

Audited Financials
Condominiums at Kirkpatrick Farms (The)

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Independent Auditor's Report

To the Board of Directors of
The Condominiums at Kirkpatrick Farms

Report on the Financial Statements

We have audited the accompanying financial statements of The Condominiums at Kirkpatrick Farms, which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of income, members' equity 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Condominiums at Kirkpatrick Farms as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Unappropriated Members' Equity (Deficit)

The Condominiums at Kirkpatrick Farms raises funds for its operations and replacement reserve program through assessment of its members. As explained in Note 3, as of December 31, 2018, the Association had not fully funded its replacement reserves due to the unappropriated members' equity deficit of \$135,292. In order for the Association to maintain financial stability, it must be able to raise and collect sufficient funds from its members to fund an adequate replacement reserve program and meet its operational needs. Our opinion on the financial statements is not modified with respect to this matter.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements on page 11 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.

Goldklang Group CPAs, P.C.

Reston, Virginia
July 24, 2019

THE CONDOMINIUMS AT KIRKPATRICK FARMS
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 189,448	\$ 70,556
Interest-Bearing Deposits	240,000	320,000
Assessments Receivable - Net	7,574	13,890
Accounts Receivable - Other	12,015	7,857
Income Taxes Receivable	434	500
Prepaid Expenses	<u>12,583</u>	<u>12,383</u>
 Total Assets	 <u>\$ 462,054</u>	 <u>\$ 425,186</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts Payable	\$ 41,206	\$ 19,627
Income Taxes Payable	70	-
Prepaid Assessments	<u>21,654</u>	<u>14,813</u>
Total Liabilities	<u>\$ 62,930</u>	<u>\$ 34,440</u>
 Replacement Reserves	 \$ 534,416	 \$ 510,466
Unappropriated Members' Equity (Deficit)	<u>(135,292)</u>	<u>(119,720)</u>
Total Members' Equity	<u>\$ 399,124</u>	<u>\$ 390,746</u>
 Total Liabilities and Members' Equity	 <u>\$ 462,054</u>	 <u>\$ 425,186</u>

See Accompanying Notes to Financial Statements

THE CONDOMINIUMS AT KIRKPATRICK FARMS
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>INCOME:</u>		
Assessments	\$ 525,024	\$ 517,440
Late Fees	3,033	3,675
Interest	5,851	3,626
Total Income	<u>\$ 533,908</u>	<u>\$ 524,741</u>
 <u>EXPENSES:</u>		
Management	\$ 30,693	\$ 30,693
Legal, Audit and Tax Preparation	15,248	13,271
Insurance	75,369	68,860
Master Association	138,408	130,824
Office	6,181	6,671
Utilities	22,381	26,428
Grounds Maintenance	23,700	25,835
Snow Removal	9,860	6,528
Telephone	29,353	25,961
Trash Removal	30,497	30,077
Common Area Maintenance	102,308	80,062
Income Taxes	870	365
Bad Debt	7,112	2,473
Total Expenses	<u>\$ 491,980</u>	<u>\$ 448,048</u>
Net Income Before Contribution to Reserves	\$ 41,928	\$ 76,693
Contribution to Reserves	<u>(57,500)</u>	<u>(54,996)</u>
Net Income (Loss)	<u>\$ (15,572)</u>	<u>\$ 21,697</u>

See Accompanying Notes to Financial Statements

THE CONDOMINIUMS AT KIRKPATRICK FARMS
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity (Deficit)</u>	<u>Total Members' Equity</u>
Balance as of December 31, 2016	\$ 484,772	\$ (141,417)	\$ 343,355
Additions:			
Contribution to Reserves	54,996		54,996
Net Income		21,697	21,697
Deductions:			
Gutters	(1,002)		(1,002)
Alarms	(4,300)		(4,300)
Building Exterior	(24,000)		(24,000)
Balance as of December 31, 2017	\$ 510,466	\$ (119,720)	\$ 390,746
Addition:			
Contribution to Reserves	57,500		57,500
Deductions:			
Alarms	(9,950)		(9,950)
Roofs	(20,600)		(20,600)
Reserve Study	(3,000)		(3,000)
Net Loss		(15,572)	(15,572)
Balance as of December 31, 2018	<u>\$ 534,416</u>	<u>\$ (135,292)</u>	<u>\$ 399,124</u>

See Accompanying Notes to Financial Statements

THE CONDOMINIUMS AT KIRKPATRICK FARMS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income (Loss)	\$ (15,572)	\$ 21,697
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Bad Debt Expense	7,112	2,473
Decrease (Increase) in:		
Assessments Receivable	(796)	(4,671)
Accounts Receivable - Other	(4,158)	3,861
Income Taxes Receivable	136	(15)
Prepaid Expenses	(131)	(4,398)
Increase (Decrease) in:		
Accounts Payable	21,580	4,904
Income Taxes Payable	(70)	-
Prepaid Assessments	6,841	(2,604)
Net Cash Flows from Operating Activities	<u>\$ 14,942</u>	<u>\$ 21,247</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	\$ 57,500	\$ 54,996
Disbursed for Reserve Expenditures	(33,550)	(29,302)
Received from Interest-Bearing Deposits	(100,000)	80,000
Disbursed for Interest-Bearing Deposits	180,000	(250,000)
Net Cash Flows From Investing Activities	<u>\$ 103,950</u>	<u>\$ (144,306)</u>
Net Change in Cash and Cash Equivalents	\$ 118,892	\$ (123,059)
Cash and Cash Equivalents at Beginning of Year	<u>70,556</u>	<u>193,615</u>
Cash and Cash Equivalents at End of Year	<u>\$ 189,448</u>	<u>\$ 70,556</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash Paid for Income Taxes	\$ 800	\$ 600
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See Accompanying Notes to Financial Statements