

**Financial Statements**  
**Riverwalk at Rahway Condo Association**

**RIVERWALK AT RAHWAY  
CONDOMINIUM ASSOCIATION, INC.**

**FINANCIAL REPORT**

**DECEMBER 31, 2017**

**RIVERWALK AT RAHWAY  
CONDOMINIUM ASSOCIATION, INC.  
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DECEMBER 31, 2017**

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FELDMAN SABLOSKY MASSONI  
Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Riverwalk at Rahway Condominium Association, Inc.

### **Report on Financial Statements**

We have audited the accompanying financial statements of Riverwalk at Rahway Condominium Association, Inc. which comprise the balance sheet as of December 31, 2017 and the related statements of revenues, expenses and changes in fund balances and cash flows for the year then ended and the related notes to the financial statements.

### **The Board and Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverwalk at Rahway Condominium Association, Inc. as of December 31, 2017 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Disclaimer of Opinion on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of the Board and management regarding the methods of preparing the information and comparing the information for consistency with their responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Emphasis of Matter**

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

**Report on Other Supplementary Information**

Our audit was conducted for the purpose of forming an opinion of the basic financial statements taken as a whole. The supplementary information shown on pages 11-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been summarized from Association records and, except as labeled otherwise, has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Feldman Sablosky Massoni & Company*

Monroe Township, New Jersey

May 24, 2018

RIVERWALK AT RAHWAY  
 CONDOMINIUM ASSOCIATION, INC.  
 BALANCE SHEET  
 DECEMBER 31, 2017

	Total	Operating <u>Fund</u>	Replacement <u>Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 281,617	\$ 144,097	\$ 137,520
Assessments receivable, net of allowance for doubtful accounts of \$171,300	4,458	4,458	-
Prepaid insurance	48,587	48,587	-
Interfund balances	<u>-</u>	<u>5,642</u>	<u>(5,642)</u>
 Total Assets	 <u>\$ 334,662</u>	 <u>\$ 202,784</u>	 <u>\$ 131,878</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 30,793	\$ 30,793	\$ -
Assessments received in advance	7,466	7,466	-
Escrow deposits	48,637	48,637	-
Loan payable	<u>23,312</u>	<u>23,312</u>	<u>-</u>
 Total Liabilities	 110,208	 110,208	 -
 Fund Balances	 <u>224,454</u>	 <u>92,576</u>	 <u>131,878</u>
 Total Liabilities and Fund Balances	 <u>\$ 334,662</u>	 <u>\$ 202,784</u>	 <u>\$ 131,878</u>

See notes to financial statements.

RIVERWALK AT RAHWAY  
 CONDOMINIUM ASSOCIATION, INC.  
 STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Total	Operating <u>Fund</u>	Replacement <u>Fund</u>
<b>REVENUES:</b>			
Maintenance assessments	\$ 364,296	\$ 309,296	\$ 55,000
Working capital contributions	4,900	4,900	-
Reserve capital contributions	10,590	-	10,590
Legal fee income	2,820	2,820	-
Late fees and fines	2,725	2,725	-
Interest income	241	63	178
	<u>385,572</u>	<u>319,804</u>	<u>65,768</u>
<b>Total Revenues</b>			
<b>EXPENSES:</b>			
General and administrative	154,054	154,054	-
Grounds and building maintenance	125,778	125,778	-
Utilities	16,574	16,574	-
Concrete sidewalk	6,450	-	6,450
	<u>302,856</u>	<u>296,406</u>	<u>6,450</u>
<b>Total Expenses</b>			
<b>Excess of Revenues over Expenses</b>	82,716	23,398	59,318
<b>Fund Balances - Beginning of Year</b>	<u>141,738</u>	<u>69,178</u>	<u>72,560</u>
<b>Fund Balances - End of Year</b>	<u>\$ 224,454</u>	<u>\$ 92,576</u>	<u>\$ 131,878</u>

See notes to financial statements.

