

***SURREY HILL CONDOMINIUM***

**FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016 AND 2015**

# ***SURREY HILL CONDOMINIUM***

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Managers and the Unitowners  
Surrey Hill Condominium

We have audited the accompanying financial statements of Surrey Hill Condominium, which comprise the balance sheets as of September 30, 2016 and 2015, and the related statements of revenues, expenses and changes in fund balances and cash flows for the years 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. 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 audits 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 auditors' 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 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, 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 Surrey Hill Condominium as of September 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Bruce, DiGuardia & Coy, LLP*

Rochester, New York  
May 2, 2017

# ***SURREY HILL CONDOMINIUM***

## **BALANCE SHEETS** SEPTEMBER 30, 2016 AND 2015

### **ASSETS**

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 573,361	\$ 509,114
Accounts receivable from unitowners, net of allowance for doubtful accounts of \$5,908 in 2016 and \$0 in 2015	3,691	7,943
Prepaid expenses	2,461	2,456
Furniture and equipment, net	<u>487</u>	<u>1,756</u>
Total assets	<u>\$ 580,000</u>	<u>\$ 521,269</u>

### **LIABILITIES AND FUND BALANCES**

	<u>2016</u>	<u>2015</u>
Liabilities		
Accounts payable	\$ 19,707	\$ 6,801
Advance payments from unitowners	15,659	17,172
Accrued income taxes	<u>780</u>	<u>647</u>
Total liabilities	<u>36,146</u>	<u>24,620</u>
Fund balances		
Operating	0	0
Major maintenance	543,367	494,893
Property	<u>487</u>	<u>1,756</u>
Total fund balances	<u>543,854</u>	<u>496,649</u>
	<u>\$ 580,000</u>	<u>\$ 521,269</u>

See accompanying notes and independent auditors' report.

## ***SURREY HILL CONDOMINIUM***

### **STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	2016			
	Operating Fund	Major Maintenance Fund	Property Fund	Total
Revenues				
Common charges	\$ 326,472	\$ 140,671	\$ 0	\$ 467,143
Interest	2,183	0	0	2,183
Other	8,519	0	0	8,519
	337,174	140,671	0	477,845
Total revenues				
Expenses				
Management fee	34,829	0	0	34,829
Legal and professional	11,707	0	0	11,707
Office and administrative expenses	5,840	0	0	5,840
Maintenance labor and related expenses	57,049	0	0	57,049
Lifeguards	14,070	0	0	14,070
Gas and electric	12,890	0	0	12,890
Water and sewer	2,654	0	0	2,654
Telephone	398	0	0	398
Refuse removal	18,121	0	0	18,121
Snow removal	32,634	0	0	32,634
Landscaping	53,758	9,709	0	63,467
Maintenance and repairs	25,510	96,509	0	122,019
Insurance	29,805	0	0	29,805
Recreational facilities	17,200	0	0	17,200
Bad debts	5,908	0	0	5,908
Depreciation	0	0	1,269	1,269
Income taxes	780	0	0	780
	323,153	106,218	1,269	430,640
Total expenses				
Excess of revenues over (under) expenses	14,021	34,453	(1,269)	47,205
Transfers	(14,021)	14,021	0	0
Fund balances - beginning of year	0	494,893	1,756	496,649
Fund balances - end of year	\$ 0	\$ 543,367	\$ 487	\$ 543,854

See accompanying notes and independent auditors' report.

2015

Operating Fund	Major Maintenance Fund	Property Fund	Total
\$ 331,087	\$ 136,055	\$ 0	\$ 467,142
2,191	0	0	2,191
6,753	0	0	6,753
<u>340,031</u>	<u>136,055</u>	<u>0</u>	<u>476,086</u>
33,814	0	0	33,814
7,223	0	0	7,223
6,006	0	0	6,006
54,347	0	0	54,347
13,030	0	0	13,030
14,199	0	0	14,199
2,851	0	0	2,851
375	0	0	375
16,081	0	0	16,081
49,430	0	0	49,430
51,167	0	0	51,167
30,924	21,293	0	52,217
29,751	0	0	29,751
12,907	0	0	12,907
0	0	0	0
0	0	1,555	1,555
647	0	0	647
<u>322,752</u>	<u>21,293</u>	<u>1,555</u>	<u>345,600</u>
17,279	114,762	(1,555)	130,486
(17,279)	17,279	0	0
<u>0</u>	<u>362,852</u>	<u>3,311</u>	<u>366,163</u>
<u>\$ 0</u>	<u>\$ 494,893</u>	<u>\$ 1,756</u>	<u>\$ 496,649</u>

# ***SURREY HILL CONDOMINIUM***

## **STATEMENTS OF CASH FLOWS** FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 47,205	\$ 130,486
Adjustments to reconcile excess of revenues over expenses to net cash and cash equivalents provided by operating activities:		
Depreciation	1,269	1,555
(Increase) decrease in:		
Accounts receivable from unitowners, net	4,252	(1,923)
Prepaid expenses	(5)	(472)
Increase (decrease) in:		
Accounts payable	12,906	(1,797)
Advance payments from unitowners	(1,513)	(3,496)
Accrued income taxes	133	156
	<u>64,247</u>	<u>124,509</u>
Net cash and cash equivalents provided by operating activities	64,247	124,509
Cash and cash equivalents - beginning of year	<u>509,114</u>	<u>384,605</u>
Cash and cash equivalents - end of year	<u>\$ 573,361</u>	<u>\$ 509,114</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u>\$ 647</u>	<u>\$ 491</u>

See accompanying notes and independent auditors' report.



