

WALKER LAKESHORES LANDOWNERS ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

WALKER LAKESHORES LANDOWNERS ASSOCIATION

TABLE OF CONTENTS

PAGE:

Independent Auditor's Report1-2

Statements of Assets, Liabilities and Net Assets – Cash Basis 3

Statements of Revenues Collected, Expenses Paid and Changes in Net Assets – Cash Basis..... 4

Notes to Financial Statements5-7

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Walker Lakeshores Landowners Association
100 Walker Lake Road
Shohola, PA 18458-2416

We have audited the accompanying financial statements of Walker Lakeshores Landowners Association, which comprise of the statement of assets, liabilities and net assets – cash basis as of December 31, 2017, and the related statement of revenues collected, expenses paid and changes in net assets – cash basis 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 the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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.

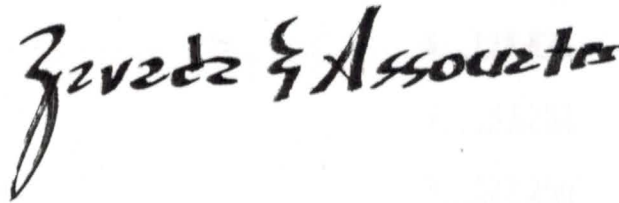
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material aspects, the assets, liabilities and net assets – cash basis of Walker Lakeshores Landowners Association as of December 31, 2017, and its revenues collected, expenses paid and change in net assets for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



Forty Fort, Pennsylvania
December 3, 2018

WALKER LAKESHORES LANDOWNERS ASSOCIATION
STATEMENTS OF REVENUES COLLECTED, EXPENSES PAID AND CHANGES IN
WALKER LAKESHORES LANDOWNERS ASSOCIATION
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Revenues Collected

Assessments and Special Assessments

Interest

Dividends

Other Income

Total Revenues

ASSETS

Cash	\$ <u>223,260</u>
Total Assets	\$ <u>223,260</u>

LIABILITIES AND NET ASSETS

Line of credit	\$ 47,000
Loan payable, Wayne Bank	<u>91,878</u>
Total Liabilities	\$ <u>138,878</u>
Net Assets	\$ <u>84,382</u>
Total Liabilities and Net Assets	\$ <u>223,260</u>

See accompanying notes and independent auditor's report.

WALKER LAKESHORES LANDOWNERS ASSOCIATION
STATEMENTS OF REVENUES COLLECTED, EXPENSES PAID AND CHANGES IN
NET ASSETS – CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Revenues Collected:

Assessments and membership fees	\$ 159,961
Interest	199
Social	17,712
Other Revenue	<u>11,114</u>
 Total Revenues	 \$ <u>188,986</u>

Expenses Paid:

Bank Charges	\$ 2,766
Beach & Grounds	7,455
Clubhouse	275
Computer	8,617
Dam Expenses	1,500
Insurance	18,014
Interest	8,885
Lake Expenses	11,785
Legal & Professional	5,355
Miscellaneous	6,581
Office	40
Payroll	6,062
Payroll Software	917
Postage	1,106
Repairs & Maintenance	3,545
Road Repairs	1,460
Security	4,756
Snow Plowing	38,414
Social	32,095
Supplies	6,023
Taxes	541
Telephone	3,257
Utilities	4,782
Waste Removal	<u>729</u>
 Total Expenses	 <u>174,960</u>

Increase/(Decrease) in Net Assets	14,026
Net Assets – Beginning	<u>70,356</u>
Net Assets – Ending	\$ <u>84,382</u>

See accompanying notes and independent auditor's report.

**WALKER LAKESHORES LANDOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Business

The Association is a Pennsylvania nonprofit association formed to represent property owners in the Walker Lakeshores Landowners Association. Walker Lakeshores consists of approximately 350 properties located in Shohola, Pike County, Pennsylvania.

