

Sea Winds Townhouse Condominium Association, Inc.
Financial Statements
December 31, 2020

Sea Winds Townhouse Condominium Association, Inc.

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Independent Auditors' Report

To the Board of Directors and Unit Owners of

Sea Winds Townhouse Condominium Association, Inc.

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, 2020 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.

The Board of Directors' Responsibility for the Financial Statements

The Board of Directors (the "Board") 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.

Auditors' 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 performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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, 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 the Association as of December 31, 2020, and the results of its operations and cash flows for the year then ended in accordance 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 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 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 basic financial statements. Such information is the responsibility of the Board and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for the portions marked "unaudited" on which we express no opinion, 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.



East Brunswick, New Jersey

March 18, 2022

Sea Winds Townhouse Condominium Association, Inc.
Balance Sheet
December 31, 2020

| | Total | Operating Fund | Capital Projects Fund | Deferred Maintenance Fund | Replacement Fund |
|--|-------------------|-------------------|-----------------------------|---------------------------------|---------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 467,509 | \$ 102,214 | \$ 27,375 | \$ 26,963 | \$ 310,957 |
| Assessments receivable | 1,473 | 1,473 | - | - | - |
| Accrued investment income | 44 | - | - | - | 44 |
| Prepaid expenses | 64,393 | 64,393 | - | - | - |
| Due from funds | 315,238 | - | 118,354 | - | 196,884 |
| Total Assets | <u>\$ 848,657</u> | <u>\$ 168,080</u> | <u>\$ 145,729</u> | <u>\$ 26,963</u> | <u>\$ 507,885</u> |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable and accrued expenses | \$ 16,322 | \$ 16,322 | \$ - | \$ - | \$ - |
| Assessments received in advance | 14,620 | 14,620 | - | - | - |
| Due to funds | 315,238 | 270,726 | - | 44,512 | - |
| Total Liabilities | 346,180 | 301,668 | - | 44,512 | - |
| Commitment | | | | | |
| Fund Balances | 502,477 | (133,588) | 145,729 | (17,549) | 507,885 |
| Total Liabilities and Fund Balances | <u>\$ 848,657</u> | <u>\$ 168,080</u> | <u>\$ 145,729</u> | <u>\$ 26,963</u> | <u>\$ 507,885</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, 2020

| | Total | Operating Fund | Capital Projects Fund | Deferred Maintenance Fund | Replacement Fund |
|---|---------------------|------------------|-----------------------|---------------------------|------------------|
| Revenues | | | | | |
| Maintenance assessments | \$ 316,643 | \$ 261,254 | \$ - | \$ - | \$ 55,389 |
| Change in estimated maintenance assessments collectible | 1,671 | 1,671 | - | - | - |
| Total Maintenance Assessments | 318,314 | 262,925 | - | - | 55,389 |
| Other Revenues | | | | | |
| Working capital contributions | 5,082 | - | - | - | 5,082 |
| Investment income | 1,866 | 60 | - | 90 | 1,716 |
| Legal fee reimbursements | 1,814 | 1,814 | - | - | - |
| Township reimbursement | 487 | 487 | - | - | - |
| Fines income | 405 | 405 | - | - | - |
| Late fee income | 360 | 360 | - | - | - |
| Other income | 203 | 203 | - | - | - |
| Total Other Revenues | 10,217 | 3,329 | - | 90 | 6,798 |
| Total Revenues | 328,531 | 266,254 | - | 90 | 62,187 |
| Expenses | | | | | |
| Administrative | 164,379 | 164,379 | - | - | - |
| Common areas | 54,613 | 54,613 | - | - | - |
| Utilities | 13,712 | 13,712 | - | - | - |
| Deck project | 270,503 | - | 270,503 | - | - |
| Powerwashing | 6,076 | - | - | 6,076 | - |
| Sidewalk | 4,500 | - | - | - | 4,500 |
| Total Expenses | 513,783 | 232,704 | 270,503 | 6,076 | 4,500 |
| Excess (Deficiency) of Revenues over Expenses | <u>\$ (185,252)</u> | <u>\$ 33,550</u> | <u>\$ (270,503)</u> | <u>\$ (5,986)</u> | <u>\$ 57,687</u> |

