

STRAWBERRY PARK RESORT  
CAMPGROUND, INC.

FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

Years Ended December 31, 2016 and September 30, 2015

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To The Unit Owners  
Strawberry Park Resort Campground, Inc.  
Preston, CT 06365

We have reviewed the accompanying financial statements of Strawberry Park Resort Campground, Inc. (a Co-Op), which comprise the balance sheets as of December 31, 2016 and September 30, 2015, and the related statements of operations, changes in unit owners' equity and cash flows for the years 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 company 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; 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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our reviews, 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 accounting principles generally accepted in the United States of America.

### **Supplementary Information**

The supplementary information included is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our reviews, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

Management has omitted the required supplementary information about future repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a 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 operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

***Bailey Scarano, LLC***

Branford, Connecticut

May 4, 2017

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STRAWBERRY PARK RESORT CAMPGROUND, INC.  
BALANCE SHEETS  
December 31, 2016 and September 30, 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 767	\$ 21,251
Accounts receivable	29,457	37,731
Property and equipment, net	1,454,809	1,839,433
Due from affiliate	135,283	-
Due for future repairs and replacements reserve	24,208	210
Total	<u>\$ 1,644,524</u>	<u>\$ 1,898,625</u>
 <u>LIABILITIES AND UNIT OWNERS' EQUITY</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 75,581	\$ 4,438
Accrued expenses	8,000	37,092
Deferred revenue	28,771	-
Due to affiliate	-	174,998
Total	112,352	216,528
 <u>UNIT OWNERS' EQUITY</u>		
Paid-in capital	7,176,965	7,176,965
Accumulated deficit	(5,644,793)	(5,494,868)
Total	1,532,172	1,682,097
Total	<u>\$ 1,644,524</u>	<u>\$ 1,898,625</u>

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See independent accountants' review report and accompanying notes.

STRAWBERRY PARK RESORT CAMPGROUND, INC.  
STATEMENT OF CHANGES IN UNIT OWNERS' EQUITY  
Years ended December 31, 2016 and September 30, 2015

<u>September 30, 2015</u>	<u>Paid-In Capital</u>	<u>Accumulated Deficit</u>
Balance, September 30, 2014	\$ 7,176,965	\$ (5,328,055)
Deficiency of revenues over expenses	-	(166,813)
Balance, September 30, 2015	<u>\$ 7,176,965</u>	<u>\$ (5,494,868)</u>
<u>December 31, 2016</u>	<u>Paid-In Capital</u>	<u>Accumulated Deficit</u>
Balance, December 31, 2015	\$ 7,176,965	\$ (5,422,714)
Deficiency of revenues over expenses	-	(222,079)
Balance, December 31, 2016	<u>\$ 7,176,965</u>	<u>\$ (5,644,793)</u>

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See independent accountants' review report and accompanying notes.

STRAWBERRY PARK RESORT CAMPGROUND, INC.  
STATEMENT OF OPERATIONS AND UNIT OWNERS' DEFICIT  
Years ended December 31, 2016 and September 30, 2015

	2016	2015
REVENUES		
Association membership fees	\$ 1,100,000	\$ 1,100,000
Concession fees	78,000	78,000
Other income	2,450	4,169
Total	1,180,450	1,182,169
OPERATING EXPENSES	1,116,805	1,075,529
INCOME FROM OPERATIONS	63,645	106,640
OTHER EXPENSES		
Loss on disposal of improvements	7,948	-
EXCESS OF REVENUES OVER EXPENSES BEFORE DEPRECIATION	55,697	106,640
DEPRECIATION	277,776	273,453
DEFICIENCY OF REVENUES OVER EXPENSES	(222,079)	(166,813)
UNIT OWNERS' DEFICIT AT BEGINNING OF YEAR - JAN 1/OCT 1	(5,422,714)	(5,328,055)
UNIT OWNERS' DEFICIT AT END OF YEAR	\$ (5,644,793)	\$ (5,494,868)

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See independent accountants' review report and accompanying notes.

STRAWBERRY PARK RESORT CAMPGROUND, INC.  
STATEMENT OF CASH FLOWS  
Years ended December 31, 2016 and September 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (222,079)	\$ (166,813)
Adjustments to reconcile deficiency of revenues over expenses to net cash provided by operating activities:		
Depreciation	277,776	273,453
Bad debts	304	5,329
Loss on disposal of improvements	7,948	-
Changes in certain assets and liabilities		
(Increase) decrease in:		
Accounts receivable	(8,292)	26,162
Prepaid expenses	-	15,899
Due from affiliate	75,722	
Due for future repairs and replacements	(23,998)	-
Increase (decrease)		
Accounts payable	71,142	(225)
Accrued expenses	8,000	29,092
Deferred revenue	28,771	(20,131)
Due to affiliate	(35,676)	(56,265)
Total adjustments	401,697	273,314
NET CASH PROVIDED BY OPERATING ACTIVITIES	179,618	106,501
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for improvements	(180,058)	(111,759)
NET CASH USED IN INVESTING ACTIVITIES	(180,058)	(111,759)
NET DECREASE IN CASH	(440)	(5,258)
CASH AT BEGINNING OF YEAR - JAN 1/OCT 1	1,207	26,509
CASH AT END OF YEAR	\$ 767	\$ 21,251

