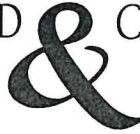


**Chimney Hill Owners
Association, Inc.**

Financial Statements and
Independent Auditor's Report

March 31, 2025 and 2024



Joseph S. Pieciak, Jr., CPA
Gary G. Fitzgerald, CPA, MST
Keith H. Purcell, CPA
Travis M. Lawyer, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Chimney Hill Owners Association, Inc.
Wilmington, Vermont

Opinion

We have audited the accompanying financial statements of Chimney Hill Owners Association, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Chimney Hill Owners Association, Inc. as of March 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chimney Hill Owners Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Chimney Hill Owners Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Chimney Hill Owners Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chimney Hill Owners Association, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the supplementary information of future major repairs and replacements on page thirteen be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Downy, Picciak, Fitzgerald + Co., P.C.

License 92-0000111
Brattleboro, Vermont
March 11, 2026

Chimney Hill Owners Association, Inc.

Balance Sheets
March 31, 2025 and 2024

	2025	2024
Assets		
Current assets:		
Cash - operating	\$ 83,897	\$ 151,329
Cash - restricted	524,095	816,793
Assessments receivable, net of credit losses	41,790	37,668
Prepaid expenses	26,536	18,634
Rental Deposits	43,574	-
Total current assets	<u>719,892</u>	<u>1,024,424</u>
Property and equipment, net	<u>2,301,539</u>	<u>1,843,546</u>
Other assets:		
Land inventory	177,737	203,205
Other assets	-	34,886
Total other assets	<u>177,737</u>	<u>238,091</u>
Total assets	<u>\$ 3,199,168</u>	<u>\$ 3,106,061</u>
Liabilities and Members' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 60,011	\$ 48,751
Customer deposits	-	27,011
Current portion of long-term debt	40,818	30,889
Total current liabilities	<u>100,829</u>	<u>106,651</u>
Long-term liabilities:		
Long-term debt, less current portion	73,797	86,483
Deferred repair and replacement fund revenue	545,384	838,083
Total long-term liabilities	<u>619,181</u>	<u>924,566</u>
Total liabilities	<u>720,010</u>	<u>1,031,217</u>
Members' equity		
Capital contributions	275,484	275,484
Undesignated	2,203,674	1,799,360
Total members' equity	<u>2,479,158</u>	<u>2,074,844</u>
Total liabilities and members' equity	<u>\$ 3,199,168</u>	<u>\$ 3,106,061</u>

The accompanying notes are an integral part of the financial statements.

Chimney Hill Owners Association, Inc.

Statements of Revenues and Expenses

Years Ended March 31, 2025 and 2024

	2025	2024
Revenues:		
Contract revenue:		
Assessments	\$ 532,884	\$ 461,620
Repair and replacement fund revenue	705,847	179,404
Other revenue:		
Ancillary membership charges	672,097	697,568
Rental commissions	162,931	136,944
Interest	65,802	60,929
Lease income	27,039	22,999
Gain on sale of assets and lot sales	80,615	111,481
Other income	37,157	39,626
Total revenues	2,284,372	1,710,571
Expenses:		
Administrative	303,924	290,758
Road maintenance	493,098	445,377
Water maintenance	52,883	79,056
Clubhouse	203,952	200,517
Legal	1,552	3,981
Insurance	135,503	116,238
Utilities	56,988	44,361
Recreation	14,008	15,917
Committee	17,660	19,544
Homeowner services	91,274	104,258
Office building	7,032	5,202
Depreciation	179,745	172,768
Interest	7,818	5,220
Rental management	80,240	62,209
Property taxes	26,149	24,170
Real estate operating expenses	1,333	1,455
Miscellaneous	42,182	31,203
Repair and replacement fund expenditures	164,617	29,281
Total expenses	1,879,958	1,651,515
Excess of revenues over expenses, before income taxes	404,414	59,056
Income tax expense	100	100
Excess of revenues over expenses	\$ 404,314	\$ 58,956

The accompanying notes are an integral part of the financial statements.

Chimney Hill Owners Association, Inc.

