

Sea Winds Townhouse Condominium Association, Inc.
Financial Statements
December 31, 2021

Sea Winds Townhouse Condominium Association, Inc.

Table of Contents

December 31, 2021

	Page
INDEPENDENT AUDITORS' REPORT	1-3
FINANCIAL STATEMENTS	
Balance Sheet	4
Statement of Revenues and Expenses	5
Statement of Changes in Fund Balances	6
Statement of Cash Flows	7
Notes to the Financial Statements	8-12
SUPPLEMENTARY INFORMATION	
Schedule of Information on Future Major Repairs and Replacements	13
Schedule of Total Revenues, Operating Expenses and Allocations to the Funds as Compared to Budget	14-15

Independent Auditors' Report

To the Board of Directors and Unit Owners of

Sea Winds Townhouse Condominium Association, Inc.

Opinion

We have audited the accompanying financial statements of Sea Winds Townhouse Condominium Association, Inc. (the "Association") which comprise the balance sheet as of December 31, 2021 and the related statements of revenues and expenses, changes in fund balances and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board of Directors' for the Financial Statements

The Board of Directors (the "Board") 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, and for 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.

In preparing the financial statements, the Board is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

1. Exercise professional judgment and maintain professional skepticism throughout the audit.
2. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
3. Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
4. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Board, as well as evaluate the overall presentation of the financial statements.
5. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 13 be presented to supplement the basic financial statements. Such information is the responsibility of the Board and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which 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. 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.

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 14 and 15 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.

A handwritten signature in black ink, appearing to read "William J. Guttag". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

East Brunswick, New Jersey

September 16, 2022

Sea Winds Townhouse Condominium Association, Inc.
Balance Sheet
December 31, 2021

	Total	Operating Fund	Capital Projects Fund	Deferred Maintenance Fund	Replacement Fund
Assets					
Cash and cash equivalents	\$ 443,781	\$ 103,607	\$ 2,296	\$ 16,394	\$ 321,484
Assessments receivable	1,231	1,231	-	-	-
Accrued investment income	44	-	-	-	44
Prepaid expenses	66,893	66,893	-	-	-
Due from funds	192,093	-	-	-	192,093
Total Assets	<u>\$ 704,042</u>	<u>\$ 171,731</u>	<u>\$ 2,296</u>	<u>\$ 16,394</u>	<u>\$ 513,621</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable and accrued expenses	\$ 16,923	\$ 16,923	\$ -	\$ -	\$ -
Assessments received in advance	13,592	13,592	-	-	-
Due to funds	192,093	189,797	2,296	-	-
Total Liabilities	222,608	220,312	2,296	-	-
Fund Balances	481,434	(48,581)	-	16,394	513,621
Total Liabilities and Fund Balances	<u>\$ 704,042</u>	<u>\$ 171,731</u>	<u>\$ 2,296</u>	<u>\$ 16,394</u>	<u>\$ 513,621</u>

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

Sea Winds Townhouse Condominium Association, Inc.
Statement of Revenues and Expenses
For the Year Ended December 31, 2021

	Total	Operating Fund	Capital Projects Fund	Deferred Maintenance Fund	Replacement Fund
Revenues					
Maintenance assessments	\$ 316,643	\$ 261,254	\$ -	\$ -	\$ 55,389
Sea Winds II CAM charges	6,000	6,000	-	-	-
Other income	2,936	2,936	-	-	-
Working capital contributions	2,450	-	-	-	2,450
Township reimbursement	555	555	-	-	-
Legal fee reimbursements	281	281	-	-	-
Investment income	162	61	-	44	57
Late fee income	160	160	-	-	-
Total Revenues	329,187	271,247	-	44	57,896
Expenses					
Administrative	171,791	171,791	-	-	-
Common areas	73,193	73,193	-	-	-
Utilities	17,396	17,396	-	-	-
Deck project	25,081	-	25,081	-	-
Painting	10,609	-	-	10,609	-
Construction	49,535	-	-	-	49,535
Signs	2,625	-	-	-	2,625
Total Expenses	350,230	262,380	25,081	10,609	52,160
Excess (Deficiency) of Revenues over Expenses	\$ (21,043)	\$ 8,867	\$ (25,081)	\$ (10,565)	\$ 5,736

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

Sea Winds Townhouse Condominium Association, Inc.
Statement of Changes in Fund Balances
For the Year Ended December 31, 2021

