

**ARBOR TERRACE**  
**CONDOMINIUM ASSOCIATION, INC.**

**Financial Statements and**  
**Supplemental Information**

**Year Ended September 30, 2013**

**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.**  
**Index to Financial Statements**  
**Year Ended September 30, 2013**

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# CALANTONE, MONTERISI & Co. LLC

CERTIFIED PUBLIC ACCOUNTANTS and CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors  
Arbor Terrace Condominium  
Association, Inc.**

We have audited the accompanying financial statements of **Arbor Terrace Condominium Association, Inc.**, which comprises the balance sheet as of September 30, 2013 and the related statement of revenues, expenses, and changes in fund balances and cash flow 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 audits. We conducted our audits 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 **Arbor Terrace Condominium Association, Inc.** as of September 30, 2013, and the results of its operations and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Calantre Montecisi, Co. LLC*

Kinnelon, New Jersey  
November 11, 2015

**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.****Balance Sheet****September 30, 2013**

	<u>Operating Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Replacement Fund</u>	<u>Total 2013</u>
<b><u>Assets</u></b>				
Cash in bank	\$ 42,844	\$ 10,273	\$ 83,545	\$ 136,662
Assessments receivable (net of allowance for doubtful accounts of \$10,200)	3,003	-	-	3,003
Special assessment receivable	-	-	127,316	127,316
Loan costs (net accumulated accumulated of \$256)	-	-	2,819	2,819
Prepaid insurance	759	-	-	759
Prepaid expenses	1,793	-	-	1,793
Interfund balances	(7,709)	3,361	4,348	-
<b>Total Assets</b>	<b>\$ 40,690</b>	<b>\$ 13,634</b>	<b>\$ 218,028</b>	<b>\$ 272,352</b>
<b><u>Liabilities and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Accounts payable and accrued expenses	\$ 5,480	\$ -	\$ -	\$ 5,480
Prepaid assessments	9,271	-	-	9,271
Security deposit	6,600	-	-	6,600
Escrow deposit	9,789	-	-	9,789
Bank loan payable	-	-	143,652	143,652
<b>Total Liabilities</b>	<b>31,140</b>	<b>-</b>	<b>143,652</b>	<b>174,792</b>
Fund Balances	<u>9,550</u>	<u>13,634</u>	<u>74,376</u>	<u>97,560</u>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 40,690</b>	<b>\$ 13,634</b>	<b>\$ 218,028</b>	<b>\$ 272,352</b>

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

**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.**  
**Statement of Revenues, Expenses, and Changes in Fund Balance**  
**For the Year Ended September 30, 2013**

	<u>Operating Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Replacement Fund</u>	<u>Total 2013</u>
<b><u>Revenues</u></b>				
Membership assessments	\$ 190,032	\$ 5,000	\$ 50,000	\$ 245,032
Interest income	27	14	491	532
Special assessment	-	-	137,800	137,800
Late fees	775	-	-	775
Laundry income	2,576	-	-	2,576
Insurance settlement	11,827	-	-	11,827
Other income	2,613	-	-	2,613
<b>Total Revenues</b>	<b>207,850</b>	<b>5,014</b>	<b>188,291</b>	<b>401,155</b>
<b><u>Expenses</u></b>				
Administrative	53,250	-	256	53,506
Building operations	43,460	-	-	43,460
Grounds maintenance	24,372	-	-	24,372
Utilities	42,375	-	-	42,375
Loan interest	-	-	8,859	8,859
Tree work	-	1,605	-	1,605
Step repair	-	3,114	-	3,114
Gutter repair	-	1,378	-	1,378
Fence repair	-	-	9,587	9,587
Boiler replacement	-	-	83,285	83,285
Roof repair	-	-	18,390	18,390
Balcony repair	-	-	10,100	10,100
Deferred maintenance contribution	5,000	-	-	5,000
Reserve contribution	50,000	-	-	50,000
<b>Total Expenses</b>	<b>218,457</b>	<b>6,097</b>	<b>130,477</b>	<b>355,031</b>
<b>Excess of Revenues Over (Under) Expenses</b>	<b>(10,607)</b>	<b>(1,083)</b>	<b>57,814</b>	<b>46,124</b>
<b>Beginning Fund Balances</b>	<b>20,157</b>	<b>14,717</b>	<b>16,562</b>	<b>51,436</b>
<b>Ending Fund Balances</b>	<b>\$ 9,550</b>	<b>\$ 13,634</b>	<b>\$ 74,376</b>	<b>\$ 97,560</b>

