

SEWICKLEY HEIGHTS MANOR
HOMES ASSOCIATION
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
Year Ended December 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of
Sewickley Heights Manor Homes Association
Sewickley, Pennsylvania

We have audited the accompanying financial statements of Sewickley Heights Manor Homes Association, which comprise the balance sheet as of December 31, 2020, and the related statements of revenues and expenses, 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.

Auditors' 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 auditors' 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 Sewickley Heights Manor Homes Association as of December 31, 2020, 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.

Members of the American and Pennsylvania Institutes of Certified Public Accountants

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Operating Fund Revenues and Expenses – Budget and Actual on pages 11, 12, 13 and 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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 15 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 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.

Report on Summarized Comparative Information

We have previously audited Sewickley Heights Manor Homes Association 2019 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated February 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it is derived.


Pittsburgh, Pennsylvania

February 18, 2021

SEWICKLEY HEIGHTS MANOR HOMES ASSOCIATION
 BALANCE SHEET
 December 31, 2020

| | 2020 | | | 2019 |
|--------------------------------------|-------------------|---------------------|---------------------|---------------------------------------|
| | Operating Fund | Reserve Fund | Total | Total (For Comparative Purposes Only) |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 62,980 | \$ 786,397 | \$ 849,377 | \$ 666,473 |
| Certificates of deposit | - | 608,304 | 608,304 | 607,158 |
| Prepaid income tax | 2,500 | - | 2,500 | - |
| Accrued interest receivable | - | 3,023 | 3,023 | 4,113 |
| Assessments receivable | 1,868 | - | 1,868 | 4,236 |
| Due from operating fund | - | 2,023 | 2,023 | 3,110 |
| Property and equipment: | | | | |
| Landscape equipment | 20,104 | - | 20,104 | 20,104 |
| Maintenance equipment | 93,652 | - | 93,652 | 93,652 |
| Furniture and fixtures | 40,419 | - | 40,419 | 37,970 |
| | 154,175 | - | 154,175 | 151,726 |
| Less: accumulated depreciation | 60,288 | - | 60,288 | 45,724 |
| | <u>93,887</u> | <u>-</u> | <u>93,887</u> | <u>106,002</u> |
| | <u>\$ 161,235</u> | <u>\$ 1,399,747</u> | <u>\$ 1,560,982</u> | <u>\$ 1,391,092</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Accounts payable | \$ 7,601 | \$ - | \$ 7,601 | \$ 19,111 |
| Contract liabilities | 1,053 | - | 1,053 | 2,029 |
| Accrued wages | 5,987 | - | 5,987 | 4,353 |
| Other accrued expense | - | - | - | 2,283 |
| Due to reserve fund | 2,023 | - | 2,023 | 3,110 |
| Note payable | 10,740 | - | 10,740 | 24,825 |
| | 27,404 | - | 27,404 | 55,711 |
| TOTAL LIABILITIES | 27,404 | - | 27,404 | 55,711 |
| Fund balances | <u>133,831</u> | <u>1,399,747</u> | <u>1,533,578</u> | <u>1,335,381</u> |
| | <u>\$ 161,235</u> | <u>\$ 1,399,747</u> | <u>\$ 1,560,982</u> | <u>\$ 1,391,092</u> |

FINANCIAL STATEMENTS

See accompanying notes and independent auditors' report.

