

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

FINANCIAL STATEMENTS &
SUPPLEMENTARY INFORMATION
MARCH 31, 2019 AND 2018

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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, 2019 and 2018, and the related statements of revenue, expenses and appropriations - operating fund, 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 involves 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, 2019 and 2018 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT - Continued

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 11 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.

January 14, 2020

Singleton & Bardowski, LLC

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

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Operating fund:		
Cash checking	\$ 32,537	\$ 13,902
Cash savings - unrestricted portion	-	28,644
Accounts receivable - owners	5,264	3,129
Less - allowance for doubtful accounts	(2,743)	(1,643)
Prepaid expense	<u>1,519</u>	<u>1,640</u>
Total Operating Fund	<u>36,577</u>	<u>45,672</u>
Replacement fund:		
Cash savings	31,526	71,316
Less - unrestricted portion	<u>-</u>	<u>(28,644)</u>
Total Replacement Fund	<u>31,526</u>	<u>42,672</u>
TOTAL ASSETS	<u>\$ 68,103</u>	<u>\$ 88,344</u>
<u>LIABILITIES</u>		
Operating fund:		
Accounts payable	\$ 632	\$ 1,290
Loan payable (Note 5)	24,330	-
Assessments received in advance	<u>2,005</u>	<u>8,292</u>
Total Operating Fund	<u>26,967</u>	<u>9,582</u>
Replacement fund:		
Accounts payable	<u>26,406</u>	<u>-</u>
<u>CONDOMINIUM EQUITY (Note 4)</u>		
Operating fund	9,610	36,090
Replacement fund	<u>5,120</u>	<u>42,672</u>
Total Condominium Equity	<u>14,730</u>	<u>78,762</u>
TOTAL LIABILITIES AND ASSOCIATION EQUITY	<u>\$ 68,103</u>	<u>\$ 88,344</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>2019</u> <u>ACTUAL</u>	<u>2018</u> <u>ACTUAL</u>
REVENUE:		
Assessments	\$ 70,000	\$ 60,200
Less - replacement fund appropriations	(5,500)	(6,600)
Late fees & miscellaneous	378	324
Interest	<u>478</u>	<u>77</u>
Total Revenue	<u>65,356</u>	<u>54,001</u>
EXPENSES (Schedule A):		
Administrative	17,288	13,055
Insurance	2,047	2,011
Utilities	1,851	1,886
Repairs & Maintenance	<u>18,682</u>	<u>17,572</u>
Total Expenses	<u>39,868</u>	<u>34,524</u>
EXCESS REVENUE (EXPENSES)	<u>\$ 25,488</u>	<u>\$ 19,477</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, 2019 AND 2018

	<u>Total</u>	<u>Operating Fund</u>	<u>Replace- ment Fund</u>
Balance - April 1, 2017	\$ 52,685	\$ 16,613	\$ 36,072
Excess Revenue (Expenses)	19,477	19,477	-
Replacement fund appropriations	6,600	-	6,600
Replacement fund expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Balance - March 31, 2018	78,762	36,090	42,672
Excess Revenue (Expenses)	25,488	25,488	-
Transfer	-	(51,968)	51,968
Replacement fund appropriations	5,500	-	5,500
Replacement fund expenditures	<u>(95,020)</u>	<u>-</u>	<u>(95,020)</u>
Balance - March 31, 2019	<u><u>\$ 14,730</u></u>	<u><u>\$ 9,610</u></u>	<u><u>\$ 5,120</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>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess revenue (expenses)	\$ <u>25,488</u>	\$ <u>19,477</u>
Adjustments required to reconcile excess revenue (expenses) to net cash flows from operating activities		
Replacement fund appropriations	5,500	6,600
Replacement fund expenditures	(95,020)	-
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables	(1,035)	403
Prepaid expenses	121	(77)
Increase (decrease) in liabilities:		
Payables	25,748	198
Assessments received in advance	<u>(6,287)</u>	<u>(5,321)</u>
Total Adjustments	<u>(70,973)</u>	<u>1,803</u>
Net Cash Flows from Operating Activities	<u>(45,485)</u>	<u>21,280</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan advances	70,997	-
Principal repayments	<u>(46,667)</u>	<u>-</u>
Net Cash Flows from Financing Activities	<u>24,330</u>	<u>-</u>
NET CASH FLOWS	(21,155)	21,280
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>85,218</u>	<u>63,938</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 64,063</u>	<u>\$ 85,218</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash paid during the year for:		
Interest	<u>\$ 1,970</u>	<u>\$ -</u>
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.

