

TRURO HOMES ASSOCIATION, INC.

**Financial Statements
and Supplementary Information with
Independent Auditors' Report**

For the Year Ended December 31, 2019

TRURO HOMES ASSOCIATION, INC.

**Table of Contents
December 31, 2019**

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Revenues and Expenses	4
Statement of Change in Members' Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Supplementary Information on Future Major Repairs and Replacements	13



Independent Auditors' Report

Board of Directors
Truro Homes Association, Inc.
Annandale, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of ***Truro Homes Association, Inc.*** which comprise the statement of financial position as of December 31, 2019, and the related statement of revenues and expenses by fund, statement of changes in 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.

Auditors' 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 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 auditors' 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 auditors consider 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.

Truro Homes Association, Inc.
Independent Auditors' Report (Continued)
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Truro Homes Association, Inc.** as of December 31, 2019, 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.

Emphasis of Matter

Truro Homes Association, Inc. has adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) No 2014-19, *Revenue from Contracts with Customers*, as described in Note 2. Our opinion is not modified with respect to this matter.

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 13 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.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Gaithersburg, Maryland
January 8, 2021

TRURO HOME ASSOCIATION, INC.
Statement of Financial Position
December 31, 2019

ASSETS

Assets:

Cash and cash equivalents	\$ 321,762
Prepaid expenses and other assets	<u>12,353</u>
Total assets	<u>\$ 334,115</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities:

Accounts payable	\$ <u>2,235</u>
Total liabilities	2,235

Members' Equity:

Unappropriated members' equity	94,629
Designated for future major repairs and replacements	<u>237,251</u>
Total Members' Equity	<u>331,880</u>

TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 334,115</u>
--	--------------------------

TRURO HOME ASSOCIATION, INC.
Statement of Revenues and Expenses - By Fund
For the Year Ended December 31, 2019

	<u>THA</u>	<u>TCC</u>	<u>Swim</u>	<u>Dive</u>	<u>Reserve</u>	<u>Total</u>
Revenues						
Assessments	\$ 95,381	\$ 185,760	\$ -	\$ -	\$ -	\$ 281,141
Clubhouse Rental	-	3,817	-	-	-	3,817
Disclosure fee	2,904	-	-	-	-	2,904
Interest income	-	-	-	-	3,570	3,570
TCC Lease	-	12,060	-	-	-	12,060
Swim Team	-	-	39,680	-	-	39,680
Dive Team	-	-	-	11,312	-	11,312
Yoga class income	7,870	-	-	-	-	7,870
Other income and fees	<u>372</u>	<u>11,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,343</u>
Total Revenues	106,527	213,608	39,680	11,312	3,570	374,697
Expenses						
Pool management	-	69,950	-	-	-	69,950
Reserve expenditures	-	-	-	-	58,792	58,792
Parkland maintenance	23,984	-	-	-	-	23,984
Insurance	14,962	6,413	-	-	-	21,375
Swim team expenses - summer	-	-	18,045	-	-	18,045
Utilities	305	17,596	-	-	-	17,901
Grounds maintenance	-	16,794	-	-	-	16,794
Minor repairs & maintenance	-	15,947	-	-	-	15,947
Swim team expenses - summer payroll salaries	-	-	11,537	-	-	11,537
Dive Team Salaries	-	-	-	8,897	-	8,897
Audit and tax preparation	3,850	3,850	-	-	-	7,700
Record keeper	3,540	3,540	-	-	-	7,080
Facility maintenance	-	6,455	-	-	-	6,455
Yoga instructor	6,370	-	-	-	-	6,370
Legal fees	6,046	-	-	-	-	6,046
Swim team expenses - winter payroll salaries	-	-	5,305	-	-	5,305
Landscape improvements	4,984	38	-	-	-	5,022
Chemical and Supplies	-	4,777	-	-	-	4,777
Dive Team funding	-	4,000	-	-	-	4,000
Swim team expenses - winter	-	-	3,528	-	-	3,528
Treasurer	1,750	1,750	-	-	-	3,500
Swim team expenses - summer payroll taxes and fees	-	-	3,279	-	-	3,279
Dive Team Expenses	-	-	-	3,074	-	3,074
Snack bar expenses	-	2,925	-	-	-	2,925
Reserve study	1,405	1,405	-	-	-	2,810
Supplies	1,723	899	-	-	-	2,622
Snack bar expenses - payroll salaries	-	2,549	-	-	-	2,549
Database expenses	1,095	1,095	-	-	-	2,190
Awards and appreciations	2,003	-	-	-	-	2,003
Taxes, permits and licenses	58	1,910	-	-	-	1,968
Software	977	978	-	-	-	1,955
Dive Team payroll taxes and fees	-	-	-	1,732	-	1,732
Swim team expenses - winter payroll taxes and fees	-	-	1,402	-	-	1,402
Social committee	1,398	-	-	-	-	1,398
Publicity and trails	712	-	-	-	-	712
Gatekeeper	-	600	-	-	-	600
Snack bar expenses - payroll taxes and fees	-	589	-	-	-	589
Security alarms	348	-	-	-	-	348
Tennis	-	193	-	-	-	193
Internet site	160	25	-	-	-	185
Bank fees	<u>40</u>	<u>-</u>	<u>25</u>	<u>25</u>	<u>-</u>	<u>90</u>
Total Expenses	75,710	164,278	43,121	13,728	58,792	355,629
Excess (Deficiency) of Revenues over Expenses	<u>\$ 30,817</u>	<u>\$ 49,330</u>	<u>\$ (3,441)</u>	<u>\$ (2,416)</u>	<u>\$ (55,222)</u>	<u>\$ 19,068</u>

