

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
WILDEWOOD VILLAGE ASSOCIATION, INC.
Year ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Wildewood Village Association, Inc.

We have audited the accompanying financial statements of Wildewood Village Association, Inc., which comprise the balance sheet as of December 31, 2020 and the related statements of revenues, expenses and changes in fund balances 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.

Auditor's 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 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 Wildewood Village Association, Inc. as of December 31, 2020 and the results of its operations and cash flows for the year 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 the information on future major repairs and replacements on page 16 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.

Struss & Associates, P.A.

December 8, 2021
Owings Mills, Maryland

WILDEWOOD VILLAGE ASSOCIATION, INC.

BALANCE SHEET

December 31, 2020

ASSETS

	<u>Operating fund</u>	<u>Replacement fund</u>	<u>Total</u>
CURRENT ASSETS			
Cash	\$ 130,917	\$ 74,827	\$ 205,744
Assessments receivable	9,266	-	9,266
Prepaid expenses	<u>14,591</u>	<u>-</u>	<u>14,591</u>
Total current assets	154,774	74,827	229,601
PROPERTY AND EQUIPMENT			
(net of accumulated depreciation of \$1,169,193)	<u>1,543,340</u>	<u>-</u>	<u>1,543,340</u>
Total assets	<u>\$ 1,698,114</u>	<u>\$ 74,827</u>	<u>\$ 1,772,941</u>

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES			
Accounts payable	\$ 3,087	\$ -	\$ 3,087
Accrued payroll	3,470	-	3,470
Assessments received in advance	28,728	-	28,728
Security deposits payable	<u>2,400</u>	<u>-</u>	<u>2,400</u>
Total current liabilities	37,685	-	37,685
FUND BALANCES	<u>1,660,429</u>	<u>74,827</u>	<u>1,735,256</u>
Total liabilities and fund balances	<u>\$ 1,698,114</u>	<u>\$ 74,827</u>	<u>\$ 1,772,941</u>

See accompanying notes to financial statements.

WILDEWOOD VILLAGE ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

Year ended December 31, 2020

	Operating fund	Replacement fund	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Assessments	\$ 248,990	\$ 38,461	\$ 287,451
Late fee income	205	-	205
Lease income	8,871	-	8,871
Interest income	17	54	71
Other income	2,838	-	2,838
	<u>260,921</u>	<u>38,515</u>	<u>299,436</u>
EXPENSES			
Activities	6,757	-	6,757
Administrative	3,344	-	3,344
Automobile	745	-	745
Cable and internet	1,457	-	1,457
Community center	14,483	-	14,483
Depreciation	75,567	-	75,567
Grounds	14,306	-	14,306
Insurance	21,529	-	21,529
Janitorial	1,215	-	1,215
Management fees	26,700	-	26,700
Master association fees	2,559	-	2,559
Payroll	93,916	-	93,916
Payroll processing fees	2,354	-	2,354
Payroll taxes	333	-	333
Professional fees	3,037	-	3,037
Repairs and maintenance	2,035	-	2,035
Reserve study	5,692	-	5,692
Security	317	-	317
Taxes - other	6,056	-	6,056
Telephone	5,062	-	5,062
Utilities	22,122	-	22,122
	<u>309,586</u>	<u>-</u>	<u>309,586</u>

(CONTINUED)

See accompanying notes to financial statements.

WILDEWOOD VILLAGE ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES - CONTINUED

Year ended December 31, 2020

	Operating fund	Replacement fund	Total
	<u> </u>	<u> </u>	<u> </u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(48,665)	38,515	(10,150)
FUND BALANCES			
- beginning of year	1,710,684	34,722	1,745,406
INTERFUND TRANSFER	<u>(1,590)</u>	<u>1,590</u>	<u>-</u>
FUND BALANCES			
- end of year	<u>\$ 1,660,429</u>	<u>\$ 74,827</u>	<u>\$ 1,735,256</u>

See accompanying notes to financial statements.

WILDEWOOD VILLAGE ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2020

	Operating fund	Replacement fund	Total
	<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess (deficiency) of revenues over expenses	\$ (48,665)	\$ 38,515	\$ (10,150)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:			
Depreciation	75,567	-	75,567
(Increase) decrease in:			
Assessments receivable	(2,208)	-	(2,208)
Prepaid expenses	(6,947)	-	(6,947)
Due from replacement fund	1,590	-	1,590
Increase (decrease) in:			
Accounts payable	(3,639)	-	(3,639)
Accrued payroll	(3,299)	-	(3,299)
Assessments received in advance	22,905	-	22,905
Lease income received in advance	(500)	-	(500)
Due to operating fund	<u> -</u>	<u> (1,590)</u>	<u> (1,590)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u> 34,804</u>	 <u> 36,925</u>	 <u> 71,729</u>
 CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	<u> (185)</u>	<u> -</u>	<u> (185)</u>
 NET CASH USED BY INVESTING ACTIVITIES	 <u> (185)</u>	 <u> -</u>	 <u> (185)</u>

(CONTINUED)

See accompanying notes to financial statements.

