

**Financial Statements and Notes
by the Board of Directors of**

**OAK HILL at SPRING RIDGE
HOMEOWNERS ASSOCIATION**

**with Report of Independent Auditor
as of December 31, 2023**

OAK HILL at SPRING RIDGE HOMEOWNERS ASSOCIATION

DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Oak Hill at Spring Ridge Homeowners Association
Wyomissing, Pennsylvania

Opinion

I have audited the accompanying financial statements of **Oak Hill at Spring Ridge Homeowners Association** which comprised the balance sheets as of December 31, 2023 and 2022, 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.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Oak Hill at Spring Ridge Homeowners Association** as of December 31, 2023 and 2022, 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.

Basis for Opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of **Oak Hill at Spring Ridge Homeowners Association** and to meet other ethical responsibilities, in accordance with the relevant ethical requirements to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Board of Directors and Management Responsibility for the Financial Statements

The Board of Directors and its 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 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.

In preparing the financial statements, the Board and its Management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Oak Hill at Spring Ridge Homeowners Association's** ability to continue as a going concern for the near-term time frame.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards (GAS) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

Independent Auditor's Opinion (Continued)

In performing an audit in accordance with GAS, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Board and management, as well as evaluating the overall presentation of the financial statements.
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Oak Hill at Spring Ridge Homeowners Association's** ability to continue as a going concern for a reasonable period of time.
- I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplemental information on estimated major future repairs and replacements on Page 11 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. I have not audited, reviewed, or compiled the required supplementary information, and, accordingly, I do not express an opinion or provide any assurance on it.

Emphasis of Matter

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. I have not applied procedures to determine whether the estimates of useful lives in years, replacement costs, annual funding or the funds designated for future major repairs and replacements are adequate to meet future costs because that determination is outside the scope of my audit. I have also made no determination with respect to the engineer's exclusion of an assumed inflation rate compared to the actual inflation rate and its impact on estimated replacement costs or estimated future funding requirements. My opinion on the financial statements is not modified with respect to these matter.

James M. McFadden, CPA, CGMA

James M. McFadden, CPA, CGMA
Feasterville, Pennsylvania
February 23, 2024

OAK HILL at SPRING RIDGE HOMEOWNERS ASSOCIATION
BALANCE SHEETS
AS OF DECEMBER 31, 2023 and 2022

| | 2023 OPERATING FUND | 2023 REPLACEMENT FUND | 2023 TOTAL ALL FUNDS | 2022 TOTAL ALL FUNDS |
|--|---------------------------|-----------------------------|----------------------------|----------------------------|
| ASSETS | | | | |
| Cash and equivalents | \$ 104,080 | \$ 145,404 | \$ 249,484 | \$ 235,750 |
| Certificates of Deposit | 30,377 | 110,397 | 140,774 | 201,496 |
| Assessments receivable | 1,349 | - | 1,349 | 1,705 |
| Prepaid expenses | 3,672 | - | 3,672 | 3,102 |
| Interfund balances | 27,701 | (27,701) | - | - |
| TOTAL ASSETS | <u>\$ 167,179</u> | <u>\$ 228,100</u> | <u>\$ 395,279</u> | <u>\$ 442,053</u> |
| LIABILITIES and FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | \$ 23,142 | \$ 7,894 | \$ 31,036 | \$ 31,044 |
| Prepaid assessments | 32,127 | - | 32,127 | 33,774 |
| Security deposits | 200 | - | 200 | 200 |
| Income taxes payable | - | - | - | - |
| TOTAL LIABILITIES | <u>55,469</u> | <u>7,894</u> | <u>63,363</u> | <u>65,018</u> |
| FUND BALANCES | <u>111,710</u> | <u>220,206</u> | <u>331,916</u> | <u>377,035</u> |
| TOTAL LIABILITIES and FUND BALANCES | <u>\$ 167,179</u> | <u>\$ 228,100</u> | <u>\$ 395,279</u> | <u>\$ 442,053</u> |

