

***FOX RIDGE HOMES ASSOCIATION, INC.***

**FINANCIAL STATEMENTS  
MAY 31, 2021 AND 2020**

# ***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

### **Opinion**

We have audited the accompanying financial statements of Fox Ridge Homes Association, Inc. which comprise the balance sheets as of May 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the years 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 Fox Ridge Homes Association, Inc. as of May 31, 2021 and 2020, 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.

### **Basis for Opinion**

We conducted our audits 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 Fox Ridge Homes Association, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Fox Ridge Homes 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 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, including omissions, 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 Fox Ridge Homes 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 Fox Ridge Homes 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.

## **Omission of Required Supplementary Information about Future Major Repairs and Replacements**

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, 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.

A handwritten signature in cursive script that reads "Bruno, DiGuardia & Roy, LLP".

Rochester, New York  
July 12, 2021

# ***FOX RIDGE HOMES ASSOCIATION, INC.***

## **BALANCE SHEET** MAY 31, 2021 AND 2020

### **ASSETS**

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 55,605	\$ 50,686
Accounts receivable from homeowners, net of \$3,539 and \$5,713 allowance for doubtful accounts in 2021 and 2020, respectively	1,452	1,365
Prepaid expenses	<u>480</u>	<u>502</u>
Total assets	\$ <u><u>57,537</u></u>	\$ <u><u>52,553</u></u>

### **LIABILITIES AND FUND BALANCES**

	<u>2021</u>	<u>2020</u>
Liabilities		
Accounts payable	\$ 589	\$ 966
Advance payments from homeowners	27,490	22,605
Accrued income taxes	<u>7</u>	<u>15</u>
Total liabilities	<u>28,086</u>	<u>23,586</u>
Fund balance	<u>29,451</u>	<u>28,967</u>
	\$ <u><u>57,537</u></u>	\$ <u><u>52,553</u></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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Revenues		
Common charges	\$ 35,129	\$ 34,595
Interest income	33	113
Miscellaneous	<u>3,615</u>	<u>2,265</u>
Total revenues	<u>38,777</u>	<u>36,973</u>
Expenses		
Management fees	6,284	7,230
Insurance	2,032	1,989
Utilities	2,117	1,969
Landscaping	23,967	22,056
Buildings and grounds repairs and maintenance	784	3,472
Administrative expense	1,225	1,050
Professional fees	1,570	1,523
Property taxes	307	313
Income taxes	<u>7</u>	<u>15</u>
Total expenses	<u>38,293</u>	<u>39,617</u>
Excess of revenues over (under) expenses	484	(2,644)
Fund balance - beginning of year	<u>28,967</u>	<u>31,611</u>
Fund balance - end of year	\$ <u><u>29,451</u></u>	\$ <u><u>28,967</u></u>

See accompanying notes and independent auditors' report.

# ***FOX RIDGE HOMES ASSOCIATION, INC.***

## **STATEMENT OF CASH FLOWS** **FOR THE YEARS ENDED MAY 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Excess of revenues over (under) expenses	\$ 484	\$ (2,644)
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	(87)	(1,365)
Prepaid expenses	22	(18)
Increase (decrease) in:		
Accounts payable	(377)	781
Advanced payments from homeowners	4,885	795
Accrued income taxes	<u>(8)</u>	<u>(6)</u>
Net cash and cash equivalents provided (used) by operating activities	4,919	(2,457)
Cash and cash equivalents - beginning of year	<u>50,686</u>	<u>53,143</u>
Cash and cash equivalents - end of year	\$ <u><u>55,605</u></u>	\$ <u><u>50,686</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ <u><u>15</u></u>	\$ <u><u>21</u></u>

See accompanying notes and independent auditors' report.



# ***FOX RIDGE HOMES ASSOCIATION, INC.***

## **NOTES TO FINANCIAL STATEMENTS**

MAY 31, 2021 AND 2020

### **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 fund. Currently, there is no major maintenance fund.

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 \$3,539 and \$5,713 have been established for the years ending May 31, 2021 and 2020, respectively. 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, 2021 AND 2020

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Association's tax returns for the years ending 2018, 2019 and 2020 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 July 12, 2021, the date the financial statements were available to be issued. Specific events have been identified in Note 8 to the financial statements.

### **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.

The Association adopted the new guidance as of June 1, 2020, using the modified retrospective method of transition, which requires that the cumulative effect of the changes related to the adoption be charged to beginning major maintenance fund balance. The Association applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of June 1, 2020. Adoption of the new guidance resulted in changes to our accounting policies for assessment revenue and contract liabilities (assessments received in advance-major maintenance fund).

Due to the lack of a major maintenance fund, the adoption of the new revenue recognition guidance only effected the operating fund.

See independent auditors' report.

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## **NOTES TO FINANCIAL STATEMENTS**

MAY 31, 2021 AND 2020

### **NOTE 4: OWNERS' ASSESSMENTS**

Annual assessments to owners for the years ended May 31, 2021 and 2020 were \$255 for homes and \$170 for lots, and \$245 for homes and \$165 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, 2021, annual assessments remain the same for homes and lots.

The adoption of the new revenue recognition guidance had the following effect on operating fund assessments:

	<u>2021</u>	<u>2020</u>
Total assessments	\$ 35,955	\$ 34,595
Less: current year deemed uncollectible	<u>826</u>	<u>0</u>
Total assessments recognized	<u>\$ 35,129</u>	<u>\$ 34,595</u>

### **NOTE 5: COMMITMENTS**

The Association has entered into an agreement with Kenrick Corporation for management of its operations, for monthly fees of \$510 until December 31, 2021, and the monthly fee of \$520 for the year ending December 31, 2022.

### **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 any estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in a 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.

See independent auditors' report.

# ***FOX RIDGE HOMES ASSOCIATION, INC.***

## **NOTES TO FINANCIAL STATEMENTS**

MAY 31, 2021 AND 2020

### **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: 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.