



**BURKE CENTRE CONSERVANCY  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH  
INDEPENDENT AUDITORS' REPORT**

**For The Years Ended December 31, 2016 and 2015**

**BURKE CENTRE CONSERVANCY  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016 and 2015**

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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, 2016 and 2015, 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.

### ***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, 2016 and 2015, 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.

# **BURKE CENTRE CONSERVANCY**

## **Independent Auditors' Report**

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### **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 10, 2017

**BURKE CENTRE CONSERVANCY**  
**Balance Sheets**  
**December 31, 2016 and 2015**

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Cluster Reserves</u>	<u>Total 2016</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 555,716	\$ 5,169,521	\$ 3,480,815	\$ 9,206,052
Restricted cash, pipestem escrow	346,187	-	-	346,187
Marketable securities	-	948,887	184,091	1,132,978
Accounts receivable, net	111,165	-	38,355	149,520
Accrued interest receivable	929	31,499	20,383	52,811
Prepaid expenses	60,929	-	-	60,929
Deposits and other receivables	1,720	-	-	1,720
Due from reserve funds	28,105	-	-	28,105
Property and equipment, net of accumulated depreciation	<u>128,003</u>	<u>-</u>	<u>-</u>	<u>128,003</u>
 Total assets	 <u>\$ 1,232,754</u>	 <u>\$ 6,149,907</u>	 <u>\$ 3,723,644</u>	 <u>\$ 11,106,305</u>

**LIABILITIES AND MEMBERS' EQUITY**

Liabilities:

Accounts payable and accrued expenses	\$ 179,212	\$ -	\$ -	\$ 179,212
Due to operating fund	-	23,580	4,525	28,105
Deferred revenue	101,942	-	-	101,942
Pipestem escrow liability	<u>346,187</u>	<u>-</u>	<u>-</u>	<u>346,187</u>
 Total liabilities	 627,341	 23,580	 4,525	 655,446

Members' equity:

Capital replacement fund	-	5,827,688	-	5,827,688
Capital improvement fund	-	75,087	-	75,087
Cluster discretionary fund	-	-	643,752	643,752
Cluster reserve fund	-	-	2,693,833	2,693,833
Cluster snow reserve fund	-	-	338,984	338,984
Operating reserve fund	129,074	-	-	129,074
Unappropriated members' equity	476,339	-	-	476,339
Accumulated other comprehensive income	<u>-</u>	<u>223,552</u>	<u>42,550</u>	<u>266,102</u>
 Total members' equity	 <u>605,413</u>	 <u>6,126,327</u>	 <u>3,719,119</u>	 <u>10,450,859</u>
 Total liabilities and members' equity	 <u>\$ 1,232,754</u>	 <u>\$ 6,149,907</u>	 <u>\$ 3,723,644</u>	 <u>\$ 11,106,305</u>

See Accompanying Notes to the Financial Statements.

**BURKE CENTRE CONSERVANCY**  
**Balance Sheets**  
**December 31, 2016 and 2015 (Continued)**

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Cluster Reserves</u>	<u>Total 2015</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 541,584	\$ 4,698,841	\$ 3,691,558	\$ 8,931,983
Restricted cash, pipestem escrow	346,680	-	-	346,680
Marketable securities	-	836,722	162,329	999,051
Accounts receivable, net	148,102	-	36,085	184,187
Accrued interest receivable	324	16,003	9,990	26,317
Prepaid expenses	17,483	-	-	17,483
Deposits and other receivables	1,720	-	-	1,720
Due from reserve funds	41,141	-	-	41,141
Property and equipment, net of accumulated depreciation	69,531	-	-	69,531
 Total assets	 <u>\$ 1,166,565</u>	 <u>\$ 5,551,566</u>	 <u>\$ 3,899,962</u>	 <u>\$ 10,618,093</u>
<b><u>LIABILITIES AND MEMBERS' EQUITY</u></b>				
<u>Liabilities:</u>				
Accounts payable and accrued expenses	\$ 262,548	\$ -	\$ -	\$ 262,548
Due to operating fund	-	33,383	7,758	41,141
Deferred revenue	81,589	-	-	81,589
Pipestem escrow liability	346,680	-	-	346,680
 Total liabilities	 690,817	 33,383	 7,758	 731,958
<u>Members' equity:</u>				
Capital replacement fund	-	5,274,228	-	5,274,228
Capital improvement fund	-	75,053	-	75,053
Cluster discretionary fund	-	-	632,318	632,318
Cluster reserve fund	-	-	2,888,363	2,888,363
Cluster snow reserve fund	-	-	339,576	339,576
Operating reserve fund	129,074	-	-	129,074
Unappropriated members' equity	346,674	-	-	346,674
Accumulated other comprehensive income	-	168,902	31,947	200,849
 Total members' equity	 <u>475,748</u>	 <u>5,518,183</u>	 <u>3,892,204</u>	 <u>9,886,135</u>
 Total liabilities and members' equity	 <u>\$ 1,166,565</u>	 <u>\$ 5,551,566</u>	 <u>\$ 3,899,962</u>	 <u>\$ 10,618,093</u>

