



**Principals**

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**Managers**

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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, 2017 and 2016, 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, 2017 and 2016, 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  
May 23, 2018

LANDMARK MEWS COMMUNITY ASSOCIATION, INC.

BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 189,723	\$ 218,213
Interest-Bearing Deposits	322,134	268,665
Assessments Receivable - Net	1,420	2,388
Accrued Interest	81	112
Income Taxes Receivable	93	-
Prepaid Expenses	<u>7,171</u>	<u>5,608</u>
 Total Assets	 <u>\$ 520,622</u>	 <u>\$ 494,986</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts Payable	\$ 8,668	\$ 7,166
Income Taxes Payable	-	69
Prepaid Assessments	<u>12,155</u>	<u>12,311</u>
Total Liabilities	<u>\$ 20,823</u>	<u>\$ 19,546</u>
 Replacement Reserves	 \$ 452,424	 \$ 422,135
Unappropriated Members' Equity	<u>47,375</u>	<u>53,305</u>
Total Members' Equity	<u>\$ 499,799</u>	<u>\$ 475,440</u>
 Total Liabilities and Members' Equity	 <u>\$ 520,622</u>	 <u>\$ 494,986</u>

See Accompanying Notes to Financial Statements

LANDMARK MEWS COMMUNITY ASSOCIATION, INC.  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>INCOME:</u>		
Assessments	\$ 266,400	\$ 266,400
Interest	3,703	3,046
Other	4,632	2,131
Total Income	<u>\$ 274,735</u>	<u>\$ 271,577</u>
 <u>EXPENSES:</u>		
Management Fees	\$ 35,326	\$ 34,891
Legal, Audit and Tax Preparation	19,561	12,287
Insurance	5,398	6,079
Postage and Printing	1,666	1,820
Administrative	16,551	11,413
Electricity	4,604	4,321
Water	8,301	5,912
Trash Removal	33,079	32,117
Snow Removal	5,960	11,323
Grounds Maintenance	83,937	77,568
Common Area Maintenance	13,395	11,742
Income Taxes	507	369
Bad Debt	9,900	2,980
Total Expenses	<u>\$ 238,185</u>	<u>\$ 212,822</u>
Net Income before Contribution to Reserves	\$ 36,550	\$ 58,755
Contribution to Reserves	<u>(42,480)</u>	<u>(54,970)</u>
Net Income (Loss)	<u>\$ (5,930)</u>	<u>\$ 3,785</u>

See Accompanying Notes to Financial Statements

LANDMARK MEWS COMMUNITY ASSOCIATION, INC.  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of December 31, 2015	\$ 370,065	\$ 100,520	\$ 470,585
Additions:			
Contribution to Reserves	54,970		54,970
Net Income		3,785	3,785
Inter-Equity Transfer	51,000	(51,000)	
Deductions:			
Asphalt	(30,743)		(30,743)
Masonry	(23,157)		(23,157)
Balance as of December 31, 2016	\$ 422,135	\$ 53,305	\$ 475,440
Addition:			
Contribution to Reserves	42,480		42,480
Deductions:			
Reserve Study	(700)		(700)
Landscaping	(11,491)		(11,491)
Net Loss		(5,930)	(5,930)
Balance as of December 31, 2017	<u>\$ 452,424</u>	<u>\$ 47,375</u>	<u>\$ 499,799</u>

See Accompanying Notes to Financial Statements

LANDMARK MEWS COMMUNITY ASSOCIATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income (Loss)	\$ (5,930)	\$ 3,785
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Bad Debt Expense	9,900	2,980
Decrease (Increase) in:		
Assessments Receivable	(8,932)	(3,563)
Accrued Interest	31	(112)
Income Taxes Receivable	(93)	-
Prepaid Expenses	(1,563)	(5,608)
Increase (Decrease) in:		
Accounts Payable	1,502	(3,911)
Income Taxes Payable	(69)	(35)
Prepaid Assessments	(156)	(1,801)
Net Cash Flows from Operating Activities	<u>\$ (5,310)</u>	<u>\$ (8,265)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	\$ 42,480	\$ 54,970
Disbursed for Reserve Expenditures	(12,191)	(53,900)
Disbursed for Interest-Bearing Deposits	(53,469)	(67,611)
Net Cash Flows from Investing Activities	<u>\$ (23,180)</u>	<u>\$ (66,541)</u>
Net Change in Cash and Cash Equivalents	\$ (28,490)	\$ (74,806)
Cash and Cash Equivalents at Beginning of Year	<u>218,213</u>	<u>293,019</u>
Cash and Cash Equivalents at End of Year	<u>\$ 189,723</u>	<u>\$ 218,213</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash Paid for Income Taxes	<u>\$ 680</u>	<u>\$ 550</u>

See Accompanying Notes to Financial Statements

LANDMARK MEWS COMMUNITY ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

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, 2017 AND 2016  
(CONTINUED)

NOTE 3 - REPLACEMENT RESERVES: (CONTINUED)

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

The study recommends a contribution to reserves of \$42,480 plus interest of \$12,790 for 2017. For 2017, the Association budgeted to contribute \$42,480 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, 2017 and 2016, the Association had designated \$452,424 and \$422,135, 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 2017 and 2016, the income taxes were calculated using the corporate method.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. 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, 2017 AND 2016  
(CONTINUED)

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of December 31, 2017, the Association maintained its funds in the following manner:

<u>Institution</u>	<u>Cash and Cash Equivalents</u>	<u>Interest- Bearing Deposits</u>
Pacific Premier	\$ 120,525	\$ -
Mutual of Omaha	69,198	
Everbank		50,336
Access National		20,367
Washington First (3)		251,431
Totals	<u>\$ 189,723</u>	<u>\$ 322,134</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>2017</u>	<u>2016</u>
Assessments Receivable	\$ 14,300	\$ 5,368
Less: Allowance for Doubtful Assessments	<u>(12,880)</u>	<u>(2,980)</u>
Assessments Receivable - Net	<u>\$ 1,420</u>	<u>\$ 2,388</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.

LANDMARK MEWS COMMUNITY ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016  
(CONTINUED)

NOTE 8 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 23, 2018, the date the financial statements were available to be issued.

LANDMARK MEWS COMMUNITY ASSOCIATION, INC.  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2017  
(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