

***DOMINION HOMEOWNERS
ASSOCIATION, INC.***

***FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION***

***FOR THE YEAR ENDED
DECEMBER 31, 2019***

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dominion Homeowners Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Dominion Homeowners Association, Inc., which comprise the balance sheet as of December 31, 2019, and the related statement of revenues and expenses, changes in fund balances, and cash flow for the year 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 audit. 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 association'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 association'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 Homeowners Association, Inc. as of December 31, 2019 and the results of its operations and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

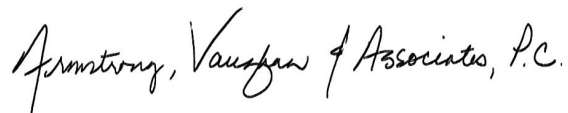
As discussed in Note 8 to the financial statements, Dominion Homeowners Association, Inc. adopted ASU 2014-9 related to revenue recognition as of January 1, 2019. Our opinion is not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 15 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.

Report on Summarized Comparative Information

We previously audited Dominion Homeowners Association, Inc.'s 2018 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated February 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armstrong, Vaughan & Associates, P.C.

February 12, 2020

DOMINION HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2019
(With Comparative Totals for 2018)

	Operating Fund	Major Repair & Replacement Fund	Vineyard Estates Major Repair & Replacement Fund	Total 2019	Total 2018
ASSETS					
<i>Current Assets:</i>					
Cash and Cash Equivalents	\$ 87,953	\$ 21,895	\$ 114,179	\$ 224,027	\$ 211,812
Certificates of Deposit	2,077,127	3,019,338	-	5,096,465	4,243,179
Member Assessments Receivable	49,364	-	-	49,364	126,194
Allowance for Doubtful Accounts	(9,218)	-	-	(9,218)	(59,652)
Other Receivables	15,220	-	-	15,220	-
Interfund Balances	(74,425)	73,300	1,125	-	-
Prepaid Insurance	24,011	-	-	24,011	20,458
Prepaid Expenses	1,860	-	-	1,860	1,350
Inventory - Gate Transmitters	9,527	-	-	9,527	6,292
<i>Total Current Assets</i>	<u>2,181,419</u>	<u>3,114,533</u>	<u>115,304</u>	<u>5,411,256</u>	<u>4,549,633</u>
<i>Property and Equipment:</i>					
Land	160,455	-	-	160,455	160,455
Buildings & Improvements	538,175	-	-	538,175	538,175
Furniture & Fixtures	-	-	-	-	6,794
Machinery & Equipment	108,959	-	-	108,959	138,192
Vehicles	23,273	-	-	23,273	19,984
Improvements to Land	21,020	-	-	21,020	21,020
	851,882	-	-	851,882	884,620
Less: Accumulated Depreciation	(274,872)	-	-	(274,872)	(307,257)
<i>Total Property and Equipment</i>	<u>577,010</u>	<u>-</u>	<u>-</u>	<u>577,010</u>	<u>577,363</u>
TOTAL ASSETS	<u>\$ 2,758,429</u>	<u>\$ 3,114,533</u>	<u>\$ 115,304</u>	<u>\$ 5,988,266</u>	<u>\$ 5,126,996</u>
LIABILITIES AND FUND BALANCE					
<i>Liabilities:</i>					
Accounts Payable	\$ 228,541	\$ -	\$ -	\$ 228,541	\$ 218,649
Federal Income Tax Payable	12,635	-	-	12,635	4,497
Construction Deposits	307,069	-	-	307,069	315,235
Prepaid Assessments	152,767	-	-	152,767	126,906
<i>Total Liabilities</i>	<u>701,012</u>	<u>-</u>	<u>-</u>	<u>701,012</u>	<u>665,287</u>
<i>Fund Balance</i>	<u>2,057,417</u>	<u>3,114,533</u>	<u>115,304</u>	<u>5,287,254</u>	<u>4,461,709</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,758,429</u>	<u>\$ 3,114,533</u>	<u>\$ 115,304</u>	<u>\$ 5,988,266</u>	<u>\$ 5,126,996</u>

The accompanying notes are an integral part of these statements.

