

BIRCH POINTE CONDOMINIUM ASSOCIATION

FINANCIAL REPORT

DECEMBER 31, 2014

TABLE OF CONTENTS

BIRCH POINTE CONDOMINIUM ASSOCIATION

	<u>PAGE NO.</u>
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1 - 2
EXHIBIT "A" - BALANCE SHEET	3
EXHIBIT "B" - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES	4
EXHIBIT "C" - STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6 - 8
SUPPLEMENTARY INFORMATION	
FUTURE MAJOR REPAIRS AND REPLACEMENTS	9

SULLIVAN, BLEAKLEY & COMPANY, LLP

Certified Public Accountants

JOSEPH M. SULLIVAN, CPA
RALPH E. BLEAKLEY, CPA
WILLIAM A. SPINGLER, JR., CPA

MEMBERS
PENNA. INSTITUTE OF CPAS
AMERICAN INSTITUTE OF CPAS

116 W. BALTIMORE AVENUE
MEDIA, PA 19063

(610) 565-8810
FAX (610) 565-6074
Email: sbccpa@bigplanet.com

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

May 11, 2015

To the Board of Directors of
Birch Pointe Condominium Association
Wilmington, Delaware

We have reviewed the accompanying balance sheet of Birch Pointe Condominium Association as of December 31, 2014, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year then ended. 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.

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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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.

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, 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 not audited, reviewed, or compiled the required supplementary information, and, accordingly, we do not assume any responsibility for it.

Respectfully submitted,

Sullivan, Bleakley & Company, LLP

EXHIBIT "A"
BALANCE SHEET
DECEMBER 31, 2014
BIRCH POINTE CONDOMINIUM ASSOCIATION

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	127,905	254,029	381,934
Assessments Receivable (Net of \$11,810 Allowance for Doubtful Accounts)	240,650		240,650
Improvements and Loan Costs			
Less Accumulated Depreciation of \$246,436	589,577		589,577
Prepaid Taxes	284		284
Interfund Receivable	(150,317)	150,317	0
TOTAL ASSETS	<u>808,099</u>	<u>404,346</u>	<u>1,212,445</u>
<u>LIABILITIES:</u>			
Note Payable - M & T Bank	1,125,250		1,125,250
Payroll Taxes Payable	3,140		3,140
TOTAL LIABILITIES	1,128,390	0	1,128,390
<u>FUND BALANCES (Per Exhibit "B")</u>	<u>(320,291)</u>	<u>404,346</u>	<u>84,055</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>808,099</u>	<u>404,346</u>	<u>1,212,445</u>

NOTE: See Accompanying Notes and Independent Accountants' Review Report.

EXHIBIT "B"
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014
BIRCH POINTE CONDOMINIUM ASSOCIATION

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>REVENUES:</u>			
Condo Fee Income	1,168,775		1,168,775
Miscellaneous Income	500		500
Interest Income	162	563	725
TOTAL REVENUES	<u>1,169,437</u>	<u>563</u>	<u>1,170,000</u>
<u>EXPENSES</u>			
Common Area Expenses:			
Landscaping	49,069		49,069
Snow Removal	65,885		65,885
Trash Removal	22,501		22,501
Subcontractors	112,744		112,744
Cablevision	121,021		121,021
Electricity and Telephone	27,118		27,118
Water and Sewer	106,112		106,112
Cleaning Maintenance	15,750		15,750
Maintenance Supplies	20,529	1,213	21,742
Maintenance and Repairs	2,309	385	2,694
Security Expenses	10,977		10,977
Pest Control	10,407		10,407
Administrative:			
Bad Debt Expense	5,655		5,655
Depreciation	119,492		119,492
Miscellaneous Expenses	1,662		1,662
Payroll and Payroll Taxes	9,372		9,372
Insurance	110,851		110,851
Professional Fees	18,852		18,852
Office Expenses	3,308		3,308
Interest Expense	56,204		56,204
Bank Charges	2,661		2,661
TOTAL EXPENSES	<u>892,479</u>	<u>1,598</u>	<u>894,077</u>
EXCESS OF REVENUES OVER EXPENSES			
(EXPENSES OVER REVENUES)	276,958	(1,035)	275,923
FUND BALANCES - JANUARY 1, 2014	(596,014)	404,146	(191,868)
INTERFUND TRANSFER	<u>(1,235)</u>	<u>1,235</u>	<u>0</u>
FUND BALANCES - DECEMBER 31, 2014			
(To Exhibit "A")	<u>(320,291)</u>	<u>404,346</u>	<u>84,055</u>

NOTE: See Accompanying Notes and Independent Accountants' Review Report.

