

Limestone Hills Maintenance Corporation
Financial Statements and
Independent Accountants' Review Report
August 31, 2019

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Independent Accountants' Review Report

To the Board of Directors
Limestone Hills Maintenance Corporation

We have reviewed the accompanying financial statements of Limestone Hills Maintenance Corporation, which comprise the balance sheet as of August 31, 2019, and the related statements of revenues, expenses, and changes in members' equity 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 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 (GAAP); 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.

Accountants' 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 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 GAAP. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

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 GAAP.

To the Board of Directors

Required Supplementary Information

GAAP requires that information about future major repairs and replacements of common property on page 14 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, 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. Such information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information, and we do not express an opinion or a conclusion, or provide any assurance on it.

Supplementary Information

The supplementary information, as listed in the table of contents, 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 information 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 information. We have not audited the information and, accordingly, do not express an opinion on such information.



Sandra CRA Cracy

April 29, 2020
Newark, Delaware

Limestone Hills Maintenance Corporation
Balance Sheet
August 31, 2019
See Independent Accountants' Review Report

Assets

ASSETS

Cash and cash equivalents	\$ 512,941
Restricted cash	158,113
Assessments receivable	<u>50,204</u>
TOTAL ASSETS	<u>\$ 721,258</u>

Liabilities and Members' Equity

LIABILITIES

Deferred assessments	\$ 294,647
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MEMBERS' EQUITY

Undesignated	268,498
Designated for future major repairs and replacements	<u>158,113</u>
Total members' equity	<u>426,611</u>

TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 721,258</u>
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See notes to financial statements.

Limestone Hills Maintenance Corporation

**Statement of Revenues, Expenses, and
Changes in Members' Equity**

**For the Year Ended August 31, 2019
See Independent Accountants' Review Report**

REVENUE	
Assessments	\$ 477,173
Other revenue	<u>1,856</u>
	479,029
OPERATING EXPENSES	301,282
GENERAL AND ADMINISTRATIVE EXPENSES	<u>69,042</u>
EXCESS OF REVENUES OVER EXPENSES FROM OPERATIONS	108,705
OTHER REVENUE	
Interest income	<u>2,208</u>
EXCESS OF REVENUES OVER EXPENSES	110,913
MEMBERS' EQUITY - BEGINNING	<u>315,698</u>
MEMBERS' EQUITY - ENDING	<u>\$ 426,611</u>

See notes to financial statements.

Limestone Hills Maintenance Corporation
Statement of Cash Flows
For the Year Ended August 31, 2019
See Independent Accountants' Review Report

CASH FLOWS FROM OPERATING ACTIVITIES	
Excess of revenues over expenses	\$ 110,913
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities	
Changes in assets and liabilities	
Decrease in assessments receivable	458
Increase in deferred assessments	<u>28,677</u>
Net cash provided by operating activities	<u>140,048</u>
Net increase in cash, cash equivalents, and restricted cash	140,048
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR	<u>531,006</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 671,054</u>

See notes to financial statements.

Limestone Hills Maintenance Corporation

Notes to Financial Statements

See Independent Accountants' Review Report

Note A - Summary of Significant Accounting Policies

1. Purpose and Organization

Limestone Hills Maintenance Corporation (the Corporation) was incorporated in the State of Delaware on November 5, 1986. The Corporation was formed to provide maintenance, preservation, and control of common property within the residential community known as Limestone Hills. The Corporation does not contemplate pecuniary gain or profit to its members. The Corporation consists of approximately 1,700 units and is located in Hockessin, Delaware.

2. Basis of Presentation

These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

3. Member Assessments

Corporation members are subject to an annual assessment, which was \$275 for the year ended August 31, 2019. Corporation members who reside in the private road units are subject to an additional \$48 for the year ended August 31, 2019. Assessments receivable at the balance sheet date represent fees due from unit owners. Any excess assessments at year end are retained by the Corporation for use in future years. Past due or delinquent fees may be secured by recorded judgment or possible sheriff's sale. The Board of Directors considers all assessments receivable to be fully collectible. Deferred assessments represent assessments collected in advance of the following fiscal year.

