

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2022

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2022

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

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of The Fairways at Torrington Association, Inc., which comprise the balance sheet as of December 31, 2022, 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.

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, 2022, 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 Auditor's 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.

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 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 Supplementary Information on Estimated Future Major Repairs and Replacements on page 9 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.



George Follini Jr., CPA, P.C.

August 7, 2023
Ramsey, NJ

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

BALANCE SHEET

December 31, 2022

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
ASSETS			
Cash in banks	\$ 43,814	\$ 221,768	\$ 265,582
Certificate of deposit	-	100,852	100,852
Common charges receivable, net of \$0 allowance for doubtful accounts	2,645	-	2,645
Prepaid expenses	31,278	-	31,278
TOTAL ASSETS	<u>\$ 77,737</u>	<u>\$ 322,620</u>	<u>\$ 400,357</u>
 LIABILITIES AND FUND BALANCES			
Accrued expenses	\$ 4,537	\$ -	\$ 4,537
Common charges received in advance	16,275	-	16,275
Contract liability	-	321,650	321,650
Accrued income tax (note 2)	-	-	-
Total Liabilities	<u>20,812</u>	<u>321,650</u>	<u>342,462</u>
 Fund Balance	 <u>56,925</u>	 <u>970</u>	 <u>57,895</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 77,737</u>	<u>\$ 322,620</u>	<u>\$ 400,357</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, 2022

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
Revenue			
Common charges (note 2)	\$ 452,054	\$ 153,447	\$ 605,501
Garage Fee Income	6,105	-	6,105
Capital contributions (note 2)	-	-	-
Interest	29	970	999
Collection fees	-	-	-
Late charges and fines	3,245	-	3,245
Total Revenue	<u>461,433</u>	<u>154,417</u>	<u>615,850</u>
Expenses			
Water, sewer and electric	23,265	-	23,265
Refuse	7,625	-	7,625
General Maintenance	73,504	-	73,504
Exterminating	761	-	761
Landscaping and snow removal	191,814	-	191,814
Legal and Accounting fees	6,251	-	6,251
Management fees	35,485	-	35,485
Insurance	93,788	-	93,788
Office Expense	1,204	-	1,204
Miscellaneous	945	-	945
Asphalt Repairs	-	103,145	103,145
Walkway repairs	-	20,302	20,302
Concrete repairs	-	30,000	30,000
Total Expenses	<u>434,642</u>	<u>153,447</u>	<u>588,089</u>
Excess (deficiency) of			
Revenue over expenses	26,791	970	27,761
Beginning Fund balances	<u>30,134</u>	<u>404,063</u>	<u>434,197</u>
FASB ASC 606 Implementation (Note 4)	-	(404,063)	(404,063)
Adjusted Beginning Fund Balance	<u>30,134</u>	<u>-</u>	<u>30,134</u>
Ending Fund balances	<u><u>\$ 56,925</u></u>	<u><u>\$ 970</u></u>	<u><u>\$ 57,895</u></u>

See Accompanying Notes to Financial Statements

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
Net Cash Flow From Operating Activities			
Excess of revenue over expenses	\$ 26,791	\$ 970	\$ 27,761
Adjustments for differences between income flows and cash flows from operating activities			
(Increase) decrease in common charges receivable	3,786	-	3,786
(Increase) decrease in prepaid expenses	(2,518)	-	(2,518)
Increase (decrease) in common charges received in advance	5,670	-	5,670
Increase (decrease) in accrued expenses	(936)	-	(936)
Increase (decrease) in contract liability	-	(82,413)	(82,413)
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Net Cash Flow from (used in) Operating Activities	32,793	(81,443)	(48,650)
Cash Flows From Investing Activities			
(Increase) in certificates of deposit	-	(385)	(385)
Cash Flows From Financing Activities	-	-	-
	<hr/>	<hr/>	<hr/>
Net (decrease) in Cash	32,793	(81,828)	(49,035)
Cash at beginning of year	11,021	303,596	314,617
	<hr/>	<hr/>	<hr/>
Cash at end of year	\$ 43,814	\$ 221,768	\$ 265,582
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See Accompanying Notes to Financial Statements

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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, 2022, the provision for federal income tax is \$ 0. As of the year end December 31, 2022, 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 2020, 2021, and 2022 remain open to examination by the Internal Revenue Service; and state income tax returns for the calendar years ended 2019, 2021, and 2022 are open to examination by the Connecticut Department of Revenue Service.

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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 \$0, for reserve assessments.

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, 2022, 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 \$ 6,431 and \$ 2,646, 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, 2022

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.

NOTE 4 – CONTRACT LIABILITIES (Assessments received in advance-capital reserve fund)

The Association recognizes revenue from members as the related performance obligations are satisfied. A contract liability (assessments received in advance-replacement fund) is recorded when the Association has the right to receive payment in advance of the satisfaction of performance obligations related to replacement reserve assessments.

The Association adopted FASB ASC 606, "Revenue from Contracts with Customers" which 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, 2022, 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 beginning Reserve Fund balance of \$404,063 was adjusted to reflect the new guidance. The adjusted beginning Reserve Fund balance is \$0.

The following are the line items from the statement of revenue, expenses, and changes in fund balances and the statement of cash flows for the year ended December 31, 2022, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the amounts reported under the new guidance:

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 4 – CONTRACT LIABILITIES (Assessments received in advance-capital reserve fund) (continued)

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
Revenue:			
Common charges	62,554	90,893	153,447
Capital Contributions	8,480	(8,480)	-
Excess (deficit) of revenue over exepnses	71,034	82,413	153,447
Cash Flows:			
Excess (deficit) of revenue over exepnses	71,034	82,413	153,447
Change in contract liabilities	-	(82,413)	(82,413)

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 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 June 30, 2023.

The Association also has various contract services including lawn maintenance, snow removal and carting. The carting contract is for a five year term ending January 18, 2026 at \$7,034 per year.

THE FAIRWAYS AT TORRINGTON ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE 8 - DATE OF MANAGERMENTS REVIEW

The Association has evaluated events and transactions for potential recognition or disclosure through August 7, 2023, 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, 2022

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 12/31/2022
Streets	0-7	\$ 155,248	\$ -
Roofs	0-7	239,600	-
Grounds	0-5	81,998	-
Interior	3-9	50,919	-
Exterior	1-17	428,420	-
Equipment	0	10,000	-
Unallocated fund balance		-	970
Total		\$ 966,185	\$ 970