

**ARBOR TERRACE  
CONDOMINIUM ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2008**

**SYNKOWSKI & NORMANN**  
**Certified Public Accountants**  
**A Limited Liability Partnership**  
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**INDEPENDENT AUDITOR'S REPORT**

June 30, 2009

TO THE MEMBERS  
ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.

We have audited the accompanying balance sheet of Arbor Terrace Condominium Association, Inc. as of September 30, 2008 and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arbor Terrace Condominium Association, Inc. as of September 30, 2008 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.

*Synkowski + Normann*

SYNKOWSKI & NORMANN  
Certified Public Accountants

**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.**  
**BALANCE SHEET**  
**SEPTEMBER 30, 2008**

	<u>OPERATING FUND</u>	<u>CAPITAL REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash & Interest-Bearing Deposits	\$ 36,029	\$ 42,654	\$ 78,683
Assessments Receivable	3,395		3,395
Prepaid Insurance	14,632		14,632
Prepaid Management Fees	1,550		1,550
Laundry Receivable	<u>296</u>	<u>-</u>	<u>296</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 55,902</u></b>	<b><u>\$ 42,654</u></b>	<b><u>\$ 98,556</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable & Accrued Expenses	\$ 5,271	\$ 16,355	\$ 21,626
Security Deposits	2,000		2,000
Escrow Deposits	8,539		8,539
Assessments Received in Advance	<u>4,021</u>	<u>-</u>	<u>4,021</u>
<b>TOTAL LIABILITIES</b>	<b>19,831</b>	<b>16,355</b>	<b>36,186</b>
<b>FUND BALANCES</b>	<b><u>36,071</u></b>	<b><u>26,299</u></b>	<b><u>62,370</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 55,902</u></b>	<b><u>\$ 42,654</u></b>	<b><u>\$ 98,556</u></b>

The accompanying notes are an integral part of these financial statements

**EXHIBIT A**

**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.  
STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>OPERATING FUND</u>	<u>CAPITAL REPLACEMENT FUND</u>	<u>TOTAL</u>
<b>REVENUES:</b>			
Maintenance Assessments	\$ 142,738	\$ 47,294	\$ 190,032
Late Fees	549		549
Fines	690		690
Membership Fee	750		750
Municipal Reimbursement	212		212
Capital Contributions	300		300
Miscellaneous Income	250		250
Laundry Income	2,859		2,859
Interest Income	<u>154</u>	<u>370</u>	<u>524</u>
<b>TOTAL REVENUES</b>	<u>148,502</u>	<u>47,664</u>	<u>196,166</u>
<b>EXPENSES:</b>			
Management Fees	18,600		18,600
Legal Fees	4,852		4,852
Audit Fee	2,200		2,200
Engineering Fees	3,495		3,495
Insurance	14,327		14,327
Office Expenses	2,079		2,079
Inspection Fees	150		150
NJ Annual Report	25		25
Electricity	4,151		4,151
Water & Sewer	6,674		6,674
Gas	45,886		45,886
Janitorial	5,008		5,008
Landscaping	14,676		14,676
Snow Removal	909		909
General Repairs & Maintenance	11,684		11,684
Exterminating	819		819
Balcony Repairs		16,355	16,355
Gutters & Leaders		7,148	7,148
Roof Replacement	<u>-</u>	<u>18,200</u>	<u>18,200</u>
<b>TOTAL EXPENSES</b>	<u>135,535</u>	<u>41,703</u>	<u>177,238</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	12,967	5,961	18,928
<b>FUND BALANCES - OCTOBER 1, 2007</b>	<u>23,104</u>	<u>20,338</u>	<u>43,442</u>
<b>FUND BALANCES - SEPTEMBER 30, 2008</b>	<u>\$ 36,071</u>	<u>\$ 26,299</u>	<u>\$ 62,370</u>

The accompanying notes are an integral part of these financial statements

**EXHIBIT B**

**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>OPERATING</u> <u>FUND</u>	<u>CAPITAL</u> <u>REPLACEMENT</u> <u>FUND</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Excess (Deficiency) of Revenues Over Expenses	\$ 12,967	\$ 5,961	\$ 18,928
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:			
Interfund Borrowings	(8,130)	8,130	-
(Increase) Decrease in:			
Assessments Receivable	7,772		7,772
Prepaid Insurance	(305)		(305)
Prepaid Management Fees	1,650		1,650
Laundry Receivable	(296)		(296)
Increase (Decrease) in:			
Accounts Payable & Accrued Expenses	(1,732)	16,355	14,623
Assessments Received in Advance	<u>1,932</u>	<u>-</u>	<u>1,932</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	13,858	30,446	44,304
<b>CASH &amp; INTEREST-BEARING DEPOSITS AT OCTOBER 1, 2007</b>	<u>22,171</u>	<u>12,208</u>	<u>34,379</u>
<b>CASH &amp; INTEREST-BEARING DEPOSITS AT SEPTEMBER 30, 2008</b>	<u>\$ 36,029</u>	<u>\$ 42,654</u>	<u>\$ 78,683</u>

