

**CHESTerview  
CONDOMINIUM ASSOCIATION**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and Members  
Chesterview Condominium Association  
Royersford, Pennsylvania

I have reviewed the accompanying balance sheet of Chesterview Condominium Association as of December 31, 2014, and the related statements of revenues and expenses, changes in fund balances and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion. Information for the year ended December 31, 2013, is presented for comparative purposes only and was extracted from the financial statements prepared by me in my review report dated February 24, 2014.

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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have compiled the required supplementary information without audit or review, and, accordingly, I do not express an opinion or provide any assurance on it.

*Lorraine J. Grassi, CPA, P.C.*

Lorraine J. Grassi, CPA, P.C.  
Horsham, Pennsylvania

February 10, 2015

**CHESTERVIEW CONDOMINIUM ASSOCIATION  
BALANCE SHEET  
DECEMBER 31, 2014**

(With Comparative Totals for December 31, 2013)

	Operating Fund	Reserve Fund	Total 2014	Total 2013
<b><u>Assets</u></b>				
Cash	\$ 46,875	\$ 226,958	\$ 273,833	\$ 227,339
Assessments Receivable, net of \$6,166 and \$3,576	975	-	975	1,835
Prepaid Expenses	9,743	-	9,743	6,710
Prepaid Federal Income Taxes	894	-	894	1,452
Cable Income Receivable	-	-	-	1,500
Interfund Receivable	(33,491)	33,491	-	-
Total Assets	<u>\$ 24,996</u>	<u>\$ 260,449</u>	<u>\$ 285,445</u>	<u>\$ 238,836</u>
<b><u>Liabilities</u></b>				
Accounts Payable	\$ 4,767	\$ -	\$ 4,767	\$ 11,947
Accrued Expenses	2,683	22,508	25,191	4,293
Prepaid Assessments	5,935	-	5,935	3,593
Security Deposit	100	-	100	100
Total Liabilities	<u>13,485</u>	<u>22,508</u>	<u>35,993</u>	<u>19,933</u>
<b><u>Fund Balances</u></b>				
	<u>11,511</u>	<u>237,941</u>	<u>249,452</u>	<u>218,903</u>
 Total Liabilities and Fund Balances	 <u>\$ 24,996</u>	 <u>\$ 260,449</u>	 <u>\$ 285,445</u>	 <u>\$ 238,836</u>

See accompanying notes to financial statements and Independent Accountant's Review Report.

**CHESTERVIEW CONDOMINIUM ASSOCIATION  
STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

(With Comparative Totals for the Year Ended December 31, 2013)

	Operating Fund	Reserve Fund	Total 2014	Total 2013
<b><u>Revenues</u></b>				
Association Fees	\$ 99,019	\$ 52,181	\$ 151,200	\$ 146,160
Special Assessment	-	27,300	27,300	8,300
Interest Income	-	1,283	1,283	763
Late Fees and Other Income	1,985	-	1,985	1,911
Cable Income	6,097	-	6,097	7,393
Initial Fees - new members	900	-	900	1,160
<b>Total Revenues</b>	<b>108,001</b>	<b>80,764</b>	<b>188,765</b>	<b>165,687</b>
<b><u>Expenses</u></b>				
<b><u>Operating expenses:</u></b>				
Exterminating	6,122	-	6,122	3,415
General	2,270	-	2,270	72
Gutter Cleaning	450	-	450	-
Landscaping	16,452	-	16,452	16,819
Large Tree Maintenance	515	-	515	485
Snow Removal	21,100	-	21,100	11,980
Electrical	3,300	-	3,300	2,277
Payroll Maintenance	90	-	90	105
Plumbing	270	-	270	1,550
Pool Expenses	10,968	-	10,968	11,175
Roofing/Gutters/Siding	995	-	995	2,810
Signage	143	-	143	-
Trash Removal	8,745	-	8,745	8,010
<b><u>Utilities:</u></b>				
Electricity	2,012	-	2,012	1,900
Recreational utilities	1,604	-	1,604	1,249
Water & Sewer	1,243	-	1,243	1,926
<b><u>Administrative Expenses:</u></b>				
Management Fees	15,388	-	15,388	12,450
Insurance	18,225	-	18,225	14,641
Legal & Accounting	1,235	-	1,235	2,700
Court Costs	335	-	335	586
Bad Debt Expense (Recoveries)	2,590	-	2,590	(274)
Office Expenses & Postage	1,384	-	1,384	931
Meeting Expense	71	-	71	566
Federal Income Taxes	558	-	558	780
Major Repairs and Replacements	-	42,151	42,151	40,886
<b>Total Expenses</b>	<b>116,065</b>	<b>42,151</b>	<b>158,216</b>	<b>137,039</b>
Excess (Deficiency) of Revenues over (under) Expenses	<b>\$ (8,064)</b>	<b>\$ 38,613</b>	<b>\$ 30,549</b>	<b>\$ 28,648</b>

See accompanying notes to financial statements and Independent Accountant's Review Report.

