



**BDO Seidman, LLP**  
Accountants and Consultants

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February 22, 2005

Mr. Milton W. Matthews  
Executive Vice President  
Reston Association  
1930 Isaac Newton Square  
Reston, Virginia 22090

Dear Mr. Matthews:

During our audit of the financial statements of Reston Association (the Association) for the year ended December 31, 2004, we observed the Association's significant accounting policies and procedures and certain business, financial, and administrative practices. As a result of our observations we offer the following recommendations. The items noted below are not considered material weaknesses or reportable conditions.

#### Assessment Cap

The Association has a cap on the assessment charged to each member. We understand the governing documents are currently being reviewed to assess potential changes that would address the issues of the assessment cap. This is a critical issue for the Association since the assessments are a significant revenue source for the Association to fund current operations as well as establish reserves necessary for future repairs and replacements to the infrastructure of the Reston community.

We recommend this issue continue to be addressed and the significance of this situation be recognized. As the Association's costs approach the cap an issue will arise whereby the revenue of the Association may not be sufficient to cover the current expenses much less address the need to maintain adequate reserves to ensure the longevity of the Reston community assets.

#### Audit Committee

While not subject to the provisions of the Sarbanes-Oxley Act (the Act), nonprofits do have numerous constituencies to which they must routinely answer. As a result of this we recommend you consider adopting the Act's provision that requires organizations to have an audit committee. An audit committee should be comprised of members who are not employees or management of the Association and should include at least one individual who is a financial expert. The meaning of the term financial expert requires an individual to work with the generally accepted accounting principles on a regular basis and be familiar with these principles and their application. An audit committee generally consists of three to five members and would be responsible for approving the audit firm and meeting with the external auditors during the audit planning phase and reviewing the audited financial statements with the auditors. A charter should be developed for the audit committee to outline the specific committee duties. In addition, we recommend management review the other provisions of the Sarbanes-Oxley Act to determine if there are other provisions that may impact the Association.



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Fraud Policy

Although our audit did not uncover any instances of undetected fraud within the Association, we believe that the Association could benefit from the creation and implementation of a comprehensive anti-fraud policy.

We recommend that the Association consider creating a comprehensive, corporate policy that sets forth roles and responsibilities among employees, officers and board members for the prevention and detection of fraud. The policy could include activities and documentation that, among other things: clearly state the Association's corporate regulations; establish procedures for employees, officers and board members to follow should they suspect fraud; periodic reminders of the Association's corporate culture with respect to the prevention and detection of fraud; and on-going training regarding fraud prevention and detection. The Association has many of these policies in place throughout the personnel manual but a major benefit could be attained by putting all information in one comprehensive policy.

Please contact us if you have any questions about the above recommendations and their implementation or wish to discuss these recommendations further. We appreciate the outstanding cooperation from your staff that our personnel received during the audit of the Association's financial statements.

Very truly yours,

*BDO Seidman, LLP*