

STEEPLECHASE COMMUNITY
SERVICES ASSOCIATION, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

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STENGER, BIES & COMPANY, INC.

Certified Public Accountants

Steele A. Stenger, CPA
Douglas J. Bishop, CPA
David W. Stombaugh, CPA
Stephen D. Bies, CPA

1910 COCHRAN ROAD, SUITE 726
PITTSBURGH, PA 15220
(412) 341-7788
FAX (412) 341-7789

MEMBERS OF AMERICAN AND PENNSYLVANIA
INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS

Audra Andy, CPA
Diane M. Fehl, CPA
William H. Hockman, CPA
Robin L. Gostic, CPA
Jagruti Baman, CPA, MBA
Andrea J. Fields, CPA
Mary G. Bachorski
Harriet Escott

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Steeplechase Community Services Association, Inc.
Pittsburgh, Pennsylvania

We have reviewed the accompanying financial statements of Steeplechase Community Services Association, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses and accumulated excess of revenues over expenses and other changes in fund balances, comprehensive income and cash flows for the year then ended, and the related notes to the financial statements. 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, we do not express such an opinion.

Managements' 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 due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are 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.

Comparative Information

Information for the year ended December 31, 2019, is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year. Those financial statements were audited by us and our report thereon dated July 27, 2020, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

The Supplementary Schedules of Selected Expenses on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express and opinion on such information.

Required Supplementary Information

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 13 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. We have not audited, reviewed or compiled the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on it.

Pittsburgh, Pennsylvania
September 27, 2021

Stenger, Bias & Company, P.C.

STEEPLECHASE COMMUNITY SERVICES ASSOCIATION, INC.

BALANCE SHEETS

DECEMBER 31, 2020

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	<u>Reviewed</u>			<u>Audited</u>
	<u>Operating</u>	<u>Replacement</u>	<u>Total</u>	<u>2019</u>
<u>ASSETS</u>	<u>Fund</u>	<u>Fund</u>	<u>Total</u>	<u>Total</u>
Cash and cash equivalents	\$ 161,798	\$ 2,926	\$ 164,724	\$ 77,485
Marketable securities	-	443,095	443,095	358,005
Amounts due from members, net of allowance for doubtful accounts of \$707 and \$7,401	7,604	-	7,604	5,164
Other receivables	-	778	778	-
Due from the Operating Fund	-	6,020	6,020	823
TOTAL ASSETS	<u>\$ 169,402</u>	<u>\$ 452,819</u>	<u>\$ 622,221</u>	<u>\$ 441,477</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 416	\$ -	\$ 416	\$ 962
Accrued income tax	-	11,935	11,935	1,701
Prepaid member assessments	9,156	-	9,156	16,730
Due to the Replacement Fund	6,020	-	6,020	823
TOTAL LIABILITIES	15,592	11,935	27,527	20,216

FUND BALANCES

Accumulated excess of revenue over expenses	153,810	426,031	579,841	420,492
Accumulated other comprehensive income:				
Unrealized gain on marketable securities	-	14,853	14,853	769
TOTAL FUND BALANCES	<u>153,810</u>	<u>440,884</u>	<u>594,694</u>	<u>421,261</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 169,402</u>	<u>\$ 452,819</u>	<u>\$ 622,221</u>	<u>\$ 441,477</u>

