

**RIVERWOODS AT NEW HOPE
COMMUNITY ASSOCIATION**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors and Members

Riverwoods at New Hope Community Association
New Hope, Pennsylvania

Management is responsible for the accompanying financial statements of **Riverwoods at New Hope Community Association**, which comprise the balance sheet as of December 31, 2016, and the related statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements. Information for the year ended December 31, 2015, is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year in my report dated January 26, 2016.

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 9 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The information is the representation of management. The information was subject to my compilation engagement; however, I have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.

Lorraine J. Grassi, CPA, P.C.

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

January 27, 2017

**RIVERWOODS AT NEW HOPE COMMUNITY ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2016**

(With Comparative Totals for December 31, 2015)

ASSETS	Operating Fund	Replacement Reserve Fund	Ash Tree Remediation Fund	Capital Fund	Total 2016	Total 2015
<u>Assets</u>						
Cash	\$ 52,781	\$ 231,544	\$ -	\$ 58,031	\$ 342,356	\$ 329,509
Certificates of Deposit	-	475,000	-	-	475,000	400,000
Assessments Receivable	1,291	-	-	-	1,291	785
Interfund Receivable	1,236	(47,050)	45,814	-	-	-
Total Assets	<u>55,308</u>	<u>659,494</u>	<u>45,814</u>	<u>58,031</u>	<u>818,647</u>	<u>730,294</u>
LIABILITIES AND FUND BALANCES						
<u>Liabilities</u>						
Accounts Payable and Accrued Expenses	2,793	-	-	-	2,793	989
Prepaid Assessments	28,414	-	-	-	28,414	25,106
Federal Income Taxes Payable	875	-	-	-	875	744
Total Liabilities	<u>32,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,082</u>	<u>26,839</u>
Common Area	18,143	588,067	45,814	58,031	710,055	627,623
Townhomes	5,083	71,427	-	-	76,510	75,832
<u>Total Fund Balances</u>	<u>23,226</u>	<u>659,494</u>	<u>45,814</u>	<u>58,031</u>	<u>786,565</u>	<u>703,455</u>
Total Liabilities and Fund Balances	<u>\$ 55,308</u>	<u>\$ 659,494</u>	<u>\$ 45,814</u>	<u>\$ 58,031</u>	<u>\$ 818,647</u>	<u>\$ 730,294</u>

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

RIVERWOODS AT NEW HOPE COMMUNITY ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	<u>Community Association</u>			<u>Townhomes</u>			
	<u>Operating Fund</u>	<u>Replacement Reserve Fund</u>	<u>Capital Fund</u>	<u>Operating Fund</u>	<u>Replacement Reserve Fund</u>	<u>Total 2016</u>	<u>Total 2015</u>
<u>Revenues</u>							
Association Fees	\$ 203,339	\$ 44,197	\$ -	\$ 22,680	\$ 6,048	\$ 276,264	\$ 261,396
Late Fees	556	-	-	-	-	556	531
Interest Income	776	7,474	676	-	839	9,765	8,262
Capital Contributions	-	-	4,750	-	-	4,750	11,000
Miscellaneous Income	1,430	-	-	318	-	1,748	2,264
Total Revenues	206,101	51,671	5,426	22,998	6,887	293,083	283,453
<u>Expenses</u>							
Capital Expenditures	-	-	2,000	-	-	2,000	3,405
Reserve Expenditures	-	-	-	-	-	-	14,000
Bad Debt Expense	236	-	-	-	-	236	-
Bank Charges	230	-	-	-	-	230	230
Board Meeting Expenses	160	-	-	-	-	160	160
Copying and Mailing	648	-	-	-	-	648	701
Exterminating	-	-	-	-	-	-	79
Federal Income Taxes	2,105	-	-	75	-	2,180	1,735
Grounds Maintenance	51,995	-	-	14,936	-	66,931	63,256
Insurance	2,761	-	-	-	-	2,761	2,489
Internet/Website	833	-	-	-	-	833	-
Legal and Accounting	5,180	-	-	-	-	5,180	2,367
Management Services	11,688	-	-	5,880	-	17,568	17,220
Office Supplies	639	-	-	-	-	639	569
Outside Engineering	-	-	-	-	-	-	475
Pond Maintenance	5,250	-	-	-	-	5,250	5,250
Postage	609	-	-	-	-	609	779
Repairs and Maintenance	4,434	-	-	280	-	4,714	4,727
Site Lighting	1,399	-	-	298	-	1,697	1,748
Snow Removal	31,125	-	-	1,732	-	32,857	55,391
Trash Removal	38,688	-	-	3,906	-	42,594	42,594
Total Expenses	157,980	-	2,000	27,107	-	187,087	217,175
Excess (Deficiency) of Revenues over (under) Expenses	<u>\$ 48,121</u>	<u>\$ 51,671</u>	<u>\$ 3,426</u>	<u>\$ (4,109)</u>	<u>\$ 6,887</u>	<u>\$ 105,996</u>	<u>\$ 66,278</u>

