THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

Financial Statements
and
Supplementary Information

December 31, 2023

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

CONTENTS

TOMASETTI, KULAS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of The Fairways at Torrington Association, Inc., which comprise the balance sheet as of December 31, 2023 and the related statements of revenue, expenses, and changes in fund balances and cash flows for the year 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 The Fairways At Torrington Association, Inc. as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Fairways at Torrington Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 The Fairways at Torrington 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.

Auditors' 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 auditors' 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.

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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 The Fairways at Torrington 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 The Fairways at Torrington 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 Schedule 1 – Supplementary Information on Future Major Repairs and Replacements on page 12 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.

Tonneth Kl & Company P.C.

Hartford, Connecticut, July 24, 2024

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.
Balance Sheet
December 31, 2023

	Operating Fund	Reserve Fund	Total
ASSETS			
Cash and cash equivalents	$ 7,949	$ 199,475	$ 207,424
Certificate of deposit	-	152,840	152,840
Accounts receivable – net of allowance for doubtful accounts of $ -0-	8,232	-	8,232
Other receivable	-	1,650	1,650
Prepaid expenses	37,024	-	37,024
Total assets	$ 53,205	$ 353,965	$ 407,170
LIABILITIES AND FUND BALANCES			
Accounts payable	$ 11,001	$ 4,360	$ 15,361
Contract liabilities	-	348,635	348,635
Prepaid common charges	11,151	-	11,151
Total liabilities	22,152	352,995	375,147
Fund balances	31,053	970	32,023
Total liabilities and fund balances	$ 53,205	$ 353,965	$ 407,170

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

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.
Statement of Revenue, Expenses, and Changes in Fund Balances
For the Year Ended December 31, 2023

	Operating Fund	Reserve Fund	Total
Revenue			
Common charges	$ 491,486	$ 42,409	$ 533,895
Garage fees	6,461	-	6,461
Late and other fees	5,311	-	5,311
Insurance claim income	5,189	-	5,189
Other income	3,111	-	3,111
Interest income	25	4,356	4,381
Total revenue	511,583	46,765	558,348
Expenses			
Management fees	35,357	-	35,357
Water and sewer	1,150	-	1,150
Electricity	13,317	-	13,317
Insurance	106,419	-	106,419
Rubbish removal	7,119	-	7,119
Building maintenance	66,934	17,405	84,339
Lighting and fire alarm	5,664	-	5,664
Fertilization	8,133	-	8,133
Mulch and tree maintenance	35,202	-	35,202
Powerwashing	1,707	-	1,707
Landscaping	82,930	-	82,930
Non recurring expenses	20,470	-	20,470
Snow removal	115,496	-	115,496
Exterminating	1,049	-	1,049
Office expense	5,267	-	5,267
Professional fees	8,008	-	8,008
Capital improvement – general	20,480	-	20,480
Capital improvement – paving/drainage	27,753	4,360	32,113
Total expenses	562,455	21,765	584,220
Excess (deficit) of revenue over expenses	(50,872)	25,000	(25,872)
Fund balances, beginning of year	56,925	970	57,895
Transfer among funds	25,000	(25,000)	-
Fund balances, end of year	$ 31,053	$ 970	$ 32,023

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

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

Statement of Cash Flows

For the Year Ended December 31, 2023

	Operating Fund	Reserve Fund	Total
Cash flows from operating activities:			
Common charges collected	$ 480,775	$ 62,554	$ 543,329
Capital contributions collected	-	6,840	6,840
Garage fees collected	6,461	-	6,461
Late and other fees collected	5,311	-	5,311
Insurance claim income collected	5,189	-	5,189
Other income	3,111	-	3,111
Interest income received	25	2,706	2,731
Cash paid for expenditures	(561,737)	(17,405)	(579,142)
Income tax paid	-	-	-
Interest paid	-	-	-
Net cash provided (used) by operating activities	(60,865)	54,695	(6,170)
Cash flows from investing activities:			
Purchase of certificate of deposit	-	(103,841)	(103,841)
Maturities of certificate of deposit	-	101,985	101,985
Net cash provided (used) by investing activities	-	(1,856)	(1,856)
Cash flows from financing activities:			
Interfund activity	25,000	(25,000)	-
Change in cash and cash equivalents	(35,865)	27,839	(8,026)
Cash and cash equivalents, beginning of year	43,814	171,636	215,450
Cash and cash equivalents, end of year	$ 7,949	$ 199,475	$ 207,424
Reconciliation of excess of revenue over expenses to net cash provided by operating activities:			
Excess (deficit) of revenue over expenses	$ (50,872)	$ 25,000	$ (25,872)
Changes in:			
Accounts receivable	(5,587)	(1,650)	(7,237)
Prepaid expenses	(5,746)	-	(5,746)
Accounts payable	6,464	4,360	10,824
Contract liabilities	-	26,985	26,985
Prepaid common charges	(5,124)	-	(5,124)
Net cash provided (used) by operating activities	$ (60,865)	$ 54,695	$ (6,170)