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

**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2013**

	<u>Operating Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Replacement Fund</u>	<u>Total 2013</u>
<b><u>Cash Flows From Operating Activities</u></b>				
Excess of revenues over (under) expenses	\$ (10,607)	\$ (1,083)	\$ 57,814	\$ 46,124
<b><u>Adjustments to reconcile revenues over (under) expenses to net cash provided by operating activities:</u></b>				
<b><u>(Increase) decrease in assets</u></b>				
Assessments receivable	2,531	-	-	2,531
Special assessment receivable	-	-	(91,435)	(91,435)
Loan costs	-	-	(2,819)	(2,819)
Prepaid insurance	(759)	-	-	(759)
Other receivables	792	-	-	792
<b><u>Increase (decrease) in liabilities</u></b>				
Accounts payable and accrued expenses	(1,078)	(4,290)	(7,500)	(12,868)
Security deposits	500	-	-	500
Escrow deposit	1,250	-	-	1,250
Prepaid assessments	3,707	-	-	3,707
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>(3,664)</b>	<b>(5,373)</b>	<b>(43,940)</b>	<b>(52,977)</b>
<b><u>Cash Flows from Financing Activities</u></b>				
New bank loan proceeds	-	-	130,000	130,000
Bank loan principal payments	-	-	(29,209)	(29,209)
Change in interfund loans	14,863	(3,361)	(11,502)	-
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>11,199</b>	<b>(8,734)</b>	<b>45,349</b>	<b>47,814</b>
<b>Cash and Cash Equivalents- Beginning of Year</b>	<b>31,645</b>	<b>19,007</b>	<b>38,196</b>	<b>88,848</b>
<b>Cash and Cash Equivalents- End of Year</b>	<b>\$ 42,844</b>	<b>\$ 10,273</b>	<b>\$ 83,545</b>	<b>\$ 136,662</b>
<b><u>Supplemental Cash Flow Information:</u></b>				
Interest paid	\$ 8,859			
Income taxes paid	\$ -			

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

**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**September 30, 2013**

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**Note 1 – Nature of Organization**

The Arbor Terrace Condominium Association, Inc., located in Long Branch, New Jersey, is a New Jersey Corporation subject to the provision of the Condominium Act of the State of New Jersey. The purpose of the Association is to provide for the preservation of the values and amenities in the condominium community and for the maintenance of the common facilities. Arbor Terrace Condominium Association, Inc. consists of 45 residential units and was incorporated in 1984.

**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 the date of the auditor's report, the date the financial statements were available to be issued.

**Note 3 – Summary of Significant Accounting Policies**

**Cash Equivalents**

The Association considers cash equivalents to be highly liquid investments with original maturities of one year or less.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires 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 governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions placed on the use of resources, the Association maintains its accounts using fund accounting. Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

**Operating Fund**

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

**Deferred Maintenance Fund**

This fund is used to accumulate sufficient funds which will allow the Association to have necessary resources to perform maintenance services which occur less frequently than annually.

**Replacement Fund**

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



**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**September 30, 2013**

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**Note 3 – Summary of Significant Accounting Policies (continued)**

**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. The Association's policy is to expense costs of improvements, repairs and replacements as incurred.

**Recognition of Assets**

Arbor Terrace Condominium Association, Inc.'s property and common elements are owned by the unit owners in condominium form pursuant to the Master Deed wherein each of the individual unit owners holds legal title to an undivided interest in property constituting the common elements. Accordingly, no amounts related to these common elements are included on the accompanying balance sheet of the Association. The common elements generally consist of portions of the buildings not comprising the individual units, sidewalks, roadways, recreational facilities and open areas.

**Note 4 – Owners' Assessments**

Monthly assessments to owners for the year ended September 30, 2013 were \$314 or \$394 a month depending on the unit.