See Accompanying Notes to the Financial Statements.

**BURKE CENTRE CONSERVANCY**  
**Statements of Operations and Comprehensive Income**  
**For the Years ended December 31, 2016 and 2015**

	<b>Operating Fund</b>	<b>Reserve Funds</b>	<b>Cluster Reserves</b>	<b>Total 2016</b>
<u>Revenue:</u>				
Assessments	\$ 3,427,599	\$ 793,787	\$ 452,698	\$ 4,674,084
Pool	536,568	-	-	536,568
Community services	303,754	-	-	303,754
Investment income	1,036	77,875	25,880	104,791
Other	53,804	-	-	53,804
Gain on disposal of equipment	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>18,000</u>
Total revenues	4,340,761	871,662	478,578	5,691,001
<u>Expenses:</u>				
Personnel	1,415,167	-	-	1,415,167
Land services and trash removal	1,151,007	-	-	1,151,007
Resources	417,940	-	-	417,940
Pool	392,605	-	-	392,605
Cluster discretionary	-	-	593,808	593,808
Capital replacements and improvements	-	253,791	-	253,791
Administrative	263,662	-	-	263,662
Community services	198,022	-	-	198,022
Community center	160,123	-	-	160,123
Professional	148,902	-	-	148,902
Environmental cleanup and other special projects	11,334	-	-	11,334
Cluster reserve	-	-	68,458	68,458
Other	72,889	-	-	72,889
Depreciation	23,905	-	-	23,905
Tennis	4,426	-	-	4,426
Cluster snow reserve	-	-	-	-
Burke field	8,368	-	-	8,368
Taxes, property	<u>7,123</u>	<u>-</u>	<u>-</u>	<u>7,123</u>
Total expenses	<u>4,275,473</u>	<u>253,791</u>	<u>662,266</u>	<u>5,191,530</u>
Excess (deficiency) of revenues over expenses	65,288	617,871	(183,688)	499,471
<u>Other comprehensive loss:</u>				
Net unrealized investment losses	<u>-</u>	<u>54,650</u>	<u>10,603</u>	<u>65,253</u>
Total comprehensive income (loss)	<u>\$ 65,288</u>	<u>\$ 672,521</u>	<u>\$ (173,085)</u>	<u>\$ 564,724</u>

See Accompanying Notes to the Financial Statements.

**BURKE CENTRE CONSERVANCY**  
**Statements of Operations and Comprehensive Income**  
**For the Years ended December 31, 2016 and 2015 (Continued)**

