

SIDEBURN RUN RECREATION ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

KOSITZKA, WICKS & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS



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KOSITZKA, WICKS & COMPANY
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors of
Sideburn Run Recreation Association, Inc.

We have audited the accompanying financial statements of the **Sideburn Run Recreation Association, Inc.** (a nonprofit organization) which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities 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 of 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 the **Sideburn Run Recreation Association, Inc.** as of December 31, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kositzka, Wicks and Company

Alexandria, Virginia
November 30, 2015

Sideburn Run Recreation Association, Inc.

Statements of Financial Position December 31,

2014

2013

Assets

Current assets

Cash and cash equivalents

\$ 66,769 \$ 81,833

Prepaid expenses

3,657 4,085

70,426 85,918

Certificate of deposit

46,000 46,000

Property and equipment

Land

91,064 91,064

Building, swimming pool and facilities

572,128 539,028

Furniture and equipment

69,022 69,022

Less: Accumulated depreciation

(487,479) (468,681)

244,735 230,433

Total assets

\$ 361,161 \$ 362,351

Liabilities and net assets

Current liabilities

Accrued expenses

\$ 750 \$ 1,500

Long-term membership certificates

209,865 211,665

Total liabilities

210,615 213,165

Net assets

Board-restricted funds

Capital renewal and renovation fund

66,000 56,000

ADA Accrual

6,000 3,000

Total board-restricted funds

72,000 59,000

Unrestricted

78,546 90,186

Total net assets

150,546 149,186

Total liabilities and net assets

\$ 361,161 \$ 362,351

See accompanying notes and independent auditor's report.

Sideburn Run Recreation Association, Inc.

Statements of Activities

for the years ended December 31,

2014

2013

Revenue

Membership dues	\$ 131,461	\$ 141,740
Guest fees	7,923	7,680
Concessions, net	4,844	5,881
Other fees	729	255
Advertising	524	710
Interest	12	18
Swim and dive team, net	(1,860)	5,167
Transfers to restricted funds	(13,000)	(13,000)
	<u>130,633</u>	<u>148,451</u>

Expenses

Accounting	4,000	6,926
Administrative expense	1,446	807
Depreciation	18,798	15,514
Insurance	11,088	10,694
Maintenance and repair	18,715	13,718
Management fee	65,821	64,784
Membership incentives	428	800
Miscellaneous	149	698
Social	2,077	1,490
Supplies	3,845	9,112
Taxes and licenses	4,192	4,299
Utilities	11,714	8,336
	<u>142,273</u>	<u>137,178</u>

Change in unrestricted net assets

(11,640)

11,273

Unrestricted net assets, beginning of year

90,186

78,913

Unrestricted net assets, end of year

\$ 78,546

\$ 90,186

Board-restricted funds, beginning of year

\$ 59,000

\$ 46,000

Transfers to restricted funds

13,000

13,000

Board-restricted funds, end of year

\$ 72,000

\$ 59,000

See accompanying notes and independent auditor's report.

Sideburn Run Recreation Association, Inc.

Statements of Cash Flows for the years ended December 31,

2014**2013****Cash flows from operating activities**

Change in net assets	\$	1,360	\$	24,273
Adjustments to reconcile change in net assets to net cash provided by operating activities				
Depreciation		18,798		15,514
(Increase) decrease in operating assets				
Prepaid expenses		428		(154)
Increase (decrease) in operating liabilities				
Accrued expenses		(750)		1,500
Membership certificates		(1,800)		9,635
Net cash provided by operating activities		<u>18,036</u>		<u>50,768</u>

Cash flows from investing activities

Purchase of property and equipment		<u>(33,100)</u>		<u>(63,975)</u>
Net cash used in investing activities		<u>(33,100)</u>		<u>(63,975)</u>

Net decrease in cash and cash equivalents (15,064) (13,207)

Cash and cash equivalents, beginning of year 81,833 95,040

Cash and cash equivalents, end of year \$ 66,769 \$ 81,833

Supplemental disclosure of cash flow information

Cash paid for interest	\$	-	\$	-
Income taxes paid	\$	-	\$	53

See accompanying notes and independent auditor's report.

Sideburn Run Recreation Association, Inc.

Notes to Financial Statements December 31, 2014 and 2013

1. Organization

Sideburn Run Recreation Association, Inc. (the Association) is a membership organization. The Association is responsible for the operation and maintenance of the neighborhood swimming pool. The Association shall have no more than 500 members. The Association's main source of revenue is dues collected from members.