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SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING ACTIVITY

During the year ended December 31, 2016, the Cooperative transferred \$211,005 of capitalized costs to an affiliate



STRAWBERRY PARK RESORT CAMPGROUND, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and September 30, 2015

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Strawberry Park Resort Campground, Inc., (“the Cooperative”) is a cooperative resort campground in Preston, Connecticut. The Cooperative was incorporated as a nonstock corporation under the law of the State of Connecticut on January 2, 1990. On June 14, 1990, the real assets of Strawberry Farms, LLC were contributed at net book value to the Cooperative as common interest property in exchange for proprietary leases and membership certificates of all the units in the campground. Effective July 1, 1990, the Cooperative commenced its operations. Strawberry RV Park, LLC, the managing entity and related party, operated all the concessions and paid a concession fee to the Cooperative until June 9, 2013 when it was sold and renamed Strawberry Park Management, LLC. The only other income the Cooperative will generate is a common fee charge for which each of the 550 unit owners are responsible.

Basis of Accounting

The Cooperative uses the accrual basis of accounting. All Cooperative maintenance fees are recognized as earned when assessed, and expenditures are recognized when incurred.

Cash Flows Information

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For purposes of reporting the statement of cash flows, the cooperative includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash on the accompanying statement of financial position.

Unit Owners Assessments and Replacement Reserve

The annual budget and unit owners’ assessments are determined by the Board of Directors and ratified by the owners. Unit owners are subject to quarterly assessments to provide funds for the Cooperative’s operating expenses, and are also assessed for electricity usage, which is payable when billed. Accounts receivable at the balance sheet date represent fees due from the unit owners. The Cooperative retains any excess at the end of the operating year for use in future operating periods.

In accordance with the Cooperative’s declaration, a replacement reserve will be established and a separate cash - money market account opened for this fund. A portion of the member’s yearly assessments will be appropriated to this reserve. Although a due for future repairs and replacements account has been established, no cash fund has yet been established (See Note #7).

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 and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

STRAWBERRY PARK RESORT CAMPGROUND, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016 and September 30, 2015

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Trade receivables are carried at their estimated collectible amounts. Trade credit is generally extended on a short term basis; thus, trade receivables do not bear interest. The Cooperative writes off accounts receivable when they are determined to be uncollectible after all methods of collections have been exhausted. Any amounts collected in advance from unit owners for membership fees are reclassified and shown on the balance sheet as a liability. The detail of accounts receivable as of December 31, 2016 and September 30, 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Current	\$ 575	\$ -
1-30 Days	3,054	-
61-90 Days	1,566	-
>90 Days	<u>24,262</u>	<u>37,731</u>
Total	<u>\$29,457</u>	<u>\$ 37,731</u>

Income Taxes

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The Cooperative is annually required to file an 1120-C corporate tax return. The IRS holds the position that qualifying housing organizations may file under Subchapter T (I.R.C. Section 1381-1388). This allows the Cooperative to offset operating losses against patronage income, i.e., income from business done with or for patrons (tenant cooperators). As a result of this, the Cooperative will rarely have taxable income. The Cooperative believes that all of its income for the years ended December 31, 2016 and September 30, 2015 is patronage income within the meaning of Subchapter T.

The Cooperative follows FASB ASC 740, "Accounting for Uncertainty in Income Taxes", which prescribes a comprehensive model for the measurement, recognition, presentation, and disclosure in its financial statements of uncertain tax positions that the Cooperative has taken or expects to be taken on a tax return. The Cooperative recognizes the tax benefits from uncertain tax positions only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlements. The Cooperative's income tax filings are subject to audit by various taxing authorities. The Cooperative is no longer subject to examinations by the taxing authorities for the years before September 30, 2013. In evaluating the Cooperative's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations, and tax planning strategies are considered. The Cooperative believes their estimates are appropriate based on current facts and circumstances. Effective January 1, 2016, the Cooperative will file its income tax return based on results for a calendar year end.

STRAWBERRY PARK RESORT CAMPGROUND, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016 and September 30, 2015

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Date of Management's Evaluation

Management of the Cooperative has evaluated subsequent events through May 4, 2017, the date the financial statements were available to be issued.

NOTE #2 – PROPERTY AND EQUIPMENT

Depreciation is computed using the straight line and double declining balance methods applied over the useful lives of the assets.

