

STEEPLECHASE COMMUNITY SERVICES ASSOCIATIONS, INC.

FINANCIAL STATEMENTS

**Year Ended December 31, 2022
(With Comparative Totals For 2021)**

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Creese, Smith, Hune & Co. LLC
CPA'S & ADVISORS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Steeplechase Community Services Association, Inc., which comprise the statements of financial position as of December 31, 2022 and the related statements of income, and cash flows for the years 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 company 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.

Management's 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, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement 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.

We are required to be independent of Steeplechase Community Services Association, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's 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 accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The Supplementary Schedules of Selected Expenses on page 9 are presented for the purpose of additional analysis and are 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 an opinion on it.

Required Supplementary Information

Management has omitted supplementary information about future major repairs and replacements of common property that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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.

Report on 2021 Financial Statements

Information for the year ended December 31, 2021 is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year. The financial statements and supplementary information of Steeplechase Community Services Association, Inc. as of and for the year ended December 31, 2021 were reviewed by other accountants whose report dated December 13, 2022 stated that, based on their review, they were not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Creese, Smith, Hune & Co. LLC

October 19, 2023

STEEPLECHASE COMMUNITY SERVICE ASSOCIATION, INC.
BALANCE SHEETS
December 31, 2022 and 2021

ASSETS

	2022			2021
	Operating Fund	Replacement Fund	Total	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 86,111	\$ -	\$ 86,111	\$ 79,771
Marketable securities	-	276,084	276,084	460,472
Amounts due from members, net of allowance for doubtful accounts of \$3,792	1,103	-	1,103	4,522
Other receivables	-	-	-	825
Prepaid income tax	-	14,856	14,856	14,856
Due from the Replacement Fund	145,934	-	145,934	116,134
TOTAL ASSETS	\$ 233,148	\$ 290,940	\$ 524,088	\$ 676,580

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES

Accounts payable	\$ 4,000	\$ -	\$ 4,000	\$ 7,104
Prepaid member assessments	16,215	-	16,215	9,302
Due to Operating Fund	-	145,934	145,934	116,134
Accrued income tax	-	3,281	3,281	3,923
TOTAL LIABILITIES	20,215	149,215	169,430	136,463

FUND BALANCES

Accumulated excess of revenue over expenses	212,933	145,071	358,004	537,352
Accumulated other comprehensive income:				
Unrealized gain/(loss) on marketable securities	-	(3,346)	(3,346)	2,765
TOTAL FUND BALANCES	212,933	141,725	354,658	540,117
TOTAL LIABILITIES AND FUND BALANCES	\$ 233,148	\$ 290,940	\$ 524,088	\$ 676,580

STEEPLECHASE COMMUNITY SERVICE ASSOCIATION, INC.
STATEMENTS OF REVENUE, EXPENSES, COMPREHENSIVE INCOME AND CHANGES IN FUND BALANCE
Years Ended December 31, 2022 and 2021

	2022			2021
	Operating Fund	Replacement Fund	Total	Total
REVENUES				
Member assessments	\$ 261,599	\$ 50,000	\$ 311,599	\$ 311,829
Interest and dividends	308	10,811	11,119	12,975
Capitalization fees	-	14,450	14,450	22,100
Marketing fees	-	2,469	2,469	3,213
Gain/(loss) on investment	-	(65,261)	(65,261)	-
Other income	5,931	-	5,931	3,466
	<u>267,838</u>	<u>12,469</u>	<u>280,307</u>	<u>353,583</u>
EXPENSES				
Administrative expenses	87,277	-	87,277	84,860
Maintenance expenses	151,790	211,491	363,281	296,143
Utilities	2,966	-	2,966	2,880
Miscellaneous	-	-	-	5,960
Bad debt expense	2,850	-	2,850	2,307
Income tax	-	3,281	3,281	3,922
	<u>244,883</u>	<u>214,772</u>	<u>459,655</u>	<u>396,072</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	22,955	(202,303)	(179,348)	(42,489)
OTHER COMPREHENSIVE INCOME				
Unrealized (loss) on investments	-	(6,111)	(6,111)	(12,088)
TOTAL COMPREHENSIVE INCOME (LOSS)	22,955	(208,414)	(185,459)	(54,577)
Fund balances, beginning of year	<u>189,978</u>	<u>350,139</u>	<u>540,117</u>	<u>582,606</u>
Fund balances, end of year	<u>\$ 212,933</u>	<u>\$ 141,725</u>	<u>\$ 354,658</u>	<u>\$ 540,117</u>

See accompanying notes and independent accountant's review report

STEEPLECHASE COMMUNITY SERVICE ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022			2021
	Operating Fund	Replacement Fund	Total	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Excess (deficit) of revenues over expenses	\$ 22,955	\$(202,303)	\$ (179,348)	\$ (42,489)
Adjustments to reconcile to net cash provided (used) by operating activities:				
(Gain) loss on sale of investments	-	65,261	65,261	-
Bad debts, less recoveries	-	-	-	2,307
(Increase) decrease in:				
Amounts due from members	3,419	-	3,419	775
Prepaid income tax	-	-	-	(10,933)
Other receivables	-	825	825	(47)
Increase (decrease) in:				
Accounts payable	3,317	(6,421)	(3,104)	6,688
Accrued income tax	-	-	-	(11,935)
Prepaid member assessments	6,913	-	6,913	146
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	36,604	(142,638)	(106,034)	(55,488)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from investment sales	-	353,263	353,263	-
Purchase of investments & reinvestments	-	(240,889)	(240,889)	(29,465)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	112,374	112,374	(29,465)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interfund borrowings and transfers	(29,800)	29,800	-	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(29,800)	29,800	-	-
NET INCREASE (DECREASE) IN CASH	6,804	(464)	6,340	(84,953)
CASH AT BEGINNING OF YEAR	79,307	464	79,771	164,724
CASH AT END OF YEAR	\$ 86,111	\$ -	\$ 86,111	\$ 79,771
SUPPLEMENTAL DISCLOSURES:				
Income taxes paid	\$ -	\$ 3,923	\$ -	\$ 13,020

See accompanying notes and independent accountant's review report

STEEPLECHASE COMMUNITY SERVICES ASSOCIATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

Nature of the 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

Fund Accounting – 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.

