

**GRACEWOOD GLEN
CONDOMINIUM ASSOCIATION, INC.**

FINANCIAL REPORT

DECEMBER 31, 2019

**GRACEWOOD GLEN
CONDOMINIUM ASSOCIATION, INC.
CONTENTS
DECEMBER 31, 2019**

Page

INDEPENDENT AUDITOR’S REPORT 1-2

FINANCIAL STATEMENTS:

Balance Sheet 3

Statement of Revenues, Expenses and
Changes in Fund Balances (Deficit)..... 4

Statement of Cash Flows..... 5

Notes to Financial Statements..... 6-10

SUPPLEMENTARY INFORMATION:

Supplementary Information on Future
Major Repairs and Replacements..... 11

Schedule of Revenues, Operating Expenses and
Allocations to Funds as Compared to Budget..... 12-13

977 Highway 33 West
Suite 201
Monroe Township, NJ 08831



P: 609.448.6500
F: 609.448.6555
www.fsmcpa.com

FELDMAN SABLOSKY MASSONI
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Gracewood Glen Condominium Association, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Gracewood Glen Condominium Association, Inc. which comprise the balance sheet as of December 31, 2019 and the related statements of revenues, expenses and changes in fund balances (deficit) and cash flows for the year then ended and the related notes to the financial statements.

The Board and Management's Responsibility for the Financial Statements

The Board and Management are 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 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 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 the Board and Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we 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 Gracewood Glen Condominium Association, Inc. 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.

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 and management regarding 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. 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.

Emphasis of Matter

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. We have not applied procedures to determine whether the funds designated for future major repairs and replacements are adequate to meet future costs because that determination is outside the scope of our audit. Our opinion on the financial statements is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion of the basic financial statements taken as a whole. The supplementary information shown on pages 12-13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been summarized from Association records and, except as labeled otherwise, has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Feldman Sablosky Massoni & Company

Monroe Township, New Jersey
December 14, 2020

GRACEWOOD GLEN CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEET
DECEMBER 31, 2019

	<u>Total</u>	<u>Operating Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Replacement Fund</u>
ASSETS				
Cash and cash equivalents	\$ 122,238	\$ 19,519	\$ 9,851	\$ 92,868
Certificates of deposit	158,644	-	-	158,644
Assessments receivable, net of allowance for doubtful accounts of \$4,000	622	622	-	-
Prepaid insurance	1,924	1,924	-	-
Interfund balances	<u>-</u>	<u>(9,742)</u>	<u>(416)</u>	<u>10,158</u>
 Total Assets	 <u>\$ 283,428</u>	 <u>\$ 12,323</u>	 <u>\$ 9,435</u>	 <u>\$ 261,670</u>
 LIABILITIES AND FUND BALANCES (DEFICIT)				
Liabilities:				
Accounts payable and accrued expenses	\$ 18,603	\$ 13,903	\$ 4,700	\$ -
Assessments received in advance	<u>14,747</u>	<u>14,747</u>	<u>-</u>	<u>-</u>
 Total Liabilities	 33,350	 28,650	 4,700	 -
 Fund Balances (Deficit)	 <u>250,078</u>	 <u>(16,327)</u>	 <u>4,735</u>	 <u>261,670</u>
 Total Liabilities and Fund Balances (Deficit)	 <u>\$ 283,428</u>	 <u>\$ 12,323</u>	 <u>\$ 9,435</u>	 <u>\$ 261,670</u>

See notes to financial statements.