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

1. ORGANIZATION AND OPERATIONS

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.

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.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, continued

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, 2023, the provision for federal income tax is $ 0.

As of the year end December 31, 2023, 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 2021, 2022, and 2023 remain open to examination by the Internal Revenue Service; and state income tax returns for the calendar years ended 2021, 2022, and 2023 are open to examination by the Connecticut Department of Revenue Service.

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 $ 321,650 and $ 348,635 for reserve assessments, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

Assessment revenue is recognized as the related performance obligations are satisfied at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligations related to the replacement fund assessments 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. No revenue was recognized in the current period from performance obligations wholly or partially satisfied in a prior period.

Assessments 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 homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. The balances of assessments receivable as of the beginning and end of the year are $ 2,645 and $ 8,232, respectively.

The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate when assessments are considered uncollectible include closely monitoring of outstanding assessment balances by management, member payment history of outstanding assessment balances, and susceptibility to factors outside the Association's control.

It is the opinion of the Board of Directors that at December 31, 2023 the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for credit losses is deemed necessary. This reflects a current adjustment of $ 0 and is a change from the beginning value of $ 0. During the year the Association made write-offs of $ 0 which were charged against the allowance account.

3. FUND BALANCES

Operating Fund

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

3. **FUND BALANCES**, continued

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 $ 62,554 of common charges to meet the future needs for major repairs and replacements, and assigned $ 6,840 of capital contributions (See Note 5), of which $ 26,985 was deferred to match against future performance obligations. The Association used $ 21,765 of the fund for asphalt and building maintenance. As of December 31, 2023, the reserve fund transferred $ 25,000 to the operating fund.

4. **FASB ASC 326 NEW ACCOUNTING GUIDANCE IMPLEMENTATION**

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 326, Financial Instruments – Credit Losses, in the Accounting Standards Codification (ASC). Topic 326 supersedes the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including held-to-maturity debt securities and trade receivables.

The Association adopted the new guidance as of January 1, 2023, using the modified retrospective method of transition for all financial assets measured at amortized cost. Adoption of the new guidance resulted in changes to our accounting policies for assessment receivables as previously described (see Note 2).

The adoption of the new credit loss guidance resulted in no change to fund balances as of January 1, 2023.

The effect of the adoption is no change in expected allowance for doubtful accounts at December 31, 2023.

4. **FASB ASC 326 NEW ACCOUNTING GUIDANCE IMPLEMENTATION**, continued

The modified retrospective method of transition requires us to disclose the effect of applying the new guidance on each item included in our 2023 financial statements. Based on review of our approach to credit losses under the new and old methodology, there has been no change from our balance sheet as of December 31, 2023 and likewise there has been no change to our statement of revenue, expense and changes in fund balance and the statement of cash flows.

5. **CAPITAL CONTRIBUTIONS**

When a unit of the Association is sold or resold, the new owners contribute two (2) months of common charges to the reserve fund. (See Note 3) During the year ended December 31, 2023 the Association received $ 6,840 in capital contributions.

6. **DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Association has evaluated subsequent events and transactions for potential recognition or disclosure through July 24, 2024 the date that the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

Schedule 1 – Supplementary Information on
Future Major Repairs and Replacements
December 31, 2023
(Unaudited)

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:

Components	Estimated Remaining Lives (yrs)	Estimated Replacement Costs
Streets	1-9	$ 288,393
Roofs	0-9	239,600
Grounds	0-7	102,300
Interior	4-11	50,919
Exterior	2-19	428,420
Guard rails	0	11,500
Equipment	2	10,000
		$1,131,132