DOMINION HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

	Operating Fund	Major Repair & Replacement Fund	Vineyard Estates Major Repair & Replacement Fund	Total 2019	Total 2018
REVENUES					
Member Assessments	\$ 4,221,257	\$ -	\$ 13,500	\$ 4,234,757	\$ 4,178,088
Non Uniform Assessments	89,424	-	-	89,424	84,170
Plan Review Fees	11,550	-	-	11,550	12,700
Construction Permit Fees	105,600	-	-	105,600	99,850
Late Fees	10,411	-	-	10,411	12,660
Legal Fees	6,123	-	-	6,123	35,412
HOA Entry Fee	287,500	-	-	287,500	277,500
Transfer Fees	22,400	-	-	22,400	23,850
Re-Sale Certificates	22,750	-	-	22,750	21,350
Transmitters	111,180	-	-	111,180	112,730
Management Fees	6,141	-	-	6,141	6,526
Bank Interest	52,825	60,095	-	112,920	73,944
Non Compliance Fee	31,050	-	-	31,050	41,150
ACH Fee	-	-	-	-	420
Recovery of Bad Debt	28,071	-	-	28,071	-
Miscellaneous Income	28,297	-	-	28,297	10,490
TOTAL REVENUES	5,034,579	60,095	13,500	5,108,174	4,990,840
EXPENSES					
<i>Operating Expenses:</i>					
Security Expenses	1,699,700	-	-	1,699,700	1,669,354
Landscape Maintenance	516,802	-	-	516,802	497,758
Transmitters	130,179	-	-	130,179	148,584
Water	194,401	-	-	194,401	129,534
Landscape Enhancements	107,557	-	-	107,557	89,918
Lighting Repairs	56,892	-	-	56,892	74,314
Electricity	63,336	-	-	63,336	64,836
Tree Maintenance	46,199	-	-	46,199	64,370
Property Repairs and Maintenance	34,655	-	-	34,655	50,400
Insurance	54,957	-	-	54,957	49,172
Irrigation Repairs	40,530	-	-	40,530	34,929
Direct Wages	36,271	-	-	36,271	32,707
Direct Payroll Taxes	2,948	-	-	2,948	2,410
Gate Maintenance	15,418	-	-	15,418	15,462
Lake Maintenance	8,075	-	-	8,075	12,891
Drainage Area Maintenance	12,047	-	-	12,047	12,464
Streetsweeper and Truck Fuel	17,717	-	-	17,717	7,266
Street Repairs	10,823	-	-	10,823	6,269
Engineering and Architect Fees	5,449	-	-	5,449	6,000
Street Signs	2,235	-	-	2,235	5,357
Security Building Repairs	4,116	-	-	4,116	1,671
<i>Total Operating Expenses</i>	\$ 3,060,307	\$ -	\$ -	\$ 3,060,307	\$ 2,975,666

The accompanying notes are an integral part of these statements.