The annual budget and assessments of owners are determined by the board of directors and are approved by the owners. The association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

**Note 5 – Assessments Receivable, Net of Allowance for Doubtful Accounts**

It is the Association's policy to retain legal counsel and place liens on the properties of unit owners whose assessments are seriously delinquent. Due to the financial condition of the unit owners and/or the adequacy of equity in the units to serve as collateral, the Board has estimated the amount that may be potentially uncollectible and has reflected this amount on the accompanying balance sheet as an allowance for doubtful accounts. Uncollectable assessments are written off as bad debt expense. For year ended September 30, 2013, an allowance for doubtful accounts of \$10,200 was deemed necessary and there was a bad debt expense of \$7,500.

**Note 6 - Working Capital Contributions**

Upon the acquisition of title to a unit, each new member of the Association must contribute a one-time, non-refundable contribution to the Association in the amount of two months of owner's assessments to provide the association with a working capital contribution. These funds may be used for operating expenses and any lawful purpose the Board deems appropriate.

**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**September 30, 2013**

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**Note 7 – Federal Income Taxes**

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 select 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, 2013, the Association has elected to be taxed as a condominium management association. No provision for income taxes was necessary since there was sufficient non-membership related expense to offset non-membership type income. The Association's federal income tax returns for the previous three years remain open to examination by the Internal Revenue Service.

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

**Note 8 – Replacement Fund**

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

An independent engineering company conducted a study in June 2014 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on the estimated replacement costs at the time of the study. The table included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on the schedule.

The Association is funding for such major repairs and replacements over the estimated useful lives of the components based on the schedule's estimates of current replacements costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may vary from the estimated amounts and the variations may be material. 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, subject to member approval, to increase regular assessments or levy special assessments, or it may delay major repairs and replacements until funds are available. For the year ended September 30, 2013, reserve contributions totaled \$50,000.

**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.**  
**Notes to the Financial Statements**  
**September 30, 2013**

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**Note 9 – Special Assessment Receivable**

The Association passed as special assessment effective October 1, 2012 to pay for a boiler replacement. The total amount of the assessment was \$137,000 and the unit owners will be paying the assessment over ten years. The assessment was recognized as revenue in year ended September 30, 2013. The Special Assessment Receivable represents the uncollected portion of the assessment.

**Note 10 – Bank Loan Payable**

The Association has two loans from Banco Popular outstanding at year ending September 30, 2013. The first loan has an interest rate of 7.5% and a maturity date of August 1, 2014. The Association has entered into a new loan agreement during year ending September 30, 2013. The total amount of the new loan is \$130,000. The interest rate is 6.05% with payments commencing on January 1, 2013 and a maturity date of December 1, 2022. Interest expense during the year was \$8,859. The total amount outstanding from both loans at year ended September 30, 2013 was \$143,652.

**Note 11 – Uninsured Cash Balances**

The Association maintains its cash accounts at financial institutions located in New Jersey. At times, these balances may exceed the maximum amount insured by the Federal Insurance Corporation.

**SUPPLEMENTARY INFORMATION**

# CALANTONE, MONTERISI & Co. LLC

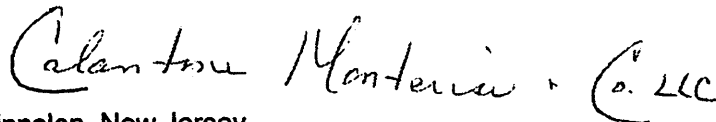
CERTIFIED PUBLIC ACCOUNTANTS and CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Arbor Terrace Condominium  
Association, Inc.

We have audited the financial statements of **Arbor Terrace Condominium Association, Inc.** as of and for the year ended September 30, 2013, and our report thereon dated on page 2, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of total operating revenues, expenses, and allocations to funds as compared to budget on pages 11 and 12, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, 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.