OAK HILL at SPRING RIDGE HOMEOWNERS ASSOCIATION
STATEMENTS OF REVENUES, EXPENSES and CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

| | 2023 BUDGET (UNAUDITED) | 2023 OPERATING FUND | 2023 REPLACEMENT FUND | 2023 TOTAL ALL FUNDS | 2022 TOTAL ALL FUNDS |
|--|-------------------------------|---------------------------|-----------------------------|----------------------------|----------------------------|
| REVENUES | | | | | |
| Assessment fee income | \$ 240,078 | \$ 240,079 | \$ 29,000 | \$ 269,079 | \$ 256,309 |
| Resale capital contributions | - | - | 750 | 750 | 2,750 |
| Late fees | 1,000 | 325 | - | 325 | 1,250 |
| Interest income | 150 | 843 | 3,456 | 4,299 | 1,690 |
| Miscellaneous income | - | 43 | - | 43 | 230 |
| TOTAL REVENUES | <u>241,228</u> | <u>241,290</u> | <u>33,206</u> | <u>274,496</u> | <u>262,229</u> |
| EXPENSES | | | | | |
| <u>Operations:</u> | | | | | |
| Landscape maintenance | 93,000 | 101,597 | - | 101,597 | 94,867 |
| Landscaping improvements | 21,000 | 19,774 | - | 19,774 | 35,109 |
| Outside labor and parts | 3,500 | 873 | - | 873 | 2,306 |
| Snow removal | 35,000 | 22,758 | - | 22,758 | 26,356 |
| Trash removal | 40,170 | 40,170 | - | 40,170 | 26,520 |
| Master association dues | 4,000 | 5,113 | - | 5,113 | 4,132 |
| <u>Utilities:</u> | | | | | |
| Electricity-street lights | 4,200 | 4,198 | - | 4,198 | 4,295 |
| Water | 2,000 | 2,262 | - | 2,262 | 2,090 |
| <u>Administrative:</u> | | | | | |
| Management fees | 29,808 | 29,808 | - | 29,808 | 29,220 |
| Insurance | 5,000 | 5,004 | - | 5,004 | 4,812 |
| Legal fees | 500 | 3,492 | - | 3,492 | 89 |
| Audit fees | 2,500 | 2,537 | - | 2,537 | 2,537 |
| Office expense | 2,400 | 2,285 | - | 2,285 | 4,178 |
| Social activities expense | 650 | 281 | - | 281 | - |
| Contingency expenses | 2,500 | 115 | - | 115 | 1,260 |
| Major repairs and replacements: | | | | | |
| Engineering costs | - | - | 41,383 | 41,383 | - |
| Sidewalk replacement | - | - | 14,825 | 14,825 | 11,590 |
| Exterior painting | - | - | 10,725 | 10,725 | - |
| Landscape renovations | - | - | 6,053 | 6,053 | - |
| Reserve study | - | - | 4,000 | 4,000 | - |
| Sign repair and replacement | - | - | 2,362 | 2,362 | - |
| Tennis court maintenance | - | - | - | - | 44,420 |
| Drainage improvements | - | - | - | - | 38,721 |
| Sewer lines | - | - | - | - | 7,045 |
| Other reserve expenses | - | - | - | - | 2,076 |
| TOTAL EXPENSES | <u>246,228</u> | <u>240,267</u> | <u>79,348</u> | <u>319,615</u> | <u>341,623</u> |
| EXCESS (DEFICIT) OF | | | | | |
| REVENUES OVER EXPENSES | <u>\$ (5,000)</u> | 1,023 | (46,142) | (45,119) | (79,394) |
| FUND BALANCES, JANUARY 1, | | | | | |
| | | <u>110,687</u> | <u>266,348</u> | <u>377,035</u> | <u>456,429</u> |
| FUND BALANCES, DECEMBER 31, | | | | | |
| | | <u>\$ 111,710</u> | <u>\$ 220,206</u> | <u>\$ 331,916</u> | <u>\$ 377,035</u> |

See Notes to Financial Statements.

