

Annual Financials
The Fields HOA

SAMPLE

THE FIELDS HOMEOWNERS
ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016

SAMPLE

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DONALD A. HILTNER & Co., LLC

CERTIFIED PUBLIC ACCOUNTANTS
280 EAST MAIN STREET
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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
The Fields Homeowners Association, Inc.
Hampstead, Maryland

We have audited the accompanying financial statements of The Fields Homeowners Association, Inc., which include the balance sheet as of December 31, 2016 and the related statements of revenues, expenses and changes in fund balance 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 to 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 The Fields Homeowners Association, Inc. as of December 31, 2016, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The Corporation has omitted future repair and replacement cost information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Donald A. Hiltner & Co. LLC

Donald A. Hiltner & Co, LLC

April 20, 2017

THE FIELDS HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2016

ASSETS

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CURRENT ASSETS			
Cash, including interest bearing deposits	\$ 49,869	\$ 139,288	\$ 189,157
Assessments receivable	15,950	-0-	15,950
Prepaid expenses	<u>2,610</u>	<u>-0-</u>	<u>2,610</u>
TOTAL ASSETS	<u>\$ 68,249</u>	<u>\$ 139,288</u>	<u>\$ 207,717</u>

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES

Accounts payable	\$ 3,203	\$ -0-	\$ 3,203
Prepaid assessments	<u>43,744</u>	<u>-0-</u>	<u>43,744</u>
Total	\$ 46,947	\$ -0-	\$ 46,947

FUND BALANCE

Operating fund balance	\$ 21,482	\$ -0-	\$ 21,482
Replacement fund balance	<u>-0-</u>	<u>139,288</u>	<u>139,288</u>
Total	<u>\$ 21,482</u>	<u>\$ 139,288</u>	<u>\$ 160,770</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 68,429</u>	<u>\$ 139,288</u>	<u>\$ 207,717</u>
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See accompanying notes and auditors' report.

THE FIELDS HOMEOWNERS ASSOCIATION, INC.
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND BALANCE
 YEAR ENDED DECEMBER 31, 2016

	Operating <u>Fund</u>	Replacement <u>Fund</u>	<u>Total</u>
REVENUES			
Assessments	\$ 104,628	\$ 7,000	\$ 111,628
Late fees and miscellaneous	2,034	-0-	2,034
Interest income	<u>-0-</u>	<u>953</u>	<u>953</u>
Total	\$ 106,662	\$ 7,953	\$ 114,615
EXPENSES			
Electricity	\$ 865	\$ -0-	\$ 865
Water and sewer	151	-0-	151
Grounds care	46,958	-0-	46,958
Snow removal	10,020	-0-	10,020
Repair and maintenance	4,794	-0-	4,794
Playground	2,413	-0-	2,413
Management	21,000	-0-	21,000
Insurance	3,041	-0-	3,041
Professional fees	12,330	-0-	12,330
Office expenses and miscellaneous	5,227	-0-	5,227
Bad debts	1,005	-0-	1,005
Income taxes	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ 107,804	\$ -0-	\$ 107,804
NET EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	\$ (1,142)	\$ 7,953	\$ 6,811
FUND BALANCE - Beginning	<u>22,624</u>	<u>131,335</u>	<u>153,959</u>
FUND BALANCE - Ending	<u>\$ 21,482</u>	<u>\$ 139,288</u>	<u>\$ 160,770</u>

See accompanying notes and auditors' report.

