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PLUM CREEK CONDOMINIUM ASSOCIATION

(A Michigan Non-Profit Corporation)

FINANCIAL STATEMENTS

December 31, 2021

DRAFT

Gwizdala & Associates, P.C.
Certified Public Accountants

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Board of Directors
Plum Creek Condominium Association
Clinton Township, Michigan

We have reviewed the accompanying financial statements of Plum Creek Condominium Association, which comprise the balance sheet as of December 31, 2021, and the related statements of revenues and expenses, changes in members' equity 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 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 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.

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

Accountant's Conclusion on the Financial Statements

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

Accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property on pages 10 through 12 be presented to supplement the basic financial statements. Such information, although not a required 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 and for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have not audited, reviewed, or compiled the required supplementary information and do not express an opinion, a conclusion, nor provide any assurance on it.

Hartland, MI
October 3, 2022

PLUM CREEK CONDOMINIUM ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2021

<u>ASSETS</u>	
CURRENT ASSETS	
Alliance Operating	\$ 8,066
Member Receivable	28,487
Prepaid Insurance	<u>10,955</u>
Total Current Assets	<u>47,508</u>
FUNDED RESERVES	
Replacement Reserve	<u>169,270</u>
Total Funded Reserves	<u>169,270</u>
TOTAL ASSETS	<u><u>216,778</u></u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>	
CURRENT LIABILITIES	
Accounts Payable	58,853
Prepaid Assessments	<u>37,262</u>
Total Current Liabilities	<u>96,115</u>
MEMBERS' EQUITY	
Appropriated Reserves	169,270
Retained Earnings	<u>(48,607)</u>
Total Members' Equity	<u>120,663</u>
TOTAL LIABILITIES & MEMBERS' EQUITY	<u><u>\$ 216,778</u></u>

See accompanying notes and independent accountant's review report

PLUM CREEK CONDOMINIUM ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2021

REVENUES

Income & Assessments	602,071
Violations and Fines	1,400
Annual Landlord Fee	11,777
Cable Contract	116
Carport Fee	4,850
Clubhouse Fee	595
Fuel Fee	124,728
Garbage Pick Up Fee	1,125
Hallway Fees	7,015
Lein Reimbursement	2,700
Maintenance & Repair	95
Transfer/Setup Reimbursement	350
Interest Income	752
Late Fees	6,738
Legal Reimbursement	3,362
TOTAL REVENUE	767,674

ADMINISTRATIVE EXPENSES

Professional Management	29,790
Archived Records Storage Fees	117
Checks/Deposit Tickets	79
Copies	1,070
Coupon Books	768
Envelopes	616
Mailing Sheet	101
Simplex Letter	589
Transfer/Status/Setup Fee	350
Flexbill Color Statements	564
Postage	2,099
Late Fee/Delinquency Admin	6,880
Internet/Phone	1,500
Legal Fees	4,055
Annual Report	20
Misc Admin	322
	48,920

INSURANCE & TAXES

Property & Liability	70,558
Umbrella	269
	70,827

See accompanying notes and independent accountant's review report

PLUM CREEK CONDOMINIUM ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES (Continued)
YEAR ENDED DECEMBER 31, 2021

GROUPS & LANDSCAPING

Landscaping and Groundskeeping	\$ 3,000
Grounds Maintenance	25,550
Fertilizer/Weed Preventative	6,950
Landscaping	250
Lawn Service	33,975
Seasonal Grounds Clean Up	240
Sprinkler System Maintenance	12,047
Swimming Pool	10,353
Tree Maintenance	4,050
Payroll Expense	7,454
Salt & Salting	31,602
Snow Removal	55,856
	<u>191,327</u>

REPAIRS & MAINTENANCE

Building Repairs & Maintenance	99,584
Building Supplies	142
Carport	27,800
Cleaning	13,500
Concrete Work	60,159
Fence	475
Gutter Repairs/Cleaning	13,800
HVAC Maintenance/Repair	150
Lights & Electrical Maintenance	6,926
Pest Control	8,375
Plumbing Maintenance	19,835
Roof Maintenance	620
	<u>251,366</u>

