



**Principals**

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**Associate Principals**

Jeremy W. Powell, CPA  
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**Managers**

Allison A. Day, CPA  
Matthew T. Stiefvater, CPA

**Independent Auditor's Report**

To the Board of Directors of  
The Grove at Huntley Meadows Association, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of The Grove at Huntley Meadows Association, Inc., which comprise the balance sheets as of December 31, 2013 and 2012, 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 The Grove at Huntley Meadows Association, Inc. as of December 31, 2013 and 2012, 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 21, 2014

THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.  
BALANCE SHEETS  
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 143,510	\$ 138,334
Interest-Bearing Deposits	495,000	425,000
Investments	37,097	36,310
Assessments Receivable - Net	5,935	8,479
Income Taxes Receivable	3,410	1,450
Accrued Interest	2,119	1,850
Prepaid Expenses	<u>1,388</u>	<u>5,588</u>
Total Assets	<u>\$ 688,459</u>	<u>\$ 617,011</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts Payable	\$ 7,946	\$ 4,131
Income Taxes Payable	-	288
Prepaid Assessments	<u>26,211</u>	<u>21,762</u>
Total Liabilities	<u>\$ 34,157</u>	<u>\$ 26,181</u>
Operating Reserve	\$ 17,762	\$ 17,762
Replacement Reserves	529,619	494,527
Unappropriated Members' Equity	<u>106,921</u>	<u>78,541</u>
Total Members' Equity	<u>\$ 654,302</u>	<u>\$ 590,830</u>
Total Liabilities and Members' Equity	<u>\$ 688,459</u>	<u>\$ 617,011</u>

THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
<u>INCOME:</u>		
Assessments	\$ 357,660	\$ 357,660
Interest	10,867	11,121
Late Fees	1,870	3,005
Bad Debt Recovery	3,424	4,698
Other	1,580	2,341
Total Income	\$ 375,401	\$ 378,825
 <u>EXPENSES:</u>		
Management	\$ 42,143	\$ 40,466
Legal, Audit and Tax Preparation	15,546	14,119
Insurance	4,200	3,124
Postage	3,283	3,299
Office	19,501	20,503
Social	8,425	10,905
Trash Removal	71,535	69,326
Grounds Maintenance	58,115	149,466
Utilities	9,583	9,734
Snow Removal	4,145	1,223
Common Area Maintenance	9,119	10,694
Pool	53,681	49,477
Income Taxes	1,590	1,701
Total Expenses	\$ 300,866	\$ 384,037
Net Income (Loss) before Contribution to Reserves	\$ 74,535	\$ (5,212)
Contribution to Reserves	(39,415)	(30,600)
Net Income (Loss)	\$ 35,120	\$ (35,812)

See Accompanying Notes to Financial Statements

THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>Operating Reserve</u>	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of December 31, 2011	\$ 17,762	\$ 498,625	\$ 114,353	\$ 630,740
Addition:				
Contribution to Reserves		30,600		30,600
Deductions:				
Pool Repairs		(12,500)		(12,500)
Paving/Concrete Repairs		(22,198)		(22,198)
Net Loss			(35,812)	(35,812)
Balance as of December 31, 2012	\$ 17,762	\$ 494,527	\$ 78,541	\$ 590,830
Additions:				
Contribution to Reserves		39,415		39,415
Net Income			35,120	35,120
Inter-Equity Transfer		6,740	(6,740)	
Deductions:				
Pool		(2,400)		(2,400)
Borders		(3,093)		(3,093)
Streets		(5,570)		(5,570)
Balance as of December 31, 2013	<u>\$ 17,762</u>	<u>\$ 529,619</u>	<u>\$ 106,921</u>	<u>\$ 654,302</u>

See Accompanying Notes to Financial Statements

THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income (Loss)	\$ 35,120	\$ (35,812)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Bad Debt Expense (Recovery)	(3,424)	(4,698)
Decrease (Increase) in:		
Assessments Receivable	5,968	8,279
Income Taxes Receivable	(1,960)	(1,299)
Accrued Interest	(269)	55
Prepaid Expenses	4,200	(4,200)
Increase (Decrease) in:		
Accounts Payable	3,815	(1,928)
Income Taxes Payable	(288)	-
Prepaid Assessments	4,449	1,694
Net Cash Flows from Operating Activities	<u>\$ 47,611</u>	<u>\$ (37,909)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	\$ 39,415	\$ 30,600
Disbursed for Reserve Expenditures	(11,063)	(34,698)
Received from Investments/Interest-Bearing Deposits	145,000	105,000
Disbursed for Investments/Interest-Bearing Deposits	(215,787)	(105,801)
Net Cash Flows from Investing Activities	<u>\$ (42,435)</u>	<u>\$ (4,899)</u>
Net Change in Cash and Cash Equivalents	\$ 5,176	\$ (42,808)
Cash and Cash Equivalents at Beginning of Year	<u>138,334</u>	<u>181,142</u>
Cash and Cash Equivalents at End of Year	<u>\$ 143,510</u>	<u>\$ 138,334</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash Paid for Income Taxes	<u>\$ 3,800</u>	<u>\$ 3,004</u>

See Accompanying Notes to Financial Statements

THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

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. The Board of Directors administers the Association operations. The Association is located in Alexandria, Virginia and consists of 70 single family homes and 215 townhomes. The Board of Directors administers the Association's operations.