OAK HILL at SPRING RIDGE HOMEOWNERS ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 TOTAL ALL FUNDS | 2022 TOTAL ALL FUNDS |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Excess (deficit) of revenues over expenses | \$(45,119) | \$(79,394) |
| Adjustments to reconcile excess of revenues over expenses to net cash provided by (used in) operating activities: | | |
| (Increase) decrease in accounts receivable | 356 | (423) |
| (Increase) decrease in prepaid expenses | (570) | 310 |
| Increase (decrease) in accrued expenses | (8) | 27,290 |
| Increase (decrease) in prepaid assessments | (1,647) | 5,276 |
| Total adjustments | (1,869) | 32,453 |
| Net cash provided (used) by operating activities | (46,988) | (46,941) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net change in Certificates of Deposit | 60,722 | (1,451) |
| Net cash provided (used) by investing activities | 60,722 | (1,451) |
| NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS | 13,734 | (48,392) |
| CASH AND EQUIVALENTS, JANUARY 1, | 235,750 | 284,142 |
| CASH AND EQUIVALENTS, DECEMBER 31, | \$ 249,484 | \$ 235,750 |

See Notes to Financial Statements.

OAK HILL at SPRING RIDGE HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1. NATURE OF THE ORGANIZATION

Oak Hill at Spring Ridge Homeowners Association is a Pennsylvania not-for-profit corporation which began operations in November, 2000. The purpose of the Association is to maintain, regulate and administer certain common areas for the use, benefit and enjoyment of the owners and lawful occupiers of the units in the property. In addition, the Association is to provide for the collection of such revenue as may be necessary to effectuate the foregoing. The Association consists of 130 residential townhomes. The Association is located in Wyomissing Township, Berks County, Pennsylvania.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The Association's governing documents provide 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 on the accrual basis. 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.

Reserve Fund- This fund is used to accumulate financial resources designated for future major repairs and replacements.

Member Assessments

Association members are subject to an annual assessment, payable on a quarterly basis, 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. The Board considers all assessments receivable to be fully collectible as of December 31, 2023.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Board of Director's consider all highly liquid debt investments purchased with a maturity of three months or less to be cash equivalents.

OAK HILL at SPRING RIDGE HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes - The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code 528 for the year ended December 31, 2023. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance and care of Association property. Net nonexempt function income, which includes interest income and revenues received from nonmembers, is taxed at 30% by the federal government. The Association is not liable for state corporate income taxes and therefore, no provision was made for such

Accounting principles generally accepted in the United States of America require the Board to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Board has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association's tax returns are subject to examination by federal, state and local taxing authorities. Because transactions are susceptible to varying interpretations under various income and tax laws and regulations, the amounts reported in the accompanying financial statements may be subject to change upon final determination by the respective taxing authorities.

Financial Instruments with Off-Balance Sheet Risk and Concentrations of Risk -The Association's financial instruments that are exposed to concentrations of credit risk consists primarily of assessments receivable. A substantial amount of the Association's revenue is derived primarily from the unit owners and the Association is dependent upon this source of income. Collection of member assessments is vital to the ongoing financial support of the Association.

Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

NOTE 3. BUDGETED REVENUES AND EXPENSES

Budgeted revenues and expenses included in the financial statements are unaudited and are provided for informational purposes only.

NOTE 4. CONTRIBUTED CAPITAL

At each initial settlement and each resale of a unit, the Association collects a one-time non-refundable capital contribution of \$250.

OAK HILL at SPRING RIDGE HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5. COMPARATIVE FINANCIAL STATEMENTS

Comparative total data for the prior year has been presented in the accompanying Statements in order to provide an understanding of changes in the Association's financial position. However, comparative data has not been presented for each of the funds since their inclusion would make the statements unduly complex and difficult to understand.

NOTE 6. RESERVE FUND

The Association's governing documents require the establishment of a reserve fund to provide for the future repair and replacement of the common areas. Accumulated funds are held in a separate savings accounts and Certificates of Deposit and are generally not available for expenditures for normal operations.