OPERATING EXPENSES

Electricity	18,432
Water	207,411
Gas	71,150
Trash Removal	1,040
	<u>298,033</u>

TOTAL EXPENSES

860,473

EXCESS (DEFICIENCY) OF REVENUES OVER
EXPENSES BEFORE RESERVE TRANSFERS

(92,799)

Replacement Reserve (to) from Transfers

16,835

NET INCOME (LOSS)

\$ (75,964)

See accompanying notes and independent accountant's review report

PLUM CREEK CONDOMINIUM ASSOCIATION
STATEMENT OF CHANGES IN MEMBERS' EQUITY
YEAR ENDED DECEMBER 31, 2021

	Appropriated Reserves <u>Fund</u>	Accumulated Earnings (Deficit) from <u>Operations</u>
Balance December 31, 2020	\$ 186,105	\$ 27,357
Net Income (Loss)	-	(75,964)
Net Transfers to/(from) Reserves	<u>(16,835)</u>	<u>-</u>
Balance December 31, 2021	<u>\$ 169,270</u>	<u>\$ (48,607)</u>

See accompanying notes and independent accountant's review report

PLUM CREEK CONDOMINIUM ASSOCIATION
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021

CASH PROVIDED FROM OPERATIONS

Net Income (Loss)	\$ (75,964)
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Adjustments for Items Not Representing Current Cash Activity From Operations	
Transfers to (from) Reserves	(16,835)

(Increase) Decrease in Receivables	14,882
(Increase) Decrease Prepaid Expenses	(10,955)
Increase (Decrease) of Accounts Payable	58,853
Increase (Decrease) of Prepaid Assessment	<u>8,643</u>

CASH PROVIDED FROM OPERATIONS	<u>(21,376)</u>
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CASH PROVIDED FROM INVESTING ACTIVITIES	<u>-</u>
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CASH PROVIDED FROM FINANCING ACTIVITIES	<u>-</u>
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Net Increase (Decrease) in Cash, Cash Equivalents & Restricted Cash	(21,376)
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Cash, Cash Equivalents & Restricted Cash at beginning of year	<u>198,712</u>
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Cash, Cash Equivalents & Restricted Cash at end of year	<u><u>\$ 177,336</u></u>
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Cash paid for:	
Federal Income Taxes	\$ -
Interest	-

PLUM CREEK CONDOMINIUM ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS

NOTE A – NATURE OF ORGANIZATION

Plum Creek Condominium Association is a statutory condominium association incorporated in the State of Michigan on October 19, 1971. The Association is responsible for the operation and maintenance of the common property of Brookside Homeowners Association which consists of 237 residential units located in Sterling Heights, Michigan.

The Association was formed to maintain the common properties of Brookside Homeowners Association project. All owners of units within the development are members of the Association.

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 the date of the Independent Accountant's Review Report, which was the date that the financial statements were available to be issued.

NOTE C - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies employed by Plum Creek Condominium Association are consistent with generally accepted accounting principles.

Association members are subject to assessments to provide funds for the Association's operating expenses and major repairs and replacements. Assessment revenue is recognized as the related performance obligations are satisfied and at transaction amounts expected to be collected. The Association's performance obligations related to its operating assessments are satisfied over time on a daily pro-rata basis using the input method. The performance obligation related to the replacement fund assessments is satisfied with the establishment and maintenance of the fund at the level set by the Board of Directors.

Assessments receivable at the balance sheet date are stated at the amounts expected to be collected from outstanding assessments from unit holders. Monthly assessments and operational assessments are determined by the Board of Directors of the Association. The Association has the right to attach liens to members' property for the amount of the unpaid assessments. Credit loss is recognized after legal procedures are concluded and no chance of recovery remains. Any excess assessments at year end are retained by the Association for use in the succeeding year. The Association treats uncollectible assessments as credit losses. Methods, inputs, and assumptions used to evaluate whether an estimate of variable consideration is constrained include consideration of past experience and susceptibility to factors outside the Association's control. It is the opinion of the board of directors that the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary as of December 31, 2021.

The balance of assessments receivable as of the beginning and end of the year are \$43,884 and \$28,487, respectively.

Assessments received after the 10th of the month may incur a \$25 late fee. After three months of non-payment, a lien is placed on the property.

