



**BURKE CENTRE CONSERVANCY  
Financial Statements  
and Supplementary Information  
with  
Independent Auditors' Report  
December 31, 2020 and 2019**

**BURKE CENTRE CONSERVANCY**  
**December 31, 2020 and 2019**

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## **INDEPENDENT AUDITORS' REPORT**

**Board of Directors  
Burke Centre Conservancy  
Burke, Virginia**

We have audited the accompanying financial statements of Burke Centre Conservancy, which comprise the balance sheets as of December 31, 2020 and 2019, 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.

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**Independent Auditors' Report**  
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***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, 2020 and 2019, 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.

***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 19 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 and Advisors**  
**Gaithersburg, Maryland**  
**March 11, 2021**

**BURKE CENTRE CONSERVANCY**  
**Balance Sheets**  
**December 31, 2020 and 2019**

	<b>Operating Fund</b>	<b>Reserve Funds</b>	<b>Cluster Reserves</b>	<b>Total 2020</b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 1,294,890	\$ 2,239,231	\$ 775,954	\$ 4,310,075
Restricted cash, pipestem escrow	123,318	-	-	123,318
Investments	311,045	5,044,432	3,515,830	8,871,307
Restricted investments, pipestem escrow	251,990	-	-	251,990
Accounts receivable, net	51,222	-	35,543	86,765
Other receivable	-	-	-	-
Prepaid expenses	41,586	-	-	41,586
Deposits and other receivables	1,720	-	-	1,720
Due from operating fund	-	422,024	438,708	860,732
Property and equipment, net of accumulated depreciation	171,776	-	-	171,776
<b>Total assets</b>	<b><u>\$ 2,247,547</u></b>	<b><u>\$ 7,705,687</u></b>	<b><u>\$ 4,766,035</u></b>	<b><u>\$ 14,719,269</u></b>
<b><u>LIABILITIES AND MEMBERS' EQUITY</u></b>				
<b><u>Liabilities:</u></b>				
Accounts payable and accrued expenses	\$ 320,170	\$ -	\$ -	\$ 320,170
Due to reserve funds	860,732	-	-	860,732
Deferred revenue	147,506	-	-	147,506
Pipestem escrow liability	375,308	-	-	375,308
<b>Total liabilities</b>	<b>1,703,716</b>	<b>-</b>	<b>-</b>	<b>1,703,716</b>
<b><u>Members' equity:</u></b>				
Capital replacement fund	-	7,157,865	-	7,157,865
Capital improvement fund	-	75,161	-	75,161
Cluster discretionary fund	-	-	723,848	723,848
Cluster reserve fund	-	-	3,390,655	3,390,655
Cluster snow reserve fund	-	-	560,653	560,653
Operating reserve fund	129,074	-	-	129,074
Unappropriated members' equity	414,757	-	-	414,757
Accumulated other comprehensive income	-	472,661	90,879	563,540
<b>Total members' equity</b>	<b><u>543,831</u></b>	<b><u>7,705,687</u></b>	<b><u>4,766,035</u></b>	<b><u>13,015,553</u></b>
<b>Total liabilities and members' equity</b>	<b><u>\$ 2,247,547</u></b>	<b><u>\$ 7,705,687</u></b>	<b><u>\$ 4,766,035</u></b>	<b><u>\$ 14,719,269</u></b>

