

PERRY FARM VILLAGE ASSOCIATION
REPORT ON FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 (REVIEWED)
AND DECEMBER 31, 2019 (AUDITED)

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Perry Farm Village Association

We have reviewed the accompanying financial statements of Perry Farm Village Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, 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 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.

Accountant's 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.

Accountant's Conclusion

Based on our review, except for the issue noted in the *Known Departure From Accounting Principles Generally Accepted in the United States of America* paragraph, 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.

Report on 2019 Financial Statements

The 2019 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated August 6, 2020. We have not performed any auditing procedures since that date.

Maner Costerisan PC

March 26, 2021

**PERRY FARM VILLAGE ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

	<u>2020</u> <u>(Reviewed)</u>	<u>2019</u> <u>(Audited)</u>
ASSETS		
Current assets		
Cash and cash equivalents		
Operating cash	\$ 37,578	\$ 65,065
Accounts receivable - net	<u>94,540</u>	<u>41,754</u>
Total current assets	<u>132,118</u>	<u>106,819</u>
Restricted cash and funded reserves		
Funded reserve - replacement reserve	<u>190,414</u>	<u>161,883</u>
Property and equipment		
Building improvements	32,463	25,226
Less accumulated depreciation	<u>(3,195)</u>	<u>(475)</u>
Net property and equipment	<u>29,268</u>	<u>24,751</u>
TOTAL ASSETS	<u><u>\$ 351,800</u></u>	<u><u>\$ 293,453</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Due to PVM - related party	\$ 21,374	\$ 40,928
Due to PFDC - related party	100,352	42,846
Accrued wages	5,930	4,360
Accrued insurance	<u>99</u>	<u>1,867</u>
Total current liabilities	<u>127,755</u>	<u>90,001</u>
NET ASSETS		
Without donor restrictions	<u>224,045</u>	<u>203,452</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 351,800</u></u>	<u><u>\$ 293,453</u></u>

See independent accountant's review report
and notes to financial statements.

**PERRY FARM VILLAGE ASSOCIATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u> <u>(Reviewed)</u>	<u>2019</u> <u>(Audited)</u>
REVENUE		
Association fees and services	\$ 384,780	\$ 452,713
Interest	46	80
Other	9,871	242
	<u>394,697</u>	<u>453,035</u>
TOTAL REVENUE		
EXPENSES		
Program services	277,758	275,174
Management and general	96,346	91,477
	<u>374,104</u>	<u>366,651</u>
TOTAL EXPENSES		
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	20,593	86,384
NET ASSETS WITHOUT DONOR RESTRICTIONS - beginning of year	<u>203,452</u>	<u>117,068</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - end of year	<u>\$ 224,045</u>	<u>\$ 203,452</u>

See independent accountant's review report
and notes to financial statements.

**PERRY FARM VILLAGE ASSOCIATION
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020 (Reviewed)			2019 (Audited)		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and wages	\$ 25,022	\$ 55,698	\$ 80,720	\$ 19,719	\$ 53,662	\$ 73,381
Benefits	2,604	5,795	8,399	2,126	5,785	7,911
Payroll taxes	1,665	3,707	5,372	1,352	3,678	5,030
Grounds maintenance	86,275	-	86,275	112,092	-	112,092
Insurance	21,931	-	21,931	17,638	-	17,638
Management fees	-	22,836	22,836	-	22,836	22,836
Administration	-	8,310	8,310	-	5,516	5,516
Repairs and maintenance	41,102	-	41,102	38,810	-	38,810
Supplies	4,876	-	4,876	7,898	-	7,898
Property taxes	5,804	-	5,804	5,789	-	5,789
Utilities	85,759	-	85,759	69,275	-	69,275
Depreciation	2,720	-	2,720	475	-	475
	<u>\$ 277,758</u>	<u>\$ 96,346</u>	<u>\$ 374,104</u>	<u>\$ 275,174</u>	<u>\$ 91,477</u>	<u>\$ 366,651</u>

See independent accountant's review report and notes to financial statements.

**PERRY FARM VILLAGE ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u> <u>(Reviewed)</u>	<u>2019</u> <u>(Audited)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND FUNDED RESERVES		
Cash flows from operating activities		
Change in net assets	\$ 20,593	\$ 86,384
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	2,720	475
Accounts receivable	(52,786)	(16,196)
Due to PVM - related party	(19,554)	(10,971)
Due to PFDC - related party	57,506	37,695
Accrued wages	1,570	(1,707)
Accrued insurance	(1,768)	635
Total adjustments	<u>(12,312)</u>	<u>9,931</u>
Net cash provided by operating activities	<u>8,281</u>	<u>96,315</u>
Cash flows from investing activities		
Purchase of property and equipment - net	<u>(7,237)</u>	<u>(25,226)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND FUNDED RESERVES	1,044	71,089
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND FUNDED RESERVES		
Beginning of year	<u>226,948</u>	<u>155,859</u>
End of year	<u>\$ 227,992</u>	<u>\$ 226,948</u>

See independent accountant's review report
and notes to financial statements.