An independent engineering firm, Kipcon, Inc. conducted a study in October 2023 to estimate the remaining useful lives and the replacement cost of the components of common property. The engineer's report includes an assumed inflation factor of 2% per annum. The study excludes all components with a life span greater than thirty (30) years. The highly summarized table included in the unaudited supplementary information on Estimated Future Major Repairs and Replacements is based on this study and has not been updated for changes in estimates, inflation or any work performed in the interim. The Board of Directors is consulting the October 2023 study to fund for major repairs and replacement over the remaining useful lives of the components. The engineer's report presents several funding options and each opinion recommends increases in the annual allocation of assessments to the Replacement Fund. The effect on future assessment levels will be determined by the Board of Directors at each annual budget preparation.

For the years ended December 31, 2023 and 2022, the Association allocated \$29,000 and \$34,000 respectively, as assessments for the Replacement Fund. Expenditures charged to the Replacement Fund are detailed on Page 5.

Actual expenditures, however, may vary from any estimated amounts and the variations may be material. Therefore, amounts accumulated in the reserve fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE 7. CONTINGENCY

The Association can be party to various investigations, lawsuits and claims arising in the normal course of business. As of December 31, 2023, the Board does not believe that there were any such claims of a material nature.

OAK HILL at SPRING RIDGE HOMEOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 7. CONTINGENCY (continued)

The Association's reserve study, as more fully discussed in Note 6, included an assumed inflation factor of 2% per annum. The difference between the actual annual inflation and the exclusion of an assumed projected inflation rate has not been analyzed nor have any liabilities been accrued for in these financial statements.

NOTE 8. FINANCIAL CONCENTRATIONS

A substantial amount of the Association's revenue is derived primarily from the unit owners and the Association is dependent upon this source of income. Collection of member assessments is vital to the ongoing financial support of the Association.

As of December 31, 2023 the Association has approximately \$80,000 of cash balances in excess of the coverage provided by FDIC limits. The Association has not incurred any losses as a result of these excess balances.

NOTE 9. CERTIFICATES OF DEPOSIT

Certificates of Deposit are recorded at cost basis with any accrued interest at the balance sheet date. The difference between cost basis and market value is immaterial.

Fair value is measured on a recurring basis based on quoted prices in an active market (all Level 1 measurements).

NOTE 10. REVENUE RECOGNITION

Revenue from owner assessments are 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 is recognizing assessment revenue in the year billed to the membership and does not defer the recognition of any portion of revenue as a Contract Liability.

NOTE 11. SUBSEQUENT EVENTS

The Board of Directors has evaluated subsequent events through February 23, 2024, the date the financial statements were available to be issued.

OAK HILL at SPRING RIDGE HOMEOWNERS ASSOCIATION
SUPPLEMENTAL INFORMATION ON FUTURE ESTIMATED MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2023
UNAUDITED

An independent engineering firm, Kipcon, Inc., conducted a study in October 2023, to estimate the remaining useful lives and the replacement cost of the components of common property. The estimates were based on their estimated replacement costs and include an assumed inflation factor of 2% per annum. The Board recommends obtaining a complete copy of the engineer's 2023 report in order to more fully understand the engineer's estimates, assumptions, funding recommendations, inflation considerations, limitations and disclaimers. All the data is as of the date of the study.

| CATEGORY | RESERVE REQUIREMENT PRESENT DOLLARS | BEGINNING BALANCE | BALANCE REQUIRING FUNDING | ANNUAL RESERVE FUNDING REQUIRED | FULL FUNDING BALANCE | PERCENT FUNDED |
|-----------------------------|---|----------------------|---------------------------------|--|-------------------------|--|
| Sitework totals | \$799,952 | \$307,627 | \$492,325 | \$57,224 | \$390,595 | The Percent Funded and Funding Goal are based on fully funding each component within the schedule. Please review the report for various funding strategies |
| Special Construction totals | \$70,944 | \$12,623 | \$58,321 | \$4,153 | \$16,027 | |
| Reserve Study Update totals | \$4,000 | \$0 | \$4,000 | \$1,333 | \$0 | |
| GRAND TOTALS | \$874,896 | \$320,250 | \$554,646 | \$62,710 | \$406,622 | |

As of December 31, 2023, the Association had approximately \$255,801 in cash and investments to meet the above estimated future major repairs and replacements.

See Auditor's Report and Notes to Financial Statements.
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