

WILDFLOWER RIDGE HOMEOWNERS
ASSOCIATION, INC.

FINANCIAL STATEMENTS
AND AUDITORS' REPORT

DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Wildflower Ridge Homeowners Association, Inc.
Martinsburg, West Virginia

We have audited the accompanying financial statements of Wildflower Ridge Homeowners Association, Inc., which include the balance sheet as of December 31, 2018 and the related statements of revenues, expenses and changes in fund balance 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 to 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 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, 2018, 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 Future Major Repairs and Replacements 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 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.


Donald A. Hiltner & Co., LLC

September 12, 2019

WILDFLOWER RIDGE HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2017

ASSETS

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CURRENT ASSETS			
Cash, including interest bearing deposits	\$ 65,453	\$ 111,037	\$ 176,490
Assessments receivable - net of allowance for doubtful accounts of \$51,606	80,293	-0-	80,293
Prepaid expenses	<u>1,131</u>	<u>-0-</u>	<u>1,131</u>
TOTAL ASSETS	<u>\$ 146,877</u>	<u>\$ 111,037</u>	<u>\$ 257,914</u>

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES

Accounts payable	\$ 2,756	\$ -0-	\$ 2,756
Prepaid assessments	<u>3,179</u>	<u>-0-</u>	<u>3,179</u>
Total	\$ 5,935	\$ -0-	\$ 5,935

FUND BALANCE

Operating fund balance	\$ 140,942	\$ -0-	\$ 140,942
Replacement fund balance	<u>-0-</u>	<u>111,037</u>	<u>111,037</u>
Total	<u>\$ 140,942</u>	<u>\$ 111,037</u>	<u>\$ 251,979</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 146,877</u>	<u>\$ 111,037</u>	<u>\$ 257,914</u>

See accompanying notes and auditors' report.

WILDFLOWER RIDGE HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating <u>Fund</u>	Replacement <u>Fund</u>	<u>Total</u>
REVENUES			
Assessments	\$ 71,269	\$ 18,500	\$ 89,769
Late fees and miscellaneous	31,801	-0-	31,801
Interest income	<u>255</u>	<u>771</u>	<u>1,026</u>
Total	\$ 103,325	\$ 19,271	\$ 122,596
EXPENSES			
Electricity	\$ 10,247	\$ -0-	\$ 10,247
Repairs and maintenance	1,555	10,500	12,055
Grounds care	13,938	-0-	13,938
Snow removal	8,374	-0-	8,374
Insurance	228	-0-	228
Professional fees	20,094	-0-	20,094
Management	22,125	-0-	22,125
Office expenses and miscellaneous	5,406	-0-	5,406
Bad debts	23,973	-0-	23,973
Income taxes	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ 105,940	\$ 10,500	\$ 116,440
NET EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ (2,615)	\$ 8,771	\$ 6,156
FUND BALANCE - Beginning	<u>143,557</u>	<u>102,266</u>	<u>245,823</u>
FUND BALANCE - Ending	<u>\$ 140,942</u>	<u>\$ 111,037</u>	<u>\$ 251,979</u>

See accompanying notes and auditors' report.

WILDFLOWER RIDGE HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating <u>Fund</u>	Replacement <u>Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net excess (deficit) of revenues over expenses	\$ (2,615)	\$ 8,771	\$ 6,156
Adjustments to reconcile to cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	4,816	-0-	4,816
Prepaid expenses	(1,131)	-0-	(1,131)
Increase (decrease) in:			
Accounts payable	2,573	-0-	2,573
Prepaid assessments	<u>(7,935)</u>	<u>-0-</u>	<u>(7,935)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (4,292)	\$ 8,771	\$ 4,479
CASH FLOWS FROM INVESTING ACTIVITIES	\$ -0-	\$ -0-	\$ -0-
CASH FLOWS FROM FINANCING ACTIVITIES	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
NET INCREASE (DECREASE) IN CASH	\$ (4,292)	\$ 8,771	\$ 4,479
CASH - Beginning of year	<u>69,745</u>	<u>102,266</u>	<u>172,011</u>
CASH - End of year	<u>\$ 65,453</u>	<u>\$ 111,037</u>	<u>\$ 176,490</u>

See accompanying notes and auditors' report.

WILDFLOWER RIDGE HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 - NATURE OF ORGANIZATION

Wildflower Ridge Homeowners Association, Inc. was incorporated on June 9, 1997 in the State of West Virginia. The Corporation is responsible for the operation and maintenance of the common property within the Wildflower Ridge community, which consists of 296 residential units located in Berkeley County, West Virginia.

Note 2 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through the date of the auditors' report, the date that the financial statements were available to be issued.

Note 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Corporation's accounts are organized and operated on a fund accounting basis. Financial resources are classified for accounting and reporting purposes in the following funds according to their nature and purpose:

Operating Fund - used to account for financial resources available for the general operations of the Corporation.

Replacement Fund - used to accumulate financial resources designated for future major repairs and replacements.

Management

The Corporation's Board of Directors engaged Clagett Management, Inc. as its agent to handle its finances and to assist in managing the affairs of the Corporation. The management firm maintained separate bank accounts on behalf of the Corporation.

Member Assessments

Association members are subject to monthly assessments to provide funds for operating expenses and major repairs and replacements. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Corporation's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent and to set up an allowance for doubtful accounts deemed uncollectible by the Corporation's management agent.

Property and Equipment

Real and common area property acquired by the unit owners is not capitalized by the Corporation because it is owned in common by the individual unit owners and not the Corporation.

Replacements and improvements to the real property and common areas are not capitalized as they would also belong to the individual unit owners and not the Corporation.

Income Taxes

Under the provisions of the Internal Revenue Code, a qualifying homeowners association may elect annually to be taxed as an exempt homeowners association. Under this election the association is exempt from income taxes on its dues, assessments and other membership function income. It is, however, taxable on non-exempt function income such as interest, dividends, non-member service fees, etc. If the election is not made then the association is taxable as a regular corporation, subject, however, to the membership organization regulations of Internal Revenue Code Section 277.

For the year ended December 31, 2018, the election was made.

Income tax returns are subject to audit by various taxing authorities for three years from the date of filing.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Note 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Corporation's governing documents require it to provide for future repairs and replacements of the common areas of the community. Accumulated funds, which total \$111,037 are held in separate accounts and are generally not available for expenditures for normal operations.

The Corporation is funding such major repairs and replacements over the estimated useful lives of the components based on the estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Corporation has the right to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

SUPPLEMENTARY INFORMATION

WILDFLOWER RIDGE HOMEOWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2018
(UNAUDITED)

An independent consultant conducted a study in March, 2015 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study and to not take into account the effects of inflation between the date of the estimates and the date that the components will require repair or replacement.

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

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>
Asphalt components	3 - 17	\$ 457,064
Concrete components	2 - 30	51,228
Site features	4 - 37	<u>92,097</u>
Total		<u>\$ 600,389</u>