

**MOUNT WOODLEY MANOR
HOMEOWNERS ASSOCIATION, INC.**

FINANCIAL STATEMENTS
MARCH 31, 2014

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Board of Directors
Mount Woodley Manor Homeowners Association, Inc.

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Mount Woodley Manor Homeowners Association, Inc. which comprise the balance sheet of as of March 31, 2014, and the related statements of revenue, expenses and appropriations - operating fund, schedule of expenses, changes in equity and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mount Woodley Manor Homeowners Association, Inc. as of March 31, 2014 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

As discussed in Note 4, management has omitted the information about the estimates of future costs of major repairs and replacements that accounting principles generally accepted in the United States of America require be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by the missing information. The budget information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

October 1, 2014

Singleton & Bardowski, LLC

MOUNT WOODLEY MANOR HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEET
MARCH 31,

<u>ASSETS</u>	<u>2014</u>
Operating fund:	
Cash checking	\$ 16,832
Accounts receivable - owners	3,218
Prepaid insurance	<u>1,398</u>
Total Operating Fund	<u>21,448</u>
Replacement fund:	
Cash savings	<u>35,109</u>
TOTAL ASSETS	<u>\$ 56,557</u>
<u>LIABILITIES</u>	
Operating fund:	
Accounts payable	\$ 1,125
Assessments received in advance	<u>10,508</u>
Total Operating Fund	<u>11,633</u>
<u>CONDOMINIUM EQUITY (Note 4)</u>	
Operating fund	9,815
Replacement fund	<u>35,109</u>
Total Condominium Equity	<u>44,924</u>
TOTAL LIABILITIES AND ASSOCIATION EQUITY	<u>\$ 56,557</u>

The accompanying notes are an integral part of these statements.

MOUNT WOODLEY MANOR HOMEOWNERS ASSOCIATION, INC.
 STATEMENT OF REVENUE, EXPENSES AND APPROPRIATIONS -
 OPERATING FUND FOR THE YEAR ENDED MARCH 31,

	2014 <u>ACTUAL</u>	2014 <u>BUDGET</u>
REVENUE:		
Assessments	\$ 43,960	\$ 43,960
Late fees & miscellaneous	2,290	-
Interest	<u>50</u>	<u>50</u>
Total Revenue	<u>46,300</u>	<u>44,010</u>
EXPENSES (Schedule A):		
Administrative	8,565	4,639
Utilities / insurance	3,643	3,573
Repairs & Maintenance	<u>29,858</u>	<u>35,798</u>
Total Expenses	<u>42,066</u>	<u>44,010</u>
EXCESS REVENUE (EXPENSES)	<u>\$ 4,234</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

MOUNT WOODLEY MANOR HOMEOWNERS ASSOCIATION, INC.
SCHEDULE OF EXPENSES

	Schedule A FOR THE YEAR ENDED MARCH 31, 2014 2014	
	<u>ACTUAL</u>	<u>BUDGET</u>
ADMINISTRATIVE:		
Filing fees	\$ 137	\$ 36
Postage and delivery	245	358
Printing	299	238
Office supplies	73	75
Storage rental	832	1,332
Website hosting	550	600
Accounting	783	1,000
Legal fees	1,501	1,000
Management fees	3,850	-
Misc. administrative	295	-
Total Administrative	<u>8,565</u>	<u>4,639</u>
UTILITIES / INSURANCE:		
Electricity	1,874	1,836
Insurance	1,769	1,737
Total Utilities / Insurance	<u>3,643</u>	<u>3,573</u>
REPAIRS & MAINTENANCE:		
Fence repair	495	500
Grounds maintenance	13,814	13,699
Special projects	3,200	10,599
Snow removal	3,007	3,000
Walkways	8,000	8,000
Tree maintenance	1,297	-
Miscellaneous repairs	45	-
Total Repairs & Maintenance	<u>29,858</u>	<u>35,798</u>
TOTAL EXPENSES	<u>\$ 42,066</u>	<u>\$ 44,010</u>

The accompanying notes are an integral part of these statements.

