



**Principals**

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Independent Auditor's Report

To the Board of Directors of  
Truro Homes Association

**Report on the Financial Statements**

We have audited the accompanying financial statements of Truro Homes Association, which comprise the balance sheet as of December 31, 2018, and the related statements of revenue and expenses, members' 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 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 qualified audit opinion.

## **Basis for Qualified Opinion**

Due to the lack of documentation, we were unable to verify the swim team revenue and expenses, and dive team revenue and expenses for the year ended December 31, 2018.

## **Qualified Opinion**

In our opinion, except for the possible effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Truro Homes Association 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 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, which 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.

*Goldklang Group CPAs, P.C.*

Reston, Virginia  
November 25, 2019

TRURO HOMES ASSOCIATION  
BALANCE SHEET  
DECEMBER 31, 2018

ASSETS

Cash and Cash Equivalents	\$	303,649
Prepaid Expenses		<u>11,334</u>
Total Assets	\$	<u><u>314,983</u></u>

LIABILITIES AND MEMBERS' EQUITY

Accounts Payable	\$	2,171
Total Liabilities	\$	<u>2,171</u>
Replacement Reserves	\$	219,668
Unappropriated Members' Equity		<u>93,144</u>
Total Members' Equity	\$	<u><u>312,812</u></u>
Total Liabilities and Members' Equity	\$	<u><u>314,983</u></u>

TRURO HOMES ASSOCIATION  
STATEMENT OF REVENUE AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>THA</u>	<u>TCC</u>	<u>Total</u>
<u>REVENUE:</u>			
Assessments	\$ 93,467	\$ 187,200	\$ 280,667
Special Assessment	100		100
Interest	1,053		1,053
TCC Lease		9,820	9,820
Swim Team		38,666	38,666
Dive Team		8,760	8,760
50th Anniversary	21,388		21,388
Other	-	13,531	13,531
Total Revenue	<u>\$ 116,008</u>	<u>\$ 257,977</u>	<u>\$ 373,985</u>
<u>EXPENSES:</u>			
Record Keeper	\$ 3,453	\$ 3,453	\$ 6,906
Treasurer	1,587	1,587	3,174
Legal and Tax Preparation	6,641		6,641
Insurance	16,055	6,880	22,935
Internet Site	59		59
Office Supplies	7,591		7,591
Publicity and Newsletter	751		751
Gas		714	714
Telephone	705	1,200	1,905
Electricity		4,838	4,838
Water and Sewer		2,336	2,336
Parkland Maintenance	28,892		28,892
Landscaping		20,197	20,197
Facility Maintenance		8,384	8,384
Swim Team		39,471	39,471
Dive Team		11,912	11,912
Snack Bar		324	324
Gatekeeper		599	599
Repairs and Maintenance		13,252	13,252
50th Anniversary	21,250		21,250
Social Activities	2,083		2,083
Tennis		223	223
Chemicals and Supplies		4,332	4,332
Pool Management		73,547	73,547
Pool Furniture		4,983	4,983
Security	464		464
Bad Debt	480		480
Taxes, Permits and Licenses	1,779		1,779
Total Expenses	<u>\$ 91,790</u>	<u>\$ 198,232</u>	<u>\$ 290,022</u>
Excess Revenues Over Expenses before Contribution to Reserves and Interest Contribution to Reserves	\$ 24,218	\$ 59,745	\$ 83,963
Contribution to Reserves	(35,305)	(35,765)	(71,070)
Interest Contribution to Reserves	(1,053)		(1,053)
Excess (Deficiency) of Revenues Over Expenses	<u>\$ (12,140)</u>	<u>\$ 23,980</u>	<u>\$ 11,840</u>

See Accompanying Notes to Financial Statements

TRURO HOMES ASSOCIATION  
STATEMENT OF CHANGES IN MEMBERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of December 31, 2017 (Restated)	\$ 390,298	\$ 81,304	\$ 471,602
Additions:			
Contribution to Reserves	71,070		71,070
Interest Contribution to Reserves	1,053		1,053
Excess Revenues over Expenses		11,840	11,840
Deductions:			
Repairs	(63,773)		(63,773)
Trees	(5,990)		(5,990)
Paving	(172,990)		(172,990)
Balance as of December 31, 2018	<u>\$ 219,668</u>	<u>\$ 93,144</u>	<u>\$ 312,812</u>

See Accompanying Notes to Financial Statements

TRURO HOMES ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Excess (Deficiency) of Revenues over Expenses	\$	11,840
Adjustments to Reconcile Excess (Deficiency) of Revenues over Expenses to Net Cash Provided by Operating Activities:		
Decrease (Increase) in:		
Prepaid Expenses		(2,023)
Increase (Decrease) in:		
Accounts Payable		1,141
Net Cash Flows from Operating Activities	<u>\$</u>	<u>10,958</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Received from Assessments (Reserves)	\$	71,070
Received from Interest (Reserves)		1,053
Disbursed for Reserve Expenditures		<u>(242,753)</u>
Net Cash Flows from Investing Activities	<u>\$</u>	<u>(170,630)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$	(159,672)
Cash and Cash Equivalents at Beginning of Year		<u>463,321</u>
Cash and Cash Equivalents at End of Year	<u>\$</u>	<u>303,649</u>

