

**Harbour Mansion Condominium Association, Inc.**  
**Financial Statements**  
**December 31, 2020**

**Harbour Mansion Condominium Association, Inc.**  
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**December 31, 2020**

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## **Independent Auditors' Report**

### **To the Board of Trustees and Unit Owners of**

### **Harbour Mansion Condominium Association, Inc.**

We have audited the accompanying financial statements of Harbour Mansion Condominium Association, Inc. (the "Association") which comprise the balance sheet as of December 31, 2020 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.

### ***The Board of Trustees' Responsibility for the Financial Statements***

The Board of Trustees (the "Board") 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.

### ***Auditors' 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 auditors' 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 auditors consider 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 the Board, 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 the Association as of December 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 11 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 results of the limited procedures have raised doubts about whether material modifications should be made to the required 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 12 through 14 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

December 15, 2021

# Harbour Mansion Condominium Association, Inc.

## Balance Sheet

December 31, 2020

	Total	Operating Fund	Deferred Maintenance Fund	Replacement Fund
<b>Assets</b>				
Cash and cash equivalents	\$ 816,698	\$ 107,350	\$ 70,970	\$ 638,378
Assessments receivable	19,607	19,607	-	-
Prepaid expenses	86,571	86,571	-	-
Due from funds	286,134	286,134	-	-
<b>Total Assets</b>	<b>\$ 1,209,010</b>	<b>\$ 499,662</b>	<b>\$ 70,970</b>	<b>\$ 638,378</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 45,423	\$ 45,423	\$ -	\$ -
Assessments received in advance	31,423	31,423	-	-
Security deposits	329,424	329,424	-	-
Due to operating fund	286,134	-	87,543	198,591
<b>Total Liabilities</b>	<b>692,404</b>	<b>406,270</b>	<b>87,543</b>	<b>198,591</b>
<b>Fund Balances</b>	<b>516,606</b>	<b>93,392</b>	<b>(16,573)</b>	<b>439,787</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,209,010</b>	<b>\$ 499,662</b>	<b>\$ 70,970</b>	<b>\$ 638,378</b>

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, 2020**

	Total	Operating Fund	Deferred Maintenance Fund	Replacement Fund
<b>Revenues</b>				
<b>Maintenance Assessments</b>				
Maintenance assessments	\$ 1,261,102	\$ 1,042,402	\$ 18,700	\$ 200,000
Change in estimated maintenance assessments collectible	(137)	(137)	-	-
<b>Net Maintenance Assessments</b>	<b>1,260,965</b>	<b>1,042,265</b>	<b>18,700</b>	<b>200,000</b>
<b>Other Revenue</b>				
Repairs income	88,176	88,176	-	-
Garage fees	52,775	52,775	-	-
Working capital contributions	10,174	10,174	-	-
Clubroom rental income	7,890	7,890	-	-
Laundry income	3,796	3,796	-	-
Investment income	1,841	-	204	1,637
Other income	900	900	-	-
Membership fees	900	900	-	-
Late charges	435	435	-	-
Township reimbursement	207	207	-	-
<b>Total Other Revenue</b>	<b>167,094</b>	<b>165,253</b>	<b>204</b>	<b>1,637</b>
<b>Total Revenues</b>	<b>1,428,059</b>	<b>1,207,518</b>	<b>18,904</b>	<b>201,637</b>
<b>Expenses</b>				
General and administrative	227,159	227,159	-	-
Building and grounds maintenance	330,708	330,708	-	-
Payroll	302,446	302,446	-	-
Utilities	282,213	282,213	-	-
Remediation	3,092	-	3,092	-
Clubroom renovations	39,121	-	-	39,121
Clubroom furniture	30,539	-	-	30,539
Clubroom kitchen	17,192	-	-	17,192
Windows	18,500	-	-	18,500
HVAC	6,500	-	-	6,500
Clubroom electrical wiring	6,240	-	-	6,240
Miscellaneous	3,876	-	-	3,876
<b>Total Expenses</b>	<b>1,267,586</b>	<b>1,142,526</b>	<b>3,092</b>	<b>121,968</b>
<b>Excess of Revenues over Expenses</b>	<b>160,473</b>	<b>64,992</b>	<b>15,812</b>	<b>79,669</b>
<b>Fund Balances - Beginning of Year</b>	<b>356,133</b>	<b>28,400</b>	<b>(32,385)</b>	<b>360,118</b>
<b>Fund Balances - End of Year</b>	<b>\$ 516,606</b>	<b>\$ 93,392</b>	<b>\$ (16,573)</b>	<b>\$ 439,787</b>

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, 2020**

	Total	Operating Fund	Deferred Maintenance Fund	Replacement Fund
<b>Cash Flows from Operating Activities</b>				
Excess of revenues over expenses	\$ 160,473	\$ 64,992	\$ 15,812	\$ 79,669
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities				
Changes in assets and liabilities				
Assessments receivable	(5,059)	(5,059)	-	-
Prepaid expenses	(7,827)	(7,827)	-	-
Accounts payable and accrued expenses	(18,122)	(18,122)	-	-
Assessments received in advance	11,949	11,949	-	-
<b>Net Cash Provided by Operating Activities</b>	141,414	45,933	15,812	79,669
<b>Cash Flows from Financing Activities</b>				
Change in interfund balances	-	(19,227)	-	19,227
<b>Net Increase in Cash and Cash Equivalents</b>	141,414	26,706	15,812	98,896
<b>Cash and Cash Equivalents - Beginning of Year</b>	675,284	80,644	55,158	539,482
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 816,698</u>	<u>\$ 107,350</u>	<u>\$ 70,970</u>	<u>\$ 638,378</u>

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

**Harbour Mansion Condominium Association, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2020**

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**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, 2020**

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**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, 2020**

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**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.