TRURO HOME ASSOCIATION, INC.
Statement of Changes in Members' Equity
For the Year Ended December 31, 2019

	Repair and Replacement Fund	Unappropriated Members' Equity	Total Members' Equity
Balance at December 31, 2018	\$ 219,668	\$ 93,144	\$ 312,812
Additions:			
Contribution to Reserves	72,805	(72,805)	-
Interest Contribution to Reserves	3,570	(3,570)	-
Excess Revenues over Expenses	-	19,068	19,068
Deductions:			
Repair and replacement fund expenditures	(58,792)	58,792	-
Balance at December 31, 2019	\$ 237,251	\$ 94,629	\$ 331,880

TRURO HOME ASSOCIATION, INC.
Statement of Cash Flows
For the Year Ended December 31, 2019

<u>Cash Flows From Operating Activities:</u>	
Excess of Revenues over Expenses	\$ 19,068
Adjustments to Reconcile Excess of Revenues over Expenses to Net Cash Provided By Operating Activities:	
Increase in:	
Prepaid expenses and other assets	(1,019)
Increase in:	
Accounts payable	<u>64</u>
Net Cash Provided By Operating Activities	<u>18,113</u>
Net Increase in Cash and Cash Equivalents	18,113
Cash and Cash Equivalents, Beginning of Year	<u>303,649</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 321,762</u></u>

TRURO HOMES ASSOCIATION, INC.
Notes to the Financial Statements
December 31, 2019

NOTE 1 - NATURE OF ORGANIZATION

Truro Homes Association, Inc. (Association) was organized under the laws of the Commonwealth of Virginia for the purposes of administering the Association, establishing a means and method for collecting assessments and charges, arranging for the management of the Association and performing all of the other acts that may be required or permitted by the Condominium Act and the Declaration. The Association is located in Annandale, Virginia and consists of 377 homes. The business and affairs of the Association are managed by the Board of Directors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the major accounting policies followed by the Association is set forth below:

Basis of Accounting

The Association maintains its records on the accrual basis of accounting.

Recently Issued Accounting Standards

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-19, *Revenue from Contracts with Customers, as amended* (Topic 606). The Association adopted the provisions of this new standard for the year ended December 31, 2019. The ASU applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Management has determined that this ASU does not apply to reserve assessments but has been adopted for other revenue sources. There was no impact to the financial statements as a result of adoption. The ASU has been applied retrospectively to all periods presented, with no effect on members' equity or previously issued financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

TRURO HOMES ASSOCIATION, INC.
Notes to the Financial Statements (Continued)
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Association currently does not measure any of its assets or liabilities at fair value, and is not required under accounting principles generally accepted in the United States of America to disclose the fair value of its financial instruments.

Cash Equivalents

The Association considers all cash demand balances and all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents.

Assessments

Association members are subject to monthly 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 unpaid assessments, penalties and interest due from homeowners. The Association recognizes penalties and interest in revenues when assessed against the respective homeowner. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. An allowance for bad debts has not been established as the Association currently anticipates full recovery of all assessments. Delinquent assessments may be written off if liens cannot be enforced, although other collection activity may continue in an attempt to recover revenue.

There were no assessments receivable as of December 31, 2019.