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

RIVERWOODS AT NEW HOPE COMMUNITY ASSOCIATION
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	<u>Common Area</u>			<u>Townhomes</u>		Total 2016	Total 2015	
	Operating Fund	Replacement Reserve Fund	Ash Tree Remediation Fund	Capital Fund	Operating Fund			Replacement Reserve Fund
Balances January 1	\$ 4,372	\$ 534,296	\$ 34,350	\$ 54,605	\$ 9,192	\$ 66,640	\$ 703,455	\$ 637,177
Allocation for Ash Tree Remediation	(34,350)	-	34,350	-	-	-	-	-
Ash Tree Remediation Expenditures	-	-	(22,886)	-	-	-	(22,886)	-
Interfund Transfer	-	2,100	-	-	-	(2,100)	-	-
Excess (Deficiency) of Revenues over (under) Expenses	48,121	51,671	-	3,426	(4,109)	6,887	105,996	66,278
 Balances December 31	<u>\$ 18,143</u>	<u>\$ 588,067</u>	<u>\$ 45,814</u>	<u>\$ 58,031</u>	<u>\$ 5,083</u>	<u>\$ 71,427</u>	<u>\$ 786,565</u>	<u>\$ 703,455</u>

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

RIVERWOODS AT NEW HOPE COMMUNITY ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	Total 2016	Total 2015
CASH FLOWS FROM OPERATING ACTIVITIES :		
Excess (Deficiency) of Revenues over (under) Expenses	\$ 105,996	\$ 66,278
Adjustments to reconcile excess (deficiency) of revenues over (under) expenses to net cash:		
Ash Tree Remediation Expenditures	(22,886)	-
<u>(Increase) Decrease in :</u>		
Assessment Receivable	(506)	(785)
Special Assessment Receivable	-	150
Prepaid Federal Income Taxes	-	122
<u>Increase (Decrease) in :</u>		
Accounts Payable and Accrued Expenses	1,804	(526)
Prepaid Assessments	3,308	6,236
Federal Income Taxes Payable	131	744
Net cash provided (used) by Operating Activities	87,847	72,219
Redemption (Purchase) of Certificates of Deposit	(75,000)	-
Net Cash provided (used) by Investing Activities	(75,000)	-
Net Increase (Decrease) in Cash	12,847	72,219
Cash - Beginning	329,509	257,290
Cash - Ending	\$ 342,356	\$ 329,509
Supplemental Disclosure:		
Income Taxes Paid	\$ 2,049	\$ 990

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

**RIVERWOODS AT NEW HOPE COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1. NATURE OF ORGANIZATION

Riverwoods at New Hope Community Association was organized as a not-for-profit corporation, pursuant to the provisions of the Non-Profit Corporation Law of the Commonwealth of Pennsylvania. The purpose of the Association is to maintain and administer certain community facilities and common areas for the benefit and enjoyment of its two hundred eight (208) single-family homeowners and twenty-one (21) townhome owners. The Association funds its operations by assessing each owner to cover operating expenses. While the Association does not operate for profit, it retains any excess assessments at year-end for use in future years. At the time of settlement, each new owner is required to contribute a non-refundable capital contribution of \$250 for the townhome owners and \$750 for single-family homeowners.

Upon acquiring a single family or a townhome, the purchaser becomes a member of the Community Association. In addition to membership in the Community Association, townhome owners are assessed an additional fee to cover those expenses which are specifically identifiable to the Townhomes.

Note 2. SUBSEQUENT EVENTS

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 27, 2017, 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 legal documents provide certain guidelines to govern its financial activities. In order to observe the limitation and restrictions placed on the use of resources by such documents, the Association follows the principles of fund accounting. This is the procedure by which resources for various functions are classified for accounting and reporting purposes into funds established according to their nature and purpose.

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association.

Replacement Reserve Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements, as required by the Association's covenants.

Capital Fund – This fund is used to accumulate financial resources designated for future capital acquisitions.

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.

Member Assessments:

Association members are subject to assessments to provide funds for the Association's operating expenses, future capital acquisitions, and capital replacements. Assessments receivable at the balance sheet date represent fees due from homeowners. Any excess assessments at year-end are retained by the Association for use in the succeeding year.

RIVERWOODS AT NEW HOPE COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 3. Continued

Use of Estimates:

The preparation of financial statements in conformity with U.S. 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.

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.

Note 4. INCOME TAXES

Under the Internal Revenue Code, Associations may elect to be treated as tax exempt organizations with respect to their exempt function income, such as assessments or other fees received from their members. The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2016. Under that Section, the Association is not taxed on net income related to its exempt purpose, but is taxed at a flat rate of 30% on investment income in excess of its non-exempt function expenses.

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. CASH AND EQUIVALENTS

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.

Note 7. COMPARATIVE EXPENSES

A schedule of comparative expenses for the prior year has been presented in the accompanying schedule on Page 11 in order to provide additional analysis. However, comparative data has not been presented for each of the funds since their inclusion would make the statements unduly complex and difficult to understand.

