

Stonegate Homes at Suffern

Financial Statements
March 31, 2018 and 2017

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members of Stonegate Homes at Suffern :

I have reviewed the accompanying balance sheet of Stonegate Homes at Suffern as of March 31, 2018, and the related statements of revenue and expenses and changes in members' equity, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association personnel. A review is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am 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 State of America. I believe that the results of my procedures provide a reasonable basis for my report.

Accountant's Conclusion


Based on my review, I am not aware of any material modifications that should be made to the financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements for the year ended March 31, 2017, were audited by me and I expressed an unmodified opinion on them in my report dated June 29, 2017, but I have not performed any auditing procedures since that date.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 10 to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my review of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance on the information.


Mark A. Cygielman
Chestnut Ridge, NY

June 25, 2018

Stonegate Homes At Suffern
 Balance Sheets
 March 31, 2018 and 2017

	<u>Reviewed 2018</u>	<u>Audited 2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 100	\$ 14,354
Cash and cash equivalents-designated as reserves	225,217	110,752
Investments-designated as reserves	26,597	73,044
Arrearages receivable	23,196	13,870
Prepaid expenses	45,774	45,762
Total Current Assets	<u>320,884</u>	<u>257,782</u>
Other Assets		
Refundable security deposits	51,999	50,997
Total Other Assets	<u>51,999</u>	<u>50,997</u>
Total Assets	<u>\$ 372,883</u>	<u>\$ 308,779</u>
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$ 32,104	\$ 27,882
Income taxes payable	1,830	1,450
Prepaid common charges	8,468	3,959
Total Current Liabilities	<u>42,402</u>	<u>33,291</u>
Other Liabilities		
Refundable security deposits	51,999	50,997
Total Liabilities	<u>94,401</u>	<u>84,288</u>
Members' Equity		
Undesignated	26,668	40,695
Designated as reserves	251,814	183,796
Total Members' Equity	<u>278,482</u>	<u>224,491</u>
Total Liabilities and Members' Equity	<u>\$ 372,883</u>	<u>\$ 308,779</u>

See accompanying notes to financial statements.

Stonegate Homes At Suffern
 Statements of Revenues and Expenses
 For the years ended March 31, 2018 and 2017

	Reviewed 2018	Audited 2017
REVENUES		
Member assessments	\$ 891,340	\$ 852,412
Rental income and laundry room commission	10,611	9,264
Fees and fines	4,410	4,882
Interest income	658	474
Other income	305	260
Total Revenues	<u>907,324</u>	<u>867,292</u>
REPAIRS AND MAINTENANCE EXPENSES		
Snow removal	119,847	40,615
Landscaping contract	79,760	65,025
Carpentry/other	47,130	42,632
Plumbing	32,672	39,889
Furnaces and hot water heaters	32,414	121,506
Concrete steps/walkways	29,597	30,489
Maintenance contract	28,193	27,650
Siding	13,000	33,268
Railings	12,085	78,577
Parking lot	9,193	
Water softener supplies	6,468	5,567
Landscaping improvements	6,067	35,939
Exterminator	3,208	5,733
Electrical	2,248	2,030
Painting	2,230	22,351
Gutters	654	1,541
Roofs		22,049
Water softeners		19,315
Drainage		1,138
Total Repairs and Maintenance Expenses	<u>424,766</u>	<u>595,314</u>
OPERATING EXPENSES		
Utilities:gas, electric, sewer and water	287,481	271,116
Insurance	66,942	66,279
Management fees	29,046	29,046
Property inspection fees	12,497	3,027
Legal and accounting fees	11,946	14,258
Bookkeeping service	9,870	9,676
Office supplies, postage, telephone and bank charges	4,762	4,598
Security	3,056	2,666
Income taxes	1,944	1,450
Bad debts (member assessments)	1,023	58,491
Engineering fees		4,968
Laundry room commission		388
Total Operating Expenses	<u>428,567</u>	<u>465,963</u>
Total Expenses	<u>853,333</u>	<u>1,061,277</u>
Excess of Revenues over Expenses	<u>\$ 53,991</u>	<u>\$ (193,985)</u>

See accompanying notes to financial statements.

Stonegate Homes At Suffern
 Statements of Changes in Members' Equity
 For the years ended March 31, 2018 (reviewed) and 2017 (audited)

	Total	Undesignated	Designated for Future Repairs and Replacements
Members' Equity at March 31, 2016	\$ 418,476	\$ 68,782	\$ 349,694
Excess of revenue over expenses	(193,985)	(193,985)	
Allocated to future major repairs and replacements:			
Major repairs and replacements:			
Furnaces and hot water heaters		121,506	(121,506)
Railings/masonry		78,577	(78,577)
Siding		33,268	(33,268)
Water softeners		19,315	(19,315)
Plumbing		8,659	(8,659)
Transfers from undesignated equity		(95,427)	95,427
Members' Equity at March 31, 2017	224,491	40,695	183,796
Excess of expenses over revenues	53,991	53,991	
Allocated to future major repairs and replacements:			
Major repairs and replacements:			
Furnaces and hot water heaters		32,414	(32,414)
Railings/masonry		12,085	(12,085)
Siding		13,000	(13,000)
Transfers from undesignated equity		(125,517)	125,517
Members' Equity at March 31, 2018	\$ 278,482	\$ 26,668	\$ 251,814

See accompanying notes to financial statements.

