

*Approved*

**LEGACY  
CONDOMINIUM  
ASSOCIATION, INC.**

**FINANCIAL  
STATEMENTS**

**YEAR ENDED  
DECEMBER 31, 2017**

**LEGACY CONDOMINIUM ASSOCIATION, INC.**

Financial Statements

For the Year Ended December 31, 2017

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**TABLE OF CONTENTS**

	<u>Page</u>
ACCOUNTANT'S REPORT .....	1
FINANCIAL STATEMENTS	
Balance Sheet.....	2
Statement of Revenues, Expenses and Changes in Fund Balance.....	3
Statement of Cash Flows .....	4
Notes to the Financial Statements .....	5
SUPPLEMENTARY INFORMATION	
Schedule of Total Revenues, Expenses and Allocations to Funds as Compared to Budget.....	10

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## ACCOUNTANT'S REPORT

To the Board of Directors of Legacy Condominium Association, Inc.

I have reviewed the accompanying balance sheet of Legacy Condominium Association, Inc. which comprise the balance sheet as of December 31, 2017, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the association's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 the financial statements that are free from material misstatement whether due to fraud or error.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements for them to be in accordance with accounting principles generally accepted in the United States of America.

The American Institute of Certified Public Accountants has determined that supplementary information about future major repairs and replacements of common property is required to supplement, but not required to be a part of, the basic financial statements. The Association has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented this supplementary information.



Kelly A. Batz, CPA

Linwood, New Jersey  
September 22, 2018

**LEGACY CONDOMINIUM ASSOCIATION, INC.**

Balance Sheet

December 31, 2017

(with comparative totals for 2016)

	<u>Operating</u>	<u>Replacement</u>	<u>2017</u>	<u>2016</u>
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and interest bearing deposits	\$ 3,846	\$ 88,372	\$ 92,218	\$ 89,139
Assessments receivable	4,025	0	4,025	4,595
Prepaid expenses	12,037	0	12,037	11,450
Condominium Unit 202	43,200	0	43,200	43,200
Due from Operating Fund	<u>0</u>	<u>85,593</u>	<u>85,593</u>	<u>90,347</u>
 Total Assets	 <u>\$ 63,108</u>	 <u>\$ 173,965</u>	 <u>\$ 237,073</u>	 <u>238,731</u>
 <b>LIABILITIES AND FUND BALANCE</b>				
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0
Assessments received in advance	5,325	0	5,325	9,600
Due to Replacement Fund	<u>85,593</u>	<u>0</u>	<u>85,593</u>	<u>90,347</u>
 Total Liabilities	 <u>90,918</u>	 <u>0</u>	 <u>90,918</u>	 <u>99,947</u>
 <b>FUND BALANCE</b>				
Designated for future repairs and replacements	0	173,965	173,965	171,915
Undesignated funds	<u>(27,810)</u>	<u>0</u>	<u>(27,810)</u>	<u>(33,131)</u>
 Total Fund Balance (Deficit)	 <u>(27,810)</u>	 <u>173,965</u>	 <u>146,155</u>	 <u>138,784</u>
 Total Liabilities and Fund Balance	 <u>\$ 63,108</u>	 <u>\$ 173,965</u>	 <u>\$ 237,073</u>	 <u>\$ 238,731</u>

See accountant's report

**LEGACY CONDOMINIUM ASSOCIATION, INC.**

Statement of Revenues, Expenses, and Changes in Fund Balance

For the Year Ended December 31, 2017

(with comparative totals for 2016)

