

Harbour Mansion Condominium Association, Inc.
Financial Statements
December 31, 2021

Harbour Mansion Condominium Association, Inc.
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December 31, 2021

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Independent Auditors' Report

To the Board of Trustees and Unit Owners of

Harbour Mansion Condominium Association, Inc.

Opinion

We have audited the accompanying financial statements of Harbour Mansion Condominium Association, Inc. (the "Association") which comprise the balance sheet as of December 31, 2021 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board of Trustees for the Financial Statements

The Board of Trustees (the "Board") 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, and for 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.

In preparing the financial statements, the Board is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

1. Exercise professional judgment and maintain professional skepticism throughout the audit.
2. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
3. Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
4. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Board, as well as evaluate the overall presentation of the financial statements.
5. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 12 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of the Board about the methods of preparing the information and comparing the information for consistency with their responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. Although our opinion on the basic financial statements is not affected, as referenced in Note 6, the information on future major repairs and replacements is based on a schedule prepared in 2016. Due to the age of the study, we have doubts as to whether material modifications should be made to the estimated supplementary information for it to be presented in accordance with the guidelines established by the Financial Accounting Standards Board.

Report on Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information shown on pages 13 through 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Board, and except for the portion marked "unaudited" was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That 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, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



East Brunswick, New Jersey

July 31, 2023

Harbour Mansion Condominium Association, Inc.

Balance Sheet

December 31, 2021

	Total	Operating Fund	Deferred Maintenance Fund	Replacement Fund
Assets				
Cash and cash equivalents	\$ 918,078	\$ 132,238	\$ 73,615	\$ 712,225
Assessments receivable	17,285	17,285	-	-
Prepaid expenses	109,006	109,006	-	-
Vendor deposit	16,400	-	-	16,400
Due from funds	298,323	298,323	-	-
Total Assets	\$ 1,359,092	\$ 556,852	\$ 73,615	\$ 728,625
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued expenses	\$ 147,378	\$ 140,218	\$ 7,160	\$ -
Assessments received in advance	30,646	30,646	-	-
Security deposits	329,424	329,424	-	-
Due to operating fund	298,323	-	87,543	210,780
Total Liabilities	805,771	500,288	94,703	210,780
Fund Balances	553,321	56,564	(21,088)	517,845
Total Liabilities and Fund Balances	\$ 1,359,092	\$ 556,852	\$ 73,615	\$ 728,625

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

Harbour Mansion Condominium Association, Inc.
Statement of Revenues, Expenses and Changes in Fund Balance
For the Year Ended December 31, 2021

	Total	Operating Fund	Deferred Maintenance Fund	Replacement Fund
Revenues				
Maintenance Assessments				
Maintenance assessments	\$ 1,261,102	\$ 1,042,402	\$ 18,700	\$ 200,000
Change in estimated maintenance assessments collectible	(20)	(20)	-	-
Net Maintenance Assessments	1,261,082	1,042,382	18,700	200,000
Other Revenue				
Repairs income	102,795	102,795	-	-
Garage fees	52,665	52,665	-	-
Working capital contributions	12,463	12,463	-	-
Clubroom rental income	10,695	10,695	-	-
Insurance claim income	9,340	9,340	-	-
Other income	6,811	6,811	-	-
Laundry income	3,270	3,270	-	-
Membership fees	1,050	1,050	-	-
Investment income	776	-	90	686
Late charges	560	560	-	-
Total Other Revenue	200,425	199,649	90	686
Total Revenues	1,461,507	1,242,031	18,790	200,686
Expenses				
General and administrative	252,698	252,698	-	-
Building and grounds maintenance	368,696	368,696	-	-
Payroll	328,345	328,345	-	-
Utilities	329,120	329,120	-	-
Sealcoat Line	14,321	-	14,321	-
Wallcovering	5,892	-	5,892	-
Remediation	3,092	-	3,092	-
Boiler	70,923	-	-	70,923
Elevator	18,000	-	-	18,000
Carpet	15,447	-	-	15,447
Windows	10,000	-	-	10,000
Other	4,774	-	-	4,774
Clubhouse renovation	3,484	-	-	3,484
Total Expenses	1,424,792	1,278,859	23,305	122,628
Excess (Deficiency) of Revenues over Expenses	36,715	(36,828)	(4,515)	78,058
Fund Balances - Beginning of Year	516,606	93,392	(16,573)	439,787
Fund Balances - End of Year	\$ 553,321	\$ 56,564	\$ (21,088)	\$ 517,845

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

Harbour Mansion Condominium Association, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2021

