



Principals

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Independent Auditor's Report

To the Board of Directors of
Landmark Mews Community Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Landmark Mews Community Association, Inc., which comprise the balance sheets as of December 31, 2015 and 2014, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Landmark Mews Community Association, Inc. as of December 31, 2015 and 2014, 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.

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, who 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
August 11, 2016

LANDMARK MEWS COMMUNITY ASSOCIATION, INC.
BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 293,019	\$ 432,782
Interest-Bearing Deposits	201,054	-
Assessments Receivable - Net	1,805	1,230
Prepaid Expenses	<u>-</u>	<u>9,717</u>
Total Assets	<u>\$ 495,878</u>	<u>\$ 443,729</u>
 <u>LIABILITIES AND MEMBERS' EQUITY</u>		
Accounts Payable	\$ 11,077	\$ 11,404
Income Taxes Payable	104	-
Prepaid Assessments	<u>14,112</u>	<u>18,437</u>
Total Liabilities	<u>\$ 25,293</u>	<u>\$ 29,841</u>
Replacement Reserves	\$ 370,065	\$ 347,395
Unappropriated Members' Equity	<u>100,520</u>	<u>66,493</u>
Total Members' Equity	<u>\$ 470,585</u>	<u>\$ 413,888</u>
Total Liabilities and Members' Equity	<u>\$ 495,878</u>	<u>\$ 443,729</u>

See Accompanying Notes to Financial Statements

LANDMARK MEWS COMMUNITY ASSOCIATION, INC.
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>INCOME:</u>		
Assessments	\$ 266,400	\$ 266,400
Interest	1,543	605
Bad Debt Recovery	7,685	-
Other	<u>12,484</u>	<u>3,603</u>
Total Income	<u>\$ 288,112</u>	<u>\$ 270,608</u>
 <u>EXPENSES:</u>		
Management Fees	\$ 34,540	\$ 34,336
Legal, Audit and Tax Preparation	15,551	11,615
Insurance	6,470	6,456
Postage and Printing	1,306	1,092
Administrative	9,565	9,900
Electricity	4,330	4,462
Water	8,052	6,302
Trash Removal	31,116	30,544
Snow Removal	11,280	10,940
Grounds Maintenance	75,500	73,849
Common Area Maintenance	2,601	11,992
Income Taxes	104	-
Bad Debt	<u>-</u>	<u>2,075</u>
Total Expenses	<u>\$ 200,415</u>	<u>\$ 203,563</u>
Net Income before Contribution to Reserves	\$ 87,697	\$ 67,045
Contribution to Reserves	<u>(53,670)</u>	<u>(52,400)</u>
Net Income	<u>\$ 34,027</u>	<u>\$ 14,645</u>

See Accompanying Notes to Financial Statements

LANDMARK MEWS COMMUNITY ASSOCIATION, INC.
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of December 31, 2013	\$ 327,740	\$ 51,848	\$ 379,588
Additions:			
Contribution to Reserves	52,400		52,400
Grant	10,000		10,000
Net Income		14,645	14,645
Deductions:			
Mailboxes	(26,245)		(26,245)
Timbers/Pvers/Steps	(13,000)		(13,000)
Fence	(3,500)		(3,500)
Balance as of December 31, 2014	\$ 347,395	\$ 66,493	\$ 413,888
Additions:			
Contribution to Reserves	53,670		53,670
Net Income		34,027	34,027
Deductions:			
Perimeter Wall	(17,500)		(17,500)
Irrigation Project	(10,000)		(10,000)
Reserve Study	(3,500)		(3,500)
Balance as of December 31, 2015	<u>\$ 370,065</u>	<u>\$ 100,520</u>	<u>\$ 470,585</u>

LANDMARK MEWS COMMUNITY ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income	\$ 34,027	\$ 14,645
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Bad Debt Expense (Recovery)	(7,685)	2,075
Decrease (Increase) in:		
Assessments Receivable	7,110	(2,280)
Prepaid Expenses	9,717	(9,717)
Increase (Decrease) in:		
Accounts Payable	(327)	7,294
Income Taxes Payable	104	(423)
Prepaid Assessments	(4,325)	7,700
Net Cash Flows from Operating Activities	<u>\$ 38,621</u>	<u>\$ 19,294</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	\$ 53,670	\$ 52,400
Received from Grant (Reserves)	-	10,000
Disbursed for Reserve Expenditures	(31,000)	(42,745)
Received from Interest-Bearing Deposits	-	25,008
Disbursed for Interest-Bearing Deposits	(201,054)	(8)
Net Cash Flows from Investing Activities	<u>\$ (178,384)</u>	<u>\$ 44,655</u>
Net Change in Cash and Cash Equivalents	\$ (139,763)	\$ 63,949
Cash and Cash Equivalents at Beginning of Year	<u>432,782</u>	<u>368,833</u>
Cash and Cash Equivalents at End of Year	<u>\$ 293,019</u>	<u>\$ 432,782</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash Paid for Income Taxes	<u>\$ -</u>	<u>\$ 465</u>

See Accompanying Notes to Financial Statements

LANDMARK MEWS COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 - NATURE OF OPERATIONS:

The Association is organized under the laws of the Commonwealth of Virginia for the purposes of maintaining and preserving the common property of the community. The Association is located in Alexandria, Virginia and consists of 148 townhomes. The Board of Directors administers the operations of the Association.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

A) Method of Accounting - The financial statements are presented on the accrual method of accounting in which revenues are recognized when earned and expenses recognized when incurred, not necessarily when received or paid.