GRACEWOOD GLEN CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND BALANCES (DEFICIT)
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Total</u>	Operating <u>Fund</u>	Deferred Maintenance <u>Fund</u>	Replacement <u>Fund</u>
REVENUES:				
Maintenance assessments	\$ 166,320	\$ 108,320	\$ 9,000	\$ 49,000
Interest income	3,360	7	31	3,322
Late fees, fines and other income	838	838	-	-
Legal fee income	1,532	1,532	-	-
Membership fees	<u>2,520</u>	<u>2,520</u>	<u>-</u>	<u>-</u>
 Total Revenues	 <u>174,570</u>	 <u>113,217</u>	 <u>9,031</u>	 <u>52,322</u>
EXPENSES:				
General and administrative	50,847	50,847	-	-
Building and grounds	61,388	61,388	-	-
Utilities	6,077	6,077	-	-
Tree removal	1,800	-	1,800	-
Drainage	10,056	-	10,056	-
Driveway	1,350	-	-	1,350
Chimney caps	<u>19,230</u>	<u>-</u>	<u>-</u>	<u>19,230</u>
 Total Expenses	 <u>150,748</u>	 <u>118,312</u>	 <u>11,856</u>	 <u>20,580</u>
 Excess (Deficiency) of Revenues over Expenses	 23,822	 (5,095)	 (2,825)	 31,742
 Fund Balances (Deficit) - Beginning of Year	 <u>226,256</u>	 <u>(11,232)</u>	 <u>7,560</u>	 <u>229,928</u>
 Fund Balances (Deficit) - End of Year	 <u>\$ 250,078</u>	 <u>\$ (16,327)</u>	 <u>\$ 4,735</u>	 <u>\$ 261,670</u>

See notes to financial statements.

GRACEWOOD GLEN CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Total</u>	<u>Operating Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Replacement Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Excess (Deficiency) of revenues over expenses	\$ 23,822	\$ (5,095)	\$ (2,825)	\$ 31,742
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by operating activities:				
Provision for bad debt	3,119	3,119	-	-
Changes in assets and liabilities:				
(Increase) Decrease in:				
Assessments receivable	(2,014)	(2,014)	-	-
Accrued interest receivable	56	-	-	56
Prepaid insurance	(381)	(381)	-	-
Interfund balances	-	10,580	804	(11,384)
Increase in:				
Accounts payable and accrued expenses	5,621	921	4,700	-
Assessments received in advance	<u>7,501</u>	<u>7,501</u>	<u>-</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>37,724</u>	<u>14,631</u>	<u>2,679</u>	<u>20,414</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases/Redemption of certificates of deposit	<u>(85,956)</u>	<u>-</u>	<u>-</u>	<u>(85,956)</u>
Net Cash Used in Investing Activities	<u>(85,956)</u>	<u>-</u>	<u>-</u>	<u>(85,956)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(48,232)	14,631	2,679	(65,542)
Cash and Cash Equivalents - Beginning of Year	<u>170,470</u>	<u>4,888</u>	<u>7,172</u>	<u>158,410</u>
Cash and Cash Equivalents - End of Year	<u>\$ 122,238</u>	<u>\$ 19,519</u>	<u>\$ 9,851</u>	<u>\$ 92,868</u>
Supplemental Cash Flow Information:				
Income taxes paid	<u>\$ -</u>			
Interest paid	<u>\$ -</u>			

See notes to financial statements.

GRACEWOOD GLEN CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 - Nature of Organization:

Gracewood Glen Condominium Association, Inc. (the "Association") is a New Jersey corporation and is subject to 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. The Association consists of 44 condominium units located in Holmdel, New Jersey.

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 December 14, 2020, the date that the financial statements were available to be issued.

Note 3 - Summary of Significant Accounting Policies:

Fund Accounting

The Association uses fund accounting, which requires that funds, such as operating funds and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the Board of Trustees and the property manager. Disbursements from the replacement fund generally may be made only for designated purposes.

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 are available for the general operations of the Association.

Deferred Maintenance Fund

The purpose of this fund is to accumulate funds so that the Association will have the necessary resources to pay for services which occur less frequently than annually.

Replacement Fund

The purpose of the replacement fund is to accumulate funds over the lives of capital assets which are part of the common elements and/or the Association's responsibility to replace so that sufficient amounts are available to pay for their eventual replacement.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Association considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents.

GRACEWOOD GLEN CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 3 - Summary of Significant Accounting Policies (continued):

Assessments Receivable

Association members are subject to monthly maintenance 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 assessments due from unit owners. On a periodic basis, the Board and management evaluate the assessments receivable and establish an allowance for doubtful account, based on a history of past write-offs and collections and current legal status of past due accounts. An allowance for doubtful accounts in amount of \$4,000 was deemed necessary at December 31, 2019.

Recognition of Assets

Real property and common areas acquired from the developer and related improvements to such property are not reflected on the Association's financial statements. Those properties are owned by the individual unit owners in common and not by the Association.