	<u>Operating</u> <u>Fund</u>	<u>Reserve</u> <u>Funds</u>	<u>Cluster</u> <u>Reserves</u>	<u>Total</u> <u>2015</u>
<u>Revenues:</u>				
Assessments	\$ 3,312,457	\$ 772,521	\$ 459,387	\$ 4,544,365
Pool	537,738	-	-	537,738
Community services	332,921	-	-	332,921
Investment income	1,154	67,655	23,312	92,121
Other	72,142	-	-	72,142
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	4,269,412	840,176	482,699	5,592,287
<u>Expenses:</u>				
Personnel	1,389,451	-	-	1,389,451
Land services and trash removal	1,165,850	-	-	1,165,850
Resources	475,496	-	-	475,496
Pool	401,331	-	-	401,331
Cluster discretionary	-	-	312,494	312,494
Administrative	300,503	-	-	300,503
Capital replacements and improvements	-	246,684	-	246,684
Community services	213,781	-	-	213,781
Community center	177,431	-	-	177,431
Professional	148,553	-	-	148,553
Environmental cleanup and other special projects	141,887	-	-	141,887
Cluster reserve	-	-	45,505	45,505
Other	23,409	-	-	23,409
Depreciation	20,064	-	-	20,064
Tennis	18,382	-	-	18,382
Burke field	9,149	-	-	9,149
Taxes, property	6,110	-	-	6,110
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	4,491,397	246,684	357,999	5,096,080
Excess (deficiency) of revenues over expenses	(221,985)	593,492	124,700	496,207
<u>Other comprehensive income:</u>				
Net unrealized investment gains	-	(51,111)	(9,916)	(61,027)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income (loss)	\$ (221,985)	\$ 542,381	\$ 114,784	\$ 435,180



**BURKE CENTRE CONSERVANCY**  
**Statements of Changes in Members' Equity**  
**For the Years ended December 31, 2016 and 2015**

	Reserve Funds			Cluster Funds		Total
	Operating Fund	Fund Balances	Accumulated Other Comprehensive Income	Fund Balances	Accumulated Other Comprehensive Income	
<b>Members' equity, December 31, 2014:</b>	\$ 653,292	\$ 4,800,230	\$ 220,013	\$ 3,735,557	\$ 41,863	\$ 9,450,955
Excess (deficiency) of revenues over expenses	(221,985)	593,492	-	124,700	-	496,207
Other comprehensive income	-	-	(51,111)	-	(9,916)	(61,027)
Transfers for capitalized reserve expenditures	<u>44,441</u>	<u>(44,441)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Members' equity, December 31, 2015:</b>	475,748	5,349,281	168,902	3,860,257	31,947	9,886,135
Excess (deficiency) of revenues over expenses	65,288	617,871	-	(183,688)	-	499,471
Other comprehensive loss	-	-	54,650	-	10,603	65,253
Transfers for capitalized reserve expenditures	<u>64,377</u>	<u>(64,377)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Members' equity, December 31, 2016:</b>	<u>\$ 605,413</u>	<u>\$ 5,902,775</u>	<u>\$ 223,552</u>	<u>\$ 3,676,569</u>	<u>\$ 42,550</u>	<u>\$ 10,450,859</u>

See Accompanying Notes to the Financial Statements.

**BURKE CENTRE CONSERVANCY**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2016 and 2015**

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Clusters Reserves</u>	<u>Total 2016</u>
<u>Cash Flows From Operating Activities:</u>				
Excess (deficiency) of revenues over expenses	\$ 65,288	\$ 617,871	\$ (183,688)	\$ 499,471
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:				
Depreciation	23,905	-	-	23,905
Provision for doubtful accounts	69,355	-	-	69,355
Gain on disposal of equipment	(18,000)	-	-	(18,000)
(Increase) decrease in operating assets:				
Restricted cash, pipestem escrow	493	-	-	493
Accounts receivable	(32,418)	-	(2,270)	(34,688)
Accrued interest receivable	(605)	(15,496)	(10,393)	(26,494)
Prepaid expenses	(43,446)	-	-	(43,446)
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses	(83,336)	-	-	(83,336)
Deferred revenue	20,353	-	-	20,353
Security deposits	-	-	-	-
Pipestem escrow liability	(493)	-	-	(493)
Total adjustments	<u>(64,192)</u>	<u>(15,496)</u>	<u>(12,663)</u>	<u>(92,351)</u>
Net cash provided by (used in) operating activities	1,096	602,375	(196,351)	407,120
<u>Cash Flows from Investing Activities:</u>				
Purchases of property and equipment	(82,377)	-	-	(82,377)
Proceeds from sale of equipment	18,000	-	-	18,000
Purchases of marketable securities	-	(57,515)	(11,159)	(68,674)
Net cash used in investing activities	(64,377)	(57,515)	(11,159)	(133,051)
<u>Cash Flows From Financing Activities:</u>				
Net interfund borrowings and (repayments)	13,036	(9,803)	(3,233)	-
Transfers for capitalized reserves expenditures	64,377	(64,377)	-	-
Net cash provided by (used in) financing activities	<u>77,413</u>	<u>(74,180)</u>	<u>(3,233)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	14,132	470,680	(210,743)	274,069
Cash and cash equivalents at beginning of year	<u>541,584</u>	<u>4,698,841</u>	<u>3,691,558</u>	<u>8,931,983</u>
Cash and cash equivalents at end of year	<u>\$ 555,716</u>	<u>\$ 5,169,521</u>	<u>\$ 3,480,815</u>	<u>\$ 9,206,052</u>