Statements of Changes in Members' Equity

Years Ended March 31, 2025 and 2024

	<u>Capital Contributions</u>	<u>Undesignated</u>	<u>Total</u>
Members' equity at March 31, 2023	\$ 275,484	\$ 1,740,404	\$ 2,015,888
Excess of revenue over expenses	<u>-</u>	<u>58,956</u>	<u>58,956</u>
Members' equity at March 31, 2024	275,484	1,799,360	2,074,844
Excess of revenue over expenses	<u>-</u>	<u>404,314</u>	<u>404,314</u>
Members' equity at March 31, 2025	<u>\$ 275,484</u>	<u>\$ 2,203,674</u>	<u>\$ 2,479,158</u>

The accompanying notes are an integral part of the financial statements.

Chimney Hill Owners Association, Inc.

Statements of Cash Flows Years Ended March 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 404,314	\$ 58,956
Adjustments to reconcile excess of revenue over expenses to net cash provided (used) by operating activities:		
Depreciation	179,745	172,768
(Gain) on sale of assets and lot sales	(80,615)	(111,481)
(Increase) decrease in:		
Assessments receivable, net of credit losses	(4,122)	(17,675)
Prepaid expenses	(7,902)	(2,210)
Rental Deposits	(43,574)	-
Land inventory sale proceeds receivable	-	35,178
Other assets	34,886	16,410
Increase (decrease) in:		
Accounts payable and accrued expenses	11,260	(6,869)
Customer deposits	(27,011)	(31,501)
Deferred repair and replacement fund revenue	(292,699)	242,633
Net cash provided by operating activities	174,282	356,209
Cash flows from investing activities:		
Change in land inventory	102,083	141,465
Proceeds from sale of assets	10,000	10,000
Purchases of property and equipment	(609,690)	(182,303)
Net cash used by investing activities	(497,607)	(30,838)
Cash flows from financing activities:		
Repayment of notes payable	(36,805)	(24,760)
Net cash used by financing activities	(36,805)	(24,760)
Net change in cash	(360,130)	300,611
Cash at the beginning of the year	968,122	667,511
Cash at the end of the year	\$ 607,992	\$ 968,122

See Supplemental Disclosure of Cash Flows Information (Note L)

The accompanying notes are an integral part of the financial statements.

Chimney Hill Owners Association, Inc.

Notes to Financial Statements

March 31, 2025 and 2024

Note A - Nature of Operations

Chimney Hill Owners Association, Inc. (the Association) was incorporated on May 25, 1975 in the State of Vermont. The Chimney Hill development consists of 555 residential units and 412 lots located on approximately 1,200 acres in Wilmington, Vermont. The Association is responsible for the operation and maintenance of the common property within the development.

Note B - Summary of Significant Accounting Policies

Method of Accounting:

The policy of the Association is to record all transactions on the accrual basis of accounting.

Cash:

For purposes of the statements of cash flows, cash includes cash on hand and all time and demand deposits held by financial institutions.

Member Assessments Receivable:

Association members are subject to annual assessments to provide funds for the Association's operating expenses. Assessments receivable represent fees due from members. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are 12 months or more delinquent. The Association provides an allowance for doubtful accounts for assessments receivable which are deemed to be potentially uncollectible. Any excess assessments at year end are retained by the Association for use in the succeeding year. Annual assessments are billed on April 1st and are payable by June 30. Interest is charged at one percent per month (retroactive to April 1) if assessments are not paid by the June 30 due date. A "Half Payment" option is available which allows one half of assessments plus a fee to be paid by May 31 with the remaining payment extended until September 30 without penalty.

Property and Equipment:

The Association capitalizes property and equipment to which it has title or other evidence of ownership. Property and equipment purchased by the Association are recorded at cost and property contributed to the Association is recorded at estimated fair value at the date of contribution. Property and equipment are depreciated using straight-line and accelerated methods over the estimated useful lives of the assets ranging from 5 to 39 years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in operations for the period.

The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized. A deduction is made for retirements resulting from the renewals or betterments.

Land Inventory:

Land inventory consists of 134 lots as of March 31, 2025 and 140 lots as of March 31, 2024, respectively, which are recorded at cost. The Board of Directors has authorized the listing of a limited number of selected properties for sale on a yearly basis. In May 2001, the Association established the Deed Restricted Lots program which included 227 lots as of March 31, 2025 and 223 lots as of March 31, 2024, respectively. This program is intended to maintain and increase open spaces of Chimney Hill, and allow for the sale of land owned by the Association to adjacent owners resulting in sales and assessment revenues for the Association.