**CHESTERVIEW CONDOMINIUM ASSOCIATION**  
**STATEMENT OF CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
(With Comparative Totals for the Year Ended December 31, 2013)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>2014 Total</u>	<u>2013 Total</u>
Balances January 1	\$ 19,575	\$ 199,328	\$ 218,903	\$ 190,255
Excess (Deficiency) of Revenues over (under) Expenses	<u>(8,064)</u>	<u>38,613</u>	<u>30,549</u>	<u>28,648</u>
Balances December 31	<u>\$ 11,511</u>	<u>\$ 237,941</u>	<u>\$ 249,452</u>	<u>\$ 218,903</u>

See accompanying notes to financial statements and Independent Accountant's Review Report.

**CHESTERVIEW CONDOMINIUM ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
(With Comparative Totals for the Year Ended December 31, 2013)

	Operating Fund	Reserve Fund	Total 2014	Total 2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Excess (Deficiency) of Revenues over (under) Expenses	\$ (8,064)	\$ 38,613	\$ 30,549	\$ 28,648
Adjustments to reconcile excess (deficiency) of revenues over (under) expenses to net cash:				
<u>(Increase) Decrease in :</u>				
Assessments Receivable, net	860	-	860	(830)
Prepaid Expenses	(3,033)	-	(3,033)	13,375
Prepaid Federal Income Taxes	558	-	558	(1,452)
Cable Income Receivable	1,500	-	1,500	(1,500)
Interfund Receivable	31,599	(31,599)	-	-
<u>Increase (Decrease) in :</u>				
Accounts Payable	(5,030)	(2,150)	(7,180)	(5,991)
Accrued Expenses	(1,610)	22,508	20,898	(2,742)
Federal Income Taxes Payable	-	-	-	(1,313)
Prepaid Assessments	2,342	-	2,342	(2,412)
Net cash provided by Operating Activities	19,122	27,372	46,494	25,783
Net Cash - Increase (Decrease)	19,122	27,372	46,494	25,783
Cash - Beginning	27,753	199,586	227,339	201,556
Cash - Ending	<u>\$ 46,875</u>	<u>\$ 226,958</u>	<u>\$273,833</u>	<u>\$ 227,339</u>
Supplementary Disclosure:				
Income Taxes Paid			<u>\$ -</u>	<u>\$ 3,545</u>

See accompanying notes to financial statements and Independent Accountant's Review Report.

**CHESTERVIEW CONDOMINIUM ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Note 1. NATURE OF ORGANIZATION

Chesterview Condominium Association is a Pennsylvania not-for-profit corporation organized in July 2007. The purpose of the Association is to maintain, regulate, and administer the common elements for the use, benefit, and enjoyment of the unit owners of the Association. The development is located on 7.24 acres in Royersford, Pennsylvania. The Association consists of eighty-four (84) residential units. The units are contained in 10 two-story buildings.

Note 2. SUBSEQUENT EVENTS

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 10, 2015, the date that the financial statements were available to be issued.

Note 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method:

The Association maintains its books and records on the accrual basis of accounting.

Fund Accounting:

The Association's governing documents provide for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund: This fund is used to accumulate resources available for the general operations of the Association.

Reserve Fund: This fund is used to accumulate financial resources designated for future major repairs and replacements of the common elements.

Member Assessments:

Association members are subject to a monthly assessment to provide funds for the Association's operating expenses and future capital expenditures. Assessments receivable at the balance sheet date represent fees due from unit owners. Any excess assessments at year end are retained by the Association for use in future years.

Revenue Recognition:

Revenue from members assessments are recognized when the assessments are due. Any amounts received in advance of the due date are deferred until due.

Property and Equipment:

Real property and common areas transferred by the developer and related improvements to such property are not recorded in the Association's financial statements. The Association does not capitalize acquisitions of personal property.

Cash:

In general, for purposes of the Statement of Cash Flows, the Association considers all bank accounts and money market funds to be cash equivalents. The Association's Board of Directors restricts the cash held in its replacement reserve fund.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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.



**CHESTERVIEW CONDOMINIUM ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Note 3. Continued

Comparative Information:

The financial statements include certain prior-year summarized comparative information in total but not by fund balance class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the prior year, from which the summarized information was derived.

