

FOXWOOD HOMEOWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

FOXWOOD HOMEOWNERS ASSOCIATION, INC.

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GROSSBACH ZAINO & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To The Board of Managers of
Foxwood Homeowners Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Foxwood Homeowners Association, Inc. (the "Association"), which comprise the balance sheets as of September 30, 2018 and 2017, and the related statements of revenues, expenses and changes in members' equity, and cash flows for the years 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 the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with the 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 the procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Association'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 Association'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.

Opinion

In our opinion, the financial statements referred above present fairly, in all material respects, the financial position of Foxwood Homeowners Association, Inc., as of September 30, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not required part of the financial statements. The 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 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 the 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 taken as a whole.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted the information about the estimates of future costs of repairs and replacements 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 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. Our opinion on the basic financial statements is not affected by the missing information.

Grossbach Zaino & Associates, CPA's, PC

Rye Brook, New York
February 11, 2019

FOXWOOD HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEETS
SEPTEMBER 30,

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 303,315	\$ 221,114
Prepaid expenses	<u>40,217</u>	<u>38,377</u>
Total current assets	<u>343,532</u>	<u>259,491</u>
TOTAL ASSETS	<u><u>\$ 343,532</u></u>	<u><u>\$ 259,491</u></u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 22,256</u>	<u>\$ 11,722</u>
Total current liabilities	<u>22,256</u>	<u>11,722</u>
MEMBERS' EQUITY		
Members' equity	<u>321,276</u>	<u>247,769</u>
Total members' equity	<u>321,276</u>	<u>247,769</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u><u>\$ 343,532</u></u>	<u><u>\$ 259,491</u></u>

See notes to financial statements.

FOXWOOD HOMEOWNERS ASSOCIATION, INC.
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED SEPTEMBER 30,

	<u>2018</u>	<u>2017</u>
REVENUES		
Association fees	\$ 771,000	\$ 771,000
Interest income	301	300
Other income	<u>201</u>	<u>890</u>
TOTAL REVENUES	<u>771,502</u>	<u>772,190</u>
EXPENSES		
Payroll and related costs	28,895	28,730
Insurance expense	131,663	125,946
Ground maintenance	115,292	121,585
Property maintenance	161,153	161,153
Snow removal	62,622	50,773
Repairs and maintenance	124,941	163,323
Tree maintenance	6,762	6,279
Management services	27,326	26,922
Professional fees	6,800	9,100
Office administration	14,148	11,718
Audit fees	3,623	3,223
Corporation taxes	357	311
Miscellaneous	2,373	1,632
Gas and electric	11,457	10,898
Water and sewer charges	<u>583</u>	<u>1,024</u>
TOTAL EXPENSES	<u>697,995</u>	<u>722,617</u>
EXCESS OF REVENUES OVER EXPENSES	73,507	49,573
MEMBERS' EQUITY - BEGINNING OF YEAR	<u>247,769</u>	<u>198,196</u>
MEMBERS' EQUITY - END OF YEAR	<u><u>\$ 321,276</u></u>	<u><u>\$ 247,769</u></u>

See notes to financial statements.

FOXWOOD HOMEOWNERS ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30,

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 73,507	\$ 49,573
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
(Increase) decrease in assets:		
Prepaid expenses	(1,840)	(421)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	10,534	771
NET CASH PROVIDED BY OPERATING ACTIVITIES	82,201	49,923
NET INCREASE IN CASH AND CASH EQUIVALENTS	82,201	49,923
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	221,114	171,191
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 303,315	\$ 221,114
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Income taxes paid	\$ 357	\$ 311

See notes to financial statements.

FOXWOOD HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 1 - NATURE OF ORGANIZATION

Foxwood Homeowners Association, Inc. (the "Association") was incorporated in the State of New York, on October 1, 1977. The Association is responsible for the operation and maintenance of the common property within the development known as Foxwood Condominiums located in Pleasantville, New York. The complex is comprised of 254 condominium units divided as follows; Foxwood I Condominium 65 units, Foxwood II Condominium 88 units, and Foxwood III Condominium 101 units (the "Foxes"). In accordance with its by-laws, a Board of Managers governs the Association.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Association considers highly liquid investments purchased with maturities of three months or less to be cash equivalents.

Association Fees

The individual unit owners of the Foxes are subject to monthly association fees to pay for the operation and maintenance of both the common areas and operation of their condominium. The Association budgets for insurance, maintenance and repairs for the common area of the entire development, pool operations and lawn care and assesses the Foxes a monthly fee. The Foxes pay the Association as follows; Foxwood I 25.59%, Foxwood II 34.65% and Foxwood III 39.76% of the total Association's budget.

