

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT  
WILDEWOOD VILLAGE ASSOCIATION, INC.  
Year ended December 31, 2019

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# **Strauss & Associates, P.A.**

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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, 2019 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, 2019 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 15 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.*

October 6, 2021  
Owings Mills, Maryland

WILDEWOOD VILLAGE ASSOCIATION, INC.

BALANCE SHEET

December 31, 2019

ASSETS

	<u>Operating fund</u>	<u>Replacement fund</u>	<u>Total</u>
<b>CURRENT ASSETS</b>			
Cash	\$ 97,888	\$ 36,312	\$ 134,200
Assessments receivable	7,058	-	7,058
Prepaid expenses	7,644	-	7,644
Due from replacement fund	<u>1,590</u>	<u>-</u>	<u>1,590</u>
Total current assets	114,180	36,312	150,492
<b>PROPERTY AND EQUIPMENT</b>			
(net of accumulated depreciation of \$1,093,626)	<u>1,618,722</u>	<u>-</u>	<u>1,618,722</u>
Total assets	<u>\$ 1,732,902</u>	<u>\$ 36,312</u>	<u>\$ 1,769,214</u>

LIABILITIES AND FUND BALANCES

<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 6,726	\$ -	\$ 6,726
Accrued payroll	6,769	-	6,769
Assessments received in advance	5,823	-	5,823
Lease income received in advance	500	-	500
Security deposits payable	2,400	-	2,400
Due to operating fund	<u>-</u>	<u>1,590</u>	<u>1,590</u>
Total current liabilities	22,218	1,590	23,808
<b>FUND BALANCES</b>	<u>1,710,684</u>	<u>34,722</u>	<u>1,745,406</u>
Total liabilities and fund balances	<u>\$ 1,732,902</u>	<u>\$ 36,312</u>	<u>\$ 1,769,214</u>

See accompanying notes to financial statements.

WILDEWOOD VILLAGE ASSOCIATION, INC.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

Year ended December 31, 2019

	Operating fund	Replacement fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Assessments	\$ 401,407	\$ 25,135	\$ 426,542
Late fee income	1,081	-	1,081
Lease income	14,250	-	14,250
Interest income	38	109	147
Other income	11,952	-	11,952
	<u>428,728</u>	<u>25,244</u>	<u>453,972</u>
<b>EXPENSES</b>			
Activities	13,940	-	13,940
Administrative	5,255	-	5,255
Automobile	1,747	-	1,747
Cable and internet	65,122	-	65,122
Capital improvements	-	12,811	12,811
Community center	17,030	-	17,030
Depreciation	78,111	-	78,111
Grounds	9,066	-	9,066
Insurance	21,188	-	21,188
Janitorial	1,047	-	1,047
Management fees	24,996	-	24,996
Master association fees	2,711	-	2,711
Payroll	141,522	-	141,522
Payroll processing fees	2,551	-	2,551
Payroll taxes	10,934	-	10,934
Professional fees	6,217	-	6,217
Repairs and maintenance	4,912	-	4,912
Security	270	-	270
Snow removal	2,393	-	2,393
Taxes - other	5,931	-	5,931
Telephone	4,388	-	4,388
Utilities	27,268	-	27,268
	<u>446,599</u>	<u>12,811</u>	<u>459,410</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, 2019

	<u>Operating fund</u>	<u>Replacement fund</u>	<u>Total</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(17,871)	12,433	(5,438)
FUND BALANCES			
- beginning of year	<u>1,728,555</u>	<u>22,289</u>	<u>1,750,844</u>
FUND BALANCES			
- end of year	<u>\$ 1,710,684</u>	<u>\$ 34,722</u>	<u>\$ 1,745,406</u>

See accompanying notes to financial statements.

WILDEWOOD VILLAGE ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2019

	Operating fund	Replacement fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess (deficiency) of revenues over expenses	\$ (17,871)	\$ 12,433	\$ (5,438)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:			
Depreciation	78,111	-	78,111
(Increase) decrease in:			
Assessments receivable	(1,457)	-	(1,457)
Prepaid expenses	(931)	-	(931)
Due from replacement fund	(1,590)	-	(1,590)
Increase (decrease) in:			
Accounts payable	(11,037)	(1,590)	(12,627)
Accrued payroll	294	-	294
Assessments received in advance	(5,181)	-	(5,181)
Lease income received in advance	500	-	500
Security deposits payable	(1,500)	-	(1,500)
Due to operating fund	<u>-</u>	<u>1,590</u>	<u>1,590</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>39,338</u>	 <u>12,433</u>	 <u>51,771</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property and equipment	<u>(1,697)</u>	<u>-</u>	<u>(1,697)</u>
 NET CASH USED BY INVESTING ACTIVITIES	 <u>(1,697)</u>	 <u>-</u>	 <u>(1,697)</u>
 NET INCREASE IN CASH	 37,641	 12,433	 50,074
CASH AT BEGINNING OF YEAR	<u>60,247</u>	<u>23,879</u>	<u>84,126</u>
CASH AT END OF YEAR	<u>\$ 97,888</u>	<u>\$ 36,312</u>	<u>\$ 134,200</u>
<b>SUPPLEMENTAL DISCLOSURE</b>			
Income taxes paid	\$ -	\$ -	\$ -

See accompanying notes to financial statements.



WILDEWOOD VILLAGE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

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 October 6, 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, 2019

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, 2019, 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, 2019, 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 \$5,601 and \$7,058, respectively.

WILDEWOOD VILLAGE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Property and equipment

Property and equipment is carried at cost. The costs of the building, improvements and equipment are depreciated using the straight-line and accelerated methods for periods ranging between 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, 2019, 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	\$ 97,312
Community Bank of the Chesapeake	Money Market	36,312
Petty Cash		<u>576</u>
		<u>\$ 134,200</u>

WILDEWOOD VILLAGE ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following:

Building	\$ 2,500,000
Building improvements	171,713
Equipment	11,076
Vehicles	21,525
Furniture and fixtures	8,034
Less accumulated depreciation	<u>(1,093,626)</u>
	<u>\$ 1,618,722</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 \$25,135 during the year ended December 31, 2019 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, 2019

NOTE G – LEASE INCOME

The Association leases multiple commercial spaces within the community building. Total income from these leases was \$14,250 in 2019.

NOTE H - FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate – Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services. The new guidance is effective for all periods that begin subsequent to December 15, 2018.

NOTE I – RELATED PARTY TRANSACTIONS

The Association employed two family members of a member of the Board of Directors in 2019.

SUPPLEMENTARY INFORMATION

WILDEWOOD VILLAGE ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND  
REPLACEMENTS

December 31, 2019

(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>