SEWICKLEY HEIGHTS MANOR HOMES ASSOCIATION
 STATEMENT OF REVENUES AND EXPENSES
 Year Ended December 31, 2020

| | 2020 | | 2019 | |
|---|-----------------|-------------------|-------------------|---------------------------------------|
| | Operating Fund | Reserve Fund | Total | Total (For Comparative Purposes Only) |
| REVENUES: | | | | |
| Assessments and fees | \$ 596,199 | \$ 377,224 | \$ 973,423 | \$ 909,725 |
| Paycheck Protection Program | 32,700 | - | 32,700 | - |
| Insurance Proceeds - Fire Restoration | 31,580 | - | 31,580 | 113,818 |
| Investment income | 276 | 10,219 | 10,495 | 26,296 |
| TOTAL REVENUES | 660,755 | 387,443 | 1,048,198 | 1,049,839 |
| EXPENSES: | | | | |
| Administration and operations | 106,943 | 300 | 107,243 | 102,307 |
| Fire Restoration expense | 297 | - | 297 | 171,758 |
| Maintenance building | 4,302 | - | 4,302 | 2,811 |
| Landscape | 246,220 | - | 246,220 | 239,909 |
| Pool/recreational facilities | 38,712 | 22,398 | 61,110 | 41,344 |
| Residential | 252,376 | 156,443 | 408,819 | 430,356 |
| Paved areas | 10,185 | 11,825 | 22,010 | 24,475 |
| TOTAL EXPENSES | 659,035 | 190,966 | 850,001 | 1,012,960 |
| EXCESS OF REVENUES OVER EXPENSES BEFORE INCOME TAXES | 1,720 | 196,477 | 198,197 | 36,879 |
| INCOME TAX EXPENSE | - | - | - | 4,783 |
| EXCESS OF REVENUES OVER EXPENSES | \$ 1,720 | \$ 196,477 | \$ 198,197 | \$ 32,096 |

See accompanying notes and independent auditors' report.

SEWICKLEY HEIGHTS MANOR HOMES ASSOCIATION
 STATEMENT OF CHANGES IN FUND BALANCES
 Year Ended December 31, 2020

| | 2020 | | | 2019 | | |
|--|------------------------------|----------------------------|----------------------|---------------------|---------------------|---------------------------------------|
| | Discretionary Operating Fund | Board Designated Fire Fund | Total Operating Fund | Reserve Fund | Total | Total (For Comparative Purposes Only) |
| BEGINNING BALANCE | \$ 138,571 | \$ - | \$ 138,571 | \$ 1,196,810 | \$ 1,335,381 | \$ 1,303,285 |
| Excess of revenues over (under) expenses | (29,563) | 31,283 | 1,720 | 196,477 | 198,197 | 32,096 |
| Transfer between funds | 24,823 | (31,283) | (6,460) | 6,460 | - | - |
| ENDING BALANCE | \$ 133,831 | \$ - | \$ 133,831 | \$ 1,399,747 | \$ 1,533,578 | \$ 1,335,381 |

See accompanying notes and independent auditors' report.

SEWICKLEY HEIGHTS MANOR HOMES ASSOCIATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2020

| | <u>2020</u> | | | <u>2019</u> | |
|---|----------------|----------------|-----------------|---------------------------------------|--|
| | Operating Fund | Reserve Fund | Total | Total (For Comparative Purposes Only) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Excess of revenues over expenses | \$ 1,720 | \$ 196,477 | \$ 198,197 | \$ 32,096 | |
| Depreciation | 20,895 | - | 20,895 | 20,530 | |
| Loss on disposition of asset | 194 | - | 194 | - | |
| Changes in: | | | | | |
| Prepaid income tax | (2,500) | - | (2,500) | - | |
| Accrued interest receivable | - | 1,090 | 1,090 | 1,321 | |
| Assessments receivable | 2,368 | - | 2,368 | 5,181 | |
| Accounts payable | (4,693) | (6,817) | (11,510) | (52,349) | |
| Contract liabilities | (976) | - | (976) | 33 | |
| Accrued wages | 1,634 | - | 1,634 | 573 | |
| Other accrued expense | (2,283) | - | (2,283) | (39,546) | |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 16,359 | 190,750 | 207,109 | (32,161) | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchase of property and equipment | (8,974) | - | (8,974) | (8,088) | |
| Purchase of certificates of deposit | - | (551,146) | (551,146) | (326,121) | |
| Redemption of certificates of deposit | - | 550,000 | 550,000 | 750,000 | |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | (8,974) | (1,146) | (10,120) | 415,791 | |

See accompanying notes and independent auditors' report.

