

DEEG POND CONDOMINIUM ASSOCIATION, INC.

BURNSVILLE, MINNESOTA

**INDEPENDENT AUDITOR'S REPORT,
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2025



DEEG POND CONDOMINIUM ASSOCIATION, INC.

FOR THE YEAR ENDED DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Deeg Pond Condominium Association, Inc.
Burnsville, Minnesota

Opinion

We have audited the accompanying financial statements of Deeg Pond Condominium Association, Inc., which comprise the balance sheet as of December 31, 2025, and the related statements of revenues, expenses, and changes in fund balance 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 Deeg Pond Condominium 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 Deeg Pond Condominium 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.

Future Major Repairs and Replacements

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note 4 are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion is not modified with respect to that 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 Deeg Pond Condominium 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.

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FLORIDA LICENSED COMMUNITY ASSOCIATION MANAGER



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 Deeg Pond Condominium 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 Deeg Pond Condominium 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on pages 10 through page 11 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.



Michael P. Mullen, CPA, PLLC

Minneapolis, Minnesota
February 19, 2026

DEEG POND CONDOMINIUM ASSOCIATION, INC.

BALANCE SHEET

DECEMBER 31, 2025

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash	\$ 39,387	\$ 10,530	\$ 49,917
Certificates of deposit		140,000	140,000
Accrued interest		869	869
Prepaid expenses	787		787
TOTAL ASSETS	<u>\$ 40,174</u>	<u>\$ 151,399</u>	<u>\$ 191,573</u>
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 6,056		\$ 6,056
Prepaid assessments	491		491
TOTAL LIABILITIES	6,547		6,547
FUND BALANCE	<u>33,627</u>	<u>\$ 151,399</u>	<u>185,026</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 40,174</u>	<u>\$ 151,399</u>	<u>\$ 191,573</u>

The accompanying notes are an integral
part of these financial statements

DEEG POND CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2025

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUE			
Assessments	\$ 177,576	\$ 95,256	\$ 272,832
Other	49		49
Interest	1,569	2,801	4,370
Total Revenue	<u>179,194</u>	<u>98,057</u>	<u>277,251</u>
EXPENSES			
Management	12,660		12,660
Rubbish removal	11,827		11,827
Office and administrative	2,758		2,758
Professional fees	1,510		1,510
Insurance	84,778		84,778
Utilities	8,240		8,240
Grounds contract/Landscaping	47,820		47,820
Repair and maintenance	1,888		1,888
Replacement expenses		88,726	88,726
Total Expenses	<u>171,481</u>	<u>88,726</u>	<u>260,207</u>
EXCESS OF REVENUES OVER EXPENSES	7,713	9,331	17,044
FUND BALANCE AT 12/31/24	65,914	102,068	167,982
INTERFUND TRANSFER	<u>(40,000)</u>	<u>40,000</u>	<u>-</u>
FUND BALANCE AT 12/31/25	<u>\$ 33,627</u>	<u>\$ 151,399</u>	<u>\$ 185,026</u>

The accompanying notes are an integral part of these financial statements

DEEG POND CONDOMINIUM ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025

	OPERATING FUND	REPLACEMENT FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from owners	\$ 176,314	\$ 95,256	\$ 271,570
Cash paid to providers	(171,945)	(88,726)	(260,671)
Interest received	2,562	2,926	5,488
Net cash provided by operating activities	<u>6,931</u>	<u>9,456</u>	<u>16,387</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase certificates of deposit		(140,000)	(140,000)
Redeem certificates of deposit	53,000	53,000	106,000
Net cash provided by (used in) investing activities	<u>53,000</u>	<u>(87,000)</u>	<u>(34,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interfund transfer	(40,000)	40,000	-
NET INCREASE (DECREASE) IN CASH	19,931	(37,544)	(17,613)
CASH AT BEGINNING OF YEAR	19,456	48,074	67,530
CASH AT END OF YEAR	<u>\$ 39,387</u>	<u>\$ 10,530</u>	<u>\$ 49,917</u>

The following schedule reconciles the excess of revenue over expenses to net cash provided by operating activities:

Excess of revenues over expenses	\$ 7,713	\$ 9,331	\$ 17,044
Decrease in accrued interest	994	125	1,119
(Increase) in prepaid expenses	(630)		(630)
Increase in accounts payable	165		165
(Decrease) in prepaid assessments	(1,311)		(1,311)
Total adjustments	<u>(782)</u>	<u>125</u>	<u>(657)</u>
Net cash provided by operating activities	<u>\$ 6,931</u>	<u>\$ 9,456</u>	<u>\$ 16,387</u>

