

VILLAS OF TUSCANY HOMEOWNERS ASSOCIATION, INC.

REVIEWED FINANCIAL STATEMENTS

DECEMBER 31, 2021

CROSS & ASSOCIATES, CPAs LLC

CERTIFIED PUBLIC ACCOUNTANTS

6140 PARKLAND BLVD., SUITE 350

MAYFIELD HEIGHTS, OHIO 44124

440-995-5656 FAX 440-995-5659

E-MAIL: RCROSSTAX@YAHOO.COM

INDEPENDENT ACCOUNTANTS REVIEW REPORT

May 12, 2022

TO: BOARD OF DIRECTORS
VILLAS OF TUSCANY HOMEOWNERS ASSOCIATION, INC.
MACEDONIA, OHIO 44056

We have reviewed the accompanying balance sheet of Villas of Tuscany Homeowners Association as of December 31, 2021 and the related statements of revenues and expenses and changes in fund balances for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Association 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 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.

Accountant's Responsibility


Our responsibility is to conduct the review 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 results of our procedures provide a reasonable basis for our conclusion.

Accountant's 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 conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

The American Institute of Certified Public Accountants has determined that supplementary information about future major repairs and replacements of common property is required to supplement, but not required to be a part of, the basic financial statements. The Association has presented this supplementary information.


CROSS & ASSOCIATES, CPAs LLC
CERTIFIED PUBLIC ACCOUNTANTS
MAYFIELD HEIGHTS, OHIO

VILLAS OF TUSCANY HOMEOWNERS ASSOCIATION, INC.
BALANCE SHEET
AS OF DECEMBER 31, 2021

	2021		
	Operating Fund	Replacement Fund	Total
<u>ASSETS</u>			
Current Assets			
PNC Operating Checking	\$36,331.08	\$0.00	\$36,331.08
PNC Reserve Investment Account	0.00	80,000.58	80,000.58
US Bank CD (11/30/22)	0.00	6,318.78	6,318.78
Total Cash	36,331.08	86,319.36	122,650.44
Receivables from Owners	0.00	0.00	0.00
Less Allowance for Doubtful Accounts	0.00	0.00	0.00
Total Current Assets	36,331.08	86,319.36	122,650.44
Other Assets			
Prepaid Insurance	0.00	0.00	0.00
Total Other Assets	0.00	0.00	0.00
Total Assets	<u>\$36,331.08</u>	<u>\$86,319.36</u>	<u>\$122,650.44</u>
<u>LIABILITIES</u>			
Accounts Payable	(\$650.00)	\$0.00	(\$650.00)
Prepaid Maintenance Fees	0.00	0.00	0.00
Total Liabilities	(650.00)	0.00	(650.00)
<u>FUND BALANCES</u>			
Reserve Fund Balance	0.00	101,671.52	101,671.52
Operating Fund	4,935.64	0.00	4,935.64
Current Year Net Income/Loss	16,689.32	3.96	16,693.28
Transfer to/from Replacement Fund	15,356.12	(15,356.12)	0.00
Total Fund Balances	36,981.08	86,319.36	123,300.44
Total Liabilities and Fund Balances	<u>\$36,331.08</u>	<u>\$86,319.36</u>	<u>\$122,650.44</u>
			Reviewed

See Accountants' Review Report
See Notes To The Financial Statements

VILLAS OF TUSCANY HOMEOWNERS ASSOCIATION, INC.
Statements of Revenues and Expenses
and Changes in Fund Balances
for the Years Ended December 31, 2021