2. Summary of significant accounting policies

Basis of accounting

The financial statements of the Association are prepared using the accrual method of accounting, with the exception of membership dues, which are recorded as described below under Revenue Recognition. In accordance with this method of accounting, expenses are recognized in the period in which they are incurred. All expenses which are applicable to future periods have been presented as prepaid expenses on the accompanying statements of financial position.

Use of estimates

The preparation of financial statements in conformity with U.S. 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.

Revenue recognition

In recognition of the voluntary nature of the membership, the Association does not accrue membership dues and record related receivables but rather recognizes such revenue as received, following a practice prevalent among voluntary membership organizations. Members are notified of annual membership dues on or around March 1st of each year.

Cash and cash equivalents

The Association considers all cash and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Certificates of deposit with original maturities of over 90 days are classified as short-term investments and are stated at cost.

See independent auditor's report.

Sideburn Run Recreation Association, Inc.

Notes to Financial Statements December 31, 2014 and 2013

2. Summary of significant accounting policies (continued)

Concentration of credit risk

FDIC insurance on interest-bearing accounts is \$250,000 per depositor, per insured bank. At December 31, 2014, all of the Association's cash deposits were insured by the Federal Deposit Insurance Corporation.

Income taxes

The Association is exempt from income taxes on its exempt purpose activities under the provisions of Section 501(c)(7) of the Internal Revenue Code. The Association is subject to income taxes, at the corporate tax rates, on activities deemed not to be within the scope of its exempt purpose function. Unrelated business income was \$536 and \$728 for the years ended December 31, 2014 and 2013, respectively.

The material jurisdictions subject to potential examination by taxing authorities are the U.S. and Virginia. Management does not believe that the ultimate outcome of any future examinations of tax years will have a material impact on the Association's results of operations. Tax years that remain subject to examination by the IRS are 2011 through 2014.

Other financial assets and liabilities

Financial assets with carrying values approximating fair value include cash and cash equivalents and prepaid expenses. Financial liabilities with carrying values approximating fair value include accrued expenses. The carrying value of these financial assets and liabilities approximates fair value due to their short maturities and any associated interest rates approximate current market rates.

3. Certificates of deposit

A certificate of deposit, with an interest rate linked to the S&P 500 index and maturing on September 21, 2017, was valued at \$46,000 for the years ended December 31, 2014 and 2013.

4. Property

It is the Association's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Property and equipment are depreciated using the straight-line method over the estimated useful life of the asset, generally between 5 and 20 years.

Upon dissolution of the Association, if there is money or other assets remaining after satisfaction of the corporate obligations of all and any kinds, such excess money or assets shall be given to one or more municipal or charitable organizations, societies or corporations to be used exclusively to procure, erect or maintain recreational facilities or recreation programs within the County of Fairfax, Virginia.

See independent auditor's report.

Sideburn Run Recreation Association, Inc.

Notes to Financial Statements December 31, 2014 and 2013

4. Property (continued)

A summary of information relative to property depreciation as of December 31, 2014 and 2013 is as follows:

	Depreciation expense		Accumulated depreciation	
	2014	2013	2014	2013
Building	\$ 1,368	\$ 1,368	\$ 121,180	\$ 119,812
Facilities	7,016	5,603	110,812	103,796
Swimming pool	8,744	4,551	196,465	187,721
Furniture and equipment	<u>1,670</u>	<u>3,992</u>	<u>59,022</u>	<u>57,352</u>
	<u>\$ 18,798</u>	<u>\$ 15,514</u>	<u>\$ 487,479</u>	<u>\$ 468,681</u>

5. Membership certificates

Membership certificates represent the right to use the Association's facilities upon payment of dues which are determined annually by the Board. A bond member also has the right to vote and is eligible to serve on the Board. Membership certificates are redeemable.

6. Management fee

The Association is obligated under a contract with Crystal Aquatics to provide pool personnel, and perform routine pool cleaning and maintenance services. The contract period ends on December 31, 2016. Management fees under this contract were \$65,821 for the year ended December 31, 2014. Future minimum management fees under this contract are as follows for the years ending December 31,

2015	\$ 69,900
2016	<u>66,925</u>
	<u>\$ 136,825</u>

7. Subsequent events

The Association assessed events occurring subsequent to December 31, 2014 through November 30, 2015, the date the financial statements were available to be issued, for potential recognition and disclosure in the financial statements. No events have occurred that would require adjustment to or disclosure in the financial statements.

See independent auditor's report.