Stonegate Homes At Suffern
 Statements of Cash Flows
 For the years ended March 31, 2018 and 2017

	<u>Reviewed 2018</u>	<u>Audited 2017</u>
Cash Flows From Operating Activities		
Excess of revenues over expenses	\$ 53,991	\$ (193,985)
Adjustments to reconcile excess of expenses over revenues to cash provided by operating activities:		
Bad debts	1,023	58,491
(Increase) decrease in:		
Investments	46,447	(73,044)
Arrearages receivable	(10,349)	(21,359)
Prepaid expenses	(12)	(878)
Deposits		
Refundable security deposits	(1,002)	(2,612)
(Decrease) Increase in:		
Accounts payable and accrued expenses	4,222	3,191
Income taxes payable	380	(192)
Prepaid common charges	4,509	(2,960)
Refundable security deposits	1,002	2,612
Net Cash Provided by (Used in) Operating Activities	<u>100,211</u>	<u>(230,736)</u>
Cash At Beginning Of Year	<u>125,106</u>	<u>355,842</u>
Cash At End Of Year	<u><u>\$ 225,317</u></u>	<u><u>\$ 125,106</u></u>
Supplemental Disclosure:		
Income taxes paid	\$ 1,564	\$ 1,642

See accompanying notes to financial statements.

Stonegate Homes at Suffern
Notes to Financial Statements
March 31, 2018 and 2017

Note A - Nature of Organization

Stonegate Homes at Suffern is an unincorporated condominium association authorized by the State of New York for the purposes of operating and maintaining the common property of Stonegate Homes at Suffern. Stonegate Homes at Suffern consists of 176 residential units located in Suffern, New York. The Association began its operations in 1970.

Note B - Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents include investments in highly liquid instruments available for current use with an initial maturity of three months or less.

Accounts Receivable – Members

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel to collect assessments from delinquent unit owners. If mortgage principal exceeds equity in the unit, the receivable is written off. Any excess assessments at year end are retained by the Association for use in the succeeding year.

Income Taxes

The Association filed its income tax returns as a homeowners' association in accordance with Internal Revenue Code Section 528 for the years ended March 31, 2015, 2016 and 2017. Under that Section, the Association is not taxed on uniform assessments to members and other income from association members solely as a function of their membership in the Association. The Association is taxed at the federal rate of 30% on its nonexempt function income, which includes interest income and revenue received from nonmembers. For state income tax purposes, the Association is taxed on the higher of net income from nonmembership activities or capital base derived from the average value of assets less liabilities.

Stonegate Homes at Suffern
Notes to Financial Statements
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Uncertainty in Income Taxes

The Association has adopted the provisions of FASB ASC Reference 740, Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement no. 109 (FIN 48). Under FIN 48, an entity must recognize the tax benefit associated with tax positions for tax return purposes when it is more likely than not the position will be sustained upon examination by a taxing authority. Stonegate Homes at Suffern does not believe it has taken any material uncertain tax positions and, accordingly has not recorded any liability for unrecognized tax benefits.

Stonegate Homes at Suffern income tax returns for the years ended March 31, 2015, 2016 and 2017 are subject to examination by taxing authorities three years after they were filed.

Property and Equipment

Real property and common areas are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. Personal property is capitalized at cost.

Estimates

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

Note C - Refundable Deposits

The Association has adopted a policy of requiring owners who sub-lease their units to deposit security in the amount of one months rent. Deposits are maintained in a separate interest-bearing account.

Note D - Concentration of Risk

The Association has interest bearing and non-interest bearing deposits in two local banks. Deposits are insured for \$250,000 per depositor. At March 31, 2018, deposits did not exceed depository coverage.

Stonegate Homes at Suffern
Notes to Financial Statements
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Note E - Rental Unit Code Compliance

The Association has one rental unit in a basement that might be outside the zoning code, although it has been in use for over 30 years. It has been deemed in compliance with building and safety codes. The board of managers has applied for a zoning code change or variance, and budgeted \$30,000 for this process. As of March 31, 2018, \$16,133 has been expended.

Stonegate Homes At Suffern
 Supplementary Information on Future Major Repairs and Replacements (Unaudited)
 March 31, 2018

A Capital Reserve Replacement Fund Analysis was conducted in 2016 by an engineering consultant and a report issued in July 2016 to estimate the remaining useful lives and replacement costs of common property. Replacement costs were based on the estimated costs to replace the common property at the date of the study. Estimated replacement costs and funding requirements do not take into account the effects of inflation between the date of the study and the date that the components will require replacement.

The following information is based on the study and presents significant information about the components of common property.

Components	Estimated Remaining Useful Life (Years)	Estimated Current Replacement Cost	2018-2019 Funding Requirement	Components of Fund Balance at March 31, 2018
Building pointing	5	35,000	0	0
Carpets/interior Finish/Common Halls refurbishment	9	80,000	0	2,211
Decks	0	0	0	0
Electrical/walkway lights and meter replacement	6	4,000	0	0
Painting/buildings/siding/trim	5	50,000	0	27,625
Parking lot resurfacing/Belgium Block/curbing	1 to 10	439,884	61,125	61,125
Parking lot sealcoating	7 to 9	18,390	0	0
Patio replacement	2 to 8	17,640	5,880	0
Plumbing - Heating system and boilers	0	0	0	0
Railings	0	0	0	0
Retaining walls	3	33,695	0	0
Roofs, leaders and gutters	3 to 7	684,600	69,819	62,233
Sidewalk/concrete	2 to 8	75,750	25,250	40,000
Sump pumps	5	4,000	0	0
Utility doors-steel/Building doors-common entry	6	5,000	0	0
Totals		<u>\$ 1,447,959</u>	<u>\$ 162,074</u>	<u>\$ 193,194</u>
General reserves				58,620
Total Reserve Fund Balance				<u><u>\$ 251,814</u></u>