Chimney Hill Owners Association, Inc.

Notes to Financial Statements

March 31, 2025 and 2024

Note B - Summary of Significant Accounting Policies - Continued

Revenue and Revenue Recognition:

Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Associations' performance obligations related to its regular and any special assessments is satisfied over time using the input method. Management has determined that there is not a significant financing component to the annual assessments.

Income Taxes:

Homeowners' associations may be taxed either as homeowners' association or as regular corporations. Due to certain tax regulations related to the Association, the Association was taxed as a regular corporation for the years ended March 31, 2025 and 2024. As such, membership income is exempt from taxation and the Association is taxed only on its non-member income, at regular federal and state corporate rates. Non-member income consists primarily of rental and real estate income and investment income.

Management has analyzed its various federal and state income tax filings for the last three preceding years that remain open within the statute of limitations and they believe that the Association's reported revenues and deductions are well documented and supported, and that no controversial or questionable income tax reporting positions have been taken regarding these filings. Consequently, management believes that there are no unasserted tax liabilities, interest or penalties related to these filings and, accordingly, has made no provision for contingent income tax liabilities.

Use of 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 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 C - Assessments Receivable

Assessments (contracts) receivable consist of the following at March 31:

	2025	2024
Assessments receivable	\$ 94,622	\$ 76,063
Allowance for credit losses	(52,832)	(38,395)
	<u>\$ 41,790</u>	<u>\$ 37,668</u>

Note D - Property and Equipment

Property and equipment consist of the following at March 31:

	2025	2024
Land and improvements	\$ 297,484	\$ 297,484
Buildings and amenities	1,806,983	1,729,694
Water system	1,411,261	921,140
Vehicles and equipment	1,369,561	1,336,434
Furniture and fixtures	157,352	157,351
	<u>5,042,641</u>	<u>4,442,103</u>
Less accumulated depreciation	(2,741,102)	(2,598,557)
	<u>\$ 2,301,539</u>	<u>\$ 1,843,546</u>

Chimney Hill Owners Association, Inc.

Notes to Financial Statements

March 31, 2025 and 2024

Note E - Note Payable to Bank

The Association has a \$150,000 line of credit with a local bank. The interest rate is at the Wall Street Journal Prime Rate plus 1% (8.50% at March 31, 2025 and 9.50% at March 31, 2024, respectively) and is secured by real estate. At March 31, 2025 and 2024 there were no borrowings against this line of credit.

The Association also has a line of credit with Edward Jones, borrowing limit is \$64,993 at March 31, 2025 and \$237,254 at March 31, 2024, respectively. The interest rate is 8.75% and 9.25% at March 31, 2025 and March 31, 2024, respectively and is secured by cash held at Edward Jones. At March 31, 2025 and 2024, there were no borrowings against this line of credit.

Note F - Long-Term Debt

Long-term debt consists of the following at March 31:

	2025	2024
Note payable to Tephens CJDR of Bennington, due May 2028, payable in monthly installments of \$867, secured by a vehicle.	\$ 28,131	\$ -
Non-interest bearing note payable to Kubota Credit, due August 2026, payable in monthly installment of \$791, secured by equipment.	13,454	22,951
Non-interest bearing note payable to John Deere Financial, due February 2028, payable in monthly installment of \$340, secured by equipment.	11,892	15,970
Note payable to Ally Financial, due March 2027, payable in monthly installments of \$908, including interest at 8.79%, secured by a vehicle.	20,018	28,750
Note payable to Ally Financial, due November 2028, payable in monthly installments of \$1,111, including interest at 9.99%, secured by a vehicle.	41,120	49,702
	114,615	117,373
Less current portion	(40,818)	(30,889)
	\$ 73,797	\$ 86,484

Chimney Hill Owners Association, Inc.