**BURKE CENTRE CONSERVANCY**  
**Balance Sheets**  
**December 31, 2020 and 2019 (Continued)**

	<b>Operating Fund</b>	<b>Reserve Funds</b>	<b>Cluster Reserves</b>	<b>Total 2019</b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 577,288	\$ 798,277	\$ 589,743	\$ 1,965,308
Restricted cash, pipestem escrow	137,067	-	-	137,067
Investments	308,051	6,941,527	3,958,572	11,208,150
Restricted investments, pipestem escrow	248,547	-	-	248,547
Accounts receivable, net	197,016	-	47,418	244,434
Other receivable	29,720	-	-	29,720
Prepaid expenses	2,176	-	-	2,176
Deposits and other receivables	1,771	-	-	1,771
Due from operating fund	-	292,790	21,398	314,188
Property and equipment, net of accumulated depreciation	<u>122,037</u>	<u>-</u>	<u>-</u>	<u>122,037</u>
Total assets	<u>\$ 1,623,673</u>	<u>\$ 8,032,594</u>	<u>\$ 4,617,131</u>	<u>\$ 14,273,398</u>
<b><u>LIABILITIES AND MEMBERS' EQUITY</u></b>				
<u>Liabilities:</u>				
Accounts payable and accrued expenses	\$ 148,380	\$ -	\$ -	\$ 148,380
Due to reserve funds	314,188	-	-	314,188
Deferred revenue	76,287	-	-	76,287
Pipestem escrow liability	<u>385,614</u>	<u>-</u>	<u>-</u>	<u>385,614</u>
Total liabilities	924,469	-	-	924,469
<u>Members' equity:</u>				
Capital replacement fund	-	7,547,506	-	7,547,506
Capital improvement fund	-	75,156	-	75,156
Cluster discretionary fund	-	-	693,126	693,126
Cluster reserve fund	-	-	3,329,572	3,329,572
Cluster snow reserve fund	-	-	514,724	514,724
Operating reserve fund	129,074	-	-	129,074
Unappropriated members' equity	570,130	-	-	570,130
Accumulated other comprehensive income	<u>-</u>	<u>409,932</u>	<u>79,709</u>	<u>489,641</u>
Total members' equity	<u>699,204</u>	<u>8,032,594</u>	<u>4,617,131</u>	<u>13,348,929</u>
Total liabilities and members' equity	<u>\$ 1,623,673</u>	<u>\$ 8,032,594</u>	<u>\$ 4,617,131</u>	<u>\$ 14,273,398</u>

**BURKE CENTRE CONSERVANCY**  
**Statements of Operations and Comprehensive Income**  
**For the Years ended December 31, 2020 and 2019**

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Cluster Reserves</u>	<u>Total 2020</u>
<u>Revenue:</u>				
Assessments	\$ 3,874,864	\$ 892,017	\$ 446,808	\$ 5,213,689
Pool	131,846	-	-	131,846
Community services	89,078	-	-	89,078
Investment income	3,165	148,880	75,439	227,484
Other	<u>16,656</u>	<u>-</u>	<u>-</u>	<u>16,656</u>
Total revenues	4,115,609	1,040,897	522,247	5,678,753
<u>Expenses:</u>				
Personnel	1,468,743	-	-	1,468,743
Land services and trash removal	1,242,055	-	-	1,242,055
Resources	297,113	-	-	297,113
Pool	358,752	-	-	358,752
Cluster discretionary	-	-	326,670	326,670
Capital replacements and improvements	-	1,327,493	-	1,327,493
Administrative	278,995	-	-	278,995
Bad debt	117,283	-	-	117,283
Community services	62,858	-	-	62,858
Community center	163,866	-	-	163,866
Professional	145,585	-	-	145,585
Environmental cleanup and other special projects	77,971	-	-	77,971
Cluster reserve	-	-	57,843	57,843
Other	80,875	-	-	80,875
Depreciation	53,300	-	-	53,300
Tennis	6,815	-	-	6,815
Burke field	6,953	-	-	6,953
Taxes, property	<u>12,858</u>	<u>-</u>	<u>-</u>	<u>12,858</u>
Total expenses	<u>4,374,022</u>	<u>1,327,493</u>	<u>384,513</u>	<u>6,086,028</u>
Excess (deficiency) of revenues over expenses	(258,413)	(286,596)	137,734	(407,275)
<u>Other comprehensive income:</u>				
Net unrealized investment gain	<u>-</u>	<u>62,729</u>	<u>11,170</u>	<u>73,899</u>
Total comprehensive income (loss)	<u>\$ (258,413)</u>	<u>\$ (223,867)</u>	<u>\$ 148,904</u>	<u>\$ (333,376)</u>

**BURKE CENTRE CONSERVANCY**  
**Statements of Operations and Comprehensive Income**  
**For the Years ended December 31, 2020 and 2019 (Continued)**