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 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 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 those properties cannot be disposed of at the discretion of the board of directors. Common property includes, but is not limited to, land, recreational facilities and other 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.

F) Reclassification - Certain amounts have been reclassified in the accompanying 2012 financial statements to conform to the 2013 presentation.

THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(CONTINUED)

NOTE 3 - REPLACEMENT RESERVES:

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are generally not available for expenditures for normal operations.

The Association had a replacement reserve study conducted by Reserve Advisors, Inc. during 2009 and updated in 2013. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on the updated study.

The 2009 study recommends a contribution of \$30,600 plus interest contribution of \$31,400 for 2013. For 2013, the Association budgeted to contribute \$39,415 to reserves. Additionally, the Association elected to transfer \$6,740 from unappropriated members' equity to replacement 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 Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

As of December 31, 2013 and 2012, the Association had designated \$529,619 and \$494,527, respectively, for replacement reserves. These designated reserves were funded by cash, interest-bearing deposits and investments.

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 2013 and 2012, 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. For the years ended December 31, 2013 and 2012, the Association incurred \$0 and 4 in penalties, respectively, 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.



THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(CONTINUED)

NOTE 5 - CASH, INTEREST-BEARING DEPOSITS AND INVESTMENTS:

As of December 31, 2013, 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>Investments</u>	<u>Total</u>
United	Checking	\$ 84,432	\$ -	\$ -	\$ 84,432
Morgan Stanley	Bank Deposit	59,078			59,078
Morgan Stanley (Various Institutions)	Certificates of Deposit (14)		495,000		495,000
U.S. Government	Treasury Bond			37,097	37,097
	Totals	<u>\$ 143,510</u>	<u>\$ 495,000</u>	<u>\$ 37,097</u>	<u>\$ 675,607</u>

ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. ASC 820-10 uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 - Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 - Includes inputs other than level 1 that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 - Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk such as bid/ask spreads and liquidity discounts.

It is the intent of the Association to hold the debt securities until maturity. Therefore, the treasury instruments are recorded at amortized cost. As of December 31, 2013, the market value of the debt securities was as follows.

<u>2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Treasury Strip	\$ 37,097	\$ -	\$ -	\$ 37,097
<u>2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Treasury Strip	\$ 36,310	\$ -	\$ -	\$ 36,310

THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(CONTINUED)

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.

	2013	2012
Assessments Receivable	\$ 12,192	\$ 17,616
Less: Allowance for Doubtful Assessments	<u>(6,257)</u>	<u>(9,137)</u>
Assessments Receivable - Net	<u>\$ 5,935</u>	<u>\$ 8,479</u>

NOTE 7 - OPERATING RESERVE:

The Association established an operating (contingency) reserve for unexpected contingencies. During 2012 and 2011, the Association elected not to contribute any amounts to this fund. As of December 31, 2013 and 2012, the balance in the operating (contingency) reserve was \$17,762. This fund was funded by cash, interest-bearing deposits and investments.

NOTE 8 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 21, 2014, the date the financial statements were available to be issued.

THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2013  
(UNAUDITED)

The Association had a replacement reserve study conducted by Reserve Advisors, Inc, during 2013 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>2013 Estimated Remaining Useful Life (Years)</u>	<u>2013 Estimated Replacement Cost (Per Phase)</u>
Property Site Elements	2-24	\$ 542,991
Pool House Elements	6-24	62,150
Pool Elements	2-10	71,868
Reserve Study	2	2,850



**Principals**

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**Managers**

Allison A. Day, CPA  
Matthew T. Stiefvater, CPA  
Sheila M. Lewis, CPA

Independent Auditor's Report

To the Board of Directors of  
The Grove at Huntley Meadows Homeowners Association, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of The Grove at Huntley Meadows Homeowners Association, Inc., which comprise the balance sheets as of December 31, 2014 and 2013, 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 The Grove at Huntley Meadows Homeowners Association, Inc. as of December 31, 2014 and 2013, 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  
April 27, 2015

THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.  
BALANCE SHEETS  
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 190,980	\$ 143,510
Interest-Bearing Deposits	515,000	495,000
Investments	37,857	37,097
Assessments Receivable - Net	9,330	5,935
Income Taxes Receivable	828	3,410
Accrued Interest	2,404	2,119
Prepaid Expenses	<u>1,924</u>	<u>1,388</u>
Total Assets	<u>\$ 758,323</u>	<u>\$ 688,459</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts Payable	\$ 6,198	\$ 7,946
Prepaid Assessments	<u>27,666</u>	<u>26,211</u>
Total Liabilities	<u>\$ 33,864</u>	<u>\$ 34,157</u>
Operating Reserve	\$ 17,762	\$ 17,762
Replacement Reserves	642,339	529,619
Unappropriated Members' Equity	<u>64,358</u>	<u>106,921</u>
Total Members' Equity	<u>\$ 724,459</u>	<u>\$ 654,302</u>
Total Liabilities and Members' Equity	<u>\$ 758,323</u>	<u>\$ 688,459</u>

See Accompanying Notes to Financial Statements

THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>INCOME:</u>		
Assessments	\$ 357,660	\$ 357,660
Interest	10,423	10,867
Late Fees	3,679	1,870
Bad Debt Recovery	-	3,424
Other	4,813	1,580
Total Income	<u>\$ 376,575</u>	<u>\$ 375,401</u>
<u>EXPENSES:</u>		
Management	\$ 43,533	\$ 42,143
Legal, Audit and Tax Preparation	11,956	15,546
Insurance	6,150	4,200
Postage	5,069	3,283
Office	23,485	19,501
Social	9,179	8,425
Trash Removal	72,478	71,535
Grounds Maintenance	58,883	58,115
Utilities	9,449	9,583
Snow Removal	14,429	4,145
Common Area Maintenance	8,935	9,119
Pool	40,715	53,681
Bad Debt	474	-
Income Taxes	1,372	1,590
Total Expenses	<u>\$ 306,107</u>	<u>\$ 300,866</u>
Net Income before Contribution to Reserves	\$ 70,468	\$ 74,535
Contribution to Reserves	<u>(51,478)</u>	<u>(39,415)</u>
Net Income	<u>\$ 18,990</u>	<u>\$ 35,120</u>

See Accompanying Notes to Financial Statements

THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>Operating Reserve</u>	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of December 31, 2012	\$ 17,762	\$ 494,527	\$ 78,541	\$ 590,830
Additions:				
Contribution to Reserves		39,415		39,415
Net Income			35,120	35,120
Inter-Equity Transfer		6,740	(6,740)	
Deductions:				
Pool		(2,400)		(2,400)
Borders		(3,093)		(3,093)
Streets		(5,570)		(5,570)
Balance as of December 31, 2013	\$ 17,762	\$ 529,619	\$ 106,921	\$ 654,302
Additions:				
Contribution to Reserves		51,478		51,478
Net Income			18,990	18,990
Inter-Equity Transfer		61,553	(61,553)	
Deduction:				
Umbrella		(311)		(311)
Balance as of December 31, 2014	<u>\$ 17,762</u>	<u>\$ 642,339</u>	<u>\$ 64,358</u>	<u>\$ 724,459</u>

See Accompanying Notes to Financial Statements



THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income	\$ 18,990	\$ 35,120
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Bad Debt Expense (Recovery)	474	(3,424)
Decrease (Increase) in:		
Assessments Receivable	(3,869)	5,968
Income Taxes Receivable	2,582	(1,960)
Accrued Interest	(285)	(269)
Prepaid Expenses	(536)	4,200
Increase (Decrease) in:		
Accounts Payable	(1,748)	3,815
Income Taxes Payable	-	(288)
Prepaid Assessments	1,455	4,449
Net Cash Flows from Operating Activities	<u>\$ 17,063</u>	<u>\$ 47,611</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	\$ 41,056	\$ 39,415
Received from Interest (Reserves)	10,422	-
Disbursed for Reserve Expenditures	(311)	(11,063)
Received from Investments/Interest-Bearing Deposits	120,000	145,000
Disbursed for Investments/Interest-Bearing Deposits	(140,760)	(215,787)
Net Cash Flows from Investing Activities	<u>\$ 30,407</u>	<u>\$ (42,435)</u>
Net Change in Cash and Cash Equivalents	\$ 47,470	\$ 5,176
Cash and Cash Equivalents at Beginning of Year	<u>143,510</u>	<u>138,334</u>
Cash and Cash Equivalents at End of Year	<u>\$ 190,980</u>	<u>\$ 143,510</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash Paid for Income Taxes	<u>\$ 2,200</u>	<u>\$ 3,800</u>

See Accompanying Notes to Financial Statements

THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

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. The Board of Directors administers the Association operations. The Association is located in Alexandria, Virginia and consists of 70 single family homes and 215 townhomes. The Board of Directors administers the Association's operations.