	Total	Operating Fund	Deferred Maintenance Fund	Replacement Fund
Cash Flows from Operating Activities				
Excess (deficiency) of revenues over expenses	\$ 36,715	\$ (36,828)	\$ (4,515)	\$ 78,058
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities				
Changes in assets and liabilities				
Assessments receivable	2,322	2,322	-	-
Prepaid expenses	(22,435)	(22,435)	-	-
Vendor deposit	(16,400)	-	-	(16,400)
Accounts payable and accrued expenses	101,955	94,795	7,160	-
Assessments received in advance	(777)	(777)	-	-
Net Cash Provided by Operating Activities	<u>101,380</u>	<u>37,077</u>	<u>2,645</u>	<u>61,658</u>
Cash Flows from Financing Activities				
Change in interfund balances	<u>-</u>	<u>(12,189)</u>	<u>-</u>	<u>12,189</u>
Net Increase in Cash and Cash Equivalents	101,380	24,888	2,645	73,847
Cash and Cash Equivalents - Beginning of Year	<u>816,698</u>	<u>107,350</u>	<u>70,970</u>	<u>638,378</u>
Cash and Cash Equivalents - End of Year	<u>\$ 918,078</u>	<u>\$ 132,238</u>	<u>\$ 73,615</u>	<u>\$ 712,225</u>

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

Harbour Mansion Condominium Association, Inc.
Notes to the Financial Statements
December 31, 2021

Note 1 Nature of Organization

Harbour Mansion Condominium Association, Inc. (the "Association"), located in Long Branch, New Jersey, is a New Jersey corporation, subject to the provisions of the Condominium Act of the State of New Jersey. The Association also is subject to the provisions of the hotel and multiple dwelling law, which has no financial statement disclosure impact. The purposes of the Association are to provide for the preservation of the values and amenities in the community and for the maintenance of the common facilities. The Association consists of 115 residential units and an indoor garage. Recreation facilities include an indoor swimming pool, exercise room, beach area and cabanas.

Note 2 Summary of Significant Accounting Policies

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board of Trustees (the "Board") 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.

Fund Accounting

The Association's legal document (i.e., Master Deed and By-laws) provide certain guidelines to govern the Association's financial activities. In order to ensure observance of limitations and restrictions placed on the use of resources available to the Association by such documents, the accounts of the Association are maintained in accordance with the principles of fund accounting.

The assets, liabilities and fund balances of the Association are reported in the following fund groups:

Operating Fund

This fund represents the portion of expendable funds that is available for the general annual expenditures of the Association.

Deferred Maintenance Fund

The purpose of this fund is to accumulate sufficient amounts which will allow the Association to have the necessary resources to perform other maintenance services which occur less frequently than annually. In addition, this fund is utilized for expenses that cost less than \$10,000, that are allocated to this fund by the Board.

Replacement Fund

The purpose of the replacement fund is to accumulate funds for future major repairs and replacements of the Association's common property as determined by the Board with a cost of greater than \$10,000.

Harbour Mansion Condominium Association, Inc.
Notes to the Financial Statements
December 31, 2021

Note 2 Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents are held in bank deposit accounts and money market funds which, at times, may exceed federally insured limits.

Recognition of Assets

The Association's property and other common elements are owned by the unit owners in condominium form pursuant to the Master Deed wherein each of the individual unit owners hold legal title to an undivided interest in property constituting the common elements. The use and disposition of these properties are restricted or governed by the Association's legal documents. Accordingly, no amounts related to these common elements are included on the accompanying balance sheet of the Association. The common elements primarily consist of portions of the building and the improvements on the land, not comprising the individual units.

Maintenance Assessments, Garage Fees and Assessments Receivable

The Association's unit owners are subject to monthly maintenance assessments based upon the annual budget. The purpose of maintenance assessments is to provide funds for operating expenses and reserves/future major repairs and replacements. Monthly maintenance assessments represent multiple performance obligations, which, on a standalone basis are not considered separate and distinct and therefore have been deemed to be a single performance obligation. Revenue is recognized as the performance obligation is satisfied at transaction amounts expected to be collected. The performance obligation for maintenance assessments are satisfied over time on a daily pro-rata basis using the input method. The Association retains excess funds at the end of the period, if any, for use in future periods or as otherwise specified by the Association's governing documents.

Maintenance assessments receivable at the balance sheet date is stated at the amounts expected to be collected from unit owners. The Association's policy is to retain legal counsel and place liens on the units of owners who are delinquent based on the collection policy. It is the opinion of the Board that the Association will ultimately prevail against homeowners with delinquent assessments and, accordingly, no allowance for uncollectible accounts is deemed necessary. The Association treats uncollectible maintenance assessments as variable consideration since the Association has the authority to levy additional fees. 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.

