

**WINTERGREEN PROPERTY OWNERS ASSOCIATION, INC.
ROSELAND, VA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2018 AND 2017

**WINTERGREEN PROPERTY OWNERS ASSOCIATION, INC.
ROSELAND, VA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wintergreen Property Owners Association, Inc.
Roseland, VA

We have audited the accompanying financial statements of Wintergreen Property Owners Association, Inc. (a nonprofit organization), which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of revenues, expenses and changes in fund balances 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, 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 Wintergreen Property Owners Association, Inc., 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 information on future major repairs and replacements 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 operations, 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.

Manjelone + Gorman, PC

October 22, 2019

WINTERGREEN PROPERTY OWNERS ASSOCIATION, INC.
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash	\$ 6,425,148	\$ 2,974,698
Accounts receivable, assessments	46,828	39,663
Accounts receivable, other	163,874	169,560
Prepaid expenses	3,188	3,483
Deferred income tax benefit	<u>5,164</u>	<u>5,164</u>
 Total Current Assets	 <u>6,644,203</u>	 <u>3,192,569</u>
LAND, BUILDINGS AND EQUIPMENT		
Land and improvements	1,874,544	5,445,418
Buildings and improvements	3,569,112	3,569,112
Vehicles	2,855,649	1,890,504
Equipment	958,903	1,227,516
Furniture and fixtures	<u>46,777</u>	<u>46,777</u>
 Total	 9,304,985	 12,179,327
Less: Accumulated Depreciation	<u>4,503,414</u>	<u>5,626,328</u>
 Net Land, Buildings and Equipment	 <u>4,801,571</u>	 <u>6,552,998</u>
OTHER ASSETS		
Accounts receivable, assessments (net of allowance for doubtful assessments of \$29,606 for 2018 and \$30,292 for 2017)	<u>59,642</u>	<u>81,296</u>
 Total Other Assets	 <u>59,642</u>	 <u>81,296</u>
 TOTAL ASSETS	 <u><u>\$ 11,505,415</u></u>	 <u><u>\$ 9,826,863</u></u>

See Accompanying Notes

WINTERGREEN PROPERTY OWNERS ASSOCIATION, INC.
BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

LIABILITIES AND FUND BALANCE

	2018	2017
CURRENT LIABILITIES		
Notes payable within one year	\$ 104,837	\$ 1,232,823
Accounts payable	3,052	-
Accrued expenses	52,468	60,116
Assessments received in advance	<u>1,840,483</u>	<u>1,625,175</u>
Total Current Liabilities	<u>2,000,839</u>	<u>2,918,114</u>
LONG-TERM LIABILITIES		
Notes payable after one year	290,060	152,381
Due to Wintergreen Volunteer Rescue Squad	<u>274,327</u>	<u>290,993</u>
Total Long-Term Liabilities	<u>564,387</u>	<u>443,374</u>
Total Liabilities	<u>2,565,226</u>	<u>3,361,488</u>
FUND BALANCE		
Replacement	1,096,735	878,784
Operations	<u>7,843,454</u>	<u>5,586,591</u>
Total Fund Balance	<u>8,940,190</u>	<u>6,465,375</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,505,415</u>	<u>\$ 9,826,863</u>

See Accompanying Notes

WINTERGREEN PROPERTY OWNERS ASSOCIATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
REVENUES		
Owner assessments	\$ 6,453,124	\$ 6,351,457
Investment earnings	21,721	3,154
Miscellaneous income	191,712	129,032
Nelson County income	725,430	663,673
Landscape income	56,765	57,065
Architectural review board income	9,925	12,550
Tuckahoe income	8,750	14,018
Gain on sale of assets	<u>2,322,501</u>	<u>71,890</u>
 Total Revenues	 <u>9,789,929</u>	 <u>7,302,839</u>
EXPENSES		
Road maintenance	688,477	467,090
Common property maintenance	113,084	115,669
Maintenance department	1,200,407	1,090,875
Police department	1,155,180	1,116,478
Fire department and rescue squad	1,466,130	1,370,064
Emergency service buildings	40,163	36,337
General and administrative	1,068,402	1,063,330
Architectural review board expenses	101,085	86,538
Amortization and depreciation	689,581	655,189
Landscape expenses	67,175	63,798
Nelson County expenses	<u>725,430</u>	<u>663,673</u>
 Total Expenses	 <u>7,315,114</u>	 <u>6,729,040</u>
 EXCESS OF REVENUES OVER EXPENSES	 <u>2,474,815</u>	 <u>573,799</u>
 BEGINNING FUND BALANCE	 <u>6,465,375</u>	 <u>5,891,576</u>
 ENDING FUND BALANCE	 <u>\$ 8,940,190</u>	 <u>\$ 6,465,375</u>