RIVERWALK AT RAHWAY  
 CONDOMINIUM ASSOCIATION, INC.  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Total</u>	<u>Operating Fund</u>	<u>Replacement Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Excess of revenues over expenses	\$ 82,716	\$ 23,398	\$ 59,318
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Provision for bad debts	18,968	18,968	-
Changes in assets and liabilities:			
(Increase) Decrease in:			
Assessments receivable	820	820	-
Prepaid insurance	(13,126)	(13,126)	-
Interfund balances	-	(14,488)	14,488
Increase (Decrease) in:			
Accounts payable and accrued expenses	22,634	22,634	-
Assessments received in advance	(4,536)	(4,536)	-
Escrow deposits	10,590	10,590	-
Net Cash Provided by Operating Activities	<u>118,066</u>	<u>44,260</u>	<u>73,806</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayment of debt	<u>(8,340)</u>	<u>(8,340)</u>	<u>-</u>
Net Cash Used in Financing Activities	<u>(8,340)</u>	<u>(8,340)</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	109,726	35,920	73,806
Cash and Cash Equivalents - Beginning of Year	<u>171,891</u>	<u>108,177</u>	<u>63,714</u>
Cash and Cash Equivalents - End of Year	<u>\$ 281,617</u>	<u>\$ 144,097</u>	<u>\$ 137,520</u>
<b>Supplemental Cash Flow Information:</b>			
Taxes paid	<u>\$ -</u>		
Interest paid	<u>\$ 1,767</u>		

See notes to financial statements.



RIVERWALK AT RAHWAY  
CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 1 - Nature of Organization:

Riverwalk at Rahway Condominium Association, Inc. (the "Association"), is an incorporated association pursuant to the New Jersey Condominium Act. The purpose of the Association is 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 86 residential units, located in Rahway, New Jersey.

Note 2 - Summary of Significant Accounting Policies:

Fund Accounting

The Association's legal documents (i.e., Public Offering Statement, Master Deed and By-laws) provide certain guidelines to govern the Association's financial activities. In order to ensure observance of 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. This is the procedure by which resources for various functions are classified for accounting and reporting purposes into funds established according to their nature and purpose. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities and fund balances of the Association are reported in the following fund groups:

Operating Fund

This fund represents the portion of expendable funds that are available for the general operations of the Association.

Replacement Fund

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

Cash and Cash Equivalents

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

Interest Earned

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

RIVERWALK AT RAHWAY  
CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 2 - Summary of Significant Accounting Policies (continued):

Use of Estimates

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

Subsequent Events

The Board has evaluated subsequent activity through the date of the auditor's report, May 24, 2018, which is the date the financial statements were available to be issued.

Note 3 - Assessments Receivable:

Association members are subject to monthly maintenance assessments to provide funds for the Association's operating expenses, future capital acquisitions and major repairs and replacements. Assessments receivable at the balance sheet date represent assessments due from unit owners. On a periodic basis, the Board and management evaluate the assessments receivable and establish an allowance for doubtful accounts, based on a history of past write-offs, collections and current legal status of past due accounts. An allowance for doubtful accounts in the amount of \$171,300 was deemed necessary as of December 31, 2017.

The annual budget and assessments of owners are determined by the Board of Trustees. The Association retains excess operating funds at the end of the operating year, if any, for use in future operating periods.

Note 4 - Escrow Deposits:

Each member of the Association must maintain the equivalent of two months of the then maintenance assessments at the time of closing as security against non-payment of future assessments. Escrow deposits are refundable or transferable upon sale of the unit.

Note 5 - Loan Payable:

During the year ended December 31, 2009, the Association secured a loan for \$74,700 with Mutual of Omaha Bank, which was used to pave the parking lots. The loan is payable in monthly payments of \$842.33 including interest equal to 6.25% and principal based upon a 10 year amortization schedule. The note is due June, 2020. The amount owed to Mutual of Omaha Bank on December 31, 2017 is \$23,312.

