

ROBIN HOOD LAKE LOT OWNERS ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

**TO THE BOARD OF DIRECTORS
ROBIN HOOD LAKE LOT OWNERS ASSOCIATION
KRESGEVILLE, PENNSYLVANIA**

We have audited the accompanying financial statements of Robin Hood Lake Lot Owners Association (a Pennsylvania nonprofit corporation) which comprise the balance sheets as of December 31, 2015, 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.

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers 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 to above present fairly, in all material respects, the financial position of Robin Hood Lake Lot Owners Association, as of December 31, 2015 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information on future major repairs and replacements on page 13 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior Period Financial Statements

The 2014 financial statements were compiled by us, and our report thereon, dated October 5, 2015, stated we did not audit or review those financial statements and, accordingly, express no opinion or other form of assurance on them.

Kirk, Summa & Co., LLP

East Stroudsburg, Pennsylvania
September 7, 2016

ROBIN HOOD LAKE LOT OWNERS ASSOCIATION
BALANCE SHEETS
DECEMBER 31, 2015

	2015			2014
	OPERATING FUND	REPLACEMENT FUND	TOTAL	Total (for Comparative Purposes only)
ASSETS				
Cash	\$ 623	\$ 12,688	\$ 13,311	\$ 21,453
Assessments receivable - net of allowance for doubtful accounts	124,094	-	124,094	95,874
Prepaid expenses	2,657	-	2,657	2,797
Due (to) from other funds	(5,000)	5,000	-	-
Cash for improvements	3,478	-	3,478	13,177
Other current assets	481	-	481	481
TOTAL ASSETS	\$ 126,333	\$ 17,688	\$ 144,021	\$ 133,782
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 2,443
Payroll & withholding taxes payable	1,025	-	1,025	1,270
Prepaid assessments	-	-	-	449
TOTAL LIABILITIES	1,025	-	1,025	4,162
FUND BALANCES				
Undesignated	121,492	-	121,492	99,524
Designated for replacements	-	17,688	17,688	26,280
Designated for improvements	3,816	-	3,816	3,816
TOTAL FUND BALANCES	125,308	17,688	142,996	129,620
TOTAL LIABILITIES AND FUND BALANCES	\$ 126,333	\$ 17,688	\$ 144,021	\$ 133,782

The accompanying notes are an integral part of these financial statements.

ROBIN HOOD LAKE LOT OWNERS ASSOCIATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015			2014
	OPERATING FUND	REPLACEMENT FUND	TOTAL	Total (for Comparative Purposes only)
REVENUES				
Operating assessments	\$ 146,859	\$ -	\$ 146,859	\$ 146,174
Capital improvement fees	6,720	-	6,720	7,405
Bank interest income	18	10	28	31
Member late fees	14,274	-	14,274	11,246
Miscellaneous income	3,392	-	3,392	4,398
TOTAL REVENUES	171,263	10	171,273	169,254
EXPENSES				
Advertising	191	-	191	155
Bank charges	-	-	-	631
Collection fees	1,431	-	1,431	1,749
Insurance	12,190	-	12,190	11,624
Landscaping	3,800	-	3,800	800
Management fees	12,000	-	12,000	11,040
Miscellaneous	1,755	-	1,755	1,496
Office	3,018	-	3,018	3,163
Professional fees	1,645	-	1,645	3,608
Recreation	2,143	-	2,143	1,818
Repairs and maintenance	24,976	-	24,976	5,579
Road maintenance	70,835	-	70,835	87,029
Trash removal	350	-	350	236
Utilities	5,036	-	5,036	7,002
Real estate taxes	339	-	339	212
Wages	16,173	-	16,173	16,597
Payroll taxes	2,015	-	2,015	2,706
TOTAL EXPENSES	157,897	-	157,897	155,445
OTHER REVENUE (EXPENSES)				
Transfers	8,602	(8,602)	-	-
TOTAL OTHER REVENUE (EXPENSES)	8,602	(8,602)	-	-
EXCESS OF REVENUES OVER EXPENSES	21,968	(8,592)	13,376	13,809
FUND BALANCES-beginning of year	103,340	26,280	129,620	115,811
FUND BALANCES-end of year	\$ 125,308	\$ 17,688	\$ 142,996	\$ 129,620

The accompanying notes are an integral part of these financial statements.

**ROBIN HOOD LAKE LOT OWNERS ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	2015	2014
	OPERATING FUND	(For Comparative Purposes only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	\$ 21,968	\$ 1,801
ADJUSTMENTS TO RECONCILE EXCESS OF REVENUES OVER EXPENSES TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
(Increase) Decrease in assets:		
Assessments receivable	(28,220)	(19,999)
Prepaid expenses	140	-
Other assets	9,699	(9,361)
 Increase (Decrease) in liabilities:		
Accounts payable	(2,443)	(3,817)
Payroll & withholding taxes payable	(245)	(112)
Prepaid assessments	(449)	-
TOTAL ADJUSTMENTS	(21,518)	(33,289)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	450	(31,488)
 INCREASE (DECREASE) IN CASH	450	(31,488)
CASH AT BEGINNING OF YEAR	173	31,661
CASH AT END OF YEAR	\$ 623	\$ 173
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

**ROBIN HOOD LAKE LOT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 – NATURE OF ASSOCIATION

Robin Hood Lake Lot Owners Association, the "Association", was incorporated on July 1, 1968, as a Pennsylvania non-profit, non-stock corporation. The Association is composed of 509 lots, of which 508 are billable and 7 are owned by the developer. It is located in Polk Township, Monroe County, Pennsylvania.