See Accompanying Notes to the Financial Statements.

**BURKE CENTRE CONSERVANCY**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2016 and 2015 (Continued)**

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Clusters Reserves</u>	<u>Total 2015</u>
<u>Cash Flows From Operating Activities:</u>				
Excess (deficiency) of revenues over expenses	\$ (221,985)	\$ 593,492	\$ 124,700	\$ 496,207
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities:				
Depreciation	20,064	-	-	20,064
Provision for doubtful accounts	1,045	-	-	1,045
Gain on sale of marketable securities	-	-	-	-
Gain on disposal of equipment	(13,000)	-	-	(13,000)
(Increase) decrease in operating assets:				
Pipestem escrow	(7,398)	-	-	(7,398)
Accounts receivable	(86,568)	-	491	(86,077)
Accrued interest receivable	(264)	(10,149)	(7,217)	(17,630)
Prepaid expenses	42,696	-	-	42,696
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses	57,997	-	-	57,997
Deferred revenue	5,510	-	-	5,510
Security deposits	3,614	-	-	3,614
Pipestem escrow liability	7,398	-	-	7,398
Total adjustments	<u>31,094</u>	<u>(10,149)</u>	<u>(6,726)</u>	<u>14,219</u>
Net cash provided by (used in) operating activities	(190,891)	583,343	117,974	510,426
<u>Cash Flows from Investing Activities:</u>				
Purchases of property and equipment	(44,441)	-	-	(44,441)
Purchases of marketable securities	<u>-</u>	<u>(49,715)</u>	<u>(9,644)</u>	<u>(59,359)</u>
Net cash used in investing activities	(31,441)	(49,715)	(9,644)	(90,800)
<u>Cash Flows From Financing Activities:</u>				
Net interfund borrowings and (repayments)	1,586	436	(2,022)	-
Transfers for capitalized reserves expenditures	<u>44,441</u>	<u>(44,441)</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>46,027</u>	<u>(44,005)</u>	<u>(2,022)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(176,305)	489,623	106,308	419,626
Cash and cash equivalents, at beginning of year	<u>717,889</u>	<u>4,209,218</u>	<u>3,585,250</u>	<u>8,512,357</u>
Cash and cash equivalents, at end of year	<u>\$ 541,584</u>	<u>\$4,698,841</u>	<u>\$3,691,558</u>	<u>\$8,931,983</u>

See Accompanying Notes to the Financial Statements.

**BURKE CENTRE CONSERVANCY**  
**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**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 Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**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 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 Pipestem Escrow**

The Conservancy maintains restricted cash balances on behalf of certain members who own shared private pipestem driveways. These funds are not available for use by the Conservancy in the ordinary course of business.

**Marketable Securities**

Marketable 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.

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 marketable securities are determined by utilizing quoted market prices on active markets (Level 1) for identical securities.

**BURKE CENTRE CONSERVANCY**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2016 and 2015 were \$479,660 and \$536,141. The Conservancy established allowance for doubtful accounts in the amounts of \$380,000 and \$371,045 as of December 31, 2016 and 2015.

**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, 2016 and 2015, 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.

