

ROUNDTREE HOMEOWNERS ASSOCIATION, INC.

**FINANCIAL STATEMENTS
NOVEMBER 30, 2018 AND 2017**

ROUNDTREE HOMEOWNERS ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Homeowners
Roundtree Homeowners Association, Inc.
Fairport, New York

We have audited the accompanying financial statements of Roundtree Homeowners Association, Inc., which comprise the balance sheets as of November 30, 2018 and 2017, 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 Roundtree Homeowners Association, Inc. as of November 30, 2018 and 2017, 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, DiGuardis & Roy, LLP

Rochester, New York
February 6, 2019

ROUNDTREE HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEETS
NOVEMBER 30, 2018 AND 2017

ASSETS

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|------------------|
| Assets | | |
| Cash and cash equivalents | \$ 90,021 | \$ 48,180 |
| Accounts receivable from homeowners, net of an allowance for doubtful accounts of \$0 in 2018 and \$6,277 in 2017 | 36,291 | 3,013 |
| Prepaid expenses | <u>6,206</u> | <u>792</u> |
| Total assets | <u>\$ 132,518</u> | <u>\$ 51,985</u> |

LIABILITIES AND FUND BALANCES

| | <u>2018</u> | <u>2017</u> |
|----------------------------------|-------------------|------------------|
| Liabilities | | |
| Accounts payable | \$ 340 | \$ 465 |
| Advance payments from homeowners | 10,710 | 9,811 |
| Accrued income taxes | <u>82</u> | <u>70</u> |
| Total liabilities | <u>11,132</u> | <u>10,346</u> |
| Fund balances | | |
| Operating | | |
| General operations | (30,489) | (24,348) |
| Private drives | 25,835 | 23,566 |
| Major maintenance | | |
| General operations | 141,663 | 56,343 |
| Private drives | <u>(15,623)</u> | <u>(13,922)</u> |
| Total fund balances | <u>121,386</u> | <u>41,639</u> |
| | <u>\$ 132,518</u> | <u>\$ 51,985</u> |

See accompanying notes and independent auditors' report.

ROUNDTREE HOMEOWNERS ASSOCIATION, INC.

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES**

FOR THE YEARS ENDED NOVEMBER 30, 2018 AND 2017

| | 2018 | | | | | | |
|---|-----------------------|-------------------|---------------|------------------------|-------------------|---------------|----------------|
| | Operating Fund | | | Major Maintenance Fund | | | Total |
| | General Operations | Private Drives | Total | General Operations | Private Drives | Total | All Funds |
| Revenues | | | | | | | |
| Common charges | \$ 70,681 | \$ 12,400 | \$ 83,081 | \$ 0 | \$ 5,479 | \$ 5,479 | \$ 88,560 |
| Special assessment | 0 | 0 | 0 | 89,000 | 0 | 89,000 | 89,000 |
| Interest income | 0 | 0 | 0 | 175 | 94 | 269 | 269 |
| Other | 3,072 | 0 | 3,072 | 0 | 0 | 0 | 3,072 |
| Total revenues | 73,753 | 12,400 | 86,153 | 89,175 | 5,573 | 94,748 | 180,901 |
| Expenses | | | | | | | |
| Management fee | 13,440 | 0 | 13,440 | 0 | 0 | 0 | 13,440 |
| Insurance | 4,087 | 0 | 4,087 | 0 | 0 | 0 | 4,087 |
| Administrative expenses | 1,787 | 0 | 1,787 | 0 | 0 | 0 | 1,787 |
| Legal and professional | 8,846 | 0 | 8,846 | 0 | 0 | 0 | 8,846 |
| Swimming pool and recreational facilities | 43,345 | 0 | 43,345 | 3,855 | 0 | 3,855 | 47,200 |
| Utilities | 2,604 | 0 | 2,604 | 0 | 0 | 0 | 2,604 |
| Property taxes | 658 | 0 | 658 | 0 | 0 | 0 | 658 |
| Landscaping | 4,157 | 0 | 4,157 | 0 | 0 | 0 | 4,157 |
| Snow removal | 0 | 9,137 | 9,137 | 0 | 0 | 0 | 9,137 |
| Other grounds expense | 0 | 994 | 994 | 0 | 7,274 | 7,274 | 8,268 |
| Bad debts | 888 | 0 | 888 | 0 | 0 | 0 | 888 |
| Income taxes | 82 | 0 | 82 | 0 | 0 | 0 | 82 |
| Total expenses | 79,894 | 10,131 | 90,025 | 3,855 | 7,274 | 11,129 | 101,154 |
| Excess of revenues over (under) expenses | (6,141) | 2,269 | (3,872) | 85,320 | (1,701) | 83,619 | 79,747 |
| Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fund balances - beginning of year | (24,348) | 23,566 | (782) | 56,343 | (13,922) | 42,421 | 41,639 |
| Fund balances - end of year | \$ (30,489) | \$ 25,835 | \$ (4,654) | \$ 141,663 | \$ (15,623) | \$ 126,040 | \$ 121,386 |

