



**BURKE CENTRE CONSERVANCY
Financial Statements
and Supplementary Information
with
Independent Auditors' Report**

For the Years Ended December 31, 2021 and 2020

BURKE CENTRE CONSERVANCY
December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Burke Centre Conservancy, which comprise the balance sheets as of December 31, 2021 and 2020, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Burke Centre Conservancy as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Burke Centre Conservancy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Burke Centre Conservancy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Burke Centre Conservancy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Burke Centre Conservancy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of future major repairs and replacements on Page 19 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 and Advisors
Gaithersburg, Maryland
March 9, 2022

BURKE CENTRE CONSERVANCY
Balance Sheets
December 31, 2021 and 2020

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Cluster Reserves</u>	<u>Total 2021</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,415,237	\$ 1,548,003	\$ 1,182,917	\$ 4,146,157
Restricted cash, pipestem escrow	129,395	-	-	129,395
Investments	311,691	5,510,692	3,625,225	9,447,608
Restricted investments, pipestem escrow	253,010	-	-	253,010
Accounts receivable, net	43,781	-	54,827	98,608
Prepaid expenses	35,974	a S	-	35,974
Deposits and other receivables	2,359	-	-	2,359
Due from operating fund	-	833,828	91,051	924,879
Property and equipment, net of accumulated depreciation	<u>196,902</u>	<u>-</u>	<u>-</u>	<u>196,902</u>
Total assets	<u>\$ 2,388,349</u>	<u>\$ 7,892,523</u>	<u>\$ 4,954,020</u>	<u>\$ 15,234,892</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>				
<u>Liabilities:</u>				
Accounts payable and accrued expenses	\$ 250,112	\$ -	\$ -	\$ 250,112
Due to reserve funds	924,879	-	-	924,879
Deferred revenue	202,790	-	-	202,790
Pipestem escrow liability	<u>382,405</u>	<u>-</u>	<u>-</u>	<u>382,405</u>
Total liabilities	1,760,186	-	-	1,760,186
<u>Members' equity:</u>				
Capital replacement fund	-	7,029,295	-	7,029,295
Capital improvement fund	-	75,164	-	75,164
Cluster discretionary fund	-	-	757,832	757,832
Cluster reserve fund	-	-	3,444,023	3,444,023
Cluster snow reserve fund	-	-	600,096	600,096
Operating reserve fund	129,074	-	-	129,074
Unappropriated members' equity	499,089	-	-	499,089
Accumulated other comprehensive income	<u>-</u>	<u>788,064</u>	<u>152,069</u>	<u>940,133</u>
Total members' equity	<u>628,163</u>	<u>7,892,523</u>	<u>4,954,020</u>	<u>13,474,706</u>
Total liabilities and members' equity	<u>\$ 2,388,349</u>	<u>\$ 7,892,523</u>	<u>\$ 4,954,020</u>	<u>\$ 15,234,892</u>

BURKE CENTRE CONSERVANCY
Balance Sheets (Continued)
December 31, 2021 and 2020

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Cluster Reserves</u>	<u>Total 2020</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,294,890	\$ 2,239,231	\$ 775,954	\$ 4,310,075
Restricted cash, pipestem escrow	123,318	-	-	123,318
Investments	311,045	5,044,432	3,515,830	8,871,307
Restricted investments, pipestem escrow	251,990	-	-	251,990
Accounts receivable, net	51,222	-	35,543	86,765
Prepaid expenses	41,586	-	-	41,586
Deposits and other receivables	1,720	-	-	1,720
Due from operating fund	-	422,024	438,708	860,732
Property and equipment, net of accumulated depreciation	<u>171,776</u>	<u>-</u>	<u>-</u>	<u>171,776</u>
Total assets	<u>\$ 2,247,547</u>	<u>\$ 7,705,687</u>	<u>\$ 4,766,035</u>	<u>\$ 14,719,269</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities:

Accounts payable and accrued expenses	\$ 320,171	\$ -	\$ -	\$ 320,171
Due to reserve funds	860,732	-	-	860,732
Deferred revenue	147,505	-	-	147,505
Pipestem escrow liability	<u>375,308</u>	<u>-</u>	<u>-</u>	<u>375,308</u>
Total liabilities	1,703,716	-	-	1,703,716

