



Principals

Howard A. Goldklang, CPA, MBA
Donald E. Harris, CPA
Anne M. Sheehan, CPA
S. Gail Moore, CPA

1801 Robert Fulton Drive, Suite 200
Reston, VA 20191

Associate Principals

Jeremy W. Powell, CPA
Renee L. Watson, CPA

Managers

Allison A. Day, CPA
Matthew T. Stiefvater, CPA
Sheila M. Lewis, CPA

Independent Auditor's Report

To the Board of Directors of
Dominion Square, A Townhouse Condominium

Report on the Financial Statements

We have audited the accompanying financial statements of Dominion Square, A Townhouse Condominium, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income, 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 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 Dominion Square, A Townhouse Condominium as of December 31, 2016 and 2015, 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.

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 on page 10 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.

Goldklang Group CPAs, P.C.

Reston, Virginia
February 15, 2017

DOMINION SQUARE, A TOWNHOUSE CONDOMINIUM
BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 133,631	\$ 140,408
Assessments Receivable - Net	30	200
Income Taxes Receivable	100	100
Prepaid Expenses	<u>678</u>	<u>664</u>
 Total Assets	 <u>\$ 134,439</u>	 <u>\$ 141,372</u>
 <u>LIABILITIES AND MEMBERS' EQUITY</u>		
Accounts Payable	\$ 3,832	\$ 4,260
Prepaid Assessments	<u>4,691</u>	<u>900</u>
Total Liabilities	<u>\$ 8,523</u>	<u>\$ 5,160</u>
 Replacement Reserves	 \$ 97,250	 \$ 89,650
Unappropriated Members' Equity	<u>28,666</u>	<u>46,562</u>
Total Members' Equity	<u>\$ 125,916</u>	<u>\$ 136,212</u>
 Total Liabilities and Members' Equity	 <u>\$ 134,439</u>	 <u>\$ 141,372</u>

See Accompanying Notes to Financial Statements

DOMINION SQUARE, A TOWNHOUSE CONDOMINIUM
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
<u>INCOME:</u>		
Condominium Fees	\$ 118,080	\$ 115,200
Interest	2	2
Bad Debt Recovery	-	1,115
Other	1,005	1,971
Total Income	\$ 119,087	\$ 118,288
 <u>EXPENSES:</u>		
Management	\$ 14,880	\$ 14,436
Legal, Audit and Tax Preparation	3,776	3,184
Replacement Reserve Study	2,000	-
Insurance	1,951	2,054
Administrative	1,259	464
Water and Sewer	33,408	29,918
Electricity	1,690	756
Trash Removal	11,777	11,305
Grounds Maintenance	22,329	14,510
Parking	-	4,995
Masonry	15,899	-
Exterminating	2,169	1,680
Snow Removal	7,301	8,500
Cleaning	1,356	1,356
Common Area Maintenance	2,198	3,934
Bad Debt	50	-
Total Expenses	\$ 122,043	\$ 97,092
Net Income (Loss) before Contribution to Reserves	\$ (2,956)	\$ 21,196
Contribution to Reserves	(14,940)	(14,784)
Net Income (Loss)	\$ (17,896)	\$ 6,412

See Accompanying Notes to Financial Statements

DOMINION SQUARE, A TOWNHOUSE CONDOMINIUM
STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Replacement Reserves</u>	<u>Unappropriated Members' Equity</u>	<u>Total Members' Equity</u>
Balance as of December 31, 2014	\$ 64,055	\$ 75,150	\$ 139,205
Additions:			
Contribution to Reserves	14,784		14,784
Net Income		6,412	6,412
Inter - Equity Transfer	35,000	(35,000)	
Deduction:			
Lighting Replacement	<u>(24,189)</u>		<u>(24,189)</u>
Balance as of December 31, 2015	\$ 89,650	\$ 46,562	\$ 136,212
Addition:			
Contribution to Reserves	14,940		14,940
Deductions:			
Conctete	(7,340)		(7,340)
Net Loss		<u>(17,896)</u>	<u>(17,896)</u>
Balance as of December 31, 2016	<u>\$ 97,250</u>	<u>\$ 28,666</u>	<u>\$ 125,916</u>

See Accompanying Notes to Financial Statements

DOMINION SQUARE, A TOWNHOUSE CONDOMINIUM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income (Loss)	\$ (17,896)	\$ 6,412
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Bad Debt Expense (Recovery)	50	(1,115)
Decrease (Increase) in:		
Assessments Receivable	120	1,339
Prepaid Expenses	(14)	223
Increase (Decrease) in:		
Accounts Payable	(428)	804
Prepaid Assessments	<u>3,791</u>	<u>(450)</u>
Net Cash Flows from Operating Activities	<u>\$ (14,377)</u>	<u>\$ 7,213</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Received from Assessments (Reserves)	\$ 14,940	\$ 14,784
Disbursed for Reserve Expenditures	<u>(7,340)</u>	<u>(24,189)</u>
Net Cash Flows from Investing Activities	<u>\$ 7,600</u>	<u>\$ (9,405)</u>
Net Change in Cash and Cash Equivalents	\$ (6,777)	\$ (2,192)
Cash and Cash Equivalents at Beginning of Year	<u>140,408</u>	<u>142,600</u>
Cash and Cash Equivalents at End of Year	<u>\$ 133,631</u>	<u>\$ 140,408</u>

See Accompanying Notes to Financial Statements

DOMINION SQUARE, A TOWNHOUSE CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 - NATURE OF OPERATIONS:

The Condominium is an association organized under the laws of the Commonwealth of Virginia for the purposes of maintaining and preserving the common property of the Condominium. The Association is located in Arlington, Virginia and consists of 48 homes. The Association's Board of Directors administers the operations of the Condominium.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

A) Method of Accounting - The financial statements are presented on the accrual method of accounting in which revenues are recognized when earned and expenses recognized when incurred, not necessarily when received or paid.