The estimated useful lives of depreciable assets are:

Ground improvements	7-39 years
Building and improvements	10-39 years
Equipment	3-7 years
Furniture and fixtures	5-15 years

Property and equipment are recorded at cost and consist of the following:

	<u>2016</u>	<u>2015</u>
Ground improvements	\$4,708,346	\$4,864,677
Building and improvements	1,770,014	1,742,203
Land	32,000	32,000
Equipment	71,783	27,402
Furniture and fixtures	<u>26,937</u>	<u>23,745</u>
Total	6,609,080	6,690,027
Less accumulated depreciation	<u>5,154,271</u>	<u>4,850,594</u>
Property and equipment, net	<u>\$1,454,809</u>	<u>\$1,839,433</u>

Depreciation expense for the years ended December 31, 2016 and September 30, 2015 was \$263,709 and \$273,453, respectively.

NOTE #3 – DEFERRED REVENUE

Deferred revenue represents unit owner management fees for 2017 received in advance.

NOTE #4 – DUE FROM/(TO) AFFILIATE

	<u>2016</u>	<u>2015</u>
Due from/(to) affiliate consists of the following:		
Strawberry Park Management, LLC, non-interest bearing advances and net allocations of common expenses, due on demand.	<u>\$ 135,283</u>	<u>\$ (174,998)</u>

STRAWBERRY PARK RESORT CAMPGROUND, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016 and September 30, 2015

NOTE #5 - RELATED PARTY TRANSACTIONS

The Cooperative entered into concession agreements with Strawberry RV Park, LLC until June 9, 2013 where upon the entity was sold and agreements were terminated and then with Strawberry Park Management, LLC, a related entity, of which has substantially the same ownership. The agreements provide for use and operation of recreation amenities and other facilities and services by Strawberry Park Management, LLC. Each concession agreement has an initial term of two years beginning with the first conveyance of a unit. The agreements provide for automatic two-year renewals and are terminable on 90 days notice by either party. The income under these agreements for the years ended December 31, 2016 and September 30, 2015 was \$78,000, respectively.

The association membership fees paid by the Strawberry Park Management, LLC were \$694,168 and \$706,000 for December 31, 2016 and September 30, 2015, respectively.

NOTE #6 – RECLASSIFICATIONS

Certain amount from the 2015 financial statement have been reclassified to conform to the 2016 presentation. There was no effect on net income.

NOTE #7 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Cooperative has not conducted a study to estimate the remaining useful lives of common property components and thus the costs of future major repairs and replacements cannot be estimated in their entirety as of December 31, 2016 and September 30, 2015.

Below is a summary for reserve activity for the fifteen months ending December 31, 2016 and twelve months ending September 30, 2015.

	<u>2016</u>	<u>2015</u>
Income, cash basis	\$1,479,816	\$1,182,169
Less: Cash used for operations	1,275,760	1,070,200
Less: Cash used on capital projects	<u>180,058</u>	<u>111,759</u>
Remaining cash to increase reserve	23,998	210
 Reserve balance – October 1, 2015	 <u>210</u>	 <u>-</u>
 Reserve balance – December 31, 2016 and September 30, 2015, respectively	 <u>\$ 24,208</u>	 <u>\$ 210</u>

STRAWBERRY PARK RESORT CAMPGROUND, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and September 30, 2015

NOTE #7 – FUTURE MAJOR REPAIRS AND REPLACEMENTS (Continued)

Included in capital expenditures of \$180,058 during the year ended December 31, 2016 is \$84,750 of expenditures which were earmarked for 2017 but the funds were expended in 2016 due to advantageous cost considerations. The summary of the expenditures is as follows:

Ground improvements	\$ 76,750
Equipment	<u>8,000</u>
Total	<u>\$ 84,750</u>

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STRAWBERRY PARK RESORT CAMPGROUND, INC.  
SUPPLEMENTARY INFORMATION  
Years ended December 31, 2016 and September 30, 2015

	2016	2015
<b>OPERATING EXPENSES</b>		
Salaries - outside maintenance	\$ 139,956	\$ 149,488
Salaries - recreation staff	130,656	119,550
Salaries - office and supervision	105,061	156,226
Salaries - security	49,282	44,620
Salaries - inside cleaning	37,301	18,577
Salaries - lawn maintenance	23,730	-
Salaries - reservation staff	22,533	-
Common use electricity	75,886	53,574
Cable television programming	67,021	59,763
Payroll taxes	67,017	76,442
Real and personal property taxes	65,787	63,043
Recreation entertainment	57,268	-
Refuse removal	41,134	41,068
Accounting and legal	40,093	31,913
Maintenance - outside professional services	34,312	102,551
Septic	33,300	33,300
Insurance - GL and D&O	30,757	35,151
Insurance - workers' compensation	28,464	-
Pool supplies	25,885	29,669
LP gas	15,067	11,648
Cleaning supplies	8,133	8,039
Maintenance supplies	6,405	4,130
Office supplies	3,301	4,999
Water testing	3,066	20,329
Internet	2,896	-
Meetings	988	-
Permits and fees	790	1,200
Telephone	412	4,920
Bad debts	304	5,329
	\$ 1,116,805	\$ 1,075,529
Total	\$ 1,116,805	\$ 1,075,529

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