In 2018, due to an increase in delinquency, the Association changed to the allowance method of accounting for bad debts under which an estimated provision for bad debts is recorded based on the level of delinquency and expectations regarding future collections. Previously, bad debts were recognized under the specific write-off method.

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 January 14, 2020, 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, 2019 and 2018.

NOTE 2. INCOME TAXES

In 2019 and 2018, 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 2019 and 2018.

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 \$500 for fiscal 2019 and for the second half of fiscal 2018 and \$360 for the first half of the fiscal 2018. Budgeted appropriations to the replacement fund totaled 7.86% and 10.87% of assessments for the years ended March 31, 2019 and 2018, respectively.

NOTE 4. ASSOCIATION EQUITY

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

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

NOTE 4. ASSOCIATION EQUITY

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. The study recommended an increase in the annual appropriation to \$18,387 in 2016 increasing 2.5% annually thereafter. Selected information from the study is included as supplementary information on page 10. The 2020 budget includes an appropriation to the replacement fund of \$5,500.

NOTE 5. LOAN & PAVING PROJECT

At a 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 come from reserves. The semi-annual assessment was also increased to \$500 effective October 1, 2017.

In late May, 2018 the Association obtained a loan of \$70,997 bearing interest at 4.09% calling for monthly interest and semi-annual principal payments over the next 38 months. Paving work was completed under a contract totaling \$88,020. Future payments due under the loan were as follows:

2019-2020	\$23,335
2020-2021	\$ 995

The Association made more than the required payments during the year ended March 31, 2019 and continued to do so, paying the loan off completely in August, 2019.

MOUNT WOODLEY MANOR HOMEOWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENSES
FOR THE YEARS ENDED MARCH 31,

	2019 <u>ACTUAL</u>	2019 <u>BUDGET</u> (Unaudited)	2018 <u>ACTUAL</u>
ADMINISTRATIVE:			
Management fees	\$ 7,554	\$ 7,350	\$ 7,338
Misc. administrative	89	60	42
Postage and delivery	192	250	502
Printing	597	500	524
Office supplies	117	100	143
Storage rental	90	90	90
Bank charges	1,314	320	324
Interest expense	1,970	-	-
Filing fees	65	70	69
Website hosting	553	550	552
Audit & tax returns	1,525	1,550	1,525
Bad debts	1,100	-	1,643
Legal fees	<u>2,122</u>	<u>2,000</u>	<u>303</u>
Total Administrative	<u>17,288</u>	<u>12,840</u>	<u>13,055</u>
INSURANCE:			
Insurance	<u>2,047</u>	<u>2,100</u>	<u>2,011</u>
UTILITIES			
Electricity	<u>1,851</u>	<u>2,000</u>	<u>1,886</u>
REPAIRS & MAINTENANCE:			
Grounds maintenance	11,510	15,500	15,347
Special projects	-	16,000	-
Snow removal	480	2,500	2,225
Walkways/pavers	-	7,000	-
Tree maintenance	6,500	6,500	-
Miscellaneous repairs	<u>192</u>	<u>75</u>	<u>-</u>
Total Repairs & Maintenance	<u>18,682</u>	<u>47,575</u>	<u>17,572</u>
TOTAL EXPENSES	<u>\$ 39,868</u>	<u>\$ 64,515</u>	<u>\$ 34,524</u>

MOUNT WOODLEY MANOR HOMEOWNERS ASSOCIATION, INC.
REQUIRED 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 table is based on the study. The table identifies the significant components of common property, their typical useful lives, the cyclical repair or replacement cost in study year dollars and their estimated remaining lives at the date of the study.

Components of Common Property Description	Quantity	Total Asset Base	Typical Service or Cycle Life (Yrs)	Percentage Each Replacement	First Cycle Year
Asphalt restoration project	5,837 SY	\$81,718	18	100%	2018
Asphalt seal coat	5,837 SY	7,004	6	100%	2024
Asphalt repair allowance	Lump sum	7,800	6	25%	2018
Concrete sidewalks	9,828 SF	114,172	5	3%	2015
Concrete curbs & gutters	3,496 LF	125,858	5	2%	2015
Walkway pavers	3,930 SF	62,880	5	10%	2015
Carved wood entrance sign	1 Each	2,100	15	100%	2023
Pressure treated wood fencing	94 LF	3,008	15	100%	2029
Street & informational signage	24 Each	3,720	20	50%	2025
Mailbox modules	6 Each	10,800	25	100%	2027
Tot Lot & outdoor furniture	2 Each	42,000	15	100%	2022
Storm water drainage system allowance	Lump sum	8,500	7	100%	2029
		<u>\$469,560</u>			