B) Member Assessments - Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from homeowners. The Association's policy is to assess late and interest charges and to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years. The Association utilizes the allowance method of accounting for bad debt.

C) Common Property - Real property and common areas acquired from the declarant and related improvements to such property are not recorded in the Association's financial statements since the property cannot be disposed of at the discretion of the Board of Directors. Common property includes, but is not limited to, land and site improvements.

D) Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities. They also affect the 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.

E) Cash Equivalents - For purposes of the statement of cash flows, the Association considers all highly liquid investments and interest-bearing deposits with an original maturity date of three months or less to be cash equivalents.

NOTE 3 - REPLACEMENT RESERVES:

The Association's governing documents state that the Association shall build up and maintain reasonable replacement reserves. Accumulated funds are generally not available for expenditures for normal operations.

LANDMARK MEWS COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(CONTINUED)

NOTE 3 - REPLACEMENT RESERVES: (CONTINUED)

The Association had a replacement reserve study conducted by PM+ during 2011. During 2016, the Association obtained an updated study. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on this updated study.

The 2011 study recommends a contribution to reserves of \$53,670 for 2015. For 2015, the Association budgeted to contribute \$53,670 to reserves.

Funds are being accumulated in replacement reserves based on estimates of future needs for repair and replacement of common property components. Actual expenditures may vary from the estimated future expenditures and the variations may be material; therefore, amounts accumulated in the replacement reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

As of December 31, 2015 and 2014, the Association had designated \$370,065 and \$347,395, respectively, for replacement reserves. These designated reserves were funded by cash and interest-bearing deposits.

NOTE 4 - INCOME TAXES:

For income tax purposes, the Association may elect annually to file either as an exempt homeowners association or as an association taxable as a corporation. As an exempt homeowners association, the Association's net assessment income would be exempt from income tax, but its interest income would be taxed. Electing to file as a corporation, the Association is taxed on its net income from all sources (to the extent not capitalized or deferred) at normal corporate rates after corporate exemption, subject to the limitation that operating expenses are deductible only to the extent of income from members. For 2015 and 2014, the income taxes were calculated using the exempt method.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the years ended December 31, 2015 and 2014, the Association incurred \$0 and \$33, respectively, in penalties and interest related to income taxes. The Association's federal and state tax returns for the past three years remain subject to examination by the Internal Revenue Service and the Commonwealth of Virginia.

LANDMARK MEWS COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(CONTINUED)

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of December 31, 2015, the Association maintained its funds in the following manner:

<u>Institution</u>	<u>Type Account</u>	<u>Cash and Cash Equivalents</u>	<u>Interest-Bearing Deposits</u>	<u>Total</u>
Pacific Premier Bank	Checking	\$ 224,069	\$ -	\$ 224,069
Mutual of Omaha	Money Market	68,950		68,950
WashingtonFirst	Certificates of Deposit (2)		<u>201,054</u>	<u>201,054</u>
	Totals	<u>\$ 293,019</u>	<u>\$ 201,054</u>	<u>\$ 494,073</u>

NOTE 6 - ASSESSMENTS RECEIVABLE - NET:

The Association utilizes the allowance method of accounting for bad debt. Individual receivables are written off as a loss when a determination is made that they are non-collectible. Under the allowance method, collection efforts may continue and recoveries of amounts previously written off are recognized as income in the year of collection.

	<u>2015</u>	<u>2014</u>
Assessments Receivable	\$ 1,805	\$ 8,915
Less: Allowance for Doubtful Assessments	<u>(-)</u>	<u>(7,685)</u>
Assessments Receivable - Net	<u>\$ 1,805</u>	<u>\$ 1,230</u>

NOTE 7 - RELATED PARTY TRANSACTIONS:

The Association is managed by Select Community Services (SCS). SCS is owned by Associa. Officers of Associa are stockholders in Pacific Premier Bank. In addition, the President/Chief Executive Officer of Associa serves on the bank's board of directors. The Association maintains funds at Pacific Premier Bank.

NOTE 8 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 11, 2016, the date the financial statements were available to be issued.

LANDMARK MEWS COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(CONTINUED)

NOTE 8 - SUBSEQUENT EVENTS: (CONTINUED)

Subsequent to year-end, the Association entered into a contract for concrete and asphalt repairs in the amount of \$30,743 to be funded by the replacement reserves.

LANDMARK MEWS COMMUNITY ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2015
(UNAUDITED)

The Association had a replacement reserve study conducted by PM+ during 2016 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. The estimated replacement costs presented below do not take into account the effects of inflation between the date of the study and the date the components will require repair or replacement; however, the Association's replacement reserve study does take inflation into consideration when evaluating future expenditures and recommended contributions to reserves.

The following has been extracted from the Association's replacement reserve study and presents significant information about the components of common property.

<u>Component</u>	<u>2016 Estimated Remaining Useful Life (Years)</u>	<u>2016 Estimated Replacement Cost</u>
Asphalt	1-11	\$ 184,270
Concrete	4-11	41,010
Entrance Feature	3	4,500
Fencing/Railing	3-27	26,710
Wood Retaining Walls	7-28	45,780
Exercise/Walking Trail	8	19,600
Site Lighting	15	99,150
Mail Boxes	24	26,250
Annual Allowances	1	21,100