

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

FINANCIAL STATEMENTS  
MARCH 31, 2017 AND 2016

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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 sheets of as of March 31, 2017 and 2016, and the related statements of revenue, expenses and appropriations - operating fund, schedule of expenses, changes in equity and cash flows for the years 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 audits. We conducted our audits 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, 2017 and 2016 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***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 page 10 be presented to supplement the basic financial statements. Such 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. 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. 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 4, 2017

*Singleton & Bardowski, LLC*

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

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Operating fund:		
Cash checking	\$ 12,675	\$ 7,829
Cash savings - unrestricted portion	15,191	7,812
Accounts receivable - owners	1,889	1,018
Prepaid expense	<u>1,563</u>	<u>1,539</u>
Total Operating Fund	<u>31,318</u>	<u>18,198</u>
Replacement fund:		
Cash savings	51,263	43,221
Less - unrestricted portion	<u>(15,191)</u>	<u>(7,812)</u>
Total Replacement Fund	<u>36,072</u>	<u>35,409</u>
TOTAL ASSETS	<u>\$ 67,390</u>	<u>\$ 53,607</u>
<u>LIABILITIES</u>		
Operating fund:		
Accounts payable	\$ 1,092	\$ 155
Assessments received in advance	<u>13,613</u>	<u>11,914</u>
Total Operating Fund	<u>14,705</u>	<u>12,069</u>
Replacement fund:		
Accounts payable	<u>-</u>	<u>3,337</u>
<u>CONDOMINIUM EQUITY (Note 4)</u>		
Operating fund	16,613	6,129
Replacement fund	<u>36,072</u>	<u>32,072</u>
Total Condominium Equity	<u>52,685</u>	<u>38,201</u>
TOTAL LIABILITIES AND ASSOCIATION EQUITY	<u>\$ 67,390</u>	<u>\$ 53,607</u>

The accompanying notes are an integral part of these statements.

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

	<u>2017</u> <u>ACTUAL</u>	<u>2017</u> <u>BUDGET</u>	<u>2016</u> <u>ACTUAL</u>
REVENUE:			
Assessments	\$ 48,825	\$ 48,300	\$ 47,250
Less - replacement fund appropriations	(4,000)	(4,000)	(4,000)
Late fees & miscellaneous	346	-	356
Interest	<u>65</u>	<u>50</u>	<u>59</u>
Total Revenue	<u>45,236</u>	<u>44,350</u>	<u>43,665</u>
EXPENSES (Schedule A):			
Administrative	10,884	11,950	11,444
Utilities / insurance	3,814	4,000	3,792
Repairs & Maintenance	<u>20,054</u>	<u>28,400</u>	<u>28,296</u>
Total Expenses	<u>34,752</u>	<u>44,350</u>	<u>43,532</u>
EXCESS REVENUE (EXPENSES)	<u>\$ 10,484</u>	<u>\$ -</u>	<u>\$ 133</u>

The accompanying notes are an integral part of these statements.

MOUNT WOODLEY MANOR HOMEOWNERS ASSOCIATION, INC.  
SCHEDULE OF EXPENSES

	Schedule A FOR THE YEARS ENDED MARCH 31,		
	2017 <u>ACTUAL</u>	2017 <u>BUDGET</u>	2016 <u>ACTUAL</u>
ADMINISTRATIVE:			
Bank charges	\$ 274	\$ 300	\$ 300
Filing fees	69	75	58
Misc. administrative	44	-	25
Postage and delivery	389	200	346
Printing	645	400	388
Office supplies	133	150	189
Storage rental	90	100	45
Website hosting	540	600	745
Accounting	1,575	2,000	1,575
Legal fees	-	1,000	456
Reserve study	-	-	-
Management fees	7,125	7,125	7,317
Total Administrative	<u>10,884</u>	<u>11,950</u>	<u>11,444</u>
UTILITIES / INSURANCE:			
Electricity	1,960	2,000	1,866
Insurance	1,854	2,000	1,926
Total Utilities / Insurance	<u>3,814</u>	<u>4,000</u>	<u>3,792</u>
REPAIRS & MAINTENANCE:			
Grounds maintenance	15,347	15,500	15,347
Special projects	-	7,900	300
Snow removal	1,687	3,000	4,438
Walkways	-	-	1,400
Tree maintenance	3,020	2,000	6,811
Total Repairs & Maintenance	<u>20,054</u>	<u>28,400</u>	<u>28,296</u>
TOTAL EXPENSES	<u>\$ 34,752</u>	<u>\$ 44,350</u>	<u>\$ 43,532</u>

The accompanying notes are an integral part of these statements.

