

FARRWOOD GREEN II CONDOMINIUM ASSOCIATION

Financial Statements

For the Year Ended March 31, 2020

Together with Independent Accountant's Review Report

Farrwood Green II Condominium Association

For the Year Ended March 31, 2020

Together with Independent Accountant's Review Report

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Independent Accountant's Review Report

To the Board of Directors of
Farrwood Green II Condominium Association:

I have reviewed the accompanying financial statements of Farrwood Green II Condominium Association which comprise the balance sheet as of March 31, 2020 and the related statements of revenues, expenses and fund balances and cash flows for the year 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 Association 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, I do not express such an opinion.

Management's Responsibility 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. This includes the design, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to error or fraud.

Accountant's Responsibility

My 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 me to perform procedures to obtain limited assurance as a basis of reporting whether I am 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. I believe that the results of my procedures provide a reasonable basis for my report.

Accountant's Conclusion

Based on my review, except for the issue noted in the known departure from accounting principles generally accepted in the United States of America paragraph, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

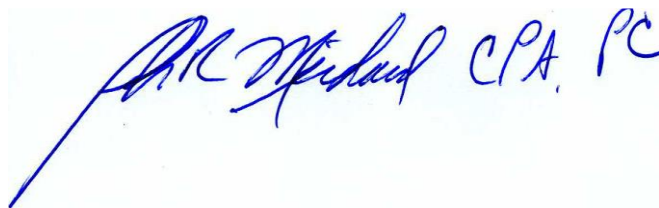
Required Supplementary Information

As discussed in note 4, the management has omitted supplementary information about future major repairs and replacements of common property 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, 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.

Known Departure from Accounting Principles Generally Accepted in the United States of America

As disclosed in Note 11 to these financial statements, accounting principles generally accepted in the United States of America require that revenue be recognized in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 606 – Revenue from Contracts with Customers. Management has informed me that they did not adopt the new revenue recognition guidelines and have reported revenues in accordance with previous revenue recognition guidelines (FASB ASC 972-605, Real Estate – Common Interest Realty Associations, Revenue Recognition) which existed before the release of the Financial Accounting Standards Board Accounting Standards Codification 606 – Revenue from Contracts with Customers. Management has not determined the effects of this departure from accounting principles generally accepted in the United States of America on financial position, results of operations, and cash flows.

June 18, 2020



Farrwood Green II Condominium Association
Balance Sheet
March 31, 2020
(See Independent Accountant's Review Report)

	Operating Fund	Replacement Reserve Fund	Total
<u>Asset</u>			
Cash and cash equivalents	\$5,951	\$123,271	\$129,222
Certificates of deposit	0	283,175	283,175
Accounts receivable	5,773	0	5,773
Prepaid expense	13,451	0	13,451
	<u> </u>	<u> </u>	<u> </u>
<u>Total Assets</u>	<u>\$25,175</u>	<u>\$406,446</u>	<u>\$431,621</u>
<u>Liabilities</u>			
Accounts payable	\$832	\$0	\$832
Note payable	0	339,202	339,202
Income taxes payable	343	0	343
Prepaid assessments	6,039	0	6,039
	<u> </u>	<u> </u>	<u> </u>
<u>Total Liabilities</u>	7,214	339,202	346,416
<u>Fund Balances</u>	<u>17,961</u>	<u>67,244</u>	<u>85,205</u>
<u>Total Liabilities and Fund Balances</u>	<u>\$25,175</u>	<u>\$406,446</u>	<u>\$431,621</u>

See accompanying notes to financial statement.

Farrwood Green II Condominium Association
Statement of Revenues, Expenses and Fund Balances
For the Year Ended March 31, 2020
(See Independent Accountant's Review Report)