See Accompanying Notes

WINTERGREEN PROPERTY OWNERS ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

CASH FLOWS FROM OPERATING ACTIVITIES	2018	2017
Change in fund balances	\$ <u>2,474,815</u>	\$ <u>573,799</u>
Adjustments to reconcile change in fund balance over expenses to net cash provided by operating activities:		
Depreciation	694,297	659,905
Gain on assets sold	(2,322,501)	(71,890)
Abandonment loss	9,959	2,129
(Increase) Decrease in assets:		
Member assessments receivable	21,654	(29,722)
Other receivables	(1,479)	(2,090)
Prepaid expenses	295	(297)
Increase (Decrease) in liabilities:		
Accounts payable	-	(9,171)
Accrued expenses	(4,598)	3,344
Assessments received in advance	<u>215,307</u>	<u>(46,450)</u>
Total Adjustments	<u>(1,387,066)</u>	<u>505,758</u>
Net Cash Provided By Operating Activities	<u>1,087,748</u>	<u>1,079,557</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(881,120)	(828,410)
Proceeds from sale of land, building and equipment	<u>4,524,959</u>	<u>71,890</u>
Net Cash Provided By (Used In) Investing Activities	<u>3,643,839</u>	<u>(756,520)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Curtailement of notes payable	<u>(1,281,137)</u>	<u>(221,401)</u>
Net Cash Used In Financing Activities	\$ <u>(1,281,137)</u>	\$ <u>(221,401)</u>

See Accompanying Notes

WINTERGREEN PROPERTY OWNERS ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
NET INCREASE IN CASH	\$ 3,450,450	\$ 101,636
CASH AT BEGINNING OF YEAR	<u>2,974,698</u>	<u>2,873,062</u>
CASH AT END OF YEAR	<u>\$ 6,425,148</u>	<u>\$ 2,974,698</u>
 SUPPLEMENTAL CASH FLOW DATA		
Interest paid	<u>\$ 34,842</u>	<u>\$ 53,168</u>
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Purchase of five vehicles	\$ (274,164)	\$ -
Loan proceeds	274,164	-

See Accompanying Notes

WINTERGREEN PROPERTY OWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NATURE OF ACTIVITIES

Wintergreen Property Owners Association, Inc. (Association) was formed in September 1973 as a not-for-profit corporation for purposes of maintaining common properties and providing services to the residential community located in Nelson and Augusta counties, Virginia, known as Wintergreen. The affairs of the Association are managed by the Executive Director and board members who adopt and publish rules and regulations governing the use of common areas and facilities, and other properties and services under the control of the Association. The Association extends credit to its members, many of whom are residents of Virginia and the surrounding states.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Income Taxes

Homeowners' associations may be taxed either as homeowners' association under Section 528 or as regular corporation under Section 277. The election is made annually. As a regular corporation, the Association is taxed at regular federal and state rates. At this time, the Association is taxed as a homeowners' association. Exempt function income, which consists primarily of member assessments, is not taxable. In 2017, the Association elected to be taxed as a homeowner's association and an election as a corporation was made on the 2018 return.

The provision for income taxes for each of the years presented is determined in accordance with FASB ASC 740, *Income Taxes*, which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statements and income tax purposes. Deferred tax assets and liabilities represent the future tax consequences for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Member Assessments - Accounts Receivable

Association members are subject to an annual assessment to provide funds for the Association's operating expenses and future major repairs and replacements. The Association's policy is to retain legal counsel to help in the collection of unit owners whose assessments are delinquent. Receivables are considered delinquent when amounts have not been received within 30 days of their due dates. Late payment fees are assessed on delinquent accounts. Receivables are written off when all collection efforts have been exhausted.

WINTERGREEN PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Accounting

The Association'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 Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operations Fund - This fund is used to account for financial resources available for the general operations of the Association.

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

Land, Buildings and Equipment

The Association capitalizes all property and equipment to which it has title or other evidence of ownership. According to the Association's governing documents, sixty percent (60%) of the votes cast must approve acquisitions and seventy-five percent (75%) must approve disposition of any common real property. Property and equipment acquired by the Association are recorded at cost and property contributed to the Association by the developer is recorded at its estimated fair market at the date of contribution.

