

**AUTUMN RIDGE AT MANCHESTER
CONDOMINIUM ASSOCIATION, INC.**

Financial Statements

For the years ended December 31, 2018 and 2017

(With Independent Auditor's Report thereon)

AUTUMN RIDGE AT MANCHESTER CONDOMINIUM ASSOCIATION, INC.

Table of Contents

For the years ended December 31, 2018 and 2017

	<u>Page</u>
Independent Auditor's Report	1
Statement of Financial Position December 31, 2018	2
Statement of Financial Position December 31, 2017	3
Statement of Activities For the year ended December 31, 2018	4
Statement of Activities For the year ended December 31, 2017	5
Statements of Cash Flows	6
Notes to Financial Statements	7-11



HOLMAN | FRENIA
ALLISON, P.C.

Certified Public Accountants & Consultants

680 Hooper Avenue, Bldg B, Toms River, NJ 08753 • Tel: 732.797.1333
618 Stokes Road, Medford, NJ 08055 • Tel: 609.953.0612
912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800
194 East Bergen Place, Red Bank, NJ 07701 • Tel: 732.747.0010

www.hfacpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members
Autumn Ridge at Manchester Condominium Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Autumn Ridge at Manchester Condominium Association, Inc. (a nonprofit Organization) which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Autumn Ridge at Manchester Condominium Association, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

HOLMAN FRENIA ALLISON, P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants and Consultants

September 10, 2019
Toms River, New Jersey

AUTUMN RIDGE AT MANCHESTER CONDOMINIUM ASSOCIATION, INC.
Statement of Financial Position
December 31, 2018

	2018		
	Operating Fund	Common Reserve Fund	Total
ASSETS			
Current assets:			
Cash	\$ 14,038	\$ 31,647	\$ 45,685
Prepaid insurance	11,624	-	11,624
Accounts receivable	1,089	325	1,414
Total assets	\$ 26,751	\$ 31,972	\$ 58,723
LIABILITIES AND NET ASSETS			
Current liabilities:			
Unearned revenue	\$ 14,609	\$ 800	\$ 15,409
Accounts payable	5,003	-	5,003
Total current liabilities	19,612	800	20,412
Total liabilities	19,612	800	20,412
Net assets:			
Net assets with donor restrictions	-	31,172	31,172
Net assets without donor restrictions	7,139	-	7,139
Total net assets	7,139	31,172	38,311
Total liabilities and net assets	\$ 26,751	\$ 31,972	\$ 58,723

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

AUTUMN RIDGE AT MANCHESTER CONDOMINIUM ASSOCIATION, INC.
Statement of Financial Position
December 31, 2017

	2017		
	Operating Fund	Common Reserve Fund	Total
ASSETS			
Current assets:			
Cash	\$ 6,715	\$ 7,525	\$ 14,240
Prepaid insurance	7,778	-	7,778
Accounts receivable	125	25	150
Total assets	\$ 14,618	\$ 7,550	\$ 22,168
LIABILITIES AND NET ASSETS			
Current liabilities:			
Unearned revenue	\$ 8,778	\$ 200	\$ 8,978
Accounts payable	6,323	-	6,323
Total current liabilities	15,101	200	15,301
Total liabilities	15,101	200	15,301
Net Assets:			
Net assets with donor restrictions	-	7,350	7,350
Net assets without donor restrictions	(483)	-	(483)
Total net assets	(483)	7,350	6,867
Total liabilities and net assets	\$ 14,618	\$ 7,550	\$ 22,168

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

AUTUMN RIDGE AT MANCHESTER CONDOMINIUM ASSOCIATION, INC.

Statement of Activities

For the year ended December 31, 2018

	2018		
	Operating Fund	Common Reserve Fund	Total
Operating revenues:			
In-kind contribution	\$ 16,816	\$ -	\$ 16,816
Association dues	46,128	-	46,128
Capital contributions	-	15,300	15,300
Other revenue	18,301	-	18,301
Reserve dues	-	9,098	9,098
Interest income	18	-	18
Total operating revenues	<u>81,263</u>	<u>24,398</u>	<u>105,661</u>
Net assets released from restrictions	<u>576</u>	<u>(576)</u>	<u>-</u>
Total support and revenue	<u>81,839</u>	<u>23,822</u>	<u>105,661</u>
Operating expenses:			
Snow removal	18,680	-	18,680
Landscaping and maintenance	20,709	-	20,709
Miscellaneous	946	-	946
Trash removal	6,815	-	6,815
Total operating expenses	<u>47,150</u>	<u>-</u>	<u>47,150</u>
Administrative expenses:			
Insurance	27,067	-	27,067
Total administrative expenses	<u>27,067</u>	<u>-</u>	<u>27,067</u>
Total expenses	<u>74,217</u>	<u>-</u>	<u>74,217</u>
Change in net assets	7,622	23,822	31,444
Net assets, beginning of year	(483)	7,350	6,867
Net assets, end of year	<u>\$ 7,139</u>	<u>\$ 31,172</u>	<u>\$ 38,311</u>

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

AUTUMN RIDGE AT MANCHESTER CONDOMINIUM ASSOCIATION, INC.

