

Ethan Commons Homeowners Association, Inc.

Reviewed Financial Statements and Supplementary Information

Year Ended December 31, 2022

Prepared by:

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April 7, 2022

The Board of Directors and Members
Ethan Commons Homeowners Association, Inc.
Twinsburg, Ohio

We have reviewed the accompanying financial statements of Ethan Commons Homeowners Association, Inc. (A Non-Profit Organization), which comprise the balance sheet as of December 31, 2022, and the related statements of revenues, expenses, and changes in fund balance and cash flow 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 the 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. 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 the results of our procedures provide a reasonable basis for our report.

Accountant's Conclusion on the Financial Statements

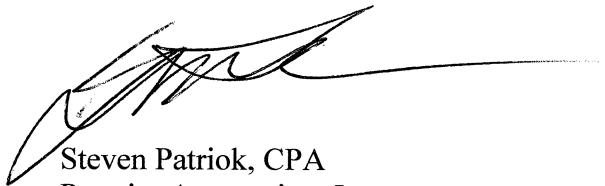
Based on our review, we are not aware of any material modification that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles generally accepted in the United States of America.

Supplementary Information

The supplemental information included in the Schedule of Operating Fund Revenues and Expenses – Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information (except for the budget information, which we have not audited or reviewed and, accordingly, we do not express an opinion, conclusion, nor provide any assurance on it) has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on it.

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 be presented to supplement the basic financial statements. Such information, although not a required 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 and for placing the basic financial statements in an appropriate operating, economic, or historical context. Such information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information, and do not express an opinion, conclusion, nor provide any assurance on it.



Steven Patriok, CPA
Premier Accounting, Inc.
Willoughby, Ohio

Ethan Commons Homeowners Association, Inc.
Balance Sheet
December 31, 2022

	Operating Fund	Replacement Fund	Total
<u>Assets</u>			
Current Assets			
Checking-Citizens Bank	102,431	-	102,431
Savings-Citizens Bank	\$ -	25,353	25,353
Accounts Receivable-Owner	23,418	-	23,418
Prepaid Insurance	4,322	-	4,322
Total Assets	\$ 130,171	\$ 25,353	\$ 155,524
 <u>Liabilities</u>			
Current Liabilities			
Accounts Payable	\$ 5,808	\$ -	\$ 5,808
Prepaid Owners' Fees	62,047	-	62,047
Total Liabilities	\$ 67,855	\$ -	\$ 67,855
 Fund Balances			
Fund Balances	\$ 62,316	\$ 25,353	\$ 87,669
Total Liabilities and Fund Balances	\$ 130,171	\$ 25,353	\$ 155,524

SEE ACCOUNTANTS' REVIEW REPORT AND NOTES TO FINANCIAL STATEMENTS

Ethan Commons Homeowners Association, Inc.
Statement of Revenue, Expenses, and Changes in Fund Balances
Year Ended December 31, 2022

	Operating Fund	Replacement Fund	Total
<u>Income</u>			
Maintenance Fees	\$ 123,150	\$ 18,135	\$ 141,285
Collection Costs	11,872	-	\$ 11,872
Late Fee Income	1,714	-	\$ 1,714
Misc Income	-	-	\$ -
Interest Income	-	100	\$ 100
Total Income	\$ 136,736	\$ 18,235	\$ 154,971
<u>Expenses</u>			
Accounting Fees	625	-	625
Bad Debt	2,060	-	2,060
Exterminating	1,014	-	1,014
Insurance	4,677	-	4,677
Landscaping	60,194	-	60,194
Landscaping-Additional (Includes Trees & Beds)	-	-	-
Legal Fees	9,952	-	9,952
Management Fees	23,000	-	23,000
Office Supplies (Includes Website)	6,414	-	6,414
Repairs-Electrical	300	-	300
Repairs-General	-	-	-
Repairs-Signs (Includes Electrical)	2,393	-	2,393
Repairs-Plumbing/Sewer	-	-	-
Repairs-Fountain	-	-	-
Repairs-Painting	-	-	-
Repairs-Pond	11,692	-	11,692
Utilities-Electricity	9,824	-	9,824
Total Expenses	132,145	-	132,145
Revenues over (under) Expenses	4,591	18,235	22,826
Beginning Fund Balances As Reported	57,725	7,118	64,843
Allocate to/From Reserve	-	-	-
Ending Fund Balances	\$ 62,316	\$ 25,353	\$ 87,669

SEE ACCOUNTANTS' REVIEW REPORT AND NOTES TO FINANCIAL STATEMENTS

Ethan Commons Homeowners Association, Inc.
Statement of Cash Flows
Year Ended December 31, 2022

	Operating Fund	Replacement Fund	Total
<u>Cash Flows from Operating Activities</u>			
Cash Received from Unit Owners	\$ 136,736	\$ 18,135	\$ 154,871
Cash Paid to Vendors and Others	(132,145)	-	(132,145)
Net Increase (Decrease in Cash)	4,591	18,135	22,726
 (Increase) Decrease in Assets:			
Prepays	(3,937)	-	(3,937)
Accounts Receivable	16,155	-	16,155
 Increase (Decrease) in Liabilities:			
Accounts Payable	5,808	-	5,808
Prepaid Owners Fees	(10,839)	-	(10,839)
 Net cash provided by (used in) operating activities	 11,778	 18,135	 29,913
 <u>Financing Activities</u>			
Interfund Transfers	-	-	-
 <u>Investing Activities</u>			
Interest Income	-	100	
Net Increase (Decrease in Cash)	11,778	18,235	30,013
 Cash & Cash Equivalents - Beginning of Year	 \$ 90,653	 \$ 7,118	 \$ 101,861
 Cash & Cash Equivalents - End of Year	 \$ 102,431	 \$ 25,353	 \$ 127,784