STEEPLECHASE COMMUNITY SERVICES ASSOCIATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND ACCUMULATED EXCESS OF
REVENUES OVER EXPENSES AND OTHER CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	<u>Reviewed</u> 2020			<u>Audited</u> 2019
	<u>Operating</u> Fund	<u>Replacement</u> Fund	<u>Total</u>	<u>Total</u>
<u>REVENUES</u>				
Member assessments	\$ 278,756	\$ 33,000	\$ 311,756	\$ 311,829
Capitalization fees	-	15,248	15,248	12,768
Bad debt recovery	7,401	-	7,401	-
Marketing fees	-	37,895	37,895	-
Investment income	-	14,178	14,178	11,849
Other income	9,706	-	9,706	8,743
	<u>295,863</u>	<u>100,321</u>	<u>396,184</u>	<u>345,189</u>
<u>EXPENSES</u>				
Administrative expenses	73,601	17	73,618	79,055
Maintenance expenses	122,708	16,638	139,346	186,163
Utilities	2,781	-	2,781	2,517
Miscellaneous	5,835	-	5,835	8,063
Bad debt expense	707	-	707	1,340
Income tax	-	14,546	14,546	2,611
	<u>205,632</u>	<u>31,201</u>	<u>236,833</u>	<u>279,749</u>
EXCESS OF REVENUES OVER EXPENSES	90,231	69,120	159,351	65,440
BEGINNING ACCUMULATED EXCESS OF REVENUES OVER EXPENSES AND OTHER CHANGES IN FUND BALANCES	<u>63,579</u>	<u>356,911</u>	<u>420,490</u>	<u>355,052</u>
ENDING ACCUMULATED EXCESS OF REVENUES OVER EXPENSES AND OTHER CHANGES IN FUND BALANCES	<u>\$ 153,810</u>	<u>\$ 426,031</u>	<u>\$ 579,841</u>	<u>\$ 420,492</u>

STEEPLECHASE COMMUNITY SERVICES ASSOCIATION, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	<u>Operating Fund</u>	<u>Reviewed 2020 Replacement Fund</u>	<u>Total</u>	<u>Audited 2019 Total</u>
Excess of revenues over expenses	\$ 90,231	\$ 69,120	\$ 159,351	\$ 65,440
Net change in unrealized gain on investments	-	14,084	\$ 14,084	13,446
COMPREHENSIVE INCOME	<u>\$ 90,231</u>	<u>\$ 83,204</u>	<u>\$ 173,435</u>	<u>\$ 78,886</u>

STEEPLECHASE COMMUNITY SERVICES ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	Reviewed 2020		Audited 2019
	Operating Fund	Replacement Fund	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Excess of revenue over expenses	\$ 90,231	\$ 69,120	\$ 159,351
Adjustments to reconcile to net cash provided by operating activities:			
Bad debts, less recoveries	(6,694)	-	(6,694)
<u>(Increase) Decrease in assets</u>			
Amounts due from members	4,253	-	4,253
Other receivables	-	(778)	(778)
<u>Increase (Decrease) in liabilities</u>			
Accounts payable	(546)	-	(546)
Accrued income tax	-	10,234	10,234
Prepaid member assessments	(7,574)	-	(7,574)
NET CASH PROVIDED BY OPERATING ACTIVITIES	79,670	78,576	158,246
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchases of marketable securities, including reinvested income	-	(71,007)	(71,007)
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	(71,007)	(40,434)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Interfund borrowings and transfers	5,197	(5,197)	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	5,197	(5,197)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	84,867	2,372	87,239
Cash and cash equivalents, beginning of year	76,931	554	77,485
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 161,798	\$ 2,926	\$ 164,724

STEEPLECHASE COMMUNITY SERVICES ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

(WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2019)

NOTE A - ORGANIZATION

The homeowners' association was organized in 1984 as a non-profit corporation for the purpose of operating and maintaining the common areas of Steeplechase Community Services Association, Inc., a 348 unit single-family townhouse community located in Whitehall Borough, six miles outside of the City of Pittsburgh, Pennsylvania.

NOTE B – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 27, 2021, the date the financial statements were available to be issued.

NOTE C - ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide certain guidelines 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 account for financial resources available for the general operations of the Association.

Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

Comparative Financial Statement Information

The financial statements include certain prior-year summarized comparative information in total but not by fund. Prior-year information is not provided in all cases for the notes to financial statements. 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 year ended December 31, 2019, from which summarized information was derived.