The accompanying notes are integral part of these financial statements

**EXHIBIT C**

**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 1: ORGANIZATION:**

Arbor Terrace Condominium Association, Inc. was incorporated in New Jersey on December 31, 1984. The Association is located in the City of Long Branch, Monmouth County, New Jersey and consists of 45 residential units located on approximately 2.28 acres. The Association is a statutory condominium association whose sole purpose is to maintain and preserve the common property of the Association.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of Arbor Terrace Condominium Association, Inc. have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

**FUND ACCOUNTING**

The Association's legal documents 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 three fund groups:

Operating Fund: This fund represents the portion of expendable funds available for the general operations of the Association

Capital Replacement Fund: The purpose of this fund is to accumulate funds over the lives of capital assets which are part of the common elements so that at the time of their replacement sufficient amounts are available to pay for their replacement.

**INTEREST EARNED**

The Board's policy is to allocate interest income to the various funds in proportion to the interest-bearing deposits of each fund.

**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.

**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

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

**MEMBER ASSESSMENTS**

Association members are subject to monthly assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. The annual budget and assessments of owners are determined by the Board of Directors. The association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

**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.

**NOTE 3: TAXATION:**

Under the Internal Revenue Code, Associations may be taxed as a Condominium Management Association at their election, or as a regular corporation. The Association may elect either method in any year and will generally select the method that results in the lowest tax due. 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 September 30, 2008, the Association has elected to be taxed as a Condominium Management Association. Income taxes have not been provided for since non-exempt function expenses are in excess of non-exempt function income.

The Association was incorporated under Section 15A of the New Jersey Statutes and therefore it is not liable for New Jersey corporation income taxes.

**NOTE 4: RESERVES:**

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are to be held in separate cash accounts and are generally not available for expenditures for normal operations.

**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2008**

**NOTE 4: RESERVES: (continued)**

A reserve study was prepared by The Falcon Group in September 2007 to estimate the useful lives and replacement costs of the components of common property. The estimates were based on the estimated current replacement costs at the date of the study. The table included in the unaudited supplementary information on Future Major Repairs and Replacements is based on the study.

The board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of future replacement costs and considering amounts previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from estimated future expenditures and the variation may be material. Therefore, amounts accumulated in the reserve fund may not be adequate to meet all future needs for major repairs and replacements. If additional amounts are needed, the Association has the right to increase regular assessments or pass special assessments, or delay major repairs and replacements until funds are available.

**NOTE 5: WORKING CAPITAL CONTRIBUTION:**

Upon acquisition of title to a unit, the purchaser must pay a non-refundable, non-transferable working capital fee of \$100. These funds may be used for working capital or any other approved purpose.

**NOTE 6: MEMBERSHIP FEE:**

Upon acquisition of title to a unit, the purchaser must pay a non-refundable, non-transferable membership fee of \$250. These funds may be used for working capital or any other approved purpose.

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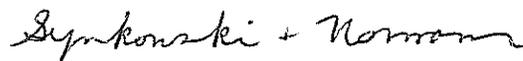
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**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY  
INFORMATION**

June 30, 2009

TO THE MEMBERS  
ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.

The supplementary information on future major repairs and replacements is not a required part of the basic financial statements of Arbor Terrace Condominium Association, Inc. but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



SYNKOWSKI & NORMANN  
Certified Public Accountants

**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.**

**SUPPLEMENTARY INFORMATION ON FUTURE  
MAJOR REPAIRS AND REPLACEMENTS  
(UNAUDITED)**

**SEPTEMBER 30, 2008**

The Falcon Group prepared a reserve study in September 2007, to estimate the remaining useful lives and replacement costs of the common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study. Estimated current replacement costs have not been revised since the date of the study and do not take into account the effects of inflation between the date of the study and the date that components will require repair or replacement.

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

<u>COMPONENTS</u>	<u>ESTIMATED REMAINING USEFUL LIFE</u>	<u>ESTIMATED CURRENT REPLACEMENT COSTS</u>
CONCRETE BALCONY & PATIO	9 Years	\$ 105,072
GARAGE DOORS	15 Years	6,000
LIGHTING	8 Years	25,900
BRICK POINTING & WATERPROOFING	15 Years	149,340
WOOD SIDING	8 Years	87,750
BOILERS & SUMP PUMPS	3 to 11 Years	59,000
UNDERGROUND HEAT PIPING	11 Years	50,000
ROOF SHINGLES	2 to 25 Years	106,310
GUTTERS & LEADERS	0 Years	9,336
STAIRS & RAILINGS	15 Years	169,847
SIGNAGE	2 Years	3,325
FENCING	5 Years	36,232
PLANTERS	4 to 10 Years	7,133
CONCRETE CURBING	3 Years	18,414
PARKING RECONSTRUCTION	3 Years	56,952
PARKING SEAL COATING	8 Years	4,588
CONCRETE SIDEWALK	6 Years	36,070
DUMPSTER ENCLOSURE	12 Years	3,618
		<u>\$ 934,887</u>

***CAPITAL REPLACEMENT FUND BALANCE AT SEPTEMBER 30, 2008 IS \$ 26,299***

See Independent Auditor's Report on Supplementary Information