Member Assessments – The accrual method of accounting is used for recording revenue and expenses. Member assessments are recognized as revenue during the period earned. Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions and improvements, and major repairs and replacements. Amounts unpaid are recorded as accounts receivable at the balance sheet date. The Association's policy is to retain legal counsel and place liens on the units of members whose assessments are delinquent. As of December 31, 2022 and 2021 and allowance for bad debts for owners' balances totaling \$3,792 and \$942 respectively, as the Board of Directors does not anticipate favorable collection possibilities.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment – Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those property is directly associated with the units and requires membership approval before disposition. Subsequent acquisitions of fixed assets, if any, are carried at cost are depreciated over its estimated useful life. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation – The Association's property and equipment are depreciated using the straight-line method for financial statement purposes. Accelerated methods are used for federal income tax purposes. All assets are fully depreciated at December 31, 2022 and 2021.

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

NOTE B – CASH BALANCES

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.

STEEPLECHASE COMMUNITY SERVICES ASSOCIATIONS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE C – MARKETABLE SECURITIES

Marketable securities consisted of the following at December 31, 2022 and 2021:

Bond mutual funds and ETF's:

2022			
Cost	Fair Value	Gain	Loss
\$ 279,430	\$ 276,084	\$ 61,915	\$ (65,261)
2021			
Cost	Fair Value	Gain	Loss
\$ 457,707	\$ 460,472	\$ 6,475	\$ (3,710)

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

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.

NOTE E – MANAGEMENT AGREEMENT

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

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 the initial year of the contract. In addition, the Association will receive quarterly marketing support payments during the 10-year agreement based on percentage of television, internet and voice services usage by the unit owners.

NOTE G – FAIR VALUE OF INSTRUMENTS

The Association's financial instruments are cash and cash equivalents, and accounts receivable. The recorded values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based on their short-term nature.

STEEPLECHASE COMMUNITY SERVICES ASSOCIATIONS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE H – 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 analysis 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 2022 annual funding requirement to be \$33,840. The cash flow analysis method calculates the 2022 annual funding requirement to be \$29,725. The schedule included in the 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 2022 budget includes \$50,000 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 Association used \$ 145,934 from the Operating Fund for Replacement Fund purposes as of December 31, 2022. The Association intends to repay this amount, and therefore, has reflected it as an interfund loan.

The Association used \$116,134 from the Operating Fund for Replacement Fund purposes as of December 31, 2021. The Association intends to repay this amount, and therefore, had reflected it as an interfund loan.

NOTE I – AVAILABILITY AND LIQUIDITY

At December 31, 2022, the Association had \$ 363,298 of financial assets available within one year of the balance sheet date to meet needs for operating expenditures, consisting of cash and investments \$362,195 and accounts receivable of \$1,103.

At December 31, 2021, the Association had \$ 545,590 of financial assets available within one year of the balance sheet date to meet needs for operating expenditures, consisting of cash and investments \$540,243 and accounts receivable of \$5,347.

NOTE J – FAIR VALUE OF INSTRUMENTS

The Association's financial instruments are cash and cash equivalents, and accounts receivable. The recorded values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based on their short-term nature.

NOTE K – RECLASSIFICATION

Certain accounts in the 2021 totals have been reclassified for comparative purposes to conform with the presentation of the current year financial statements.

NOTE L – SUBSEQUENT EVENTS – DATE OF MANAGEMENT EVALUATION

Management has evaluated subsequent events through October 19, 2023, the date of which the financial statements were available to be issued and determined that no such events existed requiring disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

STEEPLECHASE COMMUNITY SERVICES ASSOCIATIONS, INC.
SUPPLEMENTARY SCHEDULES OF SELECTED EXPENSES
Years Ended December 31, 2022

ADMINISTRATIVE EXPENSES

	2022	2021
Social functions	\$ 8,005	\$ 9,622
Welcome committee	349	1,005
Annual owners' meeting	2,837	4,094
Contributions	1,460	1,509
Other association expenses	535	650
Website expense	700	700
Real estate taxes	96	96
Insurance	2,896	2,283
Stenographic	700	500
Collection costs	(734)	647
Other office services	4,161	2,384
Newsletter copies	4,001	490
Newsletter postage	834	-
Postage	2,646	1,866
Stationary & printing	3,791	2,463
Committee expense	-	1,174
Accountant	4,000	3,500
Legal	-	1,127
Management	51,000	50,750
	<u>\$ 87,277</u>	<u>\$ 84,860</u>

MAINTENANCE EXPENSES

Lawns	\$ 72,092	\$ 72,342
Shrub purchase and care	28,190	31,122
Landscape improvements	2,733	-
Annual flowers	2,918	2,778
Chemical applications	16,116	13,598
Other land	4,530	8,487
Utility repair	1,259	1,797
Snow removal	18,800	15,040
Miscellaneous maintenance	1,449	-
Holiday decorations	3,703	-
	<u>\$ 151,790</u>	<u>\$ 145,164</u>

REPLACEMENT FUND EXPENSE

Landscape improvements	<u>211,491</u>	<u>150,979</u>
	<u>\$ 363,281</u>	<u>\$ 296,143</u>

See accompanying notes and accountant's report