

BIRCH POINTE
CONDOMINIUM ASSOCIATION

FINANCIAL REPORT

DECEMBER 31, 2020

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements of Birch Pointe Condominium Association (a homeowners' association), which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses, and changes in fund balances 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.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountants' 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.

Accountants' Conclusion on the Financial Statements

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

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 nine 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.

Respectfully submitted,

Sullivan, Bleakley & Company, LLP

Havertown, Pennsylvania
April 7, 2021

EXHIBIT "A"
BALANCE SHEET
DECEMBER 31, 2020
BIRCH POINTE CONDOMINIUM ASSOCIATION

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	246,250	260,908	507,158
Assessments Receivable (Net of \$25,000 Allowance for Doubtful Accounts)	79,549		79,549
Improvements and Loan Costs			
Less Accumulated Depreciation of \$667,333	1,247,028		1,247,028
Interfund Receivable	<u>(150,317)</u>	<u>150,317</u>	<u>0</u>
TOTAL ASSETS	<u>1,422,510</u>	<u>411,225</u>	<u>1,833,735</u>
<u>LIABILITIES:</u>			
Payroll Taxes Payable	4,437		4,437
Contract Liabilities (Assessments Received in Advance-Replacement Fund)		<u>411,225</u>	<u>411,225</u>
TOTAL LIABILITIES	4,437	411,225	415,662
<u>FUND BALANCES (Per Exhibit "B")</u>	<u>1,418,073</u>	<u>0</u>	<u>1,418,073</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>1,422,510</u>	<u>411,225</u>	<u>1,833,735</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, 2020
BIRCH POINTE CONDOMINIUM ASSOCIATION

	OPERATING FUND	REPLACEMENT FUND	TOTAL
REVENUES:			
Member Assessments	1,119,370	(2,600)	1,116,770
Miscellaneous Income	21,875		21,875
PPP Tax Exempt Income	25,865		25,865
Interest Income	7	2,600	2,607
TOTAL REVENUES	<u>1,167,117</u>	<u>0</u>	<u>1,167,117</u>
EXPENSES			
Common Area Expenses:			
Landscaping	57,725		57,725
Snow Removal	22,374		22,374
Trash Removal	32,378		32,378
Cablevision	82,500		82,500
Electricity and Gas	27,989		27,989
Water and Sewer	127,168		127,168
Cleaning Maintenance	26,599		26,599
Maintenance Supplies	31,790		31,790
Maintenance and Repairs	52,110		52,110
Security Expenses	565		565
Pest Control	11,657		11,657
Administrative:			
Bad Debt Expense	(1,903)		(1,903)
Depreciation	128,449		128,449
Payroll, Employee Benefits and Payroll Taxes	148,105		148,105
Insurance	89,317		89,317
Professional Fees	34,371		34,371
Office Expenses	6,943		6,943
Interest Expense	1,543		1,543
Bank Charges	2,649		2,649
TOTAL EXPENSES	<u>882,329</u>	<u>0</u>	<u>882,329</u>
EXCESS OF REVENUES OVER EXPENSES	284,788	0	284,788
FUND BALANCES - JANUARY 1, 2020	<u>1,133,285</u>	<u>0</u>	<u>1,133,285</u>
FUND BALANCES - DECEMBER 31, 2020 (To Exhibit "A")	<u>1,418,073</u>	<u>0</u>	<u>1,418,073</u>