	Total	Operating Fund	Capital Projects Fund	Deferred Maintenance Fund	Replacement Fund
Fund Balances - Beginning of Year	\$ 502,477	\$ (133,588)	\$ 145,729	\$ (17,549)	\$ 507,885
Excess (Deficiency) of Revenues over Expenses	(21,043)	8,867	(25,081)	(10,565)	5,736
Interfund Transfer	-	76,140	(120,648)	44,508	-
Fund Balances - End of Year	<u>\$ 481,434</u>	<u>\$ (48,581)</u>	<u>\$ -</u>	<u>\$ 16,394</u>	<u>\$ 513,621</u>

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

Sea Winds Townhouse Condominium Association, Inc.**Statement of Cash Flows****For the Year Ended December 31, 2021**

	Total	Operating Fund	Capital Projects Fund	Deferred Maintenance Fund	Replacement Fund
Cash Flows from Operating Activities					
Excess (deficiency) of revenues over expenses	\$ (21,043)	\$ 8,867	\$ (25,081)	\$ (10,565)	\$ 5,736
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided by (used in) operating activities					
Changes in assets and liabilities					
Assessments receivable	242	242	-	-	-
Prepaid expenses	(2,500)	(2,500)	-	-	-
Accounts payable and accrued expenses	601	601	-	-	-
Assessments received in advance	(1,028)	(1,028)	-	-	-
Net Cash Provided by (Used in) Operating Activities	(23,728)	6,182	(25,081)	(10,565)	5,736
Cash Flows from Financing Activities					
Change in interfund balances	-	(80,929)	120,650	(44,512)	4,791
Interfund transfer		76,140	(120,648)	44,508	
Net Cash Provided by (Used in) Financing Activities	-	(4,789)	2	(4)	4,791
Net Increase (Decrease) in Cash and Cash Equivalents	(23,728)	1,393	(25,079)	(10,569)	10,527
Cash and Cash Equivalents - Beginning of Year	467,509	102,214	27,375	26,963	310,957
Cash and Cash Equivalents - End of Year	\$ 443,781	\$ 103,607	\$ 2,296	\$ 16,394	\$ 321,484
Supplemental Disclosures					
Cash Paid During the Year for					
Income taxes	\$ 150				

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

Sea Winds Townhouse Condominium Association, Inc.
Notes to the Financial Statements
December 31, 2021

Note 1 Nature of Organization

Sea Winds Townhouse Condominium Association, Inc. (the "Association"), located in Long Branch, New Jersey, is a New Jersey corporation and is subject to the provisions of the Condominium Act of the State of New Jersey. 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 66 residential units. Recreational facilities include a swimming pool and tennis courts.

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 Directors (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 documents (i.e., Master Deed and By-laws) provide certain guidelines to govern the Association's financial activities. In order to ensure observance of the 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 operations of the Association.

Capital Projects Fund

This fund was established to account for the special assessment, bank financing and related expenditures for the refurbishment of the buildings' siding completed in a prior year. The Board elected to close this fund as of December 31, 2021.

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 and provide other services which occur less frequently than annually.

Sea Winds Townhouse Condominium Association, Inc.
Notes to the Financial Statements
December 31, 2021

Note 2 Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in bank deposit accounts and money market accounts. Cash and cash equivalents may at times exceed the 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 generally consist of sidewalks, roadways, recreational facilities, open areas, and portions of the buildings not comprising the individual units.

Maintenance Assessments and Assessments Receivable

The Association's unit owners are subject to monthly maintenance assessments based upon the annual budget. The purpose of maintenance assessments are 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.

Sea Winds Townhouse Condominium Association, Inc.
Notes to the Financial Statements
December 31, 2021

Note 2 Summary of Significant Accounting Policies (Continued)

Maintenance Assessments and Assessments Receivable (Continued)

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 interest bearing cash and cash equivalents within the respective funds.

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, 2021:

Insurance	\$ 65,023
Management fees	1,326
Administrative	<u>544</u>
Total	<u>\$ 66,893</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.

Sea Winds Townhouse Condominium Association, Inc.
Notes to the Financial Statements
December 31, 2021

Note 4 Income Taxes (Continued)

For the year ended December 31, 2021, the Association expects to be taxed as a condominium management association and was not taxed as a regular corporation. Income taxes of \$150 have been provided based on the excess of non-exempt function income over non-exempt function expenses. 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 Working Capital Contributions

Upon the acquisition of title to a unit, each member of the Association must contribute a one-time, non-refundable working capital contribution equivalent to three months of the then current assessments. When a resale takes place, these contributions are recorded as revenue to the replacement fund. During the year ended December 31, 2021, working capital contributions of \$2,450 were allocated to the replacement fund.