**PERRY FARM VILLAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Association are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Net Assets - Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. Net assets without donor restrictions are \$224,045 and \$203,452 as of December 31, 2020 and 2019, respectively.

Net assets with donor restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished. The Association has no net assets with donor restrictions.

Cash and Cash Equivalents - The Association's cash and cash equivalents are considered to be cash on hand demand deposits and any unrestricted investment instruments with original maturities of three months or less. As of December 31, 2020 and 2019, cash and cash equivalents consists of operating cash.

Restricted Cash and Funded Reserves - The funded replacement reserve is considered restricted due to the restrictions placed on the account.

The following table provides a reconciliation of cash, cash equivalents, and funded reserves reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows as of December 31:

	2020 <u>(Reviewed)</u>	2019 <u>(Audited)</u>
Cash and cash equivalents	\$ 37,578	\$ 65,065
Restricted cash and funded reserves	<u>190,414</u>	<u>161,883</u>
Total cash and cash equivalents and restricted cash and funded reserves	<u>\$ 227,992</u>	<u>\$ 226,948</u>

Funded Replacement Reserve - State of Michigan condominium law requires associations to reserve 10 percent of the operating budget. At December 31, 2020 and 2019, \$190,414 and \$161,883, respectively, of cash is restricted for that purpose.

Accounts Receivable and Bad Debt - Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Accounts receivable represents the Association's right to consideration that is unconditional if only the passage of time is required before payment of that consideration is due. An allowance for doubtful accounts of \$5,500 has been established based on the Association's expected ability to collect outstanding amounts. Amounts determined to be uncollectible are charged against the allowance when the determination is made.

See independent accountant's review report.

**PERRY FARM VILLAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Equipment and Depreciation - Assets are stated at cost. Depreciation is computed over the useful life of the assets utilizing the straight-line method for financial reporting.

Property Taxes - Property taxes are expensed and deducted in the statement of activities in the year in which they become a lien on the property or as of the assessment date.

Advertising Costs - Advertising costs are expensed as incurred.

Revenue Recognition - The Association recognized association fees and service revenue in the period in which the revenue is earned. Revenue received from contracts with members for association fees and related services is recorded over the period of the contract term. Performance obligations identified in the contracts are satisfied on a monthly basis as membership and other services are provided to each member. Revenue is recognized in an amount that reflects consideration the Association expects to be entitled to in exchange for the membership and other related services provided.

The following schedule shows the Association's revenues disaggregated according to the timing of transfer of goods or services for the years ended December 31:

	<u>2020</u> <u>(Reviewed)</u>	<u>2019</u> <u>(Audited)</u>
Contract revenue recognized over time		
Association fees and services	\$ 384,780	\$ 452,713
Interest	46	80
Other	<u>9,871</u>	<u>242</u>
Total revenue	<u>\$ 394,697</u>	<u>\$ 453,035</u>

Functional Allocation of Expenses - The costs of providing program and other services have been reported in the statement of activities. The statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Association. Expenses are allocated based on management's estimated use of resources.

Reclassification - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES

Perry Farm Village Association (the "Association") is a not-for-profit association of co-owners at Perry Farm Village located in Harbor Springs, Michigan. The Association is responsible for the management, maintenance, operation, and administration of the common elements, easements, and affairs of the three condominium projects located at the Perry Farm Campus: the Apartments at Perry Farm Village, the Cottages at Perry Farm Village (including the duplexes), and Perry Center at Perry Farm Village.

See independent accountant's review report.

**PERRY FARM VILLAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - NATURE OF ORGANIZATION, RISKS, AND UNCERTAINTIES (continued)

The Association was formed in October 2006 as a consolidation of the previously separate associations originally organized for each of the projects. Membership in the Association consists of the owners of the apartments, cottages, and duplexes. In addition, Perry Farm Development Corporation (PFDC or the "Company") is a member of the Association by virtue of its ownership of the six units of assisted living, one cottage unit, two apartment units, and the Perry Center. During 2018, the governance of the Association was reconstituted so that the Company has the minority of votes on the Association's board.

Perry Farm Village Association is exempt from income tax under 501(c)(3) of the Internal Revenue Code.

