

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2020

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FINANCIAL STATEMENTS

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To The Board of Directors
The Fairways at Torrington Association, Inc.

Independent Auditor's Report

Report on the Financial Statements

I have audited the accompanying financial statements of The Fairways at Torrington Association, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of revenues, expenses, and changes in fund balance 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 auditor's judgement, 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Fairways at Torrington Association, Inc. 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.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Supplementary Information on Estimated Future Major Repairs and Replacements on page 8 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, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide sufficient evidence to express an opinion or provide any assurance.



George Follini Jr., CPA, P.C.

September 20, 2021
Danbury, CT

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

BALANCE SHEET

December 31, 2020

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
ASSETS			
Cash in banks	\$ 41,635	\$ 334,988	\$ 376,623
Certificate of deposit	-	50,115	50,115
Common charges receivable, net of \$0 allowance for doubtful accounts	5,576	-	5,576
Prepaid expenses	<u>27,361</u>	<u>-</u>	<u>27,361</u>
TOTAL ASSETS	<u><u>\$ 74,572</u></u>	<u><u>\$ 385,103</u></u>	<u><u>\$ 459,675</u></u>
 LIABILITIES AND FUND BALANCES			
Accrued expenses	9,774	-	9,774
Common charges received in advance	10,474	-	10,474
Accrued income tax (note 2)	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	20,248	-	20,248
Fund Balance	<u>54,324</u>	<u>385,103</u>	<u>439,427</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 74,572</u></u>	<u><u>\$ 385,103</u></u>	<u><u>\$ 459,675</u></u>

See Accompanying Notes to Financial Statements

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

STATEMENTS OF REVENUES AND EXPENSES AND FUND BALANCES

For the Year Ended December 31, 2020

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Revenue			
Common charges (note 2)	\$ 516,064	\$ -	\$ 516,064
Garage Fee Income	6,430		6,430
Capital contributions (note 2)	-	7,420	7,420
Interest	28	1,421	1,449
Collection fees	570	-	570
Dryer vent reimbursements	(35)	-	(35)
Late charges and fines	965	-	965
Reserve Fund transfer (net)	6,707	-	6,707
Total Revenue	<u>530,729</u>	<u>8,841</u>	<u>539,570</u>
Expenses			
Water, sewer and electric	17,999	-	17,999
Refuse	7,922	-	7,922
General Maintenance	65,479	-	65,479
Exterminating	851	-	851
Landscaping and snow removal	188,999	-	188,999
Legal and Accounting fees	6,684	-	6,684
Management fees	35,303	-	35,303
Insurance	82,740	-	82,740
Office Expense	1,502	-	1,502
Miscellaneous	2,241	4	2,245
Asphalt Repairs	101,214	-	101,214
Reserve Fund transfers (net)	-	6,707	6,707
Total Expenses	<u>510,934</u>	<u>6,711</u>	<u>517,645</u>
Excess (deficiency) of Revenue over expenses	19,795	2,130	21,925
Beginning Fund balances	34,529	-	34,529
FASB ASC 606 (See Note 4)	-	382,973	382,973
Ending Fund balances	<u>\$ 54,324</u>	<u>\$ 385,103</u>	<u>\$ 439,427</u>

See Accompanying Notes to Financial Statements

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020

	Operating Fund	Replacement Fund	Total
Net Cash Flow From Operating Activities	\$ 19,795	\$ 2,130	\$ 21,925
Excess of revenue over expenses			
Adjustments for differences between income flows and cash flows from operating activities			
Increase (decrease) in accrued expenses	(11,618)	-	(11,618)
Increase (decrease) in common charges received in advance	(12,714)	-	(12,714)
(Increase) decrease in net common charges receivable	11,585	-	11,585
Due from Operating Fund	1,826	3,963	5,789
Due to Reserve Fund	-	-	-
(Increase) decrease in prepaid expenses	<u>(8,758)</u>	<u>-</u>	<u>(8,758)</u>
Net Cash Flow from Operating Activities	116	6,093	6,209
Cash Flows From Investing Activities			
(Increase) in certificates of deposit	-	(19,895)	(19,895)
Cash Flows From Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase in Cash	116	(13,802)	(13,686)
Cash at beginning of year	<u>41,519</u>	<u>348,790</u>	<u>390,309</u>
Cash at end of year	<u>\$ 41,635</u>	<u>\$ 334,988</u>	<u>\$ 376,623</u>
Income taxes paid	\$0.00		

See Accompanying Notes to Financial Statements

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 1 - NATURE OF ORGANIZATION

The Fairways at Torrington Association, Inc., “the Association,” was incorporated in 1985 under the Non-Stock Corporation Act of the State of Connecticut as a not-for-profit entity. The Association’s membership comprises the owners of the one hundred sixty-two (162) units located on over twenty-eight (28) acres in Torrington, Connecticut. The Association’s documents provide that it operate and administer the condominium and maintain and protect the common areas.

The Association’s financial affairs and daily operations are managed by an independent management company pursuant to a contractual agreement. The Board retains control over the savings account and other amounts which comprises its future major repairs and replacements fund.

The common areas, including grounds, etc., are owned by the individual unit owners with undivided interests as tenants in common. Accordingly, such common property is not recognized as an asset of the Association. However, the maintenance, upkeep, and other expenses associated with such common property is the responsibility of the Association.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The Association’s financial statements are presented on the accrual basis using generally accepted accounting principles appropriate for condominium associations. Under this method, revenues have been recorded when performance obligations are completed for revenue from contract with customers and expenses when incurred rather than when collected or paid. Improvements and additions to the real property and other common elements are not capitalized, since such improvements are considered common elements, which belong to unit owners rather than to the Association.

