

GREENVILLE OVERLOOK MAINTENANCE
CORPORATION
December 31, 2021

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CERTIFIED PUBLIC ACCOUNTANT

GREENVILLE OVERLOOK MAINTENANCE CORPORATION
FOR THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
of Greenville Overlook Maintenance Corporation

Opinion

I have audited the accompanying financial statements of Greenville Overlook Maintenance Corporation, which comprise the balance sheet as of December 31, 2021, and the related statements of revenues, expenses, and changes in fund balance and cash flows for the year 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 Greenville Overlook Maintenance Corporation as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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 Woodmont North Condominium Association and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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, 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, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Woodmont North Condominium Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment 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 purpose of expressing an opinion on the effectiveness of Greenville Overlook Maintenance Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Greenville Overlook Maintenance Corporation'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 I identified during the audit.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted Supplementary Information on Future Major 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 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. My opinion on the basic financial statements is not affected by this missing information.

Robert C. Bezgin, CPA

Robert C. Bezgin, CPA

September 30, 2022

Greenville Overlook Maintenance Corporation
 Balance Sheet
 December 31, 2021

	Operating Fund	Replacement Reserve	Total
Assets:			
Cash	\$ 70,384.45	\$ 122,854.07	\$ 193,238.52
Assessments receivable	553.76	-	553.76
Due from replacement reserve	23,264.91	-	23,264.91
Total assets	<u>\$ 94,203.12</u>	<u>\$ 122,854.07</u>	<u>\$ 217,057.19</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable and accrued expenses	\$ 6,837.21	\$ -	\$ 6,837.21
Prepaid assessments	3,457.44	-	3,457.44
Contract liabilities (Assessments received in advance- replacement reserve)	-	99,589.16	99,589.16
Due to operating fund	-	23,264.91	23,264.91
Total liabilities	10,294.65	122,854.07	133,148.72
Fund balances	83,908.47	-	83,908.47
Total liabilities and fund balances	<u>\$ 94,203.12</u>	<u>\$ 122,854.07</u>	<u>\$ 217,057.19</u>

Greenville Overlook Maintenance Corporation
Statement of Revenues, Expenses and Changes in Fund Balances
For the Year Ended December 31, 2021

	Operating Fund	Replacement Reserve	Total
Revenues:			
Regular assessments	\$ 106,000.00	\$ -	\$ 106,000.00
Transfers from operating fund	-	21,575.00	21,575.00
Assesments released from reserve	-	16,243.72	16,243.72
Interest income	-	54.68	54.68
Miscellaneous income	125.00	-	125.00
Late fees	106.71	-	106.71
Legal income	634.50	-	634.50
Total revenues	106,866.21	37,873.40	144,739.61
Expenses:			
Office expense	2,829.84	-	2,829.84
Utilities	501.47	-	501.47
Insurance	2,140.00	-	2,140.00
Income tax	250.00	-	250.00
Landscape management	21,586.53	-	21,586.53
Legal expense	9,711.22	-	9,711.22
Management fee	12,640.00	-	12,640.00
Basin management	2,364.00	-	2,364.00
Trees maintenance	8,057.43	-	8,057.43
Community expenses	193.60	-	193.60
Transfers to replacement reserve	21,575.00	-	21,575.00
Major repairs and replacements	-	37,873.40	37,873.40
Total expenses	81,849.09	37,873.40	119,722.49
Excess (deficit) of revenues over expenses	25,017.12	-	25,017.12
Beginning fund balances	58,891.35	-	58,891.35
Ending fund balances	\$ 83,908.47	\$ -	\$ 83,908.47

Greenville Overlook Maintenance Corporation
Statement of Cash Flows
For the Year Ended December 31, 2021

