

Stonegate Homes at Suffern

Financial Statements
March 31, 2019 and 2018

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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 financial statements of Stonegate Homes at Suffern (an unincorporated condominium association), which comprise the balance sheets as of March 31, 2019 and 2018, and the related statements of revenue and expenses and changes in members' equity, 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 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

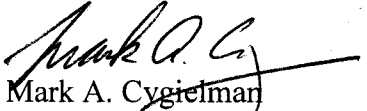
My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain 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 conclusion.

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on common property 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. Such information is the responsibility of management. I have not audited, reviewed, or compiled the supplementary information and I do not express an opinion, a conclusion, nor provide any assurance on it.


Mark A. Cygielman
Certified Public Accountant

August 6, 2019

Stonegate Homes At Suffern
Balance Sheets
March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 11,615	\$ 100
Cash and cash equivalents-designated as reserves	168,086	225,217
Investments-designated as reserves	26,894	26,597
Arrearages receivable	7,303	23,196
Prepaid expenses	52,121	45,774
Total Current Assets	<u>266,019</u>	<u>320,884</u>
Other Assets		
Refundable security deposits	48,745	51,999
Total Other Assets	<u>48,745</u>	<u>51,999</u>
Total Assets	<u>\$ 314,764</u>	<u>\$ 372,883</u>
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$ 11,493	\$ 32,104
Income taxes payable	1,051	1,830
Prepaid common charges	8,530	8,468
Total Current Liabilities	<u>21,074</u>	<u>42,402</u>
Other Liabilities		
Refundable security deposits	48,745	51,999
Total Liabilities	<u>69,819</u>	<u>94,401</u>
Members' Equity		
Undesignated	49,965	26,668
Designated as reserves	194,980	251,814
Total Members' Equity	<u>244,945</u>	<u>278,482</u>
Total Liabilities and Members' Equity	<u>\$ 314,764</u>	<u>\$ 372,883</u>

See accompanying notes to financial statements.

Stonegate Homes At Suffern
 Statements of Revenues and Expenses
 For the years ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUES		
Member assessments	\$ 894,370	\$ 891,340
Rental income and laundry room commission	9,600	10,611
Fees and fines	5,064	4,410
Interest income	664	658
Other income	275	305
Total Revenues	<u>909,973</u>	<u>907,324</u>
REPAIRS AND MAINTENANCE EXPENSES		
Snow removal	92,349	119,847
Landscaping contract	70,417	79,760
Parking lot	60,377	9,193
Carpentry/maintenance/other	52,120	47,130
Concrete steps/walkways	39,093	29,597
Railings	37,722	12,085
Plumbing	37,698	32,672
Landscaping improvements	29,831	6,067
Furnaces and hot water heaters	28,826	32,414
Drainage	9,551	
Siding	7,835	13,000
Maintenance contract	6,420	28,193
Water softener supplies	6,371	6,468
Water softeners	5,988	
Exterminator	4,991	3,208
Gutters	4,935	654
Electrical	3,258	2,248
Roofs	2,908	
Painting	1,734	2,230
Total Repairs and Maintenance Expenses	<u>502,424</u>	<u>424,766</u>
OPERATING EXPENSES		
Utilities:gas, electric, sewer and water	273,868	287,481
Insurance	67,360	66,942
Bad debts (member assessments)	31,579	1,023
Management fees	29,046	29,046
Professional fees	16,023	11,946
Bookkeeping service	10,800	9,870
Office supplies, postage, telephone and bank charges	5,547	4,762
Security	3,034	3,056
Income taxes	1,361	1,944
Property inspection fees	1,200	12,497
Meeting rental	900	
Laundry room commission	368	
Total Operating Expenses	<u>441,086</u>	<u>428,567</u>
Total Expenses	<u>943,510</u>	<u>853,333</u>
Excess of Revenues over Expenses	<u>\$ (33,537)</u>	<u>\$ 53,991</u>

See accompanying notes to financial statements.