By deed dated December 29, 1993, Wintergreen Development, Inc. conveyed 4,628 acres of open space to the Association. The land is recorded at the 1993 assessed value for 3,950 acres of this open space; which was valued at \$1,580,330 by the Nelson County tax assessor's office. The value of the remaining acreage has not been determined. The current land assessment is \$9,730,000.

On April 3, 2009, the Association purchased the Stoney Creek entranceway lot for \$711,943. The land was purchased at the appraised value. On November 16, 2016, the Wintergreen Nature Foundation deeded a lot valued at \$51,600 and has been deemed open space for the community.

Depreciation

Capitalized common property is depreciated over its estimated useful life using the straight-line and double declining balance methods of depreciation. Depreciation expense for 2018 and 2017 was \$694,297 and \$659,905, respectively. Depreciation of \$4,716 and \$4,716 on equipment and vehicles used in landscaping operations is charged directly to landscaping expenditures. The remaining depreciation expense is charged to general and administrative expense each year.

WINTERGREEN PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

UNAMORTIZED LOAN FEES

Unamortized loan fees consist of the unamortized balance of fees paid to a bank for obtaining building and equipment loan commitments. During 2009, the original loans were combined into one note with a loan fee of \$4,971. The loan fees are fully amortized. In 2011, additional loan costs of \$10,906 were incurred for loans to purchase multiple vehicles. All amortized loan amounts were removed in 2018 when the payoff of all large building loans were paid off.

INSURED CASH BALANCES

The Association maintains its operating cash balances in one financial institution. The U.S. Federal Deposit Insurance Corporation insures up to \$250,000 per institution. As of December 31, 2018, the Association had no uninsured cash balances. Uninsured balances are approximately \$4,884,241 and \$2,427,506 at December 31, 2018 and 2017, respectively.

FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association'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 funding was based on a study performed by licensed contractors to estimate the remaining useful lives and the replacement costs of the common property components.

The Association is funding major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

TUCKAHOE INCOME

The 2018 Tuckahoe income amount of \$4,584 is being saved for future renovations. Since this renovation was a capital improvement, it is included on the balance sheets under the land, building and equipment category. The fundraising efforts for this improvement began during 2008 and is ongoing. Rental income of \$4,167 was received in 2018.

**WINTERGREEN PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS**

CASH RESERVES

The board of directors has designated certain funds be accumulated for future road replacements and other capital reserves. The road reserve is the only figure associated with the official reserve study. The other reserve accounts have been deemed necessary by the board and set aside for future use. This designated cash account is included in the cash account as shown on the balance sheets. Details are as follows:

	2018	2017
Designated for Roads		
Beginning balance	\$ 878,784	\$ 677,924
Transfers to this account	200,000	200,000
Interest earned	<u>17,951</u>	<u>860</u>
Ending balance	1,096,735	878,784
Snow/storm reserve	205,505	205,300
Public Safety	1,000,294	-
Capital equipment reserve	154,534	175,577
Other operating cash accounts	<u>3,968,080</u>	<u>1,715,037</u>
Total Cash	<u>\$ 6,425,148</u>	<u>\$ 2,974,698</u>

ACCOUNTS RECEIVABLE

Owner Assessments

The Association's policy is to pursue collection procedures including the placement of liens in homeowner properties for delinquent assessments. As of December 31, 2018, the Association has assessments outstanding from 2014 dues and subsequent years' assessments of \$29,606. For 2018, the board of directors and management created an allowance for all delinquent assessments in excess of sixty months. This allowance for doubtful assessments amounted to \$29,606 at December 31, 2018. The uncollected 2018 dues of \$46,828 are classified as current and the net uncollected dues from all prior years of \$89,247 are classified as an other non-current asset.

Other Receivables

Receivables from other sources (landscaping, amenity fees and miscellaneous) totaled \$163,874 and \$169,560 at December 31, 2018 and 2017.

WINTERGREEN PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

LINE OF CREDIT

The Association has an unsecured line of credit arrangement with Wells Fargo in the amount of \$100,000 during 2018 and 2017. There is no outstanding balance as of December 31, 2018. Principal is due on demand. The line of credit is renewable on an annual basis.

ASSESSMENTS RECEIVED IN ADVANCE

\$1,840,483 was received during 2018 as payments on billings for dues assessed for 2019. \$1,625,175 was received during 2017 as payments on billings for the 2018 dues assessment.

