

**ASHBURN FARM ASSOCIATION**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2010 and 2009**

# DALY, HAMAD & ASSOCIATES, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS  
MEMBERS, AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## APPROVED

### INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Ashburn Farm Association

We have audited the accompanying balance sheets of Ashburn Farm Association as of December 31, 2010 and 2009, and the related statements of revenues and expenses, changes in members' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ashburn Farm Association as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 9 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of the 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.

Daly, Hamad & Associates, P.L.L.C.

**ASHBURN FARM ASSOCIATION  
BALANCE SHEETS  
December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash	\$ 422,078	\$ 469,999
Cash - certificates of deposit	1,954,092	1,750,000
Accounts receivable -- members -- net	39,151	46,128
Prepaid insurance and other expenses	96,434	47,445
Accrued interest	<u>21,182</u>	<u>23,989</u>
Total Assets	<u>\$2,532,937</u>	<u>\$2,337,561</u>
 <b>LIABILITIES AND MEMBERS' EQUITY</b>		
Accounts payable and accrued expenses	\$ 45,752	\$ 83,137
Income taxes payable	7,457	2,883
Assessments received in advance	<u>267,063</u>	<u>310,331</u>
Total Liabilities	320,272	396,351
 Members' equity		
Unrealized Gains on Certificates of deposit	104,092	-
Undesignated	251,763	219,458
Designated for future major repairs and replacements	<u>1,856,810</u>	<u>1,721,752</u>
Total Members' Equity	<u>2,212,665</u>	<u>1,941,210</u>
Total Liabilities and Members' Equity	<u>\$2,532,937</u>	<u>\$2,337,561</u>

See accompanying notes to financial statements.

**ASHBURN FARM ASSOCIATION**  
**STATEMENTS OF REVENUES AND EXPENSES**  
**For The Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>REVENUES</b>		
Assessments - members	\$ 3,001,562	\$ 2,811,790
Pool income	90,659	312,370
Interest/dividend	82,877	79,018
Newsletter income	60,070	54,080
Other member income	<u>114,867</u>	<u>124,334</u>
Total Revenues	3,350,035	3,381,592
Designated for Future Major Repairs and Replacements	<u>(511,100)</u>	<u>(477,296)</u>
Revenues Available for Operations	2,838,935	2,904,296
<b>EXPENSES</b>		
Administrative	72,183	77,607
Bad debts	15,821	65,824
Community events	33,128	37,746
Equipment/furniture purchases	-	94
Insurance	50,930	54,585
Grounds maintenance	419,918	417,344
Newsletter	61,729	61,160
Payroll, taxes and benefits	709,416	647,465
Pool	341,083	340,911
Professional fees	156,905	176,590
Repairs and maintenance	250,405	203,806
Taxes	12,310	11,340
Trash removal	613,750	685,937
Utilities	<u>69,052</u>	<u>85,954</u>
Total Expenses	<u>2,806,630</u>	<u>2,866,363</u>
Excess (deficit) of Revenues Over Expenses	<u>\$ 32,305</u>	<u>\$ 37,933</u>

See accompanying notes to financial statements.

**ASHBURN FARM ASSOCIATION**  
**STATEMENTS OF CASH FLOWS**  
**For The Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess (deficit) of revenues over expenses	\$ 32,305	\$ 37,933
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivable -- members	6,977	47,255
Prepaid income taxes	-	8,512
Prepaid insurance and other expenses	(48,989)	(27,936)
Accrued interest	2,807	(323)
Increase (decrease) in:		
Accounts payable and accrued expenses	(37,385)	13,423
Income taxes payable	4,574	2,883
Assessments received in advance	(43,268)	61,377
Allocation to future major repairs and replacements --		
Assessments	511,100	477,296
Disbursements	<u>(376,042)</u>	<u>(466,959)</u>
<b>NET INCREASE (DECREASE) IN CASH PROVIDED BY OPERATING ACTIVITIES</b>	52,079	153,461
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Unrealized gains/losses	104,092	-
Investments net	<u>-</u>	<u>280,000</u>
<b>INCREASE (DECREASE) IN CASH</b>	156,171	433,461
<b>CASH AT BEGINNING OF YEAR</b>	<u>2,219,999</u>	<u>1,786,538</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$2,376,170</u></u>	<u><u>\$2,219,999</u></u>
 <b>SUMMARY OF CASH ACCOUNTS</b>		
Cash	\$ 422,078	\$ 469,999
Cash - certificates of deposit	<u>1,954,092</u>	<u>1,750,000</u>
	<u><u>\$2,376,170</u></u>	<u><u>\$2,219,999</u></u>

See accompanying notes to financial statements.