RIVERWALK AT RAHWAY  
 CONDOMINIUM ASSOCIATION, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2017

**Note 5 - Loan Payable (continued):**

The aggregate loan payable maturing during the next three years and thereafter is as follows:

<u>Years Ending December 31,</u>	
2018	\$ 8,885
2019	9,467
2020	4,960
	<u>\$ 23,312</u>

Interest expense on the loan amounted to \$1,767 for the year ended December 31, 2017.

**Note 6 - Future Major Repairs and Replacements:**

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

DW Smith Associates, LLC conducted a capital reserve study in November, 2016 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were based on the estimated replacement costs at the time the study was done and may vary between the date of the study and the estimated dates that the components will require repair or replacement. The table included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on the 2016 study.

The 2016 study, based on the full funding method, recommends annual contributions of \$209,319 for the first 15 years, followed by an annual contribution of \$115,763 for the remaining years. The Board has allocated \$55,000 of annual assessments to the replacement fund in the 2017 budget and plans on increasing them in future budgets.

As of December 31, 2017, the Association is underfunded in the replacement fund by approximately \$117,000. In addition, the Association contributed \$55,000 to the replacement fund, which is approximately 26% of the amount recommended by the independent engineering firm.

Funds are being accumulated in the replacement fund based on estimated costs for repairs and replacements of common property components. Actual expenditures may vary from the estimated amounts and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Board has the right to increase regular assessments, pass special assessments or delay major repairs and replacements until funds are available.

RIVERWALK AT RAHWAY  
CONDOMINIUM ASSOCIATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

Note 7 – Working Capital Contributions:

Upon acquisition of title to a unit, including re-sales, each new member of the Association is required to pay a one-time, non-refundable, non-transferable working capital contribution of \$350. Working capital contributions are recorded as income to the operating fund in the accompanying financial statements.

Note 8 – Reserve Capital Contributions:

Upon acquisition of title to a unit, including re-sales, each new member of the Association is required to pay a one-time, non-refundable, non-transferable equivalent of two months of the then maintenance assessments as a reserve capital contribution. Reserve capital contributions are recorded as income to the reserve fund in the accompanying financial statements.

Note 9 - Income Taxes:

Under the Internal Revenue Code, an association may be taxed as a condominium management association or as a regular corporation, at its election. The association may elect either method in any year and will generally select the method that results in the lowest tax due. A method selected in one year affects only that year and the association is free to select either method in future years. By filing as a regular corporation, the association is generally taxed at a lower rate than filing as a condominium management association.

For the year ended December 31, 2017, the Association has elected to be taxed as a regular corporation. No income taxes have been provided based on the excess of non-membership expenses over non-membership income.

Management and the Board have evaluated the Association's income tax positions that require adjustments to the financial statements. Generally, the Association is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for the years before 2014, which is the standard statute of limitations look-back period.

Note 10 - Concentrations of Credit Risk:

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

The Association maintains cash and cash equivalents with one financial institution which creates a potential concentration of credit risk. As of December 31, 2017, the Association had a significant concentration of credit risk for the excess over insured limitations at one bank amounting to approximately \$32,000.

Concentrations of credit risk with respect to assessments receivable are limited due to the large number of individuals comprising the membership of the Association.

# **SUPPLEMENTARY INFORMATION**

RIVERWALK AT RAHWAY  
 CONDOMINIUM ASSOCIATION, INC.  
 SUPPLEMENTARY INFORMATION ON FUTURE  
 MAJOR REPAIRS AND REPLACEMENTS  
 DECEMBER 31, 2017  
 (UNAUDITED)

DW Smith Associates, LLC, professional engineering consultants conducted a capital reserve study in November, 2016 to estimate the remaining useful lives and the replacement costs of the components of common property. Replacement costs were based on the estimated costs to repair or replace the common property components at the date of the study and may vary between the date of the study and the estimated dates that the components will require repair or replacement.

The following table is based upon the 2016 study and presents significant information about the components of common property.