Tax Allocation:

Federal income tax is not allocated among the funds based on the Board of Directors' policy which requires that all such taxes are to be absorbed by the Operating Fund.

Note 4. INCOME TAXES

Under the Internal Revenue Code, Associations may elect to be taxed as an Association or as a regular corporation. For the year ended December 31, 2014, the Association has elected to file as a regular corporation. As a regular corporation, membership income is exempt from taxation if certain elections are made, and the Association is taxed only on its non membership income, such as interest earnings, at regular corporate rates.

The Association's tax returns are subject to examination by taxing authorities. Because transactions are susceptible to varying interpretations under various income tax laws and regulations, the amounts reported in the accompanying financial statements may be subject to change upon final determination by the respective taxing authorities. The Association is considered a not-for-profit entity by the Commonwealth of Pennsylvania and has no state tax filing requirements or liability.

Note 5. FINANCIAL CONCENTRATIONS

Association members are subject to assessments to provide the majority of funds for the Association's operating expenses, future capital acquisitions, and major repairs or replacements. A substantial amount of the Association's revenue is derived primarily from the unit owners and the Association is dependent upon this source of income. Assessments receivable at the balance sheet date represent fees due from unit owners. Collection of member assessments is vital to the ongoing financial support of the Association.

Note 6. INITIAL FEES – NEW MEMBERS

At each settlement to a third party, the purchaser of a unit is required to make a one-time non-refundable contribution equal to two times the monthly assessment. Total initial fees for the years ended December 31, 2014 and December 31, 2013 were \$900 and \$1,160, respectively. The Board has elected to recognize these fees as revenue of the Operating Fund to provide additional working capital.

Note 7. RELATED PARTY TRANSACTIONS

The Developer and the Managing Agent are related through common ownership. The managing agent is under contract to provide property management and financial record keeping services to the Association. For the years ended December 31, 2014 and December 31, 2013, the managing agent was paid \$15,388 and \$12,450, respectively.

**CHESTERVIEW CONDOMINIUM ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Note 8. FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require that funds be accumulated for future major repairs and replacements on an annual basis. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations. The Association has established a reserve fund for improvements and replacements of common property on an annual basis. The replacement reserve is represented by a separate cash account which earned interest of \$1,283 and \$763 during the years ended December 31, 2014 and December 31, 2013, respectively. The Association charged expenditures to the Reserve Fund totaling \$42,151 and \$40,886 during 2014 and 2013, respectively.

Criterion-Bustamante Engineers, Inc. conducted a study during 2013 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current estimated replacement costs. The study assumes an inflation rate of 3% and a rate of return on invested reserve funds of 0.5%. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on the study.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variation may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Note 9. SPECIAL ASSESSMENTS

During 2013, the Association enacted a special assessment totaling \$25,000. The purpose of the special assessment is to cover the cost of the work that was performed on the 900 building as well as external grounds surrounding the building where some of the land was excavated, re-graded, and storm drains installed. Each unit owner was required to pay \$300 in three equal installments of \$100 due on December 1, 2013, January 2, 2014, and February 1, 2014.

During 2014, an additional special assessment totaling \$16,800 was enacted to cover the costs associated with the water intrusion issue at the 900 building. Each unit owner was required to pay the \$200 special assessment either in full by October 1, 2014 or in \$40 increments over five months beginning on October 1, 2014 and continuing to February 1, 2015.

**CHESTERVIEW CONDOMINIUM ASSOCIATION  
OPERATING FUND ACTIVITY  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Actual Over (Under) Budget</u>
<b><u>Revenues</u></b>			
Member Assessments	\$ 99,019	\$ 99,019	\$ -
Late Fees and Other Income	2,885	1,800	1,085
Cable Income	6,097	6,000	97
Total Revenues	108,001	106,819	1,182
<b><u>Expenses</u></b>			
<b><u>Operating expenses:</u></b>			
Cleaning	-	200	(200)
Exterminating	6,122	3,900	2,222
General	2,270	900	1,370
Landscaping	16,452	16,000	452
Large Tree Maintenance	515	2,500	(1,985)
Snow Removal	21,100	10,000	11,100
Electrical	3,300	2,000	1,300
Gutter Cleaning	450	900	(450)
Painting	-	500	(500)
Payroll Maintenance	90	-	90
Plumbing	270	1,200	(930)
Pool Expenses	10,968	11,000	(32)
Roofing/Gutters/Siding	995	3,000	(2,005)
Signage	143	60	83
Supplies	-	180	(180)
Trash Removal	8,745	8,900	(155)
Operational Contingency	-	932	(932)
	71,420	62,172	9,248
<b><u>Utilities</u></b>			
Electricity	2,012	2,000	12
Recreational utilities	1,604	1,500	104
Water & Sewer	1,243	2,600	(1,357)
	4,859	6,100	(1,241)
<b><u>Administrative Expenses:</u></b>			
Management Fees	15,388	15,388	-
Insurance	18,225	16,500	1,725
Legal & Accounting	1,235	1,240	(5)
Court Costs	335	600	(265)
Bad Debt Expense	2,590	1,800	790
Bank Charges	-	45	(45)
Office Expenses & Postage	1,384	1,390	(6)
Meeting Expense	71	600	(529)
Federal Income Taxes	558	983	(425)
	39,786	38,546	1,240
Total Expenses	116,065	106,818	9,247
Excess of Revenue over Expenses	\$ (8,064)	\$ 1	\$ (8,065)

