

9600 CONDOMINIUM ASSOCIATION

**FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
9600 Condominium Association
Margate, New Jersey

I have audited the accompanying financial statements of 9600 Condominium Association, which comprise the balance sheet as of December 31, 2019 and the related statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Association's 2018 financial statements and, in my report dated February 8, 2019, I expressed an unmodified opinion on those statements.

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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon 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, I 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.

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Member:

American Institute of Certified Public Accountants • New Jersey Society of Certified Public Accountants
Maryland Association of Certified Public Accountants • Pennsylvania Institute of Certified Public Accountants • Community Associations Institute

Fully Licensed CPA In:
New Jersey • Pennsylvania • Maryland

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 9600 Condominium Association as of December 31, 2019 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.

Report on Supplementary Information

My audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenues and Expenses - Operating Fund, Actual Compared to Budget on pages 11 and 12 are presented for the purposes of additional analysis and is not a required part of the basic 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, except that which pertains to budget and variances, has been subjected to the auditing procedures applied in the audit of the basic 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 my opinion, the information, except which pertains to budget and variances, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 of common property on page 13 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. I 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 management about the methods of preparing the information and comparing the information for consistency to management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Charles J. Rajic

Aberdeen, MD
February 7, 2020

**9600 CONDOMINIUM ASSOCIATION
BALANCE SHEET
DECEMBER 31, 2019**
(With Comparative Totals for December 31, 2018)

	2019				2018
	Operating Fund	Replacement Fund	Construction Fund	Total	Total
Assets:					
Cash and equivalents	\$405,677	\$669,320	\$ 105,810	\$1,180,807	\$1,296,514
Fees receivable (net)	2,274	-	-	2,274	3,663
Prepaid expenses	142,331	-	-	142,331	138,193
Security deposit	-	-	-	-	3,370
Interfund loan	<u>36,862</u>	<u>(59,375)</u>	<u>22,513</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$587,144</u>	<u>\$609,945</u>	<u>\$ 128,323</u>	<u>\$1,325,412</u>	<u>\$1,441,740</u>

LIABILITIES AND FUND BALANCES

Liabilities:					
Accrued expenses	\$ 33,078	\$ -	\$ -	\$ 33,078	\$ 74,115
Prepaid assessments	121,414	-	-	121,414	118,850
Loan payable	<u>-</u>	<u>45,141</u>	<u>-</u>	<u>45,141</u>	<u>63,815</u>
Total Liabilities	<u>154,492</u>	<u>45,141</u>	<u>-</u>	<u>199,633</u>	<u>256,781</u>
Fund Balances:					
Fund balances	<u>432,652</u>	<u>564,804</u>	<u>128,323</u>	<u>1,125,779</u>	<u>1,184,959</u>
Total liabilities and Fund balances	<u>\$587,144</u>	<u>\$609,945</u>	<u>\$ 128,323</u>	<u>\$1,325,412</u>	<u>\$1,441,740</u>

See independent auditor's report and notes to financial statements

**9600 CONDOMINIUM ASSOCIATION
STATEMENT OF REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2019**
(With Comparative Totals for the Year Ended December 31, 2018)

	<u>2019</u>			<u>Total</u>	<u>2018</u>
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Construction Fund</u>		<u>Total</u>
Revenues					
Member assessments	\$1,710,801	\$ 190,272	\$ -	\$1,901,073	\$1,901,073
Investment income	482	454	152	1,088	1,448
Late fees	275	-	-	275	250
Commissions	3,250	-	-	3,250	4,250
Unit sales/maintenance	46,655	-	-	46,655	29,107
Other income	6,544	-	-	6,544	23,081
Total revenues	<u>1,768,007</u>	<u>190,726</u>	<u>152</u>	<u>1,958,885</u>	<u>1,964,209</u>
Expenses					
Administrative	330,475	-	-	330,475	326,768
Operational	566,604	-	-	566,604	521,550
Other	371,591	-	-	371,591	370,278
Maintenance	167,759	-	-	167,759	144,982
Operations	248,084	-	-	248,084	264,212
Interest expense	-	-	-	-	-
Capital expenditures	-	1,510	332,042	333,552	1,053,136
Total expenses	<u>1,684,513</u>	<u>1,510</u>	<u>332,042</u>	<u>2,018,065</u>	<u>2,685,926</u>
Excess (deficiency) of revenues over expenses	<u>\$ 83,494</u>	<u>\$ 189,216</u>	<u>\$ (331,890)</u>	<u>\$ (59,180)</u>	<u>\$ (721,717)</u>

See independent auditor's report and notes to financial statements

9600 CONDOMINIUM ASSOCIATION
STATEMENT OF CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	Operating Fund	Replacement Fund	Construction Fund	Total
Balances				
January 1, 2018	\$ 437,201	\$ 21,190	\$1,448,285	\$1,906,676
Excess (deficiency) of revenues over expenses	<u>161,957</u>	<u>104,398</u>	<u>(988,072)</u>	<u>(721,717)</u>
Balances				
December 31, 2018	599,158	125,588	460,213	1,184,959
Permanent transfer	(250,000)	250,000	-	-
Excess (deficiency) of revenues over expenses	<u>83,494</u>	<u>189,216</u>	<u>(331,890)</u>	<u>(59,180)</u>
Balances				
December 31, 2019	\$ 432,652 =====	\$564,804 =====	\$ 128,323 =====	\$1,125,779 =====

