

**THE FAIRWAYS AT TORRINGTON  
ASSOCIATION, INC.**

Financial Statements

December 31, 2012

**THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.**

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**INDEPENDENT AUDITORS' REPORT**

February 25, 2013

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

We have audited the accompanying balance sheet of The Fairways at Torrington Association, Inc., as of December 31, 2012, and the related statement of revenue, expenses, and changes in fund balance and statement of cash flow for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2012, and the results of its operations and its cash flow for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The information included in schedule 1 - supplementary information on future major repairs and replacements on page 9 is not a required part of the basic financial statements of The Fairways at Torrington Association, Inc. but is supplementary information required by the American Institute of Certified Public Accountants. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Tomasetti, Kulas & Company, P.C.*

**THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.**

Balance Sheet  
December 31, 2012

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 30,248	\$ 150,308	\$ 180,556
Certificate of deposit	-	27,682	27,682
Accounts receivable – net of allowance for doubtful accounts of \$ 413	8,756	-	8,756
Prepaid insurance	<u>7,705</u>	<u>-</u>	<u>7,705</u>
 Total assets	 <u>\$ 46,709</u>	 <u>\$ 177,990</u>	 <u>\$ 224,699</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
Accounts payable	\$ 5,519	\$ -	\$ 5,519
Prepaid association fees	<u>16,681</u>	<u>-</u>	<u>16,681</u>
 Total liabilities	 22,200	 -	 22,200
 Fund balance	 <u>24,509</u>	 <u>177,990</u>	 <u>202,499</u>
 Total liabilities and fund balance	 <u>\$ 46,709</u>	 <u>\$ 177,990</u>	 <u>\$ 224,699</u>

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 Balance  
For the Year Ended December 31, 2012

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<b>Revenue</b>			
Association fee income	\$ 313,900	\$ 74,900	\$ 388,800
Special assessment	77,760	-	77,760
Garage fees	6,300	-	6,300
Late fees	4,280	-	4,280
Interest income	-	489	489
Total revenue	<u>402,240</u>	<u>75,389</u>	<u>477,629</u>
<b>Expenses</b>			
Management fees	31,379	-	31,379
Professional fees	3,182	-	3,182
Electricity	12,170	-	12,170
Water and sewer	888	-	888
Rubbish removal	8,720	-	8,720
Office expense	1,849	-	1,849
Insurance	62,411	-	62,411
Fertilization	8,690	-	8,690
Snow removal	73,487	-	73,487
Landscaping	61,552	-	61,552
Hallway cleaning	4,786	-	4,786
Exterminating	257	-	257
Building maintenance	35,272	-	35,272
Lighting and fire alarm	2,756	-	2,756
Bad debt	50	-	50
Staining	10,590	-	10,590
Roofing	36,677	-	36,677
Paving and drainage	2,400	-	2,400
Deck replacement	27,764	-	27,764
Total expenses	<u>384,880</u>	<u>-</u>	<u>384,880</u>
Excess (deficit) of revenue over expenses	17,360	75,389	92,749
Fund balance, beginning of year	<u>7,149</u>	<u>102,601</u>	<u>109,750</u>
Fund balance, end of year	<u>\$ 24,509</u>	<u>\$ 177,990</u>	<u>\$ 202,499</u>

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

**THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.**

Statement of Cash Flow

For the Year Ended December 31, 2012

	Operating Fund	Reserve Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash flows from operating activities:</b>			
Association fee income collected	\$ 318,796	\$ 74,900	\$ 393,696
Special assessment collected	77,760	-	77,760
Garage fees collected	6,300	-	6,300
Late fees collected	4,280	-	4,280
Interest income received	-	489	489
Cash paid for expenditures	(392,909)	-	(392,909)
Income taxes paid	-	-	-
Interest paid	-	-	-
Net cash provided (used) by operating activities	<u>14,227</u>	<u>75,389</u>	<u>89,616</u>
 <b>Cash flows from investing activities:</b>			
Acquisition of certificate of deposit	<u>-</u>	<u>(248)</u>	<u>(248)</u>
Change in cash and cash equivalents	14,227	75,141	89,368
Cash and cash equivalents, beginning of year	<u>16,021</u>	<u>75,167</u>	<u>91,188</u>
Cash and cash equivalents, end of year	<u><u>\$ 30,248</u></u>	<u><u>\$ 150,308</u></u>	<u><u>\$ 180,556</u></u>
 <b>Reconciliation of excess of revenue over expenses to net cash provided by operating activities:</b>			
Excess (deficit) of revenue over expenses	\$ 17,360	\$ 75,389	\$ 92,749
Changes in:			
Accounts receivable	(2,911)	-	(2,911)
Prepaid insurance	26,714	-	26,714
Accounts payable	(34,793)	-	(34,793)
Prepaid association fees	<u>7,857</u>	<u>-</u>	<u>7,857</u>
Net cash provided (used) by operating activities	<u><u>\$ 14,227</u></u>	<u><u>\$ 75,389</u></u>	<u><u>\$ 89,616</u></u>

# THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

Notes to Financial Statements

December 31, 2012

## 1. ORGANIZATION AND OPERATIONS

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 earned 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.

Assessments are fixed by the Board 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 paid by unit owners prior to due dates are recognized as a liability under the caption "prepaid association fees." Conversely, assessments charged, but uncollected by due dates, are recognized as an asset under the caption "accounts receivable."

### **Allowance for Doubtful Accounts**

The Association makes, when necessary, a provision for possible uncollectible common fees and other charges.

**THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.**

Notes to Financial Statements

December 31, 2012

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, 2012, the federal provision for income tax is \$ 0.

**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.

**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.

3. **FUND BALANCES**

**Operating Fund**

The balance in the fund is the accumulated excess of the Association's operating 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 savings account.

The Association, in 2007 and updated in 2012, using estimates provided by Advanced Reserve Solutions, Inc., a consulting firm, projected the remaining useful lives and the replacement costs of the components of common property.



**THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.**

Notes to Financial Statements

December 31, 2012

3. **FUND BALANCES**, continued

The Board of Directors has decided to place \$ 69,225 into the reserve fund in the 2013 budget for major repairs and replacements. 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 \$ 74,900 of member assessments to meet the future needs for major repairs and replacements.

4. **SPECIAL ASSESSMENT**

During the year ended December 31, 2012, the Association conducted a special assessment of \$ 77,760 to help to replenish the reserve fund.

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

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 25, 2013 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, 2012  
(Unaudited)

In 2007 and updated in 2012, the Association, using estimates provided by Advanced Reserve Solutions, Inc., a consulting firm, projected the remaining useful lives and the replacement costs of the components of common property. The following table presents a summary of this analysis:

<u>Components</u>	<u>Estimated Remaining Lives (yrs)</u>	<u>Estimated Current Replacement Costs</u>
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
		<u>\$1,131,132</u>