**Note 3 Prepaid Expenses**

Prepaid expenses consisted of the following at December 31, 2020:

Insurance	\$ 86,367
Federal income taxes	<u>204</u>
Total	<u>\$ 86,571</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, 2020, 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.

In 2000, the Board approved the allocation of these deposits to establish the replacement fund. Accordingly, \$182,800 of deposits as of January 1, 2000 had been recorded as revenue to the replacement fund in that year (See Note 6). Deposits received at closings subsequent to January 1, 2000 have been recorded as a liability as security against non-payment of future assessments.

**Harbour Mansion Condominium Association, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2020**

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**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 2020 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 2020 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, 2020**

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**Note 8      Other Matters**

In late 2019, a novel strain of coronavirus, COVID-19, emerged globally. As the impact of the spread of the COVID-19 coronavirus continues to spread in the United States and around the world, the Association may experience disruptions that could impact its ability to carry out its activities. As of the date of the issuance of these financial statements, the Board cannot reasonably estimate the impact to the Association's future activities, revenues, financial condition or results of operations.

## SUPPLEMENTARY INFORMATION

**Harbour Mansion Condominium Association, Inc.**  
**Schedule of Information on Future Major Repairs and Replacements**  
**December 31, 2020**

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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, 2020		<u>\$ 439,787</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, 2020**

	Actual	(Unaudited) Budget
<b>Revenues</b>		
Maintenance assessments	\$ 1,261,102	\$ 1,261,107
Change in estimated maintenance assessments collectible	(137)	(1,000)
Repairs income	88,176	40,000
Garage fees	52,775	52,650
Working capital contributions	10,174	13,000
Clubroom rental income	7,890	7,000
Laundry income	3,796	8,200
Investment income	1,841	6,250
Other income	900	550
Membership fees	900	-
Late charges	435	150
Township reimbursement	207	300
Legal fee reimbursements	-	1,000
<b>Total Revenues</b>	<b>1,428,059</b>	<b>1,389,207</b>
<b>Operating Expenses</b>		
<b>General and Administrative</b>		
Management fees	95,876	94,000
Insurance	82,419	98,000
Office expense	16,090	12,000
Legal fees	14,668	11,000
Payroll processing fees	8,146	9,700
Audit fees	5,700	3,800
Recreation committee	2,950	4,500
Postage	980	1,200
Dues and subscriptions	310	310
Bank fees	20	-
Contingency	-	10,591
Engineering	-	2,500
<b>Total General and Administrative</b>	<b>227,159</b>	<b>247,601</b>

**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, 2020**

	Actual	(Unaudited) Budget
<b>Operating Expenses (Continued)</b>		
<b>Building and Grounds Maintenance</b>		
Pool and beach management	56,222	40,000
Supplies	55,850	40,000
HVAC repairs	52,534	24,500
General repairs and maintenance	38,583	10,000
Janitorial services	29,586	-
Painting	27,655	3,500
Pool and beach expense	14,898	25,000
Miscellaneous	10,304	1,000
Security	9,250	2,500
Elevator repairs	8,116	14,000
Electrical repairs	4,595	2,500
Landscaping	4,393	3,500
Plumbing repairs	4,311	6,000
Landscaping improvements	4,152	3,500
Fire system	3,415	2,500
Concierge	2,943	-
Snow clearing	1,200	15,000
Exterminating	1,040	1,000
Generator	778	1,000
Trash removal	643	600
Irrigation repairs	240	300
Clubroom	-	21,000
Furniture	-	15,250
Maintenance exhaust fans	-	2,500
Entry gate	-	1,200
Parking lot maintenance	-	1,000
Exercise equipment	-	500
Newsletter	-	250
<b>Total Building and Grounds Maintenance</b>	<b>330,708</b>	<b>238,100</b>
<b>Payroll</b>		
Payroll	257,009	315,000
Insurance - medical	23,072	26,556
Payroll taxes	22,365	33,000
<b>Total Payroll</b>	<b>302,446</b>	<b>374,556</b>



**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, 2020**

	Actual	(Unaudited) Budget
<b>Operating Expenses (Continued)</b>		
<b>Utilities</b>		
Electricity	129,529	140,000
Gas	108,489	125,000
Water	40,637	34,000
Telephone	3,558	5,000
<b>Total Utilities</b>	<u>282,213</u>	<u>304,000</u>
<b>Deferred Maintenance Fund</b>		
Maintenance assessments allocated to the deferred maintenance fund	18,700	18,700
Investment income allocated to the deferred maintenance fund	204	250
<b>Total Allocations to the Deferred Maintenance Fund</b>	<u>18,904</u>	<u>18,950</u>
<b>Replacement Fund</b>		
Maintenance assessments allocated to the replacement fund	200,000	200,000
Investment income allocated to replacement fund	1,637	6,000
<b>Total Allocations to the Replacement Fund</b>	<u>201,637</u>	<u>206,000</u>
<b>Total Operating Expenses and Allocations to Funds</b>	<u>1,363,067</u>	<u>1,389,207</u>
<b>Excess of Revenues over Operating Expenses and Allocations to the Funds</b>	<u>\$ 64,992</u>	<u>\$ -</u>