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, 2020

| | <u>Total</u> | <u>Operating Fund</u> | <u>Capital Projects Fund</u> | <u>Deferred Maintenance Fund</u> | <u>Replacement Fund</u> |
|--|-------------------|---------------------------|--------------------------------------|--|-----------------------------|
| Fund Balances - Beginning of Year | \$ 687,729 | \$ (167,138) | \$ 416,232 | \$ (11,563) | \$ 450,198 |
| Excess (Deficiency) of Revenues over Expenses | <u>(185,252)</u> | <u>33,550</u> | <u>(270,503)</u> | <u>(5,986)</u> | <u>57,687</u> |
| Fund Balances - End of Year | <u>\$ 502,477</u> | <u>\$ (133,588)</u> | <u>\$ 145,729</u> | <u>\$ (17,549)</u> | <u>\$ 507,885</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, 2020

| | <u>Total</u> | <u>Operating Fund</u> | <u>Capital Projects Fund</u> | <u>Deferred Maintenance Fund</u> | <u>Replacement Fund</u> |
|--|------------------|---------------------------|--------------------------------------|--|-----------------------------|
| Cash Flows from Operating Activities | | | | | |
| Excess (deficiency) of revenues over expenses | \$ (185,252) | \$ 33,550 | \$ (270,503) | \$ (5,986) | \$ 57,687 |
| 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 | 5,931 | 5,931 | - | - | - |
| Accrued investment income | 596 | - | - | - | 596 |
| Prepaid expenses | 10,213 | 10,213 | - | - | - |
| Accounts payable and accrued expenses | (10,156) | (10,156) | - | - | - |
| Assessments received in advance | 3,167 | 3,167 | - | - | - |
| Net Cash Provided by (Used in) Operating Activities | <u>(175,501)</u> | <u>42,705</u> | <u>(270,503)</u> | <u>(5,986)</u> | <u>58,283</u> |
| Cash Flows from Investing Activities | | | | | |
| Maturity of certificate of deposit | <u>75,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>75,000</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, 2020

| | <u>Total</u> | <u>Operating Fund</u> | <u>Capital Projects Fund</u> | <u>Deferred Maintenance Fund</u> | <u>Replacement Fund</u> |
|---|--------------------------|---------------------------|--------------------------------------|--|-----------------------------|
| Cash Flows from Financing Activities | | | | | |
| Change in interfund balances | <u>-</u> | <u>(771)</u> | <u>191</u> | <u>6,536</u> | <u>(5,956)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>(100,501)</u> | <u>41,934</u> | <u>(270,312)</u> | <u>550</u> | <u>127,327</u> |
| Cash and Cash Equivalents - Beginning of Year | <u>568,010</u> | <u>60,280</u> | <u>297,687</u> | <u>26,413</u> | <u>183,630</u> |
| Cash and Cash Equivalents - End of Year | <u><u>\$ 467,509</u></u> | <u><u>\$ 102,214</u></u> | <u><u>\$ 27,375</u></u> | <u><u>\$ 26,963</u></u> | <u><u>\$ 310,957</u></u> |

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

Sea Winds Townhouse Condominium Association, Inc.
Notes to the Financial Statements
December 31, 2020

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.