MOUNT WOODLEY MANOR HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2014

	<u>Total</u>	Operating <u>Fund</u>	Replace- ment <u>Fund</u>
Balance - April 1, 2013	\$ 40,690	\$ 21,871	\$ 18,819
Excess Revenue (Expenses)	4,234	4,234	-
Transfer	<u>-</u>	<u>(16,290)</u>	<u>16,290</u>
Balance - March 31, 2014	<u>\$ 44,924</u>	<u>\$ 9,815</u>	<u>\$ 35,109</u>

The accompanying notes are an integral part of these statements.

MOUNT WOODLEY MANOR HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31,

	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Excess revenue (expenses)	<u>\$ 4,234</u>
Adjustments required to reconcile excess revenue (expenses) to net cash flows from operating activities	
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables	532
Prepaid expenses	(95)
Increase (decrease) in liabilities:	
Payables	970
Assessments received in advance	<u>10,507</u>
Total Adjustments	<u>11,914</u>
Net Cash Flows from Operating Activities	16,148
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>35,793</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 51,941</u></u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW</u> <u>INFORMATION:</u>	
Cash paid during the year for:	
Income taxes	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these statements.

MOUNT WOODLEY MANOR HOMEOWNERS ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND ACCOUNTING POLICIES

Mount Woodley Manor Homeowners Association, Inc. was formed in May 1981 under the laws of the Commonwealth of Virginia for the purpose of maintaining and preserving the common property of the community. The Association consists of 70 homes located in Alexandria, Virginia.

The Association utilizes the accrual method of accounting under which revenue is recognized when assessed and earned, and expenses are recognized when the liability is incurred. The Association also employs fund accounting under which financial resources are classified in the following funds established according to their nature and purpose:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Replacement Fund - This fund is used to account for financial resources accumulated and expended for major repairs and replacements of common property.

Bad debts are recognized under the specific write-off method whereby specific accounts are written off when the Board of Directors makes the determination that collection is no longer probable. The Association's remaining accounts receivable are considered fully collectible; therefore, no allowance is necessary.

Real property and common areas acquired from the developer and improvements to such property are not recorded in the Association's financial statements because the property can not be disposed of at the discretion of the Board of Directors.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions which affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MOUNT WOODLEY MANOR HOMEOWNERS ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1. ORGANIZATION AND ACCOUNTING POLICIES (CONTINUED)

The preparation of financial statements in accordance with accounting principles generally accepted in the United States, also requires that management evaluate the effect of subsequent events on the financial statements. Subsequent events are events or transactions which occur after the balance sheet date but before the financial statements are issued. The Association did not have any undisclosed subsequent events through October 1, 2014, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended March 31, 2014.

NOTE 2. INCOME TAXES

In 2014, the Association elected to file as a qualified homeowners association under Section 528 of the Internal Revenue Code (IRC) which permits the exclusion of assessments and related expenses from the computation of taxable income. The Association is taxed on its net unrelated income at a rate of 30%. There was no tax liability for 2014.

The Association has determined that it has no uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Nevertheless, since tax matters are subject to some degree of uncertainty, there can be no assurance that the Association's tax returns will not be challenged by taxing authorities and that the Association will not be subject to additional tax, penalties and interest as a result of such challenge. Generally, the Association's tax returns are open for three years of federal and state income tax examination.

NOTE 3. ASSESSMENTS

Semi-annual assessments to owners were \$314 for the year ended March 31, 2014.

MOUNT WOODLEY MANOR HOMEOWNERS ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4. ASSOCIATION EQUITY

The operating fund provides for the normal operation of the Association.

The replacement fund provides for the major repair and replacement of the common elements of the Association. The Association's legal documents require that reasonable reserves for repair and replacement of the common elements be built up. Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures 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, the Association may increase regular assessments or levy a special assessment against the home owners provided that the approval of the owners is obtained in accordance with the provisions of the Association's legal documents.

The Board is presently considering various alternatives in connection with the development of a comprehensive reserve study, in order to comply with the Virginia legal requirements regarding conducting such a study. Primary factors under consideration include whether an outside firm should be engaged or the Board, with the assistance of management, can prepare an adequate study themselves. Pending final determination, and due to the lack of up-to-date information, the Board has elected not to present information on estimates of future costs of major repairs and replacements which is a required supplement to the basic financial statements under accounting principles generally accepted in the United States.