DOMINION HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

	Operating Fund	Major Repair & Replacement Fund	Vineyard Estates Major Repair & Replacement Fund	Total 2019	Total 2018
EXPENSES (CONT.)					
<i>Homeowner Expenses:</i>					
Bonfire	\$ 76,287	\$ -	\$ -	\$ 76,287	\$ 74,909
ACC Plan Review	25,074	-	-	25,074	26,539
Social Expenses	25,499	-	-	25,499	23,088
Website	3,889	-	-	3,889	21,450
Meeting Expenses	8,753	-	-	8,753	9,582
<i>Total Homeowner Expense</i>	<u>139,502</u>	<u>-</u>	<u>-</u>	<u>139,502</u>	<u>155,568</u>
<i>General Administration:</i>					
Wages and Salaries	485,169	-	-	485,169	503,429
Employee Benefits	49,112	-	-	49,112	46,800
Payroll Taxes	34,866	-	-	34,866	34,786
Legal Expenses	44,865	-	-	44,865	64,233
Telephone	30,418	-	-	30,418	35,470
Bad Debt Expense	-	-	-	-	25,000
Depreciation	18,399	-	-	18,399	22,368
Office Supplies	26,213	-	-	26,213	16,092
Computer Software	12,762	-	-	12,762	12,345
Copier	8,379	-	-	8,379	7,945
Postage and Meter Rental	7,443	-	-	7,443	7,326
Bank Charges	6,054	382	24	6,460	7,279
Mileage Reimbursement	5,581	-	-	5,581	7,099
Management Training	8,079	-	-	8,079	5,237
Federal Income Tax Expense	17,735	-	-	17,735	4,497
Audit and Tax Preparation	4,650	-	-	4,650	4,650
Reserve Study Update	1,000	-	-	1,000	-
Computer Hardware	2,167	-	-	2,167	4,218
Janitorial	3,724	-	-	3,724	3,724
Payroll Processing Fee	4,402	-	-	4,402	3,341
Miscellaneous	2,620	-	-	2,620	2,376
Computer Maintenance	8,993	-	-	8,993	1,227
Rent Expenses	800	-	-	800	800
<i>Total General Administration</i>	<u>\$ 783,431</u>	<u>\$ 382</u>	<u>\$ 24</u>	<u>\$ 783,837</u>	<u>\$ 820,242</u>

The accompanying notes are an integral part of these statements.

DOMINION HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

	Operating Fund	Major Repair & Replacement Fund	Vineyard Estates Major Repair & Replacement Fund	Total 2019	Total 2018
EXPENSES (CONT.)					
<i>Major Repairs and Replacements:</i>					
Irrigation Renovation	\$ -	\$ 279,775	\$ -	\$ 279,775	\$ -
Landscape Renovations	-	-	-	-	85,210
Retainage Pond and Other Infrastructure	-	-	-	-	141,134
Street Repairs	-	19,208	-	19,208	247,430
<i>Total Major Repairs and Replacements</i>	-	298,983	-	298,983	473,774
TOTAL EXPENSES	3,983,240	299,365	24	4,282,629	4,425,250
Excess (Deficiency) of Revenues Over (Under) Expenses	1,051,339	(239,270)	13,476	825,545	565,590
BEGINNING FUND BALANCE	2,143,038	2,216,843	101,828	4,461,709	3,896,119
Transfers Between Funds	(1,136,960)	1,136,960	-	-	-
ENDING FUND BALANCE	\$ 2,057,417	\$ 3,114,533	\$ 115,304	\$ 5,287,254	\$ 4,461,709

The accompanying notes are an integral part of these statements.

DOMINION HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

	Operating Fund	Major Repair & Replacement Fund	Vineyard Estates Major Repair & Replacement Fund	Total 2019	Total 2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Excess (deficiency) of revenues over (under) expenses	\$ 1,051,339	\$ (239,270)	\$ 13,476	\$ 825,545	\$ 565,590
Adjustments to reconcile excess (deficiency) of revenues over (under) expenses to net cash provided (used) by operating activities:					
(Gain) Loss on Disposal of Assets	(7,566)	-	-	(7,566)	-
Depreciation	18,399	-	-	18,399	22,368
(Increase) Decrease in:					
Accounts Receivable	26,396	-	-	26,396	(25,807)
Other Receivable	(15,220)	-	-	(15,220)	-
Prepaid Insurance	(3,553)	-	-	(3,553)	(8)
Prepaid Expenses	(510)	-	-	(510)	15,793
Inventory - Gate Transmitters	(3,235)	-	-	(3,235)	6,298
Increase (Decrease) in:					
Accounts Payable	9,892	-	-	9,892	(81,345)
Federal Income Tax Payable	8,138	-	-	8,138	4,497
Construction Deposits	(8,166)	-	-	(8,166)	(114,699)
Prepaid Assessments	25,861	-	-	25,861	(10,555)
Deferred Revenue	-	-	-	-	(12,500)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,101,775	(239,270)	13,476	875,981	369,632
CASH FLOWS FROM FROM INVESTING ACTIVITIES					
Purchase of Vehicle	(23,273)	-	-	(23,273)	-
Proceeds Received on Disposal of Asset	12,793	-	-	12,793	-
Redemption of Certificate of Deposit	30,284	-	-	30,284	254,780
Purchase of Certificates of Deposit	-	(883,570)	-	(883,570)	(584,133)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ 19,804	\$ (883,570)	\$ -	\$ (863,766)	\$ (329,353)

