

STONEGATE FARMS COMMUNITY
ASSOCIATION, INC.

REVIEWED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

STONEGATE FARMS COMMUNITY ASSOCIATION, INC.
REVIEWED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Stonegate Farms Community Association, Inc.
Batavia Township, Ohio

We have reviewed the accompanying financial statements of Stonegate Farms Community Association, Inc, which comprise the balance sheet as of December 31, 2023, and the related statements of revenue, expenses, and changes in fund balance and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

ACCOUNTANT'S CONCLUSION ON THE FINANCIAL STATEMENTS

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

REQUIRED SUPPLEMENTARY INFORMATION

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 10 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, 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. We have compiled the supplementary information in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA; however, we have not audited or reviewed the required supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on it.

Dawson and Company

Dawson and Company, CPAs
Cincinnati, Ohio
July 2, 2024

STONEGATE FARMS COMMUNITY ASSOCIATION, INC.
 BALANCE SHEET
 DECEMBER 31, 2023

ASSETS	<u>GENERAL FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>
Cash and Equivalents	\$ 6,662	\$ 37,691	\$ 44,353
Accounts Receivable	-	-	-
Prepaid Insurance	440	-	440
TOTAL ASSETS	<u>\$ 7,102</u>	<u>\$ 37,691</u>	<u>\$ 44,793</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 301	\$ -	\$ 301
Prepaid Assessments	-	-	-
TOTAL LIABILITIES	<u>301</u>	<u>-</u>	<u>301</u>
FUND BALANCE	6,801	37,691	44,492
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 7,102</u>	<u>\$ 37,691</u>	<u>\$ 44,793</u>

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT AND NOTES TO FINANCIAL STATEMENTS

STONEGATE FARMS COMMUNITY ASSOCIATION, INC.
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED DECEMBER 31, 2023

	GENERAL <u>FUND</u>	RESERVE <u>FUND</u>	<u>TOTAL</u>
REVENUES			
Homeowner Assessments	\$ 17,125	\$ 3,300	\$ 20,425
Interest Income	-	1,190	1,190
TOTAL REVENUES	<hr/> 17,125	4,490	21,615
EXPENSES			
Common Area Utilities - Electric	3,535	-	3,535
Common Area Utilities - Water	568	-	568
Insurance	1,226	-	1,226
Landscape & Common Area Maintenance	10,724	-	10,724
Office Supplies/Postage/Admin	391	-	391
Pond Maintenance	1,692	-	1,692
Professional Fees - Accounting	1,000	-	1,000
TOTAL EXPENSES	<hr/> 19,136	-	19,136
EXCESS REVENUES OVER EXPENSES	<hr/> (2,011)	4,490	2,479
BEGINNING FUND BALANCES	8,812	33,201	42,013
Interfund Transfers	-	-	-
ENDING FUND BALANCES	<hr/> <u>\$ 6,801</u>	<u>\$ 37,691</u>	<u>\$ 44,492</u>

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT AND NOTES TO FINANCIAL STATEMENTS

STONEGATE FARMS COMMUNITY ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	GENERAL <u>FUND</u>	RESERVE <u>FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATIONS			
Excess Revenues over Expenses	\$ (2,011)	\$ 4,490	\$ 2,479
Adjustments to reconcile Excess Revenues Over Expenses to Net Cash From (Used In) Operating Activities			
(Increase)Decrease in:			
Accounts Receivable	-	-	-
Prepaid Insurance	-	-	-
Increase(Decrease) in:			
Accounts Payable	26	-	26
Prepaid Assessments	-	-	-
Net Cash Provided (Used) By Operating Activities	<u>(1,985)</u>	<u>4,490</u>	<u>2,505</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase/Disposal of Property & Equipment	-	-	-
Net Cash Provided (Used) By Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interfund Transfers	-	-	-
Net Cash Provided (Used) By Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE IN CASH	<u>(1,985)</u>	<u>4,490</u>	<u>2,505</u>
BEGINNING CASH AND CASH EQUIVALENTS	8,647	33,201	41,848
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 6,662</u>	<u>\$ 37,691</u>	<u>\$ 44,353</u>

There were no non-cash financing or investing activities and no interest or income taxes paid in 2023.

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT AND NOTES TO FINANCIAL STATEMENTS

STONEGATE FARMS COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 – NATURE OF ORGANIZATION

Stonegate Farms Community Association, Inc. (the Association) is a homeowners' association incorporated in the State of Ohio in May 1999. The Association is responsible for the preservation and maintenance of the common property of the Stonegate Farms Community located in Batavia Township, Ohio. The community consists of 43 residential lots as well as various common areas.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain significant accounting policies followed in the preparation of these financial statements. The policies conform to the basis of accounting described below and have been consistently applied.

FUND ACCOUNTING

The Association's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Association's operating documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association monitors its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

General 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.

HOMEOWNERS ASSESSMENTS and ACCOUNTS RECEIVABLE

Association homeowners are subject to assessments to provide funds for the Association's operating and maintenance expenses, future capital acquisitions, and future major repairs and replacements. Annual assessments for the year ended December 31, 2023, were \$475.

The Financial Accounting Standards Board has issued Accounting Standards Update (ASU) No 2014-19, Revenue from Contracts with Customers (Topic 606). Among other requirements, this ASU requires deferral of income under a customer contract until services are rendered. Certain interpretations of the ASU would also require that a liability, rather than fund balance, be recorded for reserve funds until reserve expenses were incurred. Because of the unique relationship between the Association and its members (homeowners), no customer relationship exists as defined by the ASU and the Association has determined that the ASU does not apply to the Association. Assessment revenue is recognized when assessments are due and any amounts received in advance of the assessment due date are recorded as prepaid assessments until the due date.