# ***SURREY HILL CONDOMINIUM***

## **NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2016 AND 2015

### **NOTE 1: SUMMARY OF OPERATIONS**

In August 1982, the Condominium was established under the Real Property Laws of New York State, for the purpose of maintaining the common areas (consisting of a clubhouse, pool, exteriors, asphalt, grounds and lawns) of one hundred and ninety-four residential condominiums, in Henrietta, New York. The unitowners elect a board of managers who hire an independent property management firm to manage the Condominium.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Cash and Cash Equivalents - The Condominium considers all highly liquid investments to be cash equivalents.

Furniture and Equipment - Furniture and equipment are recorded at cost. When retired or otherwise disposed of, the related cost and accumulated depreciation are cleared from the respective accounts and the net difference, less any amount realized from disposition, is reflected in income. Depreciation is provided for on the straight-line method over the estimated useful lives of seven years.

Fund Accounting - The Condominium uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of managers and property manager. Disbursements from the major maintenance fund generally may be made only for designated purposes. The property fund accounts for capital additions, less depreciation charges.

Income Taxes - Pursuant to the Tax Reform Act of 1976, condominium associations are permitted to make an annual election to be treated as a regular corporation or a tax exempt organization. Each year the Condominium will file its tax returns under the election which is most beneficial to the organization. Under Section 528 of the Internal Revenue Code, taxes are paid on non-exempt function income (principally interest and rents, net of expenses).

The Condominium's tax returns for the years ending 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

See independent auditors' report.

# ***SURREY HILL CONDOMINIUM***

## **NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2016 AND 2015

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Subsequent Events - In preparing these financial statements, the Condominium has evaluated events and transactions for potential recognition and disclosure through May 2, 2017, the date the financial statements were available to be issued.

### **NOTE 3: OWNERS' ASSESSMENTS**

Monthly assessments to owners for the years ended September 30, 2016 and 2015, ranged from \$159 to \$257, of which a portion is allocated to the major maintenance fund. The annual budget and assessments of owners are determined by the board of managers. The Condominium transfers any year end operating surplus or deficit to or from the major maintenance fund. As of October 1, 2016, monthly assessments increased approximately 3.1%.

The Condominium's policy is to retain legal counsel and place liens on the properties of unitowners whose assessments are significantly in arrears. It is the opinion of management that the Condominium will not ultimately prevail against all of the unitowners whose assessments are delinquent and, accordingly, an allowance for doubtful accounts of \$5,908 and \$0 has been established for the years ended September 30, 2016 and 2015, respectively.

### **NOTE 4: FURNITURE AND EQUIPMENT, NET**

Furniture and equipment, net consisted of the following at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 10,884	\$ 10,884
Less: accumulated depreciation	<u>10,397</u>	<u>9,128</u>
Furniture and equipment, net	<u>\$ 487</u>	<u>\$ 1,756</u>

### **NOTE 5: COMMITMENTS**

The Condominium has entered into an agreement with Realty Performance Group, Inc. for management of its operations. The agreement provides for a monthly fee of \$2,924 until December 31, 2016. The agreement may be renewed at a 3% annual increase.

See independent auditors' report.

# ***SURREY HILL CONDOMINIUM***

## **NOTES TO FINANCIAL STATEMENTS**

SEPTEMBER 30, 2016 AND 2015

### **NOTE 6: FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Condominium has elected to accumulate funds for future major repairs and replacements. Accumulated funds are accounted for separately and generally are not available for expenditures for normal operations.

The board of managers and the management company determine amounts to be allocated to the major maintenance fund. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the major maintenance fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Condominium has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

### **NOTE 7: CONCENTRATIONS OF CREDIT RISK**

The Condominium's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Condominium places its cash investments with high credit quality institutions. At times such investments may be in excess of the FDIC insurance limit. The Condominium routinely assesses the financial strength of these organizations and, as a consequence, believes that its credit risk exposure is limited. As of September 30, 2016 and 2015, the Condominium had an uninsured cash balance of \$177,662 and \$98,238, respectively.

See independent auditors' report.



## **INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION**

To the Board of Managers and the Unitowners  
Surrey Hill Condominium

We have audited the financial statements of Surrey Hill Condominium as of and for the years ended September 30, 2016 and 2015, and our report thereon dated May 2, 2017, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The information on future major repairs and replacements, which is the responsibility of the Condominium's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Bonn, Dioguardi & Ray, LLP*

Rochester, New York  
May 2, 2017

## ***SURREY HILL CONDOMINIUM***

### **SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS**

SEPTEMBER 30, 2016

Realty Performance Group, Inc. prepared a study dated September 8, 2014, to estimate the remaining useful lives and the replacement costs of components of common property. The costs are based upon estimated current replacement costs.

The following unaudited table is 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>
Roofs	20	\$ 1,007,605
Clubhouse roof	0	17,595
Downspout conductors	0	4,000
Gutters/downspouts	4	60,221
Landscaping	0	3,183
Asphalt sealing	1	12,787
Asphalt resurfacing	3 to 10	287,280
Painting/staining	1 to 3	84,836
Patio fences	0	2,000
Light fixtures	14	54,908
Clubhouse	0 to 39	156,780
Pool	0 to 18	22,706
Tennis courts	7 to 22	40,589
Sign	10	9,018
Maintenance equipment	0 to 5	7,549
Masonry	0	16,232
Miscellaneous	0	5,305

See independent auditors' report on supplemental information.