

Financial Statements

SACO WOODS CONDOMINIUM ASSOCIATION

**FOR THE YEAR ENDED DECEMBER 31, 2021
AND
INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

SACO WOODS CONDOMINIUM ASSOCIATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Saco Woods Condominium Association
Glen, New Hampshire

We have reviewed the accompanying financial statements of Saco Woods Condominium Association, which comprise the balance sheet as of December 31, 2021, and the related statements of revenues, expenses, and changes in members' equity (deficit) 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 entity 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, we do not express such an opinion.

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.

Accountants' Responsibility

Our 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 us to perform procedures to obtain limited assurance as a basis for reporting whether we are 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. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Saco Woods Condominium Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management has omitted supplementary information about future major repairs and replacement 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.

*Leon, McDonnell & Roberts
Professional Association*

North Conway, New Hampshire
July 15, 2022

SACO WOODS CONDOMINIUM ASSOCIATION

**BALANCE SHEET
DECEMBER 31, 2021**

ASSETS

CURRENT ASSETS

Cash and cash equivalents, unrestricted	\$ 39,211
Cash and cash equivalents, restricted for reserve replacements	326,767
Accounts receivable	<u>44,049</u>
 Total current assets	 <u>\$ 410,027</u>

LIABILITIES AND MEMBERS' EQUITY (DEFICIT)

CURRENT LIABILITIES

Current portion of long term debt	\$ 84,024
Deferred revenue	32,169
Accrued expenses	<u>103</u>
 Total current liabilities	 116,296

LONG TERM LIABILITIES

Long term debt, net of current portion shown above	<u>915,976</u>
 Total liabilities	 1,032,272

MEMBERS' EQUITY (DEFICIT)

	<u>(622,245)</u>
 Total liabilities and members' equity (deficit)	 <u>\$ 410,027</u>

**See Independent Accountants' Review Report
and
Notes to Financial Statements**

SACO WOODS CONDOMINIUM ASSOCIATION

**STATEMENT OF REVENUES, EXPENSES, AND MEMBERS' EQUITY (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2021**

REVENUES

Association dues	\$ 374,400
Carport income	12,900
Transfer and late fee income	9,850
Interest income	253
Other income	<u>10,222</u>

Total revenues 407,625

OPERATING EXPENSES

Siding replacement, new windows and other improvements	886,788
Repairs and maintenance	226,299
Utilities	51,959
Insurance	31,130
Management fee	23,247
Lawn maintenance	19,136
Interest	17,176
Snow removal	15,036
Carport expenses	14,952
General and administrative	8,823
Taxes	<u>103</u>

Total operating expenses 1,294,649

NET LOSS (887,024)

MEMBERS' EQUITY (DEFICIT) AT BEGINNING OF YEAR 264,779

MEMBERS' EQUITY (DEFICIT) AT END OF YEAR \$ (622,245)

See Independent Accountants' Review Report
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SACO WOODS CONDOMINIUM ASSOCIATION

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	\$ (887,024)
Adjustments to reconcile net loss to net cash provided by operating activities	
(Increase) decrease in assets:	
Accounts receivable	(27,416)
Increase (decrease) in liabilities:	
Taxes payable	103
Accounts payable	<u>32,169</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(882,168)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from long term borrowings	<u>1,000,000</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,000,000</u>
NET INCREASE IN CASH	117,832
CASH, BEGINNING OF YEAR	<u>248,146</u>
CASH, END OF YEAR	<u>\$ 365,978</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for interest	<u>\$ 17,176</u>

**See Independent Accountants' Review Report
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SACO WOODS CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Saco Woods Condominium Association (the Association) was created on March 29, 1989 and commenced operations under the direction and control of the Board of Directors. The Association's membership consists of 96 unit owners of condominiums in four different buildings. The Association is responsible for the operation and maintenance of the common property.

Accounting Method

The Association's financial statements are prepared using the accrual basis of accounting. Under this method of accounting, revenue is recognized when dues/assessments are earned and expenses are recognized when goods or services are received, whether paid or not.

