

# SIDEBURN RUN RECREATION ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

KOSITZKA, WICKS & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS



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KOSITZKA, WICKS & COMPANY  
*Certified Public Accountants*

## Independent Auditor's Report

To the Board of Directors of  
**Sideburn Run Recreation Association, Inc.**

We have audited the accompanying financial statements of the **Sideburn Run Recreation Association, Inc.** (a not-for-profit corporation) which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities 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 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 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 the **Sideburn Run Recreation Association, Inc.** as of December 31, 2013 and 2012 and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Kositzka, Wicks and Company*

Alexandria, Virginia  
March 13, 2015

# Sideburn Run Recreation Association, Inc.

## Statements of Financial Position December 31,

2013

2012

### Assets

#### Current assets

Cash and cash equivalents

\$ 81,833 \$ 95,040

Prepaid expenses

4,085 3,931

85,918 98,971

Certificate of deposit

46,000 46,000

#### Property and equipment

Land

91,064 91,064

Building, swimming pool and facilities

539,028 475,053

Furniture and equipment

69,022 69,022

Less: Accumulated depreciation

(468,681) (453,167)

230,433 181,972

#### Total assets

\$ 362,351 \$ 326,943

### Liabilities and net assets

#### Current liabilities

Accrued expenses

\$ 1,500 \$ -

Long-term membership certificates

211,665 202,030

#### Total liabilities

213,165 202,030

#### Net assets

##### Board-restricted funds

Capital renewal and renovation fund

56,000 46,000

ADA Accrual

3,000 -

Total board-restricted funds

59,000 46,000

Unrestricted

90,186 78,913

#### Total net assets

149,186 124,913

#### Total liabilities and net assets

\$ 362,351 \$ 326,943

See accompanying notes and independent auditor's report.

# Sideburn Run Recreation Association, Inc.

## Statements of Activities

for the years ended December 31,

2013

2012

### Revenue

Membership dues	\$ 141,740	\$ 141,541
Guest fees	7,680	6,568
Concessions, net	5,881	6,672
Swim and dive team, net	5,167	(118)
Advertising	710	1,187
Other fees	255	926
Interest	18	68
Net transfers from (to) capital renewal and renovation fund	(13,000)	376
	<u>148,451</u>	<u>157,220</u>

### Expenses

Accounting	6,926	2,995
Administrative expense	807	901
Depreciation	15,514	14,229
Insurance	10,694	10,287
Lifeguard expenses	-	100
Maintenance and repair, net of restitution for vandalism	13,718	19,249
Management fee	64,784	73,826
Membership incentives	800	900
Miscellaneous	698	613
Social	1,490	2,227
Supplies	9,112	3,761
Taxes and licenses	4,299	4,080
Utilities	8,336	7,676
	<u>137,178</u>	<u>140,844</u>

**Increase in unrestricted net assets**

11,273

16,376

**Unrestricted net assets, beginning of year**

78,913

62,537

**Unrestricted net assets, end of year**

\$ 90,186

\$ 78,913

**Board-restricted funds, beginning of year**

\$ 46,000

\$ 46,376

**Net transfers to (from) restricted funds**

13,000

(376)

**Board-restricted funds, end of year**

\$ 59,000

\$ 46,000

See accompanying notes and independent auditor's report.

# Sideburn Run Recreation Association, Inc.

## Statements of Cash Flows for the years ended December 31,

2013

2012

### Cash flows from operating activities

Increase in net assets	\$ 24,273	\$ 16,000
Adjustments to reconcile increase in net assets to net cash provided by operating activities-		
Depreciation	15,514	14,229
Increase in operating assets		
Prepaid expenses	(154)	(142)
Increase (decrease) in operating liabilities		
Accrued expenses	1,500	(115)
Membership certificates	9,635	8,120
Net cash provided by operating activities	<u>50,768</u>	<u>38,092</u>

### Cash flows from investing activities

Reinvested interest income, net of expenses	-	376
Purchase of fixed assets	(63,975)	-
Net cash provided (used) by investing activities	<u>(63,975)</u>	<u>376</u>

### Net increase (decrease) in cash and cash equivalents

(13,207) 38,468

### Cash and cash equivalents, beginning of year

95,040 56,572

### Cash and cash equivalents, end of year

\$ 81,833 \$ 95,040

### Supplemental disclosure of cash flow information

Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ 53</u>	<u>\$ -</u>

See accompanying notes and independent auditor's report.