Stonegate Homes At Suffern
 Statements of Changes in Members' Equity
 For the years ended March 31, 2019 and 2018

	Total	Undesignated	Designated for Future Repairs and Replacements
Members' Equity at March 31, 2017	\$ 224,491	\$ 40,695	\$ 183,796
Excess of revenue over expenses	53,991	53,991	
Allocated to future major repairs and replacements:			
Major repairs and replacements:			
Furnaces and hot water heaters		32,414	(32,414)
Siding		13,000	(13,000)
Railings/masonry		12,085	(12,085)
Transfers from undesignated equity		(125,517)	125,517
Members' Equity at March 31, 2018	278,482	26,668	251,814
Excess of expenses over revenues	(33,537)	(33,537)	
Allocated to future major repairs and replacements:			
Major repairs and replacements:			
Railings/masonry		66,371	(66,371)
Parking lot		60,377	(60,377)
Furnaces and hot water heaters		28,826	(28,826)
Drainage		9,551	(9,551)
Siding		7,835	(7,835)
Water softeners		5,988	(5,988)
Transfers from undesignated equity		(122,114)	122,114
Members' Equity at March 31, 2019	<u>\$ 244,945</u>	<u>\$ 49,965</u>	<u>\$ 194,980</u>

See accompanying notes to financial statements.

Stonegate Homes At Suffern
 Statements of Cash Flows
 For the years ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Excess of revenues over expenses	\$ (33,537)	\$ 53,991
Adjustments to reconcile excess of expenses over revenues to cash provided by operating activities:		
Bad debts	31,579	1,023
(Increase) decrease in:		
Investments	(297)	46,447
Arrearages receivable	(15,686)	(10,349)
Prepaid expenses	(6,347)	(12)
Deposits		
Refundable security deposits	3,254	(1,002)
(Decrease) Increase in:		
Accounts payable and accrued expenses	(20,611)	4,222
Income taxes payable	(779)	380
Prepaid common charges	62	4,509
Refundable security deposits	<u>(3,254)</u>	<u>1,002</u>
Net Cash (Used in) Provided by Operating Activities	<u>(45,616)</u>	<u>100,211</u>
Cash At Beginning Of Year	<u>225,317</u>	<u>125,106</u>
Cash At End Of Year	<u>\$ 179,701</u>	<u>\$ 225,317</u>
Operating	\$ 11,615	\$ 100
Designated as reserves	\$ 168,086	\$ 225,217
Total	<u>\$ 179,701</u>	<u>\$ 225,317</u>
Supplemental Disclosure:		
Income taxes paid	\$ 2,140	\$ 1,564

See accompanying notes to financial statements.

Stonegate Homes at Suffern
Notes to Financial Statements
March 31, 2019 and 2018

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.

Investments

Investments include a bank certificate of deposit with a maturity of more than three months.

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 is classified as a nonexempt membership organization for both federal and state income tax purposes for the years ended March 31, 2019 and 2018. It does not qualify as an exempt organization. The Association is subject to specific rulings and regulations to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, nonmembership transactions, and capital transactions.

Income Taxes (continued)

For federal tax purposes, the Association is taxed on all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists. Nonmembership income may not be offset by membership losses, and any excess membership deductions may only be carried forward to offset membership income of future tax periods. Any net membership income not applied to the subsequent tax year is subject to taxation.

The Association files Form 1120-H, which has a 30% tax rate applied to net taxable income. For state income tax purposes, the Association is taxed on the higher computed tax of all net income from nonmembership activities reduced only by losses from nonmembership activities for which a profit motive exists, or a lower tax rate applied to capital base.

Uncertainty in Income Taxes

The Association has adopted the provisions of FASB ASC Reference 740, Accounting for Uncertainty in Income Taxes. Under ASC 740, 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, 2016, 2017 and 2018 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.

Stonegate Homes at Suffern
Notes to Financial Statements
March 31, 2019 and 2018

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, 2019, deposits did not exceed depository coverage.

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, 2019, \$16,133 has been expended.

Note F – Subsequent Events

The Association has evaluated the subsequent events through August 6, 2019, the date the financial statements were available for issuance.

Stonegate Homes At Suffern
 Supplementary Information on Future Major Repairs and Replacements
 March 31, 2019

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	2019-2020 Funding Requirement	Components of Fund Balance at March 31, 2019
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				1,786
Total Reserve Fund Balance				<u>\$ 194,980</u>