

FOX RIDGE HOMES ASSOCIATION, INC.

**FINANCIAL STATEMENTS
MAY 31, 2020 AND 2019**

FOX RIDGE HOMES ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Homeowners
Fox Ridge Homes Association, Inc.
Canandaigua, New York

We have audited the accompanying financial statements of Fox Ridge Homes Association, Inc., which comprise the balance sheets as of May 31, 2020 and 2019, and the related statements of revenues, expenses and changes in fund balance and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fox Ridge Homes Association, Inc. as of May 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted supplementary information about 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 Boards, 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. Our opinion on the basic financial statements is not affected by the missing information.

Handwritten signature in cursive script that reads "Bruno, Desjardins & Roy, LLP".

Rochester, New York
June 25, 2020

FOX RIDGE HOMES ASSOCIATION, INC.

BALANCE SHEET
MAY 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 50,686	\$ 53,143
Accounts receivable from homeowners, net of \$5,713 allowance for doubtful accounts in 2020 and 2019	1,365	0
Prepaid expenses	<u>502</u>	<u>484</u>
Total assets	<u>\$ 52,553</u>	<u>\$ 53,627</u>

LIABILITIES AND FUND BALANCES

	<u>2020</u>	<u>2019</u>
Liabilities		
Accounts payable	\$ 966	\$ 185
Advance payments from homeowners	22,605	21,810
Accrued income taxes	<u>15</u>	<u>21</u>
Total liabilities	<u>23,586</u>	<u>22,016</u>
Fund balance	<u>28,967</u>	<u>31,611</u>
	<u>\$ 52,553</u>	<u>\$ 53,627</u>

See accompanying notes and independent auditors' report.

FOX RIDGE HOMES ASSOCIATION, INC.

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCE**

FOR THE YEARS ENDED MAY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Revenues		
Common charges	\$ 34,595	\$ 27,447
Interest income	113	39
Miscellaneous	2,265	4,565
	<hr/>	<hr/>
Total revenues	36,973	32,051
	<hr/>	<hr/>
Expenses		
Management fees	7,230	6,931
Insurance	1,989	2,125
Utilities	1,969	2,777
Landscaping	22,056	10,396
Buildings and grounds repairs and maintenance	3,472	444
Administrative expense	1,050	738
Professional fees	1,523	1,463
Property taxes	313	311
Income taxes	15	21
	<hr/>	<hr/>
Total expenses	39,617	25,206
	<hr/>	<hr/>
Excess of revenues over (under) expenses	(2,644)	6,845
Fund balance - beginning of year	31,611	24,766
	<hr/>	<hr/>
Fund balance - end of year	\$ 28,967	\$ 31,611
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See accompanying notes and independent auditors' report.

FOX RIDGE HOMES ASSOCIATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Excess of revenues over (under) expenses	\$ (2,644)	\$ 6,845
Adjustments to reconcile excess of revenues over (under) expenses to net cash and cash equivalents provided (used) by operating activities:		
(Increase) decrease in:		
Accounts receivable from homeowners, net	(1,365)	18,420
Prepaid expenses	(18)	118
Increase (decrease) in:		
Accounts payable	781	(1,077)
Advanced payments from homeowners	795	21,810
Accrued income taxes	(6)	2
	<u> </u>	<u> </u>
Net cash and cash equivalents provided (used) by operating activities	(2,457)	46,118
Cash and cash equivalents - beginning of year	<u>53,143</u>	<u>7,025</u>
Cash and cash equivalents - end of year	<u><u>\$ 50,686</u></u>	<u><u>\$ 53,143</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u><u>\$ 21</u></u>	<u><u>\$ 19</u></u>

See accompanying notes and independent auditors' report.

FOX RIDGE HOMES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2020 AND 2019

NOTE 1: SUMMARY OF OPERATIONS

On January 19, 1989, the Association was incorporated under Section 402 of the New York State Not-For-Profit Corporation Law, for the purpose of maintaining the common areas (consisting of asphalt, grounds and lawns) of one hundred twenty-one homes and thirty lots, located in Canandaigua, New York. The homeowners elect a board of directors who hire an independent property management firm to manage the Association.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents - The Association considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Fund Accounting - The Association's governing documents provide certain guidelines for governing its financial activities, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. 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 operation of the Association.

Member Assessments - Association members are subject to annual assessments to provide funds for the Association's operating expenses. Assessment revenue is recognized as the related performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method as disclosed in Note 3 to the financial statements.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are significantly in arrears. Due to the uncertainty of timing and extend of collections of delinquent assessments, an allowance for doubtful accounts of \$5,713 has been established for the years ending May 31, 2020 and 2019. The Association treated uncollectible 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.

Income Taxes - Pursuant to the Tax Reform Act of 1976, homeowner associations are permitted to make an annual election to be treated as a regular corporation or a tax-exempt organization. Each year the Association will file its tax returns under the election which is most beneficial to the organization. Under Section 528 of the Internal Revenue Code, taxes are paid on non-exempt function income (principally interest, net of expenses).

See independent auditors' report.

FOX RIDGE HOMES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2020 AND 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Association's tax returns for the years ending 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Subsequent Events - In preparing these financial statements, the Association has evaluated events and transactions for potential recognition and disclosure through June 25, 2020, the date the financial statements were available to be issued.

NOTE 3: NEW ACCOUNTING GUIDANCE IMPLEMENTATION

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue 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.

NOTE 4: OWNERS' ASSESSMENTS

Annual assessments to owners for the years ended May 31, 2020 and 2019 were \$245 for homes and \$165 for lots, and \$235 for homes and \$160 for lots, respectively. The annual budget and assessments of owners are determined by the board of directors. The Association retains any year end operating surplus to be used in future years. As of June 1, 2020, annual assessments increased to \$255 for homes and \$170 for lots.

The effects of uncollectible assessments at May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Total assessments	\$ 34,595	\$ 33,160
Less: current year deemed uncollectible	<u>0</u>	<u>5,713</u>
Total assessments recognized	<u>\$ 34,595</u>	<u>\$ 27,447</u>

See independent auditors' report.

FOX RIDGE HOMES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2020 AND 2019

NOTE 5: COMMITMENTS

The Association has entered into an agreement with Kenrick Corporation for management of its operations, for monthly fees of \$510 and \$520 for the years ending December 31, 2020 and 2021, respectively.

NOTE 6: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association has elected not to accumulate funds for future major repairs and replacements. Accumulated funds should be accounted for separately and generally are not available for expenditures for normal operations.

The board of directors and the management company should determine amounts to be allocated to the major maintenance fund. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the major maintenance 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, or delay major repairs and replacements until funds are available.

NOTE 7: CONCENTRATIONS OF CREDIT RISK

The Association's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Association places its cash investments with high credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit. The Association routinely assesses the financial strength of these organizations and, as a consequence, believes that its credit risk exposure is limited.

NOTE 8: RECLASSIFICATION

Certain amounts in the prior period statement of revenues, expenses and changes in fund balances have been reclassified to conform to the presentation of the current period statement of revenues, expenses and changes in fund balances. These reclassifications had no effect on the previously reported excess of revenues over (under) expenses.

NOTE 9: SUBSEQUENT EVENT

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings. While the disruption is expected to be temporary, there is some uncertainty about homeowners' continued ability to pay common charges. This could have a negative impact on operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

See independent auditors' report.