# Sideburn Run Recreation Association, Inc.

## Notes to Financial Statements December 31, 2013 and 2012

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### 1. Organization

Sideburn Run Recreation Association, Inc. (the Association) is a membership organization. The Association is responsible for the operation and maintenance of the neighborhood swimming pool. The Association shall have no more than 500 members. The Association's main source of revenue is dues collected from members.

### 2. Summary of significant accounting policies

#### Basis of accounting

The financial statements of the Association are prepared using the accrual method of accounting, with the exception of membership dues, which are recorded as described below under Revenue Recognition. In accordance with this method of accounting, expenses are recognized in the period in which they are incurred. All expenses which are applicable to future periods have been presented as prepaid expenses on the accompanying statements of financial position.

#### Use of estimates

The preparation of financial statements in conformity with U.S. 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.

#### Revenue recognition

In recognition of the voluntary nature of the membership, the Association does not accrue membership dues and record related receivables but rather recognizes such revenue as received, following a practice prevalent among voluntary membership organizations. Members are notified of annual membership dues on or around March 1st of each year.

#### Cash and cash equivalents

The Association considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Certificates of deposit with original maturities of over 90 days are classified as short-term investments and are stated at cost.

See independent auditor's report.

# Sideburn Run Recreation Association, Inc.

## Notes to Financial Statements December 31, 2013 and 2012

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### 2. Summary of significant accounting policies (continued)

#### Concentration of credit risk

FDIC insurance on interest-bearing accounts is \$250,000 per depositor, per insured bank. At December 31, 2013, all of the Association's cash deposits were insured by the Federal Deposit Insurance Corporation.

#### Income taxes

The Association is exempt from income taxes on its exempt purpose activities under the provisions of Section 501(c)(7) of the Internal Revenue Code. The Association is subject to income taxes, at the corporate tax rates, on activities deemed not to be within the scope of its exempt purpose function. Unrelated business income was \$728 and \$1,255 for the years ended December 31, 2013 and 2012, respectively.

The material jurisdictions subject to potential examination by taxing authorities are the U.S. and Virginia. Management does not believe that the ultimate outcome of any future examinations of tax years will have a material impact on the Association's results of operations. Tax years that remain subject to examination by the IRS are 2010 through 2013.

#### Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents and prepaid expenses. Financial liabilities with carrying values approximating fair value include accrued expenses and long-term membership certificates. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

### 3. Certificates of deposit

A certificate of deposit, with an interest rate linked to the S&P 500 index and maturing on September 21, 2017, was valued at \$46,000 for the years ended December 31, 2013 and 2012.

See independent auditor's report.



# Sideburn Run Recreation Association, Inc.

## Notes to Financial Statements December 31, 2013 and 2012

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### 4. Property

It is the Association's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Property and equipment are depreciated using the straight-line method over the estimated useful life of the asset, generally between 5 and 20 years.

Upon dissolution of the Association, if there be money or other assets remaining after satisfaction of the corporate obligations of all and any kinds, such excess money or assets shall be given to one or more municipal or charitable organizations, societies or corporations to be used exclusively to procure, erect or maintain recreational facilities or recreation programs within the County of Fairfax, Virginia.

A summary of information relative to property depreciation as of December 31, 2013 and 2012 is as follows:

	Depreciation expense		Accumulated depreciation	
	2013	2012	2013	2012
Building	\$ 1,368	\$ 1,956	\$ 119,812	\$ 118,444
Facilities	5,603	5,159	103,796	98,193
Swimming pool	4,551	2,516	187,721	183,170
Furniture and equipment	3,992	4,598	57,352	53,360
	<u>\$ 15,514</u>	<u>\$ 14,229</u>	<u>\$ 468,681</u>	<u>\$ 453,167</u>

### 5. Membership certificates

Membership certificates represent the right to use the Association's facilities upon payment of dues which are determined annually by the Board. A bond member also has the right to vote and is eligible to serve on the Board. Membership certificates are redeemable.

### 6. Subsequent events

The Association assessed events occurring subsequent to December 31, 2013 through March 13, 2015, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

See independent auditor's report.