Income is recognized in the period that the assessment is due from the member.

Expenses are recognized in the period that the Association incurs the liability.

Insurance premiums are expensed when paid.

PLUM CREEK CONDOMINIUM ASSOCIATION NOTES TO THE FINANCIAL STATEMENTS

NOTE C - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 follows the practice of reducing net income or loss by amounts transferred to or from the funded reserve.

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 disclosures 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.

Funds invested with the original maturity of 90 days or less are considered cash equivalents. Any funds set aside as a funded reserve are classified as restricted cash regardless of maturity.

NOTE D – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Board of Directors, as required by its governing documents, designates certain amounts from each annual budget to fund future major repairs and replacements of capital items. Accumulated funds are held in separate savings accounts and generally are not available for expenditure for normal operations. The Michigan Condominium Act requires that the Association maintain a fund for major repairs and replacements of at least ten percent of the current annual budget on a non-cumulative basis. The Association has complied with this requirement.

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 member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

NOTE E – INCOME TAXES

Under the current Internal Revenue Code, the Association has the option, on an annual election basis, to file as a homeowners' association or as a regular corporation. Homeowners' associations are taxed on nonexempt income at a rate of 30%. When filing as a regular corporation, membership income is exempt from taxation if certain elections are made. The corporation is taxed on its non-membership income, primarily interest, at regular corporate rates. In 2021, the corporation has elected to be taxed as a Homeowners Association.

The Association has adopted the accounting guidance for uncertainty in income tax, which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Association's tax filings are subject to audit by tax authorities for 3 years from the date the return was filed. At December 31, 2021, there was no uncertain tax positions that required accrual.

NOTE F – RELATED PARTY TRANSACTIONS

The Association is managed by Casa Bella Management, Inc. In addition to payment of management fees, administrative cost, postage, printing, reproduction expenses of \$2,786 were reimbursed in 2021.

NOTE G – CONCENTRATION OF CREDIT RISK

The Association accounts are each insured up to the FDIC limit of \$250,000 per bank. The Association maintains cash and reserve accounts at Alliance Association Bank. At December 31, 2021, there were no uninsured balances.

**PLUM CREEK CONDOMINIUM ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS**

NOTE H – CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the total of the same such amounts shown in the statement of cash flows:

	<u>12/31/2021</u>
Cash and Cash Equivalents	\$ 8,066
Restricted Cash included in funded reserve money market	94,680
Restricted Cash included in funded reserve CD's	<u>74,590</u>
Total Cash, Cash Equivalents, & Restricted Cash shown in the Statement of Cash Flows	<u><u>\$ 177,336</u></u>

NOTE I - RESERVE FUNDS

At December 31, 2021, Reserve Funds in the amount of \$169,270 are held at Alliance Association Bank. During 2021, the activity in the Reserve Account is as follows:

	<u>2021</u>
Beginning of Year	\$ 186,105
Funding with interest	75,822
Expenditures	<u>(92,657)</u>
December 31 Balance	<u><u>\$ 169,270</u></u>

The Association has set aside certain funds to be used for future major repairs and replacements. The withdrawal of these funds is made at the discretion of the Board of Directors. Funding requirements are set from time to time by the Board of Directors and are made a part of the Association's operating budget.

SUPPLEMENTARY INFORMATION

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**PLUM CREEK CONDOMINIUM ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND
REPLACEMENTS (UNAUDITED)**

The Board of Directors commissioned a study that was completed by Building Reserves in August 2018 to estimate the remaining useful lives and the replacement costs of the components of common property. This Reserve Study uses the Cash Flow Method to determine adequate, but not excessive contributions. This Reserve Study used a 2.90% annual inflation rate over the 30 year projection period. Sources used to establish costs of replacement include Reeds Construction Data and governmental standards. A copy of the entire study is maintained at the Board's office.

