sidewalk repair
- Ice damming and related interior repairs (insurance may apply)
- Repairs less than insurance deductibles
- Insurance deductible
- Replacement of trees, plants and other landscaping

The first place to look for additional funding is the current year budget. While analyzing the current year budget, the association should ask several questions, such as:

- 1) What services or maintenance items can we defer until the next year?
- 2) What services can we elect not to provide or to limit in the current year?
- 3) Do we have any current year budget line items that are running under budget?
- 4) Do we have a contingency budget line item to utilize?

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Home Energy Efficiency Improvement Tax Credits (cont'd)



Visit this website, http://www.energystar.gov/index.cfm?c=tax_credits.tx_index, for a complete summary of energy efficiency tax credits available.

Here are a few quick tips to see if the improvements might be eligible for the tax credits:

- Check with the vendor or manufacturer to see if the improvements made in 2009 or 2010 meet the requirements of the energy efficiency tax credits.
- Get something in writing from the vendor or manufacturer stating that the improvements qualify.
- The property must be the principal residence for the homeowner.
- Each homeowner should consult with their own tax advisor in determining the tax credits for their individual returns.

Visit our website for copies of this newsletter or for more information on auditing and taxation!

Snow Removal Costs – A Financial Crisis (cont'd)

Once the options mentioned above are fully utilized, and it has been determined that they too are insufficient, associations should consider the following:

- Passing Special Assessments or Increasing Regular Assessments
- Borrowing from the Replacement Reserves
- Borrowing from a Financial Institution

We recommend associations pass special assessments or increase regular assessments. Any borrowing from replacement reserves or a financial institution would need to be paid back through future assessment increases or special assessments. Borrowing from the replacement reserves requires a detailed plan that should consider an analysis of any short-term capital expenditure needs, a relatively quick repayment plan and consideration of possible income tax implications. Actual snow removal costs should never be charged to the replacement reserve fund. Borrowings from financial institutions will result in increased costs for associations because of the interest charges.

Very difficult financial decisions will need to be made to deal with the financial impact of the snowstorms. The Board of Directors and management need to perform a careful financial review and develop a detailed plan. The faster a realistic financial plan is implemented, the sooner associations can get back on a healthy financial track.