

STEEPLECHASE COMMUNITY
SERVICES ASSOCIATION, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Steeplechase Community Services Association, Inc., which comprise the balance sheet as of December 31, 2019, and the related statements of revenues, expenses, 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.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements as discussed in Note F are adequate to meet such future costs because that determination is outside the scope of our audit. Our opinion on the financial statements is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Steeplechase Community Services Association, Inc., as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The accompanying 2018 financial statements were previously reviewed by us and we stated that 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 in our report dated July 22, 2019, but we have not performed any procedures in connection with that review since that date.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary Schedules of Selected Expenses on pages 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Supplementary Information on Future Major Repairs and Replacements on page 12 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Stenger, Bies & Company, Inc.

Pittsburgh, Pennsylvania
July 27, 2020

STEEPLECHASE COMMUNITY SERVICES ASSOCIATION, INC.

BALANCE SHEETS

DECEMBER 31, 2019

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	<u>Audited</u> 2019			<u>Reviewed</u> 2018
	<u>Operating</u> Fund	<u>Replacement</u> Fund	<u>Total</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 76,931	\$ 554	\$ 77,485	\$ 46,937
Marketable securities	-	358,005	358,005	304,125
Amounts due from members, net for allowance for doubtful accounts of \$7,401 and \$5,981	5,164	-	5,164	7,011
Due from the Operating Fund		823	823	-
Due from the Replacement Fund	-	-	-	5,772
	<u>-</u>	<u>-</u>	<u>-</u>	
TOTAL ASSETS	<u>\$ 82,095</u>	<u>\$ 359,382</u>	<u>\$ 441,477</u>	<u>\$ 363,845</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 962	\$ -	\$ 962	\$ 1,379
Accrued income tax	-	1,701	1,701	715
Prepaid member assessments	16,730	-	16,730	13,604
Due to the Replacement Fund	823	-	823	-
Due to the Operating Fund	-	-	-	5,772
	<u>-</u>	<u>-</u>	<u>-</u>	
TOTAL LIABILITIES	18,515	1,701	20,216	21,470

FUND BALANCES

Accumulated excess of revenue over expenses	63,580	356,912	420,492	355,052
Accumulated other comprehensive income (loss): Unrealized gain (loss) on marketable securities		769	769	(12,677)
	<u>63,580</u>	<u>357,681</u>	<u>421,261</u>	<u>342,375</u>
TOTAL FUND BALANCES	<u>63,580</u>	<u>357,681</u>	<u>421,261</u>	<u>342,375</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 82,095</u>	<u>\$ 359,382</u>	<u>\$ 441,477</u>	<u>\$ 363,845</u>

The accompanying notes are an integral part of these financial statements.

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, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	Audited 2019			Reviewed 2018
	Operating Fund	Replacement Fund	Total	Total
<u>REVENUES</u>				
Member assessments	\$ 260,839	\$ 50,990	\$ 311,829	\$ 311,829
Capitalization fees	-	12,768	12,768	9,576
Investment income	89	11,760	11,849	9,195
Other income	8,743	-	8,743	5,071
TOTAL REVENUES	269,671	75,518	345,189	335,671
<u>EXPENSES</u>				
Administrative expenses	79,055	-	79,055	87,502
Maintenance expenses	153,585	32,578	186,163	178,527
Utilities	2,517	-	2,517	2,635
Miscellaneous	8,063	-	8,063	7,353
Bad debt expense	1,340	-	1,340	1,714
Income tax	-	2,611	2,611	1,816
TOTAL EXPENSES	244,560	35,189	279,749	279,547
EXCESS OF REVENUES OVER EXPENSES	25,111	40,329	65,440	56,124
BEGINNING ACCUMULATED EXCESS OF REVENUES OVER EXPENSES AND OTHER CHANGES IN FUND BALANCES	38,469	316,583	355,052	298,928
ENDING ACCUMULATED EXCESS OF REVENUES OVER EXPENSES AND OTHER CHANGES IN FUND BALANCES	\$ 63,580	\$ 356,912	\$ 420,492	\$ 355,052

The accompanying notes are an integral part of these financial statements.

STEEPLECHASE COMMUNITY SERVICES ASSOCIATION, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	Audited 2019		Reviewed 2018	
	Operating Fund	Replacement Fund	Total	Total
Excess of revenues over expenses	\$ 25,111	\$ 40,329	\$ 65,440	\$ 56,124
Net change in unrealized gain (loss) on investments	-	13,446	\$ 13,446	(8,826)
COMPREHENSIVE INCOME	<u>\$ 25,111</u>	<u>\$ 53,775</u>	<u>\$ 78,886</u>	<u>\$ 47,298</u>

The accompanying notes are an integral part of these financial statements.

