

**TOWER HARBOR CONDOMINIUM OWNERS
ASSOCIATION, INC.**

REPORT FOR THE YEAR ENDED

DECEMBER 31, 2020

March & McMillin, CPAs, PLLC

CPA Services for Condominium & Homeowner Associations

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TOWER HARBOR CONDOMINIUM OWNERS ASSOCIATION, INC.
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W. Thomas March, CPA
Thomas McMillin, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tower Harbor Condominium Owners Association, Inc.

We have audited the accompanying financial statements of Tower Harbor Condominium Owners Association, Inc., which comprise the balance sheet as of December 31, 2020, and the related statements of revenues and expenses and changes in members' equity 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 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 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 Tower Harbor Condominium Owners Association, Inc. as of December 31, 2020, 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.

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of revenues and schedule of expenses 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 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, 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 this missing information.

March & McMillin, CPAs, PLLC

May 17, 2021

TOWER HARBOR CONDOMINIUM OWNERS ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2020

	<u>Operating Fund</u>	<u>Reserve Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 36,376	\$ 68,580	\$ 104,956
Accounts Receivable	-	-	-
TOTAL ASSETS	<u>\$ 36,376</u>	<u>\$ 68,580</u>	<u>\$ 104,956</u>
LIABILITIES AND MEMBERS' EQUITY			
Accounts Payable	<u>\$ 14,758</u>	<u>\$ -</u>	<u>\$ 14,758</u>
TOTAL LIABILITIES	<u>\$ 14,758</u>	<u>\$ -</u>	<u>\$ 14,758</u>
MEMBERS' EQUITY	<u>\$ 21,618</u>	<u>\$ 68,580</u>	<u>\$ 90,198</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 36,376</u>	<u>\$ 68,580</u>	<u>\$ 104,956</u>

See Independent Auditors' Report and accompanying notes

TOWER HARBOR CONDOMINIUM OWNERS ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	Operating Fund	Reserve Fund	Total
REVENUES	<u>\$ 182,166</u>	<u>\$ 68,580</u>	<u>\$ 250,746</u>
EXPENSES			
Administrative	\$ 51,017		\$ 51,017
Maintenance and Repair	211,910		211,910
Utilities	14,352		14,352
TOTAL EXPENSES	<u>\$ 277,279</u>	<u>\$ -</u>	<u>\$ 277,279</u>
EXCESS REVENUES OVER (UNDER) EXPENSES	\$ (95,113)	\$ 68,580	\$ (26,533)
MEMBERS' EQUITY - Beginning	<u>116,731</u>	<u>-</u>	<u>116,731</u>
MEMBERS' EQUITY - Ending	<u>\$ 21,618</u>	<u>\$ 68,580</u>	<u>\$ 90,198</u>

See Independent Auditors' Report and accompanying notes

TOWER HARBOR CONDOMINIUM OWNERS ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:	Operating Fund	Reserve Fund	Total
Net excess of revenues (expenses)	\$ (95,113)	\$ 68,580	\$ (26,533)
Adjustments to reconcile excess of revenues over expenses to net cash used by operating activities:			
Increase (decrease) in:			
Accounts Payable	7,412		7,412
Prepaid Assessments	(8,301)		(8,301)
Net cash provided (used) by operating activities	\$ (96,002)	\$ 68,580	\$ (27,422)
Cash flows from investing activities:	-	-	-
Cash flows from financing activities:	-	-	-
Net increase (decrease) in cash	\$ (96,002)	\$ 68,580	\$ (27,422)
Cash, beginning of year	132,378	-	132,378
Cash, end of year	<u>\$ 36,376</u>	<u>\$ 68,580</u>	<u>\$ 104,956</u>
Supplemental Cash Flow Information:			
Cash Paid for Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash Paid for Income Taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditors' Report and accompanying notes

TOWER HARBOR CONDOMINIUM OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1: NATURE OF ORGANIZATION

Tower Harbor Condominium Owners Association, Inc. (the "Association") is incorporated as a Michigan Nonprofit Corporation under the laws of the State of Michigan and operated to perform those services normally associated with this type of association. The Association consists of 57 units located in Douglas, Michigan.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Member Assessments

Association members are subject to regular assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable at the balance sheet date represent fees due from members, while assessments received in advance represent future months' fees paid in advance by members. The Association's policy is to retain legal counsel and place liens or foreclose on the units of members whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in future years.