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| | <u>2020</u> | | | <u>2019</u> | |
|--|------------------|-------------------|-------------------|---------------------------------------|--|
| | Operating Fund | Reserve Fund | Total | Total (For Comparative Purposes Only) | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Payments on note payable | (14,085) | - | (14,085) | (13,820) | |
| Transfers between funds | (7,547) | 7,547 | - | - | |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | (21,632) | 7,547 | (14,085) | (13,820) | |
| NET INCREASE (DECREASE) IN CASH | (14,247) | 197,151 | 182,904 | 369,810 | |
| BEGINNING CASH AND CASH EQUIVALENTS BALANCE | 77,227 | 589,246 | 666,473 | 296,663 | |
| ENDING CASH AND CASH EQUIVALENTS BALANCE | \$ 62,980 | \$ 786,397 | \$ 849,377 | \$ 666,473 | |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | | | | |
| Cash paid during the year for: | | | | | |
| Income taxes paid/(refunded) | \$ 4,783 | \$ - | \$ 4,783 | \$ 4,974 | |
| Interest | \$ 350 | \$ - | \$ 350 | \$ 614 | |

See accompanying notes and independent auditors' report.

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(First page of notes)

SEWICKLEY HEIGHTS MANOR HOMES ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ORGANIZATION

Sewickley Heights Manor Homes Association (the Association) was incorporated October 17, 1974, in the State of Pennsylvania. The Association is responsible for the operation and maintenance of the common property within Sewickley Heights Manor. The Association consists of 317 residential units located on approximately 82 acres in Sewickley, Pennsylvania.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations 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 operation of the Association.

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

As of December 31, 2020, \$2,023 is due to the reserve fund from the operating fund.

2. Member Assessments

Association members are subject to quarterly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are approximately one hundred days or more delinquent. There are \$7,555 of such overdue accounts as of December 31, 2020. Late fees are assessed on each assessment not paid by the last day of the month in which the due date falls. The Association evaluates collectability of unpaid assessments through consideration of past experience and susceptibility to factors outside the Association's control. The Association records bad debt expense using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debt expense. However, the effect of the use of the direct write-off method is not materially different from the results if the allowance method had been followed. It is the opinion of the board of directors that the Association will ultimately prevail against homeowners with delinquent assessments. As of December 31, 2020, only \$1,868 of the delinquent amount is included in assessments receivable.

Generally, excess assessments at year-end are retained by the Association for use in the succeeding year or, alternatively, the excess is refunded to the homeowners.

(Continuation of the notes on the next page.)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Contract Liabilities

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recognized when the Association receives payment in advance of the satisfaction of performance obligations. As of December 31, 2020, there was \$1,053 of 2021 assessments received in advance and presented as contract liability.

4. Interest Income

Interest income is allocated to the operating and reserve fund in proportion to the interest bearing deposits and investments of each fund.

5. Income Taxes

Homeowners' associations may be taxed either as homeowners' associations or as regular corporations. For the year ended December 31, 2020, the Association was taxed as a qualified tax-exempt homeowners' association under Internal Revenue Code Section 528. Under the section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance and care of Association property. Net nonexempt function income, which includes interest and revenues received from nonmembers, is taxed at 30% by the federal government. The Association is considered a Pennsylvania non-profit organization and exempt from state income tax. The Association has an overpayment of Federal income tax of \$2,500 as of December 31, 2020 that is presented as prepaid income tax.

The Association's provision for income taxes differs from applying the statutory U.S. Federal Income tax rate to the excess of revenues over (under) expenses before income taxes. The primary differences result from deferring certain income and deducting certain expenses for financial statement purposes but not for federal income tax purposes.

The Association is not aware of any uncertain tax positions as of December 31, 2020.

6. Property and Equipment

The Association's policy is not to capitalize common real property under the rationale that although the Association has title to the common real property, the property does not provide any future economic benefit to the Association. However, the Association's policy is to capitalize common personal property. At December 31, 2020, property not capitalized consisted of the administration building, maintenance building, swimming pool and pump house, tennis courts, basketball court, playground, driveways, sidewalks and streets. According to the Association's governing documents, two-thirds of all unit owners must approve dispositions of any common real property. Property and equipment are recorded at cost when acquired. The Association is responsible for preserving and maintaining common property.