Cash and Cash Equivalents

For purposes of balance sheet classification and the statement of cash flows, the Association considers all interest bearing accounts that are due on demand and any certificates of deposit with original maturities of three months or less, and that do not contain material early withdrawal penalties, to be cash equivalents.

Marketable Securities

Marketable securities consisted of the following at December 31, 2020 and 2019:

	2020			
	<u>Cost Basis</u>	<u>Value</u>	<u>Gain</u>	<u>Loss</u>
Bond mutual funds and ETFs	<u>\$ 428,242</u>	<u>\$ 443,095</u>	<u>\$ 15,827</u>	<u>\$ (974)</u>
	2019			
	<u>Cost Basis</u>	<u>Value</u>	<u>Gain</u>	<u>Loss</u>
Bond mutual funds and ETFs	<u>\$ 357,236</u>	<u>\$ 358,005</u>	<u>\$ 769</u>	<u>\$ -0-</u>

Net accumulated unrealized gain (loss) on marketable securities have been included in accumulated other comprehensive income.

Member Assessments

Assessment revenue is recognized when assessments are due. Any amounts received in advance of the due date are deferred until due. The Financial Accounting Standards Board issued Accounting Standards Code 606 requiring the deferral of the recognition of income until the services are rendered. The association has determined ASC 606 does not apply to the Association as no customer relationship exists as it is defined by the Code. The Association does not defer the recognition of any portion of assessment revenue as a contract liability.

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. It is the Association's policy to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. During the year ending December 31, 2020 and 2019, an allowance was made for possible bad debts for owners' balances totaling \$707 and \$7,401, respectively as the Board of Directors does not anticipate favorable collection possibilities. Also, during the year ending December 31, 2020, there were bad debts recovered of \$7,401 as the prior year allowance was eventually collected in 2020.

Capitalization fees

New members are required to pay two months of member assessments at the initial purchase of a unit.

Property and equipment

Real property and common areas received from the developer and related improvements to such property are not reflected as fixed assets on the Association's financial statements. That common real property is directly associated with the units and requires membership approval before disposition. Personal property acquired by the Association is capitalized at cost and depreciated over its estimated useful life.

Estimates

The preparation of financial statements in conformity with accounting principals 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE D - INCOME TAXES

The Association qualifies and has elected to be taxed as a tax-exempt homeowners' association under Internal Revenue Code Section 528. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose. Net nonexempt function income, such as interest income, is taxed at 30% by the federal government. The Association is not subject to Pennsylvania income tax.

The Association's tax filings are generally subject to examination by the Internal Revenue Service for three years after the returns are filed, and the Association's federal income tax returns for 2019, 2018 and 2017 remain open to examination. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

NOTE E - MANAGEMENT AGREEMENT

The Association currently has a management agreement with Community Management Professionals, LLC. The contract renews for successive periods until terminated by either party. Community Management Professionals, LLC. provides management services and off-site administrative and accounting services.

NOTE F - MARKETING FEES

In January 2020, the Association signed a 10-year service and marketing agreement with Comcast. The Association received a one-time lump sum payment of \$34,085. In addition, the Association will receive quarterly marketing support payments during the 10-year agreement based on a percentage of television, internet and voice services usage by the unit owners.

NOTE G - FUTURE MAJOR REPAIRS AND REPLACEMENTS

In August 2016, Miller Dodson Associates completed a study update for funding beginning in 2017. The funding requirement was calculated under both a component method and a cash flow analysis method. The component analysis method ensures a regular accumulation of segregated funds for each item in the study. The cash flow analysis method assumes the capability to use any funds on hand for replacements as the needs arise and does not segregate funds on an individual basis. The component method calculates the 2021 annual funding requirement to be \$33,420. The cash flow analysis method calculates the 2021 annual funding requirement to be \$29,725. The schedule included in the unaudited Supplementary Information on Future Major Repairs and Replacement is based on this study. The schedule shows the one-time replacement cost of \$434,378 for the various components. The projected total replacement cost of these items over the 40-year study period is \$1,391,171.