Investment Income Earned

The Board's policy is to retain investment income earned on all replacement and deferred maintenance fund interest bearing cash accounts and investments in the respective funds.

Harbour Mansion Condominium Association, Inc.
Notes to the Financial Statements
December 31, 2021

Note 2 Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Board has evaluated subsequent events and transactions for potential recognition or disclosure through the date of the auditors' report, which is the date the financial statements were available to be issued. (See Note 9)

Note 3 Prepaid Expenses

Prepaid expenses consisted of the following on December 31, 2021:

Insurance	\$108,802
Federal income taxes	<u>204</u>
Total	<u>\$109,006</u>

Note 4 Income Taxes

Under the Internal Revenue Code, associations may be taxed as a regular corporation or as a condominium management association, which is based on an annual election and meeting certain criteria. If the criteria are met, the Association may select either method in any year. A method selected in one year affects only that year and the Association is free to select either method in future years.

For the year ended December 31, 2021, the Association expects to be taxed as a regular corporation and therefore not taxed as a condominium management association. No income taxes have been provided since there are sufficient non-membership expenses to offset non-membership income. The Association evaluates its tax provisions and accruals and believes that they are appropriate based on current facts and circumstances. The prior three years federal tax returns as filed remain open for examination by the Internal Revenue Service.

The Association is incorporated pursuant to Title 15A of the New Jersey Statutes and, therefore, is not liable for New Jersey corporation business income tax.

Note 5 Security Deposits

Each member of the Association must maintain at all times the equivalent of three month's current maintenance fees as security against non-payment of future assessments.

Harbour Mansion Condominium Association, Inc.
Notes to the Financial Statements
December 31, 2021

Note 6 Replacement Fund

The Association's governing documents provide that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate accounts and are generally used for replacement fund expenditures.

Falcon Engineering, professional engineering consultants, conducted a study in September 2016 to estimate the remaining useful lives and the replacement costs of the components of common property. The study includes those components with an estimated remaining useful life within the Board determined useful life guidelines for inclusion in the replacement schedule for purposes of determining annual funding. The type of study performed was a full study. The estimates were based on the then current estimated replacement costs. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study. The study does not include the replacement of beach cabana lockers with an estimated remaining life of 26 years and an estimated replacement cost of \$44,000.

The Board is funding for the estimated costs of future major repairs and replacements over the remaining useful lives of the components as discussed below. The lowest level of funding included in the engineering study utilizes the threshold funding methodology. Threshold funding, based upon a 30 year cash flow analysis, sets a replacement funding goal of keeping the replacement fund balance above a specified dollar amount at its lowest accumulated amount, as specified by the Board, but below the full funding determined level. The 2021 annual recommended funding per the 2016 study is \$206,213 using a threshold level of \$194,034 which is approximately 5% of the estimated replacement cost of the common property which is included in the engineering study referred to above. The Board has provided for replacement funding of \$200,000 in the 2021 budget.

Amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. Additionally, replacement fund cash and investment balances may, at times, be less than or more than the fund balance resulting in an interfund balance. If additional funds are needed, the Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available, if possible. The effect on future assessments is unknown at this time.

Note 7 Working Capital Contribution and Membership Fee

Upon the acquisition of title to a unit, each new member of the Association is assessed a working capital contribution equal to two months of the then current maintenance assessments. Working capital contributions have been recorded as revenue in the operating fund in the accompanying financial statements.

In addition, each new member is required to pay a membership fee of \$150. These contributions have been recorded as revenue to the operating fund in the accompanying financial statements.

Harbour Mansion Condominium Association, Inc.
Notes to the Financial Statements
December 31, 2021

Note 8 Other Matters and Vendor Deposit

During the year ended December 31, 2021, the Association entered a contract with a vendor to complete a boiler replacement project. Costs included within the contract total approximately \$32,000. The Association paid an initial deposit of approximately \$16,400 during 2021, which has been record as vendor deposit in the accompanying balance sheet. All costs related to this project will be recorded as incurred.

Note 9 Subsequent Event – Special Assessment

Subsequent to year end, the Association approved a special assessment totaling approximately \$37,000. The purpose of the assessment is to recover unanticipated legal fees incurred related to two units within the Association. The assessment is due in March 2023.

SUPPLEMENTARY INFORMATION

Harbour Mansion Condominium Association, Inc.
Schedule of Information on Future Major Repairs and Replacements
December 31, 2021

Falcon Engineering, professional engineering consultants, conducted a study in September 2016 to estimate the remaining useful lives and the replacement costs of the components of common property. The study includes those components with an estimated remaining useful life within the board determined useful life guidelines for inclusion in the replacement schedule for purposes of determining annual funding. The estimates were based on the then current estimated replacement costs.

