

**THE MANOR HOMES AT ALDINGBROOKE  
CONDOMINIUM ASSOCIATION**

Financial Statements and Supplementary Information

Years Ended December 31, 2019 and 2018

THE MANOR HOMES AT ALDINGBROOKE CONDOMINIUM ASSOCIATION

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years Ended December 31, 2019 and 2018

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members  
The Manor Homes at Aldingbrooke Condominium Association

We have audited the accompanying financial statements of The Manor Homes at Aldingbrooke Condominium Association, which comprise the balance sheets as of December 31, 2019 and 2018, 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.

### **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.

### **Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 the 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**

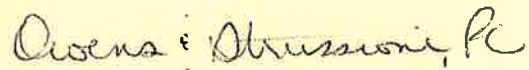
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Manor Homes at Aldingbrooke Condominium Association as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 10-12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Management has omitted the required supplementary information about future major repairs and replacements 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. Our opinion on the basic financial statements is not affected by the missing information.



OWENS & STRUSSIONE, P.C.  
Certified Public Accountants

Shelby Township, Michigan  
November 17, 2020

THE MANOR HOMES AT ALDINGBROOKE CONDOMINIUM ASSOCIATION

BALANCE SHEETS

December 31, 2019 and 2018

	2019			2018
	OPERATING FUND	REPLACEMENT FUND	TOTAL	
<b>ASSETS</b>				
Cash, including interest-bearing deposits	\$ 43,397	\$ 322,202	\$ 365,599	\$ 394,741
Assessments receivable	3,076	-	3,076	23,836
Accounts receivable - insurance claim	23,509	-	23,509	-
Accounts receivable - township reimbursement	9,164	-	9,164	-
Prepaid insurance	4,037	-	4,037	3,721
<b>TOTAL ASSETS</b>	<b>\$ 83,183</b>	<b>\$ 322,202</b>	<b>\$ 405,385</b>	<b>\$ 422,298</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Accounts payable	9,849	-	9,849	8,593
Assessments received in advance	9,975	-	9,975	12,765
<b>TOTAL LIABILITIES</b>	<b>19,824</b>	<b>-</b>	<b>19,824</b>	<b>21,358</b>
Replacement fund	-	322,202	322,202	362,854
Operating fund	63,359	-	63,359	38,086
<b>TOTAL FUND BALANCES</b>	<b>63,359</b>	<b>322,202</b>	<b>385,561</b>	<b>400,940</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 83,183</b>	<b>\$ 322,202</b>	<b>\$ 405,385</b>	<b>\$ 422,298</b>

See accompanying notes to financial statements and Independent Auditor's Report.

THE MANOR HOMES AT ALDINGBROOKE CONDOMINIUM ASSOCIATION  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

Years Ended December 31, 2019 and 2018

	2019			2018
	OPERATING FUND	REPLACEMENT FUND	TOTAL	
ASSESSMENT REVENUE				
Regular assessments	\$ 545,400	\$ -	\$ 545,400	\$ 545,400
FINANCIAL REVENUE - INTEREST	1,065	-	1,065	1,034
OTHER REVENUES				
Late charges	675	-	675	700
Roadway repairs reimbursement	-	-	-	9,682
Miscellaneous	500	-	500	-
TOTAL OTHER REVENUES	1,175	-	1,175	10,382
REVENUE AVAILABLE FOR OPERATIONS	547,640	-	547,640	556,816
DIRECT OPERATING EXPENSES	522,367	40,652	563,019	622,809
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	25,273	(40,652)	(15,379)	(65,993)
BEGINNING FUND BALANCES	38,086	362,854	400,940	466,933
ENDING FUND BALANCES	\$ 63,359	\$ 322,202	\$ 385,561	\$ 400,940

See accompanying notes to financial statements and Independent Auditor's Report.

THE MANOR HOMES AT ALDINGBROOKE CONDOMINIUM ASSOCIATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

	2019			2018
	OPERATING FUND	REPLACEMENT FUND	TOTAL	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess (deficiency) of revenues over expenses	\$ 25,273	\$ (40,652)	\$ (15,379)	\$ (65,993)
Adjustment to reconcile the excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
(Increase) decrease in:				
Assessments receivable	20,760	-	20,760	(8,962)
Accounts receivable	(32,673)	-	(32,673)	-
Prepaid expenses	(316)	-	(316)	22,323
Increase (decrease) in:				
Accounts payable	1,256	-	1,256	4,256
Assessments received in advance	(2,790)	-	(2,790)	485
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>11,510</u>	<u>(40,652)</u>	<u>(29,142)</u>	<u>(47,891)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	11,510	(40,652)	(29,142)	(47,891)
<b>CASH AT BEGINNING OF YEAR</b>	<u>31,887</u>	<u>362,854</u>	<u>394,741</u>	<u>442,632</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 43,397</u>	<u>\$ 322,202</u>	<u>\$ 365,599</u>	<u>\$ 394,741</u>

See accompanying notes to financial statements and Independent Auditor's Report.