Basis of Accounting

The Association's financial statements are presented on the cash basis of accounting. The cash basis of accounting, recognizes revenues when received rather than when earned and expenditures when paid rather than when the liability incurred (note that membership is billed as an optional fee). As a result of the use of cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Taxable Income

A Homeowners' Association can elect each year to be taxed under regulations pertaining to Homeowners' Associations under Internal Revenue Code Section 528 or under Internal Revenue Code Section 277. Under Homeowners' Association tax regulations, net nonexempt function income is taxed at a flat rate of 30%. Under Internal Revenue Code Section 277, the Association must allocate its income and expenses between membership and non-membership activities. By electing to carry any excess membership income over expenses to the following year's assessments, to replacement funds or to refund the excess, only its net non-membership income is taxed at a regular tax rate. The Association has elected to file annually under Code Section 528.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for 2014, 2015 and 2016 are also open to examination. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate-based on current facts and circumstances.

Concentration of Credit Risk

Substantially all of the Association's income is derived from property owners in Walker Lakeshores. The Association has the right to place a lien on the property of any owner who defaults in payment of fees and assessments.

**WALKER LAKESHORES LANDOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

Common Property

Common Property includes roads, lake and beach areas, recreational areas and signage. In accordance with the AICPA audit and accounting guide for Common Interest Realty Associations issued by the American Institute of Certified Public Accountants, such areas directly associated with the individual properties are not capitalized and improvements thereto are expensed.

Estimates

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

NOTE 2. LINE OF CREDIT:

The Association has a line of credit available from Wayne Bank. The line bears interest at variable rates (5.75% at December 31, 2017). Outstanding draws on the line totaled \$47,000 at December 31, 2017.

NOTE 3. CASH ACCOUNTS:

Cash, at December 31, 2017, consisted of:

Wayne Bank Checking	\$ 96,093
Wayne Bank Checking (New)	22,296
Wayne Bank Capital Improvement Account	6,668
Wells Fargo Savings	97,962
Petty Cash	<u>241</u>
	<u>\$ 223,260</u>

NOTE 4. LONG-TERM DEBT:

Loan payable, Wayne Bank in the original amount of \$142,721, due in monthly installments of \$2,534, including interest at an annual rate of 5.75%, secured by real estate. The loan was used to fund road repairs, dam repairs, and tennis court construction (the latter as a portion of the line of credit satisfied by the initial draw on the note). The balance at December 31, 2017 was \$91,878.

Five year maturities on long-term debt are as follows:

2018	\$ 25,680
2019	27,196
2020	28,802
2021	10,200
2022	<u>-</u>
Total	<u>\$ 91,878</u>

**WALKER LAKESHORES LANDOWNERS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 5. FUTURE MAJOR REPAIRS AND REPLACEMENTS:

The Association has not conducted a study to determine the remaining useful lives of the components of common property and has not estimated the current cost of major repairs and replacements that may be required in the future. When reserve funds are needed, the Association has the right to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available.

NOTE 6. SETTLEMENT WITH HINKEL ESTATES PROPERTY OWNERS ASSOCIATION:

On April 8, 2016, the Association agreed to a settlement agreement regarding litigation brought against it by Hinkel Estates Property Owners Association. The settlement included a number of matters. The Association's constitution was amended to include one landowner in Hinkel Estates Property Owners Association to represent it on the Association's Board of Directors. Annual audits are to be conducted commencing with the year ended December 31, 2016. In addition, dues billed to Hinkel Estates Property Owners Association for years prior to 2016 were zeroed out. All other pending lawsuits for dues and assessments against Hinkel Estates Property Owners Association residents were dropped. For the years 2016 through 2020 all Hinkel Estates Property Owners Association members are entitled to lake rights at no charge. For years 2021 and thereafter, members who want to utilize lake rights will be entitled to do so upon paying the lake assessment for the year. Walker Lakeshores Landowners Association agrees to reimburse the lake fund the sum of \$100,000, to be paid over sixty months at \$1,666 per month and liquidated damages were paid to Hinkel Estates Property Owners Association in the amount of \$45,000 through its insurance carrier.

NOTE 7. SUBSEQUENT EVENTS:

Subsequent events were evaluated through December 3, 2018 which is the date the financial statements were available to be issued.