

April 1, 2019

PKS & Company
P.O. Box 72
Salisbury, MD 21804-1664

This representation letter is provided in connection with your audit of the financial statements of Townhomes of Bayshore Condominium Owners Association, Inc. which comprise the balance sheet as of December 31, 2018, and the related statements of revenues and expenses and changes in fund balances, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of April 1, 2019:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 29, 2019, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- We acknowledge our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Association's accounts.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

Information Provided

- With respect to the required supplementary information on future major repairs and replacements accompanying the financial statements:
 - We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - The methods of measurement or presentation have not changed except it includes six major components not included in prior period.
 - We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
- With respect to the schedule of operating fund revenues and expenses - budget and actual on page 12 accompanying the financial statements:
 - We acknowledge our responsibility for the presentation of the schedule of operating fund revenues and expenses - budget and actual in accordance with U.S. GAAP.
 - We believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - The methods of measurement or presentation have not changed except closer scrutiny of accounts receivable/prepaid and the effect of fund accounting.
 - We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
 - When the schedule of operating fund revenues and expenses - budget and actual is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of operating fund revenues and expenses - budget and actual no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon.
- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
 - Additional information that you have requested from us for the purpose of the audit;
 - Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence.
 - All minutes of the meetings of directors, and committees of directors, or summaries of actions of recent meetings for which minutes were not yet prepared.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- We have no knowledge of any fraud or suspected fraud that affects the Association and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Association's financial statements communicated by employees, former employees, analysts, regulators, or others.
- There are no transfers or designations of fund balances or interfund borrowings that were not properly authorized and approved, or uncollectible interfund loans that have not been properly reflected in the financial statements or disclosed to you except the prior council let contracts and paid expenses that were not disclosed to the membership leaving an interfund borrowing.
- The Board of Directors is collecting funds for future major repairs and replacements, however, they have elected to only partially adopt the funding requirements based on the reserve study update conducted in March 2019. Partial funding is limited to our documents. If additional funds are needed, the Association can increase regular assessments or delay major repairs and replacements until funds are available, or pass special assessments.
- We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing financial statements.
- We have disclosed to you the identity of the Association's related parties and all the related party relationships and transactions of which we are aware.
- The Board of Directors has reviewed the Association's insurance coverage. The Board of Directors believes insurance coverage is adequate and in compliance with any requirements set by the Association's bylaws and state law.
- In regard to the financial statement and tax services performed by you, we have
 - Assumed all management responsibilities.
 - Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.
 - Evaluated the adequacy and results of the services performed.
 - Accepted responsibility for the results of the services.
- The Association's allocation of expenses against exempt and nonexempt function income conforms with IRS rules, which require that the allocation be made "on a reasonable and consistently applied basis." We have adequately documented such allocation.
- We understand that management is responsible for the Association's choice of filing Form 1120H and the consequences thereof.

Signed by Board of Directors

Title

John M. O'Neil
President