Interest Earned

The Board's policy is to allocate interest on all cash accounts to the respective fund in which it is earned.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09 Revenue from contracts with Customers (Topic 606). Topic 606 supersedes the revenue recognition requirements in FASB's Accounting Standard Codification ("ASC") 605. The Association adopted the requirements of the new guidance as of January 1, 2019. Adoption of the new guidance resulted in changes to our accounting policies for revenue recognition, described below.

The difference to revenue recognition-related account balances at January 1, 2019, under the new guidance as opposed to the prior revenue recognition guidance for those contracts was determined to be immaterial. Accordingly, no adjustment to the beginning fund balances was necessary. In addition, the ongoing impact on the Association's financial statements due to this adoption is expected to be immaterial.

Use of 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 reported period. Actual results could differ from those estimates.

Note 4 - Certificates of Deposit:

At December 31, 2019, certificates of deposit are recorded at cost. They bear interest at rates between 1.2% and 1.7% and are scheduled to mature between February, 2020 and June, 2020. All are intended to be held to maturity.

GRACEWOOD GLEN CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 5 – Fair Value Investments:

ASC 820 defines fair value as the price that would be received by the Association for an asset or paid by the Association to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date in the Association's principal or most advantageous market for the asset or liability. ASC 820 establishes a fair value hierarchy which requires the Association to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and gives the lowest priority to unobservable inputs (level 3 measurements). The three levels of inputs within the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following table sets forth by level, within the fair value hierarchy, the Association's assets that were accounted for at fair value as of December 31, 2019.

<u>Description</u>	Fair Value Measurement at December 31, 2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of Deposit	\$ -	\$ 158,644	\$ -	\$ 158,644
Total Assets at Fair Value	<u>\$ -</u>	<u>\$ 158,644</u>	<u>\$ -</u>	<u>\$ 158,644</u>

Note 6 – Future Major Repairs and Replacements:

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

GRACEWOOD GLEN CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 6 – Future Major Repairs and Replacements (continued):

FWH Associates, P.A.. conducted a study in October, 2018 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 the study was done and may vary between the date of the study and the estimated dates that the components will require repair or replacement. The table included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on the 2018 study.

As of December 31, 2019, the Association is underfunded in the replacement fund by approximately \$44,000. For the year ended December 31, 2019, the Association contributed \$49,000 to the replacement fund, which is approximately 57% of the recommended amount by the independent engineering firm based on the funding plan as indicated by the 2018 study. Additionally, there is cash due to the replacement fund cash account of \$10,158 primarily due to the cumulative operating deficit of \$16,327.

Funds are being accumulated in the replacement fund based upon estimated costs for repairs and replacements of common property components. Actual expenditures 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 all future needs for major repairs and replacements. If additional funds are needed, the Board has the right to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available.

Note 7 - Membership Fees:

Upon acquisition of title to a unit, including re-sales, each new member of the Association must pay a one-time, non-refundable, non-transferable contribution equivalent to two months of the then current maintenance assessments.

Note 8 - Income Taxes:

Under the Internal Revenue Code, associations may be taxed as homeowner associations or as regular corporations, at their election. 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. By filing as a regular corporation, the association is generally taxed at a lower rate than by filing as a homeowner association.

For the year ended December 31, 2019, the Association has elected to be taxed as a regular corporation. No income taxes have been provided based on the excess of non-membership expenses over non-membership income.

The Association is incorporated pursuant to Title 15A:1 of the New Jersey Statutes and therefore, is not liable for New Jersey corporation business income tax.

GRACEWOOD GLEN CONDOMINIUM ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 8 - Income Taxes (continued):

Management and the Board have evaluated the Association's income tax positions that require adjustments to the financial statements. Generally, the Association is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for the years before 2016, which is the standard statute of limitations look-back period.

Note 9 - Concentrations of Credit Risk:

Financial instruments which potentially subject the Association to significant concentrations of credit risk consist principally of cash, cash equivalents, certificates of deposit and assessments receivable.

The Association maintains cash, cash equivalents and certificates of deposit with various financial institutions which limits exposure to any one institution.

A concentration of credit risk with respect to assessments receivable exists due to the small number of individuals comprising the membership of the Association.