See accompanying notes and independent auditors' report.

2017

| Operating Fund | | | Major Maintenance Fund | | | Total |
|--------------------|------------------|-----------------|------------------------|--------------------|------------------|------------------|
| General Operations | Private Drives | Total | General Operations | Private Drives | Total | All Funds |
| \$ 70,380 | \$ 12,400 | \$ 82,780 | \$ 301 | \$ 5,479 | \$ 5,780 | \$ 88,560 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 152 | 82 | 234 | 234 |
| <u>2,215</u> | <u>0</u> | <u>2,215</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>2,215</u> |
| <u>72,595</u> | <u>12,400</u> | <u>84,995</u> | <u>453</u> | <u>5,561</u> | <u>6,014</u> | <u>91,009</u> |
| 13,440 | 0 | 13,440 | 0 | 0 | 0 | 13,440 |
| 3,751 | 0 | 3,751 | 0 | 0 | 0 | 3,751 |
| 1,790 | 0 | 1,790 | 0 | 0 | 0 | 1,790 |
| 14,746 | 0 | 14,746 | 0 | 0 | 0 | 14,746 |
| 42,437 | 0 | 42,437 | 6,808 | 0 | 6,808 | 49,245 |
| 3,684 | 0 | 3,684 | 0 | 0 | 0 | 3,684 |
| 520 | 0 | 520 | 0 | 0 | 0 | 520 |
| 3,950 | 0 | 3,950 | 0 | 0 | 0 | 3,950 |
| 0 | 9,966 | 9,966 | 0 | 0 | 0 | 9,966 |
| 0 | 1,800 | 1,800 | 0 | 14,839 | 14,839 | 16,639 |
| 724 | 0 | 724 | 0 | 0 | 0 | 724 |
| <u>70</u> | <u>0</u> | <u>70</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>70</u> |
| <u>85,112</u> | <u>11,766</u> | <u>96,878</u> | <u>6,808</u> | <u>14,839</u> | <u>21,647</u> | <u>118,525</u> |
| (12,517) | 634 | (11,883) | (6,355) | (9,278) | (15,633) | (27,516) |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <u>(11,831)</u> | <u>22,932</u> | <u>11,101</u> | <u>62,698</u> | <u>(4,644)</u> | <u>58,054</u> | <u>69,155</u> |
| <u>\$ (24,348)</u> | <u>\$ 23,566</u> | <u>\$ (782)</u> | <u>\$ 56,343</u> | <u>\$ (13,922)</u> | <u>\$ 42,421</u> | <u>\$ 41,639</u> |

ROUNDTREE HOMEOWNERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| Cash flows from operating activities: | | |
| Excess of revenues over (under) expenses | \$ 79,747 | \$ (27,516) |
| Adjustments to reconcile excess of revenues over (under) expenses to net cash and cash equivalents provided (used) by operating activities: | | |
| (Increase) decrease in: | | |
| Accounts receivable from homeowners, net | (33,278) | (1,378) |
| Prepaid expenses | (5,414) | (21) |
| Increase (decrease) in: | | |
| Accounts payable | (125) | 293 |
| Advance payments from homeowners | 899 | 3,357 |
| Accrued income taxes | 12 | (42) |
| | <u>41,841</u> | <u>(25,307)</u> |
| Net cash and cash equivalents provided (used) by operating activities | 41,841 | (25,307) |
| Cash and cash equivalents - beginning of year | <u>48,180</u> | <u>73,487</u> |
| Cash and cash equivalents - end of year | <u>\$ 90,021</u> | <u>\$ 48,180</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for income taxes | <u>\$ 70</u> | <u>\$ 112</u> |

See accompanying notes and independent auditors' report.

