

**FORTUNE RIDGE TOWNHOMES ASSOCIATION, INC.**

AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2017



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members  
Fortune Ridge Townhomes Association, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Fortune Ridge Townhomes Association, Inc., which comprise the balance sheet as of December 31, 2017, and the related statements of revenues, expenses, and changes in fund balances and cash flows for the year 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 the 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 audit. We conducted our audit 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 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 Fortune Ridge Townhomes Association, Inc., as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

Fortune Ridge Townhomes Association, Inc., has omitted the information about the estimates of future costs of 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, 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.

Andrew K. Collins CPA PLLC

Raleigh, North Carolina  
September 13, 2018

**FORTUNE RIDGE TOWNHOMES ASSOCIATION, INC.**

**BALANCE SHEET**

As of December 31, 2017

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash, including interest-bearing deposits	\$ 201,678	\$ -	\$ 201,678
Assessments receivable	17,240	-	17,240
Other receivables	4,161	-	4,161
Due from operating fund	-	2,956	2,956
Due to replacement fund	<u>(2,956)</u>	<u>-</u>	<u>(2,956)</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 220,123</u></u>	<u><u>\$ 2,956</u></u>	<u><u>\$ 223,079</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable	\$ 16,459	\$ -	\$ 16,459
Assessments received in advance	<u>9,602</u>	<u>-</u>	<u>9,602</u>
<b>TOTAL LIABILITIES</b>	26,061	-	26,061
Fund balances	<u>194,062</u>	<u>2,956</u>	<u>197,018</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 220,123</u></u>	<u><u>\$ 2,956</u></u>	<u><u>\$ 223,079</u></u>

The accompanying notes are an integral part of the financial statements.

**FORTUNE RIDGE TOWNHOMES ASSOCIATION, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES**  
Year ended December 31, 2017

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>REVENUES</b>			
Homeowners assessments	\$ 196,400	\$ 70,000	\$ 266,400
Other income	3,158	-	3,158
<b>TOTAL REVENUES</b>	199,558	70,000	269,558
<b>EXPENSES</b>			
Utilities	4,715	-	4,715
Building & facilities maintenance	23,424	67,044	90,468
Grounds contract	55,776	-	55,776
Grounds extras	53,635	-	53,635
Printing and postage	183	-	183
Accounting fees	215	-	215
Insurance	1,564	-	1,564
Management fees	19,200	-	19,200
Pest control	3,848	-	3,848
Bank service charges	48	-	48
Master association dues	31,968	-	31,968
<b>TOTAL EXPENSES</b>	194,576	67,044	261,620
<b>EXCESS OF REVENUES OVER EXPENSES</b>	4,982	2,956	7,938
<b>BEGINNING FUND BALANCE</b>	189,080	-	189,080
<b>ENDING FUND BALANCE</b>	\$ 194,062	\$ 2,956	\$ 197,018

The accompanying notes are an integral part of the financial statements.

**FORTUNE RIDGE TOWNHOMES ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS (INDIRECT METHOD)**  
Year ended December 31, 2017

	<b>Operating Fund</b>	<b>Replacement Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess of revenues over expenses	\$ 4,982	\$ 2,956	\$ 7,938
Adjustment to reconcile excess of revenues over expenses to net cash provided by operating activities:			
(Increase)/decrease in:			
Assessments receivable	(11,294)	-	(11,294)
Other receivables	2,724	-	2,724
Interfund Lending	2,956	(2,956)	-
Increase/(Decrease) in:			
Accounts payable	6,554	-	6,554
Assessments received in advance	4,633	-	4,633
<b>NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>	<b>10,555</b>	<b>-</b>	<b>10,555</b>
 NET INCREASE/(DECREASE) IN CASH	 10,555	 -	 10,555
 CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	 191,123	 -	 191,123
 CASH & CASH EQUIVALENTS AT END OF YEAR	 \$ 201,678	 \$ -	 201,678
 <b>SUPPLEMENTAL DISCLOSURE</b>			
Income taxes paid	\$ -	\$ -	\$ -
Interest paid	\$ -	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

**FORTUNE RIDGE TOWNHOMES ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

**NOTE A - NATURE OF ORGANIZATION**

Fortune Ridge Townhomes Association, Inc. is a statutory homeowners association incorporated in the State of North Carolina on January 16, 1986. The Association is responsible for the operation and maintenance of the common property of the development, which consists of 148 residential units located in Durham, North Carolina. The board of directors has hired Grandchester Meadows, Inc. to act as its agent to conduct the daily operations, act as administrator, and prepare the accounting records for the association

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 facilities repairs and replacements.

**Property and Equipment**

It is the association's policy to not capitalize the real property and common area elements that were acquired from the developer or any related improvements to such property. For this reason, these assets are not reflected on the Association's financial statements. Therefore, any capital improvements are expensed when incurred.

**Member Assessments**

All 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 homeowners whose assessments are significantly delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year. The Association charges off uncollectible receivables as bad debt once they have been identified as uncollectible after exhausting all legal efforts. It is the opinion of the board of directors that the Association will ultimately prevail against all other homeowners with delinquent assessments

**Cash, including interest-bearing deposits**

Cash, including interest-bearing deposits include interest and non-interest bearing cash deposits as well as certificates of deposit.

**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.

**FORTUNE RIDGE TOWNHOMES ASSOCIATION, INC.**

NOTES TO FINANCIAL STATEMENTS - Continued

December 31, 2017

**NOTE C - INCOME TAXES**

The Association qualifies as a tax-exempt homeowners' association under Internal Revenue Code Section 528 for the year ended December 31, 2017. Under that Section, the Association is not taxed on income and expenses related to its exempt purpose, which is the acquisition, construction, management, maintenance, and care of Association property. Net nonexempt function income, which includes earned interest and revenues received from nonmembers, is taxed at 30% by the federal government and at 3% by the State of North Carolina. For the tax year ended December 31, 2017, the Association incurred no federal or state income tax liabilities.

The Association's tax filings are subject to audit by various taxing authorities. The Association's income tax returns for 2017, 2016, and 2015 remain open to examination by the Internal Revenue Service and the North Carolina Department of Revenue. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

**NOTE D - FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds, which aggregate approximately \$2,956.00 at December 31, 2017, are held in separate accounts and are generally not available for operating purposes. It is the Association's policy to allocate interest earned on such funds to the Replacement Fund.

The Association has not conducted a reserve study to determine the remaining useful lives and replacement costs of the components of common property. Contributions to the Replacement Fund are based on informal estimates made by the Board when preparing the annual budget. Actual expenditures 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 the Association has the right, subject to member approval, to increase regular assessments, to levy special assessments, or it may delay major repairs and replacements until funds are available.

**NOTE E - DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 13, 2018, the date that the financial statements were available to be issued.

**NOTE F - INTERFUND LOAN**

As of December 31, 2016 the operating fund did not owe a balance to the replacement fund. During 2017, various transactions occurred that created a loan balance. These transactions resulted in the operating fund owing a balance of \$2,956.00 to the replacement fund as of December 31, 2017.

**NOTE G - SPECIAL ASSESSMENT**

On July 12, 2018 The association membership approved a special assessment of \$2,400.00 per homeowner for anticipated roof replacement projects. The assessment is payable over 24 months at \$100.00 per month beginning January 1, 2019.