	<b>Operating Fund</b>	<b>Reserve Funds</b>	<b>Cluster Reserves</b>	<b>Total 2019</b>
<u>Revenues:</u>				
Assessments	\$ 3,692,490	\$ 876,965	\$ 485,607	\$ 5,055,062
Pool	479,425	-	-	479,425
Community services	292,729	-	-	292,729
Investment income	3,983	206,997	90,291	301,271
Other	88,522	-	-	88,522
Gain on sale of assets	16,000	-	-	16,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	4,573,149	1,083,962	575,898	6,233,009
<u>Expenses:</u>				
Personnel	1,458,582	-	-	1,458,582
Land services and trash removal	1,313,284	-	-	1,313,284
Resources	585,617	-	-	585,617
Pool	406,137	-	-	406,137
Cluster discretionary	-	-	138,761	138,761
Administrative	273,043	-	-	273,043
Capital replacements and improvements	-	724,102	-	724,102
Community services	192,641	-	-	192,641
Community center	164,033	-	-	164,033
Professional	171,285	-	-	171,285
Environmental cleanup and other special projects	38,315	-	-	38,315
Cluster reserve	-	-	93,910	93,910
Other	1,436	-	-	1,436
Depreciation	40,087	-	-	40,087
Tennis	3,600	-	-	3,600
Burke field	5,373	-	-	5,373
Taxes, property	7,462	-	-	7,462
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	4,660,895	724,102	232,671	5,617,668
Excess (deficiency) of revenues over expenses	(87,746)	359,860	343,227	615,341
<u>Other comprehensive income:</u>				
Net unrealized investment income	-	193,268	38,496	231,764
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Total comprehensive income (loss)	\$ (87,746)	\$ 553,128	\$ 381,723	\$ 847,105



**BURKE CENTRE CONSERVANCY**  
**Statements of Changes in Members' Equity**  
**For the Years ended December 31, 2020 and 2019**

	<u>Reserve Funds</u>			<u>Cluster Funds</u>		<u>Total</u>
	<u>Operating Fund</u>	<u>Fund Balances</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Fund Balances</u>	<u>Accumulated Other Comprehensive Income</u>	
<b>Members' equity, December 31, 2018:</b>	\$ 739,235	\$ 7,310,517	\$ 216,664	\$ 4,194,195	\$ 41,213	\$ 12,501,824
Excess (deficiency) of revenues over expenses	(87,746)	359,860	-	343,227	-	615,341
Other comprehensive income	-	-	193,268	-	38,496	231,764
Transfers for capitalized reserve expenditures	<u>47,715</u>	<u>(47,715)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Members' equity, December 31, 2019:</b>	699,204	7,622,662	409,932	4,537,422	79,709	13,348,929
Excess (deficiency) of revenues over expenses	(258,413)	(286,596)	-	137,734	-	(407,275)
Other comprehensive income	-	-	62,729	-	11,170	73,899
Transfers for capitalized reserve expenditures	<u>103,040</u>	<u>(103,040)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Members' equity, December 31, 2020:</b>	<u>\$ 543,831</u>	<u>\$ 7,233,026</u>	<u>\$ 472,661</u>	<u>\$ 4,675,156</u>	<u>\$ 90,879</u>	<u>\$ 13,015,553</u>

