

**DRUM POINT VILLAGE WEST
CONDOMINIUM ASSOCIATION, INC.**

FINANCIAL STATEMENTS

MARCH 31, 2022

SYNKOWSKI & NORMANN
Certified Public Accountants
A Limited Liability Partnership
P.O. Box 126
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of
Drum Point Village West Condominium Association, Inc.

Opinion

We have audited the accompanying financial statements of Drum Point Village West Condominium Association, Inc., which comprise the balance sheet as of March 31, 2022, and the related statements of revenues, expenses, and changes in fund balance 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 Drum Point Village West Condominium Association, Inc. as of March 31, 2022, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Drum Point Village West Condominium Association, Inc. 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 Management for the Financial Statements

Management 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, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Drum Point Village West Condominium Association, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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.
- 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 Drum Point Village West Condominium Association, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Drum Point Village West Condominium Association, Inc.'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.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

The Board and Management have omitted the supplementary information on future repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by the missing information.



SYNKOWSKI & NORMANN

Certified Public Accountants

Farmingdale, New Jersey

August 9, 2022

DRUM POINT VILLAGE WEST CONDOMINIUM ASSOCIATION, INC.
BALANCE SHEETS
MARCH 31, 2022

	<u>OPERATING FUND</u>	<u>CAPITAL REPLACEMENT FUND</u>	<u>TOTAL</u>
ASSETS			
Cash & Cash Equivalents	\$ 70,398	\$ 225,256	\$ 295,654
Assessments Receivable (net of allowance for doubtful accounts of \$22,748)	1,402		1,402
Prepaid Insurance	12,521		12,521
Federal Income Tax Receivable	247		247
Due from Capital Replacement Fund	<u>14,649</u>	<u>(14,649)</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 99,217</u>	<u>\$ 210,607</u>	<u>\$ 309,824</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable & Accrued Expenses	\$ 10,818	\$ -	\$ 10,818
Assessments Received in Advance	14,155		14,155
Deferred Snow Expense	<u>1,305</u>	<u>-</u>	<u>1,305</u>
TOTAL LIABILITIES	26,278	-	26,278
 FUND BALANCES	 <u>72,939</u>	 <u>210,607</u>	 <u>283,546</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 99,217</u>	<u>\$ 210,607</u>	<u>\$ 309,824</u>

The accompanying notes are an integral part of these financial statements

EXHIBIT A

DRUM POINT VILLAGE WEST CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2022

	<u>OPERATING FUND</u>	<u>CAPITAL REPLACEMENT FUND</u>	<u>TOTAL</u>
REVENUES:			
Maintenance Assessments	\$ 157,709	\$ 58,891	\$ 216,600
Interest Income		1,002	1,002
Late Fees & Fines	1,855		1,855
Membership Fees	12,000	-	12,000
TOTAL REVENUES	<u>171,564</u>	<u>59,893</u>	<u>231,457</u>
EXPENSES:			
Auditing Fees	1,800		1,800
Bookkeeping Fees	3,600		3,600
Bad Debts	5,236		5,236
Office Supplies & Postage	788		788
Telephone	203		203
Other Administrative Expenses	351		351
Insurance	38,304		38,304
Electricity	890		890
Lawn Care & Landscaping	87,294		87,294
Irrigation Repairs & Maintenance	5,063		5,063
Critter & Pest Control	10,653		10,653
General Repairs & Maintenance	21,020		21,020
Improvements - Driveways & Roadways	-	30,745	30,745
TOTAL EXPENSES	<u>175,202</u>	<u>30,745</u>	<u>205,947</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(3,638)	29,148	25,510
FUND BALANCES - APRIL 1, 2021	<u>76,577</u>	<u>181,459</u>	<u>258,036</u>
FUND BALANCES - MARCH 31, 2022	<u>\$ 72,939</u>	<u>\$ 210,607</u>	<u>\$ 283,546</u>

The accompanying notes are an integral part of these financial statements

DRUM POINT VILLAGE WEST CONDOMINIUM ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2022

	<u>OPERATING FUND</u>	<u>CAPITAL REPLACEMENT FUND</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess (Deficiency) of Revenues Over Expenses	\$ (3,638)	\$ 29,148	\$ 25,510
Adjustments to Reconcile Excess (Deficiency) of Revenues Over Expenses to Net Cash Provided (Used) by Operating Activities:			
Interfund Borrowings	84,072	(84,072)	-
(Increase) Decrease in:			
Assessments Receivable (net)	3		3
Prepaid Insurance	(693)		(693)
Increase (Decrease) in:			
Accounts Payable & Accrued Expenses	1,801		1,801
Assessments Received in Advance	700		700
Deferred Snow Expense	<u>(21,645)</u>	<u>-</u>	<u>(21,645)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	60,600	(54,924)	5,676
CASH & CASH EQUIVALENTS AT APRIL 1, 2021	<u>9,798</u>	<u>280,180</u>	<u>289,978</u>
CASH & CASH EQUIVALENTS AT MARCH 31, 2022	<u>\$ 70,398</u>	<u>\$ 225,256</u>	<u>\$ 295,654</u>

The accompanying notes are integral part of these financial statements

EXHIBIT C

Drum Point Village West Condominium Association, Inc.
Notes to Financial Statements
March 31, 2022

Note 1: Nature and History of Organization

Drum Point Village West Condominium Association, Inc. (the “Association”) is a statutory condominium association incorporated in the State of New Jersey on October 8, 1987. The Association is responsible for the operation and maintenance of the common property of Drum Point Village West Condominiums.