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 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 those properties cannot be disposed of at the discretion of the board of directors. Common property includes, but is not limited to, land, recreational facilities and other 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.

F) Investments - The Association's marketable securities have been classified and accounted for either as available-for-sale or held-to-maturity. Debt securities are classified as held-to-maturity when the Association has the positive intent and the ability to hold the securities to maturity. Securities not classified as held-to-maturity are classified as available-for-sale. The cost of securities sold is based upon the specific identification method.

THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(CONTINUED)

NOTE 3 - REPLACEMENT RESERVES:

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are generally not available for expenditures for normal operations.

The Association had a replacement reserve study conducted by Reserve Advisors, Inc., during 2013. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on this study.

The study recommends a contribution of \$41,056 plus an interest contribution of \$11,139 for 2014. For 2014, the Association budgeted to contribute \$41,056 and elected to contribute interest income of \$10,422 to reserves. Additionally, the Association elected to transfer \$61,553 from unappropriated members' equity to replacement 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 Board of Directors, on behalf of the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

As of December 31, 2014 and 2013, the Association had designated \$642,339 and \$529,619, respectively, for replacement reserves. These designated reserves were funded by cash, interest-bearing deposits and investments.

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 2014 and 2013, 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. For the years ended December 31, 2014 and 2013, the Association did not incur any penalties, respectively, 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.

THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(CONTINUED)

NOTE 5 - CASH AND INTEREST-BEARING DEPOSITS:

As of December 31, 2014, 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>
United	Checking	\$ 71,472	\$ -	\$ 71,472
Morgan Stanley	Money Market	119,508		119,508
Morgan Stanley (Various Institutions)	Certificates of Deposit (14)		<u>515,000</u>	<u>515,000</u>
	Totals	<u>\$ 190,980</u>	<u>\$ 515,000</u>	<u>\$ 705,980</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>2014</u>	<u>2013</u>
Assessments Receivable	\$ 15,448	\$ 12,192
Less: Allowance for Doubtful Assessments	<u>(6,118)</u>	<u>(6,257)</u>
Assessments Receivable - Net	<u>\$ 9,330</u>	<u>\$ 5,935</u>

NOTE 7 - INVESTMENTS:

Held-to-maturity debt securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity. In accordance with ASC 820-10, the fair value of the debt securities was obtained using Level 1 Inputs. The amortized cost, gross unrealized gains and losses, and fair value of the held-to-maturity debt securities are summarized below:

	<u>Held-to-Maturity Debt Securities</u>			
	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>December 31, 2014</u>				
United States Savings Bond	<u>\$ 37,857</u>	<u>\$ 890</u>	<u>\$ -</u>	<u>\$ 38,747</u>

THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013  
(CONTINUED)

NOTE 7 - INVESTMENTS: (CONTINUED)

<u>December 31, 2013</u>	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
United States Savings Bond	\$ 37,097	\$ 1,400	\$ -	\$ 38,497

Contractual maturities of investments in debt securities at December 31, 2014 are shown below. Expected maturities will differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

Held-to-Maturity Debt Securities (Amortized Cost)

	<u>2014 Amortized Cost</u>	<u>2013 Amortized Cost</u>
Due in One Year or Less	\$ -	\$ -
Due in 1-5 Years	37,857	37,097
Due in 5-10 Years	-	-
After 10 Years	-	-
Investments in Debt Securities	<u>\$ 37,857</u>	<u>\$ 37,097</u>

NOTE 8 - OPERATING RESERVE:

The Association established an operating (contingency) reserve for unexpected contingencies. During 2014 and 2013, the Association elected not to contribute any amounts to this fund. As of December 31, 2014 and 2013, the balance in the operating (contingency) reserve was \$17,762. This reserve was funded by cash, interest-bearing deposits and investments.

NOTE 9 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 27, 2015, the date the financial statements were available to be issued.

THE GROVE AT HUNTLEY MEADOWS HOMEOWNERS ASSOCIATION, INC.  
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR  
REPAIRS AND REPLACEMENTS  
DECEMBER 31, 2014  
(UNAUDITED)

The Association had a replacement reserve study conducted by Reserve Advisors, Inc., during 2013 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>2013 Estimated Remaining Useful Life (Years)</u>	<u>2013 Estimated Replacement Cost</u>
Property Site Elements	2-24	\$ 542,991
Pool House Elements	6-24	62,150
Pool Elements	2-10	71,868
Reserve Study	2	2,850