	2021		
	Operating Fund	Replacement Fund	Total
<u>REVENUES</u>			
Maintenance Fees	\$103,680.00		\$103,680.00
Reserve Assessment	0.00	0.00	0.00
Collection Costs/Title Fees	0.00	0.00	0.00
Late Fee Income	0.00	0.00	0.00
Interest Income	0.46	3.96	4.42
Total Revenues	<u>103,680.46</u>	<u>3.96</u>	<u>103,684.42</u>
<u>EXPENSES</u>			
Office Expenses	\$183.00		\$183.00
Professional Fees			
Management	8,210.57		8,210.57
Legal	1,855.00		1,855.00
Accounting	700.00		700.00
Insurance	1,475.00		1,475.00
Property Maintenance			
Lawn	32,993.65		32,993.65
Landscape Maintenance	2,880.00		2,880.00
Tree & Shrub Maintenance	6,235.61		6,235.61
Pond Maintenance	1,221.32		1,221.32
Snow Removal	17,002.43		17,002.43
Repairs & Maintenance	337.18		337.18
Exterminating	160.13		160.13
Concrete Maintenance & Leveling	1,700.00		1,700.00
Trash Removal	7,128.00		7,128.00
Replacement Fund Contributions	0.00		0.00
Utilities			
Electricity	4,789.25		4,789.25
Workers Compensation	120.00		120.00
Total Expenses	<u>86,991.14</u>	<u>0.00</u>	<u>86,991.14</u>
Excess of Revenues over Expenses	16,689.32	3.96	16,693.28
Beginning fund balances	4,935.64	101,671.52	106,607.16
Reserve Fund Expenditures	0.00	0.00	0.00
Transfer to/from Replacement Fund	15,356.12	(15,356.12)	0.00
Ending Fund Balances	<u>\$36,981.08</u>	<u>\$86,319.36</u>	<u>\$123,300.44</u>
			Reviewed

See Accountants' Review Report
See Notes To The Financial Statements

May 12, 2022

TO: BOARD OF DIRECTORS
VILLAS OF TUSCANY HOMEOWNERS ASSOCIATION, INC.
MACEDONIA, OHIO 44056

We were engaged to review the records of the Villas of Tuscany Homeowners Association for the period January 1, 2021 to December 31, 2021. In our review of the records we found the following conditions:

1. Monthly financial statements are prepared on the accrual basis.
2. The Association has all funds invested in an investment account and certificate of deposit earning interest at the going market rate.
3. The Association is collecting late fees being charged to the unit owners. The Accounts Receivable detail balanced to the general ledger. No exceptions were found in our test samples. No allowance account was set up for this Association. The Association has a documented collection procedure.
4. Accounts Payable are recorded and paid currently.
5. Insurance coverage with a \$1,000 deductible exists for the common property of the Association and an umbrella policy is also in force. A \$2,000,000 director policy covers the board members. The Association also has \$25,000 in employee dishonesty coverage and a \$110,000 fidelity bond for additional protection.
6. All invoices are reviewed by the Treasurer and payments are authorized. Checks require one signature of the management company. Checks approved for payment are mentioned in the minutes of the board meetings. This provides internal control over the Association's bank accounts.
7. The Association is registered with the Ohio Secretary of State in active status. This filing expires on 3/23/2026.
8. The 2021 tax return has been prepared for filing.
9. The Association had an updated Reserve Study done in 2019. According to the Reserve Study, the Association is underfunding the Reserves. The Reserve Fund balance should have been \$124,537 at the end of 2021. It was only \$86,319.36. We recommend the Association review the Reserve Study in order to determine the annual contribution amount.

VILLAS OF TUSCANY HOMEOWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A: ORGANIZATION

The Villas of Tuscany Homeowners Association is a planned residential development organized as a not-for-profit corporation for the purposes of maintaining and preserving common property of the Villas of Tuscany Homeowners Association. The Villas of Tuscany Homeowners Association consists of 36 residential units.

The Villas of Tuscany Homeowners Association is responsible for the management and maintenance of the common areas and property. The Association assesses the owners for revenues to perform its responsibilities. Other revenues are earned from administrative charges, interest income and special assessments.

Each unit owner, upon acquisition of title to a related real estate unit, automatically becomes a Member of the Association. Membership terminates upon sale or disposition of the related unit by such member.

The Declaration of Restrictions, Covenants, and Easements and the Code of Regulations of the Association are the official governing documents of the Corporation.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Villas of Tuscany Homeowners Association is presented to assist in understanding the financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Use of Estimates

These policies require 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.

Accounting Method

The financial statements for the year ended December 31, 2021 were prepared on the accrual basis method of fund accounting which recognizes income when earned and expenses when incurred rather than when cash is received or disbursed.