Accounting principles generally accepted in the United States of America require that supplementary information on future major repairs and replacements (unaudited) 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. 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 management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Kinnelon, New Jersey  
November 11, 2015

**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.**  
**Supplementary Information**  
**Schedule of Total Operating Revenues, Expenses, and**  
**Allocations to Funds as Compared to Budget**  
**For the Year Ended September 30, 2013**

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	<b>2013</b>	<b>(Unaudited)</b>
	<b>Actual</b>	<b>Budget</b>
<b><u>Revenues</u></b>		
Membership assessments	\$ 190,032	\$ 190,031
Late fees	775	650
Other income	2,613	3,300
Interest income	27	500
Laundry income	2,576	3,500
Insurance settlement	11,827	-
	<hr/>	<hr/>
<b>Total Revenues</b>	<b>207,850</b>	<b>197,981</b>
<b><u>Expenses</u></b>		
<b><u>Administrative</u></b>		
Management services	20,318	20,318
Insurance	17,456	19,100
Legal fees	3,595	1,500
Audit fees	2,000	2,500
Photocopies	1,200	1,200
Postage	293	300
Filing fees	25	50
Bad debt expense	7,500	1,500
Miscellaneous admin expense	863	450
	<hr/>	<hr/>
<b>Total Administrative Expenses</b>	<b>53,250</b>	<b>46,918</b>

**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.**  
**Supplementary Information**  
**Schedule of Total Operating Revenues, Expenses, and**  
**Allocations to Funds as Compared to Budget**  
**For the Year Ended September 30, 2013**

	<b>2013 Actual</b>	<b>(Unaudited) Budget</b>
<b><u>Building Maintenance</u></b>		
General repairs and maintenance	\$ 25,589	\$ 20,463
Maintenance supplies	2,141	1,000
Repairs due to tree	8,935	-
Janitorial	5,875	7,000
Exterminator	920	1,000
<b>Total Building Maintenance Expenses</b>	<b>43,460</b>	<b>29,463</b>
<b><u>Grounds Maintenance</u></b>		
Snow clearing	5,644	10,000
Lawn maintenance	18,728	12,000
<b>Total Grounds Maintenance Expenses</b>	<b>24,372</b>	<b>22,000</b>
<b><u>Utilities</u></b>		
Utilities: electric/gas	35,021	37,600
Utilities: water/sewer	7,354	7,000
<b>Total Utilities Expenses</b>	<b>42,375</b>	<b>44,600</b>
<b><u>Deferred Maintenance Fund</u></b>		
Deferred maintenance contribution	5,000	5,000
<b><u>Replacement Fund</u></b>		
Capital reserve contribution	50,000	50,000
<b>Total Expenses and Allocations to Funds</b>	<b>218,457</b>	<b>197,981</b>
<b>Excess of Revenues Over (Under) Expenses</b>	<b>\$ (10,607)</b>	<b>\$ -</b>

**ARBOR TERRACE CONDOMINIUM ASSOCIATION, INC.**  
**Supplementary Information on Future**  
**Major Repairs and Replacements - Unaudited**  
**September 30, 2013**

An independent engineer, The Falcon Group, conducted a study in June 2014 to estimate the remaining useful lives and the replacement costs of the the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property componets at the date of the study.

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

Components	UNAUDITED	
	Estimated Remaining Useful Life in Years	Estimated Current Replacement Costs
<b>Building</b>		
Balcony-concrete, new	35	\$ -
Balcony-concrete, remaining	3	73,080
Garage doors	10	4,800
Door replacment, new	25	1,200
Door replacment, old	10	3,600
Building mounted lights	5	6,000
Brick pointing/repair	9	149,340
Wood siding	2	76,050
Heating boiler	28	120,000
Hot water heater	18	13,000
Sump pumps	4	1,000
Underground heating piping	5	50,000
Concrete patio	5	33,432
Aluminum gutters	20	5,910
Aluminum leaders	20	2,520
Roof shingles	20	67,340
Roof shingles	16	43,660
Common entry stair assesmbly	0	110,000
Common entry stair tile	20	-
Railing-balcony/patio/stairs	20	84,045
<b>Site Work</b>		
Post lights	22	23,100
Entry signage	10	7,125
Wood fencing	0	43,996
Concrete planter box	20	3,285
Concrete wood tie planters	7	3,848
Concrete curb	10	44,979
Road/parking reconstruction	10	98,084
Road/parking seal coat	5	5,221
Dumpster enclosure	30	4,050
Dumpster enclosure-concrete	6	2,160
Concrete sidewalk	10	36,070
Concrete sidewalk	0	1,500
<b>Totals</b>		<b>\$ 1,118,395</b>
<b>Replacement Fund Balance</b> <b>at year ended September 30, 2013</b>		<b>\$ 74,376</b>