

ROBIN HOOD LAKE LOT OWNERS ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2013

CONTENTS

INDEPENDENT ACCOUNTANTS' COMPILATION REPORT	3 - 4
BALANCE SHEETS	5
STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES	6
STATEMENTS OF CASH FLOWS.....	7
NOTES TO FINANCIAL STATEMENTS	8 - 11
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS - UNAUDITED	13

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

We have compiled the accompanying balance sheet of Robin Hood Lake LOA, as of December 31, 2013, and the related statements of revenues, expenses and changes in fund balance and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary schedule(s) are in accordance with accounting principles generally accepted in the United States of America.

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 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Page Two

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 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 compiled the required supplementary information without audit or review, and, accordingly, we do not express an opinion or provide any assurance on it.

The financial statements for the year ended December 31, 2012, were audited by us, and we expressed an unqualified opinion on them in our report dated November 21, 2013, but we have not performed any auditing procedures since that date.

Kirk, Summa & Co., LLP

East Stroudsburg, Pennsylvania
September 2, 2014

**ROBIN HOOD LAKE LOT OWNERS ASSOCIATION
BALANCE SHEETS
DECEMBER 31, 2013**

	2013 (Unaudited)			2012 (Audited)
	OPERATING FUND	REPLACEMENT FUND	TOTAL	Total (for Comparative Purposes only)
ASSETS				
Cash	\$ 31,661	\$ 9,272	\$ 40,933	\$ 24,434
Assessments receivable - net of allowance for doubtful accounts	75,875	-	75,875	59,428
Prepaid expenses	2,797	-	2,797	2,797
Due (to) from other funds	(5,000)	5,000	-	-
Cash for improvements	3,816	-	3,816	3,815
Other current assets	481	-	481	481
TOTAL ASSETS	<u>\$ 109,630</u>	<u>\$ 14,272</u>	<u>\$ 123,902</u>	<u>\$ 90,955</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 6,260	\$ -	\$ 6,260	\$ 3,931
Payroll & withholding taxes payable	1,382	-	1,382	1,051
Prepaid assessments	449	-	449	261
TOTAL LIABILITIES	<u>8,091</u>	<u>-</u>	<u>8,091</u>	<u>5,243</u>
FUND BALANCES				
Undesignated	97,723	-	97,723	67,627
Designated for replacements	-	14,272	14,272	14,269
Designated for improvements	3,816	-	3,816	3,816
TOTAL FUND BALANCES	<u>101,539</u>	<u>14,272</u>	<u>115,811</u>	<u>85,712</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 109,630</u>	<u>\$ 14,272</u>	<u>\$ 123,902</u>	<u>\$ 90,955</u>

See accompanying notes and independent accountants' compilation report.

ROBIN HOOD LAKE LOT OWNERS ASSOCIATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013			2012 (Audited)
	OPERATING FUND	REPLACEMENT FUND	TOTAL	Total (for Comparative Purposes only)
REVENUES				
Operating assessments	\$ 145,196	\$ -	\$ 145,196	\$ 158,634
Capital improvement fees	5,830	-	5,830	3,180
Bank interest income	33	3	36	12
Member late fees	4,724	-	4,724	4,811
Miscellaneous income	4,783	-	4,783	8,216
TOTAL REVENUES	<u>160,566</u>	<u>3</u>	<u>160,569</u>	<u>174,853</u>
EXPENSES				
Bad debts	-	-	-	27,209
Collection fees	405	-	405	4,908
Insurance	10,557	-	10,557	10,945
Landscaping	1,475	-	1,475	6,750
Management fees	11,050	-	11,050	17,821
Miscellaneous	1,680	-	1,680	4,214
Office	4,429	-	4,429	5,067
Professional fees	4,825	-	4,825	2,300
Recreation	1,550	-	1,550	11,278
Repairs and maintenance	3,889	-	3,889	6,571
Road maintenance	68,682	-	68,682	42,261
Trash removal	75	-	75	75
Utilities	5,568	-	5,568	5,898
Real estate taxes	211	-	211	211
Snack bar expenses	-	-	-	404
Wages	14,421	-	14,421	9,890
Payroll taxes	1,653	-	1,653	1,088
TOTAL EXPENSES	<u>130,470</u>	<u>-</u>	<u>130,470</u>	<u>156,890</u>
EXCESS OF REVENUES OVER EXPENSES	30,096	3	30,099	17,963
FUND BALANCES-beginning of year, adjusted	71,443	14,269	85,712	67,749
FUND BALANCES-end of year	<u>\$ 101,539</u>	<u>\$ 14,272</u>	<u>\$ 115,811</u>	<u>\$ 85,712</u>

See accompanying notes and independent accountants' compilation report.

ROBIN HOOD LAKE LOT OWNERS ASSOCIATION
 STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012 (Audited)
	OPERATING FUND	(For Comparative Purposes only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (Deficit) of revenues over expenses	\$ 30,096	\$ 17,963
ADJUSTMENTS TO RECONCILE EXCESS (DEFICIT) OF REVENUES OVER EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
(Increase) in assets:		
Assessments receivable	(16,447)	(7,976)
Prepaid expenses	-	(2,797)
Other assets	1	
Increase (Decrease) in liabilities:		
Accounts payable	2,331	3,529
Payroll & withholding taxes payable	371	953
Sales tax payable	(44)	44
Prepaid dues	188	257
TOTAL ADJUSTMENTS	(13,600)	(5,990)
NET CASH PROVIDED BY OPERATING ACTIVITIES	16,496	11,973
INCREASE IN CASH	16,496	11,973
CASH AT BEGINNING OF YEAR	15,165	3,192
CASH AT END OF YEAR	\$ 31,661	\$ 15,165
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

See accompanying notes and independent accountants' compilation report.

**ROBIN HOOD LAKE LOT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013, the Association was taxed as a homeowners' association and filed Form 1120-H. There was no provision for income taxes for December 31, 2013. The Association is tax-exempt for Pennsylvania purposes.

The Association's Form 1120, *U.S. Corporation Income Tax Return*, for the year ending 2011 and the Association's Forms 1120-H, *U.S. Income Tax Return for Homeowners Associations*, for the years ending 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

**ROBIN HOOD LAKE LOT OWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013 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, 2013**

NOTE 4 – MEMBERS’ ASSESSMENTS RECEIVABLE

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

At December 31, 2013, members’ assessments receivable are as follows:

Members' assessments receivable	\$144,742
Less: allowance for doubtful accounts	<u>(68,867)</u>
Net members' assessments receivable	<u>\$75,875</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, 2013**

NOTE 8 – DATE OF MANAGEMENT’S REVIEW

Management has evaluated the effects of all subsequent events through September 2, 2014, 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, 2013**

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, 2013 amounted to \$9,272. A detailed copy of the study is on file at the Management Company's office.

See Independent Accountants' Compilation Report