Recommended Annual Reserve Contributions:

<u>Year</u>	<u>Reserve Contribution</u>	<u>Year</u>	<u>Reserve Contribution</u>	<u>Year</u>	<u>Reserve Contribution</u>
2019	437,500	2029	469,000	2039	624,100
2020	447,700	2030	482,600	2040	642,200
2021	458,200	2031	496,600	2041	660,800
2022	469,000	2032	511,000	2042	680,000
2023	395,100	2033	525,800	2043	699,700
2024	406,600	2034	541,000	2044	720,000
2025	418,400	2035	556,700	2045	740,900
2026	430,500	2036	572,800	2046	762,400
2027	443,000	2037	589,400	2047	784,500
2028	455,800	2038	606,500	2048	807,300

Recommended Reserve Expenditures:

	Useful Life		First Year of Replacement	Total Estimated Future Cost
	Normal	Remaining		
EXTERNAL BUILDING COMPONENTS				
Balconies, Railings, Steel, Paint Finishes	6 to 8	2	2020	\$ 152,645
Balconies, Railings, Steel, Replacement	50 to 60	14	2032	245,311
Doors, Glass, Front Entry and Surrounding Glass, Phased	45 to 60	9	2027	322,966
Doors, Entry Type at Tonwhones and Clubhouse, Phased	20 to 25	15	2033	145,016
Gutters and Downspouts, Aluminum, Phased	20 to 25	1	2019	291,533
Light Fixtures, Exterior	20 to 25	10	2028	38,544
Sealants - Windows and Doors, Phased	8 to 12	3	2021	318,255
Soffits and Fascia, Aluminum, Phased	5 to 60	25	2043	612,988
Walls, Aluminum, Phased	Varies	25	2043	285,663
Walls, Masonry, Inspections and Partial Reporting Phased	8 to 12		2018	2,377,626
Walls, Paint Finishes, Exterior, Phases	6 to 8	4	2022	317,212
Windows and Patio Doors, Phased	35 to 45 to	8	2026	1,513,584
INTERNAL BUILDING COMPONENTS				
Floor Coverings, Carpet, Phased	8 to 12	1	2019	469,204
Floor Coverings at Clubhouse, Resilient Flooring	20 to 25	3	2021	37,430
Paint Finishes, Interior, Common Areas, Phased	6 to 12	1	2019	279,413
Rest Rooms, Renovations	to 35 to	8	2026	37,709
SERVICE COMPONENTS				
Air Handling Unit at Clubhouse, Furnace	15 to 20	6	2024	11,515
Condensing Unit at Clubhouse, 5-tin	15 to 20	6	2024	21,384
Intercom Entry Panels	to 25	10	2028	61,223

See accompanying notes and independent accountant's review report

PLUM CREEK CONDOMINIUM ASSOCIATION
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND
REPLACEMENTS (UNAUDITED)

Recommended Reserve Expenditures (Continued):

	Useful Life		First Year of	Total
	Normal	Remaining	Replacement	Estimated
SITE COMPONENTS				Future Cost
Carports, Phased Replacement	25 to 30	1	2019	\$ 126,594
Catch Basins, Capital Repairs	15 to 20	7	2025	76,170
Concrete Streets and Curbs, Phased Replacement	to 65	1	2019	1,958,341
Concrete Streets and Curbs, Partial Replacement	to 65	18	2036	384,569
Concrete Sidewalks, Entry Stoops, & Patios, Phased	to 65	1	2019	1,515,444
Fences, Vinyl, Privacy	20 to 25	20	2038	89,241
POOL COMPONENTS				
Pool - Concrete Deck, Partial Replacements	to 65	7	2025	30,980
Pool - Concrete Deck, Total Replacements	to 65	19	2037	60,595
Pool - Fence, Chain Link, Proposed Replacement	to 35	19	2037	18,936
Pool - Mechanical Equipment, Filter, Pump, and Chlorinator	8 to 15	7	2025	7,329
Pool - Mechanical Equipment, Heater, 382-MBH	8 to 12	7	2025	5,314
Pool - Paint Finish	4 to 6	1	2019	12,495
Pool- Resurfacing, Plaster	8 to 12	7	2025	13,681
Pool - Waterline Tile	20 to 25	7	2025	68,523
Pool - Replacement, Pool Structure	60 to 65	19	2037	169,906
OTHER COMPONENTS				
Reserve Study Update	to 3	3	2021	3,813

See accompanying notes and independent accountant's review report