EXHIBIT "C"
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
BIRCH POINTE CONDOMINIUM ASSOCIATION

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>OPERATING ACTIVITIES:</u>			
Excess of Revenues over Expenses (Expenses over Revenues)	276,958	(1,035)	275,923
Depreciation	119,492		119,492
Adjustments to Reconcile Excess of Revenues over Expenses (Expenses over Revenues) to Net Cash Provided by (Used in) Operating Activities:			
Increase in Assessments Receivable and Prepaid Taxes	(56,173)		(56,173)
Decrease in Payroll Taxes Payable	(643)		(643)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	339,634	(1,035)	338,599
<u>INVESTING ACTIVITIES:</u>			
Purchase of Fixed Assets	(229,460)	0	(229,460)
<u>FINANCING ACTIVITIES:</u>			
Principal Payments on Long-Term Borrowing	(175,816)	0	(175,816)
Interfund Transfer	(1,235)	1,235	0
INCREASE (DECREASE) IN CASH	(66,877)	200	(66,677)
CASH BALANCE AT BEGINNING OF YEAR	194,782	253,829	448,611
CASH BALANCE AT END OF YEAR	<u>127,905</u>	<u>254,029</u>	<u>381,934</u>

NOTE: See Accompanying Notes and Independent Accountants' Review Report.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
BIRCH POINTE CONDOMINIUM ASSOCIATION

NOTE #1 – NATURE OF BUSINESS

Birch Pointe Condominium Association (the Association) is a corporation formed in the State of Delaware on July 20, 1989. The Association was formed to provide maintenance, preservation and control of common areas and to promote health, safety and welfare for all residents. The Association does not contemplate pecuniary gain or profit to its members. The Association consists of 294 residential units in 16 buildings, 39 bridges and 49 entrances. The development is located in New Castle County, Delaware.

NOTE #2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FUND ACCOUNTING

The Association's governing documents provide certain guidelines for 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.

The accompanying financial statements have been prepared using the accrual basis of accounting under which income is recognized when earned, and expenses are recognized when incurred. Expenses may not be recognized in proportion to revenues recognized on a monthly basis due to the seasonal nature of some expenses.

MEMBER ASSESSMENTS

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. Any excess assessments at year-end are retained by the Association for use in future years. Past due or delinquent fees may be secured by a lien on the homeowner's unit with the power of foreclosure. The Board of Directors considers all assessments (except those disclosed as uncollectible) to be fully collectible.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
BIRCH POINTE CONDOMINIUM ASSOCIATION

NOTE #2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAXES

Condominium and homeowners associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2014, the Association elected to be taxed as a homeowners' association.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for 2011, 2012 and 2013 remain open to examination by the Internal Revenue Service.

USE OF ESTIMATES

The preparation of financial statements in conformity with 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.

PROPERTY AND EQUIPMENT

Real property and common areas acquired from the developer and related improvements 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.

CASH AND CASH EQUIVALENTS

The Association considers cash equivalents to be those short-term investments maturing within three months of the balance sheet date.

SUBSEQUENT EVENTS

Generally accepted accounting principles require management to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events are evaluated. These financial statements were available to be issued May 11, 2014 and this is the date through which subsequent events were evaluated.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014
BIRCH POINTE CONDOMINIUM ASSOCIATION

NOTE #3 – NOTE PAYABLE – M & T BANK

The Association pays monthly installments of \$19,335.00 including principal and interest at a rate of 4.54%.

NOTE #4 – REPLACEMENT FUND

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$404,346 at December 31, 2014 are held in a separate account and are generally not available for operating purposes.

In October 2010, the Board of Directors conducted a study to estimate the remaining useful lives and the replacement costs of the Association's common property components (see page 8). The Association is funding for such major repairs and replacements over the estimated useful lives of the common property components based on the study's estimates of current replacement costs, considering funds previously accumulated in the replacement fund. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, the funds designated for future repairs and replacements may not be adequate to meet future needs. If additional funds are needed, the Association has the right, subject to board approval, to increase regular assessments or pass special assessments, or it may delay major repairs and replacements until funds become available.

SUPPLEMENTARY INFORMATION

FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2014
BIRCH POINTE CONDOMINIUM ASSOCIATION

The Board of Directors conducted a study in October, 2010, to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs do not take into account the effects of inflation between the date of the study and the date the components will require repair or replacement.

The following information is based on the study and presents significant information about the components of common property.

<u>Component</u>	<u>Estimated Remaining Useful Lives (Years) at October, 2010</u>	<u>Estimated Current Replacement Costs at October, 2010</u>	<u>Replacement Fund Balance at December 31, 2014</u>
Decks/Balconies	24 – 25	160,000	31,943
Exterior Doors	10 – 20	17,000	3,235
Intercom Systems	5 – 25	63,700	12,939
Fire Safety	22 – 25	108,800	21,835
Carpeting	8 – 10	81,900	16,577
Painting	2 – 5	40,180	8,087
Roof	4 – 24	568,308	114,026
Siding	36 – 40	0	0
Bridges	27 – 40	214,500	42,861
Retaining Walls	24 – 25	152,000	30,326
Roadways	2 – 30	580,226	116,452
Sewer	10 – 30	12,760	2,426
Signage	5 – 20	2,500	809
Walkways	3 – 30	<u>13,830</u>	<u>2,830</u>
		<u>2,015,704</u>	<u>404,346</u>

NOTE: See Accompanying Notes and Independent Accountants' Review Report.