SEE ACCOUNTANTS' REVIEW REPORT AND NOTES TO FINANCIAL STATEMENTS

Ethan Commons Homeowners Association, Inc.
Schedule of Operating Fund Revenues and Expenses- Budget and Actual
Year Ended December 31, 2022

	Actual	Budget	Variance- Favorable (Unfavorable) -Compiled-
<u>Income</u>			
Maintenance Fees	\$ 123,150	\$ 123,150	\$ -
Collection Costs	11,872	-	11,872
Late Fee Income	1,714	-	1,714
Misc Income	-	-	-
Interest Income	-	-	-
Total Income	136,736	123,150	13,586
<u>Expenses</u>			
Accounting Fees	625	650	25
Bad Debt	2,060	300	(1,760)
Exterminating	1,014	-	(1,014)
Insurance	4,677	3,000	(1,677)
Landscaping	60,194	61,000	806
Landscaping-Additional (Includes Trees & Bed	-	-	-
Legal Fees	9,952	2,000	(7,952)
Management Fees	23,000	23,000	-
Office Supplies (Includes Website)	6,414	3,700	(2,714)
Repairs-Electrical	300	2,500	2,200
Repairs-General	-	2,000	2,000
Repairs-Signs (Includes Electrical)	2,393	2,000	(393)
Repairs-Plumbing/Sewer	-	-	-
Repairs-Fountain	-	-	-
Repairs-Painting	-	-	-
Repairs-Pond	11,692	15,000	3,308
Utilities-Electricity	9,824	8,000	(1,824)
	-	-	-
Total Expenses	132,145	123,150	(8,995)
Excess (Deficiency) of Operating Fund Revenue Over Operating Fund Expenses	\$ 4,591	\$ -	\$ 4,591

SEE ACCOUNTANTS' REVIEW REPORT AND NOTES TO FINANCIAL STATEMENTS

ETHAN COMMONS HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

NOTE A – NATURE OF THE ORGANIZATION

Ethan Commons Homeowners Association, Inc. (“Association”) is a statutory homeowners association incorporated on September 23, 1986, and is located in Twinsburg, Ohio, consisting of units organized as a not-for-profit corporation for the purpose of maintaining and preserving the common property of the Association.

NOTE B – DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 7, 2023, the date the financial statements were available to be issued.

NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The association’s governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitation 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 established according to their nature and purpose:

Operating Fund: This fund is used to account for financial resources available for the general operating of the Association

Replacement/Reserve Fund: This fund is used to accumulate financial resources designated for future major repairs and replacements.

Member Assessments

Association members are subject to monthly assessments to provide funds for the Association’s operating expenses, future capital acquisitions, and major repairs and replacements. Assessment receivable at the balance sheet date is stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association’s policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are thirty days or more delinquent. The Association considers all assessments receivable as of the end of the year to be fully collectible.

ETHAN COMMONS HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

Property and Equipment

The association capitalizes all property and equipment to which it has a title or other evidence of ownership with the exception of real property directly associated with the units. There were no capitalized assets at the end of the year.

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

NOTE D – INCOME TAXES

Homeowners' associations may be taxed either as homeowners' association or as regular corporations. For the year ended, the Association was taxed as a homeowners' association and an 1120-H return was prepared.

The Association is incorporated under the laws of the State of Ohio as a not-for-profit corporation under the provision of Chapter 5311 of the Ohio Revised Code and is not liable for state income or franchise taxes.

NOTE E – LITIGATION

There was one active foreclosure owing \$254 and personal liens (no longer residents) owed \$16,096. The remaining balance was made up of fourteen units that had various outstanding balances.

NOTE F – SPECIAL ASSESSMENT

None

ETHAN COMMONS HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

NOTE G – FUTURE MAJOR REPAIRS AND REPLACEMENT

The Association’s governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds which aggregated approximately \$25,353 at year-end are held in separate savings accounts and generally are not available for operating purposes.

In prior years, the Association had funded actual major repair and replacement expenditures from excess operating fund assessments as expenditures were incurred. During the current year, the Association continued to adopt a program to accumulate funds for estimated future major repairs and replacements. The Association levied assessments for \$18,135, made a transfer of excess operating funds for \$0, transferred \$0 to the operating and accrued \$100 of interest.

The funding program was based on the board estimating the remaining useful lives and the replacement costs of the common property components and can be updated by the board.

The Association is funding 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 replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right to increase regular assessments, levy special assessments, or delay major repairs and replacements until funds are available.

In the current year there were the following expenditures:

Expenditures:	
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ETHAN COMMONS HOMEOWNERS ASSOCIATION, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND
REPLACEMENTS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022

The Association's board of directors estimated the remaining useful lives and the replacement costs of the components of the common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. The board will determine whether the association is fully funded based on those estimates.