The following table is based on the study and presents significant information about the components of the common property.

<u>Components</u>	As of 2016 Study (Unaudited)	
	<u>Estimated Remaining Useful Lives (Years)</u>	<u>Estimated Current Replacement Costs</u>
Building	0-28	\$ 3,151,291
Garage	1-8	7,700
Recreation	3-26	402,112
Site work	5-26	319,568
Total		<u>\$ 3,880,671</u>
Replacement fund balance as of December 31, 2021		<u>\$ 517,845</u>

Harbour Mansion Condominium Association, Inc.
Schedule of Total Revenues, Operating Expenses and Allocations to Funds
as Compared to Budget
For the Year Ended December 31, 2021

	Actual	(Unaudited) Budget
Revenues		
Maintenance assessments	\$ 1,261,102	\$ 1,261,107
Change in estimated maintenance assessments collectible	(20)	(12,000)
Repairs income	102,795	55,500
Garage fees	52,665	52,800
Working capital contributions	12,463	13,000
Clubroom rental income	10,695	8,000
Insurance claim income	9,340	-
Other income	6,811	450
Laundry income	3,270	8,200
Membership fees	1,050	-
Investment income	776	1,700
Late charges	560	150
Township reimbursement	-	200
Total Revenues	1,461,507	1,389,107
Operating Expenses		
General and Administrative		
Insurance	96,070	99,000
Management fees	95,876	96,000
Office expense	22,711	13,500
Engineering	16,496	5,000
Payroll processing fees	8,126	9,500
Audit fees	5,400	5,300
Legal fees	4,120	13,000
Recreation committee	3,450	4,500
Dues and subscriptions	310	310
Postage	89	1,000
Bank fees	50	-
Contingency	-	12,641
Total General and Administrative	252,698	259,751

Harbour Mansion Condominium Association, Inc.
Schedule of Total Revenues, Operating Expenses and Allocations to Funds
as Compared to Budget
For the Year Ended December 31, 2021

	Actual	(Unaudited) Budget
Operating Expenses (Continued)		
Building and Grounds Maintenance		
Supplies	74,528	45,000
Pool and beach management	66,251	65,000
HVAC repairs	59,822	34,000
Janitorial services	55,503	45,000
General repairs and maintenance	22,745	15,000
Snow clearing	18,180	10,000
Elevator repairs	17,616	12,000
Pool and beach expense	8,607	15,000
Fire system	8,040	3,500
Other	7,442	1,000
Security	6,593	5,000
Plumbing repairs	5,638	4,000
Landscaping improvements	4,830	23,500
Landscaping	4,393	3,500
Exterminating	1,870	1,000
Painting	1,300	3,500
Gutter	998	-
Electrical repairs	946	2,500
Irrigation repairs	863	300
Generator	778	1,000
Entry gate	693	10,000
Trash removal	480	600
Clubroom	372	7,750
Furniture	208	12,500
Maintenance exhaust fans	-	2,500
Parking lot maintenance	-	1,000
Exercise equipment	-	500
Newsletter	-	150
Total Building and Grounds Maintenance	368,696	324,800
Payroll		
Payroll	268,524	280,000
Insurance - medical	34,997	26,556
Payroll taxes	24,824	28,000
Total Payroll	328,345	334,556

Harbour Mansion Condominium Association, Inc.
Schedule of Total Revenues, Operating Expenses and Allocations to Funds
as Compared to Budget
For the Year Ended December 31, 2021

	Actual	(Unaudited) Budget
Operating Expenses (Continued)		
Utilities		
Gas	154,778	125,000
Electricity	133,137	135,000
Water	36,470	34,000
Telephone	4,735	4,000
Total Utilities	<u>329,120</u>	<u>298,000</u>
Deferred Maintenance Fund		
Maintenance assessments allocated to the deferred maintenance fund	18,700	18,700
Investment income allocated to the deferred maintenance fund	90	200
Total Allocations to the Deferred Maintenance Fund	<u>18,790</u>	<u>18,900</u>
Replacement Fund		
Maintenance assessments allocated to the replacement fund	200,000	200,000
Investment income allocated to replacement fund	686	1,500
Total Allocations to the Replacement Fund	<u>200,686</u>	<u>201,500</u>
Total Operating Expenses and Allocations to Funds	<u>1,498,335</u>	<u>1,437,507</u>
Deficiency of Revenues over Operating Expenses and Allocations to the Funds Before Budgeted Surplus Carryover	<u>\$ (36,828)</u>	(48,400)
Budgeted Surplus Carryover		<u>48,400</u>
Excess of Revenues over Operating Expenses and Allocations to Funds After Budgeted Surplus Carryover		<u>\$ -</u>