(Continuation of the notes on the next page.)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

7. Depreciation
Capitalized common personal property is depreciated based upon straight line or accelerated depreciation methods over the estimated useful lives of such assets, which currently range from five to seven years. Depreciation expense aggregated \$20,895 in 2020.
8. Cash Equivalents
The Association considers all highly liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents.
9. 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 expense during the reporting period. Actual results could differ from these estimates.
10. Fair Value of Financial Instruments
The carrying amounts of the Company's financial instruments approximate fair value because the short maturity of the instruments or because terms are similar to market terms.

NOTE C - CERTIFICATES OF DEPOSIT

As of December 31, 2020, the Association held certificates of deposit with maturity dates greater than 90 days. The investments are presented in the financial statements at cost which is equivalent to market value. The total certificates of deposit as of December 31, 2020 of \$608,304 are designated in the reserve fund for future major repairs and replacements.

NOTE D - NOTE PAYABLE

Note payable consists of the following as of December 31:

Vehicle note payable at \$1,203 monthly, including interest at 1.9%, maturing September 21, 2021 and secured by a vehicle with a book value of \$28,541. \$ 10,740

The debt fully matures during 2021. There was \$350 of interest expense paid on the note during 2020.

The Association received a loan from PNC Bank in the amount of \$32,700 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated April 30, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. Since the Association used the proceeds on allowable expenses during 2020 and expects 100% forgiveness, it has recognized the \$32,700 as grant income during 2020.

(Continuation of the notes on the next page.)

NOTE E - FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$1,400,000 at December 31, 2020, are held in separate accounts and are generally not available for operating purposes. During 2020, \$377,224 of additional assessments were accumulated for future major repairs and replacements. The total investment earnings in 2020 amounted to \$10,219. The total expenditures from the reserves amounted to \$190,966. There was also a net transfer of \$6,460 to the operating fund for equipment replacement.

A total of \$2,023 is due to the Reserve Fund from the Operating Fund as of December 31, 2020 as follows:

| | |
|--|-----------------|
| Equipment funding budgeted – due to Reserve fund | \$ 20,895 |
| Equipment funding budgeted – due to Operating fund | (14,435) |
| Operating funds held in reserves – due to Operating fund | <u>(4,437)</u> |
| | <u>\$ 2,023</u> |

The Association cannot borrow against funds in a reserve account or expend the reserves for a purpose other than for which the reserve was established except upon the affirmative vote of two-thirds of the unit owners.

The Reserve Fund program is based on a study performed by the Board of Directors. The program is reviewed annually to estimate the remaining useful lives and the replacement costs of the common property components. The estimates for the study are obtained from licensed engineers and contractors who have inspected the property. A professional engineering firm was retained in 2014 to perform a full reserve study of the future major repairs and replacements. This study was completed in 2014. The roof study was updated during 2019.

The Association is funding such major repairs and replacements over the estimated useful lives of the components based on the study's estimate 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, subject to a vote of two-thirds of members, to levy a special assessment or to increase regular assessments over the maximum annual increase. The maximum annual increase without a vote of two-thirds of members is ten percent above the previous year's annual assessment.

(Continuation of the notes on the next page.)

NOTE F - FASB ASC 606 NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supercedes the revenue recognition requirements in FASB ASC 972-605, *Real Estate – Common Interest Realty Associations, Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an Association expects to be entitled in exchange for those goods or services. The Association adopted the requirements of the new guidance as of January 1, 2019. The adoption of the new guidance had no effect on the financial statements since the assessments collected are for the ongoing operating activities and maintenance of the residential units located on Association property. The Association has control over the delivery of the necessary replacements. The promised services result in a single performance obligation related to operating and reserve obligations. As a result, the revenue is recognized upon assessment.

NOTE G - CONTINGENT LIABILITY LITIGATION

There may be various outstanding contingent liabilities, such as lawsuits, which are not reflected in the accompanying financial statements. No such liabilities have been asserted, therefore, no estimate of loss, if any, is determinable.

NOTE H - RELATED PARTY TRANSACTIONS

The Developer and related parties have an ownership interest in twenty-nine units and lots of the Association. The Association earned \$75,225 in operating and reserve fund assessments from the Developer and related entities' units during 2020. All assessments have been collected as of December 31, 2020. The Developer's and related entities' assessments amounted to 8% of the Association's total assessments for the year ended December 31, 2020.