STEEPLECHASE COMMUNITY SERVICES ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	<u>Audited</u> 2019			<u>Reviewed</u> 2018
	<u>Operating</u> <u>Fund</u>	<u>Replacement</u> <u>Fund</u>	<u>Total</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING</u>				
<u>ACTIVITIES</u>				
Excess (Deficit) of revenue over expenses	\$ 25,111	\$ 40,329	\$ 65,440	\$ 56,124
Adjustments to reconcile to net cash provided (used) by operating activities:				
Bad debts, less recoveries	1,340	-	1,340	(1,666)
<u>(Increase) Decrease in assets</u>				
Amounts due from members	507	-	507	1,690
<u>Increase (Decrease) in liabilities</u>				
Accounts payable	(417)	-	(417)	(3,331)
Accrued income tax	-	986	986	625
Prepaid member assessments	3,126	-	3,126	(453)
NET CASH PROVIDED BY OPERATING ACTIVITIES	29,667	41,315	70,982	52,989
<u>CASH FLOWS FROM INVESTING</u>				
<u>ACTIVITIES</u>				
Purchases of marketable securities	-	(40,434)	(40,434)	(48,950)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	(40,434)	(40,434)	(48,950)
<u>CASH FLOWS FROM FINANCING</u>				
<u>ACTIVITIES</u>				
Interfund borrowings and transfers	7,595	(7,595)	-	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	7,595	(7,595)	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37,262	(6,714)	30,548	4,039
Cash and cash equivalents, beginning of year	39,669	7,268	46,937	42,898
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 76,931	\$ 554	\$ 77,485	\$ 46,937

The accompanying notes are an integral part of these financial statements.

STEEPLECHASE COMMUNITY SERVICES ASSOCIATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

(WITH COMPARATIVE INFORMATION FOR DECEMBER 31, 2018)

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 single-family townhouse community located in Whitehall Borough, six miles outside of the City of Pittsburgh, Pennsylvania. The Association is now built-out and consists of 348 units at December 31, 2019.

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 July 27, 2020, 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, 2018, 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, 2019 and 2018:

	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>

	2018			
	<u>Cost Basis</u>	<u>Value</u>	<u>Gain</u>	<u>Loss</u>
Bond mutual funds and ETFs	<u>\$ 316,802</u>	<u>\$ 304,125</u>	<u>\$ -0-</u>	<u>\$ (12,677)</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, 2019 and 2018, owners' balances totaling \$7,401 and \$5,981, respectively, an allowance was made for possible bad debts as the Board of Directors does not anticipate favorable collection possibilities.

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 2018, 2017 and 2016 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 - 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 2020 annual funding requirement to be \$33,417. The cash flow analysis method calculates the 2020 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 2020 budget includes \$33,000 in Replacement Fund assessments for future major repairs and replacements. This amount is significantly more 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 \$823 from the Replacement Fund for Operating Fund purposes as of December 31, 2019. The Association intends to repay this amount, and therefore, has reflected it as an interfund loan.

The Association used \$5,772 from the Operating Fund for Replacement Fund purposes as of December 31, 2018. The Association intends to repay this amount, and therefore, has reflected it as an interfund loan.

NOTE G - SUBSEQUENT EVENT

The World Health Organization has declared the outbreak of a novel strain of coronavirus in December 2019 in Wuhan, China to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak 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, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	<u>Audited</u> 2019	<u>Reviewed</u> 2018
<u>ADMINISTRATIVE EXPENSES</u>		
Social functions	\$ 3,770	\$ 2,833
Welcome committee	485	391
Annual owners' meeting	3,836	3,615
Contributions	80	1,350
Other association expenses	295	995
Website expense	700	700
Real estate taxes	96	841
Insurance	3,422	3,701
Stenographic	600	400
Collection costs	783	1,084
Other office services	2,796	2,326
Newsletter copies	-	2,770
Postage	2,368	2,003
Newsletter postage	-	500
Stationery & printing	2,679	2,424
Accountant	3,100	2,950
Legal	3,045	7,619
Management	51,000	51,000
	<u>\$ 79,055</u>	<u>\$ 87,502</u>
 <u>MAINTENANCE EXPENSES</u>		
Lawns	\$ 88,718	\$ 85,839
Shrub purchase and care	27,071	19,251
Landscape improvements	5,668	7,252
Chemical applications	10,777	16,584
Other land	2,069	3,962
Roads, parking and drives	-	2,240
Utility repair	1,170	1,643
Snow removal	17,726	18,800
Miscellaneous maintenance	386	1,000
	<u>153,585</u>	<u>156,571</u>
<u>Replacement Fund expenses</u>		
Landscape improvements	29,748	13,457
Concrete repairs	2,830	-
Roads, parking and drives	-	7,025
Miscellaneous maintenance	-	1,473
	<u>32,578</u>	<u>21,955</u>
	<u>\$ 186,163</u>	<u>\$ 178,526</u>

The accompanying notes are an integral part of these financial statements.

STEEPLECHASE COMMUNITY SERVICES ASSOCIATION, INC.

SUPPLEMENTAL INFORMATION

ON FUTURE MAJOR REPAIRS AND REPLACEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

The following table is based on the study referred to in Note F 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>

The accompanying notes are an integral part of these financial statements.