

THOMAS CREEK HOMEOWNERS ASSOCIATION, INC.

**FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013**

THOMAS CREEK HOMEOWNERS ASSOCIATION, INC.

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THOMAS CREEK HOMEOWNERS ASSOCIATION, INC.

BALANCE SHEETS NOVEMBER 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets		
Cash and cash equivalents	\$ 122,692	\$ 89,043
Accounts receivable from homeowners	1,478	742
Prepaid expenses	<u>2,976</u>	<u>6,339</u>
Total assets	<u>\$ 127,146</u>	<u>\$ 96,124</u>

LIABILITIES AND FUND BALANCES

	<u>2014</u>	<u>2013</u>
Liabilities		
Accounts payable	\$ 1,699	\$ 6,136
Advance payments from homeowners	3,873	2,133
Accrued income taxes	<u>157</u>	<u>221</u>
Total liabilities	<u>5,729</u>	<u>8,490</u>
Fund balances		
Operating	104,521	109,527
Major maintenance	<u>16,896</u>	<u>(21,893)</u>
Total fund balances	<u>121,417</u>	<u>87,634</u>
	<u>\$ 127,146</u>	<u>\$ 96,124</u>

See accompanying notes and independent auditors' report.

THOMAS CREEK HOMEOWNERS ASSOCIATION, INC.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

	2014			2013		
	Operating Fund	Major Maintenance Fund	Total	Operating Fund	Major Maintenance Fund	Total
Revenues						
Common charges	\$ 128,053	\$ 69,263	\$ 197,316	\$ 135,184	\$ 58,244	\$ 193,428
Interest	536	0	536	1,019	0	1,019
Other	249	0	249	409	0	409
Total revenues	128,838	69,263	198,101	136,612	58,244	194,856
Expenses						
Management fees	14,832	0	14,832	16,109	0	16,109
Legal and professional	1,245	0	1,245	1,215	0	1,215
Insurance	16,688	0	16,688	16,063	0	16,063
Administrative expenses	4,120	0	4,120	5,610	0	5,610
Snow removal	34,812	0	34,812	27,308	0	27,308
Refuse removal	5,436	0	5,436	5,860	0	5,860
Property taxes	299	0	299	125	0	125
Landscaping	45,428	3,701	49,129	37,386	13,537	50,923
Building and grounds repairs and maintenance	10,827	26,773	37,600	14,544	175,748	190,292
Income taxes	157	0	157	221	0	221
Total expenses	133,844	30,474	164,318	124,441	189,285	313,726
Excess of revenues over (under) expenses	(5,006)	38,789	33,783	12,171	(131,041)	(118,870)
Transfers	0	0	0	0	0	0
Fund balances - beginning of year	109,527	(21,893)	87,634	97,356	109,148	206,504
Fund balances - end of year	\$ 104,521	\$ 16,896	\$ 121,417	\$ 109,527	\$ (21,893)	\$ 87,634

See accompanying notes and independent auditors' report.

THOMAS CREEK HOMEOWNERS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Excess of revenues over (under) expenses	\$ 33,783	\$ (118,870)
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	(736)	(162)
Prepaid expenses	3,363	4,899
Increase (decrease) in:		
Accounts payable	(4,437)	1,613
Advanced payments from homeowners	1,740	(1,521)
Accrued income taxes	<u>(64)</u>	<u>(44)</u>
Net cash and cash equivalents provided (used) by operating activities	33,649	(114,085)
Cash and cash equivalents - beginning of the year	<u>89,043</u>	<u>203,128</u>
Cash and cash equivalents - end of the year	<u>\$ 122,692</u>	<u>\$ 89,043</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u>\$ 221</u>	<u>\$ 265</u>

See accompanying notes and independent auditors' report.

THOMAS CREEK HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2014 AND 2013

NOTE 1: SUMMARY OF OPERATIONS

The Association was incorporated under Section 402 of the New York State Not-for-Profit Corporation Law on January 27, 1987, for the purpose of owning common land and maintaining the common areas (consisting of exteriors, asphalt, grounds and lawns) of eighty-one residential townhomes, in Fairport, New York. The board of directors hires an independent property management firm to management 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.

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, net of expenses).

The Association's tax returns for the years ending 2011, 2012 and 2013 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 effect 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 January 11, 2015, the date the financial statements were available to be issued.

See independent auditors' report.

THOMAS CREEK HOMEOWNERS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 2014 AND 2013

NOTE 3: OWNERS' ASSESSMENTS

Monthly assessments to owners for the years ended November 30, 2014 and 2013 was \$203 and \$199, respectively, of which a portion is allocated to the major maintenance fund. The annual budget and assessments of owners are determined by the board of directors. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods. As of December 1, 2014, monthly assessments were increased to \$207.

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 ultimately prevail against the homeowners whose assessments are delinquent and, accordingly, an allowance for doubtful accounts has not been established.

NOTE 4: COMMITMENTS

The Association has entered into an agreement with Crofton Associates, Inc. for management of its operations. The agreement provides for a monthly fee of \$1,261 for the year ending November 30, 2015. The fee increases by an amount equal to the lesser of the increase in CPI or 3% for the year ended November 30, 2016.

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.



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors and the Homeowners
Thomas Creek Homeowners Association, Inc.

We have audited the financial statements of Thomas Creek Homeowners Association, Inc. as of and for the years ended November 30, 2014 and 2013, and our report thereon dated January 11, 2015 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
January 11, 2015

THOMAS CREEK HOMEOWNERS ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

NOVEMBER 30, 2014

Crofton Associates, Inc. updated a study dated January 22, 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>
Asphalt resurface	18 to 19	\$ 200,000
Asphalt sealing	0	4,162
Asphalt repairs	2 to 21	1,500
Roofs	16 to 19	450,000
Siding	6 to 13	599,000
Garage doors	0 to 19	6,075
Landscaping	Annually	3,702 - 6,000
Sidewalks/patios	Bi-annually	1,000 - 2,614
Signs	8	500
Miscellaneous	Annually	8,268
Drainage	0	11,438
Drainage	Annually	500
Insurance deductibles	Annually	1,000
Staining fences	3	6,500
Lighting	0 and 10	8,484
Painting garage doors/trim	3	17,800
Power washing	1	3,000

See independent auditors' report on supplemental information.