

**POPLAR HEIGHTS RECREATION
ASSOCIATION, INC.**
(A NONPROFIT CORPORATION)

FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2020

POPLAR HEIGHTS RECREATION ASSOCIATION, INC.
(A NONPROFIT CORPORATION)

FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2020

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Poplar Heights Recreation Association, Inc.

We have reviewed the accompanying financial statements of Poplar Heights Recreation Association, Inc. (a nonprofit organization), which comprise the balance sheet as of October 31, 2020, the related statements of revenues and expenses, changes in fund balance, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion on the Financial Statements

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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 operations, economic, or historical context. The results of our review of the basic financial statements are not affected by that missing information.

December 30, 2020

OLIVER TOOTSEY & ASSOCIATES CPAs, LLC

POPLAR HEIGHTS RECREATION ASSOCIATION, INC.
(A NONPROFIT CORPORATION)

BALANCE SHEET

OCTOBER 31, 2020

	<u>Association</u>	<u>Swim Team</u>	<u>Combined</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 239,919	\$ 15,200	\$ 255,119
Prepaid expenses	4,579	-	4,579
Total current assets	244,498	15,200	259,698
Property and improvements, net of \$1,048,633			
accumulated depreciation	650,528	-	650,528
Master plan, net of \$507 accumulated amortization	2,693	-	2,693
Total assets	\$ 897,719	\$ 15,200	\$ 912,919
 LIABILITIES AND FUND BALANCE			
Current liabilities			
Accounts payable	\$ 5,325	\$ -	\$ 5,325
Common stock, no par value, 500 shares			
authorized, 335 issued and outstanding	64,027	-	64,027
Fund balance	828,367	15,200	843,567
Total liabilities and fund balance	\$ 897,719	\$ 15,200	\$ 912,919

See the accompanying notes and independent accountants' review report.

POPLAR HEIGHTS RECREATION ASSOCIATION, INC.
(A NONPROFIT CORPORATION)

STATEMENT OF REVENUES AND EXPENSES

YEAR ENDED OCTOBER 31, 2020

	<u>Association</u>	<u>Swim Team</u>	<u>Total</u>
Revenue			
Dues	\$ 260,125	\$ -	\$ 260,125
Fees	10,970	29,764	40,734
Tennis program	62,441	-	62,441
Other	21,464	-	21,464
	<u>355,000</u>	<u>29,764</u>	<u>384,764</u>
Expenses			
COVID-19	7,068	-	7,068
Depreciation and amortization	70,830	-	70,830
General and administrative	14,841	11,779	26,620
Maintenance	40,568	-	40,568
Pool & tennis operations	175,365	14,208	189,573
Professional fees	10,835	-	10,835
Taxes and insurance	50,050	-	50,050
Utilities	17,361	-	17,361
	<u>386,918</u>	<u>25,987</u>	<u>412,905</u>
Excess (deficit) of revenue over expenses	<u>\$ (31,918)</u>	<u>\$ 3,777</u>	<u>\$ (28,141)</u>

See the accompanying notes and independent accountants' review report.

POPLAR HEIGHTS RECREATION ASSOCIATION, INC.
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STATEMENT OF CHANGES IN FUND BALANCE

YEAR ENDED OCTOBER 31, 2020

	<u>Association</u>	<u>Swim Team</u>	<u>Total</u>
Beginning	\$ 860,285	\$ 11,423	\$ 871,708
Net gain from sales/redemptions of Association stock	-	-	-
Excess (deficit) of revenue over expenses	<u>(31,918)</u>	<u>3,777</u>	<u>(28,141)</u>
Ending	<u>\$ 828,367</u>	<u>\$ 15,200</u>	<u>\$ 843,567</u>

See the accompanying notes and independent accountants' review report.

POPLAR HEIGHTS RECREATION ASSOCIATION, INC.
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STATEMENT OF CASH FLOWS

YEAR ENDED OCTOBER 31, 2020

Cash flows from operating activities	
Excess of revenue over expenses	\$ (28,141)
Depreciation and amortization	70,830
Changes in	
Due from IRS	47
Prepaid expenses	(590)
Accounts payable	105
	<hr/>
Net cash provided by operating activities	42,251
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Cash flows from investing activities	
Purchase of property and equipment	(111,137)
Net cash used in investing activities	(111,137)
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Cash flows from financing activities	
Excess of stock purchases over stock redemptions	-
Net cash provided by financing activities	-
	<hr/>
Net decrease in cash	(68,886)
Cash, beginning	324,005
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Cash, ending	<u><u>\$ 255,119</u></u>

See the accompanying notes and independent accountants' review report.

POPLAR HEIGHTS RECREATION ASSOCIATION, INC.
(A NONPROFIT CORPORATION)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2020

1. Organization

Poplar Heights Recreation Association, Inc. (the Association) is a non-profit corporation organized to own, develop, maintain and operate recreational and other facilities in Falls Church, Virginia. The facility consists of a one-story building, two pools, and one tennis court. The Swim Team is a program within the Association. The Association management includes the Swim Team in its financial statement presentation. The Association has a wait list of 147 names and is currently closed to new entries as of October 31, 2020.

2. Summary of Significant Accounting Policies

Method of accounting - The accompanying financial statements have been prepared on the accrual basis of accounting. Accordingly, revenue is recorded when earned and expenses are recorded when incurred.

Cash - The term cash, as used in the accompanying financial statements, includes currency on hand, demand deposits with financial institutions, and short-term, highly liquid investments purchased with a maturity of three months or less.

