

**ROBERT F. SCHAFER
120 QUEEN MOTHERS COURT
WIRTZ, VIRGINIA 24184**

August 20, 2019

Board of Directors
Boxwood Green Home Owner's Association
P.O. Box 942
Hardy, VA 24101

Dear Board Members:

I have audited the accompanying statements of financial condition of the Boxwood Green Home Owners Association (Association) as of December 31, 2018, and the related statements of revenues, expenses, changes in fund balances, and cash flows for the year then ending. The financial statements are the responsibility of the Association's management.

My responsibility was to conduct the audit in conformance with the audit scope I submitted with my January 10, 2019, letter to the Board of Directors. As noted in that letter, I did not conduct the audit in accordance with generally accepted auditing standards (GAAS). Still, I believe the audit will enable association members and anyone else who may review the audit report to be reasonably confident the Association's financial reports fairly present, in material respects, the financial position of the Boxwood Green Home Owners Association as of December 31, 2018.

Should you have any questions, please contact me.

Sincerely,

Robert F. Schafer

BOXWOOD GREEN HOMEOWNERS ASSOCIATION COMPARATIVE BALANCE SHEETS
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ASSETS

	December 31	
	2017	2018
Cash and Cash Equivalents	\$ 26,628.38	\$ 28,193.32
Investments	10,291.73	10,410.59
Total Assets	\$ 36,920.11	\$ 38,603.91

LIABILITIES AND EQUITY

	December 31	
	2017	2018
Liabilities	0	0
 Equity		
Project Reserves	\$ 7,666.68	\$ 7,833.35
Total Reserves	\$ 7,666.68	\$ 7,833.35
Total Retained Earnings	\$ 29,253.43	\$ 30,770.56
Total Reserves and Retained Earnings	\$ 36,920.11	\$ 38,603.91
Total Liabilities and Equity	\$ 36,920.11	\$ 38,603.91

The accompanying notes are an integral part of the financial statements.

BOXWOOD GREEN HOMEOWNERS ASSOCIATION STATEMENT OF REVENUES AND EXPENSES
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	2018	2017
	TOTAL	TOTAL
Revenues		
Home Owners Annual Dues	15,010.00	14,820.00
Late Fees	0	0
Interest Income	144.07	136.49
Other Income	600.00	225.00
Total Income	15,754.07	15,181.49
Expenses		
Bank Charges	52.15	30.00
Contributions	300.00	300.00
Disclosure Packet Preparation	400.00	150.00
Dues and Subscriptions	45.00	70.00
Expense Project Reserve	166.67	166.67
Rental	200.00	200.00
Hospitality	58.88	33.70
Insurance	3,152.00	3,256.00
Landscaping	750.00	425.00
Mowing	2,730.00	2,730.00
Payroll Expense	3,600.00	3,600.00
Postage and Delivery	268.00	156.93
Professional	1,734.50	732.50
Repairs & Maintenance	300.03	547.89
Recognition and Bereavement	50.00	50.00
Supplies/Miscellaneous	146.55	141.00
Taxes	0	0
Utilities	173.66	278.40
Web Page	109.50	109.50
Total Expenses	14,236.94	12,977.59
Net Income From Operations	1,517.13	2,203.90

The accompanying notes are an integral part of the financial statements.

**BOXWOOD GREEN HOME OWNERS ASSOCIATION
STATEMENT OF CHANGES IN RESERVES**

	BEGINNING BALANCE Dec 31, 2017	2018 ADJUSTMENTS	ENDING BALANCE Dec 31, 2018
Boat Ramp Repair	1,500.00	0	1,500.00
Storage Lot	2,000.00	0	2,000.00
Entry Sign	4,166.68	166.67	4,333.35
Total Reserves	7,666.68	166.67	7,833.35

The accompanying notes are an integral part of the financial statements.

**BOXWOOD GREEN HOMEOWNERS ASSOCIATION
STATEMENT OF CHANGES IN EQUITY**

Balance	Reserves	Retained Earnings
December 31, 2017	\$7,666.68	\$29,253.43
Excess Revenues Over Equity		1,517.13
Amount Allocated to Replacement Funds	166.67	
Replacement Costs Applied to Replacement Funds		
December 31, 2018	\$7,833.35	\$30,770.56

The accompanying notes are an integral part of the financial statements.