Commonly Owned Property

It is the Association's policy not to record the value of land, buildings and donated assets in the financial statements since covenants restrict the Association's ability to sell or dispose of these assets.

TRURO HOMES ASSOCIATION, INC.
Notes to the Financial Statements (Continued)
December 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Association is a non-stock, non-profit organization which holds tax-exempt status under Section 501(c)(4) of the Internal Revenue Code. Pursuant to the regulations issued for 501(c)(4) tax exempt organizations, the Association must primarily engage in promoting, in some way, the common good and general welfare of the people in the community. The Association is subject to taxation on unrelated business income activities. There were no tax liabilities on these income activities in 2019. The Association has adopted FASB ASC 740-10 and Accounting Standards Update (ASU) 2009-06. As part of those adoptions, the Association considered the possibility of uncertain tax positions and their impact on the financial position of the Association. The most significant tax positions of the Association are its tax-exempt status and the determination of unrelated business taxable income. As of December 31, 2019, the Board of Directors did not identify any uncertain tax positions.

Subsequent Events

Subsequent to year-end, U.S. and global business and financial markets have been severely impacted by the Coronavirus pandemic. The potential impacts on the Association's revenues, expenses and cash flows cannot be determined at this time. All subsequent events have been evaluated through January 8, 2021 the date at which the financial statements were available to be issued. This review and evaluation revealed no other material event or transaction which would require and adjustment to or disclosure in the accompanying financial statements.

TRURO HOMES ASSOCIATION, INC.
Notes to the Financial Statements (Continued)
December 31, 2019

NOTE 3 - CASH AND CASH EQUIVALENTS

As of December 31, the Association maintained its funds in cash and cash equivalents. Information pertaining to cash and cash equivalents is shown below.

Institution	Type of Account	Interest Rate	Balance
PNC Bank	Checking	N/A	\$ 23,069
PNC Bank	Money Market	0.07%	10,279
CapitalOne - Reserve	Money Market	1.76%	230,066
TD Bank - Main	Checking	N/A	34,875
TD Bank - Dive	Checking	N/A	3,248
TD Bank - Swim	Checking	N/A	<u>20,225</u>
Total Cash and Cash Equivalents			<u>\$ 321,762</u>

NOTE 4 - CONCENTRATION OF CREDIT RISK

Financial instruments, which subject the Association to a concentration of credit risk, consist of money market funds placed with one financial institution. The Association did not have any funds in excess of the Federal Deposit Insurance Corporation (FDIC) limits of \$250,000 as of December 31, 2019.

TRURO HOMES ASSOCIATION, INC.
Notes to the Financial Statements (Continued)
December 31, 2019

NOTE 5 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations.

The Association has a replacement reserve study conducted by Miller-Dodson Associates, Capital Reserve Consultants, in 2019 to estimate the remaining useful lives and the replacement costs of the components of common property. The study has been performed as a Level 2 Update to the 2014 study conducted by Miller-Dodson Associates. The estimates were based on current estimated replacement costs. Funding recommendations for replacements do not take into account the effects of inflation between the date of the study and the date the components will require replacement. The table included in the Unaudited Supplementary Information on Future Major Repairs and Replacements is based on the 2019 study.

Funds are being accumulated in replacement reserved based on estimate of future needs for repair and replacement of components of common property. The reserve study recommended \$87,436 in replacement reserve funding for 2019. The Association budgeted and contributed \$72,805 to the repair and replacement fund during 2019. Actual expenditures and investment income may vary from the estimated amounts, however, 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 has the right, subject to membership approval in certain circumstances, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

At December 31, 2019, the Association had designated \$237,251 to the repair and replacement fund.

NOTE 6 - OWNERS' ASSESSMENTS

The Association consists of residential homes that pay annual assessments. For the year ended December 31, 2019, the annual assessments aggregated approximately \$253 for THA members and \$480 for TCC members. Of these amounts, approximately \$94 and \$97 was designated to the replacement reserves for the THA and TCC funds, respectively.

Supplementary Information

TRURO HOMES ASSOCIATION, INC.
Supplementary Information on Future Major Repairs and Replacements
December 31, 2019
(Unaudited)

The Association had a study conducted by Miller-Dodson Associates in 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. Estimated replacement costs do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

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

<u>Components</u>	2019 Estimated Remaining Useful Life (Years)	2019 Estimated Future Replacement Costs
<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	<u>45,874</u>
Total Component Replacement Costs		<u>\$ 1,676,463</u>