Property and Equipment

The Association capitalizes all equipment to which it has title or other evidence of ownership with the exception of real property directly associated with the units. Common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association.

Estimates

The preparation of financial statements in conformity with accounting principles 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 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.

FOXWOOD HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reclassifications

Certain accounts in the September 30, 2017 financial statements have been reclassified to conform to the September 30, 2018 presentation. Such reclassifications have no effect on previously reported excess of revenues over expenses.

Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 11, 2019, the date the financial statements were available to be issued.

NOTE 3 - FOXWOOD CONDOMINIUMS - ANNUAL ASSOCIATION FEES

The Foxes paid association fees for common area charges and insurance for the years ended September 30, 2018 and 2017 as follows;

	<u>2018</u>	<u>2017</u>
Foxwood Condominium I	\$197,303	\$ 197,303
Foxwood Condominium II	267,118	267,118
Foxwood Condominium III	<u>306,579</u>	<u>306,579</u>
	<u>\$771,000</u>	<u>\$ 771,000</u>

NOTE 4 - INCOME TAXES

Under the Internal Revenue Code, homeowner associations, can elect to be taxed either as a homeowner association, if certain tests are met, or as regular corporation. Under that election, the Association is taxed on its nonexempt function income, such as interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member charges, is not taxable. In fiscal years 2018 and 2017, the Association elected to be taxed as a homeowner association. The Association may elect either method for any year and will generally select the method that results in the lowest tax due.

The Association follows ASC 740-10 "Income Taxes" regarding uncertain tax positions. The Association recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Association had no uncertain tax positions as of September 30, 2018 that would require recognition or disclosure in the financial statement.

FOXWOOD HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 4 - INCOME TAXES - CONTINUED

The Association is subject to routine audits; however, at September 30, 2018, there are no audits in progress. The Association is no longer subject to income tax examinations for years prior to 2014.

NOTE 5 - CONCENTRATION OF CREDIT RISK

The Association maintains its cash and cash equivalents at financial institutions in the New York metropolitan area. Accounts at each financial institution are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. At September 30, 2018, the Association had approximately \$56,000 on deposit in excess of FDIC insurance.

NOTE 6 - COMMITMENTS

The Association has a contract with a real estate management company to perform the accounting services for the four entities. The contract automatically renews every three years, unless either sides gives notices of termination. The current monthly fee as of September 30, 2018 is \$2,300.

The Association also has an outside company to manage and perform property maintenance, grounds maintenance and snow removal. The property maintenance annual agreement amounts to \$150,084 and expires September 30, 2020. The grounds maintenance annual agreement amounts to \$107,121 and expires December 20, 2020. The annual snow removal agreement amounts to \$41,640 and expires April 15, 2020. The snow contract contains certain contingencies depending upon the number of snow storms and amounts of accumulations. The property contract is paid in twelve monthly installments and the grounds and snow removal contracts are paid over nine and five months, respectively, over the respective seasons. The contracts are subject to applicable sales taxes.

At September 30, 2018, future minimum payments for the property, grounds and snow maintenance services are as follows:

Year Ending <u>September 30,</u>	<u>Amount</u>
2019	\$ 298,851
2020	<u>298,851</u>
Total	<u>\$ 597,702</u>

Property, grounds and snow maintenance amounted to \$339,067 and \$333,511, for the years ended September 30, 2018 and 2017, respectively.

FOXWOOD HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 7 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has not conducted a study to determine the remaining useful lives of the components of common property and estimates of costs of major repairs and replacements that may be required in the future, nor has the Association developed a plan to fund those needs. When funds are required for major repairs and replacements, the Association plans to borrow, increase maintenance assessments, utilize its existing credit line, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

The board of managers have developed an internal plan to estimate the costs of major repairs and replacements that may be required in the future.

**FOXWOOD HOMEOWNERS ASSOCIATION, INC.
SCHEDULES OF REPAIRS AND MAINTENANCE
FOR THE YEARS ENDED SEPTEMBER 30,**

	<u>2018</u>	<u>2017</u>
REPAIRS AND MAINTENANCE		
Pool	\$ 54,634	\$ 57,956
Cleaning and housekeeping	20,633	18,683
Electrical	5,448	8,307
Vehicle related	3,108	5,229
Paving and catch basin repairs	835	27,502
Other repairs	<u>40,283</u>	<u>45,646</u>
TOTAL REPAIRS AND MAINTENANCE	<u>\$ 124,941</u>	<u>\$ 163,323</u>