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.

O&S Associates, professional engineering consultants, conducted a study in 2019 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 type of study performed was a paper update. The table included in the unaudited supplementary information on future major repairs and replacements is based on the study.

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 engineering study's recommended funding utilizes the full funding method with a 20 year average annual contribution. The recommended funding per the study is \$56,947. The Board has included \$55,389 as the replacement fund contribution in the 2021 budget.

Sea Winds Townhouse Condominium Association, Inc.
Notes to the Financial Statements
December 31, 2021

Note 6 Replacement Fund (Continued)

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. Additionally, replacement fund cash and investment balances may, at times, be less than or more than the fund balance resulting in an interfund balance. 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 Association has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available, if possible.

Note 7 Interfund Transfer

During the year ended December 31, 2021, the Board approved an interfund transfer of \$120,648 from the capital projects fund, of which \$76,140 was allocated to the operating fund, and \$44,508 was allocated to the deferred maintenance fund. The purpose of this interfund transfer was to close out the capital project fund and reduce the interfund balances between funds as of December 31, 2021.

Note 8 Other Matter

COVID-19

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 Association cannot reasonably estimate the impact to the Association's future activities, revenues, financial condition, or results of operations.

SUPPLEMENTARY INFORMATION

Sea Winds Townhouse Condominium Association, Inc.
Schedule of Information on Future Major Repairs and Replacements
December 31, 2021

O&S Associates, professional engineering consultants, conducted a study in 2019 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 are based on the then current estimated replacement costs.

The following table is based on the schedule and presents significant information about the components of the common property.

<u>Components</u>	As of 2019 Study (Unaudited)	
	Estimated Remaining Useful Lives (Years)	Estimated Then Current Replacement Costs
Site improvements	1-46	\$ 373,833
Swimming pool	1-8	24,000
Tennis courts	5-8	10,750
Electrical	1	13,000
Clubhouse	1-49	25,800
Exterior walls	1-40	1,332,250
Roofs	15-22	198,000
Total		<u>\$ 1,977,633</u>
Replacement fund cash and cash equivalents as of December 31, 2021		<u>\$ 321,484</u>
Replacement fund balance as of December 31, 2021		<u>\$ 513,621</u>

Sea Winds Townhouse Condominium Association, Inc.
Schedule of Total Revenues, Operating Expenses and Allocations to the Funds
as Compared to Budget
For the Year Ended December 31, 2021

	Actual	(Unaudited) Budget
Revenues		
Maintenance assessments	\$ 316,643	\$ 316,643
Change in estimated maintenance assessments collectible	-	(1,000)
Sea Winds II CAM charges	6,000	6,000
Other income	2,936	100
Working capital contributions	2,450	4,000
Township reimbursement	555	600
Legal fee reimbursements	281	3,000
Investment income	162	2,660
Late fee income	160	-
Total Revenues	329,187	332,003
Operating Expenses		
Administrative		
Insurance	126,605	138,380
Management services	23,235	23,235
Legal fees	15,754	5,000
Audit and accounting fees	4,900	4,750
Office	949	3,000
Licenses and fees	198	131
Federal income taxes	150	-
Meetings	-	1,000
Total Administrative	171,791	175,496
Common Area		
Landscaping	27,619	24,550
Snow clearing	19,349	20,000
General maintenance	11,836	14,100
Pool management	9,348	11,000
Pool repairs	3,281	2,500
Irrigation repairs	1,413	3,000
Exterminating	347	3,000
Landscaping improvements	-	2,000
Total Common Area	73,193	80,150

Sea Winds Townhouse Condominium Association, Inc.
Schedule of Total Revenues, Operating Expenses and Allocations to the Funds
as Compared to Budget
For the Year Ended December 31, 2021

	Actual	(Unaudited) Budget
Operating Expenses (Continued)		
Utilities		
Water	13,901	9,600
Electric	3,012	3,300
Telephone	483	550
Total Utilities	17,396	13,450
Contingency	-	5,018
Deferred Maintenance Fund		
Investment income allocated to the deferred maintenance fund	44	-
Replacement Fund		
Maintenance assessments allocated to the replacement fund	55,389	55,389
Working capital contributions allocated to the replacement fund	2,450	-
Investment income allocated to the replacement fund	57	2,500
Total Allocations to the Replacement Fund	57,896	57,889
Total Operating Expenses and Allocations to the Funds	320,320	332,003
Excess of Revenues over Operating Expenses and Allocations to the Funds	\$ 8,867	\$ -