The accompanying notes are an integral part of these statements.

DOMINION HOMEOWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS (CONT.)
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

	Operating Fund	Major Repair & Replacement Fund	Vineyard Estates Major Repair & Replacement Fund	Total 2019	Total 2018
CASH FLOWS FROM FINANCING ACTIVITIES					
Due From Other Funds	\$ (5,588)	\$ 5,588	\$ -	\$ -	\$ -
Transfers Between Funds	(1,136,960)	1,136,960	-	-	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(1,142,548)	1,142,548	-	-	-
NET INCREASE (DECREASE) IN CASH	(20,969)	19,708	13,476	12,215	40,279
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	108,922	2,187	100,703	211,812	171,533
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 87,953	\$ 21,895	\$ 114,179	\$ 224,027	\$ 211,812
SUPPLEMENTAL DISCLOSURE					
Income Taxes Paid	\$ 9,597	\$ -	\$ -	\$ 9,597	\$ -
Interest Paid	\$ -	\$ -	\$ -	\$ -	\$ -
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES					
Historical Cost of Disposed Assets	\$ 36,027	\$ -	\$ -	\$ 36,027	\$ -
Accumulated Depreciation	(36,027)	-	-	(36,027)	-
Net Book Value of Disposed Assets	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these statements.

DOMINION HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 -- NATURE OF ORGANIZATION

The Dominion Homeowners Association, Inc. was chartered under the laws of the State of Texas on October 15, 1983, as a not-for-profit corporation. The primary purpose of this nonprofit association is to maintain and administer the common facilities and to collect and disburse the assessments and charges of the Association. The Association is located in Bexar County, Texas, and currently consists of 1,610 member lots on 1,265 acres.

The financial statements of the Association have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to Common Interest Realty Associations.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FUND ACCOUNTING

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on use of financial resources, financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund -- This fund is used to account for financial resources available for the general operations of the Association.

Major Repairs and Replacement Fund -- This fund is used to accumulate financial resources designated for major repairs and replacement of common elements available for use by all members of the Association.

Vineyard Estates Major Repair and Replacement Fund -- This fund is used to accumulate financial resources designated for major repairs and replacement of common elements available for use by the members of the Association within the Vineyard Community.

B. MEMBER ASSESSMENTS

Association members are subject to monthly assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to operating assessments and general assessments for unspecified replacement fund savings are satisfied over the period of assessment on a monthly pro-rata basis using the input method. The performance obligations related to special assessments for specific repairs are satisfied when these funds are expended for their designated purpose.

DOMINION HOMEOWNERS ASSOCIATION, INC.
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 DECEMBER 31, 2019

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. MEMBER ASSESSMENTS (Cont.)

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose assessments are thirty days or more delinquent. An allowance for doubtful accounts has been established in the amount of \$9,218 and \$59,652, respectively as of December 31, 2019 and 2018 per management's estimate. Because of the Association's collection history and legal standing to enforce payment, the Association considers the collection of assessments levied to be probable. The balances of assessments receivable as of the beginning and end of the year are \$126,194 and \$49,364, respectively.

