

Audited Financial Statements
Viniterra Property Owners' Association, Inc.
December 31, 2021

Contents

Audited Financial Statements

Independent Auditor's Report.....	Page	1 - 2
Balance Sheet		3
Statement of Revenues, Expenses, And Changes in Fund Balance		4
Statement of Cash Flows.....		5
Notes to Financial Statements		6 - 8

Supplementary Information

Supplementary Information on Future Major Repairs and Replacements (Unaudited)		9
---	--	---



ADAMS, JENKINS AND CHEATHAM
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS CONSULTANTS

Independent Auditor's Report

Board of Directors
Viniterra Property Owners' Association, Inc.
Richmond, Virginia

Opinion

We have audited the accompanying financial statements of Viniterra Property Owners' Association, Inc. which comprise the balance sheet, statements of revenues, expenses and change in fund balance, and cash flows as of December 31, 2021, 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 Viniterra Property Owners' Association, Inc., as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities 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 the 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 Viniterra Property Owners' Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 judgment 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 Viniterra Property Owners' Association, Inc.'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 Viniterra Property Owners' Association, Inc.'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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that information on future major repairs and replacements of common property on page 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which 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.



Richmond, Virginia
April 10, 2023

Balance Sheet

Viniterra Property Owners' Association, Inc.

December 31, 2021

Assets

Cash and cash equivalents	\$ 13,742
Associate developer's receivable	21,886
Other receivable	1,883
Assessments receivable, net	2,427
Prepaid insurance	<u>540</u>
	<u>\$ 40,478</u>

Liabilities

Accounts payable	\$ 4,806
Unearned assessments	<u>11,068</u>
	15,874

Members' Equity

Undesignated Members' Deficit	(72,496)
Designated Members' Equity	<u>97,100</u>
	24,604
	<u>\$ 40,478</u>

See Independent Accountant's Audited Report and Notes to Financial Statements

Statement of Revenues, Expenses, and Changes in Fund Balance

Viniterra Property Owners' Association, Inc.

Year Ended December 31, 2021

Revenues

Regular assessments	\$ 78,743
Other income	565
Interest income	11
	<u>79,319</u>

Expenses

Grounds	48,507
Master association fee	19,886
Management fees	8,250
Utility expense	4,544
Bad debts	1,849
Professional fees	1,730
Insurance	1,585
General administrative	1,530
	<u>87,881</u>

Deficiency of Revenues
over Expenses (8,562)

Capital contribution 2,644

Total members' equity at beginning of year 30,522

Undesignated Members' Deficit
at End of Year (72,496)

Designated Members' Equity
at End of Year 97,100

Total Members' Equity at End of year \$ 24,604

See Independent Accountant's Audited Report and Notes to Financial Statements

Statement of Cash Flows

Viniterra Property Owners' Association, Inc.

Year Ended December 31, 2021

Cash Flows from Operating Activities

Deficiency of revenues over expenses	\$ (8,562)
Adjustments to reconcile deficiency of revenues over expenses to net cash used by operating activities:	
Bad debt	1,849
(Increase) decrease in:	
Associate developer's receivable	(21,886)
Assessments receivable	12,826
Prepaid insurance	146
Increase (decrease) in:	
Accounts payable	(4,769)
Unearned assessments	<u>8,931</u>
Net Cash Used by Operating Activities	<u>(11,465)</u>

Cash Flows Provided by Financing Activities

Capital contribution	2,644
----------------------	-------

Net Decrease in Cash and Cash Equivalents	(8,821)
--	---------

Cash and cash equivalents at beginning of year	<u>22,563</u>
---	---------------

Cash and Cash Equivalents at End of Year	<u>\$ 13,742</u>
--	------------------

Supplemental Disclosure

The Association paid no interest expense or income tax in the year ending December 31, 2021.

See Independent Accountant's Audited Report and Notes to Financial Statements

Notes to Financial Statements

Viniterra Property Owners' Association, Inc.

December 31, 2021

Note A - Nature of Organization

Viniterra Property Owners' Association, Inc. is a homeowners' association that was incorporated in the Commonwealth of Virginia in 2008. The Association is responsible for the operation and maintenance of the common property of the development and consists of 35 single family units and 85 lots located in New Kent County, Virginia. It is a member of the New Kent Vineyards Master Property Owners' Association, Inc.

Note B - Summary of Significant Accounting Policies

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are ninety days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Income Taxes

Homeowners' associations may elect annually to be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2021, the Association elected to be taxed as a homeowners' association. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, at a federal rate of 30% and the regular state corporate rate of 6%. Exempt function income, which consists primarily of member assessments, is not taxable.