4. Cash, Cash Equivalents, and Restricted Cash

Cash, cash equivalents, and restricted cash are reported on the balance sheet at cost, which approximates fair value. For the purpose of the statement of cash flows, the Corporation considers all cash deposits and highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

Limestone Hills Maintenance Corporation
Notes to Financial Statements (Continued)
See Independent Accountants' Review Report

Note A - Summary of Significant Accounting Policies (Continued)

4. Cash, Cash Equivalents, and Restricted Cash (Continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheet to the total of the same such amounts shown on the statement of cash flows.

Cash and cash equivalents	\$ 512,941
Restricted cash	<u>158,113</u>
 Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	 <u>\$ 671,054</u>

The Corporation's governing documents require that accumulated funds must be held in separate savings accounts and are generally not available for expenditures for normal operations. These funds must be used for major repairs and replacements of the private roads and for certain community property.

5. Income Taxes

The Corporation has elected to be taxed as a homeowners association for the year ended August 31, 2019. Under this election, the Corporation is generally taxed only on non-membership income, such as interest earnings, at regular corporate rates. Membership income is exempt from taxation if certain elections are made. The Corporation is not liable for state corporate income taxes, and therefore, no provision was made for such.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Those estimates and assumptions 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.

Limestone Hills Maintenance Corporation
Notes to Financial Statements (Continued)
See Independent Accountants' Review Report

Note A - Summary of Significant Accounting Policies (Continued)

7. Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accordance with accounting principles generally accepted in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, FASB issued ASU 2015-14, *Revenue from Contracts with Customers*, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Corporation has not yet selected a transition method and is currently evaluating the effect that the standard will have on its financial statements.

8. New Accounting Pronouncement

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*. ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash, and restricted cash equivalents in the statement of cash flows, and requires changes in the entity's restricted cash to be classified as either operating activities, investing activities, or financing activities in the statement of cash flows depending on the nature of the activities that gave rise to the restriction. ASU 2016-18 also requires a reconciliation of amounts reported as cash, cash equivalents, restricted cash, and restricted cash equivalents in the balance sheet to the total reported in the statement of cash flows and informative disclosures about the nature of restrictions on cash. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018, however, early adoption is permitted. The Corporation adopted ASU 2016-18 for the year ended August 31, 2019.

Limestone Hills Maintenance Corporation
Notes to Financial Statements (Continued)
See Independent Accountants' Review Report

Note A - Summary of Significant Accounting Policies (Continued)

9. Subsequent Events

The Corporation has evaluated subsequent events through April 29, 2020, which is the date the financial statements were available to be issued.

Subsequent to year end, the COVID-19 outbreak in the United States, including geographical regions in which the Corporation operates, has caused business disruption through mandated and voluntary closings of businesses. The extent of the impact of COVID-19 on the Corporation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and impact on the Corporation's members and vendors, all of which are uncertain and cannot be predicted. Therefore, while the Corporation expects this matter to negatively impact its operating results, the extent to which COVID-19 may impact the financial condition and operations cannot be reasonably estimated at this time.

Note B - Concentrations of Credit Risk

Cash deposits are maintained in three highly rated financial institutions within the Corporation's operating area, and management continually monitors the financial strength of each institution to minimize its risk. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. As of August 31, 2019, there were \$293,045 of cash balances in excess of FDIC-insured limits.

Note C - Future Major Repairs and Replacements

The Corporation's governing documents require that funds be accumulated for future major repairs and replacements of the private roads and for certain community property. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations. During the year ended August 31, 2019, a total of \$3,792 was assessed and collected for future major repairs and replacements of the private roads. During the year ended August 31, 2019, the replacement and reserve fund was reimbursed \$54,680 for funds previously borrowed by the operating fund. The balance in restricted cash accounts at August 31, 2019 was comprised of \$80,784 in the private road fund and \$77,329 in the replacement and reserve fund.