# THE MANOR HOMES AT ALDINGBROOKE CONDOMINIUM ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

### NOTE A – NATURE OF ORGANIZATION

The Manor Homes at Aldingbrooke Condominium Association is a statutory condominium association incorporated in the State of Michigan on June 5, 1984. The Association is responsible for the operation and maintenance of the common property of the condominium project. The Association consists of 101 residential site units located in West Bloomfield Township, Michigan.

### NOTE B – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through November 17, 2020, the date that the financial statements were available to be issued.

### NOTE C – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### General Accounting

The Association prepares its year-end financial statements on the accrual basis and presents them as separate funds based on its different funding policies for operations and replacement expenditures.

#### Fund Accounting

The Association's governing documents provide certain guidelines for governing its financial activities. 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 Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements.

#### Member Assessments

Association members 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 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 members whose assessments are thirty days or more delinquent. The Association considers all assessments receivable at December 31, 2019 to be fully collectible. It is the opinion of the Board of Directors that the Association will ultimately prevail against members with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary. Any excess assessments at year end are retained by the Association for use in the succeeding year. The budget for the subsequent fiscal year provides for no change in the regular monthly assessments of \$450.



THE MANOR HOMES AT ALDINGBROOKE CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

Interest Income

Interest income is allocated to the operating and replacement funds in proportion to the interest-bearing deposits of each fund.

Property and Equipment

Real property and common areas acquired from the developer and related improvements to such property are not recorded in the Association's financial statements because those properties are owned by the individual unit owners in common and not by the Association. The Association capitalizes personal property at cost.

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.

NOTE D – INCOME TAXES

The Association is classified as a nonexempt membership organization for both federal and state income tax purposes for the years ended December 31, 2019 and 2018. It does not qualify as an exempt organization. The Association is subject to specific rulings and regulations applicable to nonexempt membership organizations. In general, the Association is required to separate its taxable income and deductions into membership transactions, non-membership transactions, and capital transactions.

For federal tax purposes, the Association is taxed on all net income from non-membership activities reduced only by losses from non-membership activities for which a profit motive exists. Non-membership income may not be offset by membership losses, and any net membership losses may only be carried forward to offset membership income of future tax periods. Any net membership income not applied to the subsequent year is subject to taxation. The Association files form 1120, which has a flat tax rate of 21% on net taxable income. The Association has a net operating loss carryforward scheduled as follows:

12/31/10	\$ 376	12/31/15	\$ 3,106
12/31/11	541	12/31/16	2,975
12/31/12	2,289	12/31/17	6,220
12/31/13	2,731	12/31/18	6,352
12/31/14	2,948	12/31/19	<u>6,602</u>
			<u>\$ 34,140</u>

THE MANOR HOMES AT ALDINGBROOKE CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

NOTE D – INCOME TAXES – continued

For state tax purposes, the Association is subject to the Michigan Corporate Income Tax and is required to file a state tax return. There is no state tax due for the current fiscal year.

The Association's tax filings are subject to audit by various taxing authorities. The Association's federal income tax returns for 2019, 2018, and 2017 remain open to examination by the Internal Revenue Service; state income tax returns for 2019, 2018, 2017, and 2016 are open to examination. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

NOTE E – FUNDED RESERVES

The Association sets aside funds in order to meet future cash requirements. The bylaws of the Association require that an adequate reserve fund for maintenance, repairs and replacements of those common elements that must be replaced on a periodic basis must be established in the budget and must be funded at least annually from the proceeds of the regular monthly assessments. Further, the reserve fund shall, at a minimum, be equal to ten (10) percent of the Association's current annual budget on a non-cumulative basis. As of December 31, 2019 and 2018, the fund was above this minimum standard.

The funds contained in the reserve fund should only be used for major repairs and replacement of common elements and are generally not available for operating purposes. The Association has not conducted a study 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. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs. If additional funds are needed, however, the Association has the right, subject to Board of Directors or member approval as applicable, to increase regular assessments or levy additional or special assessments, or it may delay major repairs and replacements until funds are available. The fund activity is summarized on page 12. As of December 31, 2019, the funds were invested as follows:

	<u>Interest Rate</u>	<u>Amount</u>
Checking account – Community Financial Credit Union	0.05%*	\$ 17,322
Business savings – Chase Bank	0.04%*	131,023
Money market – Community Financial Credit Union	0.06%*	4,036
Money market savings – Bank of Ann Arbor	0.20%*	<u>213,218</u>
Total cash invested		365,599
Less: investments unallocated to funded reserves		<u>(43,397)</u>
Total funded reserves		<u>\$ 322,202</u>

\* Variable interest rate as of December 31, 2019

THE MANOR HOMES AT ALDINGBROOKE CONDOMINIUM ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

NOTE F – RELATED PARTIES

Herriman and Associates, Inc., the managing agent of the Association, performs general maintenance work for the Association. In addition, the Association has funds deposited in various accounts at Community Financial Credit Union, where Daniel Herriman, President of Herriman and Associates, Inc., is currently a member of the Board of Directors.

