

# **Chimney Hill Owners Association, Inc.**

Financial Statements and  
Independent Auditor's Report

March 31, 2024 and 2023

# DOWNEY, PIECIAK, FITZGERALD & CO., P.C.

Certified  
Public  
Accountants



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., which comprise the balance sheets as of March 31, 2024 and 2023, and the related statements of revenues and expenses, changes in members' equity, 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 respects, the financial position of Chimney Hill Owners Association, Inc. as of March 31, 2024 and 2023, and the results of its operations 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 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.

### Responsibilities of Management 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 judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment 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 judgment, 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.

*Downey, Picciak, Fitzgerald + Co., P.C.*

License 92-0000111  
Brattleboro, Vermont  
January 23, 2025



# Chimney Hill Owners Association, Inc.

## Balance Sheets March 31, 2024 and 2023

	2024	2023
<b>Assets</b>		
Current assets:		
Cash - operating	\$ 151,329	\$ 93,349
Cash - restricted	816,793	574,161
Assessments receivable, net	37,668	19,993
Prepaid expenses	18,634	16,424
Land inventory sale proceeds receivable	-	35,178
Total current assets	1,024,424	739,105
Property and equipment, net	1,843,546	1,781,934
Other assets:		
Land inventory	203,205	243,189
Other assets	34,886	51,296
Total other assets	238,091	294,485
Total assets	<u>\$ 3,106,061</u>	<u>\$ 2,815,524</u>
<b>Liabilities and Members' Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 48,751	\$ 55,620
Customer deposits	27,011	58,511
Current portion of long-term debt	30,889	22,385
Total current liabilities	106,651	136,516
Long-term liabilities:		
Long-term debt, less current portion	86,483	67,670
Deferred repair and replacement fund revenue	838,083	595,450
Total long-term liabilities	924,566	663,120
Total liabilities	1,031,217	799,636
Members' equity		
Capital contributions	275,484	275,484
Undesignated	1,799,360	1,740,404
Total members' equity	2,074,844	2,015,888
Total liabilities and members' equity	<u>\$ 3,106,061</u>	<u>\$ 2,815,524</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, 2024 and 2023

	2024	2023
<b>Revenues:</b>		
Contract revenue:		
Assessments	\$ 461,620	\$ 585,114
Repair and replacement fund revenue	179,404	185,409
Other revenue:		
Ancillary membership charges	697,568	629,361
Rental commissions	136,944	104,020
Interest	60,929	17,968
Lease income	22,999	43,784
Gain on sale of assets and lot sales	111,481	118,012
Other income	39,626	34,453
Total revenues	<u>1,710,571</u>	<u>1,718,121</u>
<b>Expenses:</b>		
Administrative	290,758	269,617
Road maintenance	445,377	449,208
Water maintenance	79,056	98,249
Clubhouse	200,517	170,633
Legal	3,982	4,141
Insurance	116,238	130,378
Utilities	44,361	46,240
Recreation	15,917	24,045
Committee	19,544	16,174
Homeowner services	104,258	128,982
Office building	5,202	4,752
Depreciation	172,768	209,997
Interest	5,220	2,070
Rental management	62,209	54,929
Property taxes	24,170	24,968
Real estate operating expenses	1,455	1,149
Miscellaneous	31,202	15,311
Repair and replacement fund expenditures	29,281	26,515
Total expenses	<u>1,651,515</u>	<u>1,677,358</u>
<b>Excess of revenues over expenses, before income taxes</b>	59,056	40,763
<b>Income tax expense</b>	<u>100</u>	<u>6,953</u>
<b>Excess of revenues over expenses</b>	<u>\$ 58,956</u>	<u>\$ 33,810</u>

*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, 2024 and 2023

	Capital Contributions	Undesignated	Total
Members' equity at March 31, 2022	\$ 275,484	\$ 1,706,594	\$ 1,982,078
Excess of revenue over expenses	-	33,810	33,810
Members' equity at March 31, 2023	275,484	1,740,404	2,015,888
Excess of revenue over expenses	-	58,956	58,956
Members' equity at March 31, 2024	<u>\$ 275,484</u>	<u>\$ 1,799,360</u>	<u>\$ 2,074,844</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, 2024 and 2023

	2024	2023
<b>Cash flows from operating activities:</b>		
Excess of revenue over expenses	\$ 58,956	\$ 33,810
Adjustments to reconcile excess of revenue over expenses to net cash provided (used) by operating activities:		
Depreciation	172,768	209,997
(Gain) on sale of assets and lot sales	(105,551)	(44,248)
(Increase) decrease in:		
Assessments receivable, net	(17,675)	10,624
Prepaid expenses	(2,210)	(2,666)
Land inventory sale proceeds receivable	35,178	(35,178)
Other assets	16,410	(51,296)
Increase (decrease) in:		
Accounts payable and accrued expenses	(6,869)	11,359
Customer deposits	(31,500)	12,197
Deferred repair and replacement fund revenue	242,633	57,057
<b>Net cash provided (used) by operating activities</b>	<b>362,140</b>	<b>201,656</b>
<b>Cash flows from investing activities:</b>		
Change in land inventory	135,535	100,213
Proceeds from sale of assets	10,000	10,000
Purchases of property and equipment	(182,303)	(148,833)
<b>Net cash provided (used) by investing activities</b>	<b>(36,768)</b>	<b>(38,620)</b>
<b>Cash flows from financing activities:</b>		
Repayment of notes payable	(24,760)	(87,513)
<b>Net cash provided (used) by financing activities</b>	<b>(24,760)</b>	<b>(87,513)</b>
<b>Net increase in cash</b>	<b>300,612</b>	<b>75,523</b>
<b>Cash at the beginning of the year</b>	<b>667,510</b>	<b>591,987</b>
<b>Cash at the end of the year</b>	<b>\$ 968,122</b>	<b>\$ 667,510</b>