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
<u>Revenues:</u>			
Common fees and assessments	\$300,900	\$10,000	\$310,900
Interest income	0	6,791	6,791
	<hr/>	<hr/>	<hr/>
<u>Total Revenues</u>	300,900	16,791	317,691
<u>Expenses:</u>			
Management fees	\$27,804	0	\$27,804
Administrative expense	1,122	0	1,122
Professional fees	4,626	0	4,626
Insurance expense	53,779	0	53,779
Rubish removal	7,900	0	7,900
Electricity	6,773	0	6,773
Pest Control	4,750	0	4,750
Gutter repairs	4,055	0	4,055
Water and sewer	3,694	0	3,694
Repairs and maintenance	15,105	0	15,105
Snow removal	38,070	0	38,070
Landscaping	30,002	0	30,002
Income tax expense	343	0	343
Interest expense	0	17,799	17,799
Major repairs	0	44,867	44,867
Electric repairs	4,082	0	4,082
	<hr/>	<hr/>	<hr/>
<u>Total Operating Expenses</u>	202,105	62,666	264,771
<u>Excess (Deficiency) of Revenues Over Expenses</u>	98,795	(45,875)	52,920
<u>Fund Balances January 1,</u>	12,166	20,119	32,285
<u>Transfers Between Funds</u>	(93,000)	93,000	0
	<hr/>	<hr/>	<hr/>
<u>Fund Balances December 31,</u>	\$17,961	\$67,244	\$85,205
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See accompanying notes to financial statement.

Farrwood Green II Condominium Association
Statement of Cash Flows
For the Year Ended March 31, 2020
(See Independent Accountant's Review Report)

Cash Flows from Operating Activities

<u>Excess (Deficiency) of Revenues</u>	<u>\$52,920</u>
<u>Over Expenses</u>	

Adjustment to reconcile excess (deficiency)
of revenues over expense to cash provided
by operating activities:

Change in Assets and Liabilities:

(Increase) Decrease in accounts receivable	(3,803)
(Increase) Decrease in prepaid expenses	(46)
(Increase) Decrease in income tax payable	185
Increase (Decrease) in prepaid assessments	548
Increase (Decrease) in accounts payable	<u>(141)</u>

<u>Total Adjustments</u>	(3,257)
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<u>Net Cash Provided (Used) by Operating Activities</u>	<u>49,663</u>
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Cash Provided (Used) By Financing Activities:

Loan repayments	<u>(68,815)</u>
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<u>Net Increase (Decrease) in Cash and Cash</u>	
<u>Equivalents</u>	(19,152)

<u>Cash and Cash Equivalents at Beginning of Year</u>	<u>431,549</u>
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<u>Cash and Cash Equivalents at End of Year</u>	<u><u>\$412,397</u></u>
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See accompanying notes to financial statement.

Farrwood Green II Condominium Association
Statement of Cash Flows
For the Year Ended March 31, 2020
(See Independent Accountant's Review Report)

Supplemental disclosures for cash
flows information

Cash paid during the year for:

Interest	\$17,799
Income taxes	158

See accompanying notes to financial statement.

Farrwood Green II Condominium Association
Notes to Financial Statements
For the Year Ended March 31, 2020
(See Independent Accountant's Review Report)

(1) Organization

Farrwood Green II Condominium Association is a condominium association established in the Commonwealth of Massachusetts on April 1, 1982.

Nature of Operations

The Association is primarily engaged in the management, maintenance and operations of Farrwood Green II Condominium Association located in Haverhill, Massachusetts. The condominium consists of 128 residential housing units.

(2) Significant Accounting Policies

To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund

This fund is used to account for financial resources available for the general operations of the Association.

Replacement Reserve Fund

This fund is used to accumulate financial resources designated for future major repairs and replacements.

Cash and Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through June 18, 2020, the date the financial statements were available to be issued.

Farrwood Green II Condominium Association
Notes to Financial Statements
For the Year Ended March 31, 2020
(See Independent Accountant's Review Report)

Property, Plant and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not reflected on the Association's financial statements. Those properties are owned by the individual unit owners in common and not by the Association. Property acquired by the Association for the beneficial use of unit owners is capitalized.

Use of Estimates

The preparation of the 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 the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Carrying amounts of certain of the Association's financial instruments, including cash and cash equivalents and other accrued liabilities, approximate fair value because of their short maturities.

Member Assessments

Association unit owners are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens of the properties of the unit owners whose assessments become excessively delinquent, as determined by the Board.

(3) Common Fees and Assessments

Charges to unit owners are determined annually by the Board of Directors.

(4) Reserve Funds

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds, which totaled \$406,446 are held in separate accounts and are generally not available for operating purposes.

Farrwood Green II Condominium Association
Notes to Financial Statements
For the Year Ended March 31, 2020
(See Independent Accountant's Review Report)

Reserve Funds Continue:

The Association has not conducted a comprehensive study to estimate funding necessary to meet future major repairs and replacements. However, the Association does maintain a reserve fund which was increased in the current year by \$10,000 from common fees and assessments, a transfer from the operating account of \$93,000 and earned interest of \$6,791. This fund was also decreased by \$,44,867 for major repairs and replacements and principal and interest payments of \$86,614.