SUPPLEMENTARY INFORMATION

THE MANOR HOMES AT ALDINGBROOKE CONDOMINIUM ASSOCIATION

STATEMENTS OF DIRECT OPERATING EXPENSES

Years Ended December 31, 2019 and 2018

	2019			2018
	OPERATING FUND	REPLACEMENT FUND	TOTAL	
<b>ADMINISTRATIVE EXPENSES</b>				
Management fees	\$ 26,745	\$ -	\$ 26,745	\$ 26,221
Legal	4,822	-	4,822	2,150
Auditing	3,120	-	3,120	3,120
Copies and postage	1,521	-	1,521	1,558
Bad debt	14,111	-	14,111	-
Miscellaneous	3,153	-	3,153	4,425
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>53,472</b>	<b>-</b>	<b>53,472</b>	<b>37,474</b>
<b>OPERATING EXPENSES</b>				
Electricity	1,582	-	1,582	1,858
Water and sewer	47,416	-	47,416	64,054
<b>TOTAL OPERATING EXPENSES</b>	<b>48,998</b>	<b>-</b>	<b>48,998</b>	<b>65,912</b>
<b>MAINTENANCE AND REPAIRS EXPENSES</b>				
Building repairs - interior	13,263	-	13,263	22,556
Building repairs - painting and wood replacement	146,243	-	146,243	176,081
Building repairs - exterior	17,044	-	17,044	19,125
Cement walks and porches	4,450	-	4,450	4,350
Drainage improvements	1,899	-	1,899	-
Exterminator	5,313	-	5,313	7,421
Gutters and downspouts	6,237	-	6,237	6,711
Masonry	4,800	-	4,800	25,060
Roof repairs	7,839	-	7,839	15,616
Snow removal and ice melt	59,480	-	59,480	56,746
Rubbish removal	18,701	-	18,701	20,168
Landscape restoration	13,035	-	13,035	35,911
Lawn fertilization	6,192	-	6,192	6,192
Lawn maintenance	30,491	-	30,491	30,491
Mulch and flowers	-	-	-	3,960
Other grounds	230	-	230	-
<b>TOTAL FORWARD</b>	<b>\$ 335,217</b>	<b>\$ -</b>	<b>\$ 335,217</b>	<b>\$ 430,388</b>

See accompanying notes to financial statements and Independent Auditor's Report.

THE MANOR HOMES AT ALDINGBROOKE CONDOMINIUM ASSOCIATION

STATEMENTS OF DIRECT OPERATING EXPENSES

Years Ended December 31, 2019 and 2018

	2019			2018
	OPERATING FUND	REPLACEMENT FUND	TOTAL	
MAINTENANCE AND REPAIRS EXPENSES				
TOTAL BROUGHT FORWARD	\$ 335,217	\$ -	\$ 335,217	\$ 430,388
Shrub and bush trimming	4,613	-	4,613	8,215
Spring and fall clean-ups	14,474	-	14,474	14,474
Sprinkler maintenance	8,585	-	8,585	10,376
Tree fertilization	1,490	-	1,490	-
Tree spraying	4,240	-	4,240	7,790
Tree trimming	12,235	-	12,235	9,375
Weeding - lawn and site	4,010	-	4,010	4,599
Wood replacement and paint	-	40,652	40,652	-
TOTAL MAINTENANCE AND REPAIRS EXPENSES	<u>384,864</u>	<u>40,652</u>	<u>425,516</u>	<u>485,217</u>
INSURANCE EXPENSE				
Property and liability insurance	<u>35,033</u>	<u>-</u>	<u>35,033</u>	<u>34,206</u>
TOTAL DIRECT OPERATING EXPENSES	<u>\$ 522,367</u>	<u>\$ 40,652</u>	<u>\$ 563,019</u>	<u>\$ 622,809</u>

See accompanying notes to financial statements and Independent Auditor's Report.

THE MANOR HOMES AT ALDINGBROOKE CONDOMINIUM ASSOCIATION

STATEMENT OF FUNDED RESERVES

Year Ended December 31, 2019

	DECEMBER 31, 2018 BALANCE	TRANSFERS TO	TRANSFERS FROM	DECEMBER 31, 2019 BALANCE
Replacement fund	\$ <u>362,854</u>	\$ <u>-</u>	\$ <u>40,652</u>	\$ <u>322,202</u>

DISBURSEMENT OF FUNDS

<u>PURPOSE</u>	<u>AMOUNT</u>
Wood replacement and paint	\$ <u>40,652</u>

See accompanying notes to financial statements and Independent Auditor's Report.