Statement of Activities

For the year ended December 31, 2017

	2017		
	<u>Operating Fund</u>	<u>Common Reserve Fund</u>	<u>Total</u>
Operating revenues:			
In-kind contribution	\$ 10,889	\$ -	\$ 10,889
Association dues	7,406	-	7,406
Capital contributions	-	5,850	5,850
Other revenue	1,935	-	1,935
Reserve dues	-	1,500	1,500
Interest income	4	-	4
Total operating revenues	<u>20,234</u>	<u>7,350</u>	<u>27,584</u>
Operating expenses:			
Snow removal	5,408	-	5,408
Landscaping and maintenance	1,959	-	1,959
Miscellaneous	1,000	-	1,000
Trash removal	1,461	-	1,461
Total operating expenses	<u>9,828</u>	<u>-</u>	<u>9,828</u>
Administrative expenses:			
Insurance	10,889	-	10,889
Total administrative expenses	<u>10,889</u>	<u>-</u>	<u>10,889</u>
Total expenses	<u>20,717</u>	<u>-</u>	<u>20,717</u>
Change in net assets	(483)	7,350	6,867
Net assets, beginning of year	-	-	-
Net assets, end of year	<u>\$ (483)</u>	<u>\$ 7,350</u>	<u>\$ 6,867</u>

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

AUTUMN RIDGE AT MANCHESTER CONDOMINIUM ASSOCIATION, INC.

Statement of Cash Flows

For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from tenants	\$ 88,838	\$ 36,412
Cash paid to vendors	<u>(57,393)</u>	<u>(22,172)</u>
Net cash flows from operating activities	<u>31,445</u>	<u>14,240</u>
Net change in cash	31,445	14,240
Cash, beginning of year	<u>14,240</u>	<u>-</u>
Cash, end of year	<u><u>\$ 45,685</u></u>	<u><u>\$ 14,240</u></u>
Reconciliation of change in net assets to cash flows from operating activities:		
Change in net assets	\$ 31,444	\$ 6,867
Working capital changes which (used)/provided cash:		
Accounts receivable	(1,414)	(150)
Prepaid insurance	11,624	(7,778)
Unearned revenues	(15,409)	8,978
Accounts payable	5,003	6,323
Accrued expenses	<u>197</u>	<u>-</u>
Net cash flows from operating activities	<u><u>\$ 31,445</u></u>	<u><u>\$ 14,240</u></u>

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

AUTUMN RIDGE AT MANCHESTER CONDOMINIUM ASSOCIATION, INC.

Notes to Financial Statements

For the years ended December 31, 2018 and 2017

NOTE 1: ORGANIZATION AND PURPOSE

The Autumn Ridge at Manchester Condominium Association, Inc. (the "Association"), is organized as a not-for-profit corporation which began operations in 2017. The purpose of the Association is to maintain and preserve the common property of the Association. The Association consists of 47 occupied condominium units as of December 31, 2018 and is located in Manchester, New Jersey. The Association commenced operations on June 15, 2017.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Method

The financial statements of Autumn Ridge at Manchester Condominium Association, Inc. have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

B. Basis of Presentation

The Association's governing documents provide certain guidelines for governing its financial activities. To ensure observance of limitations and restrictions on the use of financial resources, the Association maintains its accounts using fund accounting. Interfund borrowing is permitted by the bylaws subject to Board approval. Such amounts are intended to be repaid as and when funds become available. The Association's policy is to allocate interest earned on deposits to the respective fund in which it is earned. The assets, liabilities, and fund balances of the Association are reported in the fund groups listed below.

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

Common Reserve – This fund represents the portion of expendable funds that is available for disbursements for designated purposes.

C. Membership Fees

Association members are charged monthly at a rate of \$150 for 2018. Purchasers of units are charged a one-time non-refundable capital contribution fee of \$450.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less. The Association places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the FDIC insurance limit.

AUTUMN RIDGE AT MANCHESTER CONDOMINIUM ASSOCIATION, INC.

Notes to Financial Statements (continued)

For the years ended December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Accounts Receivable

Accounts receivable consist of member assessment fees. The Association records accounts receivable for fees and revenues that are recognized but not paid at the time of benefit/service in accordance with their revenue recognition policy. These receivables are reviewed periodically to ensure that assets are not overstated due to lack of collectability. The Association uses the direct write-off method to record bad debts, and considers the amounts reported to be substantially collectible as of the Statement of Financial Position date.