THE FIELDS HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net excess (deficit) of revenues over expenses	\$ (1,142)	\$ 7,953	\$ 6,811
Adjustments to reconcile to cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	(3,337)	-0-	(3,337)
Prepaid expenses	(91)	-0-	(91)
Increase (decrease) in:			
Accounts payable	2,766	-0-	2,766
Prepaid assessments	<u>7,953</u>	<u>-0-</u>	<u>7,953</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 6,149	\$ 7,953	\$ 14,102
CASH FLOWS FROM INVESTING ACTIVITIES	\$ -0-	\$ -0-	\$ -0-
CASH FLOWS FROM FINANCING ACTIVITIES	\$ -0-	\$ -0-	\$ -0-
NET INCREASE IN CASH	\$ 6,149	\$ 7,953	\$ 14,102
CASH - Beginning of year	<u>43,720</u>	<u>131,335</u>	<u>175,055</u>
CASH - End of year	<u>\$ 49,869</u>	<u>\$ 139,288</u>	<u>\$ 189,157</u>

See accompanying notes and auditors' report.

THE FIELDS HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 1 - NATURE OF ORGANIZATION

The Fields Homeowners Association, Inc. was incorporated on December 27, 1984 in the State of Maryland. The Association is responsible for the operation and maintenance of the common property within the Fields development which consists of 639 residential units located in Carroll County, Maryland.

Note 2 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through the date of the auditors' report, the date that the financial statements were available to be issued.

Note 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Corporation's accounts are organized and operated on a fund accounting basis. Financial resources are classified for accounting and reporting purposes in the following funds according to their nature and purpose:

Operating Fund - used to account for financial resources available for the general operations of the Corporation.

Replacement Fund - used to accumulate financial resources designated for future major repairs and replacements.

Management

The Corporation's Board of Directors engaged Conway Management Co., Inc. as its agent to handle its finances and to assist in managing the affairs of the Corporation. The management firm maintained separate bank accounts on behalf of the Corporation.

Member Assessments

Association members are subject to monthly assessments to provide funds for operating expenses and major repairs and replacements. Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Corporation's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent and to set up an allowance for doubtful accounts deemed uncollectible by the Corporation's management agent.

Property and Equipment

The common areas of The Fields Homeowners Association community were conveyed by the developer to the Corporation at no cost. Accordingly, no cost has been recorded on the Corporation's books. Replacements and improvements to the common areas are not capitalized.

Income Taxes

Under the provisions of the Internal Revenue Code, a qualifying homeowners association may elect annually to be taxed as an exempt homeowners association. Under this election the association is exempt from income taxes on its dues, assessments and other membership function income. It is, however, taxable on non-exempt function income such as interest, dividends, non-member service fees, etc. If the election is not made then the association is taxable as a regular corporation, subject, however, to the membership organization regulations of Internal Revenue Code Section 277.

For the year ended December 31, 2016, the election was made.

Income tax returns are subject to audit by various taxing authorities for three years from the date of filing.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Note 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Corporation's governing documents require funds to be accumulated for future repairs and replacements. Accumulated funds, which total \$139,288, are held in separate accounts and are generally not available for operating purposes.

The Corporation is funding contributions to the Replacement Fund. However, an independent study to determine the adequacy of the current funding program has not been conducted. Additionally, the program could be affected by unanticipated future events. Accordingly, the current program may not be sufficient to meet all future replacement costs. Therefore, when replacement funds are needed, the Corporation has the right to increase the monthly assessments, pass special assessments, or delay replacement until funds are available.

THE FIELDS HOMEOWNERS
ASSOCIATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015

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Hampstead, Maryland

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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 to 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 The Fields Homeowners Association, Inc. as of December 31, 2015, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The Corporation has omitted future repair and replacement cost information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.


Donald A. Hiltner & Co., LLC

June 27, 2016

THE FIELDS HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2015

ASSETS

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CURRENT ASSETS			
Cash	\$ 43,720	\$ 131,335	\$ 175,055
Assessments receivable	12,613	-0-	12,613
Prepaid expenses	<u>2,519</u>	<u>-0-</u>	<u>2,519</u>
TOTAL ASSETS	<u>\$ 58,852</u>	<u>\$ 131,335</u>	<u>\$ 190,187</u>

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES			
Accounts payable	\$ 437	\$ -0-	\$ 437
Prepaid assessments	<u>35,791</u>	<u>-0-</u>	<u>35,791</u>
Total	\$ 36,228	\$ -0-	\$ 36,228
FUND BALANCE			
Operating fund balance	\$ 22,624	\$ -0-	\$ 22,624
Replacement fund balance	<u>-0-</u>	<u>131,335</u>	<u>131,335</u>
Total	<u>\$ 22,624</u>	<u>\$ 131,335</u>	<u>\$ 153,959</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 58,852</u>	<u>\$ 131,335</u>	<u>\$ 190,187</u>

See accompanying notes and auditors' report.