Since a study has not been performed, amounts accumulated in the Replacement Reserve Fund may not be adequate to meet future needs. If additional funds are needed the association has the right, subject to Board approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacement until funds are available.

(5) Management

The Association engages a management company to oversee daily operating activities. Property Management of Andover provides these services.

(6) Income Taxes

Condominium Associations may elect to be taxed as regular corporations or as homeowners' associations. The Association elected to be taxed as an association for the year ended March 31, 2020. Under that election, the Association is generally taxed only on non-membership income, such as interest earnings, at regular federal and state tax rates. Membership income is exempt from taxation if certain elections are made. The Association's tax filings are subject to audit by various taxing authorities. The Association's federal and state tax returns for 2017 through 2020 are open to examination. In evaluating the Association's tax positions and accruals, the Association believe that its estimates are appropriate based on the current facts and circumstances.

(7) Accounts Receivable

The Association considers all accounts receivable as of March 31, 2020 collectible therefore no allowance for un-collectable accounts is shown.

Farrwood Green II Condominium Association
Notes to Financial Statements
For the Year Ended March 31, 2020
(See Independent Accountant's Review Report)

(8) Concentration of Credit Risk

The Association has only one source of accounts receivable: the homeowners. Accounts receivable from homeowners are from residents of the Association and may be secured by a lien upon their unit.

(9) Note Payable

In May 2016, the Association executed a \$750,000, 135-month business term loan with Avidia Bank (the "Note Payable"). The proceeds of the Note Payable are being used to finance a significant capital repairs project in the Association's Replacement Reserve Fund.

Under the terms of the Note Payable, the Association was permitted to draw down against the \$750,000 commitment over a period of fifteen months. During this draw down period, the Association paid monthly interest-only payment to Avidia Bank at a rate of 4.5% per annum. At the conclusion of the draw down period, net draw down of \$546,540 were converted into a ten-year, 4.5% term loan.

In fiscal year 2020, the Association paid \$68,815 of principal to Avidia Bank. The following represents the future minimum payments on the Note Payable:

Principal payments for the next five fiscal years are as follows:

December 31, 2021	51,793
2022	54,208
2023	56,735
2024	59,560
2025 thereafter	116,906

(10) Commitment and Contingencies

Property Structures

Condominium property, by its very nature, is inherently at risk to structural defects. These defects are not always immediately apparent, and quite often, replacement reserve fund balances are insufficient to cure the defect. Although the amount of liability resulting from such situations as March 31, 2020 cannot be determined, the Association believes that any resulting liability, if any, should not materially affect the financial statements. In those situations where replacement reserves are lacking, a special assessment is normally authorized to fund the amounts necessary to cure the defect.

Farrwood Green II Condominium Association
Notes to Financial Statements
For the Year Ended March 31, 2020
(See Independent Accountant's Review Report)

(10) Commitment and Contingencies - continued

Litigation

The Association is subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of operations. While the outcome of these potential claims cannot be predicated with certainty, management does not believe that the outcome of any of these matters will have a material adverse effect on the Association's financial position or results of operations.

Insurance

In the event of a disaster, The Association could be exposed to losses for damages in excess of insurance coverage limits. The Association considers its insurance coverage adequate.

(11) Known Departure from Accounting Principles Generally Accepted in the United States of America

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 (Common Interest Realty Association) expects to be entitled in exchange for those goods or services.

Management did not adopt the new revenue recognition guidelines and have reported revenues in accordance with previous revenue recognition guidelines (FASB ASC 972-605, Real Estate – Common Interest Realty Associations, Revenue Recognition) which existed before the release of the Financial Accounting Standards Board Accounting Standards Codification 606 – Revenue from Contracts with Customers. Management has not determined the effects of this departure from accounting principles generally accepted in the United States of America on financial position, results of operations, and cash flows.

Farrwood Green II Condominium Association
Notes to Financial Statements
For the Year Ended March 31, 2020
(See Independent Accountant's Review Report)

(12) Uncertain Tax Positions

Under the Income Tax Topic of the FASB Accounting Standards Codification, a company is required to disclose tax filings which are potentially subject to review by either Federal or State agencies. The Association will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Association continually evaluates expiring statutes of limitations, audit, proposed settlements, and changes in tax law and new authoritative rulings.

The Association's evaluation on March 31, 2020 revealed no uncertain tax positions that would have a material impact on the financial statements.