



BURKE CENTRE CONSERVANCY
Financial Statements
and Supplementary Information
with
Independent Auditors' Report
December 31, 2018 and 2017

BURKE CENTRE CONSERVANCY
December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
Burke Centre Conservancy
Burke, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of Burke Centre Conservancy, which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations and comprehensive income, changes in 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 or internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to 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.

BURKE CENTRE CONSERVANCY

Independent Auditors' Report

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Opinion

In our opinion, the financial statements referred to above present fairly, in all materials respects, the financial position of Burke Centre Conservancy as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance 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 the schedule of future major repairs and replacements on Page 17 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.

DeLeon & Stang

**DeLeon & Stang, CPAs
Gaithersburg, Maryland
March 18, 2019**

BURKE CENTRE CONSERVANCY
Balance Sheets
December 31, 2018 and 2017

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Cluster Reserves</u>	<u>Total 2018</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 572,987	\$ 1,746,806	\$ 1,176,135	\$ 3,495,928
Restricted cash, pipestem escrow	124,459	-	-	124,459
Investments	300,000	5,456,848	2,891,877	8,648,725
Restricted investments, pipestem escrow	244,543	-	-	244,543
Accounts receivable, net	171,696	-	46,073	217,769
Accrued interest receivable	4,535	103,069	60,692	168,296
Prepaid expenses	93,565	-	-	93,565
Deposits and other receivables	1,771	-	-	1,771
Due from operating fund	-	220,458	60,631	281,089
Property and equipment, net of accumulated depreciation	114,409	-	-	114,409
Total assets	<u>\$ 1,627,965</u>	<u>\$ 7,527,181</u>	<u>\$ 4,235,408</u>	<u>\$ 13,390,554</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities:

Accounts payable and accrued expenses	\$ 146,451	\$ -	\$ -	\$ 146,451
Due to reserve funds	281,089	-	-	281,089
Deferred revenue	92,188	-	-	92,188
Pipestem escrow liability	369,002	-	-	369,002
Total liabilities	888,730	-	-	888,730

Members' equity:

Capital replacement fund	-	7,235,376	-	7,235,376
Capital improvement fund	-	75,141	-	75,141
Cluster discretionary fund	-	-	674,563	674,563
Cluster reserve fund	-	-	3,056,933	3,056,933
Cluster snow reserve fund	-	-	462,699	462,699
Operating reserve fund	129,074	-	-	129,074
Unappropriated members' equity	610,161	-	-	610,161
Accumulated other comprehensive income	-	216,664	41,213	257,877
Total members' equity	<u>739,235</u>	<u>7,527,181</u>	<u>4,235,408</u>	<u>12,501,824</u>
Total liabilities and members' equity	<u>\$ 1,627,965</u>	<u>\$ 7,527,181</u>	<u>\$ 4,235,408</u>	<u>\$ 13,390,554</u>

See Accompanying Notes to the Financial Statements.

BURKE CENTRE CONSERVANCY
Balance Sheets
December 31, 2018 and 2017 (Continued)

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Cluster Reserves</u>	<u>Total 2017</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 517,258	\$ 3,066,944	\$ 1,448,970	\$ 5,033,172
Restricted cash, pipestem escrow	111,968	-	-	111,968
Investments	300,000	3,708,579	2,392,371	6,400,950
Restricted investments, pipestem escrow	242,179	-	-	242,179
Accounts receivable, net	116,491	-	40,242	156,733
Accrued interest receivable	2,267	52,544	34,440	89,251
Prepaid expenses	211,863	-	-	211,863
Deposits and other receivables	1,720	-	-	1,720
Due from operating fund	-	214,678	70,073	284,751
Property and equipment, net of accumulated depreciation	<u>92,801</u>	<u>-</u>	<u>-</u>	<u>92,801</u>
 Total assets	 <u>\$ 1,596,547</u>	 <u>\$ 7,042,745</u>	 <u>\$ 3,986,096</u>	 <u>\$ 12,625,388</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>				
<u>Liabilities:</u>				
Accounts payable and accrued expenses	\$ 115,661	\$ -	\$ -	\$ 115,661
Due to reserve funds	284,751	-	-	284,751
Deferred revenue	100,527	-	-	100,527
Pipestem escrow liability	<u>354,147</u>	<u>-</u>	<u>-</u>	<u>354,147</u>
 Total liabilities	 855,086	 -	 -	 855,086
<u>Members' equity:</u>				
Capital replacement fund	-	6,632,730	-	6,632,730
Capital improvement fund	-	75,117	-	75,117
Cluster discretionary fund	-	-	647,983	647,983
Cluster reserve fund	-	-	2,874,378	2,874,378
Cluster snow reserve fund	-	-	399,583	399,583
Operating reserve fund	129,074	-	-	129,074
Unappropriated members' equity	612,387	-	-	612,387
Accumulated other comprehensive income	<u>-</u>	<u>334,898</u>	<u>64,152</u>	<u>399,050</u>
 Total members' equity	 <u>741,461</u>	 <u>7,042,745</u>	 <u>3,986,096</u>	 <u>11,770,302</u>
 Total liabilities and members' equity	 <u>\$ 1,596,547</u>	 <u>\$ 7,042,745</u>	 <u>\$ 3,986,096</u>	 <u>\$ 12,625,388</u>