THE FIELDS HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2015

	Operating Fund	Replacement Fund	Total
REVENUES			
Assessments	\$ 105,353	\$ -0-	\$ 105,353
Late fees and miscellaneous	2,616	-0-	2,616
Interest income	-0-	639	639
	<hr/>	<hr/>	<hr/>
Total	\$ 107,969	\$ 639	\$ 108,608
EXPENSES			
Electricity	\$ 729	\$ -0-	\$ 729
Water and sewer	142	-0-	142
Grounds care	46,127	-0-	46,127
Snow removal	6,000	-0-	6,000
Repair and maintenance	1,470	-0-	1,470
Playground	200	-0-	200
Management	20,400	-0-	20,400
Insurance	2,974	-0-	2,974
Professional fees	18,585	-0-	18,585
Office expenses and miscellaneous	4,171	-0-	4,171
Income taxes	-0-	-0-	-0-
	<hr/>	<hr/>	<hr/>
Total	\$ 100,798	\$ -0-	\$ 100,798
NET EXCESS OF REVENUES OVER EXPENSES	\$ 7,171	\$ 639	\$ 7,810
FUND BALANCE - Beginning	15,453	130,696	146,149
	<hr/>	<hr/>	<hr/>
FUND BALANCE - Ending	\$ 22,624	\$ 131,335	\$ 153,959

See accompanying notes and auditors' report.

THE FIELDS HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net excess of revenues over expenses	\$ 7,171	\$ 639	\$ 7,810
Adjustments to reconcile to cash provided by operating activities:			
(Increase) decrease in:			
Assessments receivable	(396)	-0-	(396)
Prepaid expenses	(49)	-0-	(49)
Increase (decrease) in:			
Accounts payable	(2,502)	-0-	(2,502)
Prepaid assessments	<u>(3,883)</u>	<u>-0-</u>	<u>(3,883)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 341	\$ 639	\$ 980
CASH FLOWS FROM INVESTING ACTIVITIES	\$ -0-	\$ -0-	\$ -0-
CASH FLOWS FROM FINANCING ACTIVITIES	\$ -0-	\$ -0-	\$ -0-
NET INCREASE IN CASH	\$ 341	\$ 639	\$ 980
CASH - Beginning of year	<u>\$ 43,720</u>	<u>\$ 131,335</u>	<u>\$ 175,055</u>
CASH - End of year			

See accompanying notes and auditors' report.

THE FIELDS HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1 - NATURE OF ORGANIZATION

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is, however, taxable on non-exempt function income such as interest, dividends, non-member service fees, etc. If the election is not made then the association is taxable as a regular corporation, subject, however, to the membership organization regulations of Internal Revenue Code Section 277.

For the year ended December 31, 2015, the election was made.

Income tax returns are subject to audit by various taxing authorities for three years from the date of filing.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Note 4 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Corporation's governing documents require funds to be accumulated for future repairs and replacements. Accumulated funds, which total \$ 131,335, are held in separate accounts and are generally not available for operating purposes.

The Corporation is funding contributions to the Replacement Fund. However, an independent study to determine the adequacy of the current funding program has not been conducted. Additionally, the program could be affected by unanticipated future events. Accordingly, the current program may not be sufficient to meet all future replacement costs. Therefore, when replacement funds are needed, the Corporation has the right to increase the monthly assessments, pass special assessments, or delay replacement until funds are available.