See Independent Accountant's Review Report.

**CHESTERVIEW CONDOMINIUM ASSOCIATION  
SUPPLEMENTARY INFORMATION ON FUTURE  
MAJOR REPAIRS AND REPLACEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(UNAUDITED)**

Criterium-Bustamante Engineers, Inc. conducted a study in 2013 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on current estimated replacement costs. The following table is based on the study and presents significant information about the components of common property. For more detailed information, consult the engineering study. All information is as of the date of the study.

Capital Item To Be Replaced	Reserve Requirement(*)	Frequency (yrs**)	Remaining Life (yrs)	Reserve Funding Required Annual
<b>Site</b>				
1-1/2" asphalt paving (1*)	\$ 78,325.00	20	10	\$ 6,648.77
Seal Ccoating	\$ 10,543.75	5	1	\$ 7,994.18
Concrete sidewalks (40%)	\$ 28,860.00	25	17	\$ 1,533.45
Concrete walkways (40%)	\$ 36,075.00	25	17	\$ 1,916.81
Concrete curbs (25%)	\$ 11,741.00	20	13	\$ 807.61
Trash enclosure fencing	\$ 2,142.00	12	12	\$ 178.50
Trash enclosure pads	\$ 10,800.00	25	17	\$ 573.85
Lampposts	\$ 30,400.00	15	8	\$ 3,263.99
Wooden tie walls between #400 & #500 bldgs.	\$ 3,998.40	17	10	\$ 350.08
Concrete patios (50%)	\$ 16,500.00	25	17	\$ 876.71
Stormwater Management (2*)	\$ 30,000.00	50	37	\$ 747.09
Flatwork Replacements - Year 1 (3*)	\$ 18,720.00	25	1	\$ 13,288.02
<b>Building Exterior</b>				
Roofing	\$ 219,275.00	20	6	\$ 28,813.39
Gutters & Downspouts	\$ 21,890.00	20	6	\$ 2,876.41
Wooden balconies - Decking	\$ 26,160.20	30	17	\$ 1,337.28
Vinyl Siding - 50%	\$ 175,552.50	30	17	\$ 8,974.04
Vinyl Siding - 50%	\$ 205,812.50	30	18	\$ 10,051.61
Stone Veneer - 30%	\$ 55,200.00	35	22	\$ 2,227.40
<b>Pool House</b>				
Roofing	\$ 2,906.25	25	20	\$ 136.53
Gutters & Downspouts	\$ 874.00	25	20	\$ 41.06
Steel Doors	\$ 2,500.00	15	2	\$ 922.55
Aluminum Fencing	\$ 5,403.60	20	15	\$ 333.02
Water Heater - 10 Gallon - Electric	\$ 300.00	12	6	\$ 42.44
Restroom Renovation	\$ 5,000.00	25	20	\$ 234.89
<b>Swimming Pool</b>				
Coping & Tiling	\$ 5,069.00	22	17	\$ 277.69
Filter & Pumping Equipment	\$ 4,800.00	12	7	\$ 599.35
Concrete Decking - 50%	\$ 11,808.00	20	15	\$ 727.72
<b>Amenities</b>				
Gazebo	\$ 10,000.00	20	13	\$ 687.85
<b>Other</b>				
Reserve Fund Study Update	\$ 3,000.00	4	4	\$ 750.00
Totals	<u>\$ 1,033,656.20</u>			<u>\$ 97,212.29</u>

\*Costs are typically 10%+-

\*\*Reserve study is based on a 20 year projection of non-annual maintenance

(1\*) 1.5 Inches of milling then top with 1.5 inches of new asphalt - Overflow Parking Spaces each road

(2\*) Storm piping, inlets, manholes, general major repairs & replacement

(3\*) Refer to Report for a listing of deficiencies

See Independent Auditor's Report.