BOXWOOD GREEN HOME OWNERS ASSOCIATION STATEMENT OF CASH FLOWS
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December 31, 2017 Cash Balances		
Checking Account – American National Bank & Trust	\$ 3,752.27	
Money Market Account – American National Bank & Trust	22,876.11	
Certificates of Deposit - American National Bank & Trust	10,291.73	\$36,920.11
Cash Received During 2018		
Annual Membership Dues Less Rebate	15,010.00	
Interest Income	144.07	
Other Income – POA Disclosure Packets	600.00	
Other Income – Late Fees	0	15,754.07
Total Cash Available		52,674.18
Cash Disbursed During 2018		
Expenses	14,236.94	
Reserve Debits	-166.67	14,070.27
Available Cash December 31, 2018		\$38,603.91
December 31, 2018 Cash Balances		
Checking Account – American National Bank & Trust	\$ 4,148.26	
Money Market – American National Bank & Trust	24,045.06	
Certificates of Deposit - American National Bank & Trust	10,410.59	\$38,603.91

The accompanying notes are an integral part of the financial statements.

<p style="text-align: center;">BOXWOOD GREEN HOME OWNERS ASSOCIATION NOTES TO FINANCIAL STATEMENTS</p>
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1. Organization

The Boxwood Green Home Owners Association (Association) is a statutory homeowners association organized as a not-for-profit corporation for the purpose of maintaining and preserving the common property of Boxwood Green. The Association began its operations on August 2, 1994, when its Declaration of Covenants were recorded in the Clerks Office, Circuit Court of Franklin County, State of Virginia. Since its original incorporation, the Association has updated its Covenants and Bylaws numerous times, most recently in 2016. Boxwood Green consists of 87 properties, the owners of which are all members of the Association. As of December 31, 2018, there were 82 residences and 5 properties without permanent structures. The Common Ground facilities owned by the Association are limited to a storage area for the residents, surrounded by a chain linked fence, and a dock area for launching boats, restricted to residents only.

2. Summary of Significant Accounting Policies

The Association has maintained its records on a modified cash basis, since the Board approved this method in 2005, as opposed to an accrual basis and, as such, its financial statements do not comply with generally accepted accounting principles (GAAP). This is not uncommon with small homeowner's associations with limited assets and property. Using the modified cash basis does not significantly affect the impact of operations on the Comparative Balance Sheets and Statement of Revenues and Expenses.

3. Home Owners' Assessments

During the audit period (calendar year 2018), home owners were assessed \$225 per year as a property owners' assessment. However, as in many of the past years' operations, the Association has provided a rebate to its members who pay their assessment timely. In 2018, the rebate was \$55; thus, the net assessment was \$170. All but four homeowners paid their assessments in a timely manner and all accounts are current.

The annual budget and assessments are determined and approved by the Board of Directors. The Association retains excess operating funds at the end of the operating year, if any, to rebate to homeowners and for use in future operating periods.

4. Future Major Repairs and Replacements

Virginia state law requires that the Association accumulate funds for future major repairs and replacements. In the Boxwood Green Home Owners Association funds allocated for reserves are not held separately, but rather are commingled with general operating funds. However, reserve needs are recorded separately in the budget as established in reserving plans approved by the Board of Directors. The amount of the reserves is more than covered by an FDIC insured Certificate of Deposit held with the American National Bank and Trust Company.

In 2002, the Board conducted an in-house study and established reserve funding as required by law. The allocation of income to meet funding needs was begun in 2003. Each year, thereafter, the Treasurer or Assistant Treasurer has prepared an analysis of Reserving Needs in conjunction with various operating committees and the Finance Committee. Funding Requirements are based on future estimated replacement costs.

The Board is funding for major repairs and replacements over the remaining useful life of the components based on the studies' estimates of future replacement costs and considering the amount previously

accumulated in the replacement funds. Accordingly, funding requirements each year were developed on a Baseline Funding Technique and included in the 2018 budget.

Funds are being accumulated in the replacement funds based on estimated future costs for repairs and replacements of common property components. Actual expenditures 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 all future needs for major repairs and replacements. The goal of the Baseline Funding Technique is to keep the reserve balance above zero during the projected period of need. Should expenditures exceed the amount funded, the Board could rely on existing retained earnings which represent 276 percent of the current reserve estimate. If additional funds are needed, the Association has the right to allocate funds from retained earnings, increase regular assessments, pass special assessments, or delay major repairs and replacement until funds are available.

5. Federal and State Taxes

Since its inception, the Association has filed as a homeowners' association in accordance with Internal Revenue Service Code section 528, using form 1120-H. Under that section, the Association excludes from taxation exempt function income, which generally consists of revenue from uniform assessments to owners. The Association's investment income was subject to tax. Given that the Association's investment income tax is negligible, it paid no taxes in 2018. The Association also filed with the Virginia Department of Taxation a Virginia Corporation Tax Return, using Form 500EZ.

6. Accounting and Records

The Association has been using the Quick Book accounting system since 2005 and currently is using the 2014 version. The Assistant Treasurer maintains the Association's records and adequate internal controls are practiced. Aside from the Quick Book software, the only inventory observed during the audit was a computer and printer.