**RIVERWOODS AT NEW HOPE COMMUNITY ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 8. CAPITAL FUND

During 2016, the Association charged the following expenditures to the Capital Fund:

Landscaping	\$ 2,000
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Note 9. 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 reserve funds for improvements and replacements of common property on an annual basis. The replacement reserves are represented by separate cash funds which earned interest totaling \$8,313 and \$7,051 during 2016 and 2015, respectively.

During 2016, the Association reclassified a 2011 replacement reserve fund expenditure in the amount of \$2,100 from the common area to the townhomes.

A study was conducted by the Association's management company in 2013 to estimate the useful lives and the replacement costs of the Association's commonly owned components. The replacement cost estimates are based on estimated replacement costs as of the date of the study. Funding requirements of the study do not consider an annual inflation rate or investment income on amounts accumulated in the replacement reserve fund account. The table included in the Supplementary Information is based on the study.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based upon the reserve study's estimates of current replacement costs, considering amounts previously accumulated in the replacement reserve fund. Actual expenditures, however, may vary from the estimated amounts and the variations could be material. Therefore, amounts accumulated in the replacement reserve 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. The members' assessments allocated to the funding of this reserve are listed along with a breakdown of these components in the following supplementary information.

SUPPLEMENTARY INFORMATION

**RIVERWOODS AT NEW HOPE COMMUNITY ASSOCIATION
FINANCIAL CAPITAL RESERVE ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

A study was conducted in 2013 by the Association's management company to estimate the useful lives and the replacement costs of the Association's common property components. The estimates are based on current estimated replacement costs. Funding requirements do not consider an annual inflation rate or investment earnings on amounts funded for future major repairs and replacements. The following table is based on the study and presents significant information about the components of common property.

Community Association - 229 Dwellings

<u>ITEM</u>	<u>ESTIMATED COST</u>	<u>ESTIMATED LIVES</u>	<u>ANNUAL FUNDING</u>
<u>Roads</u>			
Repave/Crackfill	\$ 587,847	25	\$ 23,514
Sidewalks	746,712	50	14,934
Lights	20,800	25	832
<u>Signs - Entrance</u>			
Large	7,000	15	467
Small	1,000	15	67
Other	10,000	15	667
Walls-Entrance Areas	30,000	25	1,200
Guard Rail	17,600	30	587
<u>Fence</u>			
Rail	7,200	15	480
Chainlink	4,000	20	200
Painting	1,000	5	200
Subtotals	<u>\$ 1,433,159</u>		Subtotal \$ 43,148
			Contingency Factor 362
			Total Annual Contribution \$ 43,510
			Annual Dwelling Contribution \$ 190
			Additional Annual Dwelling Contribution - 2016 3
			Total Annual Dwelling Contribution \$ 193

Townhomes - 21 Dwellings

<u>ITEM</u>	<u>ESTIMATED COST</u>	<u>ESTIMATED LIVES</u>	<u>ANNUAL FUNDING</u>
Roof Shingles	\$ 43,450	25	\$ 1,738
Painting	8,400	5	1,680
<u>Parking Area</u>			
Repave/Crackfill	33,800	20	1,690
Sealcoat/Stripe	3,900	7	557
Streetlights	6,400	25	256
Mailbox Clusters & Pad	2,200	40	55
Subtotals	<u>\$ 98,150</u>		Subtotal \$ 5,976
			Contingency Factor 127
			Total Annual Contribution \$ 6,103
			Monthly Dwelling Contribution \$ 24

The replacement cost for the roads and the parking area does not include milling the entire existing asphalt surface.

The

Analysis provides for only an overlay of the existing surface.

See Independent Accountant's Compilation Report.

**RIVERWOODS AT NEW HOPE COMMUNITY ASSOCIATION
SCHEDULE OF COMPARATIVE OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

(With Comparative Totals for the Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>Community</u>	<u>Community</u>	<u>Townhomes</u>	<u>Townhomes</u>
<u>Expenses</u>				
Bad Debt Expense	236	-	-	-
Bank Charges	230	230	-	-
Board Meeting Expenses	160	160	-	-
Copying and Mailing	648	701	-	-
Exterminating	-	79	-	-
Federal Income Taxes	2,105	1,707	75	28
Grounds Maintenance	51,995	54,403	14,936	8,853
Insurance	2,761	2,489	-	-
Internet/Website	833	-	-	-
Legal and Accounting	5,180	2,367	-	-
Management Services	11,688	11,460	5,880	5,760
Office Supplies	639	569	-	-
Outside Engineering	-	475	-	-
Pond Maintenance	5,250	5,250	-	-
Postage	609	779	-	-
Repairs and Maintenance	4,434	4,524	280	203
Site Lighting	1,399	1,430	298	318
Snow Removal	31,125	52,146	1,732	3,245
Trash Removal	38,688	38,688	3,906	3,906
Total Expenses	<u>\$ 157,980</u>	<u>\$ 177,457</u>	<u>\$ 27,107</u>	<u>\$ 22,313</u>

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