See independent auditor's report and notes to financial statements

9600 CONDOMINIUM ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	<u>2019</u>				<u>2018</u>
	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>Construction Fund</u>	<u>Total</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Excess (deficiency) of revenues over expenses	\$ 83,494	\$ 189,216	\$ (331,890)	\$ (59,180)	\$ (721,717)
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash:					
(Increase) decrease in:					
Fees receivable	(717)	-	2,106	1,389	166,092
Other receivable	-	-	-	-	102
Prepaid expenses	(4,138)	-	-	(4,138)	9,490
Security deposit	3,370	-	-	3,370	-
Interfund loan	(5,860)	(123,864)	129,724	-	-
Increase (decrease) in:					
Accrued expenses	(9,619)	-	(31,419)	(41,038)	14,842
Prepaid assessments	<u>2,564</u>	<u>-</u>	<u>-</u>	<u>2,564</u>	<u>5,667</u>
Net cash provided (used) by operating activities	<u>69,094</u>	<u>65,352</u>	<u>(231,479)</u>	<u>(97,033)</u>	<u>(525,524)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Change in loan payable	<u>-</u>	<u>(18,674)</u>	<u>-</u>	<u>(18,674)</u>	<u>(20,241)</u>
Net increase (decrease) in cash	69,094	46,678	(231,479)	(115,707)	(545,765)
Permanent transfer	(250,000)	250,000	-	-	-
Cash - Beginning	<u>586,583</u>	<u>372,642</u>	<u>337,289</u>	<u>1,296,514</u>	<u>1,842,279</u>
Cash - Ending	<u>\$405,677</u>	<u>\$ 669,320</u>	<u>\$ 105,810</u>	<u>\$1,180,807</u>	<u>\$1,296,514</u>

See independent auditor's report and notes to financial statements

**9600 CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Note 1. CREATION AND NATURE OF THE ORGANIZATION

9600 Condominium Association is a New Jersey not-for-profit corporation organized on January 7, 1970. The purpose of the Association is to maintain, regulate and administer the facilities owned in common by the unit owners at the high rise community in Margate, Atlantic County. The Association consists of two hundred and forty-six (246) residential unit owners/members.

Note 2. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through February 7, 2020, the date that the financial statements were available to be issued.

Note 3. NEW REVENUE RECOGNITION STANDARD

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). ASC 606 requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which a common interest realty association expects to be entitled in exchange for those goods or services.

The Association has determined that the performance obligations and when they are met would best be recognized in the same manner as they were prior to the implementation of FASB ASC 606. Accordingly, these financial statements have been prepared in conformity with practice prior to the implementation of ASC 606.

Note 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method:

The Association maintains its books and records on the accrual basis of accounting.

Fund Accounting:

The Association's financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

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

**9600 CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Note 4. (continued)

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

Construction Fund. This fund is used to report financial activity related to the special assessment and related exterior work. This fund was formerly called the Restoration Fund.

Revenue Recognition:

Revenue from members assessments are recognized when the assessments are due. Any amounts received in advance of the due date are deferred until due.

Cash and Equivalents:

Cash includes certificates of deposit and other financial instruments which do not have material penalties associated with them or other terms which effectively restrict withdrawal of funds.

Allowance for Uncollectible Accounts:

The receivables are reported net of an allowance for doubtful accounts which had a balance of \$5,000 as December 31, 2019.

Property and Equipment:

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. Applicable property and equipment acquired by Association is stated at cost. Depreciation is computed using accelerated methods over the respective useful lives of the components of property and equipment.

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. Actual results could differ from those estimates.

Comparative Information:

The financial statements include certain prior-year summarized comparative information in total but not by fund balance class. Such information does not include sufficient detail to

**9600 CONDOMINIUM ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Note 4. (continued)

constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Note 5. RESERVE FOR REPLACEMENTS

The Association has established a reserve fund for improvements and replacements of common property on an annual basis.

The Association engaged independent consultants who conducted a study dated November 10, 2014 to estimate the remaining useful lives and the replacement costs of the common property components. The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts. 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 to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available.

Note 6. LETTER OF CREDIT

The Association has a line of credit with OceanFirst Bank in case of emergency. The line of credit is for a total of \$250,000 and has been renewed for another year. There is no outstanding balance on this line of credit as of December 31, 2019.

Note 7. FEDERAL TAXES

Community associations may elect to be treated as tax exempt organizations with respect to their exempt function income, such as dues, fees and assessments received from their members. Such associations are taxed at a flat rate of 30 percent on investment income in excess of \$100. This election was not made as it would not provide any tax savings for 2019.

Note 8. CONCENTRATION OF CREDIT RISK

At December 31, 2019, the Association had deposits in a financial institution which exceeded the federal depository insurance limit. The board believes the risk of loss is minimal as these funds are invested in government mutual funds and the amounts are being reduced as payments are made for the several projects currently in progress.