The Association has the authority and responsibility for the maintenance, regulation, and administration of certain private community facilities for the use, benefit, and enjoyment of the owners and lawful occupiers of lots in the development. In addition, the Association is to provide for the collection of such revenue as is necessary to effectuate the maintenance of the roads, two lakes, meeting hall, common areas and other such facilities as may be established for the property owners. The Association has the authority to impose assessments upon its members to cover expenses incurred in this regard.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Association uses fund accounting, which requires that funds, such as operating funds and restricted funds, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Directors. Disbursements from the restricted capital improvement and reserve funds generally may be made only for designated purposes with prior approval from the Board of Directors.

Property and Equipment

It is the Association's policy not to recognize common property as assets on the balance sheet and not to recognize common personal property. Property and equipment are expensed as the cost is incurred, and is not depreciated.

Income Taxes

The Association may elect to file Form 1120H as a homeowners' association under IRS Code Section 528 or file Form 1120 under IRS Code Section 277. Under the homeowners' association election, the Association is taxed on its net nonexempt function income at a flat rate of 30%. Exempt function income, which consists primarily of members' assessments, is not taxable. As a corporation filing under Section 277, the Association may be taxed only on net non-membership income, such as interest income, at regular federal corporate rates. Membership income may be excluded from taxation if certain elections are made. For the year ended December 31, 2015, the Association was taxed as a homeowners' association and filed Form 1120-H. There was no provision for income taxes for December 31, 2015. The Association is tax-exempt for Pennsylvania purposes.

**ROBIN HOOD LAKE LOT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Uninsured Cash Balances

The Association maintains its cash balances at financial institutions with local branch offices. Accounts at each institution are secured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2015 the Association had no deposits in financial institutions in excess of the federally insured limit.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Association considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The accrual basis of accounting has been used in preparing the financial statements. Under the accrual basis, revenue is recorded when earned and expenses are recorded when the liability is incurred. Accordingly, members' assessments are recorded as income in the year they become due.

NOTE 3 - MEMBER ASSESSMENTS

Substantially all of the Association's revenue is derived from the property owners in Robin Hood Lake Lot Owners Association. Any change in the ability of the property owners to continue to pay the Association's assessments would have a substantial effect on the financial condition of the Association. The Association has the right to place liens against the property of the owners who fail to pay assessments.

The Association's policy is to bill in January based on the approved budget, and assess a late charge on any account that is unpaid on April 1. Interest at 1 ¼% monthly is assessed on any account that is 30 days or more past due. The Association provides payment options. The fees associated with collection efforts are recorded in the account of the delinquent owner at the time it is turned over to the attorney or collection agency for collection efforts or filing of a lien. The Association's policy is to write off an account upon foreclosure, bankruptcy discharge, or agreement with the owner to accept a reduced amount in settlement of the outstanding balance.

**ROBIN HOOD LAKE LOT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 – MEMBERS’ ASSESSMENTS RECEIVABLE

Substantially all members’ assessments receivable are ninety days or more past due.

At December 31, 2015, members’ assessments receivable are as follows:

Members' assessments receivable	\$ 192,961
Less: allowance for doubtful accounts	<u>(68,867)</u>
Net members' assessments receivable	<u>\$ 124,094</u>

NOTE 5 – RESERVE FOR FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association’s governing documents do not require the Association to fund a reserve for future major repairs and replacements. However, because the Board of Directors recognizes the importance of providing for future major repairs and replacements to common property, the Association has completed a study to determine the estimated remaining useful lives and estimated replacement costs of common property.

Since the Study’s recommended full funding is based upon estimated replacement costs that vary from actual replacement costs and the variations may be material, amounts accumulated in the replacement reserve may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association may increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

NOTE 6 – CAPITAL IMPROVEMENT FEE

The Association charges a Capital Improvement fee equal to one year’s assessment on properties resold. The amounts collected can be used for improvements to or replacement of the common elements in the community.

NOTE 7 – MEMBERS’ ASSESSMENTS COLLECTED IN ADVANCE

Members’ assessments collected in advance represent assessments pertaining to future years that were collected by the end of the current year.

**ROBIN HOOD LAKE LOT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 8 – DATE OF MANAGEMENT’S REVIEW

Management has evaluated the effects of all subsequent events through September 7, 2016, the date the financial statements were available to be issued, to determine if events or transactions occurring through that date require potential adjustment or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**ROBIN HOOD LAKE LOT OWNERS ASSOCIATION
SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS - UNAUDITED
DECEMBER 31, 2015**

FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association authorized Appletree Management to conduct a Reserve Fund Study for the Lot Owners Association common property. Studies of this nature are important to ensure that a community has sufficient funds for long-term, periodic capital expenditure requirements. Anticipating large expenditures over an extended period of time through a structured analysis and scheduling process assists the Association in meeting financial requirements without increasing the service fees above permitted maximums, borrowing the funds, or levying special financial assessments to the community.

The reserve study was completed in August, 2011, to estimate the useful lives and the replacement costs of the components of common property. Funding requirements assume an annual inflation rate of 3.2 percent and an interest rate of 2.5 percent on amounts funded for future major repairs and replacements, and that 100% of the replacement cost of items in the study will be paid for using amounts funded for future major repairs and replacements.

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

<u>Components</u>	<u>Estimated Remaining Useful Life (Years)</u>	<u>Estimated Current Replacement Cost</u>
Roads	0	\$ 831,741
Community Center	0-13	217,410
Playground	3-13	30,023
Community Signage	13	8,000
Cinder Storage Building	0-18	39,450
Mailbox Areas	3-8	49,750
Total		<u>\$1,176,374</u>

The Reserve Fund balance at December 31, 2015 amounted to \$12,688. A detailed copy of the study is on file at the Management Company's office.