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, 2020

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, 2020

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, 2020:

| | |
|-----------------|------------------|
| Insurance | \$ 63,067 |
| Management fees | <u>1,326</u> |
| Total | <u>\$ 64,393</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, 2020

Note 4 Income Taxes (Continued)

For the year ended December 31, 2020, the Association was taxed as a condominium management association and was not taxed as a regular corporation. No income taxes have been provided since there are sufficient non-exempt function expenses to offset non-exempt function income. 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, 2020, working capital contributions of \$5,082 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 an 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 major repairs and replacements over the remaining useful lives of the components based on the study's estimates of the then current replacement costs, considering amounts previously accumulated in the replacement fund. The Board is utilizing the full funding method with a 20 year average annual contribution.

Sea Winds Townhouse Condominium Association, Inc.
Notes to the Financial Statements
December 31, 2020

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 Deck Project

During the year ended December 31, 2018, the Association entered into an agreement with a vendor for deck replacements. The contract is for approximately \$585,500. As of December 31, 2020, the Association has incurred cumulative costs of approximately \$561,000, of which approximately \$272,800 was incurred in 2020. The remaining costs of approximately \$24,700 will be recorded as they are incurred by the Association.

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, 2020

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, 2020 | | <u>\$ 310,957</u> |
| Replacement fund balance as of December 31, 2020 | | <u>\$ 507,885</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, 2020

| | Actual | (Unaudited) Budget |
|---|----------------|-----------------------|
| Revenues | | |
| Maintenance assessments | \$ 316,643 | \$ 316,643 |
| Change in estimated maintenance assessments collectible | 1,671 | (4,900) |
| Working capital contributions | 5,082 | 3,125 |
| Investment income | 1,866 | 2,065 |
| Legal fee reimbursements | 1,814 | 3,000 |
| Township reimbursement | 487 | 600 |
| Fines income | 405 | - |
| Late fee income | 360 | - |
| Other income | 203 | 100 |
| Sea Winds II CAM charges | - | 6,000 |
| Total Revenues | 328,531 | 326,633 |
| Operating Expenses | | |
| Administrative | | |
| Insurance | 131,812 | 124,505 |
| Management services | 23,234 | 23,235 |
| Legal fees | 3,846 | 4,000 |
| Audit and accounting fees | 3,000 | 4,750 |
| Office | 2,437 | 4,200 |
| Licenses and fees | 50 | 126 |
| Entertainment | - | 1,878 |
| Meetings | - | 1,200 |
| Total Administrative | 164,379 | 163,894 |
| Common Area | | |
| Landscaping | 24,550 | 24,550 |
| General maintenance | 9,798 | 14,000 |
| Irrigation repairs | 5,026 | 2,250 |
| Snow clearing | 4,231 | 20,000 |
| Pool repairs | 3,854 | 2,300 |
| Pool management | 2,772 | 11,000 |
| Exterminating | 2,719 | 1,600 |
| Landscaping improvements | 1,663 | 5,000 |
| Total Common Area | 54,613 | 80,700 |

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, 2020

| | Actual | (Unaudited) Budget |
|--|-------------------------|-----------------------|
| Operating Expenses (Continued) | | |
| Utilities | | |
| Water | 11,421 | 9,800 |
| Electric | 1,821 | 4,300 |
| Telephone | 470 | 550 |
| Total Utilities | <u>13,712</u> | <u>14,650</u> |
| Replacement Fund | | |
| Maintenance assessments allocated to the replacement fund | 55,389 | 55,389 |
| Working capital contributions allocated to the replacement fund | 5,082 | - |
| Investment income allocated to the replacement fund | 1,716 | 2,000 |
| Insurance funding allocated to the replacement fund | - | 10,000 |
| Total Allocations to the Replacement Fund | <u>62,187</u> | <u>67,389</u> |
| Deferred Maintenance Fund | | |
| Investment income allocated to the deferred maintenance fund | <u>90</u> | <u>-</u> |
| Total Operating Expenses and Allocations to the Funds | <u>294,981</u> | <u>326,633</u> |
| Excess of Revenues over Operating Expenses and Allocations to the Funds | <u><u>\$ 33,550</u></u> | <u><u>\$ -</u></u> |