F. Property and Equipment

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

Personal property acquired by using the Association's funds is recorded at cost. Depreciation is provided over the estimated useful lives of the assets between 3-7 years using the straight-line method.

Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

H. Revenue Recognition

The Association recognizes revenue when earned. Revenue is earned mainly through member assessment fees and is considered to be earned on the date when the fees are due.

I. Income Taxes

For Federal income tax purposes, the Association files its income tax return as a regular corporation and is subject to Federal tax on net income derived from nonmembers pursuant to Section 277 of the Internal Revenue Code. The Association is exempt from state income taxes.

The Association's tax filings are subject to audit. The Association's federal income tax returns for 2017, 2016, and 2015 remain open to examination by the Internal Revenue Service. In evaluating the Association's tax provisions and accruals, the Association believes that its estimates are appropriate based on current facts and circumstances.

AUTUMN RIDGE AT MANCHESTER CONDOMINIUM ASSOCIATION, INC.

Notes to Financial Statements (continued)

For the years ended December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Fair Value Measurements

The Association categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level I – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level II – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level III – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the Association may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The following methods and assumptions were used by the Association in estimating the fair value of its financial instruments:

Certificate of Deposit – Valued at the net asset value (NAV) at year end where the NAV is valued at \$1 per unit.

K. Impact of Recently Issued Accounting Principles

Recently Issued Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which is applicable for all entities that enter into contracts with customers to transfer goods and services or enter into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance or lease contracts). This ASU supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, the most industry-specific guidance. The core principal of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects. There are five steps to achieve this core principle. Entities can either apply this standard retrospectively to each prior reporting period presented or retrospectively apply with the cumulative

AUTUMN RIDGE AT MANCHESTER CONDOMINIUM ASSOCIATION, INC.

Notes to Financial Statements (continued)

For the years ended December 31, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Impact of Recently Issued Accounting Principles (continued)

effect at the date of initial application. This statement is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted for fiscal years beginning after December 15, 2016. The Association has not yet implemented this ASU and is currently evaluating the impact of the adoption of this standard on the financial statement and related disclosures.

In February 2016, the FASB issued (ASU) 2016-02, *Leases*. The new ASU will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and lease back transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. This standard will be effective for nonpublic businesses for fiscal years beginning after December 15, 2019. Early implementation will be permitted. The Association has not yet implemented this ASU and is currently evaluating the impact of the adoption of this standard on the financial statement and related disclosures.

In February 2017, the FASB issued (ASU) 2017-05, *Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets* (Subtopic 610-20). The amendment clarifies the scope of asset derecognition guidance and accounting for partial sales of nonfinancial assets, such as intangible assets, land, buildings, materials and supplies. It is effective for annual periods beginning after December 15, 2018. An entity is required to apply the amendments in ASU 2017-05 at the same time that it applies the new revenue recognition standard (see ASU 2014-09 above). The Association has not yet implemented this ASU and is currently evaluating the impact of the adoption of this standard on the financial statement and related disclosures.

L. Subsequent Events

The Association has evaluated subsequent events occurring after the Statement of Financial Position date through September 10, 2019, which is the date the financial statements were available to be issued.

AUTUMN RIDGE AT MANCHESTER CONDOMINIUM ASSOCIATION, INC.

Notes to Financial Statements (continued)

For the years ended December 31, 2018 and 2017

NOTE 3: CASH

The deposits held by Autumn Ridge at Manchester Condominium Association, Inc. at December 31, 2018, and reported at fair value, are as follows:

	<u>2018</u>	<u>2017</u>
Deposits:		
Demand deposits	\$ <u>45,685</u>	\$ <u>14,240</u>
Total deposits	<u>\$ 45,685</u>	<u>\$ 14,240</u>
	<u>2018</u>	<u>2017</u>
Reconciliation of the Balance Sheets:		
Cash	\$ <u>45,685</u>	\$ <u>14,240</u>
Total cash	<u>\$ 45,685</u>	<u>\$ 14,240</u>

A. Custodial Credit Risk

Deposits in financial institutions, reported as components of cash had a bank balances of \$45,385 and \$14,240 at December 31, 2018 and 2017. Of the bank balances, \$45,385 and \$14,240 were fully insured by depository insurance at December 31, 2018 and 2017.

NOTE 4: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Association's governing documents require funds to be accumulated for future major repairs and replacements. Accumulated funds are held in a separate account and are generally not available for operating purposes.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures 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 Association has the right to increase assessments, pass special assessments or delay major repairs and replacement until funds are available.

NOTE 5: COMMON PROPERTY

On December 31, 2018 the Association had no title to common real and personal property consisting of underlying land, roofs, sidewalks, parking lots, fence and other completed property.

In accordance with the criteria set forth in the AICPA's Guide to Audits of Common Interest Realty Associations, the Association does not recognize such aforementioned common property on its statement of financial position. The Association is responsible for preserving and maintaining the properties.