Members' equity:

Capital replacement fund	-	7,157,865	-	7,157,865
Capital improvement fund	-	75,161	-	75,161
Cluster discretionary fund	-	-	723,848	723,848
Cluster reserve fund	-	-	3,390,655	3,390,655
Cluster snow reserve fund	-	-	560,653	560,653
Operating reserve fund	129,074	-	-	129,074
Unappropriated members' equity	414,757	-	-	414,757
Accumulated other comprehensive income	<u>-</u>	<u>472,661</u>	<u>90,879</u>	<u>563,540</u>
Total members' equity	<u>543,831</u>	<u>7,705,687</u>	<u>4,766,035</u>	<u>13,015,553</u>
Total liabilities and members' equity	<u>\$ 2,247,547</u>	<u>\$ 7,705,687</u>	<u>\$ 4,766,035</u>	<u>\$ 14,719,269</u>

BURKE CENTRE CONSERVANCY
Statements of Operations and Comprehensive Income
For the Years ended December 31, 2021 and 2020

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Cluster Reserves</u>	<u>Total 2021</u>
<u>Revenue:</u>				
Assessments	\$ 3,995,325	\$ 907,327	\$ 408,365	\$ 5,311,017
Pool	398,738	-	-	398,738
Community services	140,077	-	-	140,077
Investment income	1,206	154,258	49,348	204,812
Other	<u>23,079</u>	<u>-</u>	<u>-</u>	<u>23,079</u>
Total revenues	4,558,425	1,061,585	457,713	6,077,723
<u>Expenses:</u>				
Personnel	1,607,748	-	-	1,607,748
Land services and trash removal	1,401,859	-	-	1,401,859
Resources	278,334	-	-	278,334
Pool	409,015	-	-	409,015
Cluster discretionary	-	-	275,206	275,206
Capital replacements and improvements	-	1,098,110	-	1,098,110
Administrative	335,266	-	-	335,266
Bad debt	52,291	-	-	52,291
Community services	59,108	-	-	59,108
Community center	206,716	-	-	206,716
Professional	130,620	-	-	130,620
Environmental cleanup and other special projects	6,450	-	-	6,450
Cluster reserve	-	-	55,712	55,712
Other	(5,116)	-	-	(5,116)
Depreciation	66,915	-	-	66,915
Tennis	2,172	-	-	2,172
Burke field	6,495	-	-	6,495
Taxes, property	<u>8,262</u>	<u>-</u>	<u>-</u>	<u>8,262</u>
Total expenses	<u>4,566,135</u>	<u>1,098,110</u>	<u>330,918</u>	<u>5,995,163</u>
Excess (deficiency) of revenues over expenses	(7,710)	(36,525)	126,795	82,560
<u>Other comprehensive income:</u>				
Net unrealized investment gain	<u>-</u>	<u>315,403</u>	<u>61,190</u>	<u>376,593</u>
Total comprehensive income (loss)	<u>\$ (7,710)</u>	<u>\$ 278,878</u>	<u>\$ 187,985</u>	<u>\$ 459,153</u>

BURKE CENTRE CONSERVANCY**Statements of Operations and Comprehensive Income (Continued)****For the Years ended December 31, 2021 and 2020**

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Cluster Reserves</u>	<u>Total 2020</u>
<u>Revenues:</u>				
Assessments	\$ 3,874,864	\$ 892,017	\$ 446,808	\$ 5,213,689
Pool	131,846	-	-	131,846
Community services	89,078	-	-	89,078
Investment income	3,165	148,880	75,439	227,484
Other	16,656	-	-	16,656
Total revenues	<u>4,115,609</u>	<u>1,040,897</u>	<u>522,247</u>	<u>5,678,753</u>
<u>Expenses:</u>				
Personnel	1,468,743	-	-	1,468,743
Land services and trash removal	1,242,055	-	-	1,242,055
Resources	297,113	-	-	297,113
Pool	358,752	-	-	358,752
Cluster discretionary	-	-	326,670	326,670
Administrative	278,995	-	-	278,995
Bad debt	117,283	-	-	117,283
Capital replacements and improvements	-	1,327,493	-	1,327,493
Community services	62,858	-	-	62,858
Community center	163,866	-	-	163,866
Professional	145,585	-	-	145,585
Environmental cleanup and other special projects	77,971	-	-	77,971
Cluster reserve	-	-	57,843	57,843
Other	80,875	-	-	80,875
Depreciation	53,300	-	-	53,300
Tennis	6,815	-	-	6,815
Burke field	6,953	-	-	6,953
Taxes, property	12,858	-	-	12,858
Total expenses	<u>4,374,022</u>	<u>1,327,493</u>	<u>384,513</u>	<u>6,086,028</u>
Excess (deficiency) of revenues over expenses	(258,413)	(286,596)	137,734	(407,275)
<u>Other comprehensive income:</u>				
Net unrealized investment gain	-	62,729	11,170	73,899
Total comprehensive income (loss)	<u>\$ (258,413)</u>	<u>\$ (223,867)</u>	<u>\$ 148,904</u>	<u>\$ (333,376)</u>