C. NON UNIFORM ASSESSMENTS

Nonresidential owners are charged a minimum commercial assessment of \$250 per lot and maintenance and easement assessment of \$1,082 as adjusted by the annual consumer price index factor. These assessments are reflected as Non Uniform Assessment Income on the Statement of Revenues, Expenses, and Changes in Fund Balance. This income is collected to help maintain the common areas of the Association.

D. PROPERTY EQUIPMENT AND DEPRECIATION

Real property and common areas acquired from developer and related improvements to such property are not reflected on the Association's financial statements. The common areas include, but are not limited to, streets, curbs, sidewalks, the bridge at the Association entrance, Northgate, Southgate, and Main Entrance guardhouses, fences and drainage systems.

The Association recognizes real and personal property assets at cost to which it has title and may directly derive income. The property is depreciated over its estimated useful life using the straight-line method of depreciation. The following estimated useful life and depreciation expense are as follows:

<u>Fixed Assets</u>	<u>Useful Life (Years)</u>	<u>12/31/19 Depreciation</u>
Buildings and Improvements	39	\$ 13,799
Vehicles	5	4,600
		<u>\$ 18,399</u>

Land is not depreciated.

E. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the Association considers checking and money market accounts as cash and cash equivalents.

DOMINION HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. CASH AND CASH EQUIVALENTS (Cont.)

The Association reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

F. INVENTORY

Inventory represents gate transmitters that were purchased and is valued at cost using the first in/first out (FIFO) method. Inventory is expensed when transmitters are issued rather than when purchased.

G. FISCAL YEAR

The Association has a fiscal year beginning on January 1 of each year and ending on December 31.

H. CONSTRUCTION DEPOSITS

Builders are required to pay a deposit in advance for certain construction projects. If the Association suffers zero cost for damages and the builder incurs no fines, the deposit is returned to the builder upon completion of the project. At December 31, 2019, the balances of deposits on hand were \$307,069.

I. CONTRACT LIABILITIES

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association receives payment in advance of the satisfaction of performance obligations related to assessments. The balances of contract liabilities (stated as prepaid assessments on the balance sheet) as of the beginning and end of the year are \$126,906 and \$152,767, respectively.

J. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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 reporting period. Actual results could differ from those estimates.

K. SUBSEQUENT EVENTS

Subsequent events were considered through February 12, 2020, which is the date the financial statements were available to be issued.

DOMINION HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

NOTE 3 – CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

Deposits consist of demand deposit accounts and interest bearing accounts at Frost Bank and Frost Brokerage. At December 31, 2019, the Association's cash deposits held at Frost Bank were fully covered by FDIC insurance.

All of the Association's investments as of December 31, 2019 were held in certificates of deposit and are valued using prices quoted in active markets (Level 1 inputs).

The certificates of deposit purchased with Association funds are insured by the standard FDIC insurance amount of \$250,000 per financial institution. This amount is shown on the balance sheet as Certificates of Deposit. At December 31, 2019, there were two certificates of deposit that were invested in Bank of America resulting in \$190,000 in excess of FDIC insurance. All other certificates were fully covered.

NOTE 4 -- FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that the Association establish adequate reserve funds for major repair and replacement of Common Area components. This reserve is to be funded by regular assessments. Accumulated funds should be accounted for in separate certificates of deposit and savings accounts.

A study was performed by Association Reserves during 2019 to estimate the remaining useful lives and replacement costs of the components of common property. The table included in the unaudited Required Supplementary Information on Future Major Repair and Replacements is based on this study. Because funding is based on estimates, actual expenditures may vary from the estimated future expenditures and the variations may be material. Monies accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. Thus, the Board has the right to raise regular assessments or levy a special assessment to meet these needs.

NOTE 5 -- INTERFUND BALANCES

As of December 31, 2019, the Operating Fund owes the Replacement Fund \$73,300 and the Vineyard Estates Major Repairs and Replacement Fund \$1,125. This interfund borrowing is due to monies collected in the Operating Fund in December 2019 on behalf of the other funds as well as operating expenses paid for with Replacement Funds. The funds were transferred in January 2020.