	<u>Operating Fund</u>	<u>Replacement Fund</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>REVENUES</b>				
Regular assessments	\$ 97,650	\$ 13,500	\$ 111,150	\$ 110,150
Special assessments	0	32,200	32,200	26,775
Late and delinquency charges	446	0	446	1,125
Municipal services reimbursement	1,800	0	1,800	2,666
Laundry room income	1,184	0	1,184	1,098
Rental income	6,540	0	6,540	6,304
Insurance proceeds	10,630	0	10,630	0
Other income	0	0	0	450
	<u>118,250</u>	<u>45,700</u>	<u>163,950</u>	<u>148,568</u>
<b>EXPENSES</b>				
Administrative	11,635	0	11,635	11,992
Payroll / employee expenses	9,550	0	9,550	11,120
Utilities and insurance	74,133	0	74,133	66,773
Maintenance expenses	17,611	0	17,611	21,614
Major repairs and replacement	0	43,650	43,650	203
	<u>112,929</u>	<u>43,650</u>	<u>156,579</u>	<u>111,702</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>				
	5,321	2,050	7,371	36,866
Fund Balance (deficit), beginning of year	<u>(33,131)</u>	<u>171,915</u>	<u>138,784</u>	<u>101,918</u>
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>	<u>\$ (27,810)</u>	<u>\$ 173,965</u>	<u>\$ 146,155</u>	<u>\$ 138,784</u>

See accountant's report

**LEGACY CONDOMINIUM ASSOCIATION, INC.**

Statement of Cash Flows  
For the Year Ended December 31, 2017  
(with comparative totals for 2016)

	Operating Fund	Replacement Fund	2017 Total	2016 Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Excess of revenues over expenses	\$ 5,321	\$ 2,050	\$ 7,371	36,866
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:				
(Increase) Decrease in:				
Assessments receivable	370	200	570	6,880
Prepaid expenses	(587)	0	(587)	130
Increase (Decrease) in:				
Accounts payable and accrued expenses	0	0	0	(27,834)
Assessments received in advance	(3,475)	(800)	(4,275)	7,273
Due to / from Replacement Fund	(4,754)	4,754	0	0
Net Cash Provided (Used) by Operating Activities	(3,125)	6,204	3,079	23,315
 NET INCREASE (DECREASE) IN CASH	 (3,125)	 6,204	 3,079	 23,315
Cash at beginning of year	6,971	82,168	89,139	65,824
Cash at end of year	\$ 3,846	\$ 88,372	\$ 92,218	\$ 89,139

See accountant's report

# LEGACY CONDOMINIUM ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended December 31, 2017

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## NOTE 1 - NATURE OF ORGANIZATION:

Legacy Condominium Association, Inc. is a statutory condominium association incorporated in the State of New Jersey and is located in Ocean City, New Jersey. The purpose of the Association is to provide for the maintenance, management and operation of common property and facilities.

Legacy Condominium Association consists of 24 residential units.

## NOTE 2 - DATE OF MANAGEMENT'S REVIEW:

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 22, 2018, the date that the financial statements were available to be issued.

## NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### **Fund Accounting**

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. 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.

**Replacement Fund** - This fund is used to accumulate financial resources designated for future major repairs and replacements, including elevator and roof repairs.

### **Member Assessments**

Association members are subject to quarterly 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 are stated at the amounts expected to be collected from outstanding assessments from unit owners. The Association's policy is to retain legal counsel and place liens on the properties of homeowners whose assessments are delinquent. Any excess assessments at year end are retained by the Association for use in the succeeding year.

No allowance for doubtful accounts is deemed necessary as of December 31, 2017.

# LEGACY CONDOMINIUM ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended December 31, 2017

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## NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

### **Cash and Cash Equivalents**

The Association considers all short-term investments with an original maturity of three months or less to be cash equivalents. During the 2017 and 2016 calendar years, no cash was paid for interest or taxes.

### **Property and Equipment**

In accordance with prevalent industry practice, the Association's policy is not to capitalize real property directly associated with individual units, or part of the fee simple ownership of the individual units. Also in accordance with prevalent industry practice, the Association's policy is to capitalize all equipment, personal property and real property not directly associated with the units to which it has title and to which it (1) has the right to sell and retain proceeds of, or (2) can use the property to generate significant cash flows on the basis of usage. Property and equipment that meet the preceding requirements are capitalized at cost and depreciated using the straight-line method. All other costs of repair and replacement are expensed as incurred or charged to the replacement fund if provided for therein.