See Accompanying Notes to the Financial Statements.

BURKE CENTRE CONSERVANCY
Statements of Operations and Comprehensive Income
For the Years ended December 31, 2018 and 2017

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Cluster Reserves</u>	<u>Total 2018</u>
Revenue:				
Assessments	\$ 3,546,300	\$ 849,877	\$ 462,667	\$ 4,858,844
Pool	473,292	-	-	473,292
Community services	293,706	-	-	293,706
Investment income	2,797	152,428	56,629	211,854
Other	73,170	-	-	73,170
Total revenues	4,389,265	1,002,305	519,296	5,910,866
Expenses:				
Personnel	1,486,112	-	-	1,486,112
Land services and trash removal	1,169,572	-	-	1,169,572
Resources	571,494	-	-	571,494
Pool	413,793	-	-	413,793
Cluster discretionary	-	-	184,734	184,734
Capital replacements and improvements	-	348,028	-	348,028
Administrative	256,112	-	-	256,112
Community services	180,415	-	-	180,415
Community center	165,587	-	-	165,587
Professional	96,601	-	-	96,601
Environmental cleanup and other special projects	32,833	-	-	32,833
Cluster reserve	-	-	62,311	62,311
Other	19,439	-	-	19,439
Depreciation	31,300	-	-	31,300
Tennis	7,139	-	-	7,139
Burke field	5,638	-	-	5,638
Taxes, property	7,063	-	-	7,063
Total expenses	4,443,098	348,028	247,045	5,038,171
Excess (deficiency) of revenues over expenses	(53,833)	654,277	272,251	872,695
Other comprehensive loss:				
Net unrealized investment loss	-	(118,234)	(22,939)	(141,173)
Total comprehensive income (loss)	<u>\$ (53,833)</u>	<u>\$ 536,043</u>	<u>\$ 249,312</u>	<u>\$ 731,522</u>

See Accompanying Notes to the Financial Statements.

BURKE CENTRE CONSERVANCY
Statements of Operations and Comprehensive Income
For the Years ended December 31, 2018 and 2017 (Continued)

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Cluster Reserves</u>	<u>Total 2017</u>
<u>Revenues:</u>				
Assessments	\$ 3,491,953	\$ 816,829	\$ 453,517	\$ 4,762,299
Pool	510,961	-	-	510,961
Community services	309,423	-	-	309,423
Investment income	2,100	109,112	34,292	145,504
Other	76,551	-	-	76,551
Gain on sale of assets	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	4,390,988	925,941	487,809	5,804,738
<u>Expenses:</u>				
Personnel	1,397,209	-	-	1,397,209
Land services and trash removal	1,152,319	-	-	1,152,319
Resources	435,677	-	-	435,677
Pool	393,519	-	-	393,519
Cluster discretionary	-	-	165,115	165,115
Administrative	247,134	-	-	247,134
Capital replacements and improvements	-	120,869	-	120,869
Community services	185,101	-	-	185,101
Community center	170,591	-	-	170,591
Professional	148,156	-	-	148,156
Environmental cleanup and other special projects	41,013	-	-	41,013
Cluster reserve	-	-	77,319	77,319
Other	30,175	-	-	30,175
Depreciation	35,201	-	-	35,201
Tennis	3,988	-	-	3,988
Burke field	7,215	-	-	7,215
Taxes, property	7,642	-	-	7,642
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	4,254,940	120,869	242,434	4,618,243
Excess of revenues over expenses	136,048	805,072	245,375	1,186,495
<u>Other comprehensive income:</u>				
Net unrealized investment gains	-	111,346	21,602	132,948
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income	<u>\$ 136,048</u>	<u>\$ 916,418</u>	<u>\$ 266,977</u>	<u>\$ 1,319,443</u>

See Accompanying Notes to the Financial Statements.