Cash and Cash Equivalents

Cash and cash equivalents consists of all checking accounts; interest bearing savings and money market accounts; and all certificates of deposit having a term of three months or less.

Income Taxes

The Association has elected to be treated as a tax-exempt homeowners’ association under Section 528 of the Internal Revenue Code. Accordingly, the Association’s exempt function income is exempt from federal and state income taxation. Interest and other non-exempt function income, less expenses and deductions directly related to such non-exempt function income, are subject to federal income taxation at a statutory rate of thirty percent (30%). For the year ended December 31, 2020, the provision for federal income tax is \$ 0. As of the year end December 31, 2020, the Association’s tax filings are subject to audit by federal and state taxing authorities. The Association’s federal income tax returns for the calendar years ended 2018, 2019, and 2020 remain open to examination by the Internal Revenue Service; and state income tax returns for the calendar years ended 2018, 2019, and 2020 are open to examination by the Connecticut Department of Revenue Service.

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Association has no material uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

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 the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contract Liabilities

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to reserve assessments. The balances of contract liabilities as of the beginning and end of the year are \$382,973 and \$0, for reserve assessments, respectively.

Member Assessments

Association members are subject to monthly Assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessments are fixed by the Board of Directors on an annual basis and charged to the individual unit owners on their proportionate share of common expenses as determined based on established criteria. Assessments made for future major repairs and replacements, other than funds transferred from the operating account, are recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its Assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related Assessments made specifically for future major repairs and replacements, excluding transfers from the operating account, are satisfied when these funds are expended for their designated purpose and when approved by the Board of Directors. Operating and reserve member Assessment revenues may be impacted by vacancies of units, concentrations of ownership, or lack of payment for assessed amounts. Accounts receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of owners whose Assessments become delinquent. For the year ended December 31, 2020, no allowance for doubtful accounts is deemed necessary. The Association treats doubtful assessments as variable consideration. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control and the Connecticut nine month super lien. The balances of accounts receivable as of the beginning and end of the year are \$17,161 and \$5,576, respectively.

Assessments paid by unit owners prior to due dates are recognized as a liability under the caption "prepaid common charges."

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 3 – FUND BALANCE

Operating Fund

The balance in this fund is the accumulated excess of the Association's revenue over its expense.

Reserve Fund

The Association's governing documents require that funds be accumulated for future major repairs and replacements in a separate reserve fund account.

The Association is funding this reserve using a study prepared in 2007 and updated in 2012, using estimates provided by Advanced Reserve Solutions, Inc., a consulting firm, estimated the remaining useful lives and the replacement costs of the components of common property.

Since actual expenditures may vary from estimated future expenditures and the variations may be material, amounts accumulated in the reserve 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, pass special assessments, borrow funds or delay major repairs and replacements until funds are available.

During the current year, the Association contributed \$ 69,468 of common charges to meet the future needs for major repairs and replacements. The Association recognized \$ 106,545 in revenue to match against completed performance obligations. The Association used \$ 108,093 of the fund for bank charges, roofing, deck staining, paving and drainage, walkways repairs, and stoop repair costs.

NOTE 4 – 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 supersedes 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 a CIRA expects to be entitled in exchange for those goods or services.

The Association adopted the new guidance as of January 1, 2019, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning fund balance. The Association records common charges on the accrual basis and transfers funds to the Reserve Fund to fund future major repairs and replacements. The Contract Liability has been reversed since the Association recognizes common charges as revenue when charged. The Transfers to the reserve fund are not treated as assessments requiring the recording of a Contract Liability.

NOTE 5 – 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 a separate account.

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE 5 – MAJOR REPAIRS AND REPLACEMENTS (continued)

The Association conducted a study in 2007 and updated it in 2012 to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. When replacement funds are needed for future major repairs and replacements, the Association has the right to increase the regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

NOTE 6 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited due to large number of homeowners and generally short payment terms.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The Association currently has a two-year contract with CM Property Management to provide management services to the Association through August 31, 2020.

The Association also has various contract services including lawn maintenance, snow removal and carting. The carting contract is for five years. Below is a schedule of future commitments.

	Property			Snow			Total
	Management	Landscaping	Fertilizer	Removal	Cleaning	Carting	
2021	35,070	92,065	5,545	54,300	4,786	7,034	198,800
2022	17,535	122,000	-	90,500	-	7,034	237,069
2023	-	-	-	-	-	7,034	7,034
2024	-	-	-	-	-	7,034	7,034
2025	-	-	-	-	-	7,034	7,034
	<u>\$ 52,605</u>	<u>\$ 214,065</u>	<u>\$ 5,545</u>	<u>\$ 144,800</u>	<u>\$ 4,786</u>	<u>\$ 35,170</u>	<u>\$ 456,971</u>

NOTE 8 - SUBSEQUENT EVENTS

The Association has evaluated events and transactions for potential recognition or disclosure through September 20, 2021 which is the date the financial statements were available to be issued.

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

REQUIRED SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS (UNAUDITED)

December 31, 2020

In 2007, the Association, using a formal study provided by Advanced Reserve Solutions, Inc., a consulting firm, estimated the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated replacement costs were revised in 2012 but do not take into account the effects of market changes between the date of the study and the date that the components will require repair or replacement. The following table presents a summary of this analysis:

	Estimated Remaining Useful Lives (years)	Estimated Replacement Costs	Components of Capital Reserve Fund at 12/31/2020
Streets	8-Jan	\$ 288,393	\$ -
Roofs	0-8	239,600	-
Grounds	0-6	102,300	-
Interior	4-10	50,919	-
Exterior	2-18	428,420	-
Equipment	1	10,000	-
Unallocated fund balance		<u> </u>	<u>385,103</u>
Total		<u>\$ 1,119,632</u>	<u>\$ 385,103</u>