The Association has adopted the accounting principles prescribed by the audit and accounting guide, Audits of Common Interest Realty Associations, issued by the American Institute of Certified Public Accountants. The guide requires the use of fund accounting, 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. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the replacement fund generally may be made only for designated purposes.

Cash and Cash Equivalents

The Association considers all short-term investment with an original maturity of one year or less to be cash equivalents.

Maintenance Fees Receivable

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements. Maintenance fees receivable at December 31, 2021 represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens or foreclose on the units of members whose assessments are delinquent.

The annual budget and assessments of owners are determined by the board of directors. The Association retains excess operating funds at the end of the operating year, if any for use in future operating periods.

Revenue from Dues and Other

On January 1, 2019, Villas of Tuscany Homeowners Association adopted the new revenue standard (Topic 606). The Association determined that no change in accounting for revenue is required under the new revenue standard. This results from the relevant facts and circumstances that the assessment transactions between owners and the Association indicate that the relationship is with the owner in their capacity as an owner and not as a customer or supplier. Accordingly, the best representation of revenue from assessments for operations or replacement reserves is to report revenue when the assessment is made.

Deferred Revenue - Maintenance Fees

Prepaid maintenance fees represent prepayment of January 2022 and subsequent period fees.

Under the By-Laws of the Association, the Association is to provide for and maintain a reasonable and adequate reserve for contingencies and replacements. The reserves can be created out of the excess revenues over expenses from operation, or be funded through the annual budget. As of January 1, 1992, Condominium Homeowners Associations are required to disclose more detailed information in their financial statements regarding the funding of future major repairs and replacements.

The Association is aware of the need for a replacement fund or reserve to accumulate funds for the replacement of major capital items and a useful life (reserve) study of the components of common property and current estimate of costs that may be required in the future.

The Association is aware of the state law effective 2010 mandating that the board adopt and amend budgets for revenues, expenditures and reserves in an amount adequate to repair and replace major capital items in the normal course of operations without the necessity of special assessments. The unit owners can waive the requirement annually by not less than a majority of the voting power of the owners' association.

The effect on future assessments has not been determined at this time. As of December 31, 2021 the accumulated funds were \$86,319.36. The reserve study was updated in 2019. The reserve funds should be allocated according to the specific needs of the Association.

Subsequent Events

The Board has evaluated the need for disclosures and/or major adjustments resulting from subsequent events through May 12, 2022, the date on which the financial statements were available to be issued. This evaluation determined that there are no subsequent events that necessitated disclosures and/or adjustments.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States of America. The Association has adjusted certain aspects of its operations to protect their employees and owners while still meeting owners' needs. While the disruption is currently expected to be temporary, there is uncertainty around the duration.

The extent to which the coronavirus pandemic may impact the company's operating results, financial condition, and cash flows will depend on the future developments, which are highly uncertain and cannot be predicted at this time, including new information that may emerge concerning the severity of the coronavirus and steps taken to contain the coronavirus or treat its impact, among others.

NOTE C: CONTINGENT LIABILITIES

The Association is obligated for many contracts entered into with suppliers for goods and services. Most contracts are for specific goods and services and some may be canceled while others may remain in force for a specific period of time. Examples of contracts are the management company, landscaping, building and seasonal maintenance, capital repairs and replacements, and legal services.

NOTE D: TAXES

The Association is incorporated under the laws of the State of Ohio as a not-for-profit corporation under the provision of Chapter 5733.01 (a) of the Ohio Revised Code and is not liable for state income taxes. No corporate income taxes are due the city of Macedonia.

For federal income tax purposes, the corporation has the option to file either Form 1120 as a regular C corporation, or Form 1120-H as a Homeowners Association. The option to elect the lowest tax is available.

Any excess or deficit in the operation from membership is carried over to the following year and applied to that year's assessments on a pro-rata basis. This is in compliance with the declaration of Condominium Ownership for this Association as well as the Internal Revenue Service revenue rulings providing for the exemption of federal income taxes on any excess except for unrelated business and investment income.

The Association's Board of Directors elected to file form 1120-H in 2021, which resulted in zero tax liability.

The income tax returns filed are not subject to examination by United States federal tax authorities for tax years before 2018.