Note 10 - Subsequent Event:

The World Health Organization recently declared a worldwide pandemic. The effects on future operations of the Association are undeterminable at the present time. However, such impact could be quite negative.

SUPPLEMENTARY INFORMATION

GRACEWOOD GLEN CONDOMINIUM ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION ON FUTURE
 MAJOR REPAIRS AND REPLACEMENTS
 DECEMBER 31, 2019

FWH Associates, P.A., professional engineering consultants conducted a study in October, 2018 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study and may vary between the date of the study and the estimated dates that the components will require repair or replacement.

The following table is based upon the 2018 study and presents significant information about the components of common property.

<u>COMPONENTS</u>	<u>ESTIMATED REMAINING USEFUL LIVES (YEARS)</u>	<u>ESTIMATED REPLACEMENT COSTS</u>
Roadways and parking areas	2 to 7	\$ 185,892
Belgian block curbing	17	112,500
Driveways	3 to 7	31,671
Driveway aprons	6	39,816
Sidewalk	6	27,778
Servicewalks	7	9,350
Entry stoops	7	33,000
Mounted light fixtures	5	24,830
Wood community sign	8	3,000
Roof shingles	4	269,500
Chimney caps	4	35,200
Aluminum gutters	4	4,131
Aluminum leaders	4	2,394
Brick repointing	6	5,897
Siding	19	90,750
Deck surfaces and railing	5	<u>31,138</u>
		<u>\$ 906,847</u>

Replacement Fund balance at December 31, 2019 \$261,670

GRACEWOOD GLEN CONDOMINIUM ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, OPERATING EXPENSES AND
 ALLOCATIONS TO FUNDS AS COMPARED TO BUDGET
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Actual</u>	(Unaudited) <u>Budget</u>
REVENUES:		
Maintenance assessments	\$ 166,320	\$ 166,320
Interest income	3,360	250
Late fees, fines and other income	838	2,000
Legal fee income	1,532	1,000
Membership fees	<u>2,520</u>	<u>1,200</u>
 Total Revenues	 <u>174,570</u>	 <u>170,770</u>
EXPENSES:		
GENERAL AND ADMINISTRATIVE:		
Management fees	14,200	14,200
Insurance expense	22,710	24,000
Audit fee	2,300	2,250
Bad debt	3,119	3,000
Engineering	2,850	-
Legal fees	2,269	1,500
Office expense	1,382	722
Licenses and fees	1,991	-
Miscellaneous	26	25
Prior years deficit	-	12,009
Contingency	<u>-</u>	<u>2,280</u>
 Total General and Administrative	 <u>50,847</u>	 <u>59,986</u>
BUILDING AND GROUNDS:		
Landscaping	23,808	16,500
Trash removal	11,920	11,300
General building maintenance and repairs	12,403	6,000
Irrigation	1,298	2,000
Exterminating	187	1,000
Snow clearing	<u>11,772</u>	<u>10,234</u>
 Total Building and Grounds	 <u>61,388</u>	 <u>47,034</u>

GRACEWOOD GLEN CONDOMINIUM ASSOCIATION, INC.
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, OPERATING EXPENSES AND
 ALLOCATIONS TO FUNDS AS COMPARED TO BUDGET
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Actual</u>	(Unaudited) <u>Budget</u>
EXPENSES (continued):		
UTILITIES:		
Electricity	1,580	1,500
Water	<u>4,497</u>	<u>4,000</u>
Total Utilities	<u>6,077</u>	<u>5,500</u>
DEFERRED MAINTENANCE FUND:		
Maintenance assessments allocated to deferred maintenance fund	9,000	9,000
Interest income allocated to deferred maintenance fund	<u>31</u>	<u>-</u>
Total Allocations to Deferred Maintenance Fund	<u>9,031</u>	<u>9,000</u>
REPLACEMENT FUND:		
Maintenance assessments allocated to replacement fund	49,000	49,000
Interest income allocated to replacement fund	<u>3,322</u>	<u>250</u>
Total Allocations to Replacement Fund	<u>52,322</u>	<u>49,250</u>
Total Expenses and Allocations to Funds	<u>179,665</u>	<u>170,770</u>
Deficiency of Revenues over Expenses	<u>\$ (5,095)</u>	<u>\$ -</u>