ROUNDTREE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

NOTE 1: SUMMARY OF OPERATIONS

On November 15, 1973, the Association was incorporated under the New York State Not-For-Profit Corporation Law, for the purpose of owning and maintaining the common areas (consisting of a pool, clubhouse, asphalt, grounds and green areas) of one hundred and seventy-eight homes, in Fairport, New York. The homeowners elect a board of directors who hire an independent property management firm to manage the Association.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents - The Association considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Fund Accounting - The Association 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 directors and property manager. Disbursements from the major maintenance fund generally may be made only for designated purposes. The private drives funds require additional common charges for upkeep of eighty-two driveways.

Income Taxes - Pursuant to the Tax Reform Act of 1976, homeowner associations are permitted to make an annual election to be treated as a regular corporation or a tax-exempt organization. Each year the Association 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 fees, net of expenses).

The Association's tax returns for the years ending 2015, 2016 and 2017 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.

Subsequent Events - In preparing these financial statements, the Association has evaluated events and transactions for potential recognition and disclosure through February 6, 2019, the date the financial statements were available to be issued.

See independent auditors' report.

ROUNDTREE HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2018 AND 2017

NOTE 3: OWNERS' ASSESSMENTS

Monthly assessments to homeowners for the years ended November 30, 2018 and 2017 were \$33, with the private drives assessed an additional \$18, of which a portion of both are allocated to the major maintenance fund. The annual budget and assessments of owners are determined by the board of directors. The Association retains any year end operating surplus for use in future operating periods. As of December 1, 2018, monthly assessments remained the same.

The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are significantly in arrears. It is the opinion of management that the Association will not ultimately prevail against all of the homeowners whose assessments are delinquent and, accordingly, an allowance for doubtful accounts of \$0 and \$6,277 has been established for the years ended November 30, 2018 and 2017, respectively.

NOTE 4: COMMITMENTS

The Association has entered into an agreement with Realty Performance Group, Inc. for management of its operations. The agreement provides for a monthly fee of \$1,120 for the year ending November 30, 2019. The agreement can be further extended at the greater of 3% or the increase in the consumer price index.

NOTE 5: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association 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 directors 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 Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 6: CONCENTRATIONS OF CREDIT RISK

The Association's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Association places its cash investments with high credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit. The Association routinely assesses the financial strength of these organizations and, as a consequence, believes that its credit risk exposure is limited.

See independent auditors' report.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors and the Homeowners
Roundtree Homeowners Association, Inc.
Fairport, New York

We have audited the financial statements of Roundtree Homeowners Association, Inc. as of and for the years ended November 30, 2018 and 2017, and our report thereon dated February 6, 2019, 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 Association'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.

Rochester, New York
February 6, 2019

ROUNDTREE HOMEOWNERS ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

NOVEMBER 30, 2018

A prior management company updated a study during 2012 to estimate the remaining useful lives and the replacement costs of components of common property. The costs were 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> |
|----------------------|---|--|
| Private drives | | |
| Asphalt resurface | 1 to 2 | \$ 12,000 |
| Asphalt sealing | Annually | 0 - 8,000 |
| Asphalt repairs | 2 | 1,000 |
| Drain inlet | 1 | 1,200 |
| General | | |
| Pool building roof | 1 to 3 | 3,420 |
| Building perimeter | 1 to 2 | 4,250 |
| Pool deck | 4 to 10 | 28,000 |
| Pool equipment | 2 to 10 | 35,000 |
| Pool interior | 6 to 10 | 8,000 - 20,000 |
| Signs | 1 to 10 | 800 |
| Pool building upkeep | 1 to 2 | 1,900 |
| Pool cover storage | 10 | 800 |
| Pool lights | 3 to 7 | 600 - 1,500 |
| Skimmer repairs | 4 to 10 | 3,500 |
| Fences | 1 to 5 | 400 - 1,000 |
| Pool furniture | 1 to 5 | 800 - 3,000 |
| Playset equipment | Annually | 225 |

See independent auditors' report on supplemental information.