



**Principals**

Howard A. Goldklang, CPA, MBA  
Donald E. Harris, CPA  
Anne M. Sheehan, CPA  
S. Gail Moore, CPA

1801 Robert Fulton Drive, Suite 200  
Reston, VA 20191

**Associate Principals**

Jeremy W. Powell, CPA  
Renee L. Watson, CPA

**Managers**

Allison A. Day, CPA  
Matthew T. Stiefvater, CPA  
Sheila M. Lewis, CPA

Independent Auditor's Report

To the Board of Directors of  
Beauregard Estates Homeowners Association

**Report on the Financial Statements**

We have audited the accompanying financial statements of Beauregard Estates Homeowners Association, which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of income, members' 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 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 Beauregard Estates Homeowners Association as of December 31, 2014 and 2013, 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.

## **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 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.

Reston, Virginia  
March 24, 2015

*Goldklang Group CPAs, P.C.*

BEAUREGARD ESTATES HOMEOWNERS ASSOCIATION  
BALANCE SHEETS  
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 214,267	\$ 201,574
Interest-Bearing Deposits	125,814	125,252
Assessments Receivable - Net	1,016	288
Income Taxes Receivable	267	249
Accrued Interest Receivable	2,309	-
Prepaid Expenses	<u>7,765</u>	<u>272</u>
Total Assets	<u>\$ 351,438</u>	<u>\$ 327,635</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts Payable	\$ 3	\$ 924
Prepaid Assessments	<u>12,250</u>	<u>13,297</u>
Total Liabilities	<u>\$ 12,253</u>	<u>\$ 14,221</u>
Replacement Reserves	\$ 296,440	\$ 276,460
Unappropriated Members' Equity	<u>42,745</u>	<u>36,954</u>
Total Members' Equity	<u>\$ 339,185</u>	<u>\$ 313,414</u>
Total Liabilities and Members' Equity	<u>\$ 351,438</u>	<u>\$ 327,635</u>

See Accompanying Notes to Financial Statements

BEAUREGARD ESTATES HOMEOWNERS ASSOCIATION  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
<u>INCOME:</u>		
Assessments	\$ 100,800	\$ 100,800
Interest	3,234	3,301
Late and Legal Fees	357	579
Total Income	\$ 104,391	\$ 104,680
<u>EXPENSES:</u>		
Management	\$ 10,836	\$ 10,523
Audit and Tax Preparation	2,225	2,175
Consulting	-	4,482
Insurance	1,001	879
Social Committee	725	578
Administrative	1,187	1,331
Grounds Maintenance	18,638	15,214
Snow Removal	15,660	7,555
Common Area Maintenance	104	71
Bad Debt	1,204	-
Income Taxes	433	451
Total Expenses	\$ 52,013	\$ 43,259
Net Income before Contribution to Reserves	\$ 52,378	\$ 61,421
Contribution to Reserves	(41,287)	(41,351)
Net Income	\$ 11,091	\$ 20,070

See Accompanying Notes to Financial Statements

BEAUREGARD ESTATES HOMEOWNERS ASSOCIATION  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of December 31, 2012	\$ 216,514	\$ 36,884	\$ 253,398
Additions:			
Contribution to Reserves	41,351		41,351
Contribution to Reserves - Townhomes	1,500		1,500
Net Income		20,070	20,070
Inter-Equity Transfer	20,000	(20,000)	
Deductions:			
Main Entrance	(1,970)		(1,970)
Signage	(935)		(935)
Balance as of December 31, 2013	\$ 276,460	\$ 36,954	\$ 313,414
Additions:			
Contribution to Reserves	41,287		41,287
Contribution to Reserves - Townhomes	1,500		1,500
Net Income		11,091	11,091
Inter-Equity Transfer	5,300	(5,300)	
Deduction:			
Drainage Repairs	(28,107)		(28,107)
Balance as of December 31, 2014	<u>\$ 296,440</u>	<u>\$ 42,745</u>	<u>\$ 339,185</u>

See Accompanying Notes to Financial Statements

BEAUREGARD ESTATES HOMEOWNERS ASSOCIATION  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income	\$ 11,091	\$ 20,070
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Bad Debt Expense	1,204	-
Decrease (Increase) in:		
Assessments Receivable	(1,932)	513
Income Taxes Receivable	(18)	580
Accrued Interest Receivable	(2,309)	-
Increase (Decrease) in:		
Accounts Payable	(921)	291
Prepaid Assessments	(1,047)	9,127
Net Cash Flows from Operating Activities	<u>\$ 6,068</u>	<u>\$ 30,581</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	\$ 38,105	\$ 38,105
Received from Townhomes (Reserves)	1,500	1,500
Received from Interest (Reserves)	3,182	3,246
Disbursed for Reserve Expenditures	(35,600)	(2,905)
Disbursed for Interest-Bearing Deposits	(562)	(3,004)
Net Cash Flows from Investing Activities	<u>\$ 6,625</u>	<u>\$ 36,942</u>
Net Change in Cash and Cash Equivalents	\$ 12,693	\$ 67,523
Cash and Cash Equivalents at Beginning of Year	<u>201,574</u>	<u>134,051</u>
Cash and Cash Equivalents at End of Year	<u>\$ 214,267</u>	<u>\$ 201,574</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash Paid for Income Taxes	<u>\$ 700</u>	<u>\$ 700</u>

See Accompanying Notes to Financial Statements

BEAUREGARD ESTATES HOMEOWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

NOTE 1 - NATURE OF OPERATIONS:

The Association is organized under the laws of the Commonwealth of Virginia for the purposes of maintaining and preserving the common property of the Association. The Association is located in Leesburg, Virginia and consists of 90 single-family homes. The Board of Directors administers the operations of the Association.