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



# Chimney Hill Owners Association, Inc.

## Notes to Financial Statements

March 31, 2024 and 2023

---

### 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 552 residential units and 415 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 140 lots as of March 31, 2024 and 150 lots as of March 31, 2023, 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 223 lots as of March 31, 2024 and 214 lots as of March 31, 2023, 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, 2024 and 2023

### 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, 2024 and 2023. 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:

	2024	2023
Assessments receivable	\$ 76,063	\$ 54,418
Allowance for doubtful accounts	(38,395)	(34,425)
	<u>\$ 37,668</u>	<u>\$ 19,993</u>

### Note D - Property and Equipment

Property and equipment consist of the following at March 31:

	2024	2023
Land and improvements	\$ 297,484	\$ 297,484
Buildings and amenities	1,729,694	1,614,444
Water system	921,140	905,324
Vehicles and equipment	1,336,434	1,301,663
Furniture and fixtures	157,351	157,351
	<u>4,442,103</u>	<u>4,276,266</u>
Less accumulated depreciation	(2,598,557)	(2,494,332)
	<u>\$ 1,843,546</u>	<u>\$ 1,781,934</u>

# Chimney Hill Owners Association, Inc.

## Notes to Financial Statements

March 31, 2024 and 2023

### 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% (9.50% at March 31, 2024 and 9.00% at March 31, 2023, respectively) and is secured by real estate. At March 31, 2024 and 2023 there were no borrowings against this line of credit.

The Association also has a line of credit with Edward Jones, borrowing limit is \$237,254 at March 31, 2024 and \$164,989 at March 31, 2023, respectively. The interest rate is 9.25% at March 31, 2023 and March 31, 2023, respectively and is secured by cash held at Edward Jones. At March 31, 2024 and 2023, there were no borrowings against this line of credit.

### Note F - Long-Term Debt

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

	2024	2023
Note payable to Ford Motor Credit, due May 2023, payable in monthly installments of \$1,068, including interest at 4.9%, secured by a vehicle.	\$ -	\$ 1,062
Non-interest bearing note payable to Kubota Credit, due August 2026, payable in monthly installment of \$791, secured by equipment.	22,951	32,447
Non-interest bearing note payable to John Deere Financial, due February 2028, payable in monthly installment of \$340, secured by equipment.	15,969	20,047
Note payable to Ally Financial, due March 2027, payable in monthly installments of \$908, including interest at 8.79%, secured by a vehicle.	28,750	36,499
Note payable to Ally Financial, due November 2028, payable in monthly installments of \$1,111, including interest at 9.99%, secured by a vehicle.	49,702	-
	117,372	90,055
	(30,889)	(22,385)
Less current portion	\$ 86,483	\$ 67,670



# Chimney Hill Owners Association, Inc.

## Notes to Financial Statements

March 31, 2024 and 2023

---

### 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>	
2025	\$ 30,889
2026	32,868
2027	29,307
2028	15,704
2029	8,604
	<u>\$ 117,372</u>

### Note G - Owners' Assessments

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. Annual assessments to owners for the year ended March 31, 2023 amounted to \$1,348 and \$904 per house and lot, respectively, including amounts allocated to reserves of \$110 per house and \$25 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.



# Chimney Hill Owners Association, Inc.

## Notes to Financial Statements

March 31, 2024 and 2023

### Note I - Leases

The Association leases certain office equipment under operating leases with various terms. Lease payments for the years ended March 31, 2024 and 2023 were \$742 and \$5,670, respectively.

### Note J - Other Income

Other income consists of the following at March 31:

	2024	2023
Sale of firewood	\$ 19,020	\$ 22,310
Snowmobile/boat storage	3,800	5,275
Special activities	3,230	2,577
Miscellaneous	13,576	4,291
	<u>\$ 39,626</u>	<u>\$ 34,453</u>

### Note K - Income Taxes

For the years ended March 31, 2024 and 2023, the Association was taxed as a regular corporation. Income tax expense consists of the following at March 31:

	2024	2023
Federal income tax expense	\$ -	\$ 5,698
State income tax expense	100	1,255
	<u>\$ 100</u>	<u>\$ 6,953</u>

### Note L - Supplemental Disclosure of Cash Flow Information

	2024	2023
Cash paid during the year for:		
Interest	\$ 5,220	\$ 2,070
Income taxes paid	\$ 8,242	\$ 4,422

Supplemental disclosure of non-cash financing and investing activities:

Acquisition of vehicle	\$ 52,077	\$ 36,499
------------------------	-----------	-----------

### Note M - Credit Risk

The Association maintains deposits in several financial institutions. At March 31, 2024 the Association's bank deposits exceeded federally insured limits by \$271,995. At March 31, 2023 the Association's bank deposits were fully insured.

# **Chimney Hill Owners Association, Inc.**

## **Notes to Financial Statements**

**March 31, 2024 and 2023**

---

### **Note N - Date of Subsequent Events Evaluation and Subsequent Events**

The Association has evaluated its March 31, 2024 financial statements for subsequent events through the date the financial statements were issued.

# Chimney Hill Owners Association, Inc.

## Supplementary Information of Future Major Repairs and Replacements

### March 31, 2024

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	\$ 521,582
Gravel roads			
Tennis and basketball courts			
Water system			
Garages			
Outbuildings			
Trails			
Grounds			
Maintenance vehicle elements	10-20	3,888,588	143,815
Clubhouse and office building elements	20	1,060,933	86,446
Pool elements	20	914,028	20,000
Contingency/miscellaneous	20	5,500	44,951
		<u>\$ 9,892,157</u>	<u>\$ 816,794</u>