WILDEWOOD VILLAGE ASSOCIATION, INC.
STATEMENT OF CASH FLOWS - CONTINUED

Year ended December 31, 2020

	Operating fund	Replacement fund	Total
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund transfer	(1,590)	1,590	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(1,590)	1,590	-
NET INCREASE IN CASH	33,029	38,515	71,544
CASH AT BEGINNING OF YEAR	97,888	36,312	134,200
CASH AT END OF YEAR	\$ 130,917	\$ 74,827	\$ 205,744

SUPPLEMENTAL DISCLOSURE

Income taxes paid	\$	-	\$	-	\$	-
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See accompanying notes to financial statements.

WILDEWOOD VILLAGE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A - ORGANIZATION, PURPOSE, AND MANAGEMENT

Wildewood Village Association, Inc., a non-stock corporation incorporated in the State of Maryland in April 1994, exists for the private benefit of its members having as its purpose the general upkeep and maintenance of the common elements of the development and any other common expenses of the unit owners. The Association, located in California, Maryland, is a master association comprised of Wildewood Village Condominium Association, Inc. and Wildewood Village Villa Association, Inc.

The Association has engaged Advanced Residential Management, Inc. as its agent to collect maintenance fees for the unit owners, to administer the policies of the Board of Directors and to assist in the management of the Association's affairs.

NOTE B - DATE OF MANAGEMENT'S REVIEW

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 8, 2021, the date the financial statements were available to be issued.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant policies consistently applied in the preparation of the accompanying statements follows:

1. Method of accounting

The financial statements are presented on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

2. Funds

The Association uses fund accounting, which requires that funds, such as operating and replacement funds, be classified separately for accounting and reporting purposes. The operating fund is used to account for financial resources available for the general operations of the Association. The replacement fund is used to accumulate financial resources designated for future major repairs and replacements.

WILDEWOOD VILLAGE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Income taxes

Master associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2020, the Association elected to be taxed as a homeowners' association. Under that election, the Association is taxed on its nonexempt function income, such as interest earned, at 30% by the federal government and 8.25% by the State of Maryland. Exempt function income, which consists primarily of member assessments, is not taxable.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the year ended December 31, 2020, the Association incurred no penalties and interest related to income taxes. Tax returns are subject to examination by the Internal Revenue Service and State of Maryland for three years after they are filed.

4. Member assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a pro-rata basis using the input method. The performance obligations related to the replacement fund assessments are also satisfied over time on a pro-rata basis using the input method. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding fees from unit owners. The Association's policy is to retain legal counsel to help in the collection of unit owners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. It is the opinion of the Board of Directors that the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include consideration of past experience and susceptibility to factors outside the Association's control. The balances of assessments receivable as of the beginning and end of the year are \$7,058 and \$9,266, respectively.

WILDEWOOD VILLAGE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Property and equipment

Property and equipment are carried at cost. The costs of the building, improvements and equipment are depreciated using the straight-line and MACRS methods over the estimated lives of the assets of 5 and 39 years.

6. Estimates

The preparation of financial statements in conformity with 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.

NOTE D - CASH

As of December 31, 2020, the Association maintained its funds in the following manner:

<u>Institution</u>	<u>Type of account</u>	<u>Cash</u>
Community Bank of the Chesapeake	Checking	\$ 128,581
Community Bank of the Chesapeake	Money Market	74,827
Petty Cash		<u>2,336</u>
		<u>\$ 205,744</u>

WILDEWOOD VILLAGE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

Building	\$ 2,500,000
Building improvements	171,713
Equipment	11,261
Vehicles	21,525
Furniture and fixtures	8,034
Less accumulated depreciation	<u>(1,169,193)</u>
	<u>\$ 1,543,340</u>

NOTE F - 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 generally are not available for expenditures for normal operations.

The Association levied assessments of \$38,461 during the year ended December 31, 2020 for estimated future major repairs and replacements.

An outside consulting firm conducted a study in August 2020 to estimate the remaining useful lives and the replacement costs of the components of common property. The table included in the unaudited supplementary information of future major repairs and replacements is based on the study.

The Association is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund. Actual expenditures and investment income may vary from the estimated amounts, 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, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

WILDEWOOD VILLAGE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2020

NOTE G – LEASE INCOME

The Association leases multiple commercial spaces within the community building. Total income from these leases was \$8,871 in 2020.

SUPPLEMENTARY INFORMATION

WILDEWOOD VILLAGE ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND
REPLACEMENTS

December 31, 2020

(Unaudited)

An outside consulting firm conducted a study in August 2020 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 current replacement costs have not been revised since that date and 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 table is based on the study and presents significant information about the components of common property.

<u>COMPONENTS</u>	<u>ESTIMATED REMAINING USEFUL LIFE</u>	<u>ESTIMATED CURRENT REPLACEMENT COST</u>
Site items	1-15	\$ 152,341
Exterior items	4-48	369,728
Interior items	3-30	234,003
Recreation items	5	10,300
Building systems	1-26	<u>266,660</u>
TOTAL		<u>\$ 1,033,032</u>