NOTE 6 -- INCOME TAXES

The Association qualifies as a tax-exempt association for all income and expenses related to its exempt function purpose of the acquisition, construction, management, maintenance, and care of Association property. The net non-exempt income from earned interest and nonmember fees is taxed at 21% or 30% by the federal government, dependent upon certain filing elections made. The Association can also elect to file as a regular corporation if it is in their best interest. For the year ending December 31, 2019, the Association filed IRS Form 1120-H resulting in a tax expense of \$17,735.

DOMINION HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2019

NOTE 6 -- INCOME TAXES (CONT.)

Accounting principles generally accepted in the United States of America require the Association management to evaluate tax positions taken by the Association and recognize a tax liability (or asset) if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2019, there are no uncertain positions taken or expected to be taken that would require recognition as a liability (or asset) or disclosure in the financial statements. The Association is subject to routine examinations by taxing authorities; however, there are currently no examinations for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2016.

NOTE 7 -- LITIGATION

During the year ended December 31, 2018, an owner filed a lawsuit against the Association regarding an incident on the Association's streets where the plaintiff was injured. As of the date of this report, an outcome of the lawsuit cannot be determined.

During the year ended December 31, 2019, another owner filed a lawsuit against the Association regarding a commercial vehicle parked on the owner's property. As of the date of this report, the vehicle has been removed and the Association is seeking dismissal of action since the dispute is moot.

Association management is not aware of any other pending or threatened litigation.

NOTE 8 -- FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, Real Estate – Common Interest Realty Associations (CIRA), Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to the Association's accounting policies for assessment revenue and contract liabilities related to assessments for specific projects, as previously described.

The adoption of the new revenue recognition guidance resulted in no change to fund balance as of January 1, 2019.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

DOMINION HOMEOWNERS ASSOCIATION, INC.
 FUTURE MAJOR REPAIRS & REPLACEMENTS
 DECEMBER 31, 2019
 (UNAUDITED)

The Association contracted with Association Reserves to estimate the remaining useful lives and the replacement costs of the components of common property. This study was completed during 2019. Replacement costs from authoritative literature were based on estimated costs to repair or replace common property components at replacement date using a projected inflation factor. The estimates below were obtained from the reserve study and estimates may vary significantly from actual costs. The following is a table based on the study and presents significant information about the components of common property.

<u>Components</u>	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>	<u>Components of Fund Balance at 12/31/2019</u>
Asphalt Pavement	0 - 30	\$ 23,787,710	\$ 2,384,237
Concrete Flatwork	2 - 28	802,917	175,049
Detention Basins	5 - 26	360,827	-
Metal Fences	0 - 30	1,274,142	62,755
Irrigation System	19	526,052	-
Landscape Replacements	3 -28	1,438,848	109,273
Light Fixtures & Sign Poles	1 - 27	721,777	80,546
Mailbox Stations & Entrance Monuments	1 - 16	983,029	189,005
Play Equipment	16	77,898	-
Perimeter Walls	1 - 27	230,747	25,750
Ponds, Wells, Pumps	4 - 19	649,516	27,318
Retaining Walls	1 -27	184,598	20,600
Street Signs and Marquee	10 - 26	304,771	-
Street Sweeper	5 - 21	385,500	-
Air Handling and Condensing Units	4 - 20	86,370	-
HOA Office	0 - 20	300,393	40,000
Guard Houses	9 - 30	366,134	-
Roof Assemblies, Tile	7	71,948	-
Walls, Stucco, Paint Finishes	4 - 25	194,841	-
Windows & Doors	23	123,349	-
		<u>\$ 32,871,367</u>	<u>\$ 3,114,533</u>
Reserve Study Ideal Balances at Year End			3,011,136
Percent of Ideal Balance on Hand			103%
Reserve Study Recommended Future Contributions:			
(Based on Original Projections)			
	2020	\$ 843,300	
	2021	\$ 859,829	
	2022	\$ 876,681	

See Independent Auditor's Report.