NOTE I - SUBSEQUENT EVENTS

Management and the Finance Committee have reviewed the financial statements as of February 18, 2021, which is the date the financial statements were available to be issued, and no events other than the matter disclosed below occurred that require recording or disclosure in the 2020 financial statements.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of business operations that has impacted the local and national economy. While the impact is currently expected to be temporary, there is considerable uncertainty around the duration of such economic disruption. Therefore, the Association expects this could have a negative impact on future financial operations. However, the related financial impact and duration cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

SEWICKLEY HEIGHTS MANOR HOMES ASSOCIATION
SCHEDULE OF OPERATING FUND REVENUES AND
EXPENSES - BUDGET AND ACTUAL
Year Ended December 31, 2020

| | <u>2020</u> | | <u>2019</u> | |
|-----------------------------------|-----------------------|----------------|---|--|
| | Budget (Unaudited) | Actual | Variance Favorable (Unfavorable) (Unaudited) | Actual (For Comparative Purposes Only) |
| REVENUES: | | | | |
| Regular assessments | \$ 570,526 | \$ 572,048 | \$ 1,522 | \$ 648,128 |
| Fire Recovery Insurance Proceeds | - | 31,580 | 31,580 | 113,818 |
| Investment income | 300 | 277 | (23) | 262 |
| Late fees | 3,000 | 4,100 | 1,100 | 3,300 |
| Paycheck Protection Program Grant | - | 32,700 | 32,700 | - |
| Other | 18,735 | 20,050 | 1,315 | 21,945 |
| TOTAL REVENUES | 592,561 | 660,755 | 68,194 | 787,453 |
| EXPENSES: | | | | |
| Administration and operations: | | | | |
| Wages | 48,973 | 49,641 | (668) | 47,663 |
| Payroll taxes | 4,346 | 4,235 | 111 | 4,232 |
| Short-term disability | 1,702 | 1,702 | - | 1,702 |
| Workers' compensation | 102 | 70 | 32 | 77 |
| Legal fees | 7,800 | 6,184 | 1,616 | 5,083 |
| Accounting/audit | 10,500 | 10,933 | (433) | 11,221 |
| Engineering services | 800 | 2,818 | (2,018) | - |
| Architectural services | 500 | - | 500 | - |
| Water/sewage | 2,805 | 2,878 | (73) | 2,809 |
| Depreciation | - | 231 | (231) | - |
| Copy equipment/service | 2,325 | 2,326 | (1) | 2,241 |
| Electricity | 2,350 | 2,447 | (97) | 2,316 |
| Gas | 630 | 605 | 25 | 705 |
| Admin. bldg. maintenance | 2,500 | 2,283 | 217 | 2,273 |
| Insurance | 10,500 | 9,874 | 626 | 8,766 |
| Office supplies | 1,500 | 1,490 | 10 | 2,559 |
| Telephone | 3,500 | 3,644 | (144) | 3,586 |
| Postage | 1,100 | 1,326 | (226) | 1,020 |
| Payroll services | 3,100 | 3,510 | (410) | 3,123 |
| Computer supplies/service | 3,000 | 822 | 2,178 | 567 |
| Fire recovery expense | - | 297 | (297) | 171,758 |
| Other | 1,800 | (76) | 1,876 | 2,064 |
| TOTAL ADMIN/OP. | 109,833 | 107,240 | 2,593 | 273,765 |

See independent auditors' report.