STONEGATE FARMS COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

HOMEOWNERS ASSESSMENTS and ACCOUNTS RECEIVABLE – cont.

Any accounts receivable at the balance sheet date are recorded at cost and represent assessments and fees due from property owners. The Association's policy is to assess late fees to any assessments not paid by the due date. Association documents set the late fee as equal to five times the current annual assessment. The Association may retain legal counsel and place liens on properties of owners whose assessments are seriously delinquent and can initiate foreclosure action against homeowners if amounts due are not paid.

All association homeowners paid timely in 2023 and there were no balances due at December 31, 2023. As such, an allowance for uncollectible assessments is not considered necessary. If an account is determined to be uncollectible, it is written off in the year of determination. No accounts were written off during 2023. Any excess assessments at year-end are typically retained by the Association for use in future years or transferred into the reserve fund.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash includes operating cash and cash held in the reserve funds. The Association considers demand deposits including checking and savings accounts as well as certificates of deposit to be cash equivalents.

COMMON PROPERTY

In conformity with industry practices, the Association recognizes the following common property as assets:

- a. Common personal property
- b. Common real property to which it has title and that it can dispose of for cash at the discretion of the Board of Directors while retaining proceeds or that is used to generate significant cash flows from members on the basis of usage or from non members.

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 disposal of common real property and related improvements is subject to membership approval. Common personal property is capitalized and depreciated using the straight-line method over the estimated useful life of the property. Repairs and maintenance are charged to expense as incurred.

USE OF 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

STONEGATE FARMS COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

FAIR VALUE AND CONCENTRATIONS OF CREDIT RISK

The carrying amounts reflected in the balance sheet for cash approximate fair values due to the short maturities of those instruments. The Association normally maintains sufficient cash to meet its anticipated working capital needs. The cash balance, at times, may exceed federally insured limits, but did not do so at December 31, 2023.

NOTE 3 – INCOME TAXES

Homeowners' associations may elect to be taxed as regular corporations, subject to the provisions of Internal Revenue Code Section 277, or as a homeowners' association subject to Internal Revenue Code Section 528. The Association elected to be taxed as a homeowners' association for the year ended December 31, 2022. Under that election, nonexempt income, which principally includes interest earnings, is taxed at a flat rate of 30%. The Association had a small amount of federally taxable income for the year and owed \$222 in federal income tax, which was paid in 2024. No federal income tax has been accrued at December 31, 2023, because the amount is immaterial to the financial statements as a whole. Homeowners' associations are not subject to tax in the State of Ohio.

Management has evaluated the tax positions taken, or expected to be taken, if any, on the association's tax returns, and the likelihood that upon examination those positions would be sustained. Based on the results of this evaluation, management determined that there are no positions that necessitate disclosures in and/or adjustments to the accompanying financial statements.

The Association classifies interest and penalties with respect to uncertain tax positions recognized in the financial statements (if applicable) as interest expense and as an operating expense, respectively. The Association has assessed its tax positions for all open years (2020 – 2023) and has concluded that there are currently no significant liabilities to be recognized.

NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents state that one of the purposes of the annual assessments is for the upkeep and replacement of common property of the association. In addition, Ohio state law requires that the association adopt an annual budget that includes reserves in an amount adequate to repair and replace capital items in the normal course of operations without the necessity of special assessments, unless the majority of owners waive the reserve requirement annually.

The Association established a separate reserve account during 2019 to accumulate funds for future major repairs and replacements of common property components. Based on the approved budget, the Association assessed \$3,300 for future major repairs and replacements in 2023. Accumulated reserve funds at December 31, 2023, were \$37,691. It is the Association's policy to retain interest earned on reserve funds in the reserve fund.

As of the date of this report, the Association's board of directors had not engaged an independent professional to conduct a reserve study to estimate the remaining useful lives and replacement costs of the common property components. However, the board of directors, with the help of information from vendors and contractors, performed an informal study in 2019.

STONEGATE FARMS COMMUNITY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 4 – FUTURE MAJOR REPAIRS AND REPLACEMENTS – cont.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the reserve fund. Actual expenditures may vary from the 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, the Association has the right to increase regular assessments, to levy special assessments that are subject to membership approval, or delay the repair or replacement until funds are available.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

The Association is subject to various claims, legal proceedings, and investigations covering a wide range of matters that arise in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance, and if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position or results of operations of the Association if disposed of unfavorably.

NOTE 6 – SUBSEQUENT EVENTS

The Association has evaluated all subsequent events through July 2, 2024, the date of issuance of these financial statements. The Association believes that there have been no significant subsequent events.

STONEGATE FARMS COMMUNITY
ASSOCIATION, INC.

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2023

STONEGATE FARMS COMMUNITY ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2023

During 2019, the board of directors performed an informal reserve study to estimate the remaining useful lives and the replacement costs of the components of common property.

The board of directors is funding for future major repairs and replacements of common property based on that informal study.

The following information is based on the study and presents significant information about the components of common property. See Note 4 to the financial statements.

<u>COMPONENT</u>	<u>ESTIMATED REMAINING USEFUL LIFE</u>	<u>ESTIMATED CURRENT REPLACEMENT COST</u>	<u>COMPONENT OF FUND BALANCE DECEMBER 31, 2023</u>
Storm Water Facilities - Overflows	1-11	\$ 28,500	\$ 14,725
Storm Water Facilities - Dams	46	40,000	2,941
Storm Water Facilities - Dredging	16	20,000	3,375
Legal	n/a	1,000	1,000
Fence	11	15,000	13,250
Irrigation	1	1,500	1,500
Signs	1	900	900
		<u>\$ 106,900</u>	<u>\$ 37,691</u>

SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT AND NOTES TO THE FINANCIAL STATEMENTS