**ASHBURN FARM ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010**

**NOTE A--NATURE OF ORGANIZATION**

The Ashburn Farm Association is a nonstock corporation incorporated in the Commonwealth of Virginia on December 16, 1987, for the purpose of operating and maintaining the common property of the Ashburn community. The Association, when fully completed, will consist of 1,370 acres with 3,844 residential units located in eastern Loudoun County, Commonwealth of Virginia.

**NOTE B – DATE OF MANAGEMENT’ REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through xxxxx xx, 2011, the date that the financial statements were available to be issued.

**NOTE C--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Accounts Receivable--Members:**

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and future major repairs and replacements. The Association's policy is to retain legal counsel and place liens on the units of members whose assessments are ninety days or more delinquent.

The Association uses the allowance method for accounting for bad debts. Receivables are written off as a loss when it has been determined that collection is uncertain. Collection efforts may continue and amounts previously written off are recognized as income in the year of their subsequent collection. At December 31, 2010, the balance in the Allowance for Doubtful Accounts was \$50,000.

**Income Taxes:**

The Association may be taxed either as a homeowners' association or as a regular corporation. For the tax years ended December 31, 2010 and 2009, the Association was taxed as a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its nonmembership income less nonmembership expenses at regular federal and state corporate rates.

**ASHBURN FARM ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2010**

**NOTE C – continued**

Property and Equipment:

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because their disposition and use is restricted. According to the Association's governing documents, 67% of all unit owners must approve all abandonment, partitions, encumbrances, sales, or any other transfers of common area or other property owned by the Association.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents:

For purposes of these financial statements, the Association includes all highly liquid investments to be cash equivalents. Cash is comprised of demand deposits and money market funds. At December 31, 2010, the Association had cash invested in money market funds of \$ 271,142. These investments are subject to market fluctuations and risks.

**NOTE D—UNREALIZED CAPITAL GAINS ON CERTIFICATES OF DEPOSIT**

The Association has invested in Certificates of Deposit with various interest rates and maturities. It is the intention of the Association to hold these investments to maturity. At December 31, 2010, the Unrealized Gains on these CDs was \$ 104,092 and is included in the value of the investments.

**ASHBURN FARM ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2010**

**NOTE E--FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$ 1,856,810 and \$ 1,721,752 at December 31, 2010 and 2009, respectively, are held in separate accounts and are generally not available for operating purposes.

The Association engaged an independent engineer who conducted a study in April 2009, to estimate the remaining useful lives and the replacement costs of the common property components. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts designated for future major repairs and replacements may not be adequate to meet future needs. If additional funds are needed, the Association has the right to increase regular assessments, levy a special assessment or delay major repairs and replacements until funds are available.

The following is a breakdown of reserves at December 31, 2010:

	<u>TOTAL</u>	<u>TOWNHOUSE RESERVES</u>	<u>CAPITAL RESERVES</u>
December 31, 2009	\$ 1,721,752	\$ 1,265,050	\$ 456,702
Activity 2010:			
Assessments	511,100	232,500	278,600
Disbursements	<u>(376,042)</u>	<u>(189,055)</u>	<u>(186,987)</u>
December 31, 2010	<u>\$ 1,856,810</u>	<u>\$ 1,308,495</u>	<u>\$ 548,315</u>

**ASHBURN FARM ASSOCIATION**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS**  
**AND REPLACEMENTS (UNAUDITED)**  
**December 31, 2010**

The Association engaged an independent engineer who conducted a study in 2009 to estimate the remaining useful lives and the replacement costs of the common property components.

The following information is based on the study and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>
Townhouse components	1 to 11	\$ 2,099,900
Swimming pools and facilities	1 to 48	677,600
Tot-lots	20	414,000
Visitor center	1 to 30	370,100
Tennis and multi-purpose courts	3 to 14	334,000
Annual allowances	1	143,300
Other property features	1 to 19	119,900
Pavilion	19 to 20	43,800
Maintenance building	2 to 40	39,000
Baseball field	19	10,300
		<u>\$ 4,251,900</u>