Limestone Hills Maintenance Corporation
Notes to Financial Statements (Continued)
See Independent Accountants' Review Report

Note C - Future Major Repairs and Replacements (Continued)

Funds for future major repairs and replacements are accumulated based on estimated future costs. Actual expenditures may vary from these estimates, and the variations may be material. If additional funds are needed, the Corporation has the right, subject to member approval, to increase regular assessments or to delay major repairs and replacements until funds are available. A study was conducted by management to estimate the remaining useful lives of common property components and the costs of future major repairs and replacements.

Required Supplementary Information

Limestone Hills Maintenance Corporation

Future Major Repairs and Replacements

For the Year Ended August 31, 2019
See Independent Accountants' Review Report

The Board of Directors conducts an informal study on an annual basis to estimate the remaining useful lives and replacements costs for each component that the Corporation is responsible for. The following table is based on the study and presents significant information about the components:

Components	Estimated Replacement Cost	Estimated Useful Lives (Years)	Estimated Remaining Useful Lives (Years)	Estimated Annual Funding Required
CLUSTER A				
Playground #1	\$ 30,000	25	10	\$ 1,200
Basketball court	12,000	12	11	1,000
Playground #2	30,000	25	13	1,200
Parking areas (blacktop)	45,000	20	4	2,250
Pathways in open space (blacktop)	36,000	20	8	1,800
Sidewalks in open space (concrete)	56,000	30	13	1,867
Entrance sign and monuments	6,000	20	8	300
CLUSTER B (East includes Vincent Lane)				
Playground #6	12,500	25	24	500
Parking areas (blacktop)	30,000	20	13	1,500
Pathways in open space (blacktop)	18,000	20	8	900
Sidewalks in open space (concrete)	60,800	30	13	2,027
Entrance sign and monuments	6,000	20	13	300
CLUSTER C (North Pointe)				
Playground #3	25,000	25	6	1,000
Basketball court	12,000	12	1	1,000
Tennis court (double court)	24,000	12	11	2,000
Parking areas (blacktop)	54,000	20	6	2,700
Pathways in open space (blacktop)	20,000	20	8	1,000
Sidewalks in open space (concrete)	8,000	30	13	267
Entrance sign and monuments	6,000	20	8	300
CLUSTER D (West)				
Playground #4	25,000	25	8	1,000
Basketball court	12,000	12	3	1,000
Playground #5	15,000	25	24	600
Parking areas (blacktop)	30,000	20	8	1,500
Pathways in open space (blacktop)	48,000	20	8	2,400
Sidewalks in open space (concrete)	19,200	30	18	640
Entrance sign and monuments	6,000	20	13	300
TOTALS	\$ <u>646,500</u>			\$ <u>30,550</u>

The annual funding percentage is just under 80% (\$25,000). The replacement and reserve account will never need to be fully funded since there is considerable variance in the installation dates and lives for each amenity.

Supplementary Information

Limestone Hills Maintenance Corporation
Schedule of Operating Expenses
For the Year Ended August 31, 2019
See Independent Accountants' Review Report

Electricity	\$ 2,542
Landscaping maintenance	60,918
Lawn care	117,000
Repairs and maintenance	20,283
Snow removal	96,320
Trash removal	<u>4,219</u>
 TOTAL	 <u>\$ 301,282</u>

Limestone Hills Maintenance Corporation
Schedule of General and Administrative Expenses
For the Year Ended August 31, 2019
See Independent Accountants' Review Report

Bank charges	\$ 110
Insurance	10,739
Professional fees	51,738
Newsletter and website	318
Office expenses	<u>6,137</u>
TOTAL	<u>\$ 69,042</u>