

SIDEBURN RUN RECREATION ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

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 **Sideburn Run Recreation Association, Inc.** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, 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 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 **Sideburn Run Recreation Association, Inc.** as of December 31, 2015 and 2014, and the changes 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
October 31, 2016

Sideburn Run Recreation Association, Inc.

Statements of Financial Position December 31,

2015

2014

Assets

Current assets

Cash and cash equivalents	\$ 71,627	\$ 66,769
Prepaid expenses	2,556	3,657
	<u>74,183</u>	<u>70,426</u>

Certificate of deposit	46,000	46,000
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Property and equipment

Land	91,064	91,064
Building, swimming pool and facilities	572,128	572,128
Furniture and equipment	69,022	69,022
Less: Accumulated depreciation	(504,973)	(487,479)
	<u>227,241</u>	<u>244,735</u>

Total assets	\$ 347,424	\$ 361,161
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Liabilities and net assets

Current liabilities

Accounts payable and accrued expenses	\$ 1,012	\$ 750
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Long-term membership certificates	<u>192,640</u>	<u>209,865</u>
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Total liabilities	193,652	210,615
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Net assets

Board-restricted funds

Capital renewal and renovation fund	76,000	66,000
ADA renovation fund	9,000	6,000
Total board-restricted funds	<u>85,000</u>	<u>72,000</u>

Unrestricted	68,772	78,546
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Total net assets	<u>153,772</u>	<u>150,546</u>
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Total liabilities and net assets	\$ 347,424	\$ 361,161
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See accompanying notes and independent auditor's report.

Sideburn Run Recreation Association, Inc.

Statements of Activities

for the years ended December 31,

2015

2014

Revenue

Membership dues	\$ 131,637	\$ 131,461
Maintenance fees	7,130	-
Guest fees	5,915	7,923
Concessions, net	5,204	4,844
Other fees	1,697	729
Swim and dive team, net	3,225	(1,860)
Donations	619	-
Interest	9	12
Advertising	-	524
Transfers to restricted funds	(13,000)	(13,000)
	<u>142,436</u>	<u>130,633</u>

Expenses

Accounting	5,000	4,000
Administrative expense	1,057	1,446
Depreciation	17,494	18,798
Insurance	8,614	11,088
Maintenance and repair	21,872	18,715
Management fee	70,742	65,821
Membership incentives	1,290	428
Miscellaneous	437	149
Social	2,232	2,077
Supplies	7,632	3,845
Taxes and licenses	4,819	4,192
Utilities	11,021	11,714
	<u>152,210</u>	<u>142,273</u>

Change in unrestricted net assets (9,774) (11,640)

Unrestricted net assets, beginning of year 78,546 90,186

Unrestricted net assets, end of year \$ 68,772 \$ 78,546

Board-restricted funds, beginning of year \$ 72,000 \$ 59,000

Transfers to restricted funds 13,000 13,000

Board-restricted funds, end of year \$ 85,000 \$ 72,000

See accompanying notes and independent auditor's report.

Sideburn Run Recreation Association, Inc.

Statements of Cash Flows for the years ended December 31,

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 3,226	\$ 1,360
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	17,494	18,798
Decrease in operating assets		
Prepaid expenses	1,101	428
Increase (decrease) in operating liabilities		
Accrued expenses	(750)	(750)
Accounts payable	1,012	-
Net cash provided by operating activities	<u>22,083</u>	<u>19,836</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>-</u>	<u>(33,100)</u>
Net cash used in investing activities	<u>-</u>	<u>(33,100)</u>
Cash flows from financing activities		
Redemption of membership certificates, net of issuances	<u>(17,225)</u>	<u>(1,800)</u>
Net cash used in financing activities	<u>(17,225)</u>	<u>(1,800)</u>
Net increase (decrease) in cash and cash equivalents	4,858	(15,064)
Cash and cash equivalents, beginning of year	<u>66,769</u>	<u>81,833</u>
Cash and cash equivalents, end of year	<u>\$ 71,627</u>	<u>\$ 66,769</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and independent auditor's report.

Sideburn Run Recreation Association, Inc.

Notes to Financial Statements December 31, 2015 and 2014

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 the revenue recognition section. In accordance with this method of accounting, expenses are recognized in the period in which they are incurred.

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.

Concentration of credit risk

FDIC insurance on interest-bearing accounts is \$250,000 per depositor, per insured bank. Cash deposits at December 31, 2015 and 2014 consisted of \$118,932 and \$112,156, respectively, all of which were insured by the Federal Deposit Insurance Corporation.

See independent auditor's report.

Sideburn Run Recreation Association, Inc.

Notes to Financial Statements December 31, 2015 and 2014

2. Summary of significant accounting policies (continued)

Income taxes

The Association is exempt from income taxes through 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 \$9 and \$536 for the years ended December 31, 2015 and 2014, respectively. No unrelated business income taxes were incurred for the years ended December 31, 2015 and 2014.

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 2012 through 2015.

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 accounts payable and accrued expenses. 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. Certificate of deposit

A certificate of deposit, with an interest rate linked to the S&P 500 index and maturing on August 21, 2017, was stated at a cost of \$46,000 for the years ended December 31, 2015 and 2014.

4. Property

It is the Association's policy to capitalize property and equipment with costs 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 is 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.

See independent auditor's report.

Sideburn Run Recreation Association, Inc.

Notes to Financial Statements December 31, 2015 and 2014

4. Property (continued)

A summary of information relative to property depreciation as of December 31, 2015 and 2014 is as follows:

	Depreciation expense		Accumulated depreciation	
	2015	2014	2015	2014
Building	\$ 1,368	\$ 1,368	\$ 122,548	\$ 121,180
Facilities	7,385	7,016	118,197	110,812
Swimming pool	8,741	8,744	205,206	196,465
Furniture and equipment	-	1,670	59,022	59,022
	<u>\$ 17,494</u>	<u>\$ 18,798</u>	<u>\$ 504,973</u>	<u>\$ 487,479</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 membership certificate holder also has the right to vote and is eligible to serve on the Board. Membership certificates are redeemable.

6. Management fee

During the years ended December 31, 2015 and 2014, the Association was obligated under a contract with Crystal Aquatics to provide pool personnel and perform routine pool cleaning and maintenance services. For the years ended December 31, 2015 and 2014, management fees under this contract were \$70,742 and \$65,821, respectively. Subsequent to year end, this contract was terminated and replaced by a contract with Guardian Aquatics. Future minimum management fees under this new contract are as follows for the years ending December 31,

2016	\$ 51,000
2017	51,500
2018	<u>52,500</u>
	<u>\$ 155,000</u>

See independent auditor's report.

Sideburn Run Recreation Association, Inc.

Notes to Financial Statements December 31, 2015 and 2014

7. Board-restricted funds

In accordance with the Association's by-laws, a portion of the Association's net assets are set aside to offset future repairs and upkeep on the facilities. The Association sets aside \$10,000 of its income each year for this purpose.

At the board's discretion, a separate fund has been established to offset anticipated costs for compliance with the Americans with Disabilities Act. The Association has set aside \$3,000 each year for the years ended December 31, 2015 and 2014 for this purpose.

8. Subsequent events

The Association assessed events occurring subsequent to December 31, 2015 through October 31, 2016, 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, other than the management fee commitment mentioned in Note 6.

See independent auditor's report.