The 2021 budget includes \$37,956 in Replacement Fund assessments for future major repairs and replacements. This amount is larger than the funding requirements of the reserve study. However, funds are being accumulated in the Replacement Fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from estimated future amounts, and the variations may be material. Therefore, amounts accumulated in the Replacement 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, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

The Association used \$6,020 and \$823 from the Replacement Fund for Operating Fund purposes as of December 31, 2020 and 2019, respectively. The Association intends to repay this amount, and therefore, has reflected it as an interfund loan.

NOTE H – OTHER MATTER

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The outbreak in the United States is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Association's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the individual members of the Association, its employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Association's financial condition or results of operations is uncertain.

SUPPLEMENTARY INFORMATION

STEEPLECHASE COMMUNITY SERVICES ASSOCIATION, INC.
SCHEDULES OF SELECTED EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2019)

	<u>Reviewed</u> 2020	<u>Audited</u> 2019
<u>ADMINISTRATIVE EXPENSES</u>		
Social functions	\$ 921	\$ 3,770
Welcome committee	-	485
Annual owners' meeting	-	3,836
Contributions	1,550	80
Other association expenses	310	295
Website expense	2,200	700
Real estate taxes	96	96
Insurance	4,236	3,422
Stenographic	600	600
Collection costs	612	783
Other office services	608	2,796
Newsletter copies	1,953	-
Postage	1,490	2,368
Stationery & printing	2,583	2,679
Accountant	4,950	3,100
Legal	1,509	3,045
Management	50,500	51,000
	<u>\$ 74,118</u>	<u>\$ 79,055</u>
<u>MAINTENANCE EXPENSES</u>		
Lawns	\$ 69,289	\$ 88,718
Shrub purchase and care	23,219	27,071
Landscape improvements	3,302	5,668
Annual flowers	811	-
Chemical applications	10,165	10,777
Other land	701	2,069
Utility repair	181	1,170
Snow removal	15,040	17,726
Miscellaneous maintenance	-	386
	<u>122,708</u>	<u>153,585</u>
<u>Replacement Fund expenses</u>		
Landscape improvements	16,638	29,748
Concrete repairs	-	2,830
	<u>16,638</u>	<u>32,578</u>
	<u>\$ 139,346</u>	<u>\$ 186,163</u>

STEEPLECHASE COMMUNITY SERVICES ASSOCIATION, INC.

SUPPLEMENTAL INFORMATION

ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

The following table is based on the study referred to in Note G of the financial statements and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Remaining Useful Lives at Time of Study (Years)</u>	<u>Estimated Replacement Cost at Time of Study</u>
Governor driveway asphalt, 20%	1-17	\$ 151,485
Paddock Road asphalt	4	36,598
Parking area asphalt, 20%	2-18	41,400
Asphalt pavement patching, 5%	1	13,184
Sealcoat asphalt pavement	2	14,063
Asphalt curb, 20%	1-17	10,750
Concrete parking, 6%	5	1,310
Concrete mailbox pads, 6%	3	513
Concrete curb - Hennig, 20%	6-42	8,345
Asphalt mailbox pad repairs	8	1,920
Cluster mailboxes	8	32,400
Site light fixture - head	6	10,000
Site light fixture - pole	14	37,000
Segmental retaining wall - reset, 10%	6	270
Segmental retaining wall - replace	69	3,300
Stormwater management allowance	4	5,500
Retention area allowance	4	5,000
Landscaping	0	28,000
Miscellaneous signage	1	1,000
Entry monument tuckpointing	19	1,000
Entry monument sign	19	3,840
Entry monument structure	39	18,000
Entry monument lighting	19	1,000
Entry monument electric service	39	2,500
Entry monument irrigation	9	1,200
Entry monument flagpole	39	4,800
		<u>\$ 434,378</u>