Property not capitalized consists of sidewalks and open areas. The Association received these common elements in a non-monetary transaction with the developers. Since the use and disposition of these properties are restricted, or governed, by the Association's legal documents, no amounts have been capitalized, or reflected on the accompanying balance sheet.

During 2014, a unit owner had their property placed in foreclosure proceedings, and was in arrears for dues owed to the Association in the amount of \$43,200. In lieu of paying these fees, the unit owner signed legal documents that gave the Association the deed to Unit 202. This unit is currently reported on the balance sheet of the Association and was rented to transient tenants during calendar years 2017 and 2016. Rental income associated with unit 202 totaled \$6,540 and \$6,304 during the years ended December 31, 2017 and 2016, respectively.

### **Estimates**

The preparation of 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.



## LEGACY CONDOMINIUM ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended December 31, 2017

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### 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 December 31, 2017, the Association has elected to be taxed as a Condominium Management Association. Under that election, the association is taxed on its nonexempt function income, such as rental income and interest earnings, at a flat rate of 30%. Exempt function income, which consists primarily of member assessments, is not taxable.

The Association regularly reviews and evaluates its tax positions taken in previously filed tax returns and as reflected in its financial statements, with regard to issues affecting its tax status and related matters. The Association believes that in the event of an examination of taxing authorities, the Association's position would prevail based upon the technical merits of such positions. Therefore, the Association has concluded that no tax benefits or liabilities are required to be recognized. The Association is generally no longer subject to examination by the Internal Revenue Service for years before January 1, 2015.

No income tax was due for the years ended December 31, 2017.

The Association is incorporated pursuant to Title 15 of the New Jersey Statutes and therefore is not liable for New Jersey corporation business income tax.

### NOTE 5 - REPLACEMENT FUND:

The Association's governing documents require that funds be accumulated for future major repairs and replacements. For the year ended December 31, 2017, accumulated funds total \$173,965, \$85,593 of which was due from the operating fund.

These funds are held in two separate accounts which include capital reserve and roof reserve, and are generally not available for expenditures for operating purposes.

# LEGACY CONDOMINIUM ASSOCIATION, INC.

Notes to the Financial Statements  
For the Year Ended December 31, 2017

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## **NOTE 5 - REPLACEMENT FUND (CONTINUED):**

For the year ended December 31, 2017, the Association funded \$13,500 in regular assessments and \$32,200 in special assessments for the annual reserve contributions.

The Association has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future, nor has the board of directors developed a plan to fund those needs. When funds are required for major repairs and replacements, the Association plans to levy special assessments, increase maintenance assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

## **NOTE 6 - CONCENTRATION OF CREDIT RISK:**

The Association has reduced its concentrated credit risk for cash by maintaining deposits at recognized fiscally stable financial institutions, which may at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC). The maximum loss that would have resulted from that risk totaled \$0 as of December 31, 2017 for the excess of the deposit liabilities reported by the bank over the amounts that would have been covered by federal insurance. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Financial instruments which potentially subject the Association to concentration of credit risk are primarily accounts receivable due from owners. The Association routinely assesses the financial strength of its members, and as a consequence, believes that its accounts receivable credit risk exposure is limited.

**LEGACY CONDOMINIUM ASSOCIATION, INC.**

Supplementary Information

Schedule of Total Revenues, Expenses and Allocations to Funds  
as Compared to Budget