BURKE CENTRE CONSERVANCY
Statements of Changes in Members' Equity
For the Years ended December 31, 2018 and 2017

	Reserve Funds			Cluster Funds			Total
	Operating Fund	Accumulated Other Comprehensive Income		Fund Balances	Accumulated Other Comprehensive Income		
		Fund Balances	Comprehensive Income		Fund Balances	Comprehensive Income	
Members' equity, December 31, 2016:	\$ 605,413	\$ 5,902,775	\$ 223,552	\$ 3,676,569	\$ 42,550	\$ 10,450,859	
Excess of revenues over expenses	136,048	805,072	-	245,375	-	1,186,495	
Other comprehensive income	-	-	111,346	-	21,602	132,948	
Members' equity, December 31, 2017:	741,461	6,707,847	334,898	3,921,944	64,152	11,770,302	
Excess (deficiency) of revenues over expenses	(53,833)	654,277	-	272,251	-	872,695	
Other comprehensive loss	-	-	(118,234)	-	(22,939)	(141,173)	
Transfers for capitalized reserve expenditures	51,607	(51,607)	-	-	-	-	
Members' equity, December 31, 2018:	\$ 739,235	\$ 7,310,517	\$ 216,664	\$ 4,194,195	\$ 41,213	\$ 12,501,824	

BURKE CENTRE CONSERVANCY
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Clusters Reserves</u>	<u>Total 2018</u>
<u>Cash Flows From Operating Activities:</u>				
Excess (deficiency) of revenues over expenses	\$ (53,833)	\$ 654,277	\$ 272,251	\$ 872,695
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash (used in) provided by operating activities:				
Depreciation	31,300	-	-	31,300
(Increase) decrease in operating assets:				
Accounts receivable	(55,205)	-	(5,831)	(61,036)
Accrued interest receivable	(2,268)	(50,525)	(26,252)	(79,045)
Prepaid expenses	118,298	-	-	118,298
Deposits and other receivables	(51)	-	-	(51)
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses	30,790	-	-	30,790
Deferred revenue	(8,339)	-	-	(8,339)
Pipestem escrow liability	14,855	-	-	14,855
Total adjustments	<u>129,380</u>	<u>(50,525)</u>	<u>(32,083)</u>	<u>46,772</u>
Net cash provided by operating activities	75,547	603,752	240,168	919,467
<u>Cash Flows from Investing Activities:</u>				
Purchases of property and equipment	(52,908)	-	-	(52,908)
Purchases of restricted investments	(2,364)	-	-	(2,364)
Net purchases of investments	<u>-</u>	<u>(1,866,503)</u>	<u>(522,445)</u>	<u>(2,388,948)</u>
Net cash used in investing activities	(55,272)	(1,866,503)	(522,445)	(2,444,220)
<u>Cash Flows From Financing Activities:</u>				
Net interfund borrowings and (repayments)	(3,662)	(5,780)	9,442	-
Transfers for capitalized reserves expenditures	<u>51,607</u>	<u>(51,607)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>47,945</u>	<u>(57,387)</u>	<u>9,442</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	68,220	(1,320,138)	(272,835)	(1,524,753)
Cash and cash equivalents and restricted cash, at beginning of year	<u>629,226</u>	<u>3,066,944</u>	<u>1,448,970</u>	<u>5,145,140</u>
Cash and cash equivalents and restricted cash, at end of year	<u>\$ 697,446</u>	<u>\$ 1,746,806</u>	<u>\$ 1,176,135</u>	<u>\$ 3,620,387</u>

See Accompanying Notes to the Financial Statements.

