

SIDEBURN RUN RECREATION ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

KOSITZKA, WICKS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS



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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, 2016 and 2015, 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, 2016 and 2015, 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
November 7, 2017

Sideburn Run Recreation Association, Inc.

Statements of Financial Position December 31,

2016

2015

Assets

Current assets

Cash and cash equivalents	\$ 72,114	\$ 71,627
Retainers receivable	7,500	-
Prepaid expenses	3,913	2,556
	<u>83,527</u>	<u>74,183</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	(521,398)	(504,973)
	<u>210,816</u>	<u>227,241</u>

Total assets

	<u>\$ 340,343</u>	<u>\$ 347,424</u>
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Liabilities and net assets

Current liabilities

Accounts payable	\$ -	\$ 1,012
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Long-term membership certificates

	<u>192,985</u>	<u>192,640</u>
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Total liabilities

	<u>192,985</u>	<u>193,652</u>
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Net assets

Board-restricted funds

Capital renewal and renovation fund	86,000	76,000
ADA renovation fund	9,000	9,000
	<u>95,000</u>	<u>85,000</u>

Total board-restricted funds

	<u>95,000</u>	<u>85,000</u>
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Unrestricted

	<u>52,358</u>	<u>68,772</u>
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Total net assets

	<u>147,358</u>	<u>153,772</u>
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Total liabilities and net assets

	<u>\$ 340,343</u>	<u>\$ 347,424</u>
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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,

2016

2015

Revenue

Membership dues	\$ 118,013	\$ 131,637
Maintenance fees	6,975	7,130
Guest fees	5,735	5,915
Concessions, net	4,599	5,204
Other fees	1,265	1,697
Swim and dive team, net	948	3,225
Donations	81	619
Interest	9	9
Transfers to restricted funds	(10,000)	(13,000)
	<u>127,625</u>	<u>142,436</u>

Expenses

Accounting	5,500	5,000
Administrative expense	1,272	1,057
Depreciation	16,425	17,494
Insurance	10,382	8,614
Legal fees	20,693	-
Maintenance and repair	14,971	21,872
Management fee	54,514	70,742
Membership incentives	50	1,290
Miscellaneous	942	437
Social	809	2,232
Supplies	923	7,632
Taxes and licenses	4,799	4,819
Utilities	12,759	11,021
	<u>144,039</u>	<u>152,210</u>

Change in unrestricted net assets (16,414) (9,774)

Unrestricted net assets, beginning of year 68,772 78,546

Unrestricted net assets, end of year \$ 52,358 \$ 68,772

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

Transfers to restricted funds 10,000 13,000

Board-restricted funds, end of year \$ 95,000 \$ 85,000

Total net assets, beginning of year \$ 153,772 \$ 150,546

Change in net assets (6,414) 3,226

Total net assets, end of year \$ 147,358 \$ 153,772

See accompanying notes and independent auditor's report.

Sideburn Run Recreation Association, Inc.

Statements of Cash Flows for the years ended December 31,

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (6,414)	\$ 3,226
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	16,425	17,494
(Increase) decrease in operating assets		
Retainers receivable	(7,500)	-
Prepaid expenses	(1,357)	1,101
Increase (decrease) in operating liabilities		
Accounts payable	(1,012)	1,012
Accrued expenses	-	(750)
Net cash provided by operating activities	<u>142</u>	<u>22,083</u>
Cash flows from financing activities		
Net issuances and redemptions of membership certificates	<u>345</u>	<u>(17,225)</u>
Net cash provided by (used in) financing activities	<u>345</u>	<u>(17,225)</u>
Net increase in cash and cash equivalents	487	4,858
Cash and cash equivalents, beginning of year	<u>71,627</u>	<u>66,769</u>
Cash and cash equivalents, end of year	<u><u>\$ 72,114</u></u>	<u><u>\$ 71,627</u></u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Income taxes paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes and independent auditor's report.

Sideburn Run Recreation Association, Inc.

Notes to Financial Statements December 31, 2016 and 2015

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 1 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. All cash deposits were insured by the Federal Deposit Insurance Corporation as of December 31, 2016 and 2015.

See independent auditor's report.

Sideburn Run Recreation Association, Inc.

Notes to Financial Statements December 31, 2016 and 2015

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. No unrelated business income taxes were incurred for the years ended December 31, 2016 and 2015.

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 2013 through 2016.

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents, retainers receivable, and prepaid expenses. Financial liabilities with carrying values approximating fair value include accounts payable. 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 that matured on August 21, 2017, was stated at cost of \$46,000 for the years ended December 31, 2016 and 2015.

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, 2016 and 2015

4. Property (continued)

A summary of information relative to property depreciation as of December 31, 2016 and 2015 is as follows:

	Depreciation expense		Accumulated depreciation	
	2016	2015	2016	2015
Building	\$ 1,368	\$ 1,368	\$ 123,916	\$ 122,548
Facilities	7,278	7,385	125,475	118,197
Swimming pool	7,779	8,741	212,985	205,206
Furniture and equipment	-	-	59,022	59,022
	<u>\$ 16,425</u>	<u>\$ 17,494</u>	<u>\$ 521,398</u>	<u>\$ 504,973</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 year ended December 31, 2015, the Association was obligated under a contract with Crystal Aquatics to provide pool personnel and perform routine pool cleaning and maintenance services. During 2016, this contract was terminated and replaced by a contract with Guardian Aquatics. For the years ended December 31, 2016 and 2015, management fees under these contracts were \$54,514 and \$70,742, respectively. Future minimum management fees under the new contract are as follows for the years ending December 31,

2017	\$ 51,500
2018	<u>52,500</u>
	<u>\$ 104,000</u>

See independent auditor's report.

Sideburn Run Recreation Association, Inc.

Notes to Financial Statements December 31, 2016 and 2015

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 set aside \$3,000 for the year ended December 31, 2015 for this purpose.

8. Subsequent events

The Association assessed events occurring subsequent to December 31, 2016 through November 7, 2017, 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.