**Interest and Investment Income**

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 Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**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, 2015 and 2014.

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 2013 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 10, 2017, 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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Machinery, vehicles and equipment	\$ 589,314	\$ 583,166
Furniture and fixtures	86,761	86,761
Office equipment	<u>83,118</u>	<u>83,118</u>
	759,193	753,045
Accumulated depreciation	<u>(631,190)</u>	<u>(683,514)</u>
Property and equipment, net	<u>\$ 128,003</u>	<u>\$ 69,531</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$23,905 and \$20,064, respectively.

**BURKE CENTRE CONSERVANCY**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**NOTE 4 - 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 5 - MARKETABLE SECURITIES**

Cost and fair value of marketable equity securities at December 31, 2016 and 2015 are as follows:

	<b>2016</b>		
	<b>Unrealized</b>		
	<b>Cost</b>	<b>gain</b>	<b>Fair Value</b>
Reserve funds			
Available for sale:			
Mutual fund, equities	\$ 725,335	\$ 223,552	\$ 948,887
Cluster Reserves			
Available for sale:			
Mutual funds	<u>141,541</u>	<u>42,550</u>	<u>184,091</u>
Total maketable securities	<u>\$ 866,876</u>	<u>\$ 266,102</u>	<u>\$ 1,132,978</u>
	<b>2015</b>		
	<b>Unrealized</b>		
	<b>Cost</b>	<b>gain</b>	<b>Fair Value</b>
Reserve funds			
Available for sale:			
Mutual fund, equities	\$ 667,820	\$ 168,902	\$ 836,722
Cluster Reserves			
Available for sale:			
Mutual fund, equities	<u>130,382</u>	<u>31,947</u>	<u>162,329</u>
Total maketable securities	<u>\$ 798,202</u>	<u>\$ 200,849</u>	<u>\$ 999,051</u>



**BURKE CENTRE CONSERVANCY**  
**Notes to Financial Statements (Continued)**  
**December 31, 2016 and 2015**

**NOTE 5 - MARKETABLE SECURITIES (Continued)**

Investment income for the years ended December 31, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Interest, dividends and interfund gains	<u>\$ 104,791</u>	<u>\$ 92,121</u>

**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 2016 and 2015, the Conservancy contributed \$31,477 and \$32,950 to the plan.

**NOTE 7 - OPERATING LEASES**

Burke Centre maintains two operating leases, for office equipment, that expire at various dates through May of 2017. Rental expenses for those leases were \$24,956 and \$27,075 for the years ended December 31, 2016 and 2015.

Future minimum lease payments under operating leases are as follows:

2017	<u>\$ 8,279</u>
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**NOTE 8 - INTERFUND BALANCES**

As of December 31, 2016 and 2015, 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, 2016**

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.

		<b>Current</b>		
	<b>Estimated</b>	<b>Replacement</b>	<b>2017 Funding</b>	<b>Fund Balance</b>
	<b>Useful Life</b>	<b>Cost</b>	<b>Requirement</b>	<b>12/31/16</b>
<u>Capital Replacement Funds:</u>				
Community centers and recreational facilities	15-20 Years	\$ 6,564,989	\$ 403,576	\$ 2,855,566
Lynch Farm administrative office and garage office	15-20 Years	508,513	32,945	233,108
Footpaths	20-25 years	1,500,215	90,599	641,046
Miscellaneous structures	20-40 years	3,145,336	197,670	1,398,645
Lakes and pools	15-20 years	483,000	32,945	233,108
Premier court maintenance facility	15-20 years	262,271	16,473	116,554
Maintenance trucks and equipment	7-10 years	705,463	41,181	291,384
Consulting and engineering fees	5-30 years	<u>100,000</u>	<u>8,236</u>	<u>58,277</u>
Capital replacement fund totals:		13,269,787	823,625	5,827,688
<u>Cluster Reserve Funds:</u>				
Cluster component elements:	6-20 years	<u>7,982,443</u>	<u>318,991</u>	<u>2,693,833</u>
Total		<u>\$ 21,252,230</u>	<u>\$ 1,142,616</u>	<u>\$ 8,521,521</u>