See Accompanying Notes to Financial Statements

TRURO HOMES ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

NOTE 1 - NATURE OF OPERATIONS:

The Association is organized under the laws of the Commonwealth of Virginia for the purpose of maintaining and preserving the common property of the Association. It is located in Annandale, Virginia and consists of 377 homes. The Association's Board of Directors administers the Association's operations.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

A) Method of Accounting - The financial statements are presented on the accrual method of accounting in which revenues are recognized when earned and expenses when incurred, not necessarily when received or paid. The Association's statement of revenue and expenses is divided into two columns to separately reflect the activity for the general operations of the Association and the recreational facilities. Those categories are as follows:

- THA (Truro Homes Association) - This fund is used to account for financial resources available for the general operations of the Association.
- TCC (Truro Community Center) - This fund is used to account for financial resources available for the general operation of the recreational facilities of Truro Community Center.

B) Member Assessments - Association members are subject to assessments 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 homeowner. The Association's policy is to assess late and interest charges and to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years. The Association utilizes the allowance method of accounting for bad debt.

C) Common Property - Common real property and common areas acquired from the declarant and related improvements to such property are not recorded in the Association's financial statements since the property cannot be disposed of at the discretion of the Board of Directors. Common property includes, but is not limited to, the land and recreational facilities.

D) Cash Equivalents - The Association considers all highly liquid investments and interest-bearing deposits with an original maturity date of three months or less to be cash equivalents.

TRURO HOMES ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(CONTINUED)

NOTE 3 - REPLACEMENT RESERVES:

The Association's governing documents do not require that funds be accumulated for future major repairs and replacements; however, the Association has elected to set aside funds for replacement reserves. Accumulated funds are generally not available for expenditures for normal operations.

The Association had a replacement reserve study conducted by Miller Dodson Associates, Inc. in 2013. The Association had a new replacement reserve study conducted by Miller Dodson Associates, Inc. in 2019. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on the 2019 study.

The 2013 study recommends a contribution to reserves of \$71,407 for 2018. For 2018, the Association budgeted to contribute \$71,070 to reserves. In addition, the Association contributed interest income of \$1,053 to reserves.

Funds are being accumulated in replacement reserves based on the replacement reserve study. Actual expenditures may vary from the estimated future expenditures and the variations may be material; therefore, amounts accumulated in the replacement reserves may or 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, pass special assessments, or delay major repairs and replacements until funds are available.

As of December 31, 2018, the Association had designated \$219,668 for replacement reserves. These designated reserves were funded by cash and cash equivalents.

NOTE 4 - INCOME TAXES:

The Association is a non-stock, nonprofit association that holds tax-exempt status under Section 501(c)(4) of the Internal Revenue Code. No provision for income taxes is required, since the Association has no unrelated business income.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. The Association's federal tax returns for the past three years remain subject to examination by the Internal Revenue Service.



TRURO HOMES ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018  
(CONTINUED)

NOTE 5 - CASH AND CASH EQUIVALENTS:

As of December 31, 2018, the Association maintained its funds in the following manner:

Institution	Cash and Cash Equivalents
PNC Bank (4)	\$ 62,409
TD Bank (3)	14,735
CapitalOne360	226,505
Total	\$ 303,649

NOTE 6 - CHANGE IN ACCOUNTING POLICY:

The Association converted from cash basis to accrual basis of accounting in 2018. The conversion had the following effect on the beginning balances of the 2018 financial statements.

	As Originally Stated	Adjustment	As Restated
Prepaid Expenses	\$ -	\$ 9,311	\$ 9,311
Accounts Payable	-	1,030	1,030
Unappropriated Members' Equity	73,023	8,281	81,304

NOTE 7 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through November 25, 2019, the date the financial statements were available to be issued.

Subsequent to year end, the Association incurred approximately \$49,000 in reserve expenditures.

TRURO HOMES ASSOCIATION  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2018  
(UNAUDITED)

The Association had a replacement reserve study conducted by Miller Dodson Associates, Inc. during 2019 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. The estimated replacement costs presented below do not take into account the effects of inflation between the date of the study and the date the components will require repair or replacement.

The following has been extracted from the Association's replacement reserve study and presents significant information about the components of common property.

<u>Component</u>	<u>2019</u> Estimated Remaining Useful Life (Years)	<u>2019</u> Estimated Replacement Cost
<u>Site Improvements:</u>		
Asphalt - Pavement	0-9	\$ 106,528
Wood, Gazebo, Bench, Trash Receptacle	1-15	33,856
Water/Sewer/Gates (allowance)	10-15	31,500
Asphalt - Path	18	17,354
Bridges	8-23	192,000
Concrete	6	2,500
Basketball Court	5-18	47,640
Tennis Court	4-13	160,499
Entrance Sign	0	7,600
Tot Lots	0-10	60,491
 <u>Community Building</u>		
Exterior	0-19	\$ 173,848
Interior	0-22	132,945
Building Systems	1-25	51,850
 <u>Swimming Pool</u>		
Main Pool	0-29	\$ 504,120
Wading Pool	0-20	107,858
Pool Deck	0-12	45,874