NELSON COUNTY EMERGENCY MEDICAL SERVICES

The Association entered into an agreement on April 20, 2007, between the County of Nelson and several other local volunteer service providers to combine potential staff and resources. The Association will provide administrative services and will receive a monthly reimbursement.

DEFERRED SCHOOL PROPERTY LEASE

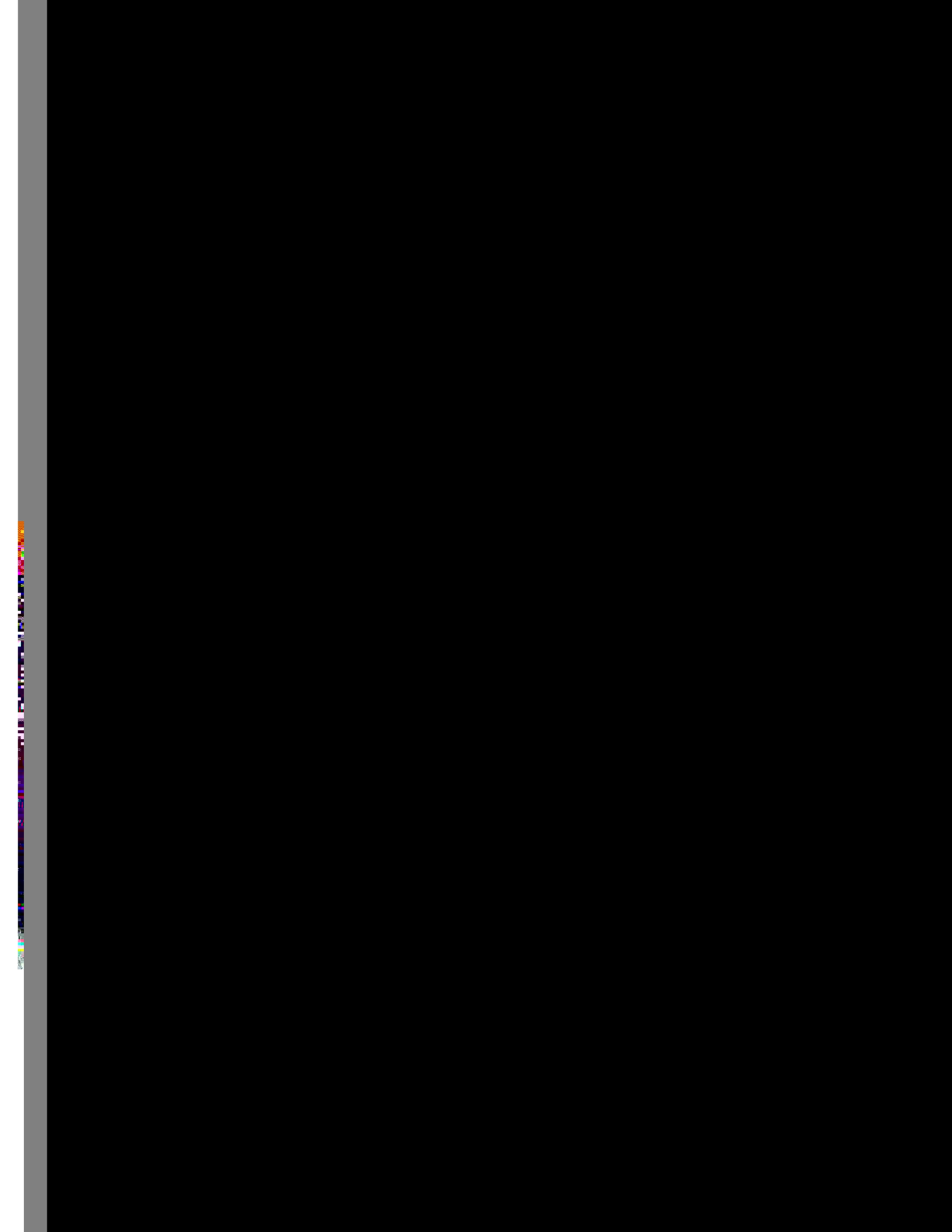
The Association purchased the Tuckahoe School property in Stoney Creek in 2006 for \$470,000, of which \$222,000 was a non-cash transaction to lease the property back to the seller for ten years. Rent income of \$22,000 was recorded in 2016. The property was recorded as an asset at its purchase price of \$470,000. The school closed in May 2018.

