

Stonegate Homes at Suffern

Financial Statements
March 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying balance sheet of Stonegate Homes at Suffern as of March 31, 2017 and the related statements of revenues and expenses and members equity, and cash flows 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing procedures generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risk 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 entity'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 entity's internal control. Accordingly, I express no such opinion. An audit also includes assessing the accounting principles used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

MARK A. CYGIELMAN

CERTIFIED PUBLIC ACCOUNTANT

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stonegate Homes at Suffern as of March 31, 2017, and the results of operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The 2015 financial statements were reviewed by me, and my report thereon, dated June 13, 2016, stated I was not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

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 basis 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 audit 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. Cygelman
Certified Public Accountant

June 29, 2017

Stonegate Homes At Suffern
Balance Sheets
March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 14,354	\$ 6,148
Cash and cash equivalents-designated as reserves	183,796	349,694
Arrearages receivable	13,870	51,002
Prepaid expenses	<u>45,762</u>	<u>44,884</u>
Total Current Assets	257,782	451,728
Other Assets		
Refundable security deposits	<u>50,997</u>	<u>48,385</u>
Total Other Assets	50,997	48,385
Total Assets	<u>\$ 308,779</u>	<u>\$ 500,113</u>
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$ 27,882	\$ 24,691
Income taxes payable	1,450	1,642
Prepaid common charges	<u>3,959</u>	<u>6,919</u>
Total Current Liabilities	33,291	33,252
Other Liabilities		
Refundable security deposits	<u>50,997</u>	<u>48,385</u>
Total Liabilities	84,288	81,637
Members' Equity		
Undesignated	40,695	68,782
Designated as reserves	<u>183,796</u>	<u>349,694</u>
Total Members' Equity	224,491	418,476
Total Liabilities and Members' Equity	<u>\$ 308,779</u>	<u>\$ 500,113</u>

See accompanying notes to financial statements.

Stonegate Homes At Suffern
 Statements of Revenues and Expenses
 For the years ended March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUES		
Member assessments	\$ 852,412	\$ 837,661
Fees and fines	4,882	3,742
Interest income	474	565
Rental income	9,264	9,000
Other income	260	578
Total Revenues	<u>867,292</u>	<u>851,546</u>
REPAIRS AND MAINTENANCE EXPENSES		
Furnaces and hot water heaters	121,506	
Railings	78,577	13,560
Landscaping contract	65,025	63,269
Carpentry/other	42,632	34,379
Snow removal	40,615	48,894
Plumbing	39,889	30,690
Landscaping improvements	35,939	21,487
Siding	33,268	
Concrete steps/walkways	30,489	45,255
Maintenance contract	27,650	27,650
Painting	22,351	3,092
Roofs	22,049	4,695
Water softeners	19,315	20,816
Exterminator	5,733	7,784
Water softener supplies	5,567	6,123
Electrical	2,030	3,330
Gutters	1,541	11,159
Drainage	1,138	
Decks		27,430
Artwork for hallways		2,338
Parking lot		279
Total Repairs and Maintenance Expenses	<u>595,314</u>	<u>372,230</u>
OPERATING EXPENSES		
Utilities: gas, electric, sewer and water	271,116	246,522
Insurance	66,279	65,771
Bad debts (member assessments)	58,491	
Management fees	29,046	28,200
Legal and accounting fees	14,258	10,820
Bookkeeping service	9,676	9,676
Engineering fees	4,968	
Office supplies, postage, telephone and bank charges	4,598	5,629
Property inspection fees	3,027	
Security	2,666	4,264
Income taxes	1,450	1,642
Laundry room commission	388	1,435
Total Operating Expenses	<u>465,963</u>	<u>373,959</u>
Total Expenses	<u>1,061,277</u>	<u>746,189</u>
Excess of Revenues over Expenses	<u>\$ (193,985)</u>	<u>\$ 105,357</u>

See accompanying notes to financial statements.

Stonegate Homes At Suffern
 Statements of Changes in Members' Equity
 For the years ended March 31, 2017 and 2016

	Total	Undesignated	Designated for Future Repairs and Replacements
Members' Equity at March 31, 2015	\$ 313,119	\$ 70,017	\$ 243,102
Excess of revenue over expenses	105,357	105,357	
Allocated to future major repairs and replacements:			
Major repairs and replacements:			
Water softeners		20,816	(20,816)
Transfers from undesignated equity		(127,408)	127,408
Members' Equity at March 31, 2016	418,476	68,782	349,694
Excess of expenses over revenues	(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	<u>\$ 224,491</u>	<u>\$ 40,695</u>	<u>\$ 183,796</u>

See accompanying notes to financial statements.

Stonegate Homes At Suffern
 Statements of Cash Flows
 For the years ended March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Excess of revenues over expenses	\$ (193,985)	\$ 105,357
Adjustments to reconcile excess of expenses over revenues to cash provided by operating activities:		
Bad debts	58,491	
(Increase) decrease in:		
Arrearages receivable	(21,359)	(11,036)
Prepaid expenses	(878)	(594)
Refundable security deposits	(2,612)	700
(Decrease) Increase in:		
Accounts payable and accrued expenses	3,191	1,424
Income taxes payable	(192)	(250)
Prepaid common charges	(2,960)	3,864
Refundable security deposits	2,612	(700)
Net Cash Provided by (Used in) Operating Activities	<u>(157,692)</u>	<u>98,765</u>
Cash At Beginning Of Year	355,842	257,077
Cash At End Of Year	<u>\$ 198,150</u>	<u>\$ 355,842</u>
Supplemental Disclosure:		
Income taxes paid	\$ 1,642	\$ 1,892

See accompanying notes to financial statements.

Stonegate Homes at Suffern
Notes to Financial Statements
March 31, 2017 and 2016

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
March 31, 2017 and 2016

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, 2014, 2015 and 2016 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, 2017, deposits did not exceed depository coverage.

Stonegate Homes at Suffern
Notes to Financial Statements
March 31, 2017 and 2016

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, 2017, \$16,133 has been expended.

Note F - Subsequent Events

The Association has evaluated subsequent events through June 29, 2017, the date which these financial statements were available to be issued.

Stonegate Homes At Suffern
 Supplementary Information on Future Major Repairs and Replacements (Unaudited)
 March 31, 2017

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	2017-2018 Funding Requirement	Components of Fund Balance at March 31, 2017
Building pointing	5	\$ 35,000	\$ -	\$ -
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	101,811	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	8,882	62,233
Sidewalk/concrete	2 to 8	75,750	25,250	0
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>\$ 141,823</u>	<u>\$ 153,194</u>
General reserves				30,602
Total Reserve Fund Balance				<u>\$ 183,796</u>