Notes to Financial Statements

March 31, 2025 and 2024

Note F - Long-Term Debt - Continued

The amount of aggregate annual principal installments of long-term debt for the years succeeding March 31, are as follows:

<u>March 31,</u>	
2026	\$ 40,818
2027	38,089
2028	25,405
2029	10,303
2030	-
	<u>\$ 114,615</u>

Note G - Owners' Assessments

Annual assessments to owners for the year ended March 31, 2025 amounted to \$1,527 and \$1,024 per house and lot, respectively, including amounts allocated to reserves of \$150 per house and \$50 per lot. Annual assessments to owners for the year ended March 31, 2024 amounted to \$1,435 and \$963 per house and lot, respectively, including amounts allocated to reserves of \$135 per house and \$45 per lot.

The annual budget is determined by the Board of Directors and ratified by the membership. Annual assessments may be increased by the Board of Directors subject to limitations set forth in the Association's Declaration of Protective Covenants, Restrictions and Reservations. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

Note H - Future Major Repairs and Replacements

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate bank accounts and generally are not available for normal operations.

The Reserve Advisors, Inc. (a consulting firm) conducted a study in August 2009 to estimate the remaining useful lives and the future replacement costs of the components of common property. Funding requirements consider an annual inflation rate of 2.5 % and interest of 2.5 % on amounts funded for future major repairs and replacements. The table included in the unaudited supplementary information of Future Major Repairs and Replacements is based on this study.

The Board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of future replacement costs with consideration given to amounts previously accumulated in the replacement fund.

Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right to increase regular assessments (as limited by the Association's Covenants), delay major repairs and replacements until funds are available or pass special assessments.

The Association should consider conducting a new study since the last study was done in August 2009.

Note I - Leases

The Association leases certain office equipment under operating leases with various terms. Lease payments for the years ended March 31, 2025 and 2024 were \$898 and \$742, respectively. Future payments will be \$70 per month through October 2028. The Association elected the practical expedient under the new lease standards.

Chimney Hill Owners Association, Inc.

Notes to Financial Statements

March 31, 2025 and 2024

Note J - Other Income

Other income consists of the following at March 31:

	2025	2024
Sale of firewood	\$ 23,050	\$ 19,020
Snowmobile/boat storage	7,200	3,800
Special activities	2,529	3,230
Miscellaneous	4,378	13,576
	<u>\$ 37,157</u>	<u>\$ 39,626</u>

Note K - Income Taxes

For the years ended March 31, 2025 and 2024, the Association was taxed as a regular corporation. Income tax expense consists of the following at March 31:

	2025	2024
Federal income tax expense	\$ -	\$ -
State income tax expense	100	100
	<u>\$ 100</u>	<u>\$ 100</u>

Note L - Supplemental Disclosure of Cash Flow Information

	2025	2024
Cash paid during the year for:		
Interest	\$ 7,818	\$ 5,220
Income taxes paid	\$ 5,500	\$ 8,242

Supplemental disclosure of non-cash financing and investing activities:

Acquisition of vehicles purchased with notes payable	\$ 34,048	\$ 52,077
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Note M - Credit Risk

The Association maintains deposits in several financial institutions. At March 31, 2025 and 2024, the Association's bank deposits exceeded federally insured limits by \$65,454 and \$271,995, respectively.

Note N - Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. The reclassification had no effect on the reported equity.

Note O - Date of Subsequent Events Evaluation and Subsequent Events

The Association has evaluated its March 31, 2025 financial statements for subsequent events through March 11, 2026, the date the financial statements were issued.

Chimney Hill Owners Association, Inc.
Supplementary Information of Future Major Repairs and Replacements
March 31, 2025

An independent engineer conducted a study in August 2009 to estimate the remaining useful lives and replacement costs of the components of common property. Funding requirements consider an annual inflation rate of 2.5 percent and interest of 2.5 percent, on amounts funded for future major repairs and replacements.

The following information is based on the study and presents significant information about the components of common property.

Component	Estimated Remaining Useful Life (Years)	Future Replacement Cost	Funds Currently Held In Replacement Fund
Property site elements:	10-30	\$ 4,023,108	\$ 148,610
Gravel roads			
Tennis and basketball courts			
Water system			
Garages			
Outbuildings			
Trails			
Grounds			
Maintenance vehicle elements	10-20	3,888,588	156,259
Clubhouse and office building elements	20	1,060,933	85,474
Pool elements	20	914,028	50,000
Contingency/miscellaneous	20	5,500	83,752
		<u>\$ 9,892,157</u>	<u>\$ 524,095</u>