EMPLOYEE BENEFIT PLANS

Effective January 1, 2007, the Association adopted a 401k Safe Harbor plan. The Association contribution 5% in 2018 and 2017 of eligible employees' salaries. Contributions to the plan totaled \$159,020 and \$150,500 in 2018 and 2017, respectively.

SUBSEQUENT EVENTS

Management has evaluated events and transactions for potential recognition or disclosure through October 22, 2019, which is the date the financial statements were available to be issued.



WINTERGREEN PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

NOTES PAYABLE

Long-Term Debt

	2018	2017
Note payable to Wells Fargo, secured by five vehicles. This note requires monthly payments of \$4,959, which are applied first to interest at 4.07% and then to principal.	\$ 136,756	\$ 189,532
Note payable to Wells Fargo, secured by five vehicles. This note requires monthly payments of \$5,239, which are applied first to interest at 6% and then to principal.	258,141	-
Note payable to Wells Fargo, secured by five vehicles. This note requires monthly payments of \$4,743, which are applied first to interest at 6.05% and then to principal.	-	3,527
Note payable to Wells Fargo, secured by five vehicles. This note requires monthly payments of \$3,947, which are applied first to interest at 4.96% and then to principal.	-	15,625
Note payable to Wells Fargo, secured by the Community Office Building, Valley Safety Services Building, Tuckahoe School Building and Station I. This note requires monthly payments of \$11,144, which are applied first to interest at 3.65% and then to principal. Note was refinanced during 2013 and the maturity date is September 15, 2018.	<u>-</u>	<u>1,176,520</u>
Total	394,897	1,385,204
Less amounts included in current maturities	<u>104,837</u>	<u>1,232,823</u>
Total Long-Term Debt	<u>\$ 290,060</u>	<u>\$ 152,381</u>

Maturities of long-term debt during each of the next five years are as follows:

2019	\$ 123,991
2020	90,788
2021	80,226
2022	58,832
2023	<u>41,060</u>
	<u>\$ 394,897</u>

WINTERGREEN PROPERTY OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS

DUE TO WINTERGREEN VOLUNTEER RESCUE SQUAD

The expansion of Station II was initiated in 2014 and completed in 2015. The expansion project represents a joint effort and supports the operations of both the Wintergreen Volunteer Rescue Squad and Fire Department. To help finance the expansion, the Rescue Squad borrowed \$250,000 from Nelson County. The Fire Department also contributed funds towards this project, along with WPOA.

According to the WPOA covenants, the Rescue Squad and Fire Department cannot own the land and buildings. The Station II expansion was carried onto the balance sheet of WPOA as an account called Due To Wintergreen Volunteer Rescue Squad. The annual WPOA donations to the Rescue Squad will effectively eliminates this transaction over a period of years.

ACP SETTLEMENT/RESTORATION 11-A-2B

The settlement created a deferred tax gain of \$2,218,076. The gain is calculated on the gross proceeds minus the remaining cost basis on land, land improvements and buildings on or in proximity to Parcel 11-A-2B. Transactions to use the remaining funds must be completed by December 31, 2022, based on the extension of time request made to the Internal Revenue Service. Funds must meet the requirements for qualified replacement property under the Involuntary Conversion relief provisions of Section 1033 of the Internal Revenue Service code. Otherwise, there will be a potential income tax based on the deferred tax gain of \$576,500. No deferred tax benefit is recorded at this time because the anticipated result is no tax is expected to be paid at the end of the replacement period and the possibility of the location for replacements is high. This calculation assumes a federal tax rate of 21% and state rate of 5%. The statute of limitations will remain open for three years after WPOA informs the Internal Revenue Service of its replacement or nonreplacement of property. WPOA has set aside a cash reserve fund to cover any future tax implications should replacement property not be found and the tax is required to be paid.

SUPPLEMENTARY INFORMATION

WINTERGREEN PROPERTY OWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON
FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)

On January 31, 1997, the Board of Directors adopted a long-range plan which revises the Association's reserve for replacement costs policy. Beginning in 1997, The Association shall maintain reserve accounts for roadways. The long-range plan was developed from a study conducted by the Association's board of directors in 1996 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 current replacement costs have been revised as of November 26, 2005, to be \$120,000. As of August 2009, the annual replacement cost was approximated to be \$150,000. As of 2017, the annual replacement cost was revised to be \$200,000.

Component	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost Per Year	Designated 2018
Roadways	4	\$200,000	\$1,096,735