The accompanying notes are an integral part of these financial statements

DEEG POND CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

NOTE 1 - NATURE OF ORGANIZATION

Deeg Pond Condominium Association, Inc. is a statutory condominium association incorporated in the State of Minnesota on February 26, 1996. It is organized as a nonprofit corporation for the purpose of maintaining and preserving the common property of the condominiums known as Deeg Pond Condominium. The Association consists of 49 residential units located in Burnsville, Minnesota.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fund Accounting

The Association's governing documents provide certain guidelines regarding its financial activities. Therefore, the Association maintains its accounts using fund accounting. State statute prohibits the use of, or borrowing from, the replacement reserves to fund operating expenses. Financial resources are classified for accounting and reporting purposes in the following funds:

Operating Fund - This fund is used to account for the 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.

Interest Earned

The Board's policy is for interest to remain in the fund in which it is earned.

Cash and Certificates of Deposit

The Association maintains cash in checking and savings accounts. The Association also holds two certificates of deposit totaling \$140,000. Separate cash bank accounts are maintained for each fund. The Association considers all highly liquid investments with an original maturity of three months or less as cash.

DEEG POND CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Member Assessments-Revenue Recognition

Association members are subject to monthly assessments to provide for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Any excess operating assessments at year-end are retained by the Association for use in future years. Assessment revenue is recognized when assessments are due. Any amounts received in advance of the due date are deferred until due. The Financial Accounting Standards Board issued Accounting Standards Code 606 requiring the deferral of the recognition of income until the services are rendered. The Association has determined ASC 606 does not apply to the Association as no customer relationship exists as it is defined by the Code. The Association does not defer the recognition of any portion of revenue as a Contract Liability.

Assessments Receivable

There are no assessments receivable at the balance sheet date. The Association's policy is to charge a late fee and place liens on the property of accounts that are past due. This may ultimately involve foreclosure on the property after other attempts of collection have failed.

Property 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 because those properties are owned by the individual unit owners in common and not by the Association. Accordingly, items such as the buildings, sidewalks, roadways, and land are not recognized as assets.

In conformity with industry practice, the Association's policy is to recognize the following common property as assets:

- a) Common personal property
- b) Common real property to which it has title and that it can dispose of for cash while retaining the proceeds or that is used to generate significant cash flows from members on the basis of usage or from nonmembers.

As of December 31, 2025, there are no recorded assets from common property.

DEEG POND CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

NOTE 3 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 19, 2026, the date that the financial statements were available to be issued.

NOTE 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

Minnesota State Statute 515B and the Association's governing documents require that adequate funds be maintained for future major repair and replacements. The total, which aggregates \$151,399 at December 31, 2025, is generally not available for operating purposes.

In December 2025, the Board of Directors, with the help of its management company updated its 2019 reserve study conducted by an outside firm that estimated the remaining useful lives for the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. Estimates were obtained from industry information available to them along with their previous experience and inspection of the property.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's 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 to pass special assessments or delay replacement or maintenance until funds are available. The effect on future assessments has not been determined at this time.

DEEG POND CONDOMINIUM ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

NOTE 5 - INCOME TAXES

Condominium associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2025, the Association elected to file as a homeowners' association in accordance with Internal Revenue Code section 528. Under that section, the Association is not taxed on uniform assessments to members and other income received from association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its nonexempt function income, which includes interest income and revenue received from nonmembers. There is no income tax expense. The Board has determined that, when applicable, income tax is an expense of the operating fund.

The Association's tax returns for the past three years remain open for examination by taxing authorities.

SUPPLEMENTARY INFORMATION

DEEG POND CONDOMINIUM ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025

In December 2025, the Board of Directors, with the help of its management company updated its 2019 reserve study conducted by an outside firm that estimated the remaining useful lives for the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. Estimates were determined based on industry information available to them along with their prior experience and inspection of the property.

Estimated current replacement costs and estimated remaining useful lives have not been revised since the date of the study and do not take into account the effects of any expenditures or differences in the estimates.

The total replacement fund balance at December 31, 2025 is \$151,399. The board has not allocated the replacement fund balance to each component.

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