COMPONENTS	As of 2016 Study (Unaudited)	
	ESTIMATED REMAINING USEFUL LIVES (YEARS)	ESTIMATED REPLACEMENT COSTS
<b>SITework:</b>		
Asphalt pavement	14	\$ 183,750
Asphalt seal coating	1	16,050
Concrete sidewalks and trash enclosure pads	15-20	163,405
Trash enclosure fence	3	4,441
Wood fence - perimeter and privacy	10	33,154
Concrete driveways and low flow channels	20	61,050
Mailboxes	15	10,800
Entrance and street signs/structures	10-15	9,200
<b>BUILDING STRUCTURE:</b>		
Roof shingles, aluminum gutters and downspouts	20	465,300
Vinyl siding	30	596,096
Cultured stone restoration	2	303,420
Brick re-pointing	12	92,400
Masonry Steps - cultured stone	3-5	492,000
Masonry Steps - brick	10-12	480,000
Aluminum stair railings	25	165,000
Total		\$ 3,076,066

Replacement Fund balance at December 31, 2017 \$131,878

RIVERWALK AT RAHWAY  
 CONDOMINIUM ASSOCIATION, INC.  
 SCHEDULE OF REVENUES, OPERATING EXPENSES AND  
 ALLOCATIONS TO REPLACEMENT FUND AS COMPARED TO BUDGET  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Actual</u>	("Unaudited") <u>Budget</u>
<b>REVENUES:</b>		
Maintenance assessments	\$ 364,296	\$ 364,296
Working capital contributions	4,900	4,200
Reserve capital contributions	10,590	-
Legal fee income	2,820	3,000
Late fees and fines	2,725	1,000
Interest income	<u>241</u>	<u>100</u>
 Total Revenues	 <u>385,572</u>	 <u>372,596</u>
<b>EXPENSES:</b>		
<b>GENERAL AND ADMINISTRATIVE:</b>		
Management fees	18,225	18,540
Insurance	94,477	102,117
Audit	3,050	2,900
Legal fees	10,687	18,000
Engineering	1,425	-
Office expenses	4,655	2,174
Bad debt expense	18,968	42,360
Interest expense	1,767	10,107
Administration fees	760	1,548
Licenses and permits	-	500
Bank fees	40	100
Miscellaneous	<u>-</u>	<u>100</u>
 Total General and Administrative	 <u>154,054</u>	 <u>198,446</u>

RIVERWALK AT RAHWAY  
 CONDOMINIUM ASSOCIATION, INC.  
 SCHEDULE OF REVENUES, OPERATING EXPENSES AND  
 ALLOCATIONS TO REPLACEMENT FUND AS COMPARED TO BUDGET  
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Actual</u>	("Unaudited") <u>Budget</u>
EXPENSES (continued):		
<b>GROUND AND BUILDING MAINTENANCE:</b>		
Landscaping	24,047	24,075
Landscaping enhancements	16,220	4,000
Snow clearing	56,635	40,825
Trash removal	12,820	14,000
General repairs, maintenance and supplies	15,527	15,250
Exterminating	<u>529</u>	<u>2,000</u>
Total Grounds and Building Maintenance	<u>125,778</u>	<u>100,150</u>
<b>UTILITIES:</b>		
Electricity	10,900	12,000
Water and sewer	<u>5,674</u>	<u>7,000</u>
Total Utilities	<u>16,574</u>	<u>19,000</u>
<b>REPLACEMENT FUND:</b>		
Maintenance assessments allocated to replacement fund	55,000	55,000
Reserve capital contributions allocated to replacement fund	10,590	-
Interest income allocated to replacement fund	<u>178</u>	<u>-</u>
Total Allocations to Replacement Fund	<u>65,768</u>	<u>55,000</u>
Total Expenses and Allocations to Replacement Fund	<u>362,174</u>	<u>372,596</u>
Excess of Revenues over Expenses	<u>\$ 23,398</u>	<u>\$ -</u>