**BURKE CENTRE CONSERVANCY**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2020 and 2019**

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Clusters Reserves</u>	<u>Total 2020</u>
<u>Cash Flows From Operating Activities:</u>				
Excess (deficiency) of revenues over expenses	\$ (258,413)	\$ (286,596)	\$ 137,734	\$ (407,275)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash (used in) provided by operating activities:				
Depreciation	53,300	-	-	53,300
Adjustments to provision for doubtful accounts	117,283	-	-	117,283
(Increase) decrease in operating assets:				
Accounts receivable	28,511	-	11,875	40,386
Other receivable	29,720	-	-	29,720
Prepaid expenses	(39,410)	-	-	(39,410)
Deposits and other receivables	51	-	-	51
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses	171,791	-	-	171,791
Deferred revenue	71,219	-	-	71,219
Pipestem escrow liability	(10,306)	-	-	(10,306)
Total adjustments	<u>422,159</u>	<u>-</u>	<u>11,875</u>	<u>434,034</u>
Net cash (used in) provided by operating activities	163,746	(286,596)	149,609	26,759
<u>Cash Flows from Investing Activities:</u>				
Purchases of property and equipment	(103,039)	-	-	(103,039)
Purchases of restricted investments	(3,443)	-	-	(3,443)
Net proceeds (purchases) of investments	<u>(2,994)</u>	<u>1,959,824</u>	<u>453,911</u>	<u>2,410,741</u>
Net cash (used in) provided by investing activities	(109,476)	1,959,824	453,911	2,304,259
<u>Cash Flows From Financing Activities:</u>				
Net interfund borrowings and (repayments)	546,543	(129,234)	(417,309)	-
Transfers for capitalized reserves expenditures	<u>103,040</u>	<u>(103,040)</u>	<u>-</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>649,583</u>	<u>(232,274)</u>	<u>(417,309)</u>	<u>-</u>
Net increase in cash and cash equivalents and restricted cash	703,853	1,440,954	186,211	2,331,018
Cash and cash equivalents and restricted cash, at beginning of year	<u>714,355</u>	<u>798,277</u>	<u>589,743</u>	<u>2,102,375</u>
Cash and cash equivalents and restricted cash, at end of year	<u>\$ 1,418,208</u>	<u>\$ 2,239,231</u>	<u>\$ 775,954</u>	<u>\$ 4,433,393</u>

**BURKE CENTRE CONSERVANCY**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2020 and 2019 (Continued)**

	<u>Operating Fund</u>	<u>Reserve Funds</u>	<u>Clusters Reserves</u>	<u>Total 2019</u>
<u>Cash Flows From Operating Activities:</u>				
Excess (deficiency) of revenues over expenses	\$ (87,746)	\$ 359,860	\$ 343,227	\$ 615,341
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash (used in) provided by operating activities:				
Depreciation	40,087	-	-	40,087
Gain on disposal of equipment	(16,000)	-	-	(16,000)
(Increase) decrease in operating assets:				
Accounts receivable	(25,320)	-	(1,345)	(26,665)
Other receivable	(29,720)	-	-	(29,720)
Prepaid expenses	91,389	-	-	91,389
Increase (decrease) in operating liabilities:				
Accounts payable and accrued expenses	1,929	-	-	1,929
Deferred revenue	(15,901)	-	-	(15,901)
Pipestem escrow liability	16,612	-	-	16,612
Total adjustments	<u>63,076</u>	<u>-</u>	<u>(1,345)</u>	<u>61,731</u>
Net cash (used in) provided by operating activities	(24,670)	359,860	341,882	677,072
<u>Cash Flows from Investing Activities:</u>				
Proceeds from sale of property and equipment	16,000	-	-	16,000
Purchases of property and equipment	(47,715)	-	-	(47,715)
Purchases of restricted investments	(4,004)	-	-	(4,004)
Net purchases of investments	<u>(3,516)</u>	<u>(1,188,342)</u>	<u>(967,507)</u>	<u>(2,159,365)</u>
Net cash used in investing activities	(39,235)	(1,188,342)	(967,507)	(2,195,084)
<u>Cash Flows From Financing Activities:</u>				
Net interfund borrowings and (repayments)	33,099	(72,332)	39,233	-
Transfers for capitalized reserve expenditures	47,715	(47,715)	-	-
Net cash (used in) provided by financing activities	<u>80,814</u>	<u>(120,047)</u>	<u>39,233</u>	<u>-</u>
Net increase in (decrease) cash and cash equivalents and restricted cash	16,909	(948,529)	(586,392)	(1,518,012)
Cash and cash equivalents and restricted cash, at beginning of year	<u>697,446</u>	<u>1,746,806</u>	<u>1,176,135</u>	<u>3,620,387</u>
Cash and cash equivalents and restricted cash, at end of year	<u>\$ 714,355</u>	<u>\$ 798,277</u>	<u>\$ 589,743</u>	<u>\$ 2,102,375</u>

**BURKE CENTRE CONSERVANCY**  
**Notes to the Financial Statements**  
**December 31, 2020 and 2019**

**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 Conservancy 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.

Unappropriated members' equity: This represents net assets available for the general operation of the Conservancy.

