

FOXWOOD HOMEOWNERS ASSOCIATION, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 and 2015

FOXWOOD HOMEOWNERS ASSOCIATION, INC.

SEPTEMBER 30, 2016 & 2015

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GROSSBACH ZAINO & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To The Board of Managers of
Foxwood Homeowners Association
Pleasantville, New York

We have audited the accompanying financial statements of Foxwood Homeowners Association, Inc. which comprise the balance sheets as of September 30, 2016 and 2015 and the related statements of revenues, expenses and changes in fund balances, 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 statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit 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 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.

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, 2016 and 2015 and the results of its operations, changes in its fund balance and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Statement of Repairs and Maintenance on Page 10 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

As discussed in Note 10, the Board of Manager 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

Grossbach Zaino & Associates, CPA's, PC

Rye Brook, NY

December 22, 2016

FOXWOOD HOMEOWNERS ASSOCIATION
BALANCE SHEETS

ASSETS

	SEPTEMBER 30,	
CURRENT ASSETS	2016	2015
Cash In Checking	\$ 111,326	\$ 71,978
Cash in Savings	59,865	59,566
Total Cash	171,191	131,544
OTHER ASSETS		
Prepaid Assets & Other	37,956	34,499
Total Current Assets	37,956	34,499
TOTAL ASSETS	\$ 209,147	\$ 166,043
LIABILITIES & MEMBERS' CAPITAL & FUND BALANCE		
CURRENT LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 10,739	\$ 33,379
Income Taxes Payable	212	212
TOTAL CURRENT LIABILITIES	10,951	33,591
MEMBERS' CAPITAL & FUND BALANCE		
Contributed Capital	7,311	7,311
Fund Balance	190,885	125,141
TOTAL MEMBERS' CAPITAL & FUND BALANCE	198,196	132,452
TOTAL LIABILITIES, MEMBERS' CAPITAL & FUND BALANCE	\$ 209,147	\$ 166,043

The Accompanying Notes and Independent Auditors Report are an Integral Part of the Financial Statements.

FOXWOOD HOMEOWNERS ASSOCIATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2016	2015
REVENUES		
Association Fees	\$ 771,000	\$ 771,000
Interest Income	299	297
Other income	1,648	26,850
TOTAL REVENUE	<u>772,947</u>	<u>798,147</u>
EXPENSES		
Common Area Expenses:		
Ground Maintenance	130,762	144,460
Property Maintenance	157,771	132,232
Snow Removal	44,711	65,303
Additional Ground Maintenance and Tree Work	11,353	8,431
Repairs & Maintenance (See Attached Schedule)	164,142	173,236
	<u>508,739</u>	<u>523,662</u>
Administrative Expenses:		
Insurance Expense for FHA	16,203	15,989
Insurance Expense for Common Property	94,231	126,939
Management Services	26,345	26,124
Professional Fees	7,687	8,406
Office Related & Miscellaneous Expenses	11,812	12,808
Audit Fees	3,200	3,100
Income Taxes	204	212
Miscellaneous	1,711	1,600
Total Administrative Expenses	<u>161,393</u>	<u>195,178</u>
Payroll Expenses:		
Salaries and Wages	23,949	23,456
Payroll Taxes & Fringe Benefits	2,838	3,330
Total Payroll Expenses	<u>26,787</u>	<u>26,786</u>
Utility Expenses:		
Utilities	9,643	12,542
Water	641	2,323
Total Utility Expenses	<u>10,284</u>	<u>14,865</u>
TOTAL EXPENSES	<u>707,203</u>	<u>760,491</u>
Excess of Revenues Over Expenses	<u>65,744</u>	<u>37,656</u>
Beginning Fund Balance	125,141	87,485
Ending Fund Balance	<u>\$ 190,885</u>	<u>\$ 125,141</u>

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FOXWOOD HOMEOWNERS ASSOCIATION
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Excess of Revenues Over Expenses	\$ 65,744	\$ 37,656
Adjustments To Reconcile Excess Of Revenues Over Expenses To Net Cash Provided By Operating Activities:		
	65,744	37,656
(Increase)/Decrease in:		
Prepaid Assets	(3,457)	2,527
	(3,457)	2,527
(Decrease)/Increase in:		
Income Taxes Payable	-	29
Accounts Payable & Accrued Liabilities	(22,640)	8,171
	(22,640)	8,200
Net Cash Provided By Operating Activities	39,647	48,383
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	131,544	83,161
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 171,191	\$ 131,544
<i>SUPPLEMENTAL DISCLOSURES:</i>		
INCOME TAX PAID	\$ 183	\$ 183
INTEREST PAID	\$ -	\$ -

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FOXWOOD HOMEOWNERS' ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 & 2015

NOTE 1 – NATURE OF ORGANIZATION

Foxwood Homeowners' Association, Inc. (Entity) was established in October 1977 in the State of New York. The Entity 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, Foxwood III Condominium 101 units (Foxes). In accordance with its by-laws a Board of Managers governs the Entity.

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Entity maintains its accounts using fund and accrual accounting. Financial resources are classified for accounting and reporting purposes as operating funds. The Entity has not set up a separate replacement fund.

Depreciation

Capitalized equipment is depreciated over its estimated useful life using the straight line method of depreciation

Cash and Cash Equivalents

The Entity considers securities purchased with maturities of three months or less to be cash equivalents.