B) Member Assessments - Association members are subject to 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 assess late and interest charges and to retain legal counsel and place liens on the properties of owners whose assessments are delinquent. Any excess assessments at year-end are retained by the Association for use in future years. The Association utilizes the allowance method of accounting for bad debt.

C) Common Property - Real property and common areas acquired from the declarant and related improvements to such property are not recorded in the Association's financial statements because the common property is owed by the individual unit owners in common and not by the Association. Common property includes, but is not limited to, asphalt/concrete structures and other site improvements.

D) Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities. They also affect the disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E) Cash Equivalents - For purposes of the statement of cash flows, the Association considers all highly liquid investments and interest-bearing deposits with an original maturity date of three months or less to be cash equivalents.

DOMINION SQUARE, A TOWNHOUSE CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

NOTE 3 - REPLACEMENT RESERVES:

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds held are generally not available for expenditures for normal operations.

The Association had a replacement reserve study conducted by Community Management Corporation in 2011. The Association had a replacement reserve study conducted by Community Management Corporation in 2016. The table included in the Supplementary Information on Future Major Repairs and Replacements is based on the 2016 study.

The 2011 study recommends a contribution to reserves of \$14,924 for 2016. For 2016, the Association budgeted to contribute \$14,940 to reserves.

Funds are being accumulated in replacement reserves based on estimated future costs for major 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 reserves may or may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association may increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available.

As of December 31, 2016 and 2015, the Association had designated \$97,250 and \$89,650, respectively, for replacement reserves. These designated reserves were funded by cash and cash equivalents.

NOTE 4 - INCOME TAXES:

For income tax purposes, the Association may elect annually to file either as an exempt condominium or as an association taxable as a corporation. As an exempt condominium, the Association's net assessment income would be exempt from income tax, but its interest income would be taxed. Electing to file as a corporation, the Association is taxed on its net income from all sources (to the extent not capitalized or deferred) at normal corporate rates after corporate exemption, subject to the limitation that operating expenses are deductible only to the extent of income from members. For 2016 and 2015, the income taxes were calculated using the exempt method, which resulted in no income tax liability.

The Association's policy is to recognize any tax penalties and interest as an expense when incurred. For the years ended December 31, 2016 and 2015, the Association did not incur any penalties and interest related to income taxes. The Association's federal and state tax returns for the past three years remain subject to examination by the Internal Revenue Service and the Commonwealth of Virginia.

DOMINION SQUARE, A TOWNHOUSE CONDOMINIUM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(CONTINUED)

NOTE 5 - CASH AND CASH EQUIVALENTS:

As of December 31, 2016, the Association maintained its funds in the following manner:

<u>Institution</u>	<u>Type Account</u>	<u>Cash and Cash Equivalents</u>
BB&T	Checking	\$ 32,566
BB&T	Checking	87,495
John Marshall	Checking	<u>13,570</u>
	Total	<u>\$ 133,631</u>

NOTE 6 - ASSESSMENTS RECEIVABLE - NET:

The Association utilizes the allowance method of accounting for bad debt. Individual receivables are written off as a loss when a determination is made that they are non-collectible. Under the allowance method, collection efforts may continue and recoveries of amounts previously written off are recognized as income in the year of collection.

	<u>2016</u>	<u>2015</u>
Assessments Receivable	\$ 1,126	\$ 1,246
Less: Allowance for Doubtful Assessments	<u>(1,096)</u>	<u>(1,046)</u>
Assessments Receivable - Net	<u>\$ 30</u>	<u>\$ 200</u>

NOTE 7 - CHANGE IN MANAGEMENT:

Subsequent to year-end, the Association changed management agents. Effective January 1, 2017, Capitol Property Management, became the new management company.

NOTE 8 - SUBSEQUENT EVENTS:

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 15, 2017, the date the financial statements were available to be issued.

DOMINION SQUARE, A TOWNHOUSE CONDOMINIUM
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
REPAIRS AND REPLACEMENTS
DECEMBER 31, 2016
(UNAUDITED)

The Association had a replacement reserve study conducted by Community Management Corporation during 2016 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. The estimated replacement costs presented below do not take into account the effects of inflation between the date of the study and the date the complements will require repair or replacement; however, the Association's replacement reserve study does take inflation into consideration when evaluating future expenditures and recommended contributions to reserves.

The following has been extracted from the Association's replacement reserve study and presents significant information about the components of common property.

<u>Component</u>	<u>2016 Estimated Remaining Useful Life (Years)</u>	<u>2016 Estimated Replacement Cost</u>
Pavement and Sidewalks	0-9	\$ 43,500
Site Features	0-19	113,520