Property and Equipment

The Association records and depreciates only personal property assets to which the association has title. It currently does not have title to any personal property assets. Common property of the Association is not recognized as property and equipment for depreciation.

Basis of Accounting

The Association's financial statements are prepared on the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Assessments paid by members in advance are deferred and recognized as revenue when earned.

Fund Accounting

The Association uses fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds:

Operating Fund - This fund is used to account for financial resources available for the general operations of the Association.

Reserve Fund - This fund is used to accumulate financial resources designated for future major repairs and replacements.

Income Tax

The Association may, at its election, be taxed as a regular corporation or a homeowners association. This election is made yearly. For the current year, the Association was taxed as a homeowners association. The Association's federal tax return is subject to audit by the Internal Revenue Service. The tax returns for the current and prior two fiscal years remain open for examination by the IRS. In evaluating the Association's tax positions and accruals, the Association believes that its estimates are appropriate, based on the current facts and circumstances.

Interest Earned

The Association's policy is for interest to remain in the fund in which it is earned.

TOWER HARBOR CONDOMINIUM OWNERS ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Use of 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. Accordingly, actual results could differ from those estimates.

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 Accountants' Report, which is the date that the financial statements were available to be issued.

NOTE 3: FUNDED RESERVES

The Association requires funds to be accumulated for future repairs and replacements. These funds are maintained in interest-bearing accounts. The Association has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. These reserve funds may not be adequate for the required major repairs and replacements. The Association may need to borrow, increase maintenance assessments or delay repairs and replacements until funds are available.

NOTE 4: RELATED PARTY TRANSACTIONS

The Association utilizes a property management company that manages the day-to-day operations of the Association. In addition to a management fee, other significant expenses are incurred generally consisting of administrative expenses.

SUPPLEMENTARY INFORMATION

TOWER HARBOR CONDOMINIUM OWNERS ASSOCIATION, INC.

SCHEDULE OF REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Operating Fund	Reserve Fund	Total
Regular Assessments	\$ 122,820	\$ 68,580	\$ 191,400
Buy in Fee	2,000		2,000
Special Assessment	57,250		57,250
Convenience Fee	520		520
Internet	(624)		(624)
Late Fee	200		200
TOTAL REVENUES	<u>\$ 182,166</u>	<u>\$ 68,580</u>	<u>\$ 250,746</u>

See Independent Auditors' Report and accompanying notes

TOWER HARBOR CONDOMINIUM OWNERS ASSOCIATION, INC.

SCHEDULE OF EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Operating Fund	Reserve Fund	Total
ADMINISTRATIVE			
Association Fees	\$ 602		\$ 602
Legal and Professional Fees	125		125
Management Fees	24,886		24,886
Insurance	25,404		25,404
TOTAL ADMINISTRATIVE	<u>\$ 51,017</u>	<u>\$ -</u>	<u>\$ 51,017</u>
MAINTENANCE AND REPAIR			
Building and Maintenance	\$ 121,009		\$ 121,009
Cleaning and Maintenance	3,025		3,025
Landscaping	56,653		56,653
Snow Removal	8,548		8,548
Other	13,148		13,148
Sprinklers	4,722		4,722
Irrigation	1,003		1,003
Maintenance Charge - Other	75		75
Pest Control	2,104		2,104
Pond	275		275
Plumbing	762		762
Repairs - Other	586		586
TOTAL MAINTENANCE AND REPAIR	<u>\$ 211,910</u>	<u>\$ -</u>	<u>\$ 211,910</u>
UTILITIES			
Electric	\$ 3,636		\$ 3,636
Garbage	6,364		6,364
Trash	4,271		4,271
Water/Sewer	81		81
TOTAL UTILITIES	<u>\$ 14,352</u>	<u>\$ -</u>	<u>\$ 14,352</u>
TOTAL EXPENSES	<u><u>\$ 277,279</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 277,279</u></u>

See Independent Auditors' Report and accompanying notes