Drum Point Village West Condominiums is approved to consist of 95 residential units located on approximately 17 acres in the Township of Brick, Ocean County, New Jersey. All 95 units have been completed and conveyed to their respective owners.

Note 2: Date of Management Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through August 9, 2022, the date that the financial statements were available to be issued.

Note 3: Summary of Significant Accounting Policies

Fund Accounting

The Association is a not-for-profit organization that employs the fund method of accounting on the accrual basis to ensure compliance with limitations and restrictions on the use of its financial resources as established in the Association’s governing documents and by actions of the Board of Trustees or the Association’s voting membership.

Financial resources are classified for accounting and reporting purposes in the following funds established according to their nature and purpose:

Operating Fund – This fund is used to account for financial resources available for the general operations of the Association. Disbursements from this fund are generally at the discretion of the Board of Trustees.

Capital Replacement Fund – This fund is used to accumulate financial resources designated for future major repairs and replacements. Disbursements from this fund are generally restricted to the specific purposes established.

Cash & Cash Equivalents

Cash and cash equivalents include cash held in bank deposit accounts and money market funds. Cash and cash equivalents may at times exceed the federally insured amounts.

Drum Point Village West Condominium Association, Inc.
Notes to Financial Statements
March 31, 2022

Note 3: Summary of Significant Accounting Policies (continued)

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Interest Earned

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

Member Assessments and Assessments Receivable

Association members are subject to monthly common expense assessments to provide funds for the Association's operating expenses, future capital acquisitions, and major repairs and replacements. Assessments receivable at the balance sheet date represent fees due from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. On a periodic basis, the Board and management evaluate the receivables and establish an allowance for doubtful accounts, based on a history of past write-offs and collections and current legal status of past due accounts.

The monthly assessment to owners was \$190 for the fiscal year ended March 31, 2022. Of that amount, approximately \$51.66 was designated to the capital replacement fund.

The monthly assessments are based on the annual budget as determined by the Board of Trustees. The Association retains any excess assessments in the operating fund at year-end for use in future periods as determined annually by the Board of Trustees.

Property and Equipment

Real and common area property acquired from the developer, and subsequent related improvements to such property, are not recorded in the Association's financial statements as they are owned by the individual unit owners in common and not the Association.

Drum Point Village West Condominium Association, Inc.
Notes to Financial Statements
March 31, 2022

Note 3: Summary of Significant Accounting Policies (continued)

Revenue Recognition

Assessment revenue is recognized when assessments are due. Any amounts received in advance of the due date are deferred until due. The Financial Accounting Standards Board issued Accounting Standards Code 606 requiring the deferral of the recognition of income until the services are rendered. The Association has determined ASC 606 does not apply to the Association as no customer relationship exists as it is defined by the Code. The Association does not defer the recognition of any portion of revenue as a contract liability.

Note 4: 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. By filing as a regular corporation, the Association is generally taxed at a lower rate than by filing as a condominium management association.

For the year ended March 31, 2022, 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 expenses to offset non-membership type 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 was incorporated under Title 15A of the New Jersey Statutes and therefore it is not liable for New Jersey corporation business income tax.

Note 5: Concentration of Credit Risk

Financial instruments which potentially subject the Association to significant concentrations of credit risk consist principally of cash. The Association's cash deposits are insured up to \$250,000 per institution by Federal Depository Insurance Coverage (FDIC). At times during the year, cash balances may exceed insured limits. The Association is also potentially subject to concentrations of credit risk in its accounts receivable. Concentrations of credit risk with respect to the member's assessments receivable are limited to each residential unit separately and are subject to the association's collection procedures. As of March 31, 2022 the Association had no significant concentrations of credit risk.

Drum Point Village West Condominium Association, Inc.
Notes to Financial Statements
March 31, 2022

Note 6: Future Major Repairs and Replacements

The Association's governing documents require that funds be accumulated for future maintenance and major repairs and replacements. Accumulated funds, which aggregate \$210,607 at March 31, 2022, are held in separate accounts and generally are not available for operating purposes.

Funds are being accumulated in the replacement fund based on the Association management's estimate of future needs. Actual expenditures may vary from those estimates, and the variation may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet future needs for major repairs and replacements.

The Association has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. Accordingly, the Association is unable to disclose that information as supplementary information, as required by generally accepted accounting principles. The Board has also not developed a plan to fund those needs that would have been identified by such a study. Additionally, replacement fund cash and investments balances may, at times, be less than or more than the fund balances, resulting in an interfund balance. If additional amounts 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. The effect on future assessments is unknown at this time.

Note 7: Other Matters

Due to the COVID-19 breakout worldwide, uncertainties may arise which may negatively impact the Association's activities. The financial impact of these matters, if any, cannot be reasonably estimated at this time.