

**CHESTerview  
CONDOMINIUM ASSOCIATION**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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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, 2013, 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, 2012, is presented for comparative purposes only and was extracted from the financial statements prepared by me in my review report dated February 27, 2013.

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 24, 2014

**CHESTERVIEW CONDOMINIUM ASSOCIATION  
BALANCE SHEET  
DECEMBER 31, 2013**

(With Comparative Totals for December 31, 2012)

	Operating Fund	Reserve Fund	Total 2013	Total 2012
<b><u>Assets</u></b>				
Cash	\$ 27,753	\$ 199,586	\$ 227,339	\$ 201,556
Assessments Receivable, net of \$3,576 and \$3,850	1,835	-	1,835	1,005
Prepaid Expenses	6,710	-	6,710	20,085
Prepaid Federal Income Taxes	1,452	-	1,452	-
Cable Income Receivable	1,500	-	1,500	-
Interfund Receivable	(1,892)	1,892	-	-
Total Assets	<u>\$ 37,358</u>	<u>\$ 201,478</u>	<u>\$ 238,836</u>	<u>\$ 222,646</u>
<b><u>Liabilities</u></b>				
Accounts Payable	\$ 9,797	\$ 2,150	\$ 11,947	\$ 17,938
Accrued Expenses	4,293	-	4,293	7,035
Federal Income Taxes Payable	-	-	-	1,313
Prepaid Assessments	3,593	-	3,593	6,005
Security Deposit	100	-	100	100
Total Liabilities	<u>17,783</u>	<u>2,150</u>	<u>19,933</u>	<u>32,391</u>
<b><u>Fund Balances</u></b>				
	<u>19,575</u>	<u>199,328</u>	<u>218,903</u>	<u>190,255</u>
Total Liabilities and Fund Balances	<u>\$ 37,358</u>	<u>\$ 201,478</u>	<u>\$ 238,836</u>	<u>\$ 222,646</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, 2013**

(With Comparative Totals for the Year Ended December 31, 2012)

	Operating Fund	Reserve Fund	Total 2013	Total 2012
<b><u>Revenues</u></b>				
Association Fees	\$ 97,335	\$ 48,825	\$ 146,160	\$ 141,120
Special Assessment	-	8,300	8,300	-
Interest Income	-	763	763	943
Late Fees and Other Income	1,911	-	1,911	1,638
Cable Income	7,393	-	7,393	17,076
Initial Fees - new members	1,160	-	1,160	-
Total Revenues	<u>107,799</u>	<u>57,888</u>	<u>165,687</u>	<u>160,777</u>
<b><u>Expenses</u></b>				
<b><u>Operating expenses:</u></b>				
Exterminating	3,415	-	3,415	2,692
General	72	-	72	3,650
Gutter Cleaning	-	-	-	335
Landscaping	16,819	-	16,819	16,655
Large Tree Maintenance	485	-	485	1,785
Snow Removal	11,980	-	11,980	7,151
Electrical	2,277	-	2,277	754
Payroll Maintenance	105	-	105	159
Plumbing	1,550	-	1,550	1,045
Pool Expenses	11,175	-	11,175	10,886
Power Washing	-	-	-	3,710
Roofing/Gutters/Siding	2,810	-	2,810	2,005
Signage	-	-	-	35
Trash Removal	8,010	-	8,010	8,755
<b><u>Utilities:</u></b>				
Electricity	1,900	-	1,900	1,828
Recreational utilities	1,249	-	1,249	1,371
Water & Sewer	1,926	-	1,926	1,162
<b><u>Administrative Expenses:</u></b>				
Management Fees	12,450	-	12,450	14,500
Insurance	14,641	-	14,641	14,641
Legal & Accounting	2,700	-	2,700	1,758
Court Costs	586	-	586	460
Bad Debt Expense (Recoveries)	(274)	-	(274)	2,238
Office Expenses & Postage	931	-	931	826
Meeting Expense	566	-	566	627
Federal Income Taxes	780	-	780	2,229
Major Repairs and Replacements	-	40,886	40,886	6,474
Total Expenses	<u>96,153</u>	<u>40,886</u>	<u>137,039</u>	<u>107,731</u>
Excess (Deficiency) of Revenues over (under) Expenses	<u>\$ 11,646</u>	<u>\$ 17,002</u>	<u>\$ 28,648</u>	<u>\$ 53,046</u>

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, 2013**  
(With Comparative Totals for the Year Ended December 31, 2012)

	Operating Fund	Replacement Fund	2013 Total	2012 Total
Balances January 1	\$ 7,929	\$ 182,326	\$ 190,255	\$ 137,209
Excess (Deficiency) of Revenues over (under) Expenses	11,646	17,002	28,648	53,046
Balances December 31	\$ 19,575	\$ 199,328	\$ 218,903	\$ 190,255

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, 2013**  
(With Comparative Totals for the Year Ended December 31, 2012)