See Accompanying Notes to the Financial Statements.

BURKE CENTRE CONSERVANCY
Statements of Changes in Members' Equity
For the Years ended December 31, 2021 and 2020

	Reserve Funds			Cluster Funds		Total
	Operating Fund	Fund Balances	Accumulated Other Comprehensive Income	Fund Balances	Accumulated Other Comprehensive Income	
Members' equity, December 31, 2019:	\$ 699,204	\$ 7,622,662	\$ 409,932	\$ 4,537,422	\$ 79,709	\$13,348,929
Excess (deficiency) of revenues over expenses	(258,413)	(286,596)	-	137,734	-	(407,275)
Other comprehensive income	-	-	62,729	-	11,170	73,899
Transfers for capitalized reserve expenditures	<u>103,040</u>	<u>(103,040)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Members' equity, December 31, 2020:	543,831	7,233,026	472,661	4,675,156	90,879	13,015,553
Excess (deficiency) of revenues over expenses	(7,710)	(36,525)	-	126,795	-	82,560
Other comprehensive income	-	-	315,403	-	61,190	376,593
Transfers for capitalized reserve expenditures	<u>92,042</u>	<u>(92,042)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Members' equity, December 31, 2021:	<u>\$ 628,163</u>	<u>\$ 7,104,459</u>	<u>\$ 788,064</u>	<u>\$ 4,801,951</u>	<u>\$ 152,069</u>	<u>\$13,474,706</u>

BURKE CENTRE CONSERVANCY
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Clusters Reserves</u>	<u>Total 2021</u>
<u>Cash Flows From Operating Activities:</u>				
Excess (deficiency) of revenues over expenses	\$ (7,710)	\$ (36,525)	\$ 126,795	\$ 82,560
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash (used in) provided by operating activities:				
Depreciation	66,915	-	-	66,915
Adjustments to provision for doubtful accounts	52,291	-	-	52,291
(Increase) decrease in operating assets:				
Accounts receivable	(44,850)	-	(19,284)	(64,134)
Other receivable	(639)	-	-	(639)
Prepaid expenses	5,612	-	-	5,612
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses	(70,059)	-	-	(70,059)
Deferred revenue	55,285	-	-	55,285
Pipestem escrow liability	7,097	-	-	7,097
Total adjustments	<u>71,652</u>	<u>-</u>	<u>(19,284)</u>	<u>52,368</u>
Net cash (used in) provided by operating activities	63,942	(36,525)	107,511	134,928
<u>Cash Flows from Investing Activities:</u>				
Purchases of property and equipment	(92,041)	-	-	(92,041)
Purchases of restricted investments	(1,020)	-	-	(1,020)
Net purchases of investments	<u>(646)</u>	<u>(150,857)</u>	<u>(48,205)</u>	<u>(199,708)</u>
Net cash used in investing activities	(93,707)	(150,857)	(48,205)	(292,769)
<u>Cash Flows From Financing Activities:</u>				
Net interfund borrowings and (repayments)	64,147	(411,804)	347,657	-
Transfers for capitalized reserves expenditures	<u>92,042</u>	<u>(92,042)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>156,189</u>	<u>(503,846)</u>	<u>347,657</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents and restricted cash	126,424	(691,228)	406,963	(157,841)
Cash and cash equivalents and restricted cash, at beginning of year	<u>1,418,208</u>	<u>2,239,231</u>	<u>775,954</u>	<u>4,433,393</u>
Cash and cash equivalents and restricted cash, at end of year	<u>\$ 1,544,632</u>	<u>\$ 1,548,003</u>	<u>\$ 1,182,917</u>	<u>\$ 4,275,552</u>