Association Dues

Association members are subject to assessments to provide funds for the Association's operating expenses and major repairs and replacements. Accounts receivable at the balance sheet date represent fees due from owners for assessments. Payments are due within 30 days of the invoice date with a flat fee charged after 30 days. If payment is not received within 90 days, it is referred to legal counsel for collections and lien consideration. The Association's policy is to retain legal counsel for collection on the accounts of owners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. It is the Board of Director's opinion that the Association will ultimately prevail against owners with delinquent assessments. There was no allowance deemed necessary for the years ended December 31, 2021.

Income Taxes

The Association files its income tax return as a homeowner's association, in accordance with Internal Revenue Code Section 528. Under that Section, the Association is not taxed on uniform dues/assessments to members and other income received from Association members solely as a function of their membership in the Association. The Association is taxed at the rate of 30% on its investment income and non-exempt function income.

The Association files income tax returns in the U.S. federal jurisdiction and the State of New Hampshire. The Association is subject to three years of federal or state examinations by tax authorities. The Association believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain income tax positions that are material to the financial statements.

SACO WOODS CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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.

Cash and Cash Equivalents

The Association considers all highly liquid financial instruments with a maturity date of 90 days or less to be cash equivalents.

Cash and cash equivalents at year-end:

Cash and cash equivalents, unrestricted	\$ 39,211
Cash and cash equivalents, restricted for reserve replacements	<u>326,767</u>
Total cash and cash equivalents	<u>\$ 365,978</u>

Fair Value Measurements

Accounting Standards Codification No. 825 (ASC 825), Disclosures of Fair Value of Financial Instruments, requires the Association to disclose fair values for its financial instruments. The carrying amount of the Association's financial instruments which consists of cash, accounts receivable and accounts payable, approximate fair value because of the short-term maturity of those instruments.

Common Property

The Association holds title to common property and limited common property consisting of the following:

Common property consisting of the land, walks, shrubbery, septic system, water supply, roofs, foundations and perimeter walls located on several acres of land.

Limited common areas consisting of entrance way, steps, decks, stairways, balconies, patios, individual unit entry ways and carports.

SACO WOODS CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

The common property is not used to generate significant cash flows from members on the basis of usage or from non-members. Generally, common areas cannot be sold except for limited sales of land not currently in use. Any sale of common area requires the unanimous approval of all members. Condominium ownership gives each unit owner the right to share the use of the common areas with other unit owners and an obligation for a pro-rata share of the expenses to manage, maintain, and repair them. Each unit owner has an undivided percentage interest in the common property that is inseparable from ownership for the unit itself. Therefore, expenditures for major improvements to the common area are expensed when incurred according to generally accepted accounting principles.

Reserve for Replacements

The Association has conducted a formal study to determine the remaining useful lives of the common property and estimates of the costs of major repairs and replacements that may be required in the future. The Association maintains a board designated cash account and reserve for replacement to provide for certain future expenditures for, among other things, pumps, wells, roof repairs, and road repair. The amount of members' assessments designated for this fund is determined by the Board of Directors. There is no guarantee that reserves will equal actual replacement costs. Deductions from the reserve for replacement are recorded at cost, as incurred, which meet the objectives for which the reserve was established.

Revenue Recognition

The Association derives revenues from the monthly member assessments and other related fees, such as carport assessments. Revenues are recognized as income, monthly, when the assessment becomes due. Dues are assessed monthly to individual unit owners of the properties within the Association. The Association also derives revenue from interest income, and miscellaneous income from small fines and fees. These revenues are recognized when they are assessed.

NOTE 2

LOAN PAYABLE

During the year ended December 31, 2021, the Association was approved for a loan from Avidia Bank to finance future repairs and replacements which includes siding replacement, new windows and other improvements. The loan is drawable up to \$1,000,000 at a rate of 3.698% fixed for 11 years with an initial one-year interest only period. The loan is collateralized by all common charges assessed against or collected from the owners of units of the Association. Interest expense for this loan for the year ended December 31, 2021 was \$17,176.

SACO WOODS CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 3 **CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Association to a concentration of credit risk consist primarily of cash and equivalents.

The Association maintains cash accounts in various financial institutions. The balances were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2021, cash balances exceeded the FDIC limits by approximately \$109,200.

NOTE 4 **SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before financial statements are available to be issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after that date. Management has evaluated subsequent events through July 15, 2022, the date the financial statements were available to be issued.