MOUNT WOODLEY MANOR HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

	<u>Total</u>	<u>Operating Fund</u>	<u>Replace- ment Fund</u>
Balance - April 1, 2015	\$ 37,405	\$ 5,996	\$ 31,409
Excess Revenue (Expenses)	133	133	-
Replacement fund appropriations	4,000	-	4,000
Replacement fund expenditures	<u>(3,337)</u>	<u>-</u>	<u>(3,337)</u>
Balance - March 31, 2016	38,201	6,129	32,072
Excess Revenue (Expenses)	10,484	10,484	-
Replacement fund appropriations	4,000	-	4,000
Replacement fund expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Balance - March 31, 2017	<u><u>\$ 52,685</u></u>	<u><u>\$ 16,613</u></u>	<u><u>\$ 36,072</u></u>

The accompanying notes are an integral part of these statements.

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

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess revenue (expenses)	\$ 10,484	\$ 133
Adjustments required to reconcile excess revenue (expenses) to net cash flows from operating activities		
Replacement fund appropriations	4,000	4,000
Replacement fund expenditures	-	(3,337)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables	(871)	292
Prepaid expenses	(24)	(92)
Increase (decrease) in liabilities:		
Payables	(2,400)	3,296
Assessments received in advance	<u>1,699</u>	<u>3,558</u>
Total Adjustments	<u>2,404</u>	<u>7,717</u>
Net Cash Flows from Operating Activities	12,888	7,850
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>51,050</u>	<u>43,200</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 63,938</u>	<u>\$ 51,050</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW 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. (See NOTE 5) The Association did not have any undisclosed subsequent events through October 4, 2017, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the years ended March 31, 2017 and 2016.

NOTE 2. INCOME TAXES

In 2017 and 2016, 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 2017 and 2016.

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 \$345 for the first nine months of the year ended March 31, 2017 and \$360 for the last three months of the year ended March 31, 2017. Semi-annual assessments to owners were \$345 for the second half of the year ended March 31, 2016 and \$330 for the first half of the year ended March 31, 2016.

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 had an independent firm prepare a replacement reserve study during 2015. The study indicated that replacement reserves were underfunded and the current level of funding was not adequate to meet projected expenditures, a situation exacerbated by the major asphalt and pavement costs projected for fiscal 2018 - 2019. The study recommended an increase in the annual appropriation to \$18,387 in 2016 increasing 2.5% annually thereafter. The Board began seeking membership approval for either a special or a more than 10% increase in the annual assessment in order to address the recommendations of the study, but has been unable to obtain such an approval in time for inclusion in the 2018 budget which includes an appropriation of \$6,600 to the replacement fund. Selected information from the study is included as supplementary information on page 10.

NOTE 5. SUBSEQUENT EVENTS

At the May 2017 special purpose meeting, the membership approved a proposal which authorized the Board to contract for paving and repair of the Association's street not to exceed \$120,000. The Board was authorized to obtain financing up to \$90,000 for the project, with the remaining \$30,000 to be funded from reserves. The semi-annual assessment was also increased to \$500 effective October 1, 2017.

MOUNT WOODLEY MANOR HOMEOWNERS ASSOCIATION, INC.  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
(UNAUDITED)

The Board of Directors had an independent engineering firm prepare a condition assessment and reserve study update during 2015. The following tables are based on the study. Table one identifies the significant components of common property, their typical useful lives and the cyclical repair or replacement cost in study year dollars. Table two shows projected cash flows over the next two years. Additions are set at the amount budgeted for 2018 plus projected loan funds. Expenditures are based on the cost of asphalt restoration limit approved at the annual meeting.

TABLE 1		Total	Typical Service Life Replacement Cycle (Yrs)	Percentage Each Replacement
Description	Quantity	Asset Base		
Asphalt restoration project	5,837 SY	\$81,718	18	100%
Asphalt seal coat	5,837 SY	7,004	6	100%
Asphalt repair allowance	Lump sum	7,800	6	25%
Concrete sidewalks	9,828 SF	114,172	5	3%
Concrete curbs & gutters	3,496 LF	125,858	5	2%
Walkway pavers	3,930 SF	62,880	5	10%
Carved wood entrance sign	1 Each	2,100	15	100%
Pressure treated wood fencing	94 LF	3,008	15	100%
Street & informational signage	24 Each	3,720	20	50%
Mailbox modules	6 Each	10,800	25	100%
Tot Lot & outdoor furniture	2 Each	42,000	15	100%
Storm water drainage system allowance	Lump sum	8,500	7	100%
		<u>\$469,560</u>		

TABLE 2	Expenditure	Total	Projected	
Description	Amount	Expenditures	Additions	Balance
Balance - March 31, 2017				\$36,072
No expenditures	0			
Balance - March 31, 2018		0	6,600	42,672
Asphalt restoration project	120,000			
Balance - March 31, 2019		120,000	96,600	<u>\$19,272</u>