BURKE CENTRE CONSERVANCY
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2021 and 2020

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Clusters Reserves</u>	<u>Total 2020</u>
<u>Cash Flows From Operating Activities:</u>				
Excess (deficiency) of revenues over expenses	\$ (258,413)	\$ (286,596)	\$ 137,734	\$ (407,275)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:				
Depreciation	53,300	-	-	53,300
Adjustments to provision for doubtful accounts	117,283	-	-	117,283
(Increase) decrease in operating assets:				
Accounts receivable	28,511	-	11,875	40,386
Other receivable	29,720	-	-	29,720
Prepaid expenses	(39,410)	-	-	(39,410)
Deposits and other receivables	51	-	-	51
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses	171,791	-	-	171,791
Deferred revenue	71,219	-	-	71,219
Pipestem escrow liability	(10,306)	-	-	(10,306)
Total adjustments	<u>422,159</u>	<u>-</u>	<u>11,875</u>	<u>434,034</u>
Net cash (used in) provided by operating activities	163,746	(286,596)	149,609	26,759
<u>Cash Flows from Investing Activities:</u>				
Purchases of property and equipment	(103,039)	-	-	(103,039)
Purchases of restricted investments	(3,443)	-	-	(3,443)
Net purchases of investments	<u>(2,994)</u>	<u>1,959,824</u>	<u>453,911</u>	<u>2,410,741</u>
Net cash (used in) provided by investing activities	(109,476)	1,959,824	453,911	2,304,259
<u>Cash Flows From Financing Activities:</u>				
Net interfund borrowings and (repayments)	546,543	(129,234)	(417,309)	-
Transfers for capitalized reserve expenditures	<u>103,040</u>	<u>(103,040)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>649,583</u>	<u>(232,274)</u>	<u>(417,309)</u>	<u>-</u>
Net increase in cash and cash equivalents and restricted cash	703,853	1,440,954	186,211	2,331,018
Cash and cash equivalents and restricted cash, at beginning of year	<u>714,355</u>	<u>798,277</u>	<u>589,743</u>	<u>2,102,375</u>
Cash and cash equivalents and restricted cash, at end of year	<u>\$ 1,418,208</u>	<u>\$ 2,239,231</u>	<u>\$ 775,954</u>	<u>\$ 4,433,393</u>

BURKE CENTRE CONSERVANCY
Notes to the Financial Statements
December 31, 2021 and 2020

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 Conservancy 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.

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

BURKE CENTRE CONSERVANCY
Notes to the Financial Statements (Continued)
December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 4,146,157	\$ 4,310,075
Restricted cash, pipestem escrow	<u>129,395</u>	<u>123,318</u>
Total cash, cash equivalents and restricted cash presented in the statements of cash flows	<u>\$ 4,275,552</u>	<u>\$ 4,433,393</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, 2021 and 2020

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, 2021 and 2020 were \$503,863 and \$586,532. The Conservancy maintained an allowance for doubtful accounts in the amount of \$422,012 and \$486,281, respectively.

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, 2021 and 2020, 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, 2021 and 2020

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 years ended December 31, 2021 and 2020.

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 2018 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 9, 2022, the date of the financial statements were available for issuance.

NOTE 3 - PROPERTY AND EQUIPMENT

The historical cost and accumulated depreciation of the property and equipment as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Machinery, vehicles and equipment	\$ 531,504	\$ 439,463
Furniture and fixtures	152,355	152,355
Office equipment	<u>97,261</u>	<u>97,261</u>
	781,120	689,079
Accumulated depreciation	<u>(584,218)</u>	<u>(517,303)</u>
Property and equipment, net	<u>\$ 196,902</u>	<u>\$ 171,776</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$66,915 and \$53,300, respectively.