For the Year Ended December 31, 2017

	ACTUAL	BUDGET (Unaudited)	VARIANCE Favorable (Unfavorable)
<b>REVENUES</b>			
Regular assessments	\$ 97,650	\$ 92,493	\$ 5,157
Capital assessments	13,500	13,500	0
Special assessments	32,200	33,600	(1,400)
Late and delinquency charges	446	1,000	(554)
Municipal service reimbursement	1,800	2,500	0
Laundry room income	1,184	500	684
Rental income - Unit 202	6,540	11,000	(4,460)
Insurance proceeds	10,630	0	10,630
Reimbursements	0	200	(200)
Other income	0	500	(500)
<b>Total Revenues</b>	<b>\$ 163,950</b>	<b>\$ 155,293</b>	<b>\$ 9,357</b>
<b>EXPENSES</b>			
<b>Administrative</b>			
Management fees	\$ 8,700	\$ 8,700	\$ 0
Professional fees	2,058	1,550	(508)
Miscellaneous administrative	236	400	164
Office supplies	641	800	159
<b>Total Administrative Expenses</b>	<b>11,635</b>	<b>11,450</b>	<b>(185)</b>
<b>Payroll / Employee Expenses</b>			
Pool attendant / maintenance payroll	7,566	9,300	1,734
Payroll taxes and expenses	1,984	1,700	(284)
<b>Total Payroll / Employee Expenses</b>	<b>9,550</b>	<b>11,000</b>	<b>1,450</b>
<b>Utilities and Insurance</b>			
Electricity	7,926	9,100	1,174
Water and sewer	16,265	10,000	(6,265)
Cable Television / Wireless Internet	7,695	8,500	805
Telephone	1,004	900	(104)
Real estate taxes - Unit 202	0	2,000	2,000
Insurance	41,243	39,100	(2,143)
<b>Total Utilities and Insurance</b>	<b>74,133</b>	<b>69,600</b>	<b>(4,533)</b>

**LEGACY CONDOMINIUM ASSOCIATION, INC.**

Supplementary Information  
 Schedule of Total Revenues, Expenses and Allocations to Funds  
 as Compared to Budget  
 For the Year Ended December 31, 2017

	<u>ACTUAL</u>	<u>BUDGET</u> (Unaudited)	<u>VARIANCE</u> Favorable (Unfavorable)
<b>EXPENSES (Continued)</b>			
<b>Maintenance Expenses</b>			
Lighting	\$ 225	\$ 0	\$ (225)
Common area cleaning	169	100	(69)
Plumbing contract and supplies	150	500	350
Elevator	2,978	3,000	22
Building maintenance	5,636	7,000	1,364
Grounds maintenance	556	200	(356)
Miscellaneous maintenance	564	200	(364)
Maintenance - Unit 202	555	600	(45)
Pool operation	3,541	3,000	(541)
Fire protection / security	1,017	500	(517)
Snow and ice removal / supplies	0	100	(100)
Trash removal	2,220	2,500	280
	<u>17,611</u>	<u>17,700</u>	<u>(101)</u>
<b>Total Maintenance Expenses</b>			
<b>Major Repairs and Replacement Expenses</b>			
Siding project	0	8,001	8,001
Beam and deck repairs	18,000	0	(18,000)
Fire pump replacement	10,630	0	(10,630)
Carport ceiling	7,988	0	(7,988)
LED Lights	7,032	0	(7,032)
	<u>43,650</u>	<u>8,001</u>	<u>(35,649)</u>
<b>Total Major Repair and Replacement Expense</b>			
	<u>156,579</u>	<u>117,751</u>	<u>(39,018)</u>
<b>Total Expenses</b>			
<b>EXCESS OF REVENUES OVER EXPENSES</b>			
	<u>7,371</u>	<u>37,542</u>	<u>(30,171)</u>
<b>Replacement Fund Allocations</b>			
Allocated capital assessments	13,500	13,500	0
Allocated special assessments	32,200	33,600	(1,400)
Major repairs and replacement expense	(43,650)	(8,001)	(35,649)
	<u>2,050</u>	<u>39,099</u>	<u>(37,049)</u>
<b>Total Replacement Fund Allocations</b>			
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES, NET OF FUND ALLOCATIONS</b>			
	<u>\$ 5,321</u>	<u>\$ (1,557)</u>	<u>\$ 6,878</u>