**BURKE CENTRE CONSERVANCY**  
**Notes to the Financial Statements** (Continued)  
**December 31, 2020 and 2019**

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

**Cash, Cash Equivalents, Restricted Cash and Restricted Investments**

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 Cash and Investments, Pipestem Escrow

The Conservancy maintains restricted cash balances and investments in certificates of deposit on behalf of certain members who own shared private pipestem driveways. Investments in certificates of deposit are presented on the balance sheet at cost which approximates fair market value. These funds are not available for use by the Conservancy in the ordinary course of business.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the balance sheets that sum to the totals of the same such amounts presented in the statements of cash flows at December 31,

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,310,075	\$ 1,965,308
Restricted cash, pipestem escrow	123,318	137,067
Total cash, cash equivalents and restricted cash presented in the statements of cash flows	<u>\$ 4,433,393</u>	<u>\$ 2,102,375</u>

**Investments**

Investments in 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. Investments in certificates of deposit are presented on the balance sheet at cost plus interest which approximates fair market value.

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 the Financial Statements (Continued)**  
**December 31, 2020 and 2019**

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

**Investments** (Continued)

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

**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.

The Conservancy maintains an allowance for doubtful accounts in the amount of \$486,281 and \$388,538 as of December 31, 2020 and 2019, respectively.

**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, 2020 and 2019, 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 equipme	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.

**BURKE CENTRE CONSERVANCY**  
**Notes to the Financial Statements** (Continued)  
**December 31, 2020 and 2019**

**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, 2020 and 2019.

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 2017 onward are open to tax examination.

**Reclassifications**

Certain reclassifications have been made to the 2019 financial statements to enhance comparability with 2020.

**Recently Issued Accounting Standards**

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-19, *Revenue from Contracts with Customers, as amended* (Topic 606). The Foundation adopted the provisions of this new standard for the year ended December 31, 2019. The ASU applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. There was no impact to the financial statements as a result of adoption. The ASU has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

**Subsequent Events**

The financial statements have been evaluated by management for subsequent events requiring accrual or disclosure through March 11, 2021 the date of the financial statements were available for issuance.

**BURKE CENTRE CONSERVANCY**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2020 and 2019**

**NOTE 3 - PROPERTY AND EQUIPMENT**

The historical cost and accumulated depreciation of the property and equipment as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Machinery, vehicles and equipment	\$ 439,463	\$ 637,029
Furniture and fixtures	152,355	86,761
Office equipment	<u>97,261</u>	<u>136,025</u>
	689,079	859,815
Accumulated depreciation	<u>(517,303)</u>	<u>(737,778)</u>
Property and equipment, net	<u>\$ 171,776</u>	<u>\$ 122,037</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$53,300 and \$40,087, respectively.

**NOTE 4 - INVESTMENTS**

Cost and fair value of investments at December 31, 2020 and 2019 are as follows:

	<u>2020</u>		
	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Fair Value</u>
<u>Operating Funds:</u>			
Certificates of deposit	\$ 311,045	\$ -	\$ 311,045
	311,045	-	311,045
<u>Reserve Funds:</u>			
Mutual fund, equities	1,024,901	472,661	1,497,562
Certificates of deposit	<u>3,546,870</u>	-	<u>3,546,870</u>
	4,571,771	472,661	5,044,432
<u>Cluster Reserves:</u>			
Mutual fund, equities	199,658	90,879	290,537
Certificates of deposit	<u>3,225,293</u>	-	<u>3,225,293</u>
	<u>3,424,951</u>	<u>90,879</u>	<u>3,515,830</u>
Total investments	<u>\$ 8,307,767</u>	<u>\$ 563,540</u>	<u>\$ 8,871,307</u>



**BURKE CENTRE CONSERVANCY**  
**Notes to the Financial Statements** (Continued)  
**December 31, 2020 and 2019**

**NOTE 4 - INVESTMENTS** (Continued)

	<b>2019</b>		
	<b>Cost</b>	<b>Unrealized Gain</b>	<b>Fair Value</b>
<u>Operating Funds:</u>			
Certificates of deposit	\$ 308,051	\$ -	\$ 308,051
	308,051	-	308,051
<u>Reserve Funds:</u>			
Mutual fund, equities	980,076	409,932	1,390,008
Certificates of deposit	5,551,519	-	5,551,519
	6,531,595	409,932	6,941,527
<u>Cluster Reserves:</u>			
Mutual fund, equities	190,962	78,709	269,671
Certificates of deposit	3,688,901	-	3,688,901
	3,879,863	78,709	3,958,572
Total investments	\$ 10,719,509	\$ 488,641	\$ 11,208,150