SEWICKLEY HEIGHTS MANOR HOMES ASSOCIATION
SCHEDULE OF OPERATING FUND REVENUES AND
EXPENSES - BUDGET AND ACTUAL (CONT.)
Year Ended December 31, 2020

| | <u>2020</u> | | <u>2019</u> | |
|--------------------------------|-----------------------|----------------|---|--|
| | Budget (Unaudited) | Actual | Variance Favorable (Unfavorable) (Unaudited) | Actual (For Comparative Purposes Only) |
| Maintenance building: | | | | |
| Water/sewage | 2,700 | 2,799 | (99) | 2,415 |
| Electricity/Gas | 1,850 | 1,503 | 347 | 380 |
| Supplies | 500 | - | 500 | 16 |
| Other | 500 | - | 500 | - |
| TOTAL MAINT. BUILDING | 5,550 | 4,302 | 1,248 | 2,811 |
| Landscape: | | | | |
| Wages | 28,448 | 19,486 | 8,962 | 16,661 |
| Payroll taxes | 3,109 | 1,996 | 1,113 | 1,888 |
| Workers' compensation | 1,856 | 1,149 | 707 | 2,174 |
| Contract landscape | 174,445 | 175,342 | (897) | 173,238 |
| Retaining walls | 500 | - | 500 | 365 |
| Rock beds | 1,000 | 1,966 | (966) | 838 |
| Trees/shrubs | 12,605 | 8,225 | 4,380 | 4,283 |
| Top soil | 450 | 68 | 382 | 407 |
| Grass seed/mush. manure | 750 | (100) | 850 | 547 |
| Depreciation | 2,693 | 2,693 | - | 2,695 |
| Electricity - Ridge | 200 | 164 | 36 | 121 |
| Fertilizer/Contract treatments | 10,384 | 10,384 | - | 10,090 |
| Tree removal | 6,500 | 4,744 | 1,756 | 7,788 |
| Tools and supplies | 200 | 101 | 99 | 114 |
| Gasoline/oil | 1,700 | 967 | 733 | 1,523 |
| Service truck | 400 | 961 | (561) | 518 |
| Equipment maintenance | 500 | 437 | 63 | 448 |
| Equipment rental | 3,700 | 5,866 | (2,166) | 3,151 |
| Truck insurance | 1,378 | 754 | 624 | 1,032 |
| Disposal | 500 | - | 500 | - |
| Other | 2,400 | 1,671 | 729 | 3,683 |
| Other - Ridge | 4,268 | 9,346 | (5,078) | 8,345 |
| TOTAL LANDSCAPE | 257,986 | 246,220 | 11,766 | 239,909 |

See independent auditors' report.

SEWICKLEY HEIGHTS MANOR HOMES ASSOCIATION
 SCHEDULE OF OPERATING FUND REVENUES AND
 EXPENSES - BUDGET AND ACTUAL (CONT.)
 Year Ended December 31, 2020

| | 2020 | | Variance Favorable (Unfavorable) (Unaudited) | 2019 | |
|------------------------------|-----------------------|----------------|---|--|--|
| | Budget (Unaudited) | Actual | | Actual (For Comparative Purposes Only) | |
| Pool/Recreation: | | | | | |
| Wages | 8,280 | 8,370 | (90) | 4,628 | |
| Payroll taxes | 1,145 | 1,063 | 82 | 639 | |
| Workers' compensation | 545 | 544 | 1 | 338 | |
| Water/sewage | 1,500 | 1,807 | (307) | 1,172 | |
| Depreciation | 3,627 | 3,718 | (91) | 3,580 | |
| Supplies | 6,300 | 8,392 | (2,092) | 6,261 | |
| Electricity | 4,500 | 4,697 | (197) | 4,190 | |
| Telephone | 225 | 358 | (133) | 173 | |
| Maintenance | 3,150 | 7,128 | (3,978) | 2,585 | |
| Disposal | 400 | - | 400 | 252 | |
| Other | 2,700 | 2,635 | 65 | 5,626 | |
| TOTAL POOL/REC. | 32,372 | 38,712 | (6,340) | 29,444 | |
| Residential: | | | | | |
| Wages | 87,769 | 82,906 | 4,863 | 74,973 | |
| Payroll taxes | 7,910 | 7,172 | 738 | 7,163 | |
| Health insurance | 19,000 | 18,952 | 48 | 15,927 | |
| Short-term disability | 1,750 | 1,555 | 195 | 1,689 | |
| Workers' compensation | 5,748 | 4,275 | 1,473 | 3,711 | |
| Exterior lighting | 2,000 | 1,373 | 627 | 1,323 | |
| Bldg. materials and supplies | 10,275 | 15,954 | (5,679) | 11,064 | |
| Depreciation | 14,253 | 14,253 | - | 14,255 | |
| Contract paint | 89,810 | 94,960 | (5,150) | 99,894 | |
| Gutters/flushing | 200 | - | 200 | 169 | |
| Gasoline/oil | 2,400 | 1,304 | 1,096 | 1,860 | |
| Service truck | 700 | 417 | 283 | 976 | |
| Equipment maintenance | 50 | - | 50 | 320 | |
| Equipment rental | 4,800 | 5,093 | (293) | 2,701 | |
| Truck insurance | 1,700 | 834 | 866 | 1,244 | |
| Disposal | 600 | 605 | (5) | 280 | |
| Other | 3,100 | 2,723 | 377 | 1,540 | |
| TOTAL RESIDENTIAL | 252,065 | 252,376 | (311) | 239,089 | |