The Association is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments which potentially subject the Partnership to concentrations of credit risk consist principally of temporary cash investments.

The Association places its temporary cash investments with FDIC insured financial institutions. Although such investments and cash balances may exceed federally insured limits at certain times during the year, they are, in the opinion of management, subject to minimal risk.

The Association evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through March 26, 2021, which is the date the financial statements were available to be issued.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by various taxing authorities for a period of three to four years.

The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on members, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and results of operations is uncertain. On January 20, 2021, the Center for Disease Control and Prevention (CDC) extended the federal moratorium on tenant evictions until March 31, 2021.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of 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 may differ from estimated amounts.

**PERRY FARM VILLAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CONTRACT ASSETS

Opening and closing balances of accounts receivable consist of the following as of December 31:

	2020 <u>(Reviewed)</u>	2019 <u>(Audited)</u>
Contract assets		
Accounts receivable, beginning of year	\$ 41,754	\$ 25,558
Accounts receivable, end of year	94,540	41,754

NOTE 4 - LIQUIDITY AND AVAILABILITY

The Association's primary source of revenue is association fees without donor restrictions. The remainder of revenue consists of donations and interest income without donor restrictions. The Association considers all revenue earned to be available to meet cash needs for general expenditures. General expenditures include all expenses necessary to facilitate the Association's operations.

The table below presents financial assets available for general expenditures within one year at December 31:

	2020 <u>(Reviewed)</u>	2019 <u>(Audited)</u>
Cash and cash equivalents	\$ 37,578	\$ 65,065
Accounts receivable	94,540	41,754
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 132,118</u>	<u>\$ 106,819</u>

NOTE 5 - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Advances to/from Affiliate

At December 31, 2020 and 2019, \$21,374 and \$40,928, respectively was owed by the Association to Presbyterian Villages of Michigan (PVM) for advances to fund operations.

For the years ended December 31, 2020 and 2019, PFDC paid the Association dues of \$114,336 and \$113,660, respectively. At December 31, 2020 and 2019, \$100,352 and 42,846 was owed by the Association to PFDC. Advances are due upon demand, noninterest bearing, and uncollateralized.

Management Fees

The Association has contracted with PVM to provide management services. PVM is the sole corporate member of PFDC. The management fee for 2020 and 2019 provided for a base monthly rate of \$1,903. Management fee expense for the years ended December 31, 2020 and 2019 was \$22,836 and \$22,836, respectively. The management agreement is automatically extended for additional terms of one year, unless a written termination notice is completed.

See independent accountant's review report.

**PERRY FARM VILLAGE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - FUTURE MAJOR REPAIRS AND REPLACEMENTS

Common interest realty associations are required to disclose certain aspects of future major repairs and replacements. The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and are generally not available for expenditures for normal operations.

Michigan Reserve Associates, LLC conducted a study in May 2014 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on future estimated replacement costs. Funding requirements consider an annual inflation rate of 3% and interest of 3%, net of taxes, on amounts funded for future major repairs and replacements. The table included in the unaudited supplemental information on future repairs and replacements is based on the study.

The board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of future replacement costs and considering amounts previously accumulated in the replacement fund. Accordingly, the funding requirement of \$5,500, based on a threshold funding plan, has been included in the 2020 budget. In addition, the board is funding \$23,000 for the cost of elements associated with the apartment units.

Funds are being accumulated in the replacement fund based on estimated future costs for repairs and replacements of common property components. 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 all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

SUPPLEMENTARY INFORMATION

INDEPENDENT ACCOUNTANT'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Perry Farm Village Association

We have reviewed the financial statements of Perry Farm Village Association as of and for the year ended December 31, 2020. The supplementary information on the remaining useful lives and the replacement costs of the components of common property is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have not audited or reviewed such information, and accordingly, we do not express an opinion, a conclusion, nor provide any assurance on it.

Maner Costerisan PC

March 26, 2021

**PERRY FARM VILLAGE ASSOCIATION
REMAINING USEFUL LIVES AND THE REPLACEMENT COSTS OF
THE COMPONENTS OF COMMON PROPERTY
DECEMBER 31, 2020**

Component	Estimated Remaining Useful Lives (Years)	Estimated Current Replacement Costs
Concrete sidewalks; phased partial replacement	-	\$ 85,817
Asphalt; mill and 1 1/2 overlay; phased	1	128,940
Pole lights, phased replacement	8	10,800
The board recommended funding requirements are as follows for the years ending December 31:		
2021		\$ 13,100
2022		13,500
2023		13,900
2024		14,300
2025		14,700
Thereafter		<u>259,000</u>
Total		<u>\$ 328,500</u>