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

EXHIBIT "C"
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
BIRCH POINTE CONDOMINIUM ASSOCIATION

	<u>OPERATING FUND</u>	<u>REPLACEMENT FUND</u>	<u>TOTAL</u>
<u>OPERATING ACTIVITIES:</u>			
Excess of Revenues over Expenses	284,788	0	284,788
Depreciation	128,449		128,449
Adjustments to Reconcile Excess of Revenues over Expenses to Net Cash Provided by Operating Activities:			
Decrease in Assessments Receivable	34,717		34,717
Increase in Payroll Taxes Payable	2,471		2,471
Increase in Contract Liabilities (Assessments Received in Advance-Replacement Fund)		2,600	2,600
NET CASH PROVIDED BY OPERATING ACTIVITIES	450,425	2,600	453,025
<u>INVESTING ACTIVITIES:</u>			
Purchase of Fixed Assets	(207,977)	0	(207,977)
<u>FINANCING ACTIVITIES:</u>			
Principal Payments on Long-Term Borrowing	(114,268)	0	(114,268)
INCREASE (DECREASE) IN CASH	128,180	2,600	130,780
CASH BALANCE AT BEGINNING OF YEAR	118,070	258,308	376,378
CASH BALANCE AT END OF YEAR	<u>246,250</u>	<u>260,908</u>	<u>507,158</u>

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
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.

REVENUE RECOGNITION

Revenue is recognized when earned. Assessments are billed at the beginning of

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
BIRCH POINTE CONDOMINIUM ASSOCIATION

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

each month and are recorded as revenue at that time. Receipts over the billed amount are recorded as assessments received in advance. Other income and assessments are recognized when earned.

INCOME TAXES

Condominium and homeowners associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2020, 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 2017, 2018 and 2019 remain open to examination by the Internal Revenue Service.

The Association's policy is to record interest expense or penalties related to income tax in operating expenses. For the year ended December 31, 2020, no interest or penalties were paid or accrued.

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

For the purposes of cash flows, the Association considers cash equivalents to be those short-term investments maturing within three months of the balance sheet date. The Association maintains cash in checking and money market savings accounts. Separate cash accounts are maintained for each fund.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
BIRCH POINTE CONDOMINIUM ASSOCIATION

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

disclose the date through which subsequent events are evaluated. These financial statements were available to be issued April 7, 2021 and this is the date through which subsequent events were evaluated.

Subsequent to December 31, 2019, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to this Association, COVID-19 may impact various parts of its 2021 operations and financial results including but not limited to additional uncollectible assessments receivable and cost of emergency preparedness. The Board believes the Association is taking appropriate actions to mitigate the negative impact. The potential negative impact of these events are not reflected in the financial statements as of and for the year ended December 31, 2020 as these events occurred subsequent to year end and are still developing.

CONCENTRATION OF CREDIT RISK

The Association maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020, the Association's uninsured cash balances total \$0.

CONTRACT LIABILITIES (ASSESSMENTS RECEIVED IN ADVANCE-REPLACEMENT FUND)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. During the current period, the Association assessed and received \$0 for the replacement fund. The balance of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year are \$408,625 and \$411,225, respectively.

INTEREST INCOME

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

NOTE #3 – REPLACEMENT FUND

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$411,225 at December 31, 2020 are held in a separate account and are generally not available for operating purposes.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020
BIRCH POINTE CONDOMINIUM ASSOCIATION

NOTE #3 – REPLACEMENT FUND (Continued)

In November 2020, 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 10). 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, 2020
BIRCH POINTE CONDOMINIUM ASSOCIATION

The Board of Directors conducted a study in November, 2020, 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 November, 2020</u>	<u>Estimated Current Replacement Costs at November, 2020</u>	<u>Replacement Fund Balance at December 31, 2020</u>
Balcony	0 – 19	4,116,000	259,072
Refuse Fencing	18	8,476	412
Doors	2	17,000	1,234
Electrical	22	73,500	4,523
Fire Safety	24	115,200	7,402
Interior Finish	0 – 9	147,000	9,047
Patio	6	119,168	7,402
Roof	11 – 16	742,450	46,468
Windows	5	96,000	6,168
Bridges	17 – 32	226,500	14,393
Mailboxes/Pads	1 – 3	50,000	3,290
Retaining Walls	0 – 17	74,000	4,523
Roadway	1 – 19	701,454	44,001
Shed	6	3,250	0
Signage	6	2,500	0
Stairs and Railings	8 – 21	35,700	2,056
Vehicle	2	12,000	822
Walkway	0	<u>8,125</u>	<u>412</u>
		<u>6,548,323</u>	<u>411,225</u>

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