SUPPLEMENTARY INFORMATION

**9600 CONDOMINIUM ASSOCIATION
SCHEDULE OF REVENUES AND EXPENSES - OPERATING FUND
ACTUAL COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2019**

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Expenses:			
Administrative			
Payroll	\$221,194	\$225,000	\$ 3,806
Accounting	5,300	6,000	700
Advertising	-	500	500
Bank charges	615	450	(165)
Bad debt	-	2,500	2,500
Board meeting	1,806	2,000	194
Cable/internet-office	3,654	2,000	(1,654)
Coffee/water supplies	6,166	5,000	(1,166)
Copier expense	374	600	226
Dues/subscriptions	6,201	500	(5,701)
Legal	5,747	10,000	4,253
Computer expenses	11,378	5,000	(6,378)
Repair/maintenance	-	7,500	7,500
Office supplies	15,832	12,000	(3,832)
Payroll service	8,966	6,000	(2,966)
Postage	2,149	1,800	(349)
Postage meter	620	750	130
Telephone	7,073	6,500	(573)
Community activities	30,535	30,000	(535)
Miscellaneous	<u>2,865</u>	<u>3,500</u>	<u>635</u>
Total Administrative Expenses	<u>\$330,475</u>	<u>\$327,600</u>	<u>\$(2,875)</u>
Operational			
Payroll - bike room	\$ 12,333	\$ 15,000	\$ 2,667
Payroll - facilities	281,030	300,000	18,970
Payroll - front desk	<u>273,241</u>	<u>265,000</u>	<u>(8,241)</u>
Total Operational Expenses	<u>\$566,604</u>	<u>\$580,000</u>	<u>\$ 13,396</u>
Other Expenses			
Employee benefits	\$ 10,835	\$ 6,800	\$(4,035)
Employee insurance	22,929	25,000	2,071
Payroll taxes	68,365	69,500	1,135
Insurance	269,462	279,600	10,138
Engineering services	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Total Other Expenses	<u>\$371,591</u>	<u>\$385,900</u>	<u>\$ 14,309</u>

**9600 CONDOMINIUM ASSOCIATION
SCHEDULE OF REVENUES AND EXPENSES - OPERATING FUND
ACTUAL COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2019**

	Actual	Budget	Variance Favorable (Unfavorable)
Maintenance			
Carpet repair/cleaning	\$ -	\$ 2,000	\$ 2,000
Cable-HVAC system	1,519	1,500	(19)
Electrical repairs	1,775	10,000	8,225
Electrical supplies	354	1,500	1,146
Hardware supplies	39,606	25,000	(14,606)
Locksmith	566	1,000	434
Elevator maint. contract	24,274	24,000	(274)
Trash compactor maint.	217	1,500	1,283
NJ annual report	26	50	24
Air quality permit	-	800	800
Paint/painting	5,334	17,500	12,166
Plumbing repairs	20,241	15,000	(5,241)
Plumbing supplies	379	-	(379)
Garage	1,445	3,000	1,555
Health club	920	2,000	1,080
Lobby	4,154	3,000	(1,154)
Lobby fish/plants	8,330	7,000	(1,330)
Units	2,943	2,000	(943)
Sprinkler and fire	25,639	20,000	(5,639)
HVAC systems	23,349	10,000	(13,349)
Generator	1,653	4,000	2,347
Trash compactor	3,405	2,000	(1,405)
Roof	<u>1,630</u>	<u>2,000</u>	<u>370</u>
Total Maintenance Expenses	<u>\$167,759</u>	<u>\$154,850</u>	<u>\$(12,909)</u>
Operations			
Electricity	\$113,225	\$140,000	\$ 26,775
Exterminating	2,222	2,500	278
Water service	100	-	(100)
Fuel oil	-	15,000	15,000
Gas	29,436	50,000	20,564
Janitorial supplies	9,778	15,000	5,222
Garage door	10,444	5,000	(5,444)
Interior doors	3,279	-	(3,279)
Landscaping	16,869	17,500	631
Pool	28,594	27,500	(1,094)
Security systems	25,342	15,000	(10,342)
Trash removal	6,124	2,000	(4,124)
Uniforms	<u>2,671</u>	<u>3,500</u>	<u>829</u>
Total Operations Expenses	<u>\$248,084</u>	<u>\$293,000</u>	<u>\$ 44,916</u>

**9600 CONDOMINIUM ASSOCIATION
SCHEDULE OF FUTURE MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2019
(UNAUDITED)**

<u>Component</u>	<u>Estimated Remaining Life Years*</u>	<u>Estimated Replacement Cost*</u>
Architectural	9-38	\$2,790,270
Electrical	4-28	463,475
Mechanical	0-36	1,229,500
Site	4-38	685,072
Miscellaneous	2-38	<u>798,460</u>
		<u>\$5,966,777</u> =====

The Replacement Fund balance is \$564,804 as of December 31, 2019. This balance has not been allocated to the various components of common property.

*As of January 1, 2015.