Maintenance & Insurance Assessments

The individual unit owners of the three Foxes are subject to monthly maintenance assessments to pay for the operation and maintenance of both the common areas and operation of their condominium. The Entity's budgets for insurance, maintenance and repairs for the common area of the entire development, pool operations and lawn care and assesses each Foxwood (I, II and III) a monthly assessment for maintenance and insurance. The three Foxes pay the Entity as follows; Foxwood I 25.60%, Foxwood II 34.60% and Foxwood III 39.80% of the total Entity's budget.

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.

Income Taxes

Homeowners' associations may be taxed either as homeowners' association or as regular corporations. In fiscal years 2016 and 2015 the Entity elected to be taxed as a homeowner association. Under that election, the Entity 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 assessments, is not taxable. The Entity was also liable for New York State franchise tax in fiscal years 2016 and 2015 based upon capital

The Entity's tax filings are subject to examination by the Internal Revenue Service and/or New York State Taxation and Finance. The years open are fiscal years 2016, 2015 and 2014. When evaluating the Entity's tax provisions and accruals, management believes that its estimates are appropriate based on current facts and circumstances.

Property and Equipment

The Entity 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 Entity's financial statements because those properties are owned by the individual unit owners in common and not by the Entity.

Subsequent Events

In preparing the financial statements, the Entity has evaluated events and transactions for potential recognition or disclosure through December 22, 2016 the date the financial statements were available to be issued.

NOTE 3 – UNINSURED CASH BALANCES

The Entity has interest-bearing deposits and a checking account. At September 30, 2016 and 2015 the Entity's deposits did not exceed federal depository insurance coverage (FDIC).

NOTE 4 – PREPAID EXPENSES & OTHER ASSETS

Prepaid expenses and other assets consisted of the following at September 30;

	<u>2016</u>	<u>2015</u>
Prepaid Insurance	<u>\$ 37,956</u>	<u>\$ 34,499</u>

NOTE 5 – EQUIPMENT

Equipment consists of a vehicle which cost \$27,603 and was fully depreciated therefore not reflected on the balance sheets.

NOTE 6 – FOXWOOD CONDOMINIUM – ANNUAL ASSESSMENTS

As per Note 1 the three Foxes contributed as follows to the Association for common area maintenance and insurance for the years ended September 30, 2016 and 2015;

	<u>2016</u>	<u>2015</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 7 – RELATED PARTY TRANSACTIONS

The Entity has been established to maintain the common area property on behalf of Foxwood I, Foxwood II and Foxwood III Condominium Associations. During the years ended September 30, 2016 and 2015, the condominium associations collected maintenance assessments from their respective unit holders and remitted their budgeted percentages to the Entity.

NOTE 8 – OFFICE AND MAINTENANCE

The Entity employs a part - time person to manage its office and related activities. Commencing June 2012 the Entity contracted with a real estate management company to perform the accounting services for the four entities at a monthly fee of \$2,073 with a 2% increase in June 2013 and a 3% increase in June 2014. The contract automatically renews every three years. The current monthly fee as of June 2016 is \$2,232. The Entity engaged an outside company to manage and perform property maintenance. The agreement amounts to \$150,084, paid in twelve monthly installments of \$12,507, and is for the period from October 1, 2015 through and including September 30, 2020. The Entity has additionally contracted with the same company to perform ground maintenance at an annual cost of \$114,251 through December 20, 2020. The terms are that the annual fee will be paid in nine equal installments, April through December. The Entity also contracted with this company to perform snow removal at an annual cost of \$41,640 through April 15, 2020. The terms are that the annual fee will be paid in five equal installments, November through March. The snow contract contains certain contingencies depending upon the amount of snow storms and amounts of accumulations. The contracts are subject to applicable sales taxes

Future minimum payments for the property, grounds and snow maintenance services are as follows;

9/30/2017	298,851
9/30/2018	298,851
9/30/2019	298,851
9/30/2020	298,851
Thereafter	0

Property, grounds and snow maintenance amounted to \$333,244 and \$341,985, for the years ended September 30, 2016 and 2015, respectively

NOTE 9 – PAYROLL

As disclosed in Note 8 the Entity employs one clerical employee that performs accounting functions and overseas office operations. Employees of the Entity are entitled to paid vacations and personal days depending on length of service and other factors. It is management's opinion that the estimated amount of compensation attributable to these factors is immaterial to the financial statements, and accordingly, no liability has been recorded in the accompanying financial statements. The Entity's policy is to recognize the costs of compensated absences when actually paid to employees. The Entity does not provide pension benefits for its employees.

NOTE 10 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Entity 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 board of managers developed a plan to fund those needs. When funds are required for major repairs and replacements, the Entity 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.

FOXWOOD HOMEOWNERS ASSOCIATION
STATEMENTS OF REPAIRS & MAINTENANCE

REPAIRS & MAINTENANCE	FOR THE YEARS ENDED SEPTEMBER 30,	
	2016	2015
Pool	\$ 51,970	\$ 40,767
Cleaning and Housekeeping	18,684	18,720
Electrical	2,255	13,254
Vehicle Related	3,776	2,077
Paving and Catch Basin Repairs	38,310	38,230
Painting	300	4,080
Additional Crew Labor	-	(8,697)
Other Repairs	48,847	64,805
TOTAL REPAIRS & MAINTENANCE	<u>\$ 164,142</u>	<u>\$ 173,236</u>

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