BURKE CENTRE CONSERVANCY
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017 (Continued)

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Clusters Reserves</u>	<u>Total 2017</u>
<u>Cash Flows From Operating Activities:</u>				
Excess of revenues over expenses	\$ 136,048	\$ 805,072	\$ 245,375	\$ 1,186,495
Adjustments to reconcile excess of revenues over expenses to net cash used in operating activities:				
Depreciation	35,201	-	-	35,201
Provision for doubtful accounts	27,942	-	-	27,942
(Increase) decrease in operating assets:				
Accounts receivable	(33,267)	-	(1,887)	(35,154)
Accrued interest receivable	(1,338)	(21,045)	(14,057)	(36,440)
Prepaid expenses	(150,934)	-	-	(150,934)
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses	(63,551)	-	-	(63,551)
Deferred revenue	(1,415)	-	-	(1,415)
Pipestem escrow liability	7,960	-	-	7,960
	<u>(179,402)</u>	<u>(21,045)</u>	<u>(15,944)</u>	<u>(216,391)</u>
Net cash (used in) provided by operating activities	(43,354)	784,027	229,431	970,104
<u>Cash Flows from Investing Activities:</u>				
Purchases of restricted investments	(1,563)	-	-	(1,563)
Net purchases of investments	<u>-</u>	<u>(83,355)</u>	<u>(19,257)</u>	<u>(102,612)</u>
Net cash used in investing activities	(1,563)	(83,355)	(19,257)	(104,175)
<u>Cash Flows From Financing Activities:</u>				
Net interfund borrowings and (repayments)	<u>312,856</u>	<u>(238,258)</u>	<u>(74,598)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>312,856</u>	<u>(238,258)</u>	<u>(74,598)</u>	<u>-</u>
Net increase in cash and cash equivalents	267,939	462,414	135,576	865,929
Cash and cash equivalents and restricted cash, at beginning of year	<u>361,287</u>	<u>2,604,530</u>	<u>1,313,394</u>	<u>4,279,211</u>
Cash and cash equivalents and restricted cash, at end of year	<u>\$ 629,226</u>	<u>\$ 3,066,944</u>	<u>\$ 1,448,970</u>	<u>\$ 5,145,140</u>

BURKE CENTRE CONSERVANCY
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 1 - NATURE OF ORGANIZATION

Burke Centre Conservancy (the Conservancy) was incorporated on June 21, 1976 in the Commonwealth of Virginia. The Conservancy is responsible for the operation and maintenance of the common property within the development. The development consists of 5,862 residential units located on approximately 1,700 acres in Burke, Virginia.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association maintains its records on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Conservancy 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 report period. Actual results could differ from those estimates.

Fund Accounting

The Conservancy's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Conservancy maintains its accounts using fund accounting. Financial sources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating reserve fund: This fund is to be used for unanticipated major operating expenditures or income shortfalls, uninsured casualty losses, and budget overruns caused by unforeseen events.

Reserve funds: These funds are used to accumulate financial resources designated for future major repairs, replacements and improvements.

Cluster reserves: These funds are accumulated for the benefit of the individual clusters. The cluster reserve fund is available for maintenance and improvement of cluster streets, curbs, gutters, sidewalk, fire lanes, and other cluster structures. The cluster discretionary fund is for operational needs unique to the individual clusters.

BURKE CENTRE CONSERVANCY
Notes to the Financial Statements (Continued)
December 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Unappropriated members' equity: This represents net assets available for the general operation of the Conservancy.

Cash, Cash Equivalents, Restricted Cash and Restricted Investments

Cash and Cash Equivalents

The Conservancy considers all demand deposits, money market accounts, certificates of deposit and all highly liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents.

Restricted Cash and Investments, Pipestem Escrow

The Conservancy maintains restricted cash balances and investments in certificates of deposit on behalf of certain members who own shared private pipestem driveways. Investments in certificates of deposit are presented on the balance sheet at cost which approximates fair market value. These funds are not available for use by the Conservancy in the ordinary course of business.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets that sum to the totals of the same such amounts presented in the statements of cash flows at December 31,

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 572,987	\$ 517,258
Restricted cash, pipestem escrow	124,459	111,968
Total cash, cash equivalents and restricted cash presented in the statements of cash flows	<u>\$ 697,446</u>	<u>\$ 629,226</u>

Investments

Investments in equity securities are presented on the balance sheet at fair market value. Unrealized holding gains and losses are included as other comprehensive income in the fund balance section of the balance sheet. Realized gains are recognized with cost determined on the first-in, first-out method for mutual fund investments or the specific identification method, when possible. Investments in certificates of deposit are presented on the balance sheet at cost which approximates fair market value.