Income taxes - The Association is a not-for-profit organization exempt from federal income taxes under Section 501(c)(7) of the Internal Revenue Code. However, the Association is taxed on its investment income. For the year ended October 31, 2020 the Association owed \$0 and \$9 for federal and Virginia income taxes, respectively. The Association's income tax returns for the years ended October 31, 2018, 2019 and 2020 are subject to examination by the taxing authorities, generally for three years after they are filed.

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

Depreciation and amortization - Property and equipment are recorded at cost. The Association provides for depreciation using accelerated methods which approximates management's estimates of assets' useful lives. Expenditures for maintenance and repairs are expensed as incurred. Replacements and betterments are capitalized. At the time property and equipment are retired or otherwise disposed of, the property and related accumulated depreciation accounts are relieved of the applicable amounts and any gain or loss is credited or charged to income.

The Association amortizes the cost of its Master Plan over ten years using the straight-line method.

Accounts receivable - The Association uses the direct write-off method for the recognition of uncollectible accounts. Management believes that its accounts receivable, if any, are fully collectible.

POPLAR HEIGHTS RECREATION ASSOCIATION, INC.
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2020

2. Summary of Significant Accounting Policies (continued)

Treasury stock - Any gains resulting from the sales of stock to new members, if reacquired at a different cost from departing members, are added to fund balances, which include paid-in-capital. The amounts for sales and redemptions for the year ended October 31, 2020 were each \$30,723.

For the year ended October 31, 2020, the sales and repurchase price of the stock was \$2,793 per share. The buy-back value of stock purchased from departing members is determined by dividing the net assets of the Association for the previous year by the number of shares issued by the Association. The buy-back value for the year ended October 31, 2021 will be \$2,709 per share.

3. Property and Equipment

Property and equipment at October 31, 2020 consist of the following:

Building and improvements	\$ 246,692
Furniture, fixtures and equipment	150,447
Land and improvements	286,836
Swimming pool and improvements	521,261
Tennis courts and improvements	297,921
Pavilions	<u>196,004</u>
	1,699,161
Less: accumulated depreciation	<u>1,048,633</u>
	<u>\$ 650,528</u>

4. Master Plan

The Association paid Mason & Mason Capital Reserve Analysts, Inc. (M&M) \$3,200 March 2019 for a new master plan for future improvements to Association property. The plan cost is being amortized over management's estimate of its useful life.

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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2020

5. Commitments

The Association entered into a contract with Titan Pool Service November 2019 for the 2020 pool season. The contract requires payments totaling \$79,000. Additional payments totaling \$3,000 were paid during the year ended October 31, 2020 for additional guard hours and increased guard pay. The Association entered into a contract with Titan Pool Service October 2020 for the 2021 pool season. The contract requires payments totaling \$81,000.

The Association entered into a contract with C.O.R.E. Tennis to operate tennis programs at the Association for the calendar year 2020. Payments required under the agreement totaled \$18,000, and were payable in three installments on April 1, July 1, and October 1. The Association collects and remits tennis program fees in accordance with this agreement.

The Association entered into a contract with Member Splash to provide website and integrated online services including member payment options. The agreement renews automatically unless canceled 30 days prior to renewal date each year. Annual payments of \$3,500 are required each January.

6. Related Party Transaction

An Association member who is a current Board member and was a former President of the Board and Treasurer, provides bookkeeping services to the Association. Payments to this member during the year ended October 31, 2020 were not allowed per the Association's by-laws. Payments will resume once the member is no longer a Board member.

7. Future Major Repairs and Replacements

The Association's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. When funds are required for major repairs and replacements, the Association plans to borrow, increase maintenance assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

The Board of Directors contracted with Mason & Mason Capital Reserve Analysts, Inc. (M&M) in March 2019 to update its 2007 assessment of the Association's facilities and to suggest a plan for establishing financial reserves to cover expected future repairs and replacements as well as a margin to finance facility upgrades deemed appropriate by the membership. The Board has adopted the M&M planning approaches and continues to incorporate these methods into the annual budget process. Over the years the Board of Directors has increased the dues for both members and renters to assist with the costs of future repairs and replacements as recommended by M&M.

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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2020

8. COVID-19

COVID-19 required the Association to alter its usual operations during the year ended October 31, 2020 and will likely impact future Association operations as well. Government regulations required the Association to follow certain guidelines and access to Association property was limited, even to members.

COVID-19 is not expected to have a significant impact on the entity. Management has determined that there is no material uncertainty that casts doubt on the entity's ability to continue as a going concern. It expects that COVID-19 might have some impact, though not significant, for example, in relation to expected future performance, or the effects on some future asset valuations.

9. Zoning issue

The Association recently discovered that it may be operating contrary to its special exemption zoning permit provided by Fairfax County in 1954. Fairfax County issued a Use Determination for the Association which reiterated that the club's membership must be "limited to nearby residential areas." However, the Association had removed all boundaries for prospective members in 2009. Association legal counsel has advised that if the County did rule that the Association is acting as a "commercial club" instead of a "community club" it would lose the tax-exemption privileges associated with its current 501(c)(7) status. The Association is taking steps to restore a geographic preference zone to ensure it is in compliance with its special exception zoning permit.

10. Subsequent Events

Subsequent events have been evaluated through the date of the independent accountants' review report. The Association's management has determined that the following subsequent events have occurred plus those described throughout the notes to the financial statements, if any.