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.

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 homeowners. 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 - 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, land and site improvements.

D) Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities. They also affect the 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.

E) Cash Equivalents - For purposes of the statement of cash flows, 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.

BEAUREGARD ESTATES HOMEOWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(CONTINUED)

NOTE 3 - REPLACEMENT RESERVES:

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds are generally not available for expenditures for normal operations.

The Association had a replacement reserve study conducted by Commercial Assessments in 2010. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on this study.

The study recommends a contribution to reserves of \$38,105 plus interest income of \$2,425 for 2014. For 2014, the Association budgeted to contribute \$38,105. In addition, the Association contributed interest income of \$3,182. The Association contributed \$1,500 to reserves in 2014 which was received from a neighboring association of townhomes. During 2014, the Association also transferred \$5,300 from unappropriated members' equity to replacement reserves.

Funds are being accumulated in replacement reserves based on estimates of future needs for repair and replacement 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 reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

As of December 31, 2014 and 2013, the Association had designated \$296,440 and \$276,460, respectively, for replacement reserves. These designated replacement reserves were funded by cash and interest-bearing deposits.

NOTE 4 - INCOME TAXES:

For income tax purposes, the Association may elect annually to file either as an exempt homeowners association or as an association taxable as a corporation. As an exempt homeowners association, the Association's net assessment income would be exempt from income tax, but its interest income would be taxed. Electing to file as a corporation, the Association is taxed on its net income from all sources (to the extent not capitalized or deferred) at normal corporate rates after corporate exemption, subject to the limitation that operating expenses are deductible only to the extent of income from members. For 2014 and 2013, the income taxes were calculated using the corporate method.



BEAUREGARD ESTATES HOMEOWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(CONTINUED)

NOTE 4 - INCOME TAXES: (CONTINUED)

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the years ended December 31, 2014 and 2013, the Association did not incur any penalties and interest related to income taxes. The Association's federal and state tax returns for the past three years remain subject to examination by the Internal Revenue Service and the Commonwealth of Virginia.

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of December 31, 2014, the Association maintained its funds in the following manner:

<u>Institution</u>	<u>Type Account</u>	<u>Cash and Cash Equivalents</u>	<u>Interest- Bearing Deposits</u>	<u>Total</u>
Mutual of Omaha	Checking	\$ 55,430	\$ -	\$ 55,430
Mutual of Omaha	Money Market	158,837		158,837
WashingtonFirst	Certificates of Deposit (2)	<u>                    </u>	<u>125,814</u>	<u>125,814</u>
	Totals	<u>\$ 214,267</u>	<u>\$ 125,814</u>	<u>\$ 340,081</u>

NOTE 6 - ASSESSMENTS RECEIVABLE - NET:

The Association utilizes the allowance method of accounting for bad debt. Individual receivables are written off as a loss when a determination is made that they are non-collectible. Under the allowance method, collection efforts may continue and recoveries of amounts previously written off are recognized as income in the year of collection.

	<u>2014</u>	<u>2013</u>
Assessments Receivable	\$ 2,220	\$ 288
Less: Allowance for Doubtful Assessments	<u>(1,204)</u>	<u>( - )</u>
Assessments Receivable - Net	<u>\$ 1,016</u>	<u>\$ 288</u>

BEAUREGARD ESTATES HOMEOWNERS ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(CONTINUED)

NOTE 7 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 24, 2015, the date the financial statements were available to be issued.

During 2014, the Association entered into a contract for drainage repairs in the amount of \$21,100. The drainage repairs are planned for 2015 and will be funded from replacement reserves.

During 2014, the Association entered into a contract for paving repairs in the amount of \$14,485. A deposit was paid in 2014 of \$7,493 and is reflected as a prepaid expense. The work is planned for 2015 and will be funded from replacement reserves.

BEAUREGARD ESTATES HOMEOWNERS ASSOCIATION  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2014  
(UNAUDITED)

The Association had a replacement reserve study conducted by Commercial Assessments in 2010 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; however, the Association's replacement reserve study does take inflation into consideration when evaluating future expenditures and recommended contributions to reserves.

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

<u>Component</u>	<u>2010 Estimated Typical Useful Life (Years)</u>	<u>2010 Estimated Replacement Cost</u>
Curbing	7-15	\$ 32,000
Main Entrance	2-10	13,000
Road Shoulders and Culverts	0-9	10,000
Roads - Asphalt	5-12	308,000
Sidewalks - Asphalt	1-6	69,700
Signage	1	5,000