

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014**

GREENWOOD & ASSOCIATES
Certified Public Accountants
Frederick, Maryland 21701

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.**

**FINANCIAL STATEMENTS
Year Ended December 31, 2014**

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GREENWOOD AND ASSOCIATES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Wildflower Ridge Homeowners Association, Inc.

We have audited the accompanying financial statements of Wildflower Ridge Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2014 and the related statements of revenues, expenses, and changes in fund balances 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 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 from 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 judgment, 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 Wildflower Ridge Homeowners Association, Inc. as of December 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information about 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.



Frederick, Maryland

October 27, 2015

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEET
December 31, 2014**

ASSETS	Operating Fund	Replacement Fund	Total
Cash	\$ 32,596	\$ 46,042	\$ 78,638
Assessments receivable, net of allowance for doubtful accounts of \$69,313	45,437	-	45,437
Fixed assets, net of accumulated depreciation of \$1,118	-	-	-
Certificates of deposit	26,571	-	26,571
TOTAL ASSETS	\$ 104,604	\$ 46,042	\$ 150,646
LIABILITIES AND FUND BALANCES			
Accounts payable	\$ 3,955	\$ -	\$ 3,955
Prepaid assessments	2,930	-	2,930
TOTAL LIABILITIES	6,885	-	6,885
Fund balances	97,719	46,042	143,761
TOTAL LIABILITIES AND FUND BALANCES	\$ 104,604	\$ 46,042	\$ 150,646

The accompanying notes are an integral part of these financial statements.

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
Year Ended December 31, 2014**

	Operating Fund	Replacement Fund	Total
REVENUES			
Assessment income	\$ 72,708	\$ -	\$ 72,708
Interest income	287	74	361
Other income	57,717	-	57,717
TOTAL REVENUES	130,712	74	130,786
EXPENSES			
Bad debt expense	77,534	-	77,534
Management fees	22,125	-	22,125
Legal	26,072	-	26,072
Accounting	195	-	195
Municipal taxes	72	-	72
Insurance	1,346	-	1,346
Office & administrative expense	6,399	-	6,399
Grounds maintenance	11,755	-	11,755
Repairs & maintenance	2,923	-	2,923
Snow removal	9,449	-	9,449
Utilities	8,106	-	8,106
TOTAL EXPENSES	165,976	-	165,976
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	(35,264)	74	(35,190)
FUND BALANCES			
Beginning of year	159,274	19,677	178,951
Interfund transfer	(26,291)	26,291	-
End of year	\$ 97,719	\$ 46,042	\$ 143,761

The accompanying notes are an integral part of these financial statements.

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
Year Ended December 31, 2014**

	Operating Fund	Replacement Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficit) of revenues over expenses	\$ (35,264)	\$ 74	\$ (35,190)
Adjustments to reconcile excess revenues over expenses to net cash provided (used) by operating activities:			
Allowance for doubtful accounts	57,548	-	57,548
(Increase) decrease in:			
Assessments receivable	(16,056)	-	(16,056)
Increase (decrease) in:			
Accounts payable	(3,358)	-	(3,358)
Prepaid assessments	(3,329)	-	(3,329)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(459)	74	(385)
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of certificates of deposit	26,291	-	26,291
Purchase of certificates of deposit	(130)	-	(130)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	26,161	-	26,161
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES			
Interfund transfer	(26,291)	26,291	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(26,291)	26,291	-
NET INCREASE (DECREASE) IN CASH	(589)	26,365	25,776
CASH AT BEGINNING OF YEAR	33,185	19,677	52,862
CASH AT END OF YEAR	\$ 32,596	\$ 46,042	\$ 78,638
SUPPLEMENTAL DISCLOSURES			
Income taxes paid	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

1 - NATURE OF ORGANIZATION

Wildflower Ridge Homeowners Association, Inc. was incorporated on July 19, 1997 in the State of West Virginia, as a non-stock corporation. The Association is responsible for the operation and maintenance of the common property within the development. The development consists of 293 residential units located in Martinsburg, West Virginia.

2 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through July 9, 2015, the date that the financial statements were available to be issued.

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's financial statements have been prepared on the accrual basis of accounting and the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds:

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 accumulate financial resources designated for future major repairs and replacements.

Member Assessments

Association members are subject to annual assessments, payable over seven months, to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. Assessments received in advance at the balance sheet date represent fees prepaid by unit owners. The Association's policy is to retain legal counsel and place liens on those properties whose assessments are delinquent. The Association has established an allowance for doubtful accounts at December 31, 2014. Any excess assessments at year-end are retained by the Association for use in future years.

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (continued)

Interest Income

Interest income is allocated to the operating and replacement funds, based on the nature of the interest bearing deposits.

Cash

For purposes of reporting cash flows, the Association considers all cash accounts which are not subject to withdrawal restrictions or penalties and money market funds with a maturity of three months or less as cash.

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. The Association capitalizes personal property at cost and depreciates it using the straight-line method.

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

4 - INCOME TAXES

Homeowner associations may be taxed either as a homeowners' association or as a regular corporation. For the year ended December 31, 2014 the Association elected to be taxed as a homeowners' association. As a homeowners' association, the Association generally is taxed only on its nonexempt function income, such as interest earnings, at a federal flat rate of 30%. In calculating taxable income, nonexempt function income may be reduced by expenses that are attributable to or directly connected to generating the income. Exempt function income, which consists primarily of member assessments, is not taxable. Income tax expense for the year ended December 31, 2014 was \$0.

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

5 - FIXED ASSETS

Fixed assets consisted of the following at December 31:

	<u>Useful Life</u>	<u>2014</u>
Sign	7	\$ 1,118

Depreciation charged to income was \$0 for the year ended December 31, 2014.

6 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's documents do not require the accumulation of funds for future major repairs and replacements. The Board of Directors engaged an independent engineer during calendar year 2008 that conducted a study to estimate the remaining useful lives and the replacement costs of the common property components. In this regard, the Board of Directors established a replacement fund to accumulate funds for the anticipated future repairs and replacements. The replacement fund balance as of December 31, 2014 was \$46,042. When funds are needed for a repair or a replacement, the Association has the right to delay major repairs and replacements until funds are available.

7 - COMMITMENTS

Management Contract

The Association has entered into an annually renewable contract with Clagett Management to manage the daily affairs of the Association.

Maintenance Contracts

The Association has entered into contracts, none with terms extending beyond one year, to provide for various maintenance services to common areas. At year end, no contracts were in dispute and all payments were current. Contracts entered into during the past year included grounds maintenance and snow removal services.

**Supplementary Information
(Unaudited)**

**WILDFLOWER RIDGE
HOMEOWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS
December 31, 2014
(Unaudited)**

During calendar year 2008, the Association engaged an independent engineer to conduct a study to estimate the remaining useful lives and replacement costs of the common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study.

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

	Estimated remaining useful lives (years)	Estimated current replacement costs
Asphalt - crack and repair	1	\$ 640,598
Asphalt - mill and overlay (Cosmos)	9-14	30,045
Asphalt - overlay (Moonlight & Universe)	9-14	98,667
Asphalt - overlay (side streets)	9-14	579,009
Asphalt - total replacement (Moonlight & Universe)	9-14	350,018
Asphalt - total replacement (side streets)	9-14	684,363
Fence - wood	9-14	30,253
Ponds - aerator	4-9	14,175
Ponds - dredging	to 14	11,070
Ponds - erosion control	to 14	24,707
Signage allowance	9-14	19,884
Reserve study update with site visit	1	<u>2,700</u>
		<u><u>\$ 2,485,489</u></u>

See independent auditor's report.