	Operating Fund	Reserve Fund	Total 2013	Total 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Excess (Deficiency) of Revenues over (under) Expenses	\$ 11,646	\$ 17,002	\$ 28,648	\$ 53,046
Adjustments to reconcile excess (deficiency) of revenues over (under) expenses to net cash:				
<u>(Increase) Decrease in :</u>				
Assessments Receivable, net	(830)	-	(830)	308
Prepaid Expenses	13,375	-	13,375	13,375
Prepaid Federal Income Taxes	(1,452)	-	(1,452)	-
Cable Income Receivable	(1,500)	-	(1,500)	-
Interfund Receivable	(2,972)	2,972	-	-
<u>Increase (Decrease) in :</u>				
Accounts Payable	(8,141)	2,150	(5,991)	(13,449)
Accrued Expenses	(2,742)	-	(2,742)	3,421
Federal Income Taxes Payable	(1,313)	-	(1,313)	1,240
Prepaid Assessments	(2,412)	-	(2,412)	3,224
Net cash provided by Operating Activities	<u>3,659</u>	<u>22,124</u>	<u>25,783</u>	<u>61,165</u>
Net Cash - Increase (Decrease)	3,659	22,124	25,783	61,165
Cash - Beginning	<u>24,094</u>	<u>177,462</u>	<u>201,556</u>	<u>140,391</u>
Cash - Ending	<u>\$ 27,753</u>	<u>\$ 199,586</u>	<u>\$ 227,339</u>	<u>\$ 201,556</u>
Supplementary Disclosure:				
Income Taxes Paid			<u>\$ 3,545</u>	<u>\$ 989</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, 2013**

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 24, 2014, 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, 2013**

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, 2013, 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, 2013 and December 31, 2012 were \$1,160 and \$-0-, 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, 2013 and December 31, 2012, the managing agent was paid \$12,450 and \$14,500, respectively.

**CHESTERVIEW CONDOMINIUM ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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 \$763 and \$943 during the years ended December 31, 2013 and December 31, 2012, respectively. The Association charged expenditures to the Reserve Fund totaling \$40,886 and \$6,474 during 2013 and 2012, respectively.

Criterium-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 is required to pay \$300 in three equal installments of \$100 due on December 1, 2013, January 2, 2014, and February 1, 2014.

**CHESTERVIEW CONDOMINIUM ASSOCIATION  
OPERATING FUND ACTIVITY  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Actual</u>	<u>Budget (Unaudited)</u>	<u>Actual Over (Under) Budget</u>
<b><u>Revenues</u></b>			
Member Assessments	\$ 97,335	\$ 97,335	\$ -
Late Fees and Other Income	3,071	2,000	1,071
Cable Income	7,393	6,000	1,393
Total Revenues	<u>107,799</u>	<u>105,335</u>	<u>2,464</u>
<b><u>Expenses</u></b>			
<b><u>Operating expenses:</u></b>			
Cleaning	-	200	(200)
Exterminating	3,415	2,500	915
General	72	900	(828)
Landscaping	16,819	16,000	819
Large Tree Maintenance	485	2,500	(2,015)
Snow Removal	11,980	10,000	1,980
Electrical	2,277	1,800	477
Gutter Cleaning	-	600	(600)
Painting	-	500	(500)
Payroll Maintenance	105	-	105
Plumbing	1,550	900	650
Pool Expenses	11,175	11,000	175
Roofing/Gutters/Siding	2,810	3,000	(190)
Signage	-	60	(60)
Supplies	-	250	(250)
Trash Removal	8,010	8,790	(780)
Operational Contingency	-	3,883	(3,883)
	<u>58,698</u>	<u>62,883</u>	<u>(4,185)</u>
<b><u>Utilities</u></b>			
Electricity	1,900	2,226	(326)
Recreational utilities	1,249	1,692	(443)
Water & Sewer	1,926	2,160	(234)
	<u>5,075</u>	<u>6,078</u>	<u>(1,003)</u>
<b><u>Administrative Expenses:</u></b>			
Management Fees	12,450	14,940	(2,490)
Insurance	14,641	14,641	-
Legal & Accounting	2,700	1,240	1,460
Court Costs	586	600	(14)
Bad Debt Expense	(274)	2,280	(2,554)
Bank Charges	-	90	(90)
Office Expenses & Postage	931	1,000	(69)
Meeting Expense	566	600	(34)
Federal Income Taxes	780	983	(203)
	<u>32,380</u>	<u>36,374</u>	<u>(3,994)</u>
Total Expenses	<u>96,153</u>	<u>105,335</u>	<u>(9,182)</u>
Excess of Revenue over Expenses	<u>\$ 11,646</u>	<u>\$ -</u>	<u>\$ 11,646</u>

See Independent Accountant's Review Report.

**CHESTERVIEW CONDOMINIUM ASSOCIATION  
SUPPLEMENTARY INFORMATION ON FUTURE  
MAJOR REPAIRS AND REPLACEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2013  
(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 bdgs.	\$ 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
<b>Totals</b>	<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.