Investment income for the years ended December 31, 2019 and 2018 consists of the following:

	<b>2020</b>	<b>2019</b>
Interest, dividends and interfund gains	\$ 227,484	\$ 301,271

**NOTE 5 - 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 2019.

**BURKE CENTRE CONSERVANCY**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2020 and 2019**

**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 2020 and 2019, the Conservancy contributed \$36,012 and \$32,260, respectively, to the plan.

**NOTE 7 - OPERATING LEASES**

The Conservancy maintained two operating leases, for office equipment, that expire at various dates through March of 2022. Rental expenses for those leases were \$23,186 and \$25,670 for the years ended December 31, 2020 and 2019.

Future minimum lease payments under the operating leases are as follows:

2021	\$	11,772
2022		<u>3,924</u>
	\$	<u>15,696</u>

**NOTE 8 - INTERFUND BALANCES**

As of December 31, 2020 and 2019, 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.

**NOTE 9 - OTHER RECEIVABLE**

During September and October 2019, the Conservancy was subject to losses related to check fraud perpetrated by an unrelated party. Fraudulent checks totaling \$39,720 were drawn from the Conservancy's bank account. The Conservancy has recovered \$5,000 from the associated bank. The Conservancy has filed a claim against its general liability insurance and expects to collect \$29,720, which represents the remaining unrecovered amount less a \$5,000 deductible. This amount was reported as other receivable in the accompanying balance sheet at December 31, 2019. As of December 31, 2020, the outstanding receivable was collected in full.

**BURKE CENTRE CONSERVANCY**  
**Notes to the Financial Statements (Continued)**  
**December 31, 2020 and 2019**

**NOTE 10 - UNCERTAINTIES**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a pandemic. The pandemic has caused business disruption through mandated and voluntary closings of businesses for non-essential services and triggered volatility in financial markets and a significant negative impact on the global economy. The Conservancy's management has concluded that while it is reasonably possible that COVID-19 could have a negative impact on the Conservancy's results of operations, the specific impact is not readily determinable. However, there are no comparable recent events which may provide guidance as to the effect of the spread of the pandemic. As a result, the ultimate impact of the COVID-19 outbreak is highly uncertain and subject to change. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**SUPPLEMENTARY INFORMATION**

**BURKE CENTRE CONSERVANCY**  
**Schedule of Future Major Repairs and Replacements**  
**December 31, 2020**

The Conservancy conducted a study in 2019 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>Estimated Useful Life</b>	<b>Current Replacement Cost</b>	<b>2021 Funding Requirement</b>	<b>Fund Balance 12/31/20</b>
<u>Capital Replacement Funds:</u>				
Community centers and recreational facilities	1-50 Years	\$ 5,476,966	\$ 372,004	\$ 2,934,725
Lynch Farm administrative office and garage office	1-40 Years	526,680	36,293	286,315
Footpaths	15 Years	1,352,104	90,733	715,787
Miscellaneous structures	1-30 Years	4,425,510	299,418	2,362,095
Lakes and pools	5-50 Years	583,000	36,293	286,315
Premier court maintenance facility	5-45 Years	276,986	18,147	143,157
Maintenance trucks and equipment	10-25 Years	596,298	36,293	286,315
Consulting and engineering fees	2-10 Years	110,000	9,073	71,578
Ball fields	10-50 Years	<u>107,760</u>	<u>9,073</u>	<u>71,578</u>
Capital replacement fund totals:		13,455,304	907,327	7,157,865
<u>Cluster Reserve Funds:</u>				
Cluster component elements:	6-20 years	<u>8,427,567</u>	<u>342,445</u>	<u>3,390,655</u>
Total		<u>\$ 21,882,871</u>	<u>\$ 1,249,772</u>	<u>\$ 10,548,520</u>