BURKE CENTRE CONSERVANCY
Notes to the Financial Statements (Continued)
December 31, 2021 and 2020

NOTE 4 - INVESTMENTS

Cost and fair value of investments at December 31, 2021 and 2020 are as follows:

	2021		
	Cost	Unrealized Gain	Fair Value
<u>Operating Funds:</u>			
Certificates of deposit	\$ 311,691	\$ -	\$ 311,691
	311,691	-	311,691
<u>Reserve Funds:</u>			
Mutual fund, equities	1,136,268	788,064	1,924,332
Certificates of deposit	3,586,360	-	3,586,360
	4,722,628	788,064	5,510,692
<u>Cluster Reserves:</u>			
Mutual fund, equities	221,265	152,069	373,334
Certificates of deposit	3,251,891	-	3,251,891
	3,473,156	152,069	3,625,225
Total investments	<u>\$ 8,507,475</u>	<u>\$ 940,133</u>	<u>\$ 9,447,608</u>
2020			
	Cost	Unrealized Gain	Fair Value
<u>Operating Funds:</u>			
Certificates of deposit	\$ 311,045	\$ -	\$ 311,045
	311,045	-	311,045
<u>Reserve Funds:</u>			
Mutual fund, equities	1,024,901	472,661	1,497,562
Certificates of deposit	3,546,870	-	3,546,870
	4,571,771	472,661	5,044,432
<u>Cluster Reserves:</u>			
Mutual fund, equities	199,658	90,879	290,537
Certificates of deposit	3,225,293	-	3,225,293
	3,424,951	90,879	3,515,830
Total investments	<u>\$ 8,307,767</u>	<u>\$ 563,540</u>	<u>\$ 8,871,307</u>

Investment income for the years ended December 31, 2021 and 2020 consists of the following:

	2021	2020
Interest, dividends and interfund gains	<u>\$ 204,812</u>	<u>\$ 227,484</u>

BURKE CENTRE CONSERVANCY
Notes to the Financial Statements (Continued)
December 31, 2021 and 2020

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 2019.

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 December 31, 2021 and 2020, the Conservancy contributed \$32,716 and \$36,012, respectively, 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 \$25,670 and \$22,820 for the years ended December 31, 2019 and 2018.

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

Year Ending December 31:

2022	<u>\$ 3,924</u>
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NOTE 8 - INTERFUND BALANCES

As of December 31, 2021 and 2020, 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.

BURKE CENTRE CONSERVANCY
Notes to the Financial Statements (Continued)
December 31, 2021 and 2020

NOTE 9 - OTHER RECEIVABLE

During September and October 2019, the Conservancy was subject to losses related to check fraud perpetrated by an unrelated party. Fraudulent checks totaling \$39,720 were drawn from the Conservancy's bank account. The Conservancy recovered \$5,000 from the associated bank. The Conservancy subsequently filed a claim against its general liability insurance, expecting to collect \$29,720, which represented the remaining unrecovered amount less a \$5,000 deductible. During the year ended December 31, 2020, the outstanding receivable was collected in full.

SUPPLEMENTARY INFORMATION

BURKE CENTRE CONSERVANCY
Schedule of Future Major Repairs and Replacements
December 31, 2021

The Association conducted a study in 2019 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>2022 Funding Requirement</u>	<u>Fund Balance 12/31/21</u>
<u>Capital Replacement Funds:</u>				
Community centers and recreational facilities	1-50 Years	\$ 5,476,966	\$ 378,389	\$ 2,882,011
Lynch Farm administrative office and garage office	1-40 Years	526,680	36,916	281,172
Footpaths	15 Years	1,352,104	92,290	702,930
Miscellaneous structures	1-30 Years	4,425,510	304,557	2,319,667
Lakes and pools	5-50 Years	583,000	36,916	281,172
Premier court maintenance facility	5-45 Years	276,986	18,458	140,586
Maintenance trucks and equipment	10-25 Years	596,298	36,916	281,172
Consulting and engineering fees	2-10 Years	110,000	9,229	70,293
Ball fields	10-50 Years	<u>107,760</u>	<u>9,229</u>	<u>70,293</u>
Capital replacement fund totals:		13,455,304	922,900	7,029,296
<u>Cluster Reserve Funds:</u>				
Cluster component elements:	6-20 years	<u>7,982,443</u>	<u>329,276</u>	<u>3,444,023</u>
Total		<u>\$ 21,437,747</u>	<u>\$ 1,252,176</u>	<u>\$ 10,473,319</u>