See independent auditors' report.

SEWICKLEY HEIGHTS MANOR HOMES ASSOCIATION
 SCHEDULE OF OPERATING FUND REVENUES AND
 EXPENSES - BUDGET AND ACTUAL (CONT.)
 Year Ended December 31, 2020

| | 2020 | | Variance Favorable (Unfavorable) (Unaudited) | 2019 | |
|---|-----------------------|-----------------|---|--|--|
| | Budget (Unaudited) | Actual | | Actual (For Comparative Purposes Only) | |
| Paved Areas: | | | | | |
| Snow removal | 3,055 | 2,715 | 340 | 452 | |
| Maintenance | 7,000 | 7,470 | (470) | 9,972 | |
| Other | 500 | - | 500 | 1,616 | |
| TOTAL PAVED AREAS | 10,555 | 10,185 | 370 | 12,040 | |
| TOTAL EXPENSES | 668,361 | 659,035 | 9,326 | 797,058 | |
| EXCESS OF OPERATING FUND REVENUES OVER (UNDER) OPERATING FUND EXPENSES BEFORE INCOME TAXES | \$ (75,800) | \$ 1,720 | \$ 77,520 | \$ (9,605) | |

See independent auditors' report.

SEWICKLEY HEIGHTS MANOR HOMES ASSOCIATION
 SUPPLEMENTARY INFORMATION ON FUTURE MAJOR
 REPAIRS AND REPLACEMENTS (UNAUDITED)
 December 31, 2020

The Association's board of directors engaged a consulting engineering firm in 2014 to complete a study of all the reserve component remaining useful lives and the replacement costs. This study was completed in 2014. The roof section of the study was updated during 2019. Estimated current replacement costs have taken into account the effects of a reasonable inflation rate between the date of the study and the date that the components will require repair or replacement.

The following information is based on the above noted study and presents significant information about the components of common property. (Amounts are rounded to the nearest thousand dollars).

| <u>Component</u> | <u>Estimated Remaining Useful Life (Years)</u> | <u>Estimated Current Replacement Cost</u> | <u>Reserve Fund Balance at December 31, 2020</u> |
|-------------------------|--|---|--|
| Residential | | | |
| Roofing systems | | | |
| 7 | 1-5 | \$ 279,000 | |
| 17 | 6-10 | 654,000 | |
| 19 | 11-15 | 735,000 | |
| 15 | 15+ | <u>441,000</u> | |
| | | 2,109,000 | \$ 572,000 |
| Decks | 1-25 | 3,572,000 | 201,000 |
| Sidewalks and patios | 1-25 | 300,000 | 24,000 |
| Siding/stucco | 1-20 | <u>914,000</u> | <u>140,000</u> |
| | | <u>6,895,000</u> | 937,000 |
| Common Areas | | | |
| Streets and driveways | 1-25 | 2,189,000 | 329,000 |
| Recreational facilities | 1-25 | 652,000 | 102,000 |
| Equipment | 1-10 | <u>154,000</u> | <u>32,000</u> |
| | | <u>2,995,000</u> | <u>463,000</u> |
| | | \$ <u>9,890,000</u> | \$ <u>1,400,000</u> |

See independent auditors' report.