Cash and Cash Equivalents

Unrestricted deposits, short-term investments, money market accounts, and certificates of deposit that are highly liquid are considered cash and cash equivalents.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could vary from the estimates.

Property and Equipment

All property and equipment to which the Association has title or evidence of ownership, and meets one of the two required tests, is capitalized. Real property directly associated with the units, as well as property transferred from the developer, is generally not capitalized. On December 31, 2021, real property not capitalized consists of sidewalks, access roads, and greenbelts. Property and equipment acquired by the Association are recorded at cost.

Personal property may be disposed of at the discretion of the Board of Directors. Real property may only be disposed of with the approval of a majority of the members of the Association.

Notes to Financial Statements

Viniterra Property Owners' Association, Inc.

December 31, 2021

Note B - Summary of Significant Accounting Policies - Continued

Bad Debts

Bad debts are expensed using the allowance method. The Association has calculated an allowance for doubtful accounts at an amount which actual bad debts are reasonably expected not to exceed. The allowance is calculated based on a detailed review of outstanding receivables and takes into account the historical payment habits of the members. Periodically, the Association's Board of Directors and management review past due receivables and write off specific accounts which are deemed uncollectible, after all reasonable collection efforts have been exhausted. The allowance was \$1,849 at December 31, 2021.

Revenue Recognition

The Association recognizes revenue in the proper period as assessments become due in accordance with Financial Accounting Standards Board *Topic 606, Revenue from Contracts with Customers*.

Note C - Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 10, 2023, the date that the financial statements were available to be issued.

Note D - Future Major Repairs and Replacements

The Association's governing documents generally provide for the levying of special assessments or increasing of regular assessments when major repairs and replacements are needed. The Board of Directors, however, has chosen to establish a replacement fund and to accumulate funds for the estimated costs of future major repairs and replacements. Accumulated funds have not been separated to a separate account at December 31, 2021.

In 2018, the Board of Directors engaged an independent consulting firm to conduct a study to estimate the remaining useful lives and replacement costs of the common property components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimate of future replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures 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, the Association has the right to increase regular assessments, levy special assessments, or it may delay major repairs and replacements until funds are available.

Note E - Commitments

The Association has a one-year agreement ending December 1, 2023, with Association Community Services West, Inc. for management services. The contract automatically renews annually unless previously terminated. Total management fee was \$8,250 for year ended December 31, 2021.

The Association also has various other contract services.

Notes to Financial Statements

Viniterra Property Owners' Association, Inc.

December 31, 2021

Note G - COVID-19

In December 2019, a novel strain of coronavirus (COVID-19) surfaced in Wuhan, China and has spread around the world, with resulting business and social disruption. COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The COVID-19 pandemic is having widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets, and business practices. The Association to date has not seen significant disruption or significant operational restrictions, but the substantial uncertainty and the nature and degree of the pandemic and resulting effects over time could result in disruption or restriction on the Association's ability to operate normally. The Association's owners are also affected by the outbreak, which could delay their payments. The Association may also experience difficulties with suppliers or with vendors in their supply chain, which could have negative effects on operations. Overall, the future impact of the pandemic with respect to the Association is difficult to predict and could adversely impact its overall operations in the future.

Supplementary Information

Supplementary Information on Future Major Repairs and Replacements (Unaudited)

Viniterra Property Owners' Association, Inc.

December 31, 2021

The Association has established a funding program for future major repairs and replacements of common property components. In 2018, the Association engaged an independent consulting firm to estimate the remaining useful lives and replacement costs of the common property components. The study has assumed an annual inflation rate of 2.6% for replacement costs and an annual rate of return of 1.7% on invested reserves.

The Association has elected to fund major repairs and replacements using the cash flow method of accumulating replacement reserves. Under the cash flow method as determined by the study, the minimum recommended deposit to the Replacement Fund for 2021 is \$50,500. Actual expenditures 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, the Association has the right to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available.

The following table of estimated remaining useful lives and replacement cost is based on the study performed in 2018.

Component	Estimated Remaining Useful Lives	Estimated 2018 Replacement Cost
Full Replacement		
Community		
Asphalt pavement	3 - 24 yrs	\$ 818,355
Guard house elements	5 - 25 yrs	107,341
Gates	12 yrs	98,792
Catch basins	18 - 24 yrs	84,502
Concrete sidewalks	21 yrs	8,572
Signage	14 yrs	7,162
Shared		
Asphalt pavement	3 - 18 yrs	303,966
Signage	13 yrs	20,941
Catch basins	18 yrs	12,381
Partial Replacement		
Community concrete curbs and gutters	18 - 30 yrs	181,563
Shared concrete curbs, gutters, and sidewalks	13 yrs	48,245
Community guard house elements	5 yrs	22,175
		<u>\$ 1,713,995</u>