	Operating Fund	Replacement Reserve	Total
Cash flows from operating activities:			
Excess (deficit) of revenues over expenses	\$ 25,017.12	\$ -	\$ 25,017.12
Adjustments to reconcile excess of revenues over expenses to net cash from operating activities:			
Increase in assessments receivable	(553.76)	-	(553.76)
(Increase) in due from replacement reserve	(25,444.91)	-	(25,444.91)
Increase in due to operating fund	-	25,444.91	25,444.91
(Decrease) in accounts payable and accrued expenses	6,837.21	-	6,837.21
(Decrease) in prepaid assessments	(19,981.44)	-	(19,981.44)
(Decrease) in contract liabilities (Assessments received in advance-replacement reserve)	-	(16,243.72)	(16,243.72)
Net cash flows (used in) operating activities	<u>(14,125.78)</u>	<u>9,201.19</u>	<u>(4,924.59)</u>
Cash, January 1, 2021	<u>84,510.23</u>	<u>113,652.88</u>	<u>198,163.11</u>
Cash, December 31, 2021	<u>\$ 70,384.45</u>	<u>\$ 122,854.07</u>	<u>\$ 193,238.52</u>

(1) Nature of Organization

Greenville Overlook Maintenance Corporation (the "Association") is a homeowners association incorporated in the State of Delaware on January 6, 2010. The Association is responsible for the maintenance of the common facilities, private streets and private open spaces of the subdivision of Greenville Overlook. Greenville Overlook consists of 160 residential units located in New Castle County, Delaware.

(2) Summary of Significant Accounting Policies

Fund Accounting

The Association's governing documents provide certain guidelines 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. Financial resources are classified for accounting and reporting purposes in the following funds 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 Reserve - This fund is used to accumulate financial resources designated for future major repairs and replacements.

Member Assessments

Association members are subject to semi-annual 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. Assessments are due the month billed and considered late after the 15th of the respective month. They are considered delinquent after 90 days. Interest and fees accrue after the first month. The Association's policy is to retain legal counsel and place liens on the properties for the homeowners whose assessments are 120 days or more delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. It is the opinion of the Board of Directors that the Association will ultimately prevail against the homeowners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary. Approximately 99% of the Association's revenues are generated from member assessments.

Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 30, 2022, the date that the financial statements were available to be issued.

Income Taxes

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2021. Under that Section, the Association is not taxed on income and expenses relating to its exempt purpose, which is the acquisition, construction, management and maintenance, and care of Association property. Net non-exempt function income, which includes interest and revenues received from non-members, is taxed at a rate of 30% by the federal government. The Association may make an annual federal election to be treated as a regular corporation if the tax liability is less. For the year ended December 31, 2021 the Association did not make this election. The Association takes tax positions on a regular basis as to the classification of income and allocation of expenses to non-exempt (taxable) functions, elections to apply excess assessments to the following year and its election to be treated as a regular corporation for tax purposes. In management's opinion, none of these positions require additional disclosure or accruals as of December 31, 2021. The State of Delaware does not generally assess taxes on homeowners associations.

In the event that a taxing authority were to assess interest and/or penalties, it is the Association's policy to record these as operating expenses in the period assessed. There were no penalties or interest assessed during the year ended December 31, 2021.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because these properties are owned by the individual unit owners in common and not by the Association. Expenditures for maintenance and repairs of capitalized property are charges to expense when incurred, while major renewals and betterments are capitalized.

Contract Liabilities (Assessments received in advance-replacement fund)

The Association recognizes revenues from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) are recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments. The balances of contract liabilities (assessments received in advance-replacement fund) as of the beginning and end of the year are \$115,832.88 and \$99,589.16 respectively.

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.

(3) Future Major Repairs and Replacements

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate \$99,589.16 at December 31, 2021, are held in separate accounts and are generally not available for operating purposes.

(4) Concentration of Credit Risk

The Association maintains its cash balances at several financial institutions. The interest bearing cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000, non-interest bearing accounts are fully insured. At times, the balances may exceed the federal insurance limits, however, the Association has not experienced any losses with respect to these balances. The Association considers the financial stability of its financial institutions and does not believe that it is exposed to any significant risk of loss.

(5) Special Assessments

The Association may charge a special assessment to cover the costs of higher than budgeted snow removal expenses.

(6) FASB ASC 606 Accounting Guidance Implementation

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate-Common Interest Realty Associations, Revenue Recognition*, and requires the recognitions of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the requirements of the new guidance as of January 1, 2021, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2021. Adoption of the new guidance resulted in changes to the accounting policies for assessment revenue and contract liabilities related the replacement fund, as previously described.

The effect of the adoption was a recording of a contract liability (assessments received in advance-replacement fund) at December 31, 2021, of \$99,589.16. The Association has no customer contract modifications that had an effect on the Association's transition to the new guidance.