Interest and investment income are allocated to the operating, reserve and cluster funds in proportion to the cash investments of each fund.

BURKE CENTRE CONSERVANCY
Notes to the Financial Statements (Continued)
December 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Equity securities are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect the investment balances and amounts reported in the financial statements.

The fair value of investments in equity securities are determined by utilizing quoted market prices on active markets (Level 1) for identical securities.

Accounts Receivable

Accounts receivable are comprised primarily of assessments receivable that arise from quarterly assessments to members in the community.

Assessments receivable are due under normal trade terms requiring payment within 30 days of the invoice date. Assessments receivable are stated at the amount billed to the member. Account balances over 30 days past due accrue interest 18% per annum, and are considered delinquent when 90 days past due. Assessments receivable in delinquent status at December 31, 2018 and 2017 were \$584,482 and \$519,176. The Conservancy established allowance for doubtful accounts in the amount of \$388,538 as of December 31, 2018 and 2017.

Property and Equipment

In accordance with prevalent industry accounting practices, the Conservancy capitalizes all property and equipment to which it has title or other evidence of ownership with the exception of common real property directly or indirectly associated with the units. At December 31, 2018 and 2017, property not capitalized consists principally of land, various roadways, sidewalks, tennis courts, and five community centers and swimming pools. Capitalized property acquired by the Conservancy is recorded at cost and is depreciated over their estimated useful lives using the straight-line method of depreciation as follows:

Machinery, vehicles and equipment	5 years
Furniture and fixtures	5 years
Office equipment	3 to 5 years

Member Assessments

The Conservancy members are subject to quarterly assessments to provide funds for the Conservancy's operating expenses, future capital acquisitions, and major repairs and replacements.

BURKE CENTRE CONSERVANCY
Notes to the Financial Statements (Continued)
December 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Conservancy is exempt from tax under Section 501(c)(4) of the Internal Revenue Code. As such, the Conservancy is liable only for income taxes on unrelated business income, at applicable federal and state rates. There were no income taxes arising from unrelated business activities for the year ended December 31, 2018 and 2017.

While the Conservancy is not taxed for federal and state income tax purposes, the Conservancy's policy is to evaluate and review its tax positions on an ongoing basis to ensure compliance with the applicable portions of the Internal Revenue Code.

Federal and state tax returns may be subject to audit for three years after filing, hence the Conservancy's tax returns for the tax year 2015 onward are open to tax examination.

Subsequent Events

The financial statements have been evaluated by management for subsequent events requiring accrual or disclosure through March 18, 2019, the date of the financial statements were available for issuance.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to enhance comparability with 2018.

NOTE 3 - PROPERTY AND EQUIPMENT

The historical cost and accumulated depreciation of the property and equipment as of December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Machinery, vehicles and equipment	\$ 589,314	\$ 589,314
Furniture and fixtures	86,761	86,761
Office equipment	<u>136,025</u>	<u>83,118</u>
	812,100	759,193
Accumulated depreciation	<u>(697,691)</u>	<u>(666,392)</u>
Property and equipment, net	<u>\$ 114,409</u>	<u>\$ 92,801</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$31,300 and \$35,201, respectively.

BURKE CENTRE CONSERVANCY
Notes to the Financial Statements (Continued)
December 31, 2018 and 2017

NOTE 4 - INVESTMENTS

Cost and fair value of investments at December 31, 2018 and 2017 are as follows:

	2018		
	Cost	Unrealized Gain	Fair Value
<u>Operating Funds:</u>			
Certificates of deposit	\$ 300,000	\$ -	\$ 300,000
	300,000	-	300,000
<u>Reserve Funds:</u>			
Mutual fund, equities	890,537	216,663	1,107,200
Certificates of deposit	4,349,648	-	4,349,648
	5,240,185	216,663	5,456,848
<u>Cluster Reserves:</u>			
Mutual fund, equities	173,591	41,214	214,805
Certificates of deposit	2,677,072	-	2,677,072
	2,850,663	41,214	2,891,877
Total investments	\$ 8,390,848	\$ 257,877	\$ 8,648,725
2017			
	Cost	Unrealized Gain	Fair Value
<u>Operating Funds:</u>			
Certificates of deposit	\$ 300,000	\$ -	\$ 300,000
	300,000	-	300,000
<u>Reserve Funds:</u>			
Mutual fund, equities	805,573	334,898	1,140,471
Certificates of deposit	2,568,108	-	2,568,108
	3,373,681	334,898	3,708,579
<u>Cluster Reserves:</u>			
Mutual fund, equities	157,107	64,152	221,259
Certificates of deposit	2,171,112	-	2,171,112
	2,328,219	64,152	2,392,371
Total investments	\$ 6,001,900	\$ 399,050	\$ 6,400,950

Investment income for the years ended December 31, 2018 and 2017 consists of the following:

	2018	2017
Interest, dividends and interfund gains	\$ 211,854	\$ 145,504

BURKE CENTRE CONSERVANCY
Notes to the Financial Statements (Continued)
December 31, 2018 and 2017

NOTE 5 - FUTURE MAJOR REPAIRS AND REPLACEMENT

The Conservancy's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds are held in separate accounts and are generally not available for operating purposes. The Conservancy is funding for such major repairs and replacements over the estimated useful lives of the components based on estimates of current replacement costs, considering amounts previously accumulated in the replacement funds. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement funds may not be adequate to meet future needs. If additional funds are needed, however, the Conservancy has the right to increase regular assessments or levy special assessments or it may delay major repairs and replacements until funds are available. The Conservancy reserve study was performed in 2014.

NOTE 6 - 401(k) PROFIT SHARING PLAN

The Conservancy maintains a qualified profit-sharing plan that includes a 401(k) salary deferral arrangement. The plan covers all full-time employees. Under the 401(k) salary deferral arrangement, eligible employees may elect to contribute a portion of their salary each year to the plan. In January 2011, the plan was amended to include safe harbor matching contributions for eligible employees equal to 100% of elective deferrals up to 4% of total compensation. For the years ended 2018 and 2017, the Conservancy contributed \$31,540 and \$27,864 to the plan.

NOTE 7 - OPERATING LEASES

Burke Centre maintained two operating leases, for office equipment, that expire at various dates through March of 2022. Rental expenses for those leases were \$22,820 and \$19,487 for the years ended December 31, 2018 and 2017.

Future minimum lease payments under the operating leases are as follows:

2019	\$	11,772
2020		11,772
2021		11,772
2022		3,924
		<u>39,240</u>

NOTE 8 - INTERFUND BALANCES

As of December 31, 2018 and 2017, cash transfers are needed to balance the designated cash and investment accounts of each fund group to their respective equity balances. The interfund balances are the net result of financial transactions for individual fund groups not always being either received by or disbursed from the appropriate cash or investment account.

SUPPLEMENTARY INFORMATION

BURKE CENTRE CONSERVANCY
Schedule of Future Major Repairs and Replacements
December 31, 2018

The Association conducted a study in 2014 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. Estimated replacement costs do not take into account the effects of inflation between the date of the study and the date that the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property.

	<u>Estimated Useful Life</u>	<u>Current Replacement Cost</u>	<u>2019 Funding Requirement</u>	<u>Fund Balance 12/31/18</u>
<u>Capital Replacement Funds:</u>				
Community centers and recreational facilities	15-20 Years	\$ 6,564,989	\$ 429,713	\$ 3,545,334
Lynch Farm administrative office and garage office	15-20 Years	508,513	35,079	289,415
Footpaths	20-25 years	1,500,215	96,466	795,891
Miscellaneous structures	20-40 years	3,145,336	210,472	1,736,490
Lakes and pools	15-20 years	483,000	35,079	289,415
Premier court maintenance facility	15-20 years	262,271	17,539	144,708
Maintenance trucks and equipment	7-10 years	705,463	43,848	361,769
Consulting and engineering fees	5-30 years	100,000	8,770	72,354
Capital replacement fund totals:		13,269,787	876,966	7,235,376
<u>Cluster Reserve Funds:</u>